Prospectus

Vattenfall AB

(*incorporated with limited liability under the laws of the Kingdom of Sweden*)

and

Vattenfall Treasury AB

(*incorporated with limited liability under the laws of the Kingdom of Sweden*)
under the guarantee of

Vattenfall AB

EUR6,000,000,000

Euro Medium Term Note Programme

On 5 July 1994, each of Vattenfall Treasury AB ("Vattenfall Treasury") and Vattenfall AB (the "Parent") entered into a U.S.$1,000,000,000 Euro Medium Term Note Programme (the "Programme") and issued a Prospectus on that date describing the Programme. Further Prospectuses describing the Programme were issued by the Issuers (as defined below). This Prospectus supersedes all previous Prospectuses. Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions herein. This does not affect any Notes already issued.

Under the Programme Vattenfall Treasury and the Parent (together with Vattenfall Treasury, the "Issuers" and each an "Issuer") may from time to time issue notes (the "Notes"), which expression shall include Ordinary Notes and Subordinated Notes (each as defined below)) denominated in any currency agreed between the relevant Issuer and the relevant Dealer(s) (as defined below).

The payments of all amounts due in respect of Notes issued by Vattenfall Treasury will be unconditionally and irrevocably guaranteed by the Parent.

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR6,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as provided herein. A description of the restrictions applicable at the date of this Prospectus relating to the maturity and denomination of certain Notes is set out on pages 6 and 9, respectively.

Factors which may affect each of Vattenfall Treasury's and the Parent's ability to fulfil its obligations under Notes issued under the Programme and factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are set out on pages 11 – 19.

The Notes will be issued on a continuing basis to one or more of the Dealers specified on page 5 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). References in this Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange plc's regulated market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated Market is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive"). Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined on page 37) of Notes will be set forth in a Final Terms document (the "Final Terms") which, with respect to Notes to be listed on the London Stock Exchange will be delivered to the UK Listing Authority and the London Stock Exchange in each case on or before the date of issue of the Notes of such Tranche.

Copies of the Final Terms (in the case of Notes to be admitted to the Official List) will be available from FT Business Research Centre operated by FT Interactive Data at Fitzroy House, 13-15 Epworth Street, London EC2A 4DL and from the specified office set out below of the Trustee (as defined herein) and each of the Paying Agents (as defined herein).

The Programme provides that Notes may be listed, or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the relevant Issuer and the relevant Dealer(s). The Issuers may also issue unlisted Notes.

The Notes of each Tranche (except Notes which are to be issued and cleared through VPC AB, a Swedish Central Securities Depository and Clearinghouse and which are in registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) ("VPC Registered Notes" and "VPC" respectively)) will initially be represented by a temporary global Note which will be deposited on the issue date thereof with Citibank, N.A., London Branch as common depositary or, as the case may be, a common safekeeper on behalf of Euroclear Bank S.A./N.V. ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or any other agreed clearing system which will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days' notice or (ii) is only exchangeable (in whole but not in part) for definitive Notes following the occurrence of an Exchange Event (as defined on page 21), all as further described in "Form of the Notes" below. The VPC Registered Notes of each Tranche will be issued in uncertificated and dematerialised registered form as more fully described in "Form of the Notes" below.

The relevant Issuer may agree with any Dealer and the Trustee (as defined below) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

Deutsche Bank

Dealers

Barclays Capital
Citi
Nordea
Société Générale Corporate & Investment Banking
BNP PARIBAS
Deutsche Bank
SEB
The Royal Bank of Scotland

The date of this Prospectus is 9 June 2008.

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive").

Each of Vattenfall Treasury and the Parent (the "Responsible Persons") accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of Vattenfall Treasury and the Parent (each having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus.

Neither the Dealers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by Vattenfall Treasury or the Parent. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by Vattenfall Treasury or the Parent in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by Vattenfall Treasury, the Parent, any of the Dealers or the Trustee.

Neither this Prospectus nor any other information supplied in connection with the Programme (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by Vattenfall Treasury, the Parent, any of the Dealers or the Trustee that any recipient of this Prospectus or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of Vattenfall Treasury and/or the Parent. Neither this Prospectus nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of Vattenfall Treasury or the Parent or any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained herein concerning Vattenfall Treasury and/or the Parent is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or any Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of Vattenfall Treasury or the Parent during the life of the Programme.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Vattenfall Treasury, the Parent, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that any Notes may be

lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions.

In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Sweden), Japan and France (see "Subscription and Sale" below).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "Subscription and Sale" below).

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to "SEK" refer to Swedish kronor, those to "U.S. dollars", "U.S.$" and "$" refer to United States dollars, those to "Sterling" and "£" refer to pounds sterling, those to "NOK" refer to Norwegian kroner, those to "Yen" refer to Japanese Yen and those to "EUR", "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (as amended).

TABLE OF CONTENTS

	Page
OVERVIEW OF THE PROGRAMME	5
RISK FACTORS	11
DOCUMENTS INCORPORATED BY REFERENCE	20
FORM OF THE NOTES	21
APPLICABLE FINAL TERMS	23
TERMS AND CONDITIONS OF THE NOTES	36
USE OF PROCEEDS	63
DESCRIPTION OF VATTENFALL TREASURY	64
SUMMARY FINANCIAL INFORMATION OF VATTENFALL TREASURY	66
INCOME STATEMENT OF VATTENFALL TREASURY	67
BALANCE SHEET FOR VATTENFALL TREASURY	68
DESCRIPTION OF THE GROUP	70
BOARD OF DIRECTORS OF THE PARENT	86
SUMMARY FINANCIAL INFORMATION OF THE PARENT	88
CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP	89
SWEDISH TAXATION	92
UNITED KINGDOM TAXATION	92
EU SAVINGS DIRECTIVE	93
SUBSCRIPTION AND SALE	94
GENERAL INFORMATION	97

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Final Terms. The relevant Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only, if appropriate, a supplemental prospectus will be published.

This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No.809/2004 implementing the Prospectus Directive.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this overview.

Issuers:	Vattenfall AB and Vattenfall Treasury AB.
Guarantor:	Vattenfall AB.
Risk Factors:	There are certain factors that may affect the Vattenfall AB's ability to fulfil its obligations under Notes issued under the Programme and/or under the Guarantee. These are set out under "*Risk Factors*" below and include "*Generation*", "*Transmission/Distribution*", "*Sales (supply and trading*") and "*Other*". There are also certain factors that may affect Vattenfall Treasury AB's ability to fulfil its obligations under Notes issued under the Programme. These are also set out under "Risk Factors" below and include "*Factors that may affect Vattenfall Treasury AB's ability to fulfil its obligations under Notes issued under the Programme*". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme.
Arranger:	Deutsche Bank AG, London Branch.
Dealers:	Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch Merchant Banken Skandinaviska Enskilda Banken AB (publ) Nordea acting through Nordea Bank Danmark A/S Société Générale The Royal Bank of Scotland plc

Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale" on page 94) including the following restrictions applicable at the date of this Prospectus. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "Subscription and Sale".
Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	Citibank, N.A., London Branch (for Notes other than VPC Registered Notes)
Issuing Agent:	For VPC Registered Notes, an account operator (being authorised by VPC to process and register issues in the system operated by VPC) specifically appointed by the Issuer and authorised by VPC to assist in connection with the issue of VPC Registered Notes.
Size:	Up to EUR6,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. Vattenfall Treasury and the Parent may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms).
Redenomination:	If the Specified Currency of an issue of Notes is a currency of one of the member states of the European Union which is participating in European economic monetary union, the relevant Issuer may specify in the applicable Final Terms that such Notes will include a redenomination clause providing for the redenomination of the Specified Currency in euro (a "Redenomination Clause") and, if so specified, the wording of the Redenomination Clause will be set out in full in the applicable Final Terms.
Maturities:	Such maturities as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the

	applicable Final Terms, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	Each Tranche of Notes (except VPC Registered Notes) will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with a common depositary or, as the case may be, a common safekeeper for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and which will be exchangeable, upon request, as described therein either for a permanent global Note or definitive Notes (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note will be exchangeable in whole but not in part for definitive Notes upon either (i) not less than 60 days' written notice to the Agent or (ii) only upon the occurrence of an Exchange Event as described in "Form of the Notes" below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearing system, as appropriate. The VPC Registered Notes of each Tranche will be issued in uncertificated and dematerialised registered form as more fully described in "Form of the Notes" below.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer(s) and indicated in the applicable Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined either: (i) on the same basis as the floating rate under a notional interest-rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

(iii) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer(s),

as indicated in the applicable Final Terms.

The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.

Index Linked Notes: Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes: Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both, as indicated in the applicable Final Terms.

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as selected prior to issue by the relevant Issuer and the relevant Dealer(s), will be payable on such Interest Payment Dates specified in, or determined pursuant to, the applicable Final Terms and will be calculated on the basis of such Day Count Fraction as is indicated in the applicable Final Terms.

Dual Currency Notes: Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms).

Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption: The Final Terms relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer ("Issuer Call") and/or the Noteholders ("Investor Put") upon giving not less than 15 nor more than 30 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Final Terms) to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as indicated in the applicable Final Terms.

	Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Certain Restrictions – Notes having a maturity of less than one year" above.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws, directives or regulations applicable to the relevant Specified Currency, see "Certain Restrictions – Notes having a maturity of less than one year", and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €50,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within Sweden, subject as provided in Condition 8 of the Terms and Conditions of the relevant Notes. In the event that any such deduction is made, the relevant Issuer or, as the case may be, the Parent will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.
Status of the Ordinary Notes:	The Ordinary Notes will be direct, unconditional, (subject to the provisions of Condition 4(a)(i)) unsecured and unsubordinated obligations of the relevant Issuer and (subject as aforesaid) will at all times rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.
Status of the Subordinated Notes:	The Subordinated Notes will be direct, unsecured and subordinated obligations of the relevant Issuer and will at all times rank at least *pari passu*, without any preference among themselves, with all other outstanding unsecured and subordinated obligations of the relevant Issuer, present and future. The rights of the holders of any Subordinated Notes will, in the event of the bankruptcy or liquidation of the relevant Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the relevant Issuer.

Guarantee:	The payment of the principal and interest in respect of the Notes issued by Vattenfall Treasury will be unconditionally and irrevocably guaranteed by the Parent. The obligations of the Parent under such guarantee with respect to Ordinary Notes will be direct, unconditional, (subject to the provisions of Condition 4(a)(ii)) unsecured and unsubordinated obligations of the Parent and (subject as aforesaid) will at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights. The obligations of the Parent under such guarantee with respect to Subordinated Notes will be direct, unsecured and subordinated obligations of the Parent and will at all times rank at least *pari passu* with all other outstanding unsecured and subordinated obligations of the Parent, present and future.
Negative Pledge:	The terms of the Ordinary Notes will contain a negative pledge provision as described in Condition 4(a). The terms of the Subordinated Notes will contain a negative pledge provision as described in Condition 4(b).
Cross Default:	The terms of the Notes will contain a cross-default provision relating to indebtedness for borrowed money as further described in Condition 10.
Listing:	Application has been made to the UK Listing Authority for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between Vattenfall Treasury and/or the Parent and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchange(s) and/or markets.
Governing Law:	The Notes will be governed by, and construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2(b) and the final two sentences of Condition 3 will be governed by, and construed in accordance with, Swedish law. In addition, VPC Registered Notes must comply with the SFIA Act.
Selling Restrictions:	There are certain selling restrictions in relation to the offering and sale of a particular Tranche of Notes. See "Subscription and Sale" below.

RISK FACTORS

Each of Vattenfall Treasury and the Parent believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither Vattenfall Treasury nor the Parent is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of Vattenfall Treasury and the Parent believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of either Vattenfall Treasury and/or the Parent to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by Vattenfall Treasury and the Parent based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect Vattenfall Treasury's ability to fulfil its obligations under Notes issued under the Programme

Vattenfall Treasury operates as the funding vehicle for the Parent and the Group. As such it issues debt instruments and manages liability portfolio duration. Derivatives are used extensively in these operations. Vattenfall Treasury could suffer losses as a consequence of ineffective hedging and/or through a default by one of its derivatives counterparts that would, in isolation, affect the ability to fulfil its obligations under the Programme. This risk should, however, be mitigated through the Guarantee issued by the Parent in which the Parent undertakes to assume responsibility for Vattenfall Treasury's obligations under the Notes issued under the Programme.

Factors that may affect the Parent's ability to fulfil its obligations under Notes issued under the Programme or the Guarantee

Generation

Generation asset downtime

The failure to keep generation assets running, either through ageing plants and equipment or through operating failure, will cause a drop in generation revenues. In some instances a loss can be recoverable through insurance cover.

Hydrological balance

A significant share of the Group's electricity generation comes from Swedish hydropower plants within the Nordic market. A swing in hydrological balance (i.e. the level of water in the reservoirs) may affect the short/medium-term electricity prices which would affect the revenues for the Parent as a consequence. This risk can however partly be mitigated by hedging. Market integration between the Nordic market and other markets (i.e. fossil based German market) are reducing this price impact as well as some use of fossil power within the Nordic market.

Phasing out and decommissioning of nuclear generation

The Group is the part-owner of nuclear power plants in Germany and Sweden which represent approximately 20 per cent. of generation capacity and 30 per cent. of generation capacity, calculated on a proportional ownership basis. Normally the operation life time of nuclear plants is based on financial assessments and decommission decisions taken by the owners. To meet the future cost for handling of spent fuel, waste and decommission of the plant, funds (including

reserve margins) have been built up during the period of operations. An increase in these costs would affect the Group's earnings as balance sheet provisions would have to be increased.

For policy reasons nuclear plants can be phased out before the end of the nuclear plants' operation lifetime. In Germany there are agreements to phase out nuclear generation and in Sweden legislation is in place to phase out nuclear generation. In Germany the phase-out schedule is based on a volume cap for nuclear generation while in Sweden phase-out is due according to legislation when certain conditions are met. To date one of the Group's minority owned reactors has been closed in Germany and two reactors have been closed down in Sweden. At present the acting government in Sweden has not demonstrated any intentions to make use of the legislation and phase-out more units.

Emission allowances

Countries within the EU have been allocated national quotas of emission allowances to carbon dioxide emitting facilities under the EU Legislation and the Kyoto Protocol. This concept within the EU is decided up to 2012. Allocations after 2012 have not been decided but the overall intention seems to be for a more ambitious concept. Rising price for emission allowance would increase the generation cost as well as the market price for the generation in the Group's fossil-fired plants. On the other hand the Group's non-fossil generation assets will increase in value and profit-margin as there is no need for emission allowances.

Wind power

Wind power is today a small part of the Group's electricity portfolio but it is expected to increase over the coming years. Wind power generation is dependent on subsidies i.e. "Electricity Certificate/Green Certificates" or "feed-in tariffs". Without a long term fixed programme for such subsidies an expansion of the wind power portfolio would make the Group more exposed to changes in the regulatory framework.

Hedging of future production

The Group's income is heavily dependent on the prices it can achieve for the electric energy it generates. In order to counteract the impact of electricity price volatility, the Group hedges future generation through selling some of its future generation under forward or future contracts. The Group hedges in accordance with established mandates, generally for three years ahead in time. The amount that is hedged varies. The hedging policy allows for some deviation within the business units depending on the Group's view on future price development. Factors such as precipitation, long term fuel price and the cost of emission allowances are affecting the supply and demand balance and pricing. This may from time to time cause losses to the Group in relation to the actual hedging position.

Fuel price risks

The Group is dependent on the price of coal (hard coal and lignite) and uranium as fuel for its coal-fired and nuclear plants. Most of the Vattenfall coal-fired plants are using lignite from own resources on cost base. Unforeseen increases in the market price of hard coal and uranium, beyond the hedging strategy, will cause the Group's costs to rise and, unless electricity and heat prices rise as well, margins to fall. Uranium fuel, however, represents a minor share of the production cost in nuclear generation and hence the impact on earnings is limited.

Transmission/distribution

New regulatory framework for network business

In Germany, Finland and Sweden new regulatory models are being or have recently been introduced for network operations in order to regulate network tariffs. The models are designed to encourage operators to increase efficiency in the systems whilst maintaining a reasonable return on investments. Some pressure on tariffs is expected, but it is not yet possible to estimate what

the financial outcome will be for the Group. There is a risk that the Group will not be allowed to pass on to users all costs due to the capacity upgrade.

Investments in German transmission

The capacity in the German transmission system needs to be increased in order to allow for the feed in of higher volumes of wind power. There is a risk that the Group will not be allowed to pass on to users all costs due to the capacity upgrade.

Sales (supply) and trading

Long-term supply contracts

Sales (supply) operates in a highly competitive market both in Germany and in the Nordic countries. Large clients often require long-term contracts with complex structures designed to accommodate their respective businesses. These contracts pertain to time periods in which there is no possibility to hedge prices in the market.

Counterparty risks

The Group can run large counterparty exposures in its energy sales and trading operations. Default by one of these counterparties could put future contracted income at risk unless such potential exposure has been managed through the use of efficient credit monitoring and adequate documentation.

Other

Political risk

Political risk is defined as the commercial risk that can arise as a result of political decisions. Examples of this are price regulations in electricity distribution and transmission, uncertainty regarding a new political majority, or changes in finance policies. In connection with acquisitions and other investments, this type of risk is managed by adjusting the cost of capital. Another type of political risk stems from changes in the rules governing the energy industry. These can concern such factors as changed taxes, environmental surcharges, changes in how natural monopolies are regulated, and political goals for the composition of the energy system. This type of risk is more difficult to predict and protect against.

Environmental risks

The general concept of “environmental risk” can be broken down into two categories, environmental risks and environmental liabilities.

Environmental risks

A combination of, and the probability of, an activity that results in “significant environmental damage”.

The consequences of an environmental risk can entail the following, for example:

- Contamination/clean-up costs
- Impact on the Vattenfall brand
- Opinions and policies that lead to more cumbersome permit application processes and production limitations

Environmental liabilities

Cases where emissions, use of substances, or the use of technology in accordance with currently applicable environmental legislation requires rectification measures and/or where demands are made on financial reporting of provisions.

Risks in investment programme

The Group runs large and ongoing investment programmes to update and renew its portfolio of generation, transmission and distribution assets. The ability to manage these investment programmes within set time- and cost-frames is vital for profitability.

Risk of losses in treasury operations

The Group operates a Group treasury centre in Stockholm and one local treasury centre in Berlin. The main goal of the treasury operation is to identify and manage the financial risks of the Group. Access to liquidity is controlled through a limit on a minimum level for cash and committed credit facilities equal to the higher of 10 per cent. of the Group's turnover or the sum of loan maturities during the next three months. The debt portfolio shall have an average time to maturity of not less than five years and duration of 2.5 years +/- 12 months. Market Risks are measured using Value At Risk with strictly defined risk limits. Risk monitoring is performed on a daily or weekly basis through a separate risk control unit. Losses in relation to these treasury operations could be caused by the occurrence of (but not limited to) the following events:

(i) major movements in interest rates and/or the value of currencies caused by an extraordinary event or events on the relevant market could prove that the assumptions made in the risk models were insufficient and, as a consequence, large losses could occur;

(ii) incorrect trade collection and/or reporting, intentional or unintentional, caused by errors at front or back-office could have the effect that internal risk measurement systems are unable to correctly measure the Group's exposure which in turn could lead to unexpected losses;

(iii) incorrect handling of third party payments could result in claims from a third party and lead to unexpected losses; or

(iv) a default by one of the external counterparties could cause losses through loss in value on a deposit made with such counterparty, loss in value of a security issued by such counterparty, loss in value of derivatives positions with such counterparty and/or losses caused by settlement exposures with such counterparty.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features.

Notes subject to optional redemption by Vattenfall Treasury or the Parent

An optional redemption feature of Notes is likely to limit their market value. During any period when Vattenfall Treasury or the Parent may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

Vattenfall Treasury or the Parent may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

Vattenfall Treasury or the Parent may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, Vattenfall Treasury or the Parent may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected;

(iv) they may lose all or a substantial portion of their principal;

(v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;

(vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and

(vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

Vattenfall Treasury or the Parent may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflects an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where Vattenfall Treasury or the Parent has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since Vattenfall Treasury or the Parent may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If Vattenfall Treasury or the Parent converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If Vattenfall Treasury or the Parent converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The obligations of each of Vattenfall Treasury and the Parent under Subordinated Notes are subordinated

The obligations of each of Vattenfall Treasury and the Parent under Subordinated Notes will be unsecured and subordinated and will rank junior in priority of payment to Senior Liabilities. “Senior Liabilities” means the claims of unsubordinated creditors. Although Subordinated Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should Vattenfall Treasury or the Parent become insolvent.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 15 of the conditions of the Notes.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of tax were to be withheld from that payment, neither Vattenfall Treasury, the Parent nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. Vattenfall Treasury or the Parent is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes other than the subordination provisions of the Notes which are based on Swedish law are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or Swedish law or administrative practice after the date of this Prospectus.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

Vattenfall Treasury and the Parent will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Interests of the Dealers

Certain of the Dealers and their affiliates have engaged, and may in the future, engage in investment banking and/or commercial banking transactions with, and may perform services for, Vattenfall Treasury, the Parent and their affiliates in the ordinary course of business.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Prospectus:

(a) the auditors' reports and the audited annual financial statements for the financial years ended 31 December 2006 and 31 December 2007 of Vattenfall Treasury;

(b) the auditors' report and the consolidated audited annual financial statements for the financial years ended 31 December 2006 and 31 December 2007 of the Parent; and

(c) memorandum and articles of association (or equivalent) of each of Vattenfall Treasury and the Parent, in each case with an English translation thereof.

Following the publication of this Prospectus a supplement may be prepared by Vattenfall Treasury and the Parent and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

Any information which is incorporated by reference in documents which are deemed to be incorporated in, and to form part of this Prospectus, shall not form part of this Prospectus for the purposes of the Prospectus Directive.

Copies of documents incorporated by reference in this Prospectus can be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and the offices of Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB.

Each of Vattenfall Treasury and the Parent will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new Prospectus for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes (except VPC Registered Notes) will be initially represented by a temporary global Note, without receipts, interest coupons or talons or, if so specified in the applicable Final Terms, a permanent global Note which, in either case will be:

(a) if the temporary global Note and the permanent global Note are intended to be issued in new global note ("NGN") form, as stated in the applicable Final Terms, delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg"); or

(b) if the temporary global Note and the permanent global Note are not intended to be issued in NGN form, delivered on or prior to the original issue date of the Tranche to a common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent. Any reference in this section "Form of the Notes" to Euroclear, Clearstream, Luxembourg and/or VPC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer, the Agent and the Trustee.

On and after the date (the "Exchange Date") which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note without receipts, interest coupons or talons or for security printed definitive Notes with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the first paragraph unless such certification has already been given. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on and after the Exchange Date. Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes" below), the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and ISIN by Euroclear and Clearstream, Luxembourg which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer(s)) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the permanent global Note if the permanent global Note is not intended to be issued in NGN form) without any requirement for certification. The applicable Final Terms will specify that a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event as described therein. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other

than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by the permanent global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement.

The following legend will appear on all global Notes and definitive Notes which have an original maturity of more than 365 days and on all receipts, interest coupons and talons relating to such Notes:

> "ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Each Tranche of VPC Registered Notes will be issued in uncertificated and dematerialised registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) (the "SFIA Act"). No global or definitive Notes will be issued in respect thereof. The holder of a VPC Registered Note will be the person evidenced as such by a book entry in the records of VPC. Where a nominee is so evidenced it shall be treated as the holder of the relevant VPC Registered Note.

Title to the VPC Registered Notes will pass by transfer between accountholders of VPC, perfected in accordance with the Swedish statutory rules (including the SFIA Act) and regulations applicable to and/or issued by VPC from time to time.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.

[*Date*]

[VATTENFALL TREASURY/VATTENFALL AB]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by VATTENFALL AB]
under the EUR6,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 9 June 2008 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus. Full information on the Issuer [,the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. Copies of this Prospectus may be obtained during normal business hours from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Prospectus dated [*original date*]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (the "Prospectus Directive") and must be read in conjunction with the Prospectus dated [*current date*] which constitutes a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [*original date*] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [*current date*] and [*original date*]. Copies of such Prospectuses are available for viewing at Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England and copies may be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank, N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.*]

[*When adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1.	(a)	Issuer:	[Vattenfall Treasury AB/Vattenfall AB]
	(b)	[Guarantor:	[Vattenfall AB]]
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
3.		Specified Currency or Currencies:	[ ]
4.		Aggregate Nominal Amount:	
	(a)	[Series:	[ ]]
	(b)	[Tranche:	[ ]]
	(c)	[the Aggregate Nominal Amount of Notes issued has been translated into EUR [ ], producing a sum (for Notes not denominated in EUR) of:	EUR [ ]]
5.		[Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (*if applicable*)]]
6.	(a)	Specified Denominations:	[ ] [ ] (*Note – where multiple denominations above [EUR50,000] or equivalent are being used the following sample wording should be followed*: *"[EUR50,000] and integral multiples of [EUR 1,000] in excess thereof up to and including [EUR 99,000]. No Notes in definitive form will be issued with a denomination above [EUR 99,000]."*)[1] (*N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €50,000 minimum denomination is not required.*)
	(b)	Calculation Amount	[ ] (*If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest*

[1] Delete if notes being issued are in registered form other than VPC Registered Notes.

			common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes)*
8.		Maturity Date:	[*Fixed rate – specify date/* *Floating rate – Interest Payment Date falling in or nearest to [specify month]*]
9.		Interest Basis:	[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR]+/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [*specify other*] (further particulars specified below)
10.		Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*] *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII of the Prospectus Directive Regulation will apply.)*
11.		Change of Interest Basis or Redemption/ Payment Basis:	[*Specify details of any provision for change of Notes into another Interest Basis or Redemption/ Payment Basis*]
12.		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	(a)	Status of the Notes:	[Ordinary/Subordinated]
	(b)	[Status of the Guarantee:	[Unsubordinated/Subordinated]]
	(c)	[Date [Board] approval for issuance of Notes [and Guarantee] obtained:	[ ] [and [ ], respectively]] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes or related Guarantee)*
14.		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a) Rate(s) of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/other *(specify)*] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(b) Interest Payment Date(s):	[[ ] in each year up to and including the Maturity Date]/[specify other] (N.B. This will need to be amended in the case of long or short coupons)
	(c) Fixed Coupon Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount
	(d) Broken Amount(s): (*Applicable to Notes in definitive form*)	[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]
	(e) Day Count Fraction:	[Actual/Actual (ICMA) or 30/360 or [ ] specify other]
	(f) Determination Date(s):	[ ] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
	(g) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
16.	Floating Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a) Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(b) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ [*specify other*]]
	(c) Additional Business Centre(s):	[ ]
	(d) Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*]
	(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	[ ]

(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] *(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)*
	• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	• Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ]
(h)	Margin(s):	[+/-] [ ] per cent. per annum
(i)	Minimum Rate of Interest:	[ ] per cent. per annum
(j)	Maximum Rate of Interest:	[ ] per cent. per annum
(k)	Day Count Fraction:	[Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 30E/360 (ISDA) *Other*] (*See Condition 5 for alternatives*)
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]
17.	Zero Coupon Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Accrual Yield:	[ ] per cent. per annum

	(b)	Reference Price:	[ ]
	(c)	Any other formula/basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[*Conditions 7(e)(iii) and 7(j) apply/specify other*] *(Consider applicable day count fraction)*
18.	Index Linked Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)* *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent:	[*give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address)*]
	(c)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent):	[ ]
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(e)	Interest Period(s):	[ ]
	(f)	Specified Interest Payment Dates:	[ ]
	(g)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
	(h)	Additional Business Centre(s):	[ ]
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum
	(k)	Day Count Fraction:	[ ]
19.	Dual Currency Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)* *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of*

		the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)
(a)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
(b)	Party, if any, responsible for calculating the principal and/or interest due (if not the Agent):	[ ]
(c)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

20.	Issuer Call:	[Applicable/Not Applicable] (If not applicable, delete the remaining subparagraphs of this paragraph)
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]
(c)	If redeemable in part:	
(i)	Minimum Redemption Amount:	[ ]
(ii)	Maximum Redemption Amount:	[ ]
(d)	Notice period (if other than as set out in the Conditions):	[ ] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
21.	Investor Put:	[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
(a)	Optional Redemption Date(s):	[ ]
(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other*/see Appendix]

	(c) Notice period (if other than as set out in the Conditions):	[ ] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
22.	Final Redemption Amount of each Note:	[ ] per Calculation Amount/*specify other*/see Appendix] *(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII of the Prospectus Directive Regulation will apply.)* *(NB: Where the Notes are derivative Securities to which Annex XII to the Prospectus Directive Regulation apply and the Notes are linked to an underlying need to include a description of market disruption or settlement disruption events and adjustment provisions.)*
23.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 7(e)):	[ ] per Calculation Amount/*specify other*/see Appendix

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	Form of Notes:	
	(a) Form	[Uncertificated and dematerialised registered form for VPC Registered Notes] [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on not less than 60 days' notice/ only upon an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date or specified number of days' notice] [Permanent Global Note exchangeable for Definitive Notes [on not less than 60 days' notice/ only upon an Exchange Event]] (*Ensure that this is consistent with the wording in the "Form of the Notes" section in the Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be*

		expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[EUR50,000] and integral multiples of [EUR1,000] in excess thereof up to and including [EUR99,000]. Furthermore, such Specified Denomination is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.")
	(b) New Global Note:	[Yes] [No][2]
25.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	[Not Applicable/*give details*] *(This item is not applicable to VPC Registered Notes. Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 16(c) and 18(h) relate)*
26.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
28.	Details relating to Instalment Notes:	
	(a) [Instalment Amount(s):	[Not Applicable/*give details*]
	(b) [Instalment Date(s):	[Not Applicable/*give details*]
29.	Redenomination applicable:	Redenomination [not] applicable [*(if Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest Calculation (including alternative reference rates))*. (*if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms*)]
30.	Other final terms:	[Not Applicable/*give details*] *[The Issuer shall be entitled to obtain information from the register maintained by VPC [for the purposes of meetings of the Noteholders]/[for the*

[2] New Global Note is not applicable in relation to VPC Registered Notes.

purposes of performing its obligations under the issue of the VPC Registered Notes]][3]

(*When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.*)

(*Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.*)

DISTRIBUTION

31.	(a)	If syndicated, names of Managers:	[Not Applicable/*give names*] *(NB: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
32.	(a)	Date of [Subscription] Agreement:	[ ] *(The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).*
	(b)	Stabilising Manager (if any):	[Not Applicable/*give name*]
33.		If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
34.		U.S. Selling Restrictions:	[Reg. S Compliance Category; TEFRA D/TEFRA C/ TEFRA not applicable]
35.		Additional selling restrictions:	[Not Applicable/*give details*]

36. LISTING

	(i)	Listing and Admission to Trading:	[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]

[3] Only applicable in case of VPC Registered Notes

(ii)	Estimate of total expenses related to admission to trading:	[ ]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority of Notes described herein pursuant to the EUR6,000,000,000 Euro Medium Term Note Programme of Vattenfall Treasury AB as issuer and Vattenfall AB as issuer and guarantor.

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [*Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading].

Signed on behalf of [name of the Issuer]:

By:

Duly authorised

[Signed on behalf of [name of the Issuer]:

By:

Duly authorised]

[[Signed on behalf of the Guarantor]

[By:]

Duly authorised

[Signed on behalf of the Guarantor]

[By:]

Duly authorised]

PART B – OTHER INFORMATION

1. RATINGS

The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: [ ]]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

[*(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)*]

3. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(a)] Reasons for the offer: [ ]

[(b)] Estimated net proceeds: [ ]

[(c)] Estimated total expenses: [ ]

(N.B. *Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case (a) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (a), disclosure of net proceeds and total expenses at (b) and (c) above are also required.*)

4. YIELD (FIXED RATE NOTES ONLY) [ ]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. PERFORMANCE OF INDEX/FORMULA, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING *(Index-Linked Notes Only)*

[*Need to include details of where past and future performance and volatility of the index/formula can be obtained.*]

[*Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information.*]

[*Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation*.]

[*(When completing the above paragraphs, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*]

The Issuer [intends to provide post-issuance information [*specify what information will be reported and where it can be obtained*]] [does not intend to provide post-issuance information].

(N.B. This paragraph 5 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

6. PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT *(Dual Currency Notes Only)*

[*Need to include details of where past and future performance and volatility of the relevant rates can be obtained*.]

[*(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)*]

(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

7. OPERATIONAL INFORMATION

(i)	ISIN Code:	[ ]
(ii)	Common Code:	[ ]
(iii)	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[*Not Applicable/give name(s) and number(s)/VPC AB, corporate identification number: 556112-8074.*
(iv)	Delivery:	Delivery [against/free of] payment
(v)	Names and addresses of additional Paying Agent(s) (if any):	[ ]
(vi)	Issuing Agent (if any):	[*Give name – only applicable in the case of VPC Registered Notes*] [Not Applicable]
(vii)	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes][No] [Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of Notes which will be incorporated by reference into each global Note and endorsed upon each definitive Note. The following Terms and Conditions will, whenever the context so permits, also apply to each VPC Registered Note. The applicable Final Terms in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes (including, for the avoidance of doubt, VPC Registered Notes). The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Note and definitive Note and shall apply as aforesaid to VPC Registered Notes. Reference should be made to "Form of the Notes" above for a description of the content of Final Terms which will include the definitions of certain terms used in the following Terms and Conditions.

This Note is one of a series of Notes issued by Vattenfall AB (the "Parent") or Vattenfall Treasury AB ("Vattenfall Treasury" and, together with the "Parent", the "Issuers" and each an "Issuer") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 5 July 1994 made between Vattenfall Treasury, the Parent in its capacity as both an Issuer and as guarantor of Notes issued by Vattenfall Treasury and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor as trustee). References herein to the "Notes" shall be references to the Notes of this Series (as defined below) and shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency, (ii) definitive Notes issued in exchange (or part exchange) for a global Note, (iii) any global Note and (iv) Notes issued in and cleared in the system operated by VPC AB, a Swedish Central Securities Depository and Clearinghouse, which are in registered form in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) ("VPC Registered Notes" and "VPC" respectively). The Notes (except in the case of VPC Registered Notes), the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 9 June 2008 made between Vattenfall Treasury, the Parent, Citibank, N.A., London Branch as issuing and principal paying agent (the "Agent", which expression shall include any successor agent specified in the applicable Final Terms), the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons.

Definitive Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms which are (except in the case of VPC Registered Notes) attached hereto or endorsed hereon which supplement these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note.

References herein to the applicable "Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) which is (except in the case of VPC Registered Notes) attached hereto or endorsed hereon.

The Trustee acts for the benefit of the holders of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a global Note and in relation to VPC Registered Notes, be construed as provided below), the holders of the Receipts (the "Receiptholders") and the holders of the Coupons (the "Couponholders", which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed. VPC Registered Notes are in uncertificated and dematerialised registered form and, for the avoidance of doubt, any references in these Terms and Conditions to Receipts, Coupons and Talons shall not apply to VPC Registered Notes.

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing and admission to trading) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) are identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement (which contains the form of the Final Terms) are available for inspection during normal business hours at the registered office for the time being of the Trustee, being at 9 June 2008 at Fifth Floor, 100 Wood Street, London EC2V 7EX, and at the specified offices of each of the Agent and the other Paying Agents. Copies of the applicable Final Terms may be obtained from the registered office of each Issuer at Jämtlandsgatan 99, S-162 87 Stockholm, Sweden and from Citibank N.A., London Branch at 21st floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

1. Form, Denomination and Title

The Notes are in bearer form or, in the case of VPC Registered Notes, in uncertificated and dematerialised registered form, as specified in the applicable Final Terms and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be an Ordinary Note or a Subordinated Note, as indicated in the applicable Final Terms.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Dual Currency Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Notes in definitive form are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title (except VPC Registered Notes) to the Notes, Receipts and Coupons will pass by delivery. The relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), the Trustee and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

The holder of a VPC Registered Note will be the person evidenced as such by a book entry in the records of the system operated by VPC. Title to the VPC Registered Notes will be passed by registration in the register between the direct or nominee accountholders at VPC in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479) (the "SFIA Act") rules and regulations applicable to and/or issued by VPC from time to time. Where a nominee is so evidenced, it shall be treated by the Issuer as the holder of the relevant VPC Registered Note.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and/ or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg, as the case may be, as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg, as the case may be, as to the nominal amount of Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and/or interest on the Notes, for which purpose the bearer of the relevant global Note shall be treated by the relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), the Trustee and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note (or the Trustee in accordance with the Trust Deed) (and the expressions "Noteholder" and holder of "Notes" and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

For so long as any of the Notes is a VPC Registered Note, each person who is for the time being shown in the records of the system operated by VPC as the holder of a Note shall be treated by the relevant Issuer, the Parent (if the Issuer is Vattenfall Treasury), the Trustee and any Issuing Agent as the holder of such Notes for all purposes in accordance with the SFIA Act (and the expressions "Noteholder" and holder of "Notes" and related expressions shall be construed accordingly).

VPC Registered Notes will be transferable only in accordance with the SFIA Act rules and any regulations applicable to and/or issued by VPC from time to time. VPC Registered Notes will be issued in uncertificated and dematerialised registered form and no global or definitive Notes will be issued in respect thereof and these Terms and Conditions shall be construed accordingly.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer, the Agent and the Trustee.

2. Status of the Notes

(a) ***Status of the Ordinary Notes***

The Ordinary Notes and the relative Receipts and Coupons are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the relevant Issuer and (subject as aforesaid) rank and will at all times rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and

unsubordinated obligations of the relevant Issuer, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

(b) ***Status of the Subordinated Notes***

The Subordinated Notes and the relative Receipts and Coupons are direct, unsecured and subordinated obligations of the relevant Issuer and will at all times rank at least *pari passu*, without any preference among themselves, with all other outstanding unsecured and subordinated obligations of the relevant Issuer. The rights of the holder of any Subordinated Note and the relative Receipts and Coupons shall, in the event of bankruptcy or liquidation of the relevant Issuer, be subordinated in right of payment to the claims of unsubordinated creditors of the relevant Issuer.

Each Issuer reserves the right to issue further subordinated notes and other subordinated obligations in the future, provided, however, that such further subordinated notes or other such subordinated obligations may not rank prior to present or future Subordinated Notes.

3. Guarantee

The payment of the principal and interest in respect of Notes issued by Vattenfall Treasury and all other moneys payable by Vattenfall Treasury under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Parent in the Trust Deed (the "Guarantee"). The obligations of the Parent under the Guarantee with respect to Ordinary Notes are direct, unconditional, (subject to the provisions of Condition 4) unsecured and unsubordinated obligations of the Parent and (subject as aforesaid) rank and will at all times rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Parent, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

The obligations of the Parent under the Guarantee with respect to Subordinated Notes are direct, unsecured and subordinated obligations of the Parent and rank and will at all times rank at least *pari passu* with all other outstanding unsecured and subordinated obligations of the Parent, present and future. The rights of the holder of any Subordinated Note and the relative Receipts and Coupons shall, in the event of the bankruptcy or liquidation of the Parent, be subordinated in right of payment to the claims of unsubordinated creditors of the Parent.

4. Negative Pledge

(a) ***Negative Pledge in relation to Ordinary Notes***

(i) So long as any of the Ordinary Notes remains outstanding, the relevant Issuer shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future Securities of itself or another (or to secure any guarantee or indemnity in respect thereof) without in any such case at the same time according to the Ordinary Notes and the relative Receipts and Coupons either the same security as is granted to or is outstanding in respect of such Securities (or such guarantee or indemnity in respect thereof) or such other security as the Trustee shall in its sole discretion deem not materially less beneficial to the interests of the Ordinary Noteholders or as shall be approved by an Extraordinary Resolution of the Ordinary Noteholders.

(ii) So long as any of the Ordinary Notes issued by Vattenfall Treasury remains outstanding, the Parent shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future Securities of itself or another (or to secure any guarantee or indemnity in respect thereof) without in any such case at the same time according to all amounts payable under the Guarantee either the same security as is granted to or is outstanding in respect of

such Securities (or such guarantee or indemnity in respect thereof) or such other security as the Trustee shall in its sole discretion deem not materially less beneficial to the interests of the Ordinary Noteholders or as shall be approved by an Extraordinary Resolution of the Ordinary Noteholders.

(iii) As used in this Condition 4(a), "Securities" means any loan or other indebtedness in the form of, or represented or evidenced by, bonds, debentures, notes or other securities which are or are to be quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market.

(b) ***Negative Pledge in relation to Subordinated Notes***

(i) So long as any of the Subordinated Notes remains outstanding, the relevant Issuer shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future subordinated debt of itself or another (or to secure any guarantee or indemnity in respect thereof).

(ii) So long as any of the Subordinated Notes issued by Vattenfall Treasury remains outstanding, the Parent shall not itself create or have outstanding any pledge, lien, mortgage, charge or other security interest upon the whole or any part of its undertaking or assets, present or future, to secure any existing or future subordinated debt of itself or another (or to secure any guarantee or indemnity in respect thereof).

5. Interest

(a) ***Interest on Fixed Rate Notes***

Each Fixed Rate Note bears interest from (and including or, in the case of VPC Registered Notes, but excluding) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these Conditions, "Fixed Interest Period" means the period from (and including or, in the case of VPC Registered Notes, but excluding) an Interest Payment Date (or the Interest Commencement Date) to (but excluding or, in the case of VPC Registered Notes, and including) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case,

multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the

Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denominations, without any further rounding.

In these Terms and Conditions, "Day Count Fraction" means in respect of the calculation of an amount of interest in accordance with this Condition (a):

(i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(a) in the case of Notes where the number of days in the relevant period from (and including or, in the case of VPC Registered Notes, but excluding) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding or, in the case of VPC Registered Notes, and including) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and

(2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including or, in the case of VPC Registered Notes, but excluding) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding or, in the case of VPC Registered Notes, and including) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and

(iii) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the relevant period unless, in the case of a relevant period ending on (but excluding) the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

In these Terms and Conditions:

"Determination Period" means the period from (and including or, in the case of VPC Registered Notes, but excluding) a Determination Date to (but excluding or, in the case of VPC Registered Notes, and including) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after such date); and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) ***Interest on Floating Rate Notes and Index Linked Interest Notes***

(i) Interest Payment Dates: Each Floating Rate Note and Index Linked Interest Note bears interest from (and including or, in the case of VPC Registered Notes, but excluding) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on either:

(A) the Specified Interest Payment Date(s) (each an "Interest Payment Date") in each year specified in the applicable Final Terms; or

(B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including or, in the case of VPC Registered Notes, but excluding) an Interest Payment Date (or the Interest Commencement Date) to (but excluding or, in the case of VPC Registered Notes, and including) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(1) in any case where Specified Periods are specified in accordance with Condition 5(b)(iv)(B) below, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or

(2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "Business Day" means a day which is both:

(A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign

exchange and foreign currency deposits) in London and each other place as is specified in the applicable Final Terms (each an "Additional Business Centre"); and

(B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London or any Additional Business Centre) and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real- Time Gross Settlement Express Transfer (TARGET2) System (the "TARGET2 System") is open.

(ii) *Rate of Interest*: The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(iii) *ISDA Determination*: Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (iii), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions") and under which:

(A) the Floating Rate Option is as specified in the applicable Final Terms;

(B) the Designated Maturity is the period specified in the applicable Final Terms; and

(C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone inter-bank offered rate ("EURIBOR") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (iii), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Euro-zone" have the meanings given to those terms in the ISDA Definitions.

When this sub-paragraph (iii) applies, in respect of each relevant Interest Period the Agent will be deemed to have discharged its obligations under Condition 5(b)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(iv) *Screen Rate Determination for Floating Rate Notes*: Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or

(B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus the Margin (if any), all as determined by the Agent (or, in the case of VPC Registered Notes, the Calculation Agent). If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest pursuant to this sub-paragraph (iv) in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

In the case of Notes other than VPC Registered Notes, the Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. In the case of VPC Registered Notes, such provisions will be as set out in the applicable Final Terms.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*: If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the above provisions is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and Calculation of Interest Amounts*: The relevant Issuer or its Agent, in the case of Floating Rate Notes which are not VPC Registered Notes, and the Calculation Agent, in the case of Index Linked Interest Notes and Floating Rate Notes which are VPC Registered Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes and Floating Rate Notes which are VPC Registered Notes, the Calculation Agent (if not the Agent) will notify the Agent of the Rate of Interest and the Interest Amount due for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case,

multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D_2 will be 30;

(vi) if "30E/360 (ISDA)" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D_1" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "Sterling/FRN" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366.

(vii) *Notification of Rate of Interest and Interest Amount*: The Agent, or in the case of VPC Registered Notes, the Calculation Agent, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer, the Trustee and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment or alternative arrangements will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression "London Business Day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(viii) *Determination or Calculation by Trustee*: If for any reason the Agent or the Calculation Agent (if not the Agent), as the case may be, at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with sub- paragraphs (ii), (iii) and (iv) above, as the case may be, and, in each case, (vii) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent (if not the Agent), as the case may be.

(ix) *Certificates to be Final*: All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph 5(b), whether by the Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury), the Agent, the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury), the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) ***Dual Currency Notes***

In the case of Dual Currency Notes, where the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest shall be determined in the manner specified in the applicable Final Terms.

(d) ***Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) ***Accrual of Interest***

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event in respect of Notes other than VPC Registered Notes, interest will continue to accrue until whichever is the earlier of:

(i) the date on which all amounts due in respect of such Notes have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given in accordance with Condition 14.

In such event in respect of VPC Registered Notes, interest will continue to accrue until the date the holders of the VPC Registered Notes receive the full amount of such payments.

6. Payments

(a) ***Method of Payment***

Subject as provided below:

(i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or at the option of the relevant holder by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and

(ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee, or at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

(b) ***Presentation of Notes, Receipts and Coupons***

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender of

the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Redemption Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due but in no event thereafter.

Upon any Fixed Rate Note in definitive form (other than a Fixed Rate Note which is also an Index Linked Redemption Note) becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. On the occasion of each payment, (i) in the case of any global Note which is not issued in new global note ("NGN") form, a record of such payment made on such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Agent, and such record shall be *prima facie* evidence that the payment in question has been made and (ii) in the case of any global Note which is a NGN, the Agent shall instruct Euroclear and/or Clearstream, Luxembourg to make appropriate entries in their records to reflect such payment.

The holder of a global Note (or, as provided in the Trust Deed, the Trustee) shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) will be discharged by payment to, or to the order of, the holder of such global Note (or the Trustee, as the case may be) in respect of each amount so paid. Each of the persons

shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) to, or to the order of, the holder of such global Note (or the Trustee, as the case may be). No person other than the holder of such global Note (or the Trustee, as the case may be) shall have any claim against the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of a Paying Agent in the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)):

(a) (i) if the relevant Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

(ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and (iii) such payment is then permitted under United States law; or

(b) at the option of the relevant holder if such payment is then permitted under United States law without involving, in the opinion of the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury), adverse tax consequences for the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury).

Payments of principal and interest in respect of VPC Registered Notes will be made to the persons registered as Noteholders in the system operated by VPC on the fifth Stockholm Business Day (or such other day which may become customary on the Swedish bond market, which in respect of VPC Registered Notes denominated in Swedish Kronor is expected to be the third Stockholm Business Day) prior to the Interest Payment Date or the Maturity Date, as the case may be, and in accordance with the rules and procedures applied and/or issued by VPC from time to time.

As used herein, "Stockholm Business Day" means a day on which commercial banks and foreign exchange markets are open for business in Stockholm.

(c) ***Payment Day***

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

(i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including trading in foreign exchange and foreign currency deposits) in:

(A) the relevant place of presentation;

(B) London;

(C) each Additional Financial Centre specified in the applicable Final Terms; and

(ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(d) ***Payment Date for VPC Registered Notes***

If the date for payment of any amount in respect of VPC Registered Notes is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, "Payment Day" means any day which (subject to Condition 9) is a day on which commercial banks are open for general business in Stockholm.

(e) ***Interpretation of Principal and Interest***

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes;

(iii) the Early Redemption Amount of the Notes;

(iv) the Optional Redemption Amount(s) (if any) of the Notes;

(v) in relation to Notes redeemable in instalments, the Instalment Amounts;

(vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and

(vii) any premium and any other amounts which (other than interest) may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

7. Redemption and Purchase

(a) ***At Maturity***

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) ***Redemption for Tax Reasons***

The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note nor a Dual Currency Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Interest Note or a Dual Currency Note), on giving not less than 30 nor more than 60 days' notice to the Trustee, the Agent (or, in the case of VPC Registered Notes, VPC) and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if the relevant Issuer satisfies the Trustee immediately before the giving of such notice that:

(i) on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or the Parent (where the relevant Issuer is Vattenfall Treasury) would be unable for reasons outside its control to procure payment by Vattenfall Treasury and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Sweden or any political subdivision thereof or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and

(ii) such obligation cannot be avoided by the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer or, as the case may be, two Directors of the Parent (where the relevant Issuer is Vattenfall Treasury) stating that the requirement referred to in (i) above will apply on the occasion of the next payment due under the Notes and cannot be avoided by the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) taking reasonable measures available to it and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding or, in the case of VPC Registered Notes, and including) the date of redemption.

(c) ***Redemption at the Option of the Relevant Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the relevant Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee;

(which notices shall be irrevocable), redeem all or some only, as specified in the applicable Final Terms, of the Notes then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the

applicable Final Terms together, if appropriate, with interest accrued to (but excluding or, in the case of VPC Registered Notes, and including) the Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note and in accordance with the rules of VPC in the case of VPC Registered Notes, in each case not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this sub-paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 at least 5 days prior to the Selection Date.

(d) ***Redemption at the Option of the Noteholders (Investor Put)***

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part) such Note on the relevant Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding or, in the case of VPC Registered Notes, and including) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

If this Note is in definitive form, to exercise the right to require redemption of this Note the holder of this Note must deliver such Note, at the specified office of any Paying Agent (or, in the case of VPC Registered Notes, the Issuing Agent) at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

In the case of VPC Registered Notes, a Put Notice will not be effective against the Issuer before the date on which the relevant VPC Registered Notes have been transferred to the account designated by the relevant Issuing Agent and blocked for further transfer until the Optional Redemption Date by said Issuing Agent. In the case of VPC Registered Notes, the right to require redemption of such Notes in accordance with this Condition 7(d) must be exercised in accordance with the rules and procedures of VPC and if there is any inconsistency between the foregoing and the rules and procedures of VPC, the rules and procedures of VPC shall prevail.

(e) ***Early Redemption Amounts***

For the purpose of paragraph (b) above and Condition 10, the Notes will be redeemed at an amount (the "Early Redemption Amount") determined or calculated as follows:

(i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or

(ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Final Terms or, if no such amount or manner is so set out, at their nominal amount; or

(iii) in the case of Zero Coupon Notes, at an amount ("the Amortised Face Amount") calculated in accordance with the following formula:

Early Redemption Amount = RP x $(1 + AY)^y$

where:

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

^{y} is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including, or in the case of VPC Registered Notes, but excluding) the Issue Date of the first Tranche of the Notes to (but excluding or, in the case of VPC Registered Notes, and including) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

(f) ***Instalments***

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

(g) ***Partly Paid Notes***

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

(h) ***Purchases***

The relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any of their respective subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury), surrendered to any Paying Agent for cancellation. Any VPC Registered Notes purchased may be held, resold or cancelled. If purchases are made by tender, tenders must be available to all Noteholders alike.

(i) ***Cancellation***

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and all Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts and Coupons cancelled therewith) shall be

forwarded to the Agent (or, in the case of VPC Registered Notes, the relevant Issuing Agent) and cannot be reissued or resold.

(j) ***Late Payment on Zero Coupon Notes***

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which, in respect of Notes other than VPC Registered Notes, is the earlier of:

(i) the date on which all amounts due in respect of the Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to the Noteholders either in accordance with Condition 14 or individually.

In such event in respect of VPC Registered Notes, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date the holders of the VPC Registered Notes receive the full amount of such payment.

8. Taxation

All payments of principal and interest in respect of the Notes, Receipts and Coupons by the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury) will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges ("Taxes") of whatever nature imposed or levied by or on behalf of the Kingdom of Sweden or any political subdivision of, or any authority in, or of, the Kingdom of Sweden having power to tax unless the withholding or deduction of the Taxes is required by law. In such event, the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note, Receipt or Coupon:

(i) to, or to a third party on behalf of, a Noteholder, Receiptholder or Couponholder who is liable to the Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with the Kingdom of Sweden other than the mere holding of such Note, Receipt or Coupon; or

(ii) to, or to a third party on behalf of, a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(iii) presented for payment more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days assuming that day to have been a Payment Day; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(v) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting such Note, Receipt or Coupon to a Paying Agent in another Member State of the European Union.

As used herein, the "Relevant Date" means the date on which such payment first becomes due but, if the full amount of the moneys payable has not been duly received by the Agent (or, in the case of VPC Registered Notes, the holders of VPC Registered Notes) or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect shall have been duly given to the Noteholders by the relevant Issuer in accordance with Condition 14.

9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

In the case of VPC Registered Notes, claims against the Issuer for the payment of principal and interest payable in respect of the VPC Registered Notes shall be void unless made within 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date therefor and thereafter any principal or interest payable in respect of such VPC Registered Notes shall be forfeited and revert to the Issuer.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified to its satisfaction), give notice to the relevant Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (as described in Condition 7(e)), together with accrued interest as provided in the Trust Deed, in any of the following events ("Events of Default"):

(i) if default is made in the payment of any principal due in respect of the Notes or any of them and the default continues for a period of 7 days or if default is made in the payment of any interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or

(ii) if the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury) fails to perform or observe any of its other obligations under the conditions of the Notes or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury) (as the case may be) of notice requiring the same to be remedied; or

(iii) if any other indebtedness for borrowed money (as defined in the Trust Deed) of the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal

Subsidiary becomes due and repayable prematurely by reason of an event of default (however described) or the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary fails to make any payment in respect of any other indebtedness for borrowed money on the due date for payment as extended by any originally applicable grace period or any security given by the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary for any other indebtedness for borrowed money becomes enforceable or if default is made by the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any other indebtedness for borrowed money of any other person, provided that no event shall constitute an Event of Default unless the indebtedness for borrowed money or other relative liability either alone or when aggregated with other indebtedness for borrowed money and/or other liabilities relative to all (if any) other events which shall have occurred and be at the relevant time outstanding shall amount to at least U.S.$50,000,000 (or its equivalent in any other currency); or

(iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary save for the purposes of a reorganisation on terms approved in writing by the Trustee; or

(v) if the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation on terms approved in writing by the Trustee, or the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary stops or threatens to stop payment of, or is unable to or admits inability to pay its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(vi) if (a) proceedings are initiated against the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary or, as the case may be, in relation to the whole or a part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets of any of them and (b) in any case (other than the appointment of an administrator) is not discharged within 45 days; or if the relevant Issuer, the Parent (where the relevant Issuer is Vattenfall Treasury) or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(vii) (where the relevant Issuer is Vattenfall Treasury) if the Guarantee ceases to be, or is claimed by the Parent not to be, in full force and effect, provided that, in the case of any Event of Default other than those described in sub-paragraphs (i), (iv) (in the case of a winding up or dissolution of the relevant Issuer (where the relevant Issuer is the Parent) or the Parent (where the relevant Issuer is Vattenfall Treasury) and (vii), the Trustee shall have certified to

the relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) that the Event of Default is, in its opinion, materially prejudicial to the interests of the Noteholders.

"Principal Subsidiary" means a Subsidiary of the Parent:

(i) whose (a) total profits, before tax and extraordinary items, or (b) Total Tangible Assets (as defined in the Trust Deed) represent 10 per cent. or more of the consolidated total profits, before tax and extraordinary items, of the Parent and its consolidated Subsidiaries, or, as the case may be, consolidated Total Tangible Assets of the Parent and its consolidated Subsidiaries, in each case calculated by reference to the latest audited financial statements of such Subsidiary and the latest audited consolidated financial statements of the Parent and its consolidated Subsidiaries; or

(ii) to which is transferred all or substantially all of the business, undertaking or assets of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary under this sub-paragraph (ii) upon publication of its next audited financial statements,

all as more particularly defined in the Trust Deed.

A report by the independent auditors of the Parent that in their opinion a Subsidiary of the Parent is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of a manifest error, be conclusive and binding on all parties.

11. Replacement of Notes, Receipts, Coupons and Talons

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 14, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. Agent and Paying Agents

(a) ***Notes other than VPC Registered Notes***

The following shall apply only to Notes other than VPC Registered Notes.

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) are, with the prior approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/ or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(i) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority);

(ii) there will at all times be a Paying Agent with a specified office in a city approved by the Trustee in continental Europe outside Sweden;

(iii) there will at all times be an Agent; and

(iv) there will be at all times a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

In addition, the relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

(b) ***VPC Registered Notes***

The following shall apply only to VPC Registered Notes.

In relation to VPC Registered Notes, the Issuer will, in accordance with the SIFA Act, appoint (i) VPC as the central securities depository, and (ii) an issuing agent (the "Issuing Agent"). The Issuing Agent will be specified in the relevant Final Terms.

The Issuer is entitled to vary or terminate the appointment of VPC or the Issuing Agent, provided that the Issuer will appoint another central securities depository or Issuing Agent, each of them to be duly authorised under the SFIA Act. The central securities depository and the Issuing Agent act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders.

13. Exchange of Talons

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Fixed Interest Date or the Interest Payment Date (as the case may be) on which the final Coupon comprised in the relative Coupon sheet matures.

14. Notices

All notices regarding the Notes shall be published in the Financial Times or any other daily newspaper in London approved by the Trustee. The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange (or any other relevant authority) on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication in all the required newspapers.

All notices to holders of VPC Registered Notes will be valid if mailed to their registered addresses appearing on the register of VPC. Any such notice shall be deemed to have been given on the fourth day after the day on which it is mailed.

Until such time as any definitive Notes are issued there may so long as the global Note(s) is or are held in its or their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any holder of the Notes (other than VPC Registered Notes) shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes (other than VPC Registered Notes) are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

Notices to be given by any holder of VPC Registered Notes shall be in writing and lodged with the relevant Issuing Agent.

15. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer or Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereof, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two- thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification (subject as provided above) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Terms and Conditions or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

In connection with the exercise by it of any of its trusts, powers, authorities, or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders and Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Issuer or the Parent (where the relevant Issuer is Vattenfall Treasury) or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the

extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

16. Further Issues

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. Enforcement

The Trustee may at its discretion and without further notice take such proceedings against the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) as it may think fit to enforce the obligations of the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) under the Trust Deed and the Notes, Receipts and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by holders of at least one-fifth in nominal amount of the Notes outstanding and (ii) it shall have been indemnified to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer and/or the Parent (where the relevant Issuer is Vattenfall Treasury) unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

18. Substitution

The Trustee may, without consent of the Noteholders, the Receiptholders or Couponholders, agree with the relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) to the substitution in place of the relevant Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of the Parent (where the relevant Issuer is Vattenfall Treasury) or of any of the Parent's other Subsidiaries, subject to (a) except where the Parent becomes the principal debtor, the Notes being unconditionally and irrevocably guaranteed by the Parent, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution, and (c) certain other conditions set out in the Trust Deed being complied with.

19. Indemnification

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

20. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21. Governing Law and Submission to Jurisdiction

The Trust Deed, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law, except that, in relation to Subordinated Notes, Condition 2(b) and the final two sentences of Condition 3 are governed by, and shall be construed in accordance with, Swedish law. In addition, the VPC Registered Notes must comply with the SFIA Act, as amended.

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have each irrevocably agreed in the Trust Deed for the exclusive benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which they may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and have further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the relevant Issuer or, as the case may be, the Parent (where the relevant Issuer is Vattenfall Treasury) and may be enforced in the courts of any other jurisdiction. Nothing in this provision shall limit any right to take Proceedings against the relevant Issuer or the Parent in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

Notwithstanding that, under the SFIA Act or the operating procedures, rules and regulations of the VPC (together, the "Swedish remedies"), holders of VPC Registered Notes may have remedies against the Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) for non-payment or non-performance under the Conditions applicable to such VPC Notes, a holder of a VPC Registered Note must first exhaust all available remedies under English law for non-payment or non-performance before any proceedings may be brought against the Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) in Sweden in respect of the Swedish remedies. Notwithstanding the above, and in this limited respect only, a holder of a VPC Registered Note may not therefore take concurrent Proceedings in Sweden.

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have in the Trust Deed appointed Law Debenture Corporate Services Limited at its registered office for the time being (being at 9 June 2008 at Fifth Floor, 100 Wood Street, London EC2V 7EX, England) as their agent in England for service of process on their behalf and have agreed that in the event of Law Debenture Corporate Services Limited ceasing so to act they will appoint such other person as the Trustee may approve as their agent for service of process.

The relevant Issuer and the Parent (where the relevant Issuer is Vattenfall Treasury) have in the Trust Deed irrevocably and unconditionally waived and agreed not to raise with respect to the Trust Deed, the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes, which include making a profit. If in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No. 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

DESCRIPTION OF VATTENFALL TREASURY

Incorporation and business

Vattenfall Treasury Aktiebolag was incorporated as a company with limited liability in Stockholm under registration number 556439-0606 in December 1991 and is a wholly-owned subsidiary of Vattenfall Aktiebolag (the "Parent"). It commenced operations on 1 January 1992 and with effect from 1 January 1995 Vattenfall Treasury became a public limited company. The registered office of Vattenfall Treasury is at Jämtlandsgatan 99, 162 87 Stockholm, Sweden and the telephone number is +46 8 739 50 00.

Vattenfall Treasury is responsible for co-ordinating borrowing, liquidity management and the management of associated risk exposure for the Group. Vattenfall Treasury is also responsible for co-ordinating the Group's internal banking and cash-management activities. At present Vattenfall Treasury serves as an internal bank for the Group companies in the Nordic countries. Group cash pools, administered by Vattenfall Treasury, are established in Sweden, Finland and in Denmark. Vattenfall Treasury is a service company for the various units of the Group and aims to provide the Group with advantageous financing and a good return on liquid assets. In February 2008 Vattenfall Treasury formed a subsidiary, Vattenfall Treasury Financing AB, for the purpose of specialised financing activities. Vattenfall Treasury Financing AB is not yet active.

The Group's financial management operations are conducted in accordance with the rules and limits established by the Board and Executive Group Management ("EGM") of the Parent as to interest and currency risk exposure, availability of funds, liquidity and credit risk. Vattenfall Treasury is responsible for co-ordinating and reporting the financial risks of the Group.

For the Group's activities in the market, Vattenfall Treasury have established a Swedish Commercial Paper Programme of SEK15,000 million and a Euro-Commercial Paper Programme of USD2,000 million. Vattenfall Treasury also has a domestic MTN programme of SEK10,000 million. Tranches under that programme may be listed on the Stockholm Stock Exchange at the discretion of investors. Vattenfall Treasury also has in place a revolving credit facility of EUR1,000 million (including a swing line facility) which matures in February 2013. In June 2005 Vattenfall Treasury issued a perpetual hybrid bond of EUR1,000 million. Such bonds are known as Capital Securities and are reported as non-current liabilities. These are junior to all of Vattenfall Treasury's unsubordinated debt instruments. It is current Group policy for all Vattenfall Treasury's issues of debt securities to be guaranteed by the Parent.

Management

Board of Directors

Jan Erik Back	Chairman of the Board of Directors and Chief Financial Officer of Vattenfall AB
Kimmo Mattila	Vattenfall AB, Group Control
Hans-Jürgen Meyer	Finance Director, Vattenfall Europe AG
Erik Hagland	Vice President, Vattenfall AB, Group Function Finance

Deputy Member

Johan Gyllenhoff Deputy Member and President of Vattenfall Treasury AB

There are no potential conflicts of interest between any duties to Vattenfall Treasury of the above Board members and their private interests and/or duties.

The business address of the above Board members and Company Secretary is Jämtlandsgatan 99, S-162 87 Stockholm, Sweden.

Accounting Principles of Vattenfall Treasury

The annual accounts have been prepared according to the Swedish GAAP i.e. in accordance with the Swedish Annual Accounts Act and Recommendation (RFR 2.1) of the Swedish Financial Reporting Board on accounting for legal entities. The exception rule concerning IAS 39 is adopted, which means that financial instruments are reported at cost. The introduction of RFR 2.1 has not implied any differences in the policy compared with those used in the annual accounts 2006.

SUMMARY FINANCIAL INFORMATION OF VATTENFALL TREASURY

The following summary financial information of Vattenfall Treasury has been extracted without material adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31 December 2007 and 2006 and from Vattenfall Treasury's unaudited financial statements in respect of the three months ended 31 March 2008.

	Sw GAAP 31 March 2008	*Sw GAAP 31 December 2007*	*Sw GAAP 31 December 2006*
		SEK thousand	
Total assets	106,843,833	99,944,589	103,460,129
Current interest-bearing liabilities	61,013,617	57,447,347	59,794,724
Non-current interest-bearing liabilities	43,238,116	39,771,823	40,716,895
Non-interest bearing liabilities	2,119,178	2,164,336	2,352,658
Untaxed reserves	1,418	1,418	35,742
Total equity	471,307	559,665	560,110
Operating profit/loss	(88,358)	562,785	832,221
Appropriations(1)	–	34,323	25,184
Taxes(1)	–	(167,462)	(240,507)
Net profit/loss for the period /year	(88,358)	429,646	616,898

(1) Appropriations and taxes are normally calculated only for full year

INCOME STATEMENT OF VATTENFALL TREASURY

The following income statement of Vattenfall Treasury has been extracted without material adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31 December 2007 and 2006 and from Vattenfall Treasury's unaudited financial statements in respect of the three months ended 31 March 2008.

	Sw GAAP 1 January 2008 to 31 March 2008	*Sw GAAP 1 January 2007 to 31 December 2007*	*Sw GAAP 1 January 2006 to 31 December 2006*
		SEK thousand	
Interest income	1,263,399	4,511,473	4,097,016
Interest expense	(1,341,230)	(3,900,596)	(3,219,460)
Net currency income/expense	(2,677)	(12,513)	(9,055)
Gross profit/loss	(80,508)	598,364	868,501
Personnel costs	(4,751)	(20,239)	(23,193)
Other external costs	(3,093)	(15,295)	(12,946)
Depreciation	(6)	(45)	(141)
Operating profit/loss	(88,358)	562,785	832,221
Appropriations[1]	–	34,323	25,184
Profit/loss before tax	(88,358)	597,108	857,405
Taxes[1]	–	(167,462)	(240,507)
Net profit/loss for the period/year	(88,358)	429,646	616,898

(1) Appropriations and taxes are normally calculated only for full year

BALANCE SHEET FOR VATTENFALL TREASURY

The following balance sheet of Vattenfall Treasury has been extracted without adjustment from Vattenfall Treasury's audited financial statements in respect of the years ended 31 December 2007 and 2006 and from Vattenfall Treasury's unaudited financial accounts in respect of the three months ended 31 March 2008.

	Sw GAAP 31 March 2008	*Sw GAAP 31 December 2007*	*Sw GAAP 31 December 2006*
		SEK thousand	
ASSETS			
Fixed assets			
Tangible assets			
Equipment	119	126	122
Financial assets			
Participations in group companies	100	0	0
Receivables from group companies	94,116,850	93,987,279	97,359,850
Receivables from associated companies	0	0	36,400
Receivables external	6,250	5,000	0
Total fixed assets	94,123,319	93,992,405	97,396,372
Current assets			
Short-term receivables			
Accounts receivable	0	360	31
Receivables from group companies	307	383	2,378
Income tax receivables	1,639	916	98
Other receivables	6	6	1,741
Prepaid expenses and accrued income	773,519	661,455	356,907
	775,471	663,120	361,155
Short-term investments	10,033,453	4,257,565	4,695,398
Cash and bank balances	1,911,596	1,031,499	1,007,204
Total current assets	12,720,520	5,952,184	6,063,757
Total Assets	106,843,839	99,944,589	103,460,129
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital (500 shares at SEK 1,000 each)	500	500	500
Statutory reserve	100	100	100
	600	600	600
Non-restricted equity			
Profit and loss brought forward	559,065	129,419	(57,388)
Net profit/loss for the year/period	(88,358)	429,646	616,898
	470,707	559,065	559,510
Total equity	471,307	559,665	560,110

	Sw GAAP 31 March 2008	*Sw GAAP 31 December 2007*	*Sw GAAP 31 December 2006*
		SEK thousand	
Untaxed reserves	1,418	1,418	35,742
Provisions			
Pension obligation	1,429	1,266	625
Less: Capital in pension funds	(1,226)	(1,266)	(625)
Total provisions	203	0	0
Liabilities			
Non-Current liabilities			
Capital Securities	9,266,723	9,341,397	8,910,711
Other interest-bearing liabilities	33,971,393	30,430,426	31,806,184
Total non-current liabilities	43,238,116	39,771,823	40,716,895
Current liabilities			
Interest-bearing liabilities external	2,751,765	2,914,902	6,335,651
Interest-bearing liabilities to group companies	51,219,352	47,426,695	48,481,573
Interest-bearing liabilities to associated companies	7,042,500	7,105,750	4,977,500
Accounts payable	196	107	387
Accrued expenses and deferred income	1,503,334	1,535,248	1,477,446
Other liabilities to group companies	614,927	614,979	874,493
Other current liabilities external	721	14,002	332
Total current liabilities	63,132,795	59,611,683	62,147,382
Total Equity and Liabilities	106,843,839	99,944,589	103,460,129
Pledged assets (security balance for Swedish Options Market)	50,891	4,238	959
Contingent liabilities	25	25	13

DESCRIPTION OF THE GROUP

General and History

With effect from 1 January 1992 the Swedish State Power Board (Statens Vattenfallsverk), was converted from a public utility into a limited liability company registered in Stockholm under registration number 556036-2138, having been established under the name Vattenfall Aktiebolag in November 1990 with the registered office at Jämtlandsgatan 99, 162 87 Stockholm, Sweden and the telephone number +46 8 739 50 00. The national high-voltage grid, together with its international connections, which was part of Statens Vattenfallsverk's operations, was not transferred but was demerged and incorporated into a new public utility, Svenska Kraftnät. With effect from 1 January 1995, the Parent became a public limited company.

The Parent is currently wholly-owned by the Swedish State. The Parent's activities are conducted on a commercial basis with the State's involvement limited to the role of a shareholder.

The Parent and its subsidiaries, (the "Group"), produce, distribute and sell electricity, heat and energy-related services. The majority of operations are located in Sweden, Denmark, Finland, Germany and Poland. The primary geographic market consists of the Nordic countries, Germany and Poland. The Group is vertically integrated and organised in accordance with the electricity value chain: generation, transmission, distribution and sales. The Group also conducts electricity trading and lignite mining, and generates, distributes and sells heat.

The Group has customers primarily in the following sectors: industrial and energy companies, the service sector, real-estate companies, agricultural companies and households. Business is also conducted through several European electricity exchanges and through bilateral contracts with other electricity producers and network companies. The Group, through its subsidiary Vattenfall Trading Services is currently a market-maker at Nord Pool ASA and the German EEX exchanges. Vattenfall Trading Services is also an active member on the Polish electricity exchange.

Market de-regulation and liberalisation

In accordance with the EU's electricity and gas market directive 2003/54/EC, on 1 July 2007, all 27 EU countries opened their electricity and gas markets to competitors. The aim of this liberalisation is to create effective price mechanisms and incentives to invest in new generation and network expansion. Prior to 1 July 2007, 13 EU countries had opened their markets to competition. Though most of Europe's consumers are now free to choose their electricity supplier, this does not mean that the energy markets have been fully liberalised. Only ten countries have completed total deregulation. Most EU countries still have a number of price controls in place which impede pricing and competition, especially in the electricity sector, and according to an EU report published in June 2007 ("Status review on end-user price regulation"), this is not sustainable in the long term. Another problem is that certain countries are striving to control their domestic energy assets and support their domestic suppliers. The European Commission has responded to this with new, more stringent directives calling for the break-up of companies engaged in both electricity generation and transmission. In September 2007, the European Commission presented the third electricity and gas market "third package", in which it proposes two alternatives: energy companies engaged in both electricity generation and transmission must either sell off their entire transmission business, or they may retain ownership rights but will be forced to outsource transmission activities to independent system operators. This directive also proposes the establishment of a joint European energy regulator and that network oversight rules be made more uniform. The aim of deregulation measures in the EU is to merge national markets into regional markets and thereafter to link these together into a uniform European market.

New Regulations

When the European Parliament's electricity market directive was adopted in June 2003, it was stipulated that network tariffs are to be set in advance. The Energy Network Study presented its

initial findings in November 2007. The study proposes that starting in 2012, the distribution operators' revenues should be set in advance for a four-year oversight period. In addition, it has been proposed that the current network performance assessment model, which is based on a synthetic electricity network, be replaced by regulations that are based on the distribution operators' actual electricity networks.

CO_2 Emission Targets

In March 2007 the EU presented new, more ambitious targets for the reduction of CO_2 emissions: By 2020 EU countries must reduce their CO_2 emissions by 20 per cent. from 1990 levels, and by 2050 the aim is that CO_2 emissions will have decreased by 60 to 80 per cent. Trading in CO_2 emission allowances, which began in 2005, is one of the key tools for meeting the CO_2 targets. The aim of the emission allowance system is to use market mechanisms to effectively reduce CO_2 emissions. During the first trading period (2005–2007), which was a trial period, there was a surplus of 150–170 tonnes of emission allowances in the market, and prices successively fell to very low levels. During the autumn of 2007, the allocation for the next trading period (2008–2012) was completed. In most countries the number of emission allowances was sharply reduced. This will give rise to higher production costs for energy companies. In the "Green Package" announced in January 2008, the EU has proposed the full auctioning of CO_2 emission allowances for the power sector starting in 2013, i.e., no free allocation whatsoever.

In Germany the Group is expected to have an emission allowance deficit of approximately 28–33 million tonnes/year for the period 2008-2012. In Denmark the deficit is expected to amount to 1.8 million tones. In Poland the deficit is estimated to be 0.7–1.0 million tonnes. The Group's electricity generation in Sweden will be only marginally affected by the new allocation levels, since it is virtually free of CO_2 emissions. However, the Group's heat production in Sweden, which is partly based on fossil fuels, will have added costs.

The Group's climate work entails a steady reduction of CO_2 emissions from the Group's own facilities. The Group is prioritising investments in CO_2 efficient generation and energy efficiency improvements. From 1990 to the present the Group reduced emissions from its own plants by 30 per cent. Thus 20 per cent. remains for the period 2008 to 2030.

Renewable Energy

In March 2007 the EU set new targets for renewable energy (increasing its share to 20 per cent. by 2020, compared with slightly higher than 8 per cent. today) and energy efficiency (20 per cent. improvement by 2020). The target for biofuels has also been increased, from just over 1 per cent. today to 10 per cent. by 2020. Increasing the share of renewable energy has been pushed up high on the political agenda in the EU's Member States. The first EU directive calling for a greater share was agreed upon back in 2001. To increase the percentage of renewable electricity, many European countries have introduced economic subsidies designed to stimulate such investment. In Germany, for example, electricity from renewable sources is subsidized through a fixed level of compensation for generated electricity. The cost as well as the generated electricity is apportioned among the customers. Sweden has a system based on electricity certificates, where electricity generators receive one electricity certificate for each megawatt hour "MWh" of electricity generated from renewable energy sources that is delivered to the grid. Electricity supply companies must buy a certain amount of electricity certificates. The cost of an electricity certificate is included as a cost in the electricity price charged to the end customer. Poland also has a green certificate system designed to stimulate expansion of renewable energy. For the energy sector, the new climate instruments have given rise to uncertainty regarding future production portfolios. One consequence of the climate issue is that biofuels have also become more expensive. Competition for forest and agricultural products has risen in recent years. The rise in grain base ethanol production is one example. Higher prices for biofuels translate into higher prices in the heat market.

Wind Power

Wind power plays an important role in the Group's electricity generation mix. At year-end 2007 the Group had a total of 664 Megawatt ("MW") of installed wind power. Most of the plants are in Denmark and Sweden, including the world's largest offshore wind farm at Horns Rev off the Danish coast of Esbjerg, which is 60 per cent. owned by the Group. In 2007 the Lillgrund wind farm off the coast of Malmö was commissioned, with 48 turbines and total installed capacity of 110 MW.

Future investments include planned work on the Taggen and Trolleboda wind farms south of Gotland, with just under 100 new turbines and a total capacity of 280 MW. Pre-planning and site surveying at Kriegers Flak in the southern Baltic Sea continued in 2007. Approximately 130 turbines are to be built at this site, these will generate enough electricity to meet the needs of 400,000 homes. The Group is also working intensively on identifying suitable land-based wind power sites in Sweden and Denmark. In Sweden, leases are being signed with the owners of land areas with favourable wind conditions. The Group's aim is to install 550 land-based wind power plants with a combined capacity of 1,500 MW, which would generate enough electricity for 800,000 homes. The Group is also looking into opportunities to build wind power plants on its own property, such as in Forsmark and Ringhals. In Denmark, work is under way to repower older wind power plants with larger, more efficient turbines. At the Borkum site, off Germany's North Sea coast, the Group is participating in a development and demonstration project ("Alpha Ventus") concerning the next generation of wind power plants, where a total of 12 turbines, each with a capacity of 5 MW, will be erected.

Group Structure

In recent years the Group completed major acquisitions in Germany, Poland and in Denmark, whilst consolidating its market positions in Sweden and Finland. The Group is the fifth largest electricity generator in Europe (measured in generated TWh) and the largest generator of heat in Europe (measured by generated TWh).

In the Nordic countries the Group has a market share in generation of slightly more than 20 per cent. In Sweden and Finland the Group generates, distributes and sells both electricity and heat, while in Denmark operations are limited to the generation of electricity and heat. Electricity is sold to approximately 1,034,000 customers in the Nordic countries. Although hydro power and nuclear power are the platform of the Group's electricity generation, wind power, bio fuels, waste and fossil fuels are also used. Of the electricity generation mix in 2007, nuclear power and hydro power represented 53 and 37 per cent. respectively. Electricity is generated by seven nuclear power plants, approximately 100 hydro power plants, 500 wind power plants, ten thermal power plants and five combined heat and power plants. The Group is the fourth largest supplier of heat in the Nordic region, with 50 district heating plants. The Group also conducts consulting and contracting activities mainly in the energy sector. In 2007 the Group's Business Group Vattenfall Nordic had an electricity generation of 91 TWh (compared to 86 TWh in 2006) and a heat production of 11 TWh (compared to 8 TWh in 2006) respectively. The Business Group has about 9,500 employees.

In Germany the Group generates, transmits, distributes and sells electricity and heat. The Group is currently the country's third largest generator of electricity and the largest supplier of district heat. The Group has approximately 2.6 million electricity customers and 3.3 million network customers, mainly in Berlin and Hamburg. Operations comprise open-cast lignite mines in Lausitz, power plants in eastern and northern Germany, the transmission network in eastern Germany, and regional and local networks in Berlin, Hamburg and Mecklenburg Vorpommern. The Group operates several combined heat and power plants and thermal power plants, four large lignite–fired power plants, two nuclear plants, a hard coal–fired power plant, eight pumped storage power plants, and five gas turbine power plants. The Group also provides a wide offering of energy–related services. Of the electricity generation mix in 2007, fossil power, nuclear power and further hydro power represented 92, 3 and 4 per cent. respectively. The Business Group has about 19,700 employees.

In Poland the Group generates, distributes and sells electricity and heat. Heat production and sales make up the majority of operations, and the Group has a market share of approximately 27 per cent. Electricity is also generated on a small scale. The Group owns and operates electricity networks and distributes electricity to 1.1 million network customers, mainly in south west Poland. Vattenfall has approximately 1 million electricity customers in Poland. In 2007 the Business Group Vattenfall Poland had an electricity generation of about 4 TWh (compared to 3 TWh in 2006) and heat production of 11 TWh (compared to 11TWh in 2006). The Business Group has about 2,700 employees.

Vattenfall Trading Services GmbH is responsible for providing market access and energy trading-related services for internal customers of the Group as well as risk and portfolio management. The headquarters are located in Hamburg with branches in Warsaw and Copenhagen. The newly opened branch in Copenhagen will handle the Group's hard coal trading. Vattenfall Trading Services is responsible in the Group for:

- providing market access for physical and financial energy trading activity in the Nordic, German and Polish market;
- trading of coal, gas, oil and carbon dioxide certificates to hedge power-related risks;
- trading on own assets such as cables;
- focusing on energy risk management; and
- undertaking limited proprietary trading and risk taking in electricity and other commodity markets.

Furthermore, Vattenfall Trading Services GmbH's subsidiaries Vattenfall Power Management AB, Stockholm and Vattenfall Europe Power Management GmbH, Hamburg offer portfolio management services to external customers.

INSURANCE COVER

Nuclear Risks: Sweden

Third party nuclear liability insurance will meet claims, in respect of the first SDR 300 million ("Special Drawing Rights"), relating to the Group's nuclear plants and is provided by Nordic Nuclear Insurers (the "Pool") and European Liability Insurance for the Nuclear Industry ("ELINI"). Claims in excess of this amount will be met by the state.

Insurance cover for decontamination costs and for property losses due to nuclear accident is provided by European Mutual Association of Nuclear Insurance ("EMANI") and the Pool.

Nuclear Risks: Germany

Third party liability insurance in the German Nuclear Insurance Pool will meet claims up to EUR256 million. For claims in excess of this amount the German operators are jointly liable up to EUR2,500 million.

Insurance cover for decontamination and for property losses is provided by EMANI.

Non-nuclear Risks: Sweden, Denmark and Germany

Property insurance including business interruption insurance is provided by Försäkrings AB Vattenfall Insurance, a captive insurance company wholly-owned by the Parent and reinsured in the international reinsurance market.

According to Swedish law, dam owners have unlimited and strict liability for damages to third parties caused by dam accidents. Currently the Group has dam liability insurance cover of SEK8,000 million.

A global General Liability Insurance is provided by Försäkrings AB Vattenfall Insurance for the entire Group, including the mandatory German environmental insurance.

Electricity transmission and distribution power lines are uninsured, with the exception of a catastrophe cover for the German power lines, these risks are generally uninsurable in the insurance market.

Non-nuclear Risks: Finland and Poland

Property risks are covered by local insurers. Liability risks are covered by the global General Liability insurance (see above).

PENSIONS

The Group's pension obligations in Swedish and German companies are predominantly defined pension obligations. The concerned pension plans are primarily retirement pensions, disability pensions and family pensions. The assets in these funds, the plan assets, are reported at fair value. There are also pension plans in these and other countries that are defined contribution plans.

Swedish pension plans

The Swedish pension plans supplement the Swedish social insurance system and are the result of agreements between employer and employee organisations. Almost all of the Group's employees in Sweden are covered by a pension plan that is primarily a defined benefit plan, known as ITP–Vattenfall. This pension plan guarantees employees a pension based on a percentage of their salary. These benefits are secured in a pension trust and through provisions in the balance sheet or insurance premiums. The Group's obligations for retirement pensions and family pensions for salaried employees in Sweden are secured through an insurance policy from Alecta pensionsförsäkring, ömsesidigt ("Alecta"). According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this plan is a multi–employer defined benefit plan. As in previous years, the Group has not had access to information which would make it possible to report this plan as a defined benefit plan. The ITP-Vattenfall pension plan, which is secured through an insurance policy from Alecta, is therefore reported as a defined contribution plan. Contributions for the year for pension insurance policies from Alecta amount to SEK 97 million (136 million in 2006). Alecta's surplus can be distributed between the policyholders and/or the insured parties. At the end of 2007, Alecta's surplus in the form of its collective funding amounted to 152 per cent. (compared to 144 per cent. in 2006). Collective funding comprises the fair value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions.

German pension plans

The pension plans in Germany are based on collective agreements in line with market terms and conditions. Substantial defined benefit plans exist in Germany for employees of the companies Vattenfall Europe Berlin and Vattenfall Europe Hamburg. Vattenfall Europe Berlin has two pension plans, both financed through Pensionskasse der Bewag, a mutual insurance company. These plans are financed through funds from Vattenfall Europe Berlin and its employees. One plan has been classified as a defined contribution plan and is reported as such since the benefit is based on the contributions paid into the plan and Pensionskasse der Bewag's financial position. For employees who began their employment before 1 January 1984, there is a supplementary agreement providing employees working until retirement age with a pension equal to up to 80 per cent. of the salary on which the pension is based. Half of the statutory pension and the entire benefit from Pensionskasse der Bewag, including profits, are credited to the guaranteed amount. Vattenfall Europe Berlin's obligations encompass the entire pension commitment. The plan assets attributable to personnel employed since before 1 January 1984 are reported as plan assets at fair value. Pension obligations for Vattenfall Europe Hamburg employees mainly comprise of the company's obligations to personnel employed before 1 April 1991 and who have been employed

for at least ten years. The sum of the retirement pension, statutory pension and pensions from third parties normally amounts to a maximum of 65 per cent. of the salary on which the pension is based.

The Group's pension provision was SEK17,735 million at year end 2007 (compared to SEK16,877 million in 2006). The total pension costs in 2007 were SEK1,890 million (compared to SEK1,880 million in 2006).

RECENT ACTIVITIES

General

In April 2007 the Group set the goal of cutting the Group's CO_2 emissions in half by 2030, expressed in g/kWh, using 1990 as the base year. This would represent a further 20 per cent. decrease from today's levels. The Group is developing technologies to able this. For example, the Group and EEG, a subsidiary of Gaz de France, signed an agreement to work on a joint carbon dioxide storage project in Altmark in Germany. The Group has also signed an agreement with the Norwegian Ministry of Petroleum and Energy and an industrial syndicate to participate in the work on building a test installation in Mongstad for separating carbon dioxide using post-combustion technology.

In October 2007 the Group announced that all purchases of hard coal will be centralised in the Group's trading unit, Vattenfall Trading Services. The new purchasing function, which started on 1 January 2008 in Copenhagen, is responsible for all physical and financial coal and freight transactions on behalf of the entire Group. Through this move, the Group has taken advantage of cross-border synergies gained through the optimisation of storage and freight capacities.

Since 2006 the Group's subsidiary Vattenfall Trading Services GmbH has built up its infrastructure for gas trading. In January 2008 the subsidiary expanded their activities by starting gas trading in United Kingdom.

In April 2008 the redemption of minority shares in the Group's subsidiary Vattenfall Europe AG, which started in August 2005, was completed through registration with the commercial register in Berlin. The squeeze out involved a total of 6,454,150 shares, corresponding to 3.19 per cent. of the capital and votes. After registration with the commercial register, the Parent, directly and indirectly, owns 100 per cent. of the shares in Vattenfall Europe AG, and the company will soon be delisted from the German stock exchanges.

Business Group Nordic

Due to the incident that occurred at the Forsmark nuclear power plant in Sweden on 25 July 2006 a comprehensive review of safety issues and the safety culture of the Group's nuclear power operations was carried out. In February 2007 the Parent strengthened its board representation in Forsmarks Kraftgrupp AB (66 per cent. owned by the Parent), and a new managing director of that company was installed. The Parent's board established a safety committee with the primary task of closely monitoring and reviewing nuclear power safety in the Group, with initial, primary focus on operations at Forsmark. The Board also co-opted an independent, internationally renowned external expert who on behalf of the Board has conducted an in-depth review of management systems, safety, reporting and management functions at the Group's nuclear power facilities. Further, in November 2007 the Parent decided to institute a Chief Nuclear Officer ("CNO") as one of several measures to reinforce the Group's nuclear safety work. The CNO will report directly to the CEO and will be the Group's controller in nuclear safety issues and the Executive Group Management's ("EGM") nuclear expert. In 2006 and 2007 Forsmark nuclear power plant carried out an extensive action programme to restore and further strengthen safety at the plants. Based on the experiences from the incident and other observations, the Swedish Nuclear Power Inspectorate ("SKI") has put Forsmark nuclear power plant under special supervision. During the first quarter of this year, at the request of the Swedish government, the UN's International Atomic Energy Agency ("IAEA") performed a review of the Forsmark nuclear power plant. The IAEA

concluded that Forsmark nuclear power plant is in compliance with international safety standards. A number of suggested improvements were identified, which Forsmark nuclear plant will be adopting. No new observations were made in connection with the special oversight conducted by the SKI. The IAEA's final report will be issued within six months. Forsmark nuclear power plant was fully operational during the quarter. As long as a facility is under special supervision, no permit related applications to extend the operating permit or increase a facility's thermal output will be considered.

In November 2007 the Group and the forestry company Sveaskog announced a co-operation arrangement for the largest wind power investment ever in Sweden. The venture could result in 550 wind power turbines with a combined capacity of 1,500 MW. This would correspond to electricity output of 4 TWh, which would account for approximately 3 per cent. of Sweden's total electricity generation and meet the electricity needs of 800,000 households.

In November 2007, the Parent finished construction of Sweden's largest wind farm and the world's third largest off- shore wind farm, Lillgrund, located in the Oresund Strait between Malmö and Copenhagen. The plant comprises 48 wind turbines with a combined installed capacity of 110 MW and production output equivalent to the electricity consumption of 60,000 Swedish households. The Lillgrund wind farm is a significant part of the Group's investment in renewable electricity generation.

In February 2008, the Group announced that the investment programme for 2008 to 2012 will amount to SEK173,000 million an increase of SEK29,000 million compared with the five year period 2007 to 2011. Of the investments SEK107,000 million will be invested in Germany, SEK55,000 million in the Nordic region and SEK11,000 million in Poland. The bulk, SEK133,000 million, is earmarked for electricity and heat production while SEK40,000 million is planned for the Group's network operation.

In May 2008 Business Group Nordic decided to stop offering telecom products within the areas fixed and mobile telephony as well as broadband to the electricity customers in Sweden.

Business Group Central Europe

In June 2007 the Group's German nuclear power plants (Brunsbüttel and Krümmel) were both shutdown independently of each other. In Brunsbüttel, the shutdown was caused by a short circuit in a switchyard outside of the power plant, while the shutdown at Krümmel was caused by a fire in a transformer outside of the reactor building. The shutdowns at the nuclear plants worked properly, and no risks arose to people or the environment. Despite this, the Group came under sharp criticism for deficient handling of the outage at the Krümmel plant. Although immediate and extensive information was provided to the authorities, information to the general public was inadequate. The Group appointed an independent commission of technological and scientific experts who, based on the events that occurred, were assigned the task to conduct an analysis and to draft suggestions for improvement. The causes of the shut down have been rectified, but it is not yet clear when the reactors can be restarted. As a result of their investigation, the Commission came to the conclusion that the Brunsbüttel and Krümmel nuclear power plants are of modern status in their conception and their technical safety resources. Technical and communications problems did arise in connection with the incident, however, and such problems will be avoided in the future by changes in technology, organisation, management, and training, as the package of measures put forward by the Group at the beginning of September already makes provision for. The Commission has, in a recommendation dated in November 2007, recommended that these measures should be implemented rapidly. Once the short-term procedures have been put into effect, the Commission takes the view that the preconditions will be set for Brunsbüttel and Krümmel to go back into operation again promptly. However, the two German reactors are still down, and at present it is unclear when they can return to full operation again. This is due to that corrosion has been discovered in stainless steel valves caused by an unsuitable sealant. The outages cost the Group approximately SEK1,900 million in 2007.

In November 2007 Vattenfall received a preliminary permit (Vorzeitige Baugenehmigung) to build the Moorburg combined heat and power plant in Hamburg, Germany. The final environmental review has been delayed. According to Vattenfall, the plant meets all requirements to be able to be granted the necessary licences for air emissions and cooling of water.

In December 2007 the Parent announced that it is integrating its German and Polish operations into the new Business Group Central Europe, effective 1 January 2008. The European energy market is developing from national markets toward regional markets as a step towards a totally integrated market. It is therefore natural that the Group further integrates its activities in Germany and Poland in an effort to strengthen its position for continued growth in Central Europe. Tuomo Hatakka, previously Head of Business Group Poland, was appointed Head of the new Business Group Central Europe.

GROUP ORGANISATION AND BUSINESS STRUCTURE

The Parent abides by the same laws as privately owned companies in Sweden and complies where applicable, with the recommendations and norms that apply to companies listed on the Stockholm Stock Exchange which includes the Swedish Code of Corporate Governance (the "Code") which is also a part of the government's framework for its administration as company owners. The Parent applies the Code and regards it as one of several important sets of rules for external reporting and communication.

The Government, through its Ministry of Enterprise, Energy and Communications, Division of State-Owned Enterprises (the "Division") is responsible for the governance of state-owned companies. To clarify the state's view on certain matters and to achieve uniformity across the companies under its administration, the government has adopted guidelines on external financial reporting, terms of employment for senior executives, and employee incentive programmes. In addition, the government has identified certain, special policy issues of major importance, where state-owned companies are to act as a model.

The Chairman's duties are outlined in both of the Swedish Companies Act and the Board's Rules of Procedure. The Chairman heads the work of the Board and is responsible for ensuring that other board members receive adequate information. The Chairman participates when necessary in important external contacts. Each year the Board establishes its Rules of Procedure, based on the supporting document for rules of procedure in state-owned companies issued by the Division of the. Apart from mandatory items pursuant to the Swedish Companies Act, the Rules of Procedure regulate such things as the Chairman's duties, information to the Board, the form of board meetings, and evaluation of the work of the Board and the CEO. Matters to be dealt with by the Board are stipulated by the Swedish Companies Act and the Board's Rules of Procedure. The main duties of the Board, apart from appointing the CEO and deputy CEO, are to establish the strategic direction of operations, approve major investments, acquisitions and substantial organisational changes in the Group, and to establish central policies and instructions. In addition, the Board oversees the Company's financial development and has ultimate responsibility for internal control and risk management.

The Group is governed with a focus on value creation, long-term overarching goals and requirements for the Business Groups and Business Units. The Business Groups propose short-term goals for each Business Unit, which are subsequently approved by the CEO and the Executive Group Management (EGM). The "Roles and Allocation of Responsibility" instruction defines decision-making bodies and fundamental roles within the Group. The "Principles for Decision-Making and Delegation" is another central instruction that covers delegation from the CEO to the heads of the Business Groups, Group Functions and Group Shared Services. The Group's management processes for strategic planning, business planning and follow-up are central governance tools for the EGM. All governing documents are submitted to the EGM for approval.

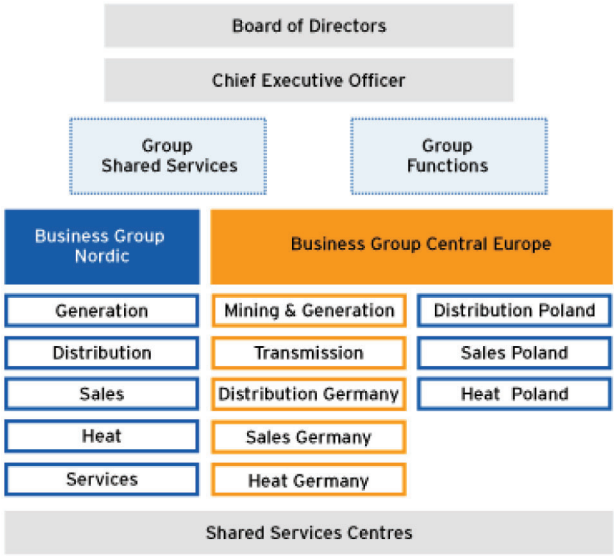
The Group's organisational model is based on the value chain for electricity; generation, transmission, distribution and sales and for heat; — generation, distribution and sales. Reporting and supervision of the business operations are conducted with full transparency in accounting, control, profitability and value creation.

In terms of management, the Group's operations are broken down into three categories:

- Business operations are handled by Business Groups and their Business Units in defined geographic areas. These are governed as profit centres.
- Group functions that support their respective management teams. These are governed as cost centres.
- Shared Service units, which provide services that support their customers' (internal Business Units and others) efforts to optimise their business operations. Shared Service activities are run on a full cost basis and are governed by internal customers. Shared Service units operate at both the Group (Group Shared Services) and Business Group levels.

Group Shared Services comprise Vattenfall Trading Services, Vattenfall Treasury, Vattenfall Insurance and Vattenfall Research and Development.

Organisation



Group operations are divided into Primary and Secondary Segments. Primary Segments are the geographical areas (areas based on the location of assets) Nordic countries, Germany, Poland,(as from 1 January 2008 Germany and Poland are integrated together in the new Business Unit Central Europe) and Other. The Nordic countries segment mainly covers operations in the Nordic countries, but also includes activities in the Netherlands and the UK. Operating profit for the primary segment Other includes changes in market values for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised, other segments are affected.

Secondary Segments are the business areas Electricity Generation, Electricity Markets (sales and trading), Electricity Networks (electricity transmission and distribution), Heat (generation, distribution and sales) and Other Operations. Other Operations includes the Group's treasury activities, research activities, service companies and Group administration staff. Operating profit of the secondary segment Electricity Markets includes changes in market values for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised, Electricity Generation is the main segment affected. Deliveries of electricity between

segments are made at market prices. In the case of services between segments, cost prices generally apply, although in certain cases market prices are applied.

Facts about the Primary Segments full year 2007	*Nordic Countries*	*Germany*	*Poland*
Production capacity, electricity and heat MW	23,953	23,741	5,763
Electricity and heat produced, TWh	102	88	15
Number of electricity customers	1,034,000	2,619,000	1,049,000
Number of network customers	1,302,000	3,310,000	1,117,000
Electricity networks, Km	187,500	87,000	26,200
Electricity networks, transmitted volume, TWh	81[1]	28[2]	11[3]
Number of employees, (based on full-time hours worked)	9,489	19,656	2,740

(1) Excluding generation transmission

(2) Exclusive transmission grid

(3) Transmitted volume to end customers

Financial Analysis For the Year Ended 2007 (IFRS)

The following table sets out the audited figures for net sales and operating profit/loss for the years ended 31 December 2007 and 2006 broken down by Segments:

Primary Segments

	External net sales		*Operating profit (EBIT)[5]*	
	2007	*2006*	*2007*	*2006[6]*
	SEK million			
Nordic Countries	44,429	48,235	12,591	13,287
Germany	77,471	69,905	15,338	13,884
Poland	9,265	8,981	1,092	1,072
Other	12,474	8,681	(438)	(466)
Elimination	0	0	0	44
Total	143,639	135,802	28,583	27,821

Secondary Segments

	External net sales		*Operating profit (EBIT)[5]*	
	2007	*2006*	*2007*	*2006*
	SEK million			
Electricity Generation	32,162	34,169	22,064	19,762
Electricity Markets	68,018	63,979	314	355
Electricity Networks	41,654	36,571	3,035	3,947
Heat	13,717	14,833	4,179	4,130
Other	2,974	1,598	(1,009)	(373)
Elimination	(14,886)	(15,348)	0	0
Total	143,639	135,802	28,583	27,821

	2007	*2006*
Financial income and expenses – net (SEK million)	(4,650)	(2,296)
Profit before tax (SEK million)[1]	23,933	25,525
Taxes (SEK million)	(3,247)	(5,667)
Profit for the year (SEK million)[2]	20,686	19,858
EBIT interest cover (times)	6.7	7.2[6]
Pre-tax profit margin (per cent.)[3]	16.7	18.8[6]
Operating margin (per cent.)[4]	19.9	20.5

Notes:

(1) Including items affecting comparability attributable to Capital Gains/Losses, net amounted to SEK 97 million (SEK 384 million in 2006).

(2) Including items affecting comparability attributable to tax, net amounted to SEK 136 million (SEK 386 million in 2006).

(3) The pre-tax profit margin, excluding items affecting comparability was 16.6 per cent. (18.5 per cent. in 2006[6]).

(4) Operating Margin exclusive of items affecting comparability was 19.8 per cent. (20.2 per cent. in 2006[6]).

(5) Before items affecting comparability.

(6) The figures for 2006 are adjusted compared to previously published information in the Group's 2006 Annual Report.

Net sales and financial performance

During 2007 net sales rose by 5.8 per cent. to SEK143,639 million (compared to SEK135,802 million in 2006). The increase is attributable to Germany, where external net sales rose by SEK7.6 billion, mainly due to higher EEG–related income (Erneuerbare–Energien–Gesetz, the German renewable energy law). This income was offset by higher costs for sold products and is thus essentially earnings neutral. For the Nordic countries, external net sales decreased by SEK3.8 billion. For the Other segment, which includes Energy Trading, external net sales increased by SEK3.8 billion.

The cost of products sold rose 7.2 per cent. to SEK103,404 million (compared to SEK96,428 million in 2006). This increase is mainly due to EEG costs(Erneuerbare–Energien-Gesetz, the German renewable energy law) in Germany. These costs, which stem from the wind power feed into the Group's transmission grid in Germany, are passed on to end customers with a certain time delay and are thus essentially earnings neutral. Higher fuel costs, impairment charges for power and network assets in Germany, and impairment losses for a combined heat and power plant in Finland also contributed to the increase. Depreciation increased by 5.9 per cent. to SEK15,432 million (compared to SEK14,574 million in 2006).

Operating profit rose 2.7 per cent. to SEK28,583 million (compared to SEK27,821 million in 2006). This increase is mainly attributable to German electricity generation and can be credited to high availability at coal fired plants and higher prices received on the European Energy Exchange in Germany. In the Nordic countries, hedging helped offset the effects of lower spot prices, but operating profit nevertheless fell by 5.2 per cent. Costs for the major storm "Per" at the start of the year, restructuring costs in the distribution business unit and impairment losses for a combined heat and power plant in Finland, together totalling SEK645 million, were charged against income for the Nordic countries. Earnings in Poland improved slightly, but mainly due to currency effects. In all, the Group's operating profit was charged with impairment losses of SEK1,850 million. This can be attributed primarily to the pumped storage power plants in Generation in Germany (SEK1,100 million), the distribution activities of the Germany subsidiary Wemag (SEK473 million), and the Myllykoski combined heat and power plant in Finland (SEK195 million).

Net financial items amounted to SEK-4,650 million (compared to SEK-2,296 million in 2006), a deterioration of 102.5 per cent. This includes discounting effects of SEK-2,453 million (SEK-2,012 million in 2006) attributable to provisions. The deterioration in net financial items is mainly due to a lower return from the Swedish Nuclear Waste Fund and changes in the market value of derivatives. The balance of net interest income and expense, including the interest component of

pension costs, was virtually unchanged compared with 2006. Net interest expense averaged SEK-166 million per month (compared to SEK-165 million in 2006). In 2007 the interest component of pension costs was reclassified from an operating expense to a financial expense. This resulted in an increase in operating profit of SEK811 million (compared to SEK772 in 2006), with a corresponding increase in financial expenses.

Taxes decreased by SEK2,420 million to SEK3,247 million (compared to SEK5,667 million in 2006). The effective tax rate according to the income statement was 13.6 per cent. (22.2 per cent. in 2006). The low tax rate is explained by the decision in Germany to lower the company income tax rate by 10 per cent. starting in January 2008. As a result of this, deferred tax liability decreased by approximately SEK3,900 million.

Profit for the year (after tax) rose 4.2 per cent. to SEK20,686 million (compared to SEK19,858 million in 2006) as a result of the sharp rise in equity. The return on net assets decreased to 16.6 per cent. (17.1 per cent. in 2006).

Return on equity decreased to 17.6 per cent. (compared to 19.1 per cent. in 2006). Excluding items affecting comparability, return on equity was 17.5 per cent. (compared to 18.7 per cent. in 2006). The return on net assets decreased to 16.6 per cent. (compared to 17.1 per cent. in 2006). Excluding items affecting comparability, the return on net assets was 16.6 per cent. in 2007 (compared to 16.8 per cent. in 2006 adjusted since the publication of the Groups Annual Report 2006).

Financial Analysis for the Three Months Ended 31st March 2008, IFRS (Unaudited)

Starting with the interim report as per 31 March 2008, Germany and Poland are reported together under the heading Business Group Central Europe. This is due to the integration on 1 January 2008 of the former Business Group Germany and Business Group Poland, forming Business Group Central Europe. Germany accounts for roughly 90 per cent. of sales and operating profit for Business Group Central Europe. For the period 1 January 2008 to 31 March 2008, net sales amounted to SEK45,404 million (compared to SEK41,644 million for the period 1 January 2007 to 31 March 2007). Operating profit ("EBIT") increased to SEK11,426 million during the same period (compared to SEK11,399 million in 2007). The Group's stable operating profit can be credited to a strong improvement for Business Group Nordic, up 40.9 per cent., while Business Group Central Europe reported an earnings decline of 26.1 per cent. The earnings improvement for Business Group Nordic can be credited to very good availability of Swedish nuclear power, an increase in hydro power generation and the fact that the first quarter of 2007 was charged with costs for the storm "Per". However, the mild winter in the Nordic region contributed to a 13 per cent. drop in heat sales, which tempered the earnings improvement somewhat. A decrease in electricity generation in Germany due to the outages of the Krümmel and Brunsbüttel nuclear power plants, disruptions at the Jänschwalde coal-fired plant in Germany, and higher prices for emission allowances are the main explanations for the earnings decline for Business Group Central Europe.

Net sales and operating profit/loss figures for the period 1 January to 31 March for the years 2008 and 2007, broken down by Primary and Secondary segments are shown below, as extracted from the Group's unaudited Interim Reports:

Primary Segments

	External Net sales 1 January to 31 March		*Operating profit (EBIT) 1 January to 31 March*	
	2008	*2007*	*2008*	*2007*
	SEK million			
Nordic Countries	14,690	12,799	6,471	4,591
Central Europe	27,437	24,022	4,822	6,525
Other[1]	3,277	4,823	133	283
Eliminations	–	–	–	–
Total	45,404	41,644	11,357	11,321

Notes:

(1) Including Energy Trading, Treasury operations and Other Group functions. Operating profit includes changes in market valuation for electricity trading until the realisation of the transaction. When realised other segments will affected.

Secondary Segments

	External Net sales 1 January to 31 March		*Operating profit (EBIT)[3] 1 January to 31 March*	
	2008	*2007*	*2008*	*2007*
	SEK million			
Electricity Generation	11,071	7,809	7,694	8,326
Electricity Markets[1]	20,735	19,322	175	(74)
Electricity Networks	14,205	12,662	1,554	1,257
Heat	4,235	4,500	2,036	1,908
Other	777	663	(33)	(18)
Eliminations[2]	(5,637)	(3,312)	–	–
Total	45,404	41,644	11,426	11,399

Notes:

(1) Including energy trading activities, treasury operations and other group functions. Operating profit includes changes in market valuation for electricity trading until the realisation of the transaction. When realised other segments will be affected by the market valuation.

(2) Comprises mainly trading between Electricity Generation, Markets and Networks.

(3) Before items affecting comparability.

Operating expenses amounted to SEK34,418 million, which is an increase of SEK3,793 million compared with the same period for the previous year. The cost of products sold increased by SEK3,632 million and the selling expenses, research and development costs and administrative expenses increased by SEK161 million.

Depreciation amounted to SEK3,777 million for the three months ended 31 March 2008, compared to SEK3,720 million for the same period in 2007.

	1 January to 31 March	
	2008	*2007*
Financial income and expenses – net (SEK million)	(1,358)	(695)
Profit before tax (SEK million)[1]	10,068	10,704
Taxes (SEK million)	(2,884)	(3,469)
Profit for the period (SEK million)[2]	7,184	7,235
EBIT interest cover (times) excl. items affecting comparability	8.1	12.3
Pre-tax profit margin (per cent.) excl. items affecting comparability	22.0	25.5
Operating margin, excl. items affecting comparability[3]	25.0	27.2

Notes:

(1) Including items affecting comparability attributable to capital gains or losses, net: SEK87 million (compared to SEK82 million in 2007)

(2) Including items affecting comparability adjusted for tax effect: SEK66 million (compared to SEK68 million in 2007)

(3) Including items affecting comparability 25.2 per cent. (compared to 27.4 per cent. in 2007)

Investment activities for the full year ended 31 December 2007

Total investments increased by 10.1 per cent. to SEK18,964 million (compared to SEK17,220 in 2006).

Maintenance investments broken down by geographic allocation were as follows in 2007:

Nordic countries SEK7,138 million, Germany SEK4,716 million, Poland SEK791 million, and Other SEK 36 million.

Growth investments broken down by geographic allocation were as follows in 2007:

Nordic countries SEK3,670 million, Germany SEK2,526 million, Poland SEK85 million, and Other SEK2 million.

Divested assets amounted to SEK925 million (compared to SEK1,720 million in 2006), including SEK442 million (compared to SEK834 million in 2006) in equities. Divested equities consisted mainly of various heating plants in Sweden and Estonia, and the sale of the Germany subsidiary Vattenfall Europe Contracting GmbH.

Investments (SEK million)	*2007*	*2006*
Acquisitions of Group companies	112	126
Investments in associated companies and other shares and participations	1	17
Investments in property, plant and equipment	18,571	15,801
Investments in intangible assets, non current	279	586
Investments in investment property	1	4
Total	18,964	16,534

Divestments (SEK millions)	*2007*	*2006*
Divestments of property, plant and equipment	481	884
Divestments in intangible assets, non-current	2	2
Divestments of shares and participations	442	834
Total	925	1,720

Liquidity and Financing

Extract from the Group's Consolidated Cash Flow Statements.

	As at 31 March		*As at 31 December*	
	2008	*2007*	*2007*	*2006*
Cash flow from operating activities	9,021	9,240	32,331	35,207
Cash flow from investment activities	(4,697)	(3,233)	(18,037)	(15,647)
Cash flow from financing activities	6,237	(2,802)	(18,662)	(10,742)
Free Cash Flow	5,027	7,270	19,650	23,178
Net debt	39,545	44,828	43,740	49,407

Cash flow

Cash flow from operating activities decreased by 8.2 per cent. to SEK32,331 million (compared to SEK35,207 million in 2006). Funds from operations decreased by 4.6 per cent. to SEK34,049 million (compared to SEK35,673 million in 2006), while the change in working capital was SEK-1,718 million (compared to SEK-466 million in 2006). The negative change in working capital is mainly attributable to a change in margin calls on the European Energy Exchange in Germany. Free cash flow, i.e., cash flow from operating activities less maintenance investments, decreased by 15.2 per cent. to SEK19,650 million (compared to SEK23,178 million in 2006). Cash flow before financing activities decreased by SEK14,294 million (compared to SEK19,560 million in 2006), due to a higher investment and the change in the abovementioned margin calls on the European Energy Exchange.

Financing activities

Total interest–bearing liabilities, including Capital Securities, decreased by 6.1 per cent. to SEK67,189 million (compared to SEK71,575 million in 2006). The rating agencies classify most of the Capital Securities as equity (Moody's 75 per cent. and Standard & Poor's 50 per cent.). In 2007 loans were amortised in the amount of SEK10,570 million, while new borrowing amounted to SEK4,434 million. New borrowing consisted primarily of three private placements under this Euro MTN programme. The terms of these are 15 and 30 years, respectively. The Group's net debt decreased by 11.5 per cent. to SEK43,740 million (compared to SEK49,407 million in 2006). As per 31 December 2007, the average fixed–interest period was 3.3 years (compared to 3.3 years in 2006), and the average remaining maturity for net debt was 6.7 years (compared to 6.6 years in 2006). Excluding Capital Securities, the average fixed–interest period was 2.6 years and the average maturity was 6.5 years. All public funding is conducted via Vattenfall Treasury under guarantee from the Parent.

Accounting Principles

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as well as the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as approved by the European Commission for application within the EU. These also include the International Accounting Standards ("IAS") issued by IASB's predecessor, the International Accounting Standards Committee ("IASC"), and the interpretations issued by IFRIC's predecessor, the Standing Interpretations Committee ("SIC"). In addition, recommendation RFR 1.1 – Supplementary Accounting Principles for Groups of Companies, issued by the Swedish Financial Reporting Board, has been applied. RFR 1.1, which will become mandatory for the Group's 2008 financial statements but has been applied prospectively, specifies the necessary additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act. For a full description of the Group's Accounting Principles please refer to the Parent's Annual Report for 2007.

RISK MANAGEMENT

Organisation

The Group's operations are exposed to a number of risks which affect earnings and the balance sheet. To manage these risks, the Group has established an organisation and risk management process. Governance takes place through a set strategy and established body of rules. To be able to effectively manage manageable risks, methods and models are being continuously developed to measure and evaluate risks and their management. The Board of Directors has overarching responsibility for internal control and risk management of the Group, based on a uniform definition of the risks. The Board has, in turn, given the Group's management a risk mandate. Management allocates this mandate to the Group's business units. Each unit manages its own risks and has some room to manoeuvre within its respective mandate, and is responsible for ensuring compliance with reliable methods for measuring risks. The results achieved by the units are followed up on a continuous basis and reported to the executive management in accordance with set reporting routines. Risk reporting and the utilisation of mandates are conducted by an independent risk control function. The Group's risk management is co-ordinated by a Risk Committee ("VRC") under the direction of the CFO. This committee is tasked with reviewing principles and mandates, and approving risk instructions. In addition to the VRC, the Group has several local risk committees and risk-specific committees; for example, environmental risks are coordinated and evaluated by the Group's Environmental Committee.

Political risks, operational risks, environmental risks and legal risks are general in nature and exist in all units throughout the Group. Insurable risks are managed centrally by the Parent's subsidiary, Försäkrings AB Vattenfall Insurance.

BOARD OF DIRECTORS OF THE PARENT

Name	*Details of Directors*	*Appointments outside the Board of the Parent*
Board of Directors		
Lars Westerberg	Chairman of the Board, elected at the AGM 2008	Chairman of the board of Autoliv AB and Husqvarna AB and a member of the board of SSAB, AB Volvo and Plastal AB.
Christer Bådholm	Board Member since 2002	Director on the boards of Anläggnings AB ODEN, Icomera AB, and chairman of the board in Bombardier Transportation Sweden AB and Balfour Beatty Rail AB.
Lone Fønss Schrøder	Board Member since 2003	Managing Directors of Wallenius Lines AB, member of the boards of DSB, Yara ASA, chairman of the board of Bioneer A/S and WWL A/S, deputy chairman of the board of Aker ASA.
Anders Sundström	Board Member since 2004	Managing director of Folksam Liv and Folksam Sak, chairman of Luleå University of Technology, board member of Boliden AB and Falck A/S and ALKA Forsikring A/S.
Hans-Olov Olsson	Board Member since 2004	Chairman of Volvo Personvagnar AB. Chairman in the trade organisation and employers' association Teknikföretagen and vice chairman in the Confederation of Swedish Enterprise, Svenskt Näringsliv, member of the board in AB SKF, Lindab International AB, Höganäs AB, Elanders AB, Anna Lindhs Minnesfond and IQ initiativet.
Tuija Soanjärvi	Board Member since 2007	CFO Itella Abp (formerly Posten Finland Abp).
Viktoria Aastrup	Board Member elected at the AGM 2008	Representing Ministry of Enterprise, Energy and Communications, Division for State-Owned Enterprises, member of the board of the Swedish Space Company and Lernia AB, CEO of Förvaltningsaktiebolaget Stattum and the chairman of Telia Sonera's Nomination Committee.
Eli Arnstad	Board Member, elected at the AGM 2008	Deputy chairman of Sparebank 1 Midt-Norge and a member of the boards of senter för ekonomisk forskning in NTNU, Stiftelsen Nidarosdomens Restaureringsarbeider, Sparebankforeningen i Norge and Posten Norge.

Name	*Details of Directors*	*Appointments outside the Board of the Parent*
Johnny Bernhardsson	Board Member since 1995	
	Employee representative	
Ronny Ekwall	Board Member since 1999	
	Employee representative	
Carl Gustaf Angelin	Board Member since 2003	
	Employee representative	
Deputy Members		
Lars Carlsson	Board Member since 1991	
	Employee representative	
Per-Ove Lööv	Board Member since 1999	
	Employee representative	
Lars-Göran Johansson	Board Member, elected at the AGM 2008 Employee representative	

There are no potential conflicts of interest between any duties to the Parent of the above Board Members and their interests and/or other duties.

The business address of the above Board members is Jämtlandsgatan 99, SE-162 87 Stockholm, Sweden.

SUMMARY FINANCIAL INFORMATION OF THE PARENT

The following summary financial information of the Parent for the years ended 31 December 2007 and 2006 and for the three months ended 31 March 2008 is extracted without material adjustment and based on the audited accounts for the years ended 31 December 2007 and 31 December 2006 and the unaudited interim accounts for the three months ended 31 March 2008.

	For the three month ended 31 March	*For the year ended 31 December*	
	2008	*2007*	*2006*
	Sw GAAP	*Sw GAAP*	*Sw GAAP*
		SEK millions	
Total assets	125,215	126,898	136,831
Total equity	35,667	31,993	35,715
Untaxed reserves	11,112	10,993	11,445
Provisions	136	144	184
Non-current liabilities	59,917	60,857	66,496
Current liabilities	18,383	22,911	22,991
Operating turnover	8,975	25,223	26,244[(1)]
Operating profit	4,304	7,438	8,325
Profit before appropriations and tax	5,205	5,532	16,106
Profit before tax	5,086	5,984	14,035
Net profit for the period/year	3,677	4,455	11,549

(1) Adjusted compared to previously published information.

CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The financial information set out on pages 89-91 has been extracted without material adjustment from the audited financial statements of the Group in respect of the years ended 31 December 2006, and 31 December 2007 and from the unaudited financial accounts of the Group in respect of the three months ended 31 March 2008.

Consolidated Income Statement

	For the three month ended 31 March 2008 IFRS	*For the year ended 31 December 2007 IFRS*	*2006 IFRS*
		SEK millions	
Net sales[9]	45,404	143,639	135,802
Cost of products sold[1][8][9]	31,269	(103,404)	(96,428)
Gross profit	14,135	40,235	39,374
Selling expenses[8]	(1,177)	(4,915)	(5,649)
Administrative expenses[8]	(1,702)	(7,578)	(7,535)
Research and development costs	(270)	(1,015)	(765)
Other operating income	193	1,782	2,319
Other operating expenses	(92)	(924)	(1,257)
Participations in the result of associated companies[8]	339	998	1,334
Operating profit[2][3][8]	11,426	28,583	27,821
Financial income[4]	714	2,276	3,839
Financial expenses[5][8]	(2,072)	(6,926)	(6,135)
Profit before tax[6][8]	10,068	23,933	25,525
Income tax expense[8]	(2,884)	3,247	(5,667)
Profit for the year/period[7][8]	7,184	20,686	19,858
Profit for the year/period attributable to			
– Equity holders of the Parent Company	6,809	19,769	18,729
– Minority interests	375	917	1,129

(1) Of which, depreciation, amortisation and impairment losses, SEK-3,648 million as per 31 March 2008, SEK-16,486 million and SEK-15,007 million, full year 2007, and 2006 respectively.

(2) Of which, depreciation, amortisation and impairment losses, SEK-17,238 million and SEK-16,117 million, full year 2007 and 2006 respectively.

(3) Including items affecting comparability attributable to capital gains and losses, net, SEK69 million as per 31 March 2008, SEK86 million and SEK373 million, full year 2007 and 2006 respectively.

(4) Including returns from the Swedish Nuclear Waste Fund, SEK 300 million as per 31 March 2008, SEK843 million and SEK2,106 million, full year 2007 and 2006 respectively.

(5) Including discounting effects attributable to provisions, excluding pensions provision, SEK-616 million as per 31 March 2008, SEK-2,453 million and SEK-2,012 million, full year 2007 and 2006 respectively and interest components related to pension costs SEK-199 million as per 31 March 2008, SEK-811 million and SEK-772 million, full year 2007 and 2006 respectively.

(6) Including items affecting comparability attributable to capital gains and losses, net, SEK87 million as per 31 March 2008, SEK97 million and SEK384 million, full year 2007 and 2006 respectively.

(7) Including items affecting comparability adjusted for tax, SEK66 million as per 31 March 2008, SEK136 million and SEK386 million, full year 2007 and 2006 respectively.

(8) Interest components related to pension costs for 2007 are reclassified compared to previously published information in the Group's Annual Report 2006

(9) Net sales and cost of products sold for 2006 are adjusted compared to previously published information in the Group's 2006 Annual Report.

Consolidated Balance Sheet of the Group

	For the three months ended 31 March 2008 IRFS	*For the year ended 31 December 2007 IFRS*	*2006 IRFS*
		SEK millions	
ASSETS			
Non-current assets			
Intangible assets, non-current	4,207	4,346	4,260
Property, plant and equipment	214,274	214,208	201,328
Investment property	728	906	936
Participations in associated companies	13,644	13,369	12,126
Other shares and participations	675	694	1,254
Share in the Swedish Nuclear Waste Fund	24,376	24,143	23,321
Current tax assets, long-term	1,223	1,229	1,241
Other long-term receivables	5,280	5,128	5,620
Deferred tax assets	881	841	1,807
Total non-current assets	265,288	264,864	251,893
Current assets			
Inventories	9,615	9,537	9,384
Intangible assets, emission allowances	759	750	746
Trade receivables and other receivables	30,047	28,120	26,444
Advance payment to suppliers	652	672	685
Derivatives with positive fair value	6,298	5,442	5,370
Short-term investments	9,498	12,096	7,534
Prepaid expenses and accrued income	5,315	4,834	4,338
Current tax assets	1,790	1,358	2,138
Cash and cash equivalents	21,084	10,563	14,634
Total current assets	85,058	73,372	71,273
TOTAL ASSETS	350,346	338,236	323,166
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Parent			
Share capital	6,585	6,585	6,585
Translations reserve	4,527	4,892	1,467
Reserve for cash flow hedges	(4,503)	(6,385)	(5,811)
Retained earnings incl profit for the year	113,426	106,617	94,348
Total equity attributable to shareholders of the Parent	120,035	111,709	96,589
Equity attributable to minority interests	12,787	12,423	11,085
Total equity	132,822	124,132	107,674
Non-current liabilities			
Capital Securities	9,267	9,341	8,911
Other interest-bearing liabilities	47,177	42,643	46,868
Interest Bearing provision	52,225	51,614	45,364
Pension provision	17,644	17,735	16,877
Deferred tax liabilities	24,302	23,704	29,875
Other non-interest-bearing liabilities	3,173	3,285	2,320
Total non-current liabilities	153,788	148,322	150,215

	For the three months ended 31 March 2008 IRFS	*For the year ended 31 December 2007 IFRS*	*2006 IRFS*
		SEK millions	
Current liabilities			
Trade payables and other liabilities	13,298	15,408	14,628
Accrued expenses and deferred income	15,568	12,968	14,367
Advance payments from customers	–	395	225
Derivatives with negative fair values	10,964	14,242	12,823
Current tax liabilities	5,047	2,928	3,585
Interest-bearing liabilities	14,638	15,205	15,796
Interest-bearing provisions	4,221	4,636	3,853
Total current liabilities	63,736	65,782	65,277
TOTAL EQUITY AND LIABILITIES	350,346	338,236	323,166
Pledged assets[1]	4,455	4,498	4,129
Contingent liabilities[2]	16,093	17,565	18,275
Commitments under consortium agreements[3]			

(1) The Parent has pledged assets of SEK3,140 million as of 31 March 2008, SEK3,218 and SEK2,953 million as of 31 December 2007, 2006 respectively.

(2) Within its German operations, the Group conducted a number of leasing transactions involving power plants in 1999 and 2000. The basis for the transactions is the right of use of power plants leased to US counterparts under head leases, lasting a maximum of 99 years, and thereafter leased back for 24 years under subordinated leases. After the subordinated leases expire, Vattenfall has the right to regain the right of use through a call option. Rent from the US counterparts has been received in advance and has been deposited in financial institutions with high credit ratings for the payment of sums due in accordance with the subordinated leases, including payment of the options. The net difference between rental payments received and deposits made has been reported as a net figure at the time the lease contracts were entered. Should the leasing parties or the underlying customers fail to meet their obligations during the leasing period, this will give rise to termination costs for the Group. These obligations amounted to a maximum of SEK1,020 on 31 March 2008, SEK1,046 million on 31 December 2007, SEK1,329 million on 31 December 2006, and are included in the reported contingent liabilities.

(3) Power plants are often built on a joint venture basis. The consortium agreements entitle each owner to a proportion of the plant's subsequent output and make each owner liable, irrespective of output, for an equivalent proportion of the joint venture company's costs. The Group's investments in heating and other companies often entail a liability for costs in proportion to its ownership interests.

(4) The Parent bears the full responsibility for Swe-Pol Link until July 2020.

SWEDISH TAXATION

The following summary outlines certain Swedish tax consequences relating to holders of Notes, if not otherwise stated. The summary is based on the laws of the Kingdom of Sweden as currently in effect and is intended to provide general information only. The summary does not address the rules regarding reporting obligations for, among others, payers of interest. Prospective purchasers are urged to consult their professional tax advisors regarding the Swedish tax and other tax consequences (including the applicability and effect of double taxation treaties) of holding or transferring Notes.

Payments of any principal amount or any amount that is considered to be interest for Swedish tax purposes to the holder of any Notes should not be subject to Swedish income tax, provided that such holder is neither resident in Sweden nor engaged in trade or business in Sweden through a permanent establishment. A person is resident in Sweden if he (i) is domiciled in Sweden or (ii) has his habitual abode in Sweden or (iii) earlier has been domiciled in Sweden and after having moved abroad continues to have an essential connection with Sweden (for example is engaged in trade or business in Sweden). Swedish law does not provide for deduction or withholding for or on account of taxes on payments of any principal or interest to the holder of any Notes, except on payment of interest to a holder who is an individual or an estate of a deceased individual with tax residence in Sweden.

Generally, for Swedish corporations and private individuals (and estates of deceased individuals) with residence in Sweden for Swedish tax purposes, all capital income (e.g. income that is considered to be interest for Swedish tax purposes and capital gains on Notes) will be taxable. Specific tax consequences, however, may be applicable to certain categories of corporations (e.g. investment companies and life insurance companies). If VPC Registered Notes or Notes held by a Swedish nominee in accordance with the Swedish Financial Instruments Accounts Act (SFS 1998:1479), Swedish preliminary taxes are withheld by VPC or the nominee on payments of amounts that are considered to be interest for Swedish tax purposes to a private individual (or an estate of a deceased individual) with residence in Sweden for Swedish tax purposes.

UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom in relation only to the United Kingdom withholding tax treatment of payments of interest in respect of the Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

Payments of interest on the Notes may be made without withholding on account of United Kingdom income tax.

However, Noteholders may wish to note that, in certain circumstances, HM Revenue & Customs ("HMRC") has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder, or who either pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before 5 April 2009. Information so obtained may, in certain

circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction, in which the Noteholder is resident for tax purposes.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland adopted similar measures (a withholding system in the case of Switzerland).

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (as amended or supplemented from time to time, the "Programme Agreement") dated 9 June 2008 agreed with Vattenfall Treasury and the Parent a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Programme Agreement, Vattenfall Treasury and the Parent have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution as determined by the Agent (based upon certifications it has received) of all Notes of the relevant Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exception from registration under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each issue of Index Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer or Dealers shall agree as a term of the issue and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant

Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in (a) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) in relation to any Notes having a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by either Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to either Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No.25 of 1948, as amended; the "FIEL") and each Dealer has agreed and each

further Dealer appointed under the Programme will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEL and any applicable laws and regulations of Japan.

France

Each of the Dealers, Vattenfall Treasury and the Parent has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms, or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), other than individuals, all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 of the French *Code monétaire et financier*.

Sweden

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or purchase or sell the Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden except in compliance with the laws of Sweden.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of Vattenfall Treasury, the Parent and any other Dealer shall have any responsibility therefor.

None of Vattenfall Treasury, the Parent and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as the relevant Issuer and the relevant Dealer(s) shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes by Vattenfall Treasury under the Programme have been duly authorised by a resolution of the Board of Directors of Vattenfall Treasury passed on 16 March 1994. The issue of Notes by the Parent under the Programme and the giving of the guarantee in respect of Notes to be issued under the Programme by Vattenfall Treasury has been duly authorised by a resolution of the Board of Directors of the Parent passed on 3 June 1994. The update of the Programme was duly authorised in accordance with the delegation instructions given by the Board of Directors of the Parent on 11/12 December 2007 and of Vattenfall Treasury on 29 November 2007.

Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of the temporary global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The listing of the Programme in respect of such Notes is expected to be granted on or around 11 June 2008.

Documents Available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of each Issuer and from the specified office of the Agent in London:

(i) the constitutional documents (with an English translation thereof) of Vattenfall Treasury and the Parent;

(ii) the audited financial statements of Vattenfall Treasury in respect of the financial years ended 31 December 2006 and 31 December 2007 and the audited consolidated financial statements of the Parent in respect of the financial years ended 31 December 2006 and 31 December 2007 (in each case in English and together with the audit reports prepared in connection therewith);

(iii) the most recently available audited annual financial statements of Vattenfall Treasury and the Parent and the most recently available published interim financial statements (if any) of Vattenfall Treasury and the Parent (in each case in English and together with the audit reports prepared in connection therewith);

(iv) the Programme Agreement, the Trust Deed (which contains the forms of the Temporary and Permanent Global Notes, the Definitive Notes, the Receipts, the Coupons and the Talons) and the Agency Agreement;

(v) a copy of this Prospectus; and

(vi) any future prospectuses, offering circulars, information memoranda and supplements including any Final Terms and subscription agreement for Notes that are admitted to the Official List and admitted to trading on the London Stock Exchange's regulated market (excluding Final Terms relating to Notes neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive) to this Prospectus and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through VPC (in the case of VPC Registered Notes), Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code and ISIN for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction. If the Notes are to clear through an additional or alternative clearing system (including VPC) the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 3 Boulevard du Roi Albert II, B.1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg and the address of VPC is P.O. Box 7822, SE-103 97 Stockholm, Sweden.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole, in each case since 31 March 2008 and no material adverse change in the financial position or prospects of Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole, in each case, since 31 December 2007.

Litigation

There are no, nor have there been any, governmental, legal or arbitration proceedings involving Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole (including any such proceedings which are pending or threatened of which Vattenfall Treasury, the Parent or any of the Parent's subsidiaries are aware) which may have or have had during the 12 months prior to the date hereof, a significant effect on the financial position or profitability of Vattenfall Treasury, the Parent or the Parent and its subsidiaries taken as a whole.

Auditors

The auditor of Vattenfall Treasury AB Lars Träff who is a Certified Public Accountant of Ernst & Young AB, have audited the accounts for the financial years ended 31 December 2006 and 31 December 2007, prepared in accordance with the Swedish Annual Accounts Act, without qualification. The auditor of the Issuer have no material interest in the Issuer.

The auditors of the Parent, Ernst & Young AB (individual auditor in charge being Certified Public Accountant Lars Träff) and Per Redemo, who is a Certified Public Accountant of The Swedish National Audit Office have audited the Parent's and the Group's accounts prepared in accordance with the International Financial Reporting Standards ("IFRS") for the financial periods ended 31 December 2006 and 2007, without qualification. The auditors of the Parent and the Group have no material interest in the Parent and the Group, as the case may be.

At the Annual General Meeting in 2008 of Vattenfall Treasury and the Parent, Ernst & Young was re-elected as auditors with Certified Public Accountant Hamish Mabon as new auditor in charge.

The Trust Deed provides that the Trustee may rely on certificates or reports from the auditors as sufficient evidence of the facts stated therein notwithstanding that such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith containing a monetary or other limit on the liability of the auditors in respect thereof.

Post-issuance information

Save as disclosed in the Final Terms, the Issuers do not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with Vattenfall Treasury and the Parent

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to either or both of Vattenfall Treasury and the Parent and their affiliates in the ordinary course of business.

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