



INTERIM REPORT JANUARY–MARCH 2008

1/08

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- Operating profit rose 0.2% to SEK 11,426 million (11,399)
- Profit for the period (after tax) decreased by 0.7% to SEK 7,184 million (7,235)

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Financial calendar

2008 Annual General Meeting
29 April in Stockholm

Interim report January–March
29 april

Interim report January–June
30 July

Interim report January–September
30 October

Year-end report 2008
12 February 2009

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This is a translation of the Swedish original. In the event of any discrepancy, the Swedish version shall take precedence.

All comparison figures in this report pertain to the first quarter of 2007, unless indicated otherwise.

STABLE EARNINGS

- Net sales rose 9.0% to SEK 45,404 million (41,644).
- Operating profit rose 0.2% to SEK 11,426 million (11,399).
- Profit for the period (after tax) decreased by 0.7% to SEK 7,184 million (7,235).

Strong earnings improvement in Nordic countries, earnings down in Central Europe

Consolidated net sales rose 9.0% to SEK 45,404 million (41,644), while operating profit was practically unchanged at SEK 11,426 million (11,399).

Starting with this quarterly report, 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% of sales and operating profit for Business Group Central Europe.

The Group's stable operating profit can be credited to a strong improvement for Business Group Nordic, up 40.9%, while Business Group Central Europe reported an earnings decline of 26.1%. 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% 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 Jämschwalde coal-fired plant in Germany, and higher prices for emission allowances are the main explanations for the earnings decline for Business Group Central Europe.

Profit for the period (after tax) fell slightly, by 0.7%, to SEK 7,184 million (7,235). Return on equity was 17.0%, and the return on net assets was 16.2% (both calculated on a last 12-month basis). These values are well above Vattenfall's required targets of 15% and 11%, respectively. The FFO cash flow interest coverage ratio after maintenance investments was 5.2 on a last 12-month basis, compared with the target interval of 3.5–4.5. Net debt decreased by SEK 4,195 million to SEK 39,545 million, compared with 31 December 2007.

Higher electricity spot prices

Average spot prices on Nord Pool, the Nordic electricity exchange, were 40% higher than during the first quarter of 2007 – EUR 38.05/MWh (26.74). On the European Energy Exchange (EEX) in Germany, electricity spot prices (base load) were 89% higher – EUR 56.21/MWh (29.81). Higher prices for CO₂ emission allowances are the main reason for the increase.

Increase in electricity generation

Vattenfall's total electricity generation increased by 1.5% to 46.4 TWh (45.7). Hydro power generation was 5.5% higher, nuclear power generation was 2.1% higher, fossil-based power was 3.0% lower, and wind power generation was 50.0% higher. Heat production decreased by 0.3 TWh, or just under 2%, to 14.1 TWh. For more information, see page 8.



Gratifying improvements in Vattenfall's electricity sales

Competition in the retail customer segment has risen sharply. Especially in Germany, several new players are striving to establish a position through aggressive marketing, switchover premiums and low prices. Several of the established major companies have started Internet-based subsidiaries with separate brands and are marketing electricity nationwide in Germany. Last year Vattenfall lost approximately 250,000 retail customers in Berlin and Hamburg as a combined effect of customers' willingness to change electricity suppliers, the highly publicised price increases in June 2007, and the outages of the German nuclear power plants. Vattenfall's market share in these two cities fell to approximately 80%. Strong actions were taken, including an improved dialogue with customers, improved service, and the launch of "Vattenfall Easy", a new, very attractively priced product that is now being marketed online across large parts of Germany. These

actions have generated results. The customer departures have ceased, and I am particularly pleased to note that in a ranking by the independent German Institute for Service Quality (DISQ), Vattenfall was recently named as “Best Electricity Supply Company” in Germany. This distinction shows that hard work generates results, and it is an inspiration for us to continue on our charted path to be Number One for the Customer.

In the Nordic countries, too, Vattenfall has advanced its positions. Vattenfall has taken market shares from competitors and now has more than 1 million electricity customers in the Nordic countries. Our market share in Sweden has risen from 13% to 15%, and customer satisfaction scores have improved. Vattenfall’s prices are attractive, and we recently launched electricity contracts with source-specified electricity where customers can choose if they want their electricity to come from wind, hydro or nuclear power.

Strong increase in future investment

For the five-year period 2008–2012, Vattenfall plans to invest SEK 173 billion in its operations – an increase of SEK 29 billion compared with the five-year period 2007–2011. Vattenfall intends to invest SEK 107 billion in Germany, SEK 55 billion in the Nordic region, and SEK 11 billion in Poland. The bulk of this investment, SEK 133 billion, is earmarked for electricity and heat production, while SEK 40 billion is planned for the Group’s network operations.

Strengthened safety work in nuclear power

Where nuclear power is concerned, safety has top priority and goes before everything else. High safety is a prerequisite for operation as well as for stable generation, and it is also the best guarantee for good profitability. Intensive work is now being conducted at Vattenfall to regain a leading position in nuclear safety. A short circuit in a

switchyard outside the Forsmark nuclear power plant in summer 2006 caused reactor 1 to be scrammed, and as the plant’s main owner, Vattenfall came under fire. Although there was never any risk for a leak, shortcomings in the safety culture were discovered, and a comprehensive action programme was launched. In June 2007, the two German nuclear power plants in Brunsbüttel and Krümmel were scrammed on the same day but independent of each other. Although safety was never at risk, the events unleashed a heated debate on the future of nuclear power in Germany, and Vattenfall’s reputation was tarnished.

In the wake of these events, Vattenfall has conducted a thorough review of safety work in consultation with the pertinent authorities, and internationally renowned experts have also been called in to perform independent, in-depth analyses of the company’s work on nuclear safety. In February Vattenfall appointed a Chief Nuclear Officer (CNO), who reports directly to the CEO on nuclear safety issues and serves as the Executive Group Management’s nuclear power expert.

During the first quarter of this year, at the request of the Swedish government, the UN’s International Atomic Energy Agency (IAEA) performed a three-week review of the Forsmark nuclear power plant. The IAEA concluded that Forsmark is in compliance with international safety standards. A number of suggested improvements were identified, which Forsmark will be adopting. No new observations were made in connection with the special oversight conducted by the Swedish Nuclear Power Inspectorate (SKI). The IAEA’s final report will be issued within six months. Forsmark was fully operational during the quarter.

The two German reactors are still down, and at present it is unclear when they can return to full operation again. What is taking time to remedy is that corrosion has been discovered in stainless steel valves caused by an unsuitable

sealant which was previously replaced in Vattenfall’s Swedish nuclear power plants.

Delayed environmental review of Moorburg combined heat and power plant

In November 2007 Vattenfall received a preliminary permit (Vorzeitege Baugenehmigung) to build the Moorburg combined heat and power plant in Hamburg, Germany – Europe’s most technically advanced coal-fired CHP plant. 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.

Squeeze out of minority shareholding in Germany

The redemption of minority shares in Vattenfall’s German subsidiary Vattenfall Europe AG, which was initiated in August 2005, was completed on 21 April 2008 through registration with the commercial register in Berlin. The squeeze out involved a total of 6,454,150 shares, corresponding to 3.19% of the capital and votes. The agreed-upon redemption price was EUR 57 per share. After registration with the commercial register, Vattenfall AB – directly and indirectly – owns 100% of the shares in Vattenfall Europe AG, and the company will soon be delisted from the German stock exchanges.



Lars G. Josefsson
President and CEO

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

Amounts in SEK million unless otherwise stated	Q1 2008	Q1 2007	Change %	Last 12 months
Net sales	45,404	41,644	9.0	147,399
Operating profit before depreciation and amortisation (EBITDA)	15,203	15,119	0.6	45,905
Operating profit (EBIT)	11,426	11,399	0.2	28,610
Operating profit excl. items affecting comparability	11,357	11,321	0.3	28,533
Financial items, net	-1,358	-695	-95.4	-5,313
Profit before tax	10,068	10,704	-5.9	23,297
Profit for the period	7,184	7,235	-0.7	20,635
– of which, attributable to equity holders of the Parent Company	6,809	6,866	-0.8	19,712
– of which, attributable to minority interests	375	369	1.6	923
Return on equity, %	17.0 ¹	17.9 ¹	–	17.0
Return on net assets, %	16.2 ¹	16.1 ¹	–	16.2
Funds from operations (FFO)	11,828	12,206	-3.1	33,671
Cash flow before financing activities	4,324	6,007	-28.0	12,611
Free cash flow	5,027	7,270	-30.9	17,407
Cash and cash equivalents plus short-term investments	30,582	27,865	9.8	
Balance sheet total	350,346	334,961	4.6	
Equity incl. minority interests	132,822	118,455	12.1	
Capital Securities	9,267	9,190	0.8	
Other interest-bearing liabilities	61,815	63,584	-2.8	
Net debt	39,545	44,828	-11.8	

1) Last 12-month values.

Vattenfall's earnings vary sharply during the year. Normally most of annual profit is generated during the first and fourth quarters, when demand for electricity and heat is at its highest.

See pages 24–25 for definitions and calculations of key ratios.

Sales, profit and cash flow

Amounts in SEK million	Q1 2008	Q1 2007	Change %
Net sales	45,404	41,644	9.0

Comment: Adjusted for intra-Group transactions, sales for Business Group Central Europe increased by SEK 3.4 billion, mainly attributable to Germany (SEK 3.2 billion). Sales for Business Group Nordic increased by SEK 1.9 billion, while sales for the "Other" segment, which includes Energy Trading, decreased by SEK 1.5 billion. See also pages 10–11.

Amounts in SEK million	Q1 2008	Q1 2007	Change %
Cost of products sold	31,269	27,637	13.1

Comment: The increase in costs for the first quarter compared with 2007 is mainly attributable to Business Group Central Europe and Germany, and mainly stem from higher costs for CO₂ emission allowances and continued rising costs for renewable energy in Vattenfall's transmission grid in Germany (so-called EEG costs).

Amounts in SEK million	Q1 2008	Q1 2007	Change %
Operating profit	11,426	11,399	0.2
Operating profit excl. items affecting comparability	11,357	11,321	0.3

Comment: The improved operating profit is primarily attributable to business units of Business Group Nordic – mainly Generation (+34%), thanks to higher prices achieved both in the hedge portfolio and on the spot market. In Germany operating profit fell by approximately 26% due to – among other things – lower nuclear power generation and higher prices for CO₂ emission allowances.

Amounts in SEK million	Q1 2008	Q1 2007	Change %
Chash flow from operating activities	9,021	9,240	-2.4
Free cash flow¹	5,027	7,270	-30.9
Cash flow before financing activities	4,324	6,007	-28.0

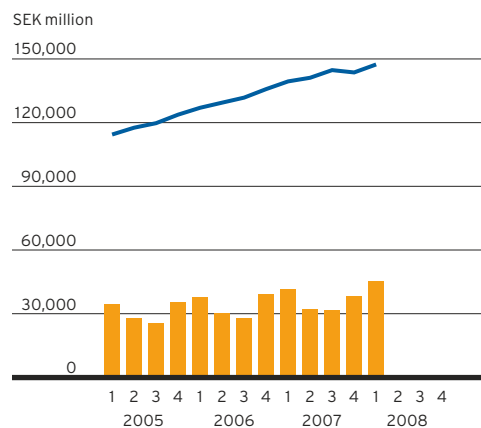
1) Cash flow from operating activities less maintenance investments.

Comment: The change in free cash flow and cash flow before financing activities is mainly attributable to the settlement of a receivable pertaining to SwePol link (a high voltage cable between Sweden and Poland) during the first quarter of 2007.

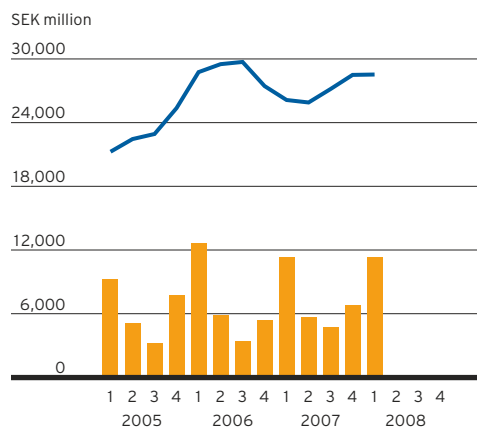
Amounts in SEK million	Q1 2008	Q1 2007	Change %
Net financial items	-1,358	-695	-95.3
Interest income from financial investments	395	404	-2.2
Interest expense from loans	-759	-738	-2.8
Interest received	473	377	25.5
Interest paid	-822	-718	-14.6

Comment: The deterioration of net financial items pertains mainly to a change in the market value of derivatives. Average monthly net interest income/expense amounted to SEK -121 million (-111).

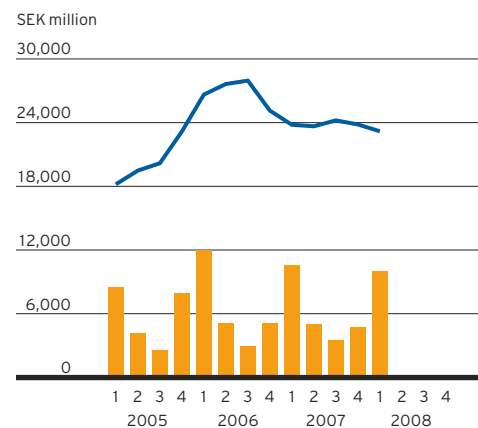
Net sales



Operating profit, excl. items affecting comparability



Profit before tax, excl. items affecting comparability



■ Last 12-month values
■ Quarterly values

Financial position

Amounts in SEK million	31 March 2008	31 March 2007	Change %
Cash and cash equivalents plus short-term investments	30,582	27,865	9.7
Committed credit facilities (unutilised)	9,492	9,708	-2.2
Other credit facilities (unutilised)	11,831	10,028	18.0

Comment: Committed credit facilities consist of a seven-year, EUR 1 billion Revolving Credit Facility which expires in February 2013, and a SEK 100 million bank overdraft facility.

Net debt	39,545	44,828	-11.8
Interest-bearing liabilities	71,082	72,774	-2.3
Average fixed interest period (duration, years) ¹	2.9	3.3	
Average maturity, years	6.7	6.5	

1) Excluding Capital Securities of SEK 9,267 million, net debt stands at SEK 30,278 million, the average fixed interest period is 2.2 years, and the average maturity is 6.6 years. These figures pertain to 31 March 2008.

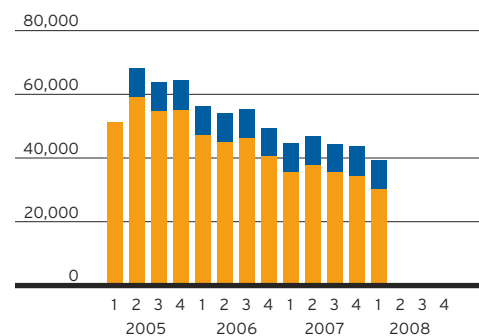
Comment: Compared with 31 December 2007, net debt decreased by SEK 4,195 million, of which SEK 9,021 million pertains to cash flow from operating activities. On the other hand, net debt deteriorated by SEK 4,697 million due to cash flow from investing activities. Interest-bearing liabilities increased by SEK 3,893 million compared with 31 December 2007. The net debt/equity ratio was 29.8% as per 31 March, compared with 35.2% on 31 December 2007. Net debt was SEK 268 million lower as a result of exchange rate effects during the first quarter. No change took place in Vattenfall's ratings during the quarter. Vattenfall's current long-term credit ratings are A2 from Moody's and A- from Standard & Poor's.

Equity attributable to			
Equity holders of the Parent Company	120,035	106,898	12.3
Minority interests	12,787	11,557	10.6
Total	132,822	118,455	12.1

Comment: Changes in equity are specified on page 17.

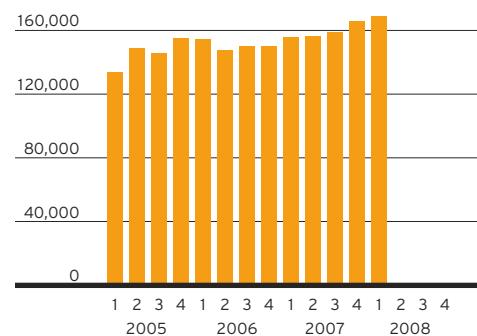
Net debt

SEK million
100,000



Net assets

SEK million
200,000



Investments

Amounts in SEK million	Q1 2008	Q1 2007	Change %
Maintenance investments	3,994	1,970	102.7
Growth investments	1,033	1,468	-29.6
- of which, shares	70	2	-
Total investments	5,027	3,438	46.2

Personnel (number of employees, full-time equivalent)

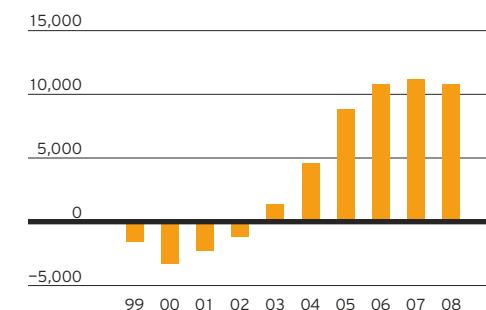
Business Group Nordic	9,350	9,414	-0.7
Business Group Central Europe	22,255	22,392	-0.6
Other	905	519	74.4
Total	32,510	32,325	0.6

Comment: The increase in the "Other" segment is mainly attributable to a transfer of personnel to a new joint-Group unit in charge of IT infrastructure.

Value creation

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

SEK million
20,000



■ Quarterly values
■ Capital Securities

Electricity balance¹, TWh

Amounts in SEK million unless otherwise stated

	Q1 2008	Q1 2007	Change %	Full year 2007
Internal generation and electricity input				
Hydro power	11.5	10.9	5.5	36.6
Nuclear power	14.5	14.2	2.1	51.3
Fossil power	19.5	20.1	-3.0	77.7
Wind power	0.6	0.4	50.0	1.3
Bio fuel	0.3	0.2	50.0	0.5
Waste	0.0	0.0	-	0.1
Total internal generation	46.4	45.7	1.5	167.6
Purchased power	16.5	17.9	-7.8	56.7
Spot market	0.1	1.4	-92.9	0.8
Total electricity input	63.0	65.1	-3.2	225.1
Consumption within the Group	3.6	3.6	-	12.8
Total	59.4	61.5	-3.4	212.3
Sales				
Nordic countries	15.6	15.3	2.0	55.7
Germany and Poland	27.9	27.9	-	99.1
Other countries	1.2	0.9	33.3	3.8
Spot market	9.6	12.2	-21.3	35.2
Total electricity sales	54.2	56.4	-3.9	193.8
Delivery to minority owners	4.9	4.9	-	17.6
Other	0.2	0.2	-	1.0
Total	59.4	61.5	-3.4	212.3
Heat sales, TWh				
Business Group Nordic ²	4.1	4.7	-12.8	10.7
Business Group Central Europe ²	10.0	9.7	3.1	25.5
Total	14.1	14.4	-2.1	36.2

The 1.4% increase in generation for the quarter is mainly attributable to higher hydro power generation, particularly in the Nordic region due to a favourable hydrological balance. Nuclear power generation increased slightly, despite a continued outage at the Brunsbüttel nuclear power plant in Germany, thanks to high availability at the Swedish nuclear power plants. The outage at the 50%-owned Krümmel nuclear power plant does not affect these figures, since it is not consolidated in Vattenfall's accounts. Wind power generation increased by 0.2 TWh due to favourable wind conditions.

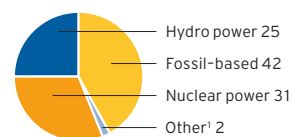
Sales in Germany and Poland were unchanged. Lower sales in Poland were compensated by higher sales in Germany. Higher bilateral sales (OTC) are another explanation for the sales increase in Germany, which also explains the lower sales on the spot market (the European Energy Exchange in Germany).

Heat sales were down 1.9% due to a mild winter in the Nordic countries. Heat sales in both Germany and Poland were virtually unchanged.

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

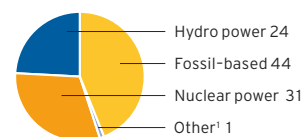
2) Incl. deliveries of so-called ready heat.

Electricity generation, Q1 2008, %



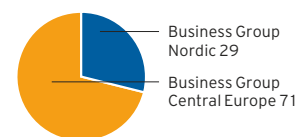
1) Wind power, biofuels and waste.

Electricity generation, Q1 2007, %

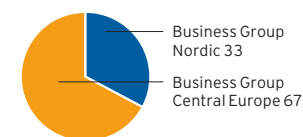


1) Wind power, biofuels and waste.

Heat sales, Q1 2008, %

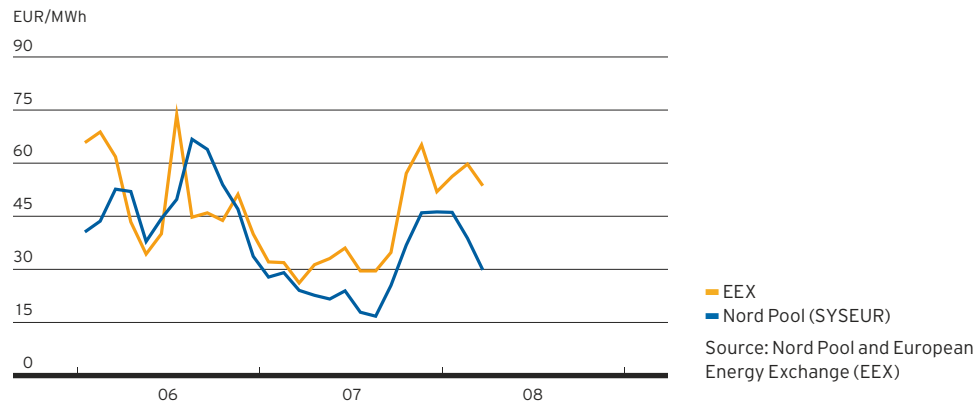


Heat sales, Q1 2007, %

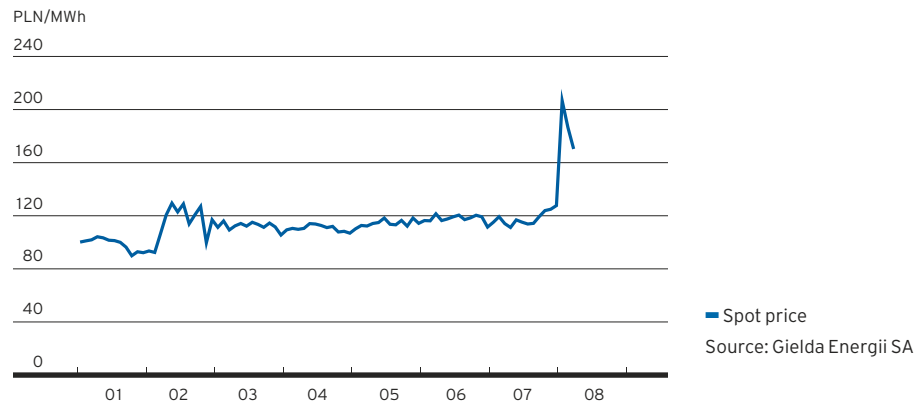


Wholesale price trend

German and Nordic electricity spot prices, monthly averages



Polish electricity spot prices 2001–2008, monthly averages



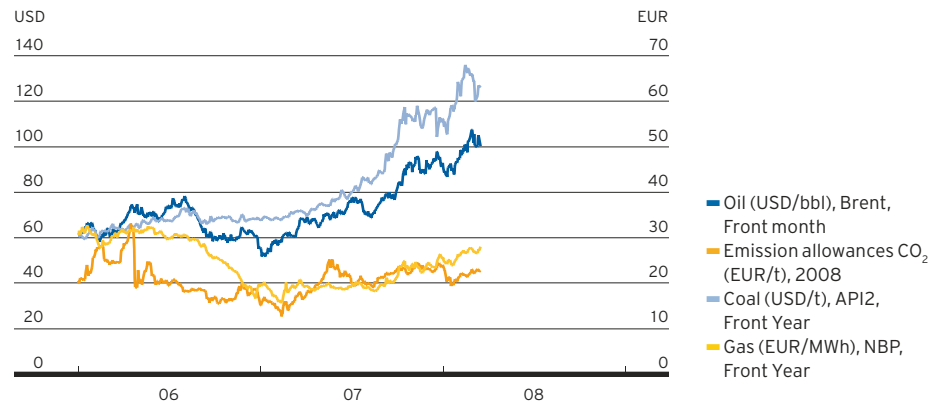
Electricity spot and futures prices in Vattenfall's markets

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

German and Nordic futures prices



Price development oil, coal, gas and CO₂ emission allowances



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

Oil prices have risen since the start of the year. Prices are now considerably higher, which is partly due to the weakening US dollar. Gas prices have followed oil prices upward. Prices of CO₂ emission allowances remained level with December 2007 but were higher than during the first quarter of 2007 due to the new trading period (2008–2012) that took effect at the start of the year. In this second trading period, the number of emission allowances has been sharply reduced, and essentially all EU countries have been forced to cut their allocations of emission allowances. Coal prices have risen sharply since a year ago and in pace with demand in the world, which has grown considerably faster than supply.

Business Group Nordic

Amounts in SEK million	Q1 2008	Q1 2007	Change %	Full year 2007	Last 12 months
Net sales	15,105	14,429	4.7	46,713	47,389
External net sales ¹	14,690	12,799	14.8	44,429	46,320
Operating profit	6,471	4,591	40.9	12,591	14,471
Operating profit excl. items affecting comparability	6,471	4,539	42.6	12,418	14,350
Heat generation, TWh	4.1	4.7	-12.8	10.7	10.1
Electricity generation, TWh	27.7²	25.2²	9.9	91.1	93.6
– of which, hydro power	10.7	10.0	7.0	33.6	34.2
– of which, nuclear power	14.5	12.6	15.1	48.8	50.8
– of which, fossil-based power	1.7	2.1	-19.0	7.1	6.7
– of which, wind power	0.5	0.4	25.0	1.2	1.4
– of which, biofuels	0.2	0.1	100.0	0.4	0.4
Transited volume excl. generation transmission, TWh ³	23.3	23.7	-1.7	80.5	80.1

1) Excluding intra-Group transactions.

2) Of electricity generation, Vattenfall disposes over 22.5 TWh (20.7), while the rest goes to the minority part-owners or is deducted as replacement power.

3) Pertains to intra-Group transfers from power plants to Vattenfall's own electricity grid.

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

Sales and earnings trend

The sales growth for Business Group Nordic is attributable to, among other things, higher generation volumes and higher prices achieved in both the spot market and for hedged generation volume. These are also the main explanations for the improved operating profit, where the Generation business unit accounted for 69% of the increase. The Distribution unit was affected during the first quarter of 2007 by costs of SEK 261 million for the storm "Per". During the first quarter of 2008, storm costs were considerably lower (SEK 30 million). Higher network tariffs also contributed to an improvement in the Distribution unit's earnings. Altogether, profit for Business Group Nordic was up 40.9% compared with the same period in 2007.

Electricity and heat generation

The increase in electricity generation is mainly attributable to higher nuclear and hydro power generation, owing to greater availability and a strong hydrological balance. The lower heat production is due to warmer weather.

Wholesale price trend

Average spot prices (EURSYS, base load) on the Nordic electricity exchange, Nord Pool, during the first quarter were slightly more than 40% higher than in the same period a year ago – EUR 38.05/MWh, compared with EUR 26.74/MWh. The higher price level is mainly attributable to considerably higher prices for CO₂ emission allowances due to the new trading period (2008–2012), which went into effect at the start of the year. As in the first quarter a year ago, the hydrological balance was very strong as a result of high precipitation levels. The hydrological balance during the period January–March showed a surplus of 16.7 TWh, compared with a surplus of 15.3 TWh for the corresponding period a year ago. On account of the strong hydrological balance, the remaining quarterly contracts for 2007 on Nord Pool decreased during the quarter compared with the start of the year.

Forward prices for the coming years remained relatively unchanged: the 2009 contract closed at the end of March at EUR 50.00/MWh, compared with EUR 51.70/MWh at the end of December. The 2010 contract closed at EUR 50.03/MWh, compared with EUR 50.88/MWh at the end of December. The relatively stable development is mainly attributable to the fact that the price of CO₂ emission allowances remained unchanged at the same time that coal prices increased and the hydrological balance strengthened.

Business Group Central Europe

Amounts in SEK million	Q1 2008	Q1 2007	Change %	Full year 2007	Last 12 months
Net sales	38,450	33,990	13.1	122,256	126,716
External net sales ¹	27,437	24,022	14.2	86,736	90,151
Operating profit	4,822	6,525	-26.1	16,430	14,727
Operating profit excl. items affecting comparability	4,753	6,499	-26.9	16,517	14,771
Heat generation, TWh	10.0	9.7	3.1	25.5	25.8
Electricity generation, TWh	18.7 ²	20.5 ²	-8.8	76.6	74.7
– of which, hydro power	0.8	0.9	-11.1	3.1	3.0
– of which, nuclear power	0.0	1.6	–	2.5	0.9
– of which, fossil-based power	17.8	18.0	-1.1	70.6	70.4
– of which, wind power	0.0	0.0	–	0.1	0.1
– of which, biofuels	0.0	0.0	–	0.2	0.2
– of which, waste	0.0	0.0	–	0.1	0.2
Transited volume excl. generation transmission, TWh	11.1	10.5	5.7	42.2	42.8

1) Excluding intra-Group transactions.

2) Of electricity generation, Vattenfall disposes over 18.7 TWh (20.0), while the rest goes to the minority part-owners.

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

Sales and earnings trend

Of the increase in sales, totalling SEK 4,460 million, SEK 3,770 million was derived from the Sales Germany business unit, whose sales increased by slightly more than 20%, mainly due to larger volumes and higher prices. In addition, the Transmission business unit posted higher sales as a result of a greater wind power feed-in to the transmission grid. These “purchasing costs” are further invoiced with a slight time delay to German regional electricity sales companies, among others, and are thus essentially earnings-neutral. The Sales Poland business unit also posted an increase in sales – by approximately 40%. The poorer operating profit is entirely attributable to Germany, where the outages of the nuclear power plants in Krümmel and Brunsbüttel resulted in lower generation volume. The higher price for CO₂ emission allowances in the new allocation period 2008–2012 (NAP 2) resulted in approximately SEK 1,030 million in higher costs. Poland improved its operating profit compared with the corresponding period in 2007. The increase is mainly attributable to the Distribution Poland business unit as a result of higher network tariffs.

Electricity and heat generation

The 8.9% drop in electricity generation is mainly attributable to nuclear power generation in Germany, where the Brunsbüttel nuclear power plant is still down since 28 June last year. Vattenfall's 50%-owned nuclear power plant, Krümmel, is also down; however, this does not affect the electricity generation figures since the Krümmel plant is not consolidated in the accounts. Heat production was virtually unchanged.

Wholesale price trend

Germany

Average spot prices (base load) on the European Energy Exchange (EEX) in Germany during the first quarter of 2008 were nearly double those in the corresponding period a year ago – EUR 56.21/MWh, compared with EUR 29.81/MWh. Average spot prices (peak load) were EUR 72.23/MWh (40.69). The increase is mainly due to considerably higher prices for CO₂ emission allowances in 2008 compared with 2007.

Forward prices for the 2009 and 2010 contracts have risen compared with the last trading day in December. At the end of March, the 2009 contract closed at EUR 63.58/MWh, compared with EUR 61.50/

MWh, and the 2010 contract closed at EUR 62.50/MWh, compared with EUR 59.39/MWh. Forward prices for CO₂ emission allowances in 2009 and 2010 remained relatively unchanged, while coal, gas and oil prices rose during the first quarter of this year, which explains the increase in electricity forward prices.

Poland

Sales on the Polish electricity exchange, particularly in the futures market, are still very low compared with Nord Pool and EEX. Average spot prices on the Polish electricity exchange (POLPX) during the first quarter were 60% higher than a year ago – PLN 183.3/MWh, compared with PLN 114.5/MWh. In early 2008, Polish spot prices began rising sharply, which is mainly due to fewer CO₂ emission allowances allocated to the energy sector for the second trading period (2008–2012), and higher coal prices. During the quarter, the increase was dampened somewhat from the price level reached in January (PLN 195.37/MWh), partly due to mild weather, low prices for so-called balancing power, and a revised proposal (published on 12 February) for a higher allocation of CO₂ emission allowances to the energy sector.

Consolidated income statement

Amounts in SEK million	Q1 2008	Q1 2007	Full year 2007	Last 12 months
Net sales	45,404	41,644	143,639	147,399
Cost of products sold ¹	-31,269	-27,637	-103,404	-107,036
Gross profit	14,135	14,007	40,235	40,363
Selling expenses, administrative expenses and research and development costs ²	-3,149	-2,988	-13,508	-13,669
Other operating income and expenses, net	101	156	858	803
Participations in the results of associated companies	339	224	998	1,113
Operating profit (EBIT)³	11,426	11,399	28,583	28,610
Financial income ⁴	714	786	2,276	2,204
Financial expenses ⁵	-2,072	-1,481	-6,926	-7,517
Profit before tax⁶	10,068	10,704	23,933	23,297
Income tax expense	-2,884	-3,469	-3,247	-2,662
Profit for the period⁷	7,184	7,235	20,686	20,635
Attributable to				
Equity holders of the Parent Company	6,809	6,866	19,769	19,712
Minority interests	375	369	917	923
Total	7,184	7,235	20,686	20,635
Earnings per share				
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700
Earnings per share (SEK)	51.70	52.13	150.11	149.67
Supplementary information				
Operating profit before depreciation and amortisation (EBITDA)	15,203	15,119	45,821	45,905
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-1,042	-495	-3,040	-3,587
1) Of which, depreciation, amortisation and impairment losses	-3,648	-3,429	-16,486	-16,705
2) Of which, depreciation, amortisation and impairment losses	-129	-291	-752	-590
3) Including items affecting comparability attributable to:				
Capital gains/losses, net	69	78	86	77
4) Including return from the Swedish Nuclear Waste Fund	300	325	843	818
5) Including interest components related to pension costs	-199	-201	-811	-809
5) Including discounting effects attributable to provisions	-616	-525	-2,453	-2,544
6) Including items affecting comparability attributable to:				
Capital gains/losses, net	87	82	97	102
7) Including items affecting comparability stated above adjusted for tax effect	66	68	136	134

Primary segments, Vattenfall Group

Amounts in SEK million	External net sales			Sales between segments			Total net sales		
	Q1 2008	Q1 2007	Full year 2007	Q1 2008	Q1 2007	Full year 2007	Q1 2008	Q1 2007	Full year 2007
Business Group Nordic	14,690	12,799	44,429	415	1,630	2,284	15,105	14,429	46,713
Business Group Central Europe	27,437	24,022	86,736	11,013	9,968	35,520	38,450	33,990	122,256
Other ¹	3,277	4,823	12,474	9,250	8,193	28,965	12,527	13,016	41,439
Eliminations ²	–	–	–	–20,678	–19,791	–66,769	–20,678	–19,791	–66,769
Total	45,404	41,644	143,639	–	–	–	45,404	41,644	143,639

Amounts in SEK million	Operating profit (EBIT)			Operating profit (EBIT) excl. items affecting comparability		
	Q1 2008	Q1 2007	Full year 2007	Q1 2008	Q1 2007	Full year 2007
Business Group Nordic	6,471	4,591	12,591	6,471	4,539	12,418
Business Group Central Europe	4,822	6,525	16,430	4,753	6,499	16,517
Other ¹	133	283	–438	133	283	–438
Total	11,426	11,399	28,583	11,357	11,321	28,497

1) Includes Energy Trading activities, Treasury operations and Other Group functions. Operating profit includes changes in market values for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised, other segments are affected.

2) Pertains mainly to trading between Business Group Nordic and Business Group Central Europe, and the energy trading activities in the "Other" segment.

Secondary segments, Vattenfall Group

Amounts in SEK million	External net sales			Sales between segments			Total net sales		
	Q1 2008	Q1 2007	Full year 2007	Q1 2008	Q1 2007	Full year 2007	Q1 2008	Q1 2007	Full year 2007
Electricity Generation	11,071	7,809	32,162	9,005	10,542	33,950	20,076	18,351	66,112
Electricity Markets ¹	20,735	19,322	68,018	1,329	917	4,243	22,064	20,239	72,261
Electricity Networks	14,205	12,662	41,654	4,332	3,664	13,420	18,537	16,326	55,074
Heat	4,253	4,500	13,717	2,736	1,933	6,543	6,989	6,433	20,260
Other	777	663	2,974	1,884	1,368	6,099	2,661	2,031	9,073
Elimination ²	-5,637	-3,312	-14,886	-19,286	-18,424	-64,255	-24,923	-21,736	-79,141
Total	45,404	41,644	143,639	-	-	-	45,404	41,644	143,639

Amounts in SEK million	Operating profit (EBIT)			Operating profit (EBIT) excl. items affecting comparability		
	Q1 2008	Q1 2007	Full year 2007	Q1 2008	Q1 2007	Full year 2007
Electricity Generation	7,694	8,326	22,064	7,688	8,326	22,094
Electricity Markets ¹	175	-74	314	175	-74	314
Electricity Networks	1,554	1,257	3,035	1,555	1,256	3,071
Heat	2,036	1,908	4,179	2,029	1,871	4,118
Other	-33	-18	-1,009	-90	-58	-1,100
Total	11,426	11,399	28,583	11,357	11,321	28,497

1) Includes Energy Trading activities, Treasury operations and Other Group functions. Operating profit includes changes in market values for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised, other segments are affected.

2) Pertains mainly to trading between Electricity Generation, Electricity Markets and Electricity Networks.

Consolidated balance sheet

Amounts in SEK million	31 March 2008	31 March 2007	31 December 2007
Assets			
Non-current assets			
Intangible assets: non-current	4,207	4,234	4,346
Property, plant and equipment	214,274	206,226	214,208
Other non-current assets	46,807	46,385	46,310
Total non-current assets	265,288	256,845	264,864
Current assets			
Inventories	9,615	9,642	9,537
Intangible assets: current	759	539	750
Trade receivables and other receivables	30,047	27,175	28,120
Advance payment to suppliers	652	640	672
Derivatives with positive fair values	6,298	5,599	5,442
Prepaid expenses and accrued income	5,315	4,507	4,834
Current tax assets	1,790	2,149	1,358
Short-term investments	9,498	9,770	12,096
Cash and cash equivalents	21,084	18,095	10,563
Total current assets	85,058	78,116	73,372
Total assets	350,346	334,961	338,236
Equity and liabilities			
Equity			
Attributable to equity holders of the Parent Company	120,035	106,898	111,709
Attributable to minority interests	12,787	11,557	12,423
Total equity	132,822	118,455	124,132
Non-current liabilities			
Capital Securities	9,267	9,190	9,341
Other interest-bearing liabilities	47,177	47,689	42,643
Pension provisions	17,644	17,505	17,735
Other interest-bearing provisions	52,225	46,493	51,614
Deferred tax liabilities	24,302	30,450	23,704
Other noninterest-bearing liabilities	3,173	2,284	3,285
Total non-current liabilities	153,788	153,611	148,322
Current liabilities			
Trade payables and other liabilities	13,298	11,922	15,408
Advance payments from customers	-	57	395
Derivatives with negative fair values	10,964	11,498	14,242
Accrued expenses and deferred income	15,568	14,901	12,968
Current tax liabilities	5,047	4,716	2,928
Interest-bearing liabilities	14,638	15,895	15,205
Interest-bearing provisions	4,221	3,906	4,636
Total current liabilities	63,736	62,895	65,782
Total equity and liabilities	350,346	334,961	338,236
Pledged assets	4,455	4,260	4,498
Contingent liabilities	16,093	24,337	17,565

Supplementary information

Net assets

Amounts in SEK million	31 March 2008	31 March 2007	31 December 2007
Business Group Nordic	92,107	83,670	91,122
Business Group Central Europe	80,235	75,793	78,714
Other ¹	-3,706	-5,205	-5,750
Eliminations	145	1,298	2,034
Total net assets	168,781	155,556	166,120
Net assets, weighted average value	160,925	150,657	157,252

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

Net debt

Amounts in SEK million	31 March 2008	31 March 2007	31 December 2007
Capital Securities	-9,267	-9,190	-9,341
Other interest-bearing liabilities ¹	-61,815	-63,584	-57,848
Cash and cash equivalents	21,084	18,095	10,563
Short-term investments	9,498	9,770	12,096
Loans to minority owners in foreign subsidiaries	955	81	790
Total net debt	-39,545	-44,828	-43,740
1) Of which, loans from minority-owned German nuclear power companies	-11,997	-11,397	-11,083

Consolidated cash flow statement

Amounts in SEK million	Q1 2008	Q1 2007	Full year 2007	Last 12 months
Operating activities				
Funds from operations (FFO)	11,828	12,206	34,049	33,671
Cash flow from changes in operating assets and operating liabilities	-2,807	-2,966	-1,718	-1,559
Cash flow from operating activities	9,021	9,240	32,331	32,112
Investing activities				
Investments	-5,027	-3,438	-18,964	-20,553
Divestments	327	204	925	1,048
Cash and cash equivalents in acquired/divested companies	3	1	2	4
Cash flow from investing activities	-4,697	-3,233	-18,037	-19,501
Cash flow before financing activities	4,324	6,007	14,294	12,611
Financing activities				
Changes in short-term investments	2,522	-2,011	-4,155	378
Changes in loans to minority owners in foreign subsidiaries	-171	-78	-773	-866
Loans raised ¹⁾	4,829	3,083	4,434	6,180
Amortisation of debt	-942	-3,785	-10,570	-7,727
Contribution from minority intersets	-	-	9	9
Dividends paid to equity holders	-1	-11	-7,607	-7,597
Cash flow from financing activities	6,237	-2,802	-18,662	-9,623
Cash flow for the period	10,561	3,205	-4,368	2,988
Cash and cash equivalents				
Cash and cash equivalents at the beginning of the period	10,563	14,634	14,634	18,095
Cash flow for the period	10,561	3,205	-4,368	2,988
Translation differences	-40	256	297	1
Cash and cash equivalents at the end of the period	21,084	18,095	10,563	21,084
Supplementary information				
Cash flow before financing activities	4,324	6,007	14,294	12,611
Financing activities				
Dividends paid to equity holders	-1	-11	-7,607	-7,597
Contribution from minority intersets	-	-	9	9
Cash flow after dividend	4,323	5,996	6,696	5,023
Analysis of change in net debt				
Net debt at beginning of the period	-43,740	-49,407	-49,407	-44,828
Cash flow after dividend	4,323	5,996	6,696	5,023
Changes as a result of valuation at fair value	-398	-16	783	401
Changes in interest-bearing liabilities for leasing	2	-	-194	-192
Translation differences on net debt	268	-1,401	-1,618	51
Net debt at the end of the period	-39,545	-44,828	-43,740	-39,545
Free cash flow	5,027	7,270	19,650	17,407

1) Short-term borrowings in which the duration is three months or shorter are reported net.

Consolidated statement of changes in equity

Amounts in SEK million	Q1 2008			Q1 2007			Full year 2007		
	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity
Balance brought forward	111,709	12,423	124,132	96,589	11,085	107,674	96,589	11,085	107,674
Cash flow hedges, net	1,883	-2	1,881	1,902	57	1,959	-574	59	-515
Hedging of net investments in foreign operations	364	-	364	-1,332	-	-1,332	-2,048	-	-2,048
Translation differences	-730	-7	-737	2,873	57	2,930	5,473	383	5,856
Income, net, recognised directly in equity	1,517	-9	1,508	3,443	114	3,557	2,851	442	3,293
Profit for the period	6,809	375	7,184	6,866	369	7,235	19,769	917	20,686
Total recognised income and expense for the period	83,265	366	8,692	10,309	483	10,792	22,620	1,359	23,979
Dividends paid to equity holders	-	-1	-1	-	-11	-11	-7,500	-107	-7,607
Group contributions from/to(-) minority, net after tax	-	-	-	-	-	-	-	87	87
Changes in ownership	-	-1	-1	-	-	-	-	-1	-1
Balance carried forward	120,035¹	12,787	132,822	106,898¹	11,557	118,455	111,709¹	12,423	124,132
1) Of which, Reserve for cash flow hedges	-4,503			-3,910			-6,385		

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

In % unless otherwise stated. (x) means times	Q1 2008	Q1 2007	Full year 2007	Last 12 months
Operating margin	25.2	27.4	19.9	19.4
Operating margin ¹	25.0	27.2	19.8	19.4
Pre-tax profit margin	22.2	25.7	16.7	15.8
Pre-tax profit margin ¹	22.0	25.5	16.6	15.7
Return on equity	17.0 ²	17.9 ²	17.6	17.0
Return on equity ¹	16.9 ²	17.6 ²	17.5	16.9
Return on net assets	16.2 ²	16.1 ²	16.6	16.2
Return on net assets ¹	16.1 ²	16.0 ²	16.6	16.1
EBIT interest cover, (x)	8.1	12.4	6.7	6.0
EBIT interest cover, (x) ¹	8.1	12.3	6.7	6.0
FFO interest cover, (x)	9.1	13.8	8.6	7.8
FFO interest cover, net, (x)	12.4	25.7	12.2	10.4
Cash flow interest cover after maintenance investments, (x)	5.0	10.6	6.4	5.2
FFO/gross debt	47.4 ²	47.5 ²	50.7	47.4
FFO/net debt	85.1 ²	77.2 ²	77.8	85.1
EBITDA/net financial items, (x)	14.6	30.5	15.1	12.8
EBITDA/net financial items, (x) ¹	14.5	30.4	15.0	12.8
Equity/total assets	37.9	35.4	36.7	37.9
Gross debt/equity	53.5	61.4	54.1	53.5
Net debt/equity	29.8	37.8	35.2	29.8
Gross debt/gross debt plus equity	34.9	38.1	35.1	34.9
Net debt/net debt plus equity	22.9	27.5	26.1	22.9

1) Excl. items affecting comparability.

2) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Income statement					
Net sales	45,404	38,329	31,589	32,077	41,644
Cost of products sold	-31,269	-27,791	-24,236	-23,740	-27,637
Other operating income and expenses, net	-3,048	-3,967	-2,929	-2,922	-2,832
Participations in the results of associated companies	339	181	336	257	224
Operating profit before depreciation and amortisation (EBITDA) ¹	15,203	12,502	8,768	9,432	15,119
Operating profit (EBIT)	11,426	6,752	4,760	5,672	11,399
Financial items, net	-1,358	-2,052	-1,246	-657	-695
Financial items, net ¹	-1,042	-1,203	-939	-403	-495
Profit before tax	10,068	4,700	3,514	5,015	10,704
Profit for the period	7,184	3,676	3,523	6,252	7,235
- of which, attributable to equity holders of the Parent Company	6,809	3,795	3,145	5,963	6,866
- of which, attributable to minority interests	375	-119	378	289	369
Balance sheet					
Non-current assets	265,288	264,864	257,489	256,030	256,845
Short-term investments	9,498	12,096	14,999	8,258	9,770
Cash and cash equivalents	21,084	10,563	6,481	12,591	18,095
Other current assets	54,476	50,713	45,647	45,602	50,251
Total assets	350,346	338,236	324,616	322,481	334,961
Equity	132,822	124,132	119,679	116,102	118,455
- of which, attributable to equity holders of the Parent Company	120,035	111,709	107,403	104,145	106,898
- of which, attributable to minority interests	12,787	12,423	12,276	11,957	11,557
Capital Securities	9,267	9,341	9,082	9,110	9,190
Other interest-bearing liabilities	61,815	57,848	57,259	58,886	63,584
Pension provisions	17,644	17,735	17,424	17,415	17,505
Other interest-bearing provisions	56,446	56,250	52,280	50,401	50,399
Deferred tax liabilities	24,302	23,704	25,403	29,247	30,450
Other noninterest-bearing liabilities	48,050	49,226	43,489	41,320	45,378
Total equity and liabilities	350,346	338,236	324,616	322,481	334,961
Net assets	168,781	166,120	158,698	156,723	155,556
Net debt	-39,545	-43,740	-44,524	-46,765	-44,828
Cash flow					
Funds from operations (FFO)	11,828	10,909	6,002	4,932	12,206
Cash flow from changes in operating assets and operating liabilities	-2,807	-2,527	261	3,514	-2,966
Cash flow from operating activities	9,021	8,382	6,263	8,446	9,240
Cash flow from investing activities	-4,697	-6,463	-4,069	-4,272	-3,233
Cash flow before financing activities	4,324	1,919	2,194	4,174	6,007
Changes in short-term investments	2,522	3,179	-6,766	1,443	-2,011
Loans raised/Amortisation of debt, net, etc.	3,716	-1,154	-1,470	-3,496	-780
Dividends paid to equity holders	-1	-1	-23	-7,572	-11
Cash flow from financing activities	6,237	2,024	-8,259	-9,625	-2,802
Cash flow for the period	10,561	3,943	-6,065	-5,451	3,205
Free cash flow	5,027	3,838	3,231	5,311	7,270

1) Excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund.

Quarterly information, Group (cont.)

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

In % unless otherwise stated. (x) means times

	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Return on equity ¹	17.0	17.6	20.5	19.9	17.9
Return on equity ^{1,2}	16.9	17.5	20.4	19.8	17.6
Return on net assets ¹	16.2	16.6	16.3	15.7	16.1
Return on net assets ^{1,2}	16.1	16.6	16.2	15.7	16.0
EBIT interest cover, (x)	8.1	4.7	4.5	6.7	12.4
EBIT interest cover, (x) ²	8.1	4.7	4.5	6.7	12.3
FFO interest cover, (x) ¹	47.4	50.7	49.2	47.5	47.5
FFO interest cover, net, (x) ¹	85.1	77.8	73.4	69.0	77.2
Equity/assets ratio	37.9	36.7	36.9	36.0	35.4
Gross debt/equity	53.5	54.1	55.4	58.6	61.4
Net debt/equity	29.8	35.2	37.2	40.3	37.8
Net debt/net debt plus equity	22.9	26.1	27.1	28.7	27.5

1) Last 12-month values.

2) Excl. items affecting comparability.

Key ratios – renewable energy generation in the Nordic countries¹

Amounts in SEK million	Wind power		Hydro power ²		Heat		Total	
	March 2008	March 2007	March 2008	March 2007	March 2008	March 2007	March 2008	March 2007
Operating profit	181.0	102.6	67.4	37.3	189.9	116.1	438.2	256.0
Capital expenditures	220.6	105.6	4.3	11.1	252.9	58.6	477.8	175.3
Non-current assets ³	6,125.4	4,389.6	300.7	260.0	4,802.2	3,801.9	11,228.3	8,451.5
Return on non-current assets, %	11.5	7.2	84.8	55.6	13.5	12.1	14.3	10.4

1) By renewable energy is meant electricity and heat generation in the Nordic countries according to the official rules that apply for electricity certificates in Sweden.

2) Small-scale hydro power + capacity increases.

3) The value of non-current assets is calculated as an average over the year.

Exchange rates

Key exchange rates applied in the accounts of the Vattenfall Group:

	Q1 2008	Q1 2007	Full year 2007		31 March 2008	31 March 2007	31 Dec. 2007
Average rate				Balance sheet date rate			
EUR	9.4190	9.1726	9.2464	EUR	9.3900	9.3290	9.4700
DKK	1.2639	1.2305	1.2409	DKK	1.2595	1.2520	1.2705
NOK	1.1785	1.1241	1.1530	NOK	1.1655	1.1495	1.1875
PLN	2.6400	2.3575	2.4477	PLN	2.6600	2.4100	2.6300
USD	6.2369	6.9706	6.7439	USD	5.9500	7.0000	6.4700

Parent Company income statement

Amounts in SEK million	Q1 2008	Q1 2007	Full year 2007
Net sales	8,975	7,567	25,223
Cost of products sold	-4,105	-4,101	-14,974
Gross profit	4,870	3,466	10,249
Selling expenses, administrative expenses and research and development costs	-590	-606	-2,794
Other operating income and expenses, net	24	20	-17
Operating profit (EBIT)	4,304	2,880	7,438
Result from participations in Group companies	769	408	1,038
Result from participations in associated companies	-	-	-2
Result from other shares and participations	19	-	-5
Interest income and similar profit/loss items	560	363	1,545
Interest expenses and similar profit/loss items	-447	-2,620	-6,046
Group contributions	-	-	1,564
Profit before appropriations and tax	5,205	1,031	5,532
Appropriations	-119	-304	452
Profit before tax	5,086	727	5,984
Income tax expense	-1,409	-226	-1,529
Profit for the period	3,677	501	4,455

Parent Company balance sheet

Amounts in SEK million	31 March 2008	31 March 2007	31 December 2007
Assets			
Non-current assets			
Intangible assets: non-current	73	139	89
Property, plant and equipment	19,651	19,785	19,807
Other non-current assets	63,916	65,464	65,602
Total non-current assets	83,640	85,388	85,498
Current assets			
Inventories	245	283	310
Intangible assets: current	600	495	432
Current receivables	40,536	46,389	40,032
Current tax assets	-	-	274
Cash and cash equivalents	194	139	352
Total current assets	41,575	47,306	41,400
Total assets	125,215	132,694	126,898
Equity and liabilities			
Equity			
Restricted equity			
Share capital	6,585	6,585	6,585
Statutory reserve	1,286	1,286	1,286
Non-restricted equity			
Retained earnings	24,119	27,842	19,667
Profit for the period	3,677	501	4,455
Total equity	35,667	36,214	31,993
Untaxed reserves	11,112	11,749	10,993
Provisions	136	112	144
Non-current liabilities			
Non-current interest-bearing liabilities	57,284	64,347	58,214
Non-current noninterest-bearing liabilities	2,633	2,650	2,643
Total non-current liabilities	59,917	66,997	60,857
Current liabilities			
Current interest-bearing liabilities	3,739	2,999	7,197
Current tax liabilities	941	366	-
Other current noninterest-bearing liabilities	13,703	14,257	15,714
Total current liabilities	18,383	17,622	22,911
Total equity and liabilities	125,215	132,694	126,898

Accounting principles, Risks, etc.

Group

Accounting principles

As of 1 January 2005, the Vattenfall Group applies International Financial Reporting Standards (IFRS) as adopted by the European Commission for application within the EU. In addition, recommendation RFR 1.1 – Supplementary Accounting Principles for Groups of Companies, issued by the Swedish Financial Reporting Board, has been applied. RFR 1.1 specifies the necessary additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act.

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting.

The accounting principles applied in this interim report are the same as those described in Vattenfall's 2007 Annual Report (Note 2 to the consolidated accounts).

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2007 Annual Report, pages 70–73, and Note 36 to the consolidated accounts. No material changes, other than what is stated in this report, have taken place since publication of the 2007 Annual Report.

Other

Significant related-party transactions are described in Note 50 to the consolidated accounts in Vattenfall's 2007 Annual Report. No material changes have taken place in relations or transactions with related parties compared with what was described in the 2007 Annual Report.

Parent Company Vattenfall AB

Accounting principles

The Parent Company Vattenfall AB's accounts are prepared according to Swedish GAAP, i.e., in accordance with the Swedish Annual Accounts Act and recommendation RFR 2.1 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. Vattenfall AB has adopted the exemption rule regarding IAS 39 according to RFR 2.1.

The accounting principles used in this report are the same as those described in Vattenfall's 2007 Annual Report (Note 2 to the Parent Company accounts).

First quarter of 2008

A condensed income statement and balance sheet for the Parent Company are presented on page 22 of this report.

Sales amounted to SEK 8,975 million (7,567).

Profit before appropriations and tax was SEK 5,205 million (1,031). The increase is primarily attributable to an improvement in net sales, by SEK 1.4 billion. Other items that have had a favourable impact on earnings are sales of shares and participations primarily in Group companies, totalling SEK 0.4 billion, and changes in exchange rates, totalling SEK 2.3 billion, stemming from hedges of the Parent Company's net investments in foreign currency. The exchange rate effect is eliminated in equity on the consolidated level.

Investments for the period amounted to SEK 113 million (155).

Cash and cash equivalents amounted to SEK 194 million (139). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 25,717 million (33,353).

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2007 Annual Report, pages 70–73. No material changes, other than what is stated in this report, have taken place since publication of the 2007 Annual Report.

Other

Significant related-party transactions are described in Note 40 to the Parent Company accounts in Vattenfall's 2007 Annual Report. No material changes have taken place in relations or transactions with related parties compared with what was described in the 2007 Annual Report.

Of the Parent Company's total sales revenue and purchasing costs, 7% (8%) of sales and 30% (34%) of purchases pertain to transactions with other companies in the Group.

Stockholm, 29 April 2008

Lars G. Josefsson
President and CEO

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

The information provided in this interim report is such that Vattenfall is required to disclose pursuant to the Swedish Securities Market Act.

Definitions and calculations of key ratios

Figures for the Group. Amounts in SEK million unless stated otherwise.

EBIT =	Earnings Before Interest and Tax.
EBITDA =	Earnings Before Interest, Tax, Depreciation and Amortisation.
FFO =	Funds From Operations.
Items affecting comparability =	Non-recurring capital gains and capital losses from shares and other non-current assets.
Free cash flow =	Cash flow from operating activities less maintenance investments.
Capital Securities =	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt. Reported as interest-bearing non-current liabilities.
Net assets =	Balance sheet total less noninterest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, short-term investments.
Net debt =	Interest-bearing liabilities less loans to minority owners in foreign subsidiaries, cash and cash equivalents, short-term investments.

The key ratios are presented as percentages (%) or times (x).

Key ratios based on last 12-month values (April 2007-March 2008):

Operating margin, % =	$100 \times \frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{28,610}{147,399} = 19.4$
Operating margin excl. items affecting comparability, % =	$100 \times \frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{28,533}{147,399} = 19.4$
Pre-tax profit margin, % =	$100 \times \frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{23,297}{147,399} = 15.8$
Pre-tax profit margin excl. items affecting comparability, % =	$100 \times \frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{23,195}{147,399} = 15.7$
Return on equity, % =	$100 \times \frac{\text{Profit for the period attributable to equity holders of the Parent Company}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{19,712}{115,879} = 17.0$
Return on equity excl. items affecting comparability, % =	$100 \times \frac{\text{Profit for the period attributable to equity holders of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{19,578}{115,879} = 16.9$
Return on net assets, % =	$100 \times \frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{26,066}{160,925} = 16.2$
Return on net assets excl. items affecting comparability, % =	$100 \times \frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{25,989}{160,925} = 16.1$
EBIT interest cover, (x) =	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{29,996}{4,973} = 6.0$

EBIT interest cover excl. items affecting comparability, (x) =	Operating profit (EBIT) excl. items affecting comparability + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	29,919	=	6.0
	Financial expenses excl. discounting effects attributable to provisions	4,973		
FFO interest cover, (x) =	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	38,644	=	7.8
	Financial expenses excl. discounting effects attributable to provisions	4,973		
FFO interest cover, net, (x) =	Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	37,258	=	10.4
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3,587		
Cash flow interest cover after maintenance maintenance, (x) =	Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	21,571	=	5.2
	Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	4,164		
FFO/gross debt, % =	100 x $\frac{\text{Funds from operations (FFO)}}{\text{Interest-bearing liabilities}}$	33,671	=	47.4
		71,082		
FFO/net debt, % =	100 x $\frac{\text{Funds from operations (FFO)}}{\text{Net debt}}$	33,671	=	85.1
		39,545		
EBITDA/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA)	45,905	=	12.8
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3,587		
EBITDA excl. items affecting comparability/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	45,828	=	12.8
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3,587		

Key ratios based on the balance sheet as per 31 March 2008:

Equity/total assets, % =	100 x $\frac{\text{Equity}}{\text{Balance sheet total}}$	132,822	=	37.9
		350,346		
Gross debt/equity, % =	100 x $\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	71,082	=	53.5
		132,822		
Net debt/equity, % =	100 x $\frac{\text{Net debt}}{\text{Equity}}$	39,545	=	29.8
		132,822		
Gross debt/gross debt plus equity, % =	100 x $\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities} + \text{equity}}$	71,082	=	34.9
		203,904		
Net debt/net debt plus equity, % =	100 x $\frac{\text{Net debt}}{\text{Net debt} + \text{equity}}$	39,545	=	22.9
		172,367		

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