

Vattenfall Investor Update

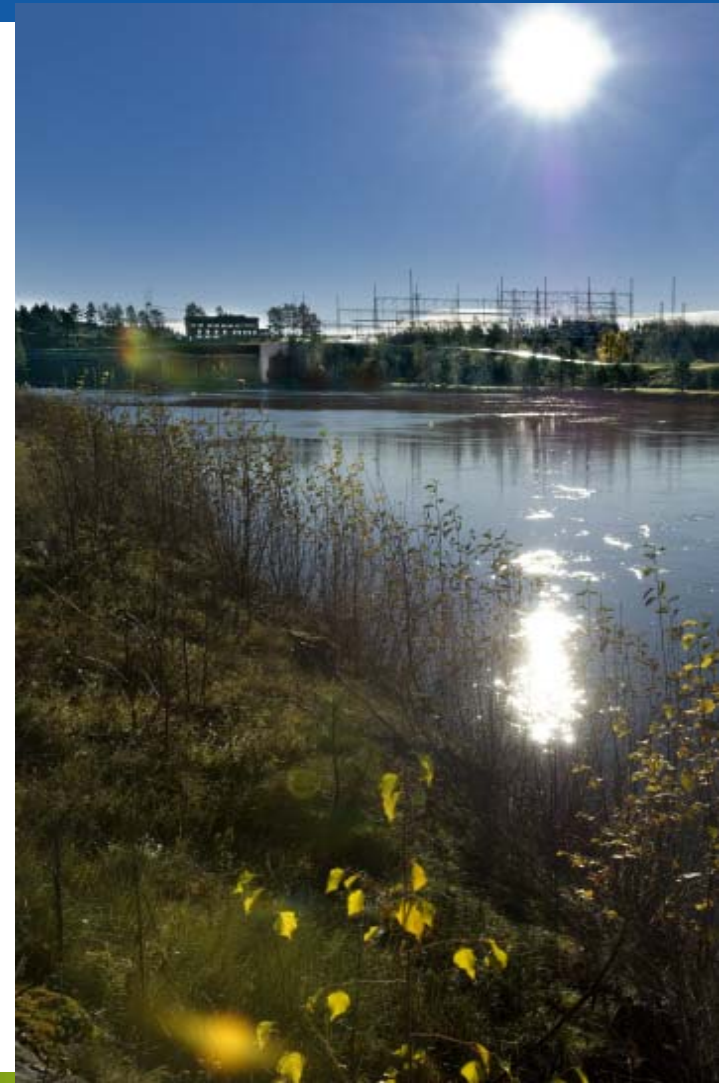
November 2008



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- Growth and Investments
- Funding and Liquidity
- Conclusion
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Group Overview and Strategy

Group overview and key figures

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

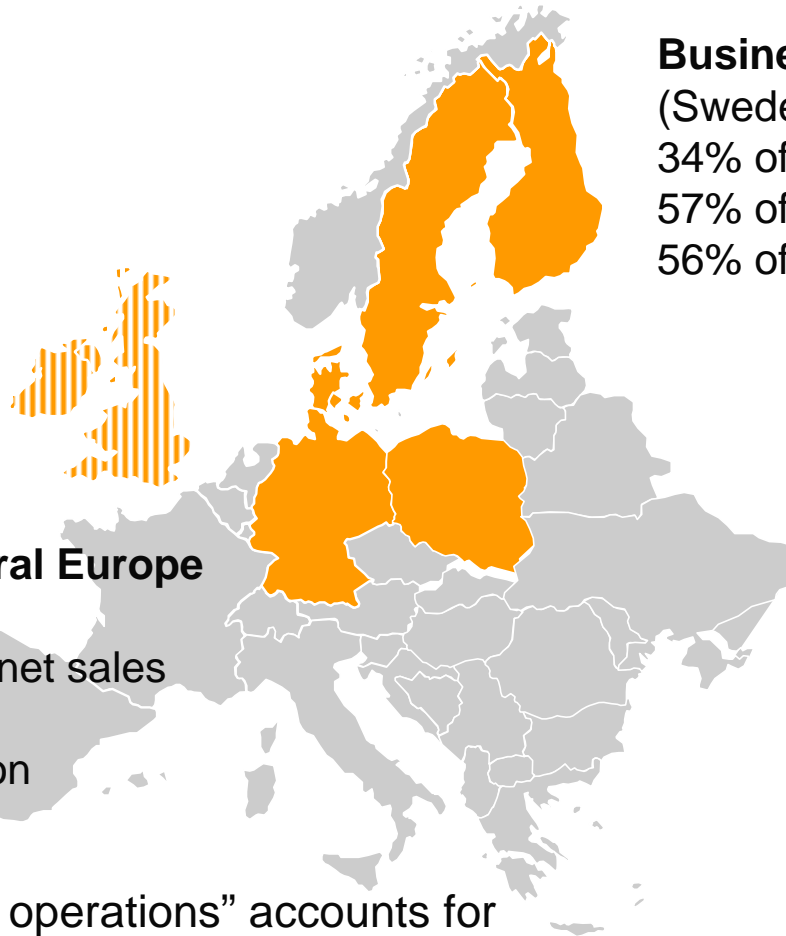
Key figures SEK million	FY 2007	FY 2006	FY 2005	FY * 2000
Net sales	143,639	135,802	123,794	31,695
EBITDA	45,821	43,938	43,175	11,670
EBIT	28,583	27,821	28,363	6,193
Net debt	43,740	49,407	64,343	43,311
FFO Interest cover	8.6x	9.7x	8.9x	3.3x
Total assets	338,236	323,166	325,068	115,259
FFO/net debt	77.8%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

* 2000 = Swedish GAAP

Our Vision: A Leading European Energy Company

Vattenfall's geographical markets

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Business Group Nordic

(Sweden, Denmark, Finland)

34% of Group external net sales

57% of Group EBIT

56% of electr. generation

Business Group Central Europe

(Germany, Poland)

61% of Group external net sales

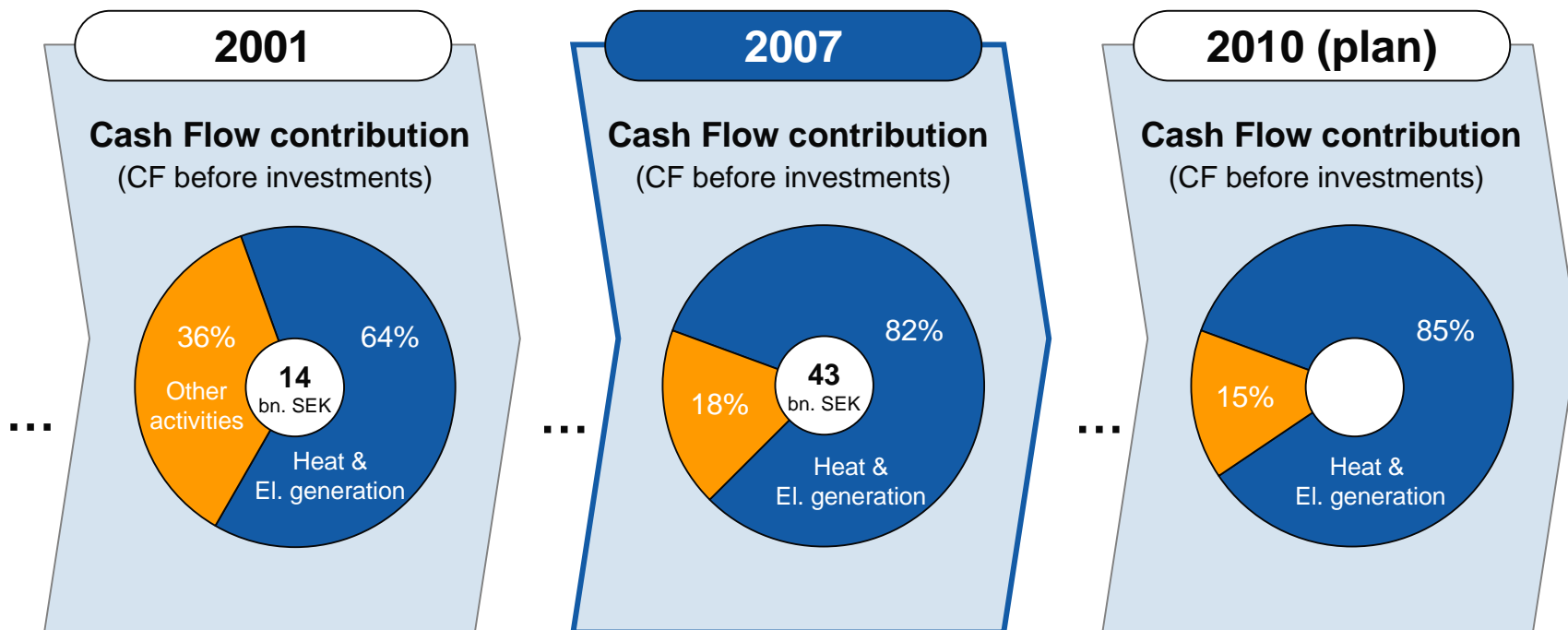
48% of Group EBIT

44% of electr. generation

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

Last 12 months (LTM) figures as of 30 Sept

Vattenfall is developing towards a generation driven company 6

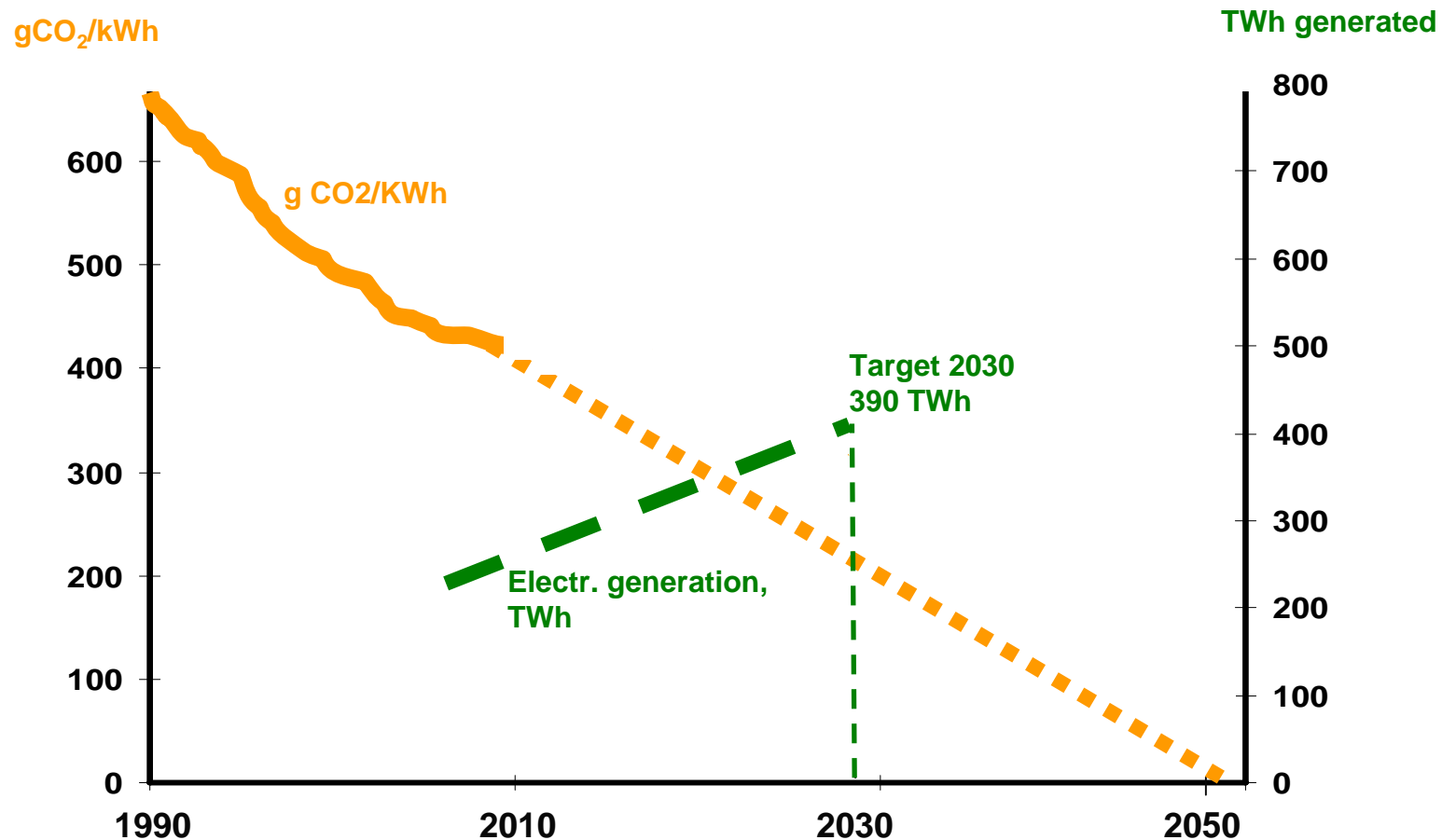


Generation:

- >100% cash flow contribution (after investments).
- Higher yield than average asset.

Making electricity clean – climate neutral by 2050

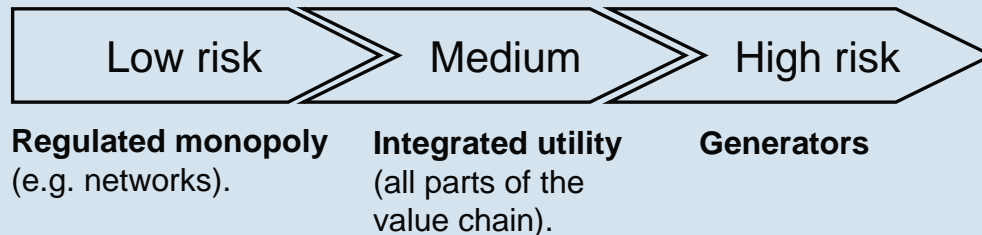
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Risk diversification in generation business

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Utility credit risk profile (traditional)



Risk diversification through well diversified portfolio

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

Although Vattenfall moves towards generation, this should not materially increase the overall risk profile compared to historical utilities.

Key factors for market leadership

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Key factor:

Examples:

1

Risk diversification

- To cope with commodity uncertainty.
- Different geographies and regulatory regimes.
- Single asset risks.
- New technologies (CCS, renewables, nuclear).

2

Competence management

- Retain and recruit key staff.
- Engineering competence.
- Project management competence.
- Regulatory and political competence.

3

Financial flexibility

- Strong balance sheet.
- Ability to make long lead-time investments.
- Focus on cost and operational efficiency, proven ability to realise synergies.

- Strongly correlated with scale.
- Increasing need for pan-European rather than national/regional platform to form strong foundation.

Financial targets - where we are now

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

*Q3 2008 figure = LTM

Growth and investments

Growth strategy – integration track record

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2001
A3/A-

Key Acquisitions

EW, Poland, 2000

GZE, Poland, 2001

HEW, Germany, 2000-2001

Veag/Laubag, Germany 2001

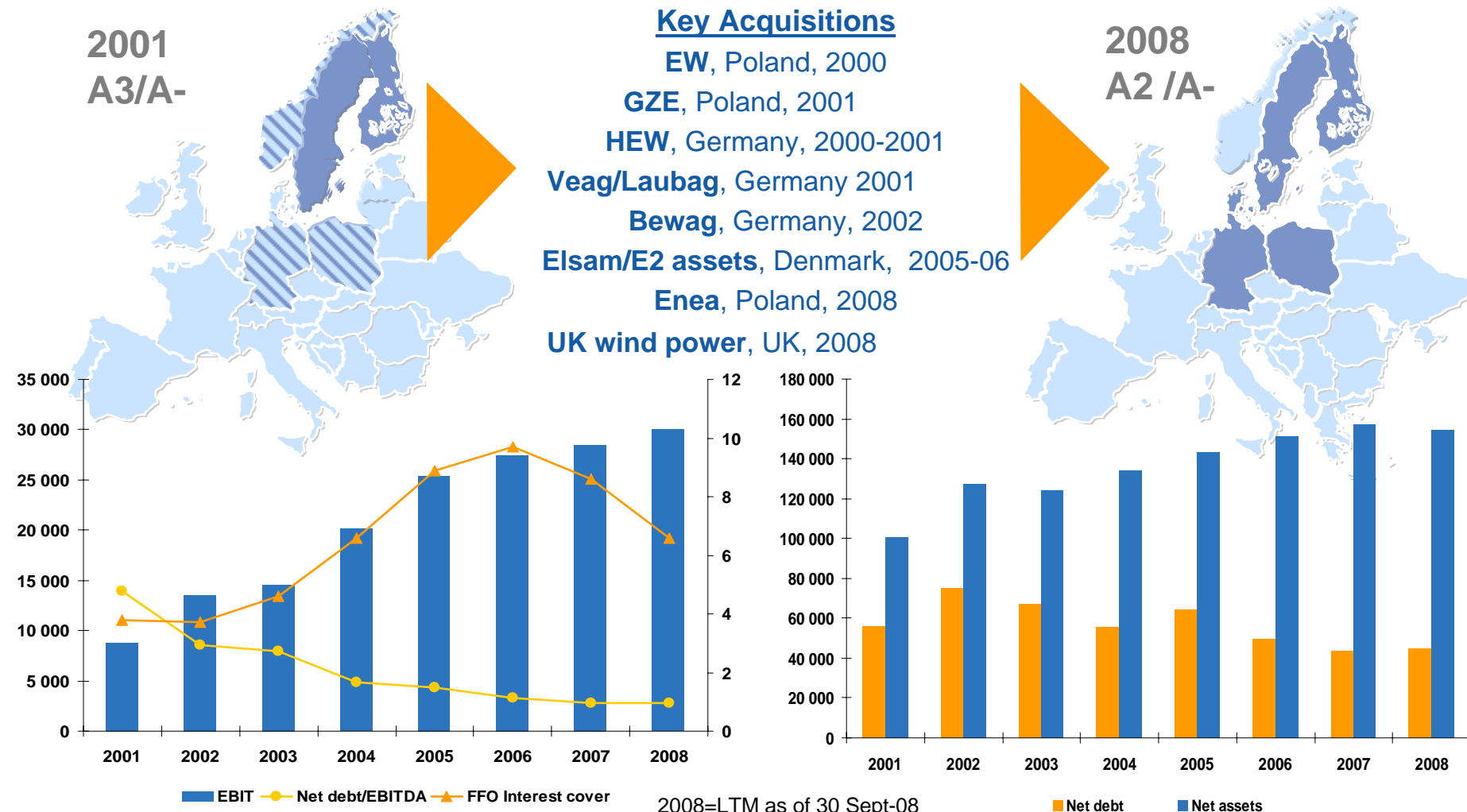
Bewag, Germany, 2002

Elsam/E2 assets, Denmark, 2005-06

Enea, Poland, 2008

UK wind power, UK, 2008

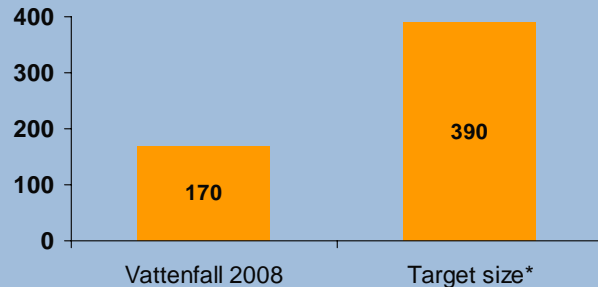
2008
A2 /A-



Growth strategy – organic and M&A

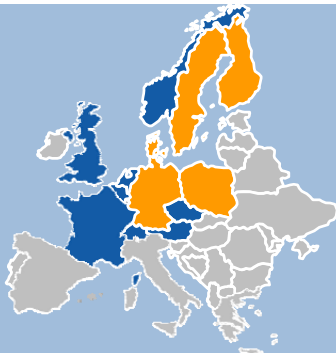
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Vattenfall electricity generation (TWh)



*10% of EU-27+2 electricity generation in 2030

Vattenfall core and target markets



Core markets today

Priority growth markets

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

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

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

- Degree of market liberalisation
- Proximity to core markets
- Need for new capacity
- Potential for clean capacity
- Cultural fit

Growth strategy – focus on generation

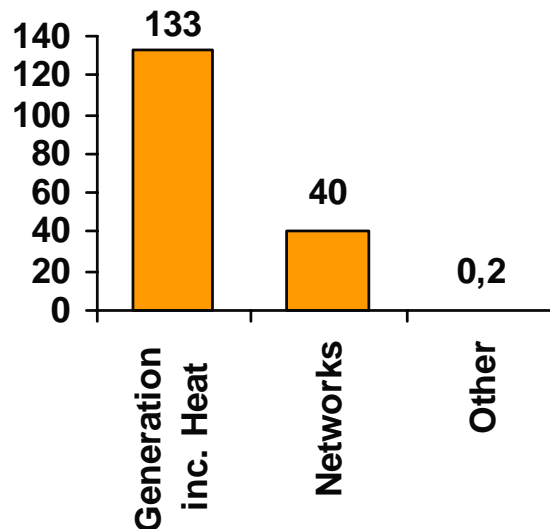
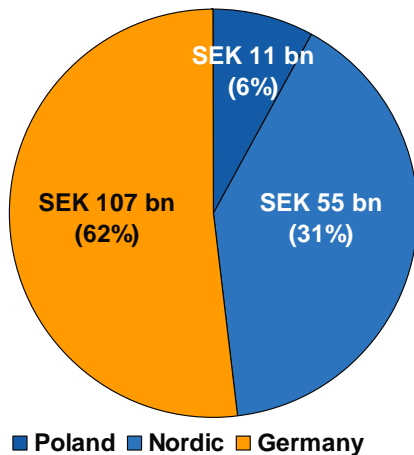
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- Consolidation phase ended (Germany and Denmark).
- Possibly wider geographical scope.
 - United Kingdom and Benelux of very high interest.
 - A third and possibly a fourth major geographical market targeted.
- Substantially increased size targeted.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

Increased capex programme (excl. M&A)

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



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

Excl. UK wind power capex
(see appendix slide 51-52)

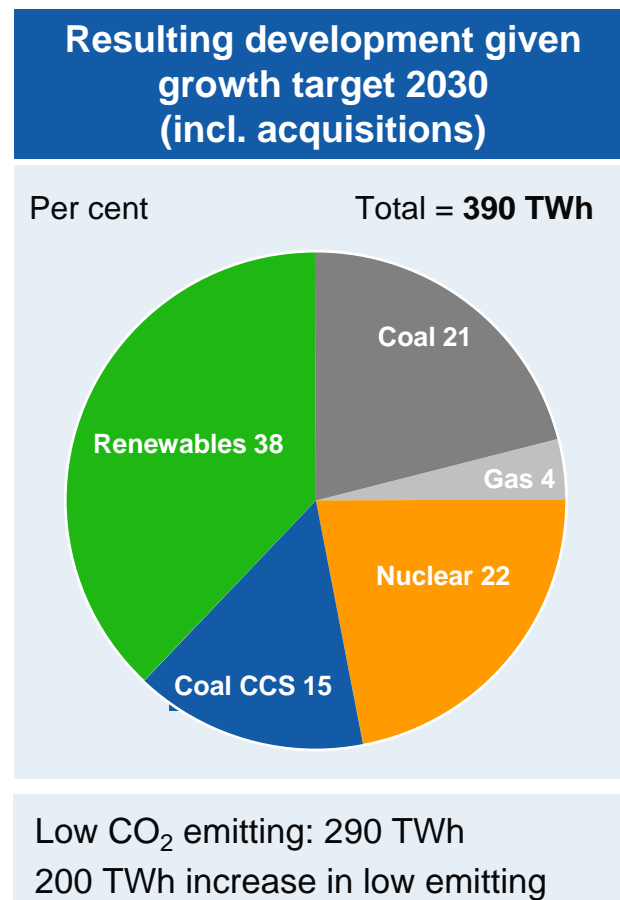
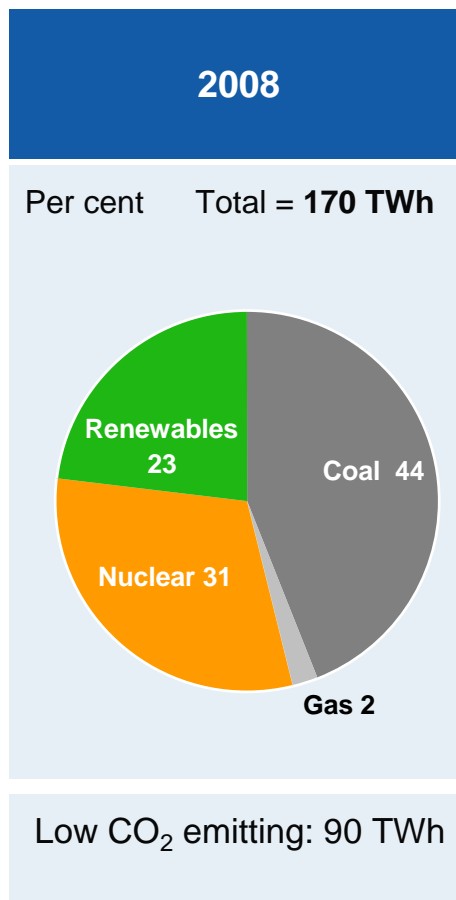
CO2 reduction - extensive growth of renewables

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Portfolio strategy - reshape the generation portfolio towards clean energy

Drivers:

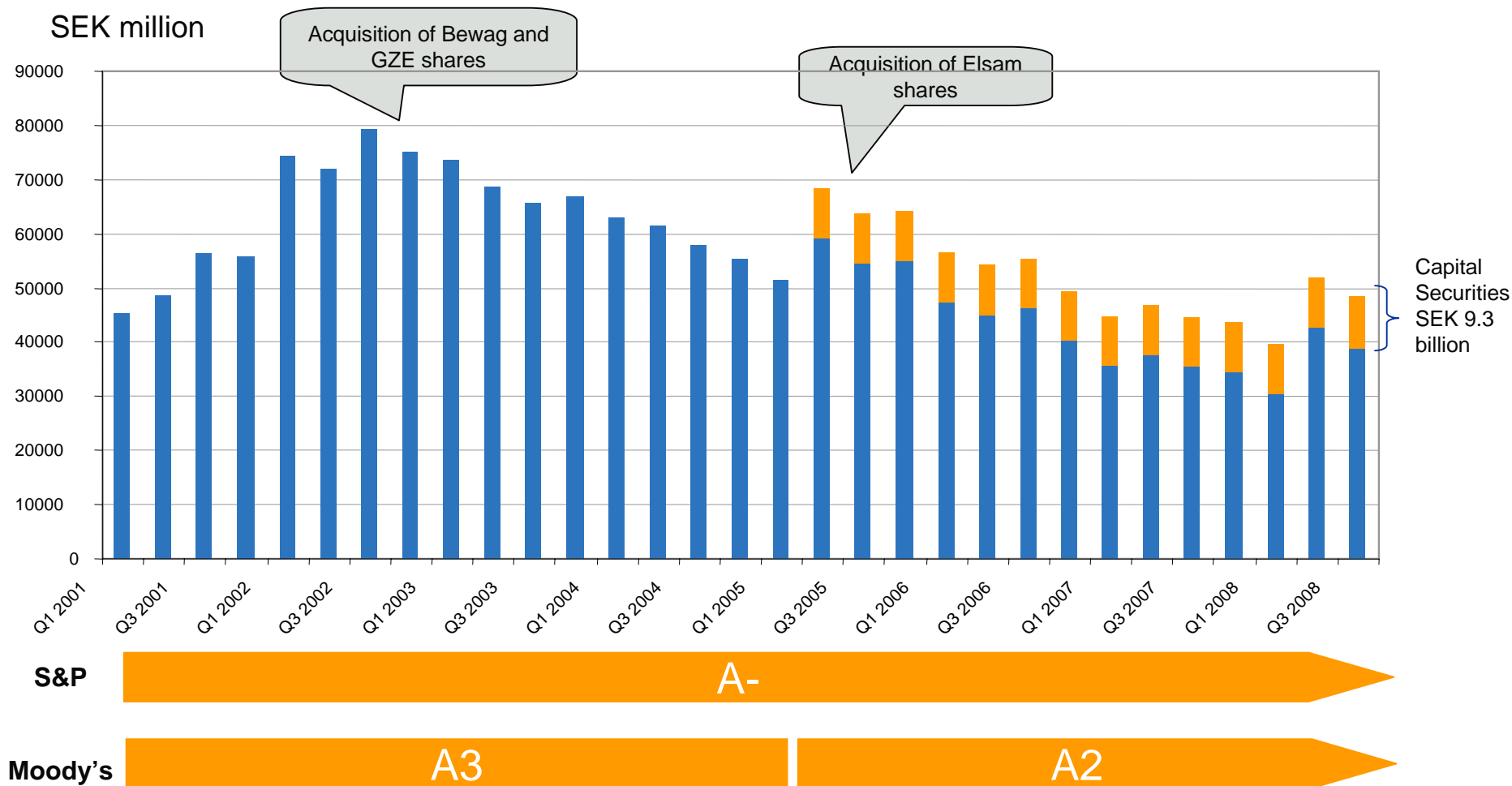
- Emissions reduction
- Technological development/R&D
- Increasing financial attractiveness of renewables
- Preference for base load
- Public opinion



Funding and Liquidity

Net debt development – and ratings stability

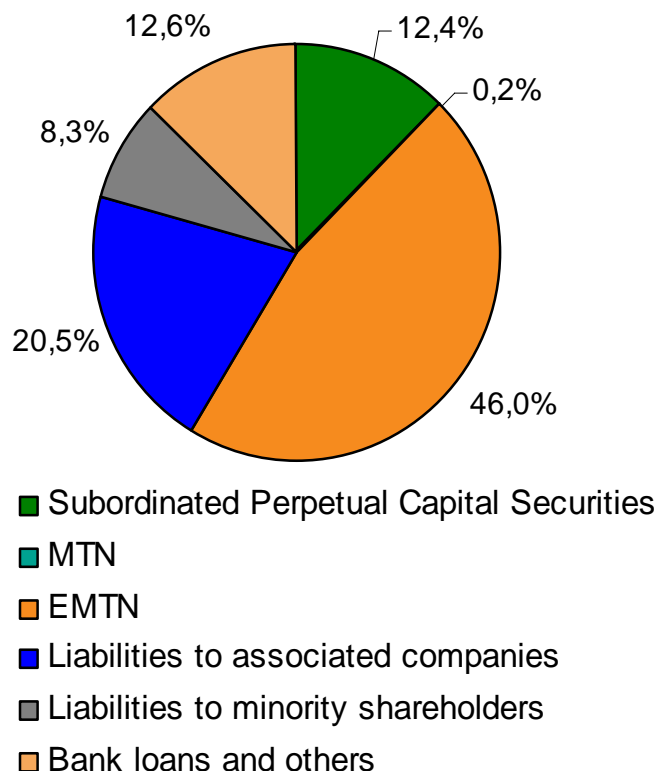
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Breakdown of Gross Debt as of 30 Sept

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**Total debt:
SEK 77.5bn (EUR 7.9bn)**



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

- All public debt is issued by Vattenfall Treasury AB, fully guaranteed by Vattenfall AB
- No currency risk in the debt portfolio
- No structural subordination

Break down of group liquidity and credit lines

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30 Sept. 2008

Group liquidity	SEK million
Cash and cash equivalents	14,722
Short term investments	13,156
Total	27,878 ¹⁾

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

Committed credit facilities

Syndicated (RCF, maturity Febr. 2013)	EUR 1,000 million	9,760
Bilateral (maturity April 2009)	EUR 400 million	3,904
Overdraft facility (maturity Dec. 2009)	SEK 100 million	100
Total undrawn		13,764

Debt maturities ¹⁾

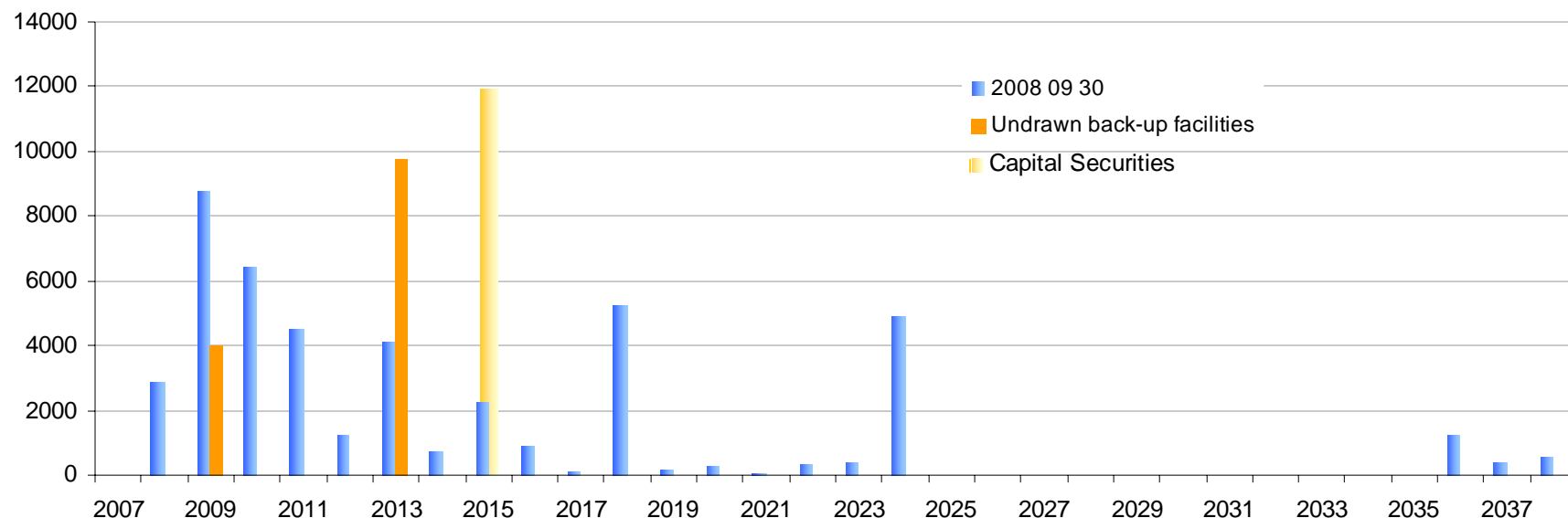
- within 90 days	2,347
- within 180 days	3,163

1) Excluding loans from minority owners and associated companies

Vattenfall debt maturity profile

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SEK million



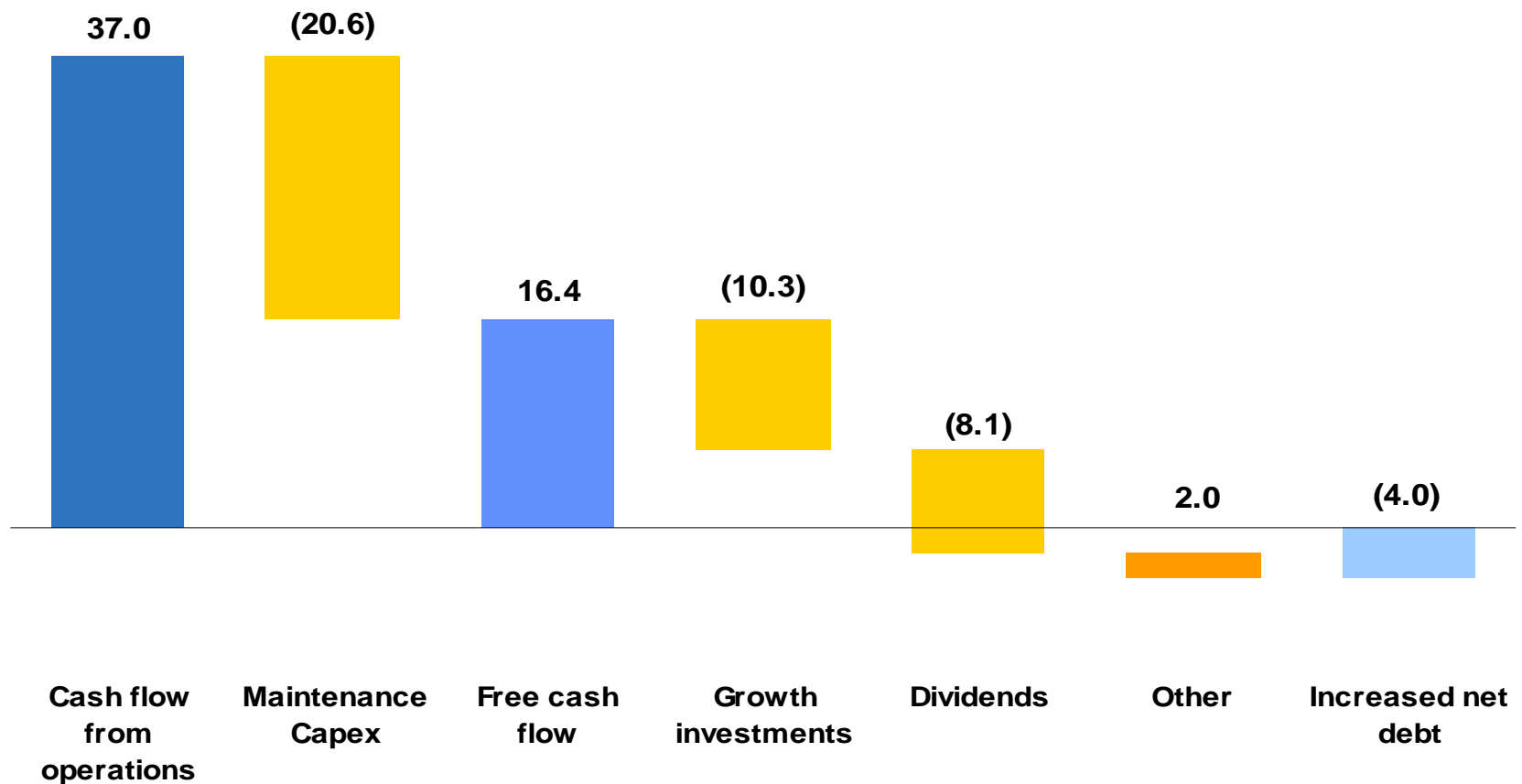
	Sept 30, 2008	Sept 30, 2007
Duration (years)	3.1 ¹⁾	3,7
Average time to maturity (years)	6.4 ¹⁾	6,5
Net debt (SEK bn)	48.5	44,5

1) Based on external debt. Excluding Capital Securities the duration is 2,5 years and average time to maturity 6,4 years.

Cash-flow (LTM)

22

SEK billion



Solid credit ratings with significant headroom

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Vattenfall's commitment to a single-A rating is explicitly stated in its financial targets
Both agencies have communicated significant flexibility within the current ratings



S&P A-/Stable/A-2

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

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

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

(S&P Summary: June 10th 2008)



Moody's A2/Stable/P-1

Ratings reflect GRI rating methodology

Baseline credit assessment 7

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

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

Further significant M&A activity is factored in

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

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

(Moody's Credit Analysis, October 2008)

Conclusion

- 100% owned by the Kingdom of Sweden (Aaa/AAA)
- Committed to maintaining a single-A rating (currently A2/A-)
- 5th largest electricity generator in Europe:
#1 in Nordic market, #3 in Germany
- Well-diversified generation portfolio
- Strong cash flow
- Proven track record of integrating acquisitions

A large white flag is waving against a clear blue sky. The flag features the Vattenfall logo, which consists of a stylized sun or wave shape in yellow and blue, with a white star inside the yellow part. Below the logo, the word "VATTENFALL" is written in bold, black, sans-serif capital letters. The flag is attached to a pole on the left side.

VATTENFALL



Questions and Answers

APPENDIX - Strategy

SWOT overview for Vattenfall

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Strengths

- Strong position in Northern Europe
- Strong position in base-load generation
- Large share of generation with no CO₂ emission

Opportunities

- Increasing need for new capacity
- Increasing attractiveness of clean energy assets (renewables, CCS, nuclear)
- Unexploited synergies and performance improvement

Weaknesses

- Performance culture can be further improved
- High emitter of CO₂
- Limited participation in natural gas

Threats

- Introductions of new taxes and/or increases in existing ones
- Increasing regulatory pressures, in particular in low performing parts of the value chain
- Major reduction in price levels

Vattenfall's generation focus and strategies

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Nuclear

- Core technology (large potentials, CO₂-free)
- Resources and competence for nuclear new build.
- Expansion to other geographical market/-s.
- Life-time extension and power increases of existing plants.
- World class safety standard.

Fossils

- Core technology (scale, financially attractive).
- Carbon capture and storage.

Renewables

- Expand footprint in renewable energy.
 - financially attractive.
 - support ambition to further reduce CO₂ exposure.
- Wind, hydro and bio-fuel focus.
- Capitalise on off-shore wind competence.

Very large potential in European renewables

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(TWh)	Theoretical potential (TWh)	Possible 2030 (TWh)	Comments
Wind	2000	460	<ul style="list-style-type: none"> • Network capacity and power regulation issues. • Permit processes.
Ocean Energy	2000	200	<ul style="list-style-type: none"> • High L-T potential, early stage technology.
Bio	500	75	<ul style="list-style-type: none"> • Forest management need to be developed (not to compromise need for food).
Hydro	500	20	<ul style="list-style-type: none"> • Low acceptance of new hydro in most markets • Climate change, weather (south / north Europe)
Others	500	50	<ul style="list-style-type: none"> • Solar or geothermal less interesting for Vattenfall's core and target markets

Operational excellence – continuation of the OPEX effort

Ongoing OPEX programme

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

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

- Productivity
 - Increase benchmarking to clarify company position
 - Set new improvement targets according to benchmark results
 - Increase efficiency of SSCs
- Cross-border synergies
 - Work with key processes
 - Increase cooperation and learning within Group
 - Structured bench learning processes

APPENDIX - Financials

Consolidated income statement

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

* IAC = Items affecting comparability

Consolidated balance sheet

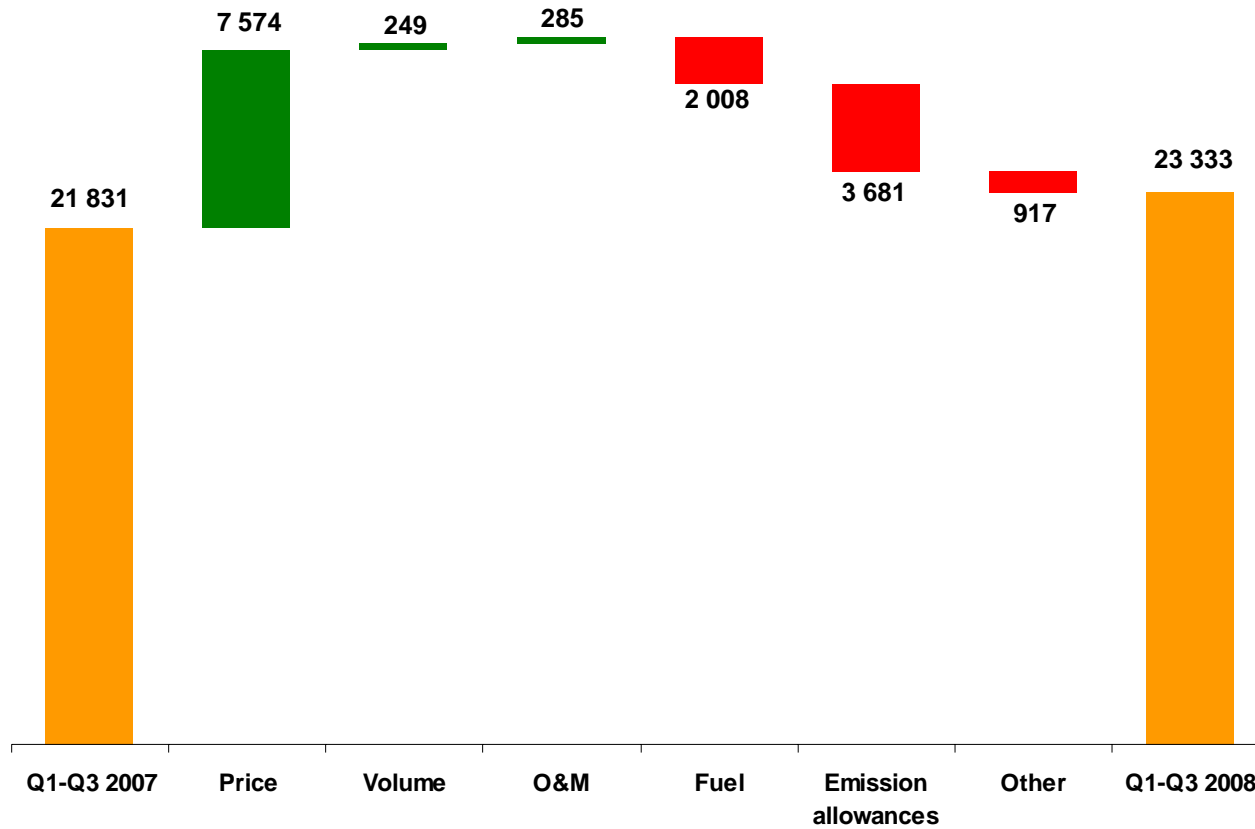
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Amounts in MSEK	Q3 2008 IFRS	Q3 2007 IFRS	Change %	FY2007
Non-current assets	277 672	257 489	7.8	264 864
Current assets	83 915	67 127	25.0	73 372
Total assets	361 587	324 616	11.4	338 236
Equity	124 068	119 679	3.7	124 132
Interest-bearing liabilities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

EBIT 9M 2008 vs 9M 2007

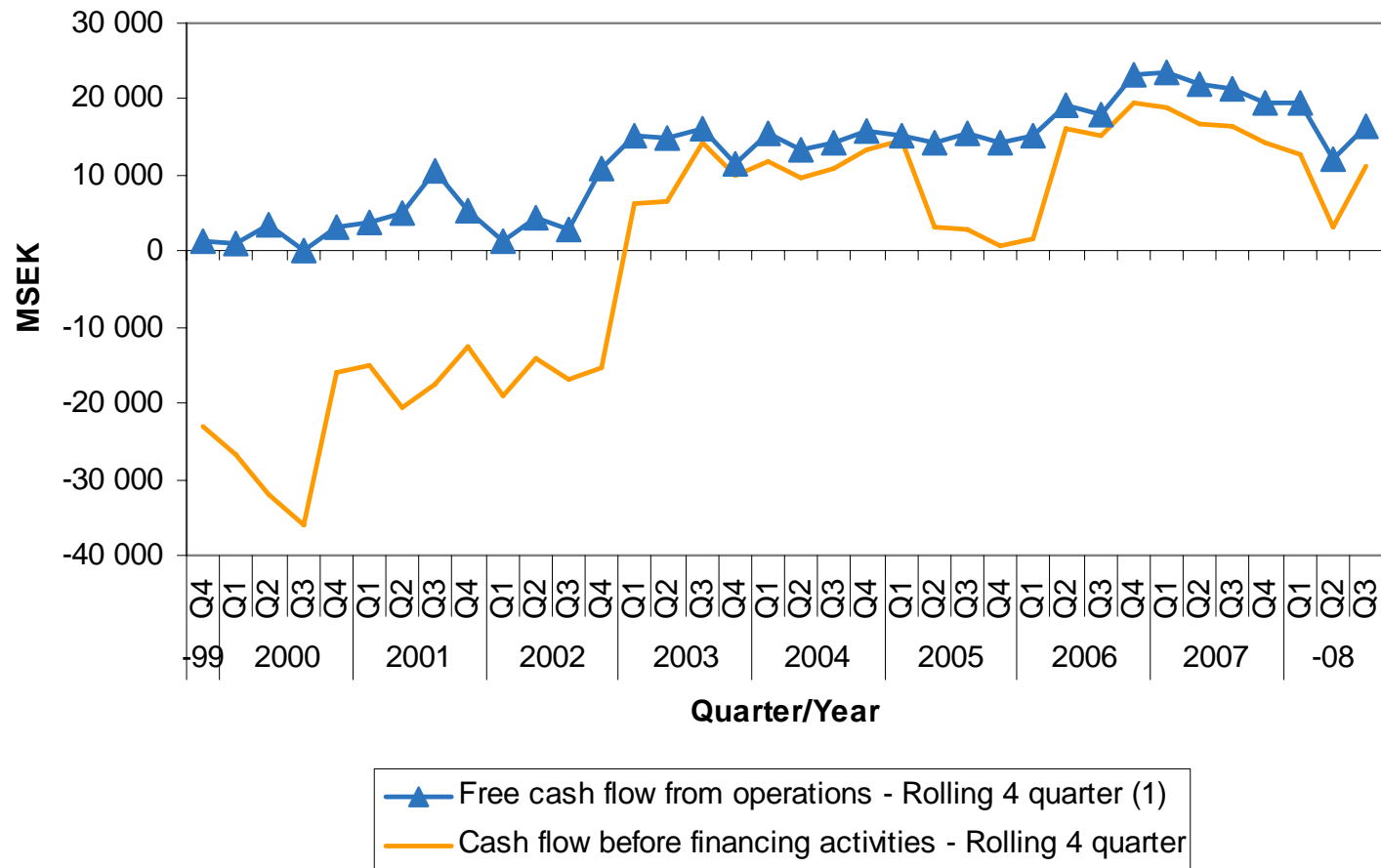
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SEK million



Cash flow development

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¹⁾ Figures according to Sw GAAP until Q4 2004 and according to IFRS from Q1 2005

Adjusted gross and net debt

37

SEK million

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

1) Of which CSA, Credit Support Annex (Margin calls) 783 million

2) Of which CSA, Credit Support Annex (Margin calls) 2,536 million

Financial risks within Treasury operations

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The Risk Management process is based on the following components:

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

Liquidity risk

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

Market risk

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

Credit risk

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

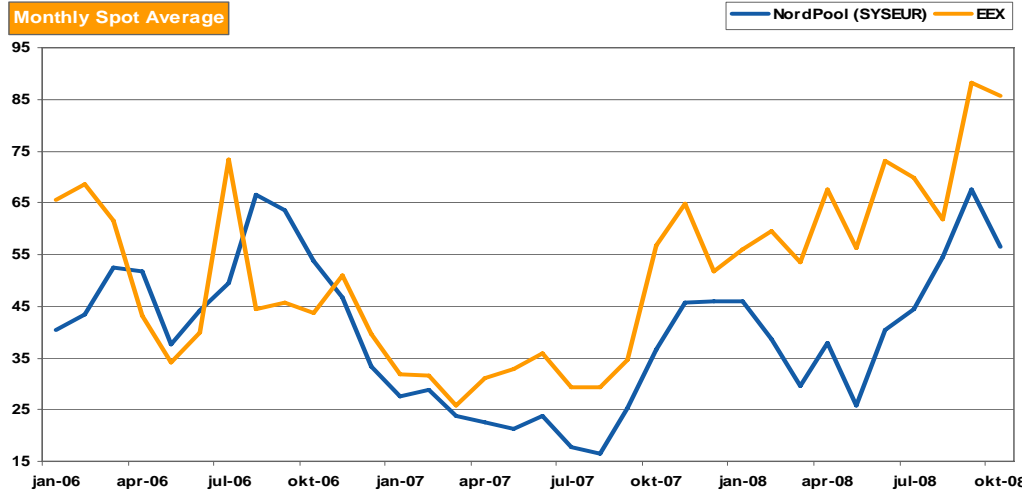
Risks are followed up against requirements and reported on a daily basis

APPENDIX

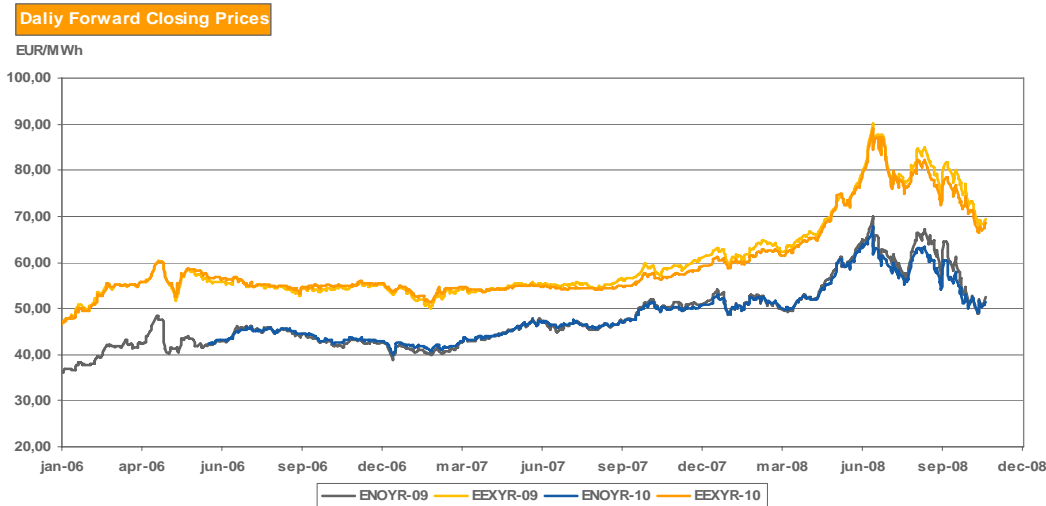
- Prices and hedging

Electricity price development

40



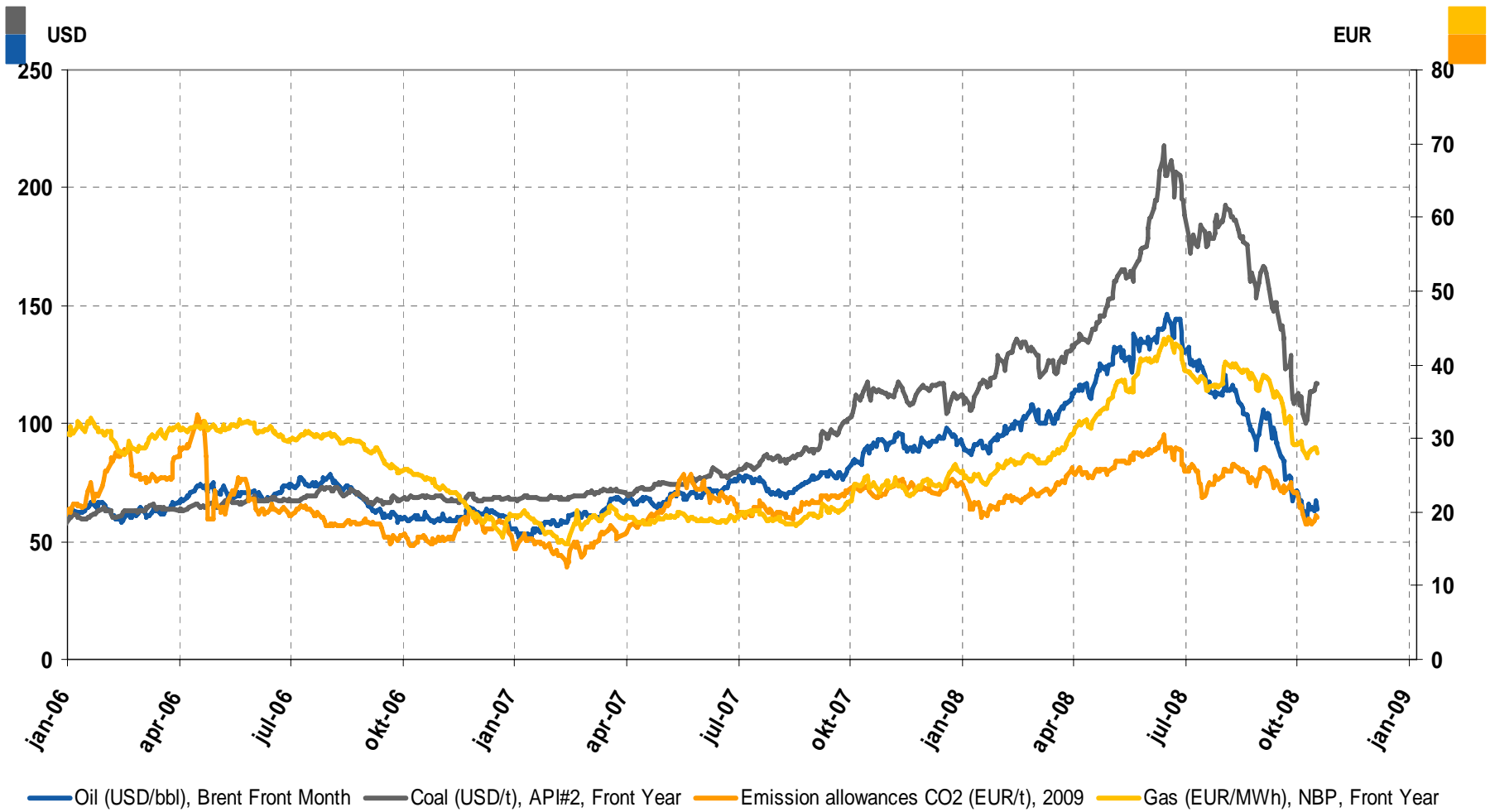
Higher spot prices compared with Q3-07
Nord Pool +181%, EEX +136%



Decrease in forward prices last few months

Commodity prices and CO2 emission allowances

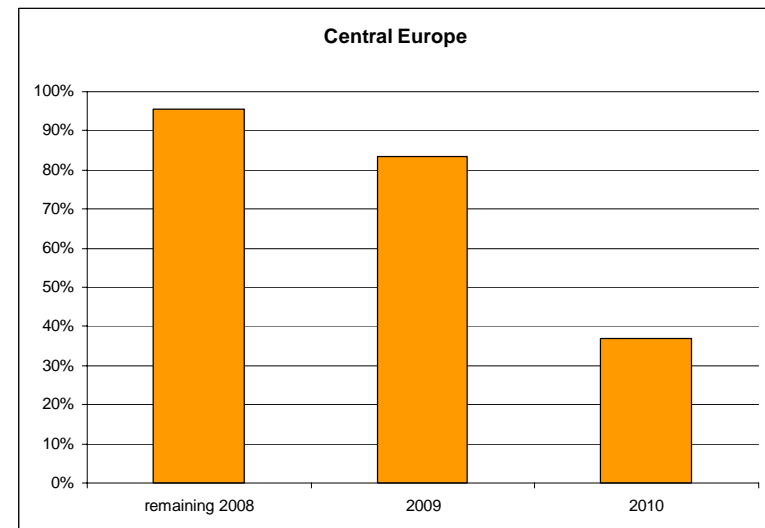
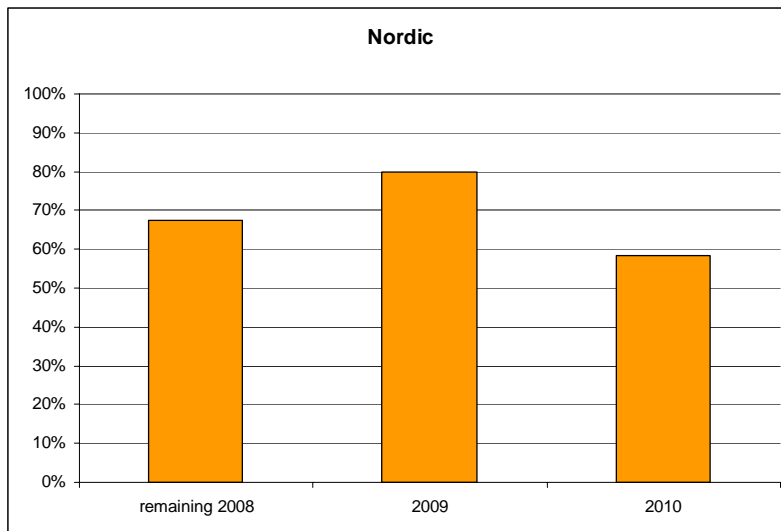
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Hedging position as of 30 September 2008

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



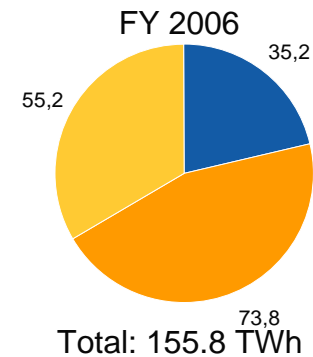
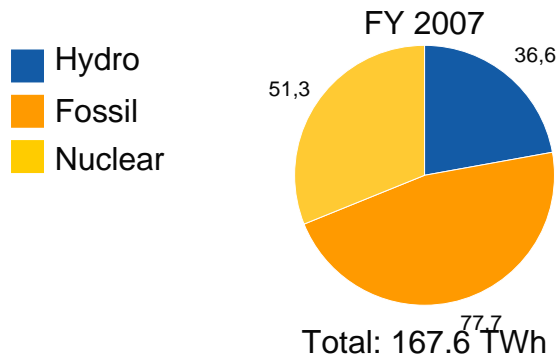
APPENDIX

- Group key facts

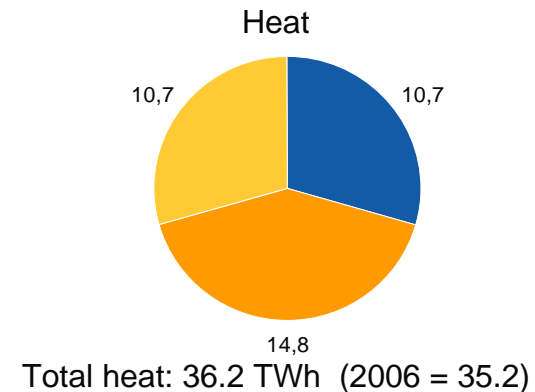
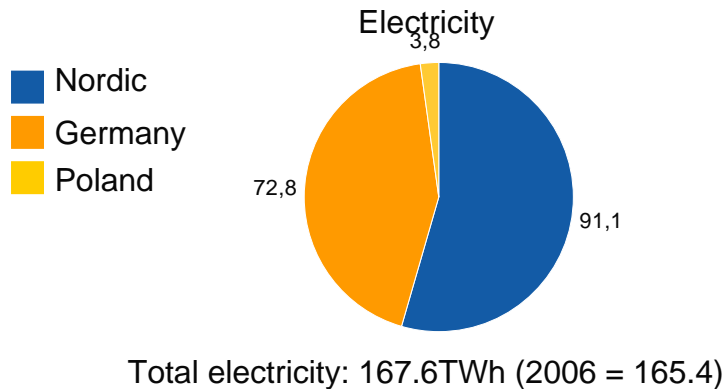
Generation break down

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Electricity generation by fuel source —Higher generation due to increased fossil-based gen.



Electricity and heat generation by geography - 2007



Generation Capacity, Megawatts

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Installed Capacity

consolidated share as of 31 December 2007

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

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

For pro rata ownership shares, please refer to Vattenfall Annual Report 2007 page 125

APPENDIX

- recent events

Schwarze Pumpe CCS pilot plant inaugurated

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On 9 September, the worlds first lignite fired CCS plant based on oxyfuel technology was inaugurated at Schwarze Pumpe in Germany

Nuclear update - Germany

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- The German Krümmel and Brunsbüttel nuclear power plants are still off-line due to technical problems detected during the inspection and testing programmes:
 - Cracks in valves
 - Impermissibly mounted dowels
 - Refurbishment of steel-platforms in Brunsbüttel
- The plants will remain shut down until all necessary renovation work is fully completed. Re-start date is still open.
- Financial impact (EBIT):
 - Q3 2008: EUR -120 million (SEK -1,143 million).
 - Q1-Q3 2008: EUR -404 million (SEK -3,817 million)



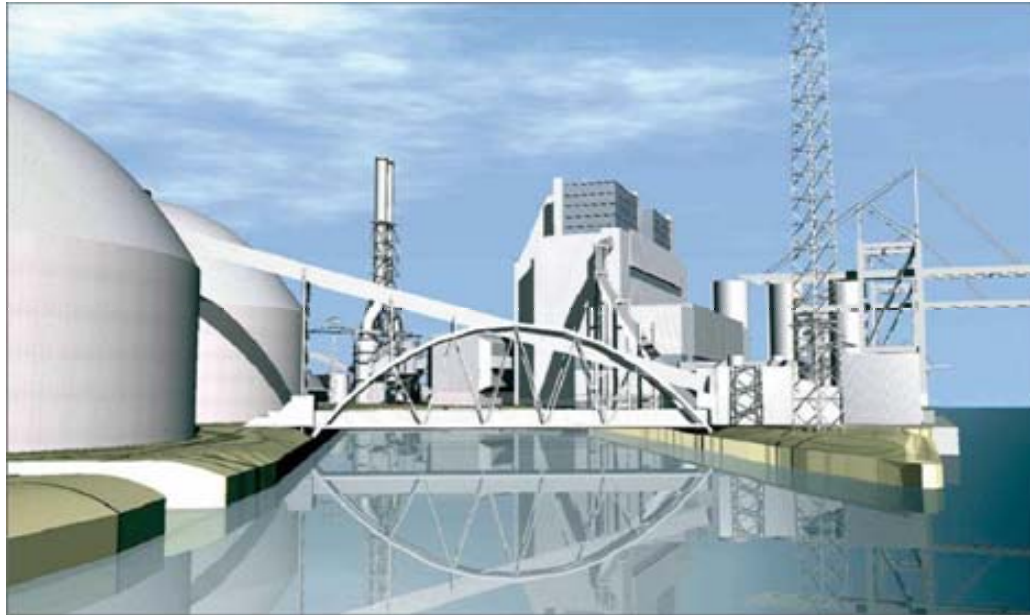
Krümmel (1,346 MW)
50% ownership



Brunsbüttel (771 MW)
67% ownership

Final permits granted for Moorburg CHP plant

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- On 30 September the two final permits were granted by the Authority for Urban Development and Environment (BSU) in Hamburg.
- The permits allow Vattenfall to continue to build the power plant, but partly include a number of new material restrictions affecting the operation of the plant.
- Consequently Vattenfall will be filing claims against the permits.

Potential sale of Transmission operations

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- At the end of July Vattenfall approached potential investors for the possible sale of our German Transmission operations (Vattenfall Europe Transmission GmbH)
- Indicative bids received in October – high level of interest
- Important criteria to be applied on investors

Investors must:

- have a long-term focus
 - ensure substantial investments in network extension
 - grant continued free grid access for all power producers
 - promote the flow of electricity across European borders
- No decision has yet been made

Major wind power transactions in the UK

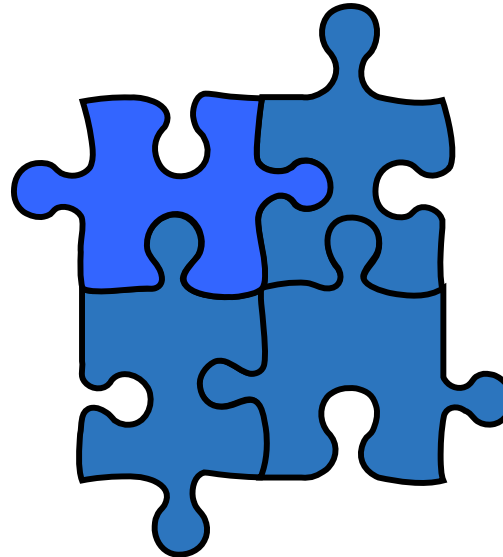
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Partnership between Vattenfall and ScottishPower Renewables

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

Thanet Offshore Wind Ltd

- 300 MW, ~ 1 TWh
- Commissioning in 2010



AMEC Wind

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

Eclipse Wind Energy

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

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

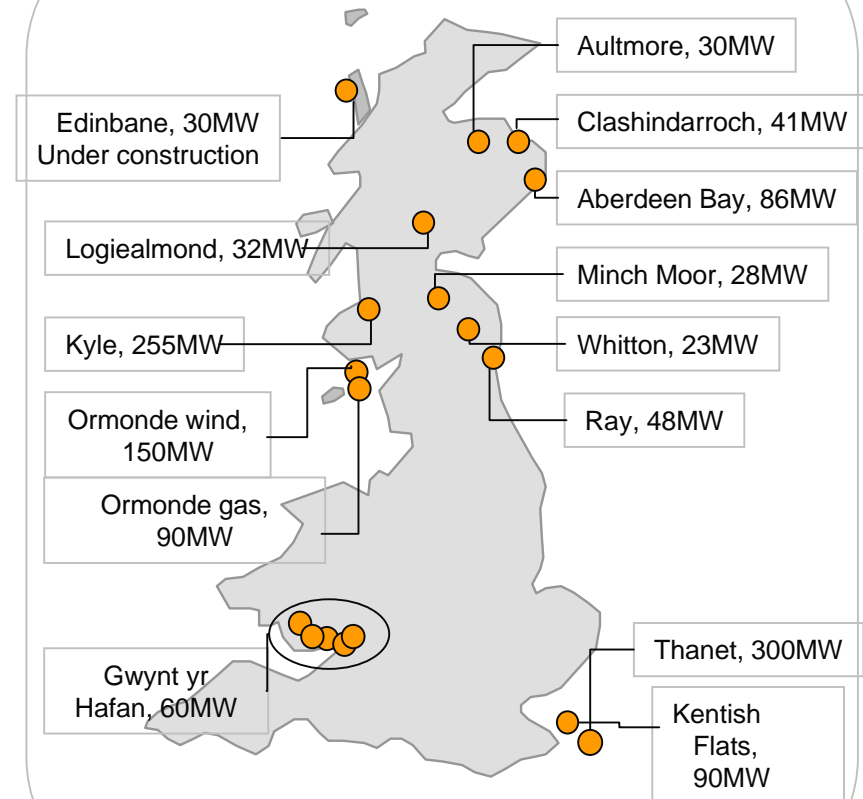
Vattenfall development in the UK

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Investment highlights

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

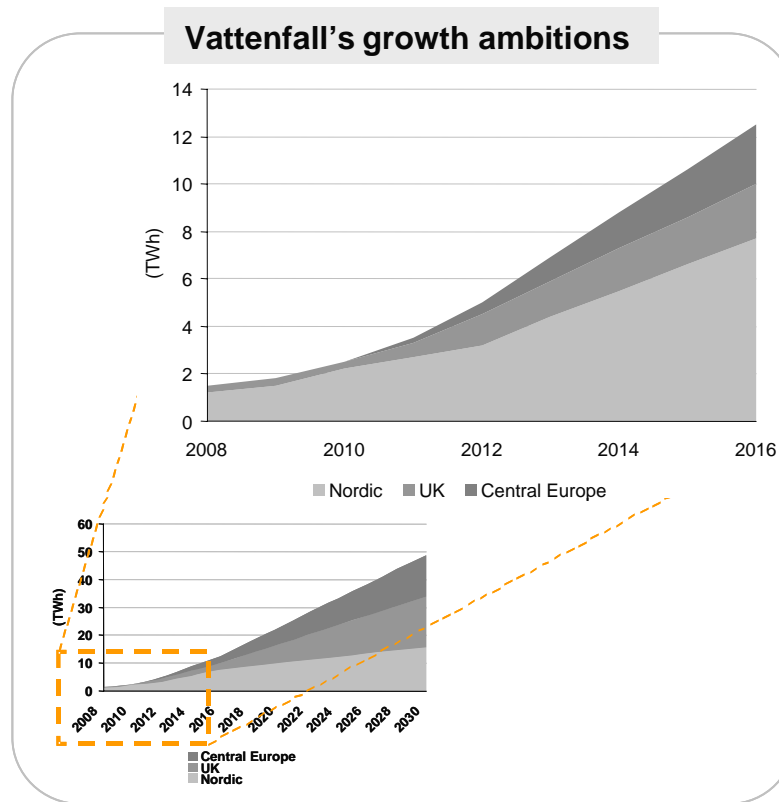
UK pipeline



Total pipeline of ~1 000 MW + 360 MW (extensions)

Vattenfall's wind growth ambition in the UK

53



Acquisition of 18.7% in Polish ENEA

54



Vattenfall has acquired
18.7% of ENEA for
SEK 4.5 billion

ENEA S.A. (*Parent company*)

8% share at domestic generation

16% share at distribution and electricity sale market

Electricity sales

16.8 TWh

Sales customers

2.3 million

ENEA Operator Ltd. (*Distribution company*)

Distribution area

58,192 km²

Power lines length

107,035 km

Technical status of the network – similar to VDP assets

Distribution and sales at well developed regions

Elektrownia Kozienice S.A.

(*Generation company – 2nd biggest Polish Power Station*)

Electricity generation (2007)

12.7 TWh

Installed capacity

2,880 MW

New 1,000 MW unit CCS ready is planned till 2015

22 smaller subsidiaries

Small hydro-power stations: around 60 MW and 140 GWh/a

Wind power: about 300 MW under development