Vattenfall Capital Markets Day 2007

Presentation by

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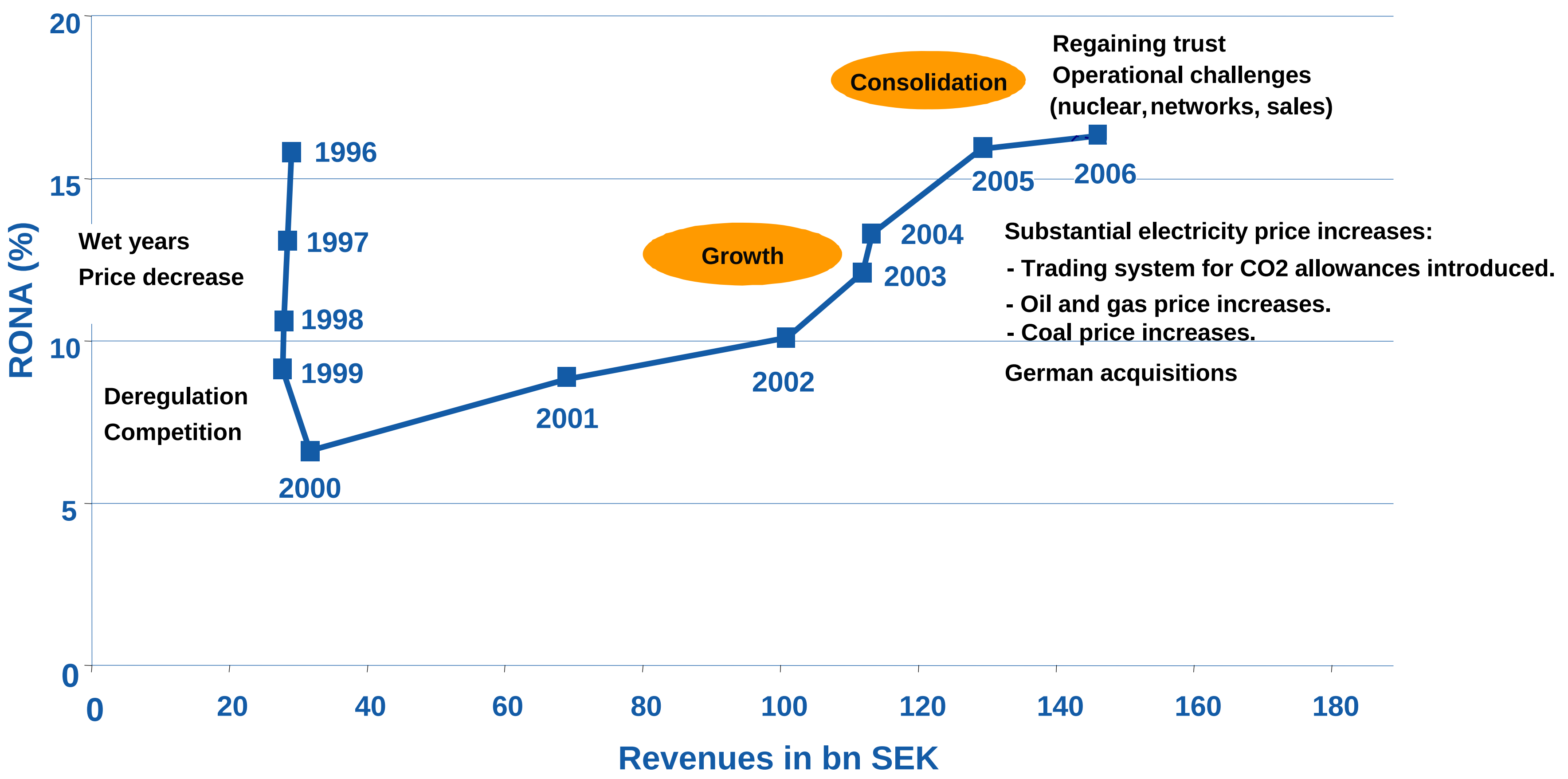
Current main issues

Competitors	• Operational excellence and “organic” generation growth in focus. • Increasingly challenging to close large M&A (protectionism, valuations).
Taxes, CO_2	• German corporate income tax dramatically reduced 2008. • Further real estate and production taxes proposed in Sweden. • Tighter CO_2 situation as of 2008. Dramatically increased cost.
Trust, risk management	• Public perception of the electricity industry. • Nuclear trust challenge. • Nuclear important risk diversification from CCS-dependency risk.
Credit crunch	• Increased cost for risk, tighter borrowing conditions for high risk. • Energy sector safe-haven. • Limited M-T impact foreseen on Vattenfall (L-T ease on M&A valuations?).

2. Steering model

Financial development



Financial targets

15% RoE requirement

3.5 – 4.5x pre-tax interest cover *)

Single-A rating commitment

40-60% dividend policy

Translated to RoNA requirement

Long-term targets cascaded per BU

Business planning targets 2010 cascaded per BU

Milestone targets 2008-2010 cascaded per BU

Cash flow and capital allocation

Strategic outlook
Capacity management
Investment plans
Business plans

*) after maintenance investments

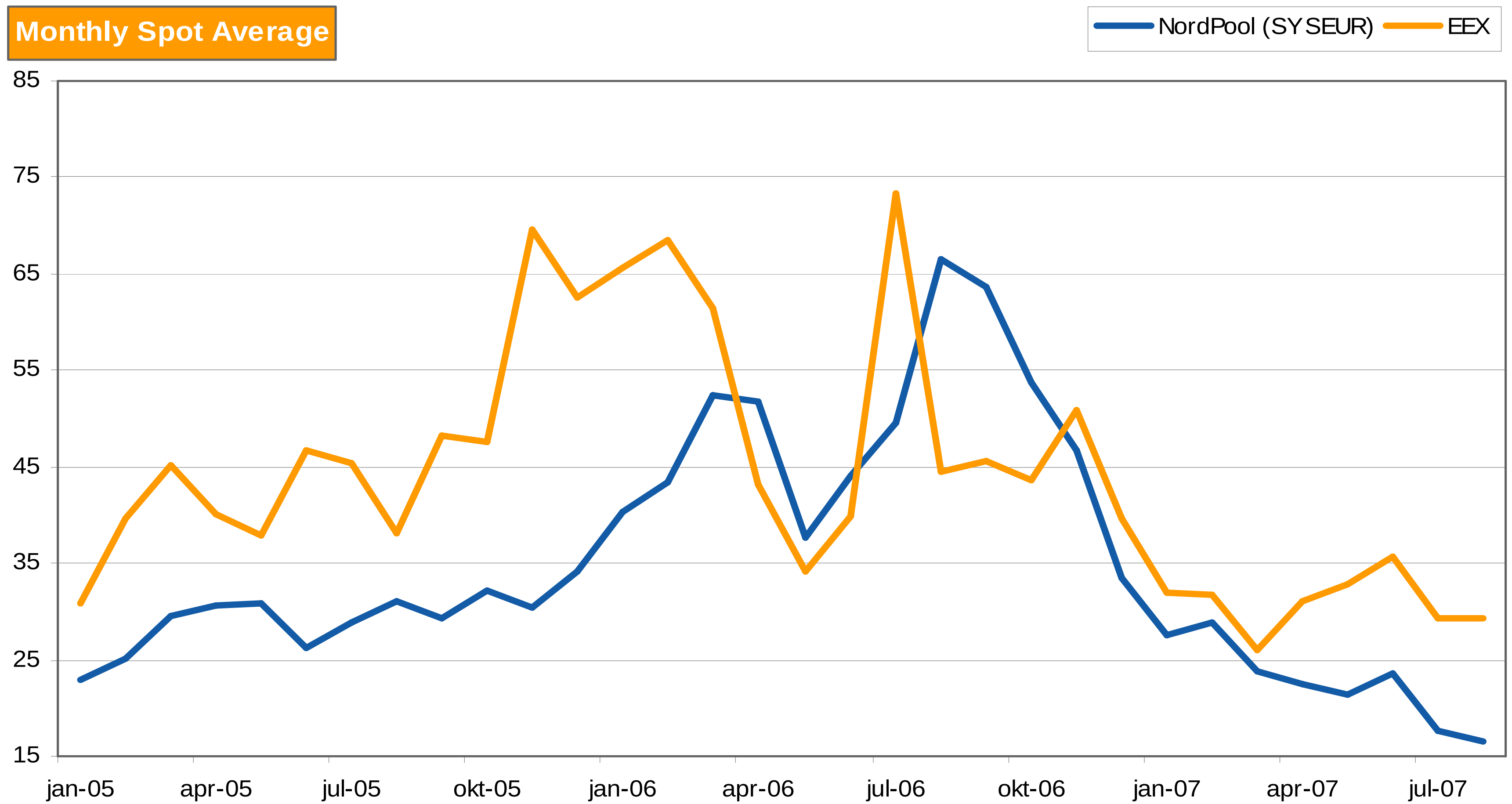
Financial targets and outcome

Key Ratio	Targets	Q2 2007
Return on Equity (RoE)	15 % on average equity	**19.9%[1]**
Return on Net Assets (RoNA, excl. IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	**15.2%***
Cash flow interest coverage after maintenance investments	3.5 – 4.5 times	**7.6***
Credit Rating	Single A category rating	**A2/A- Stable outlook**
Dividend pay-out	40-60 %	**40 %**

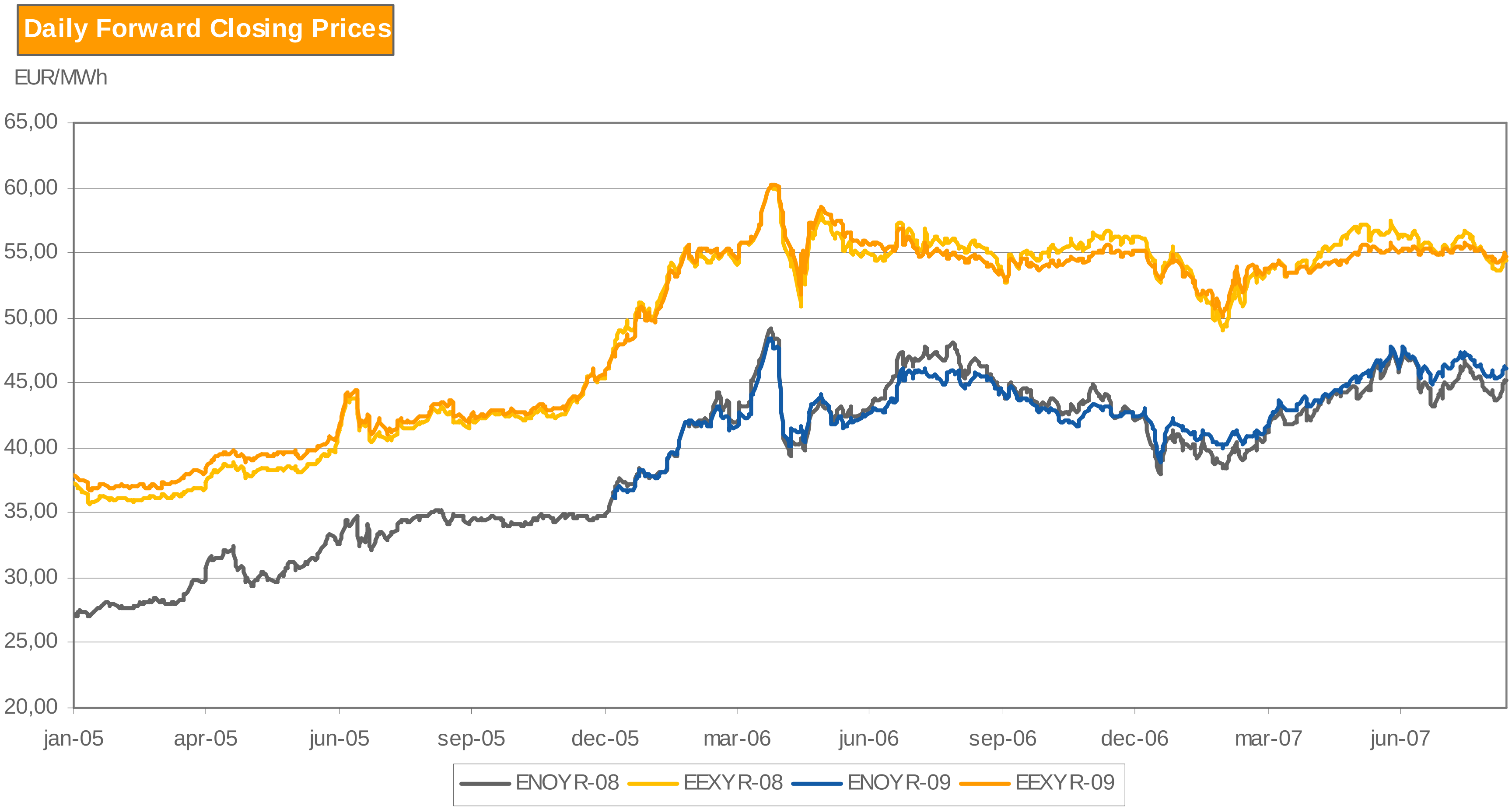
1) Q2 2007 figure = LTM

3. Electricity prices & CO_2

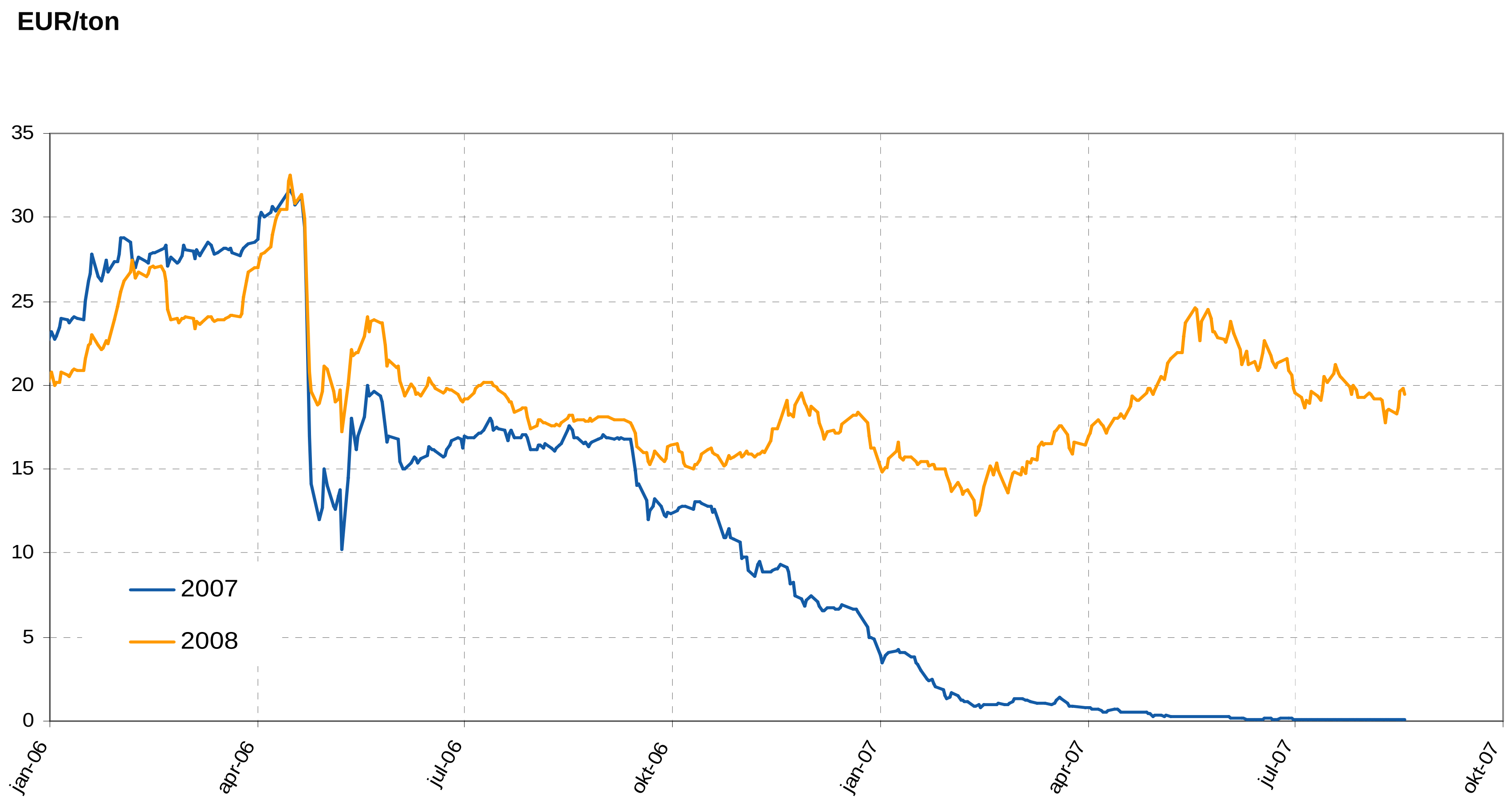
Electricity prices, spot significantly lower than 2006….



…while forwards look promising (driven by CO_2, coal and oil)

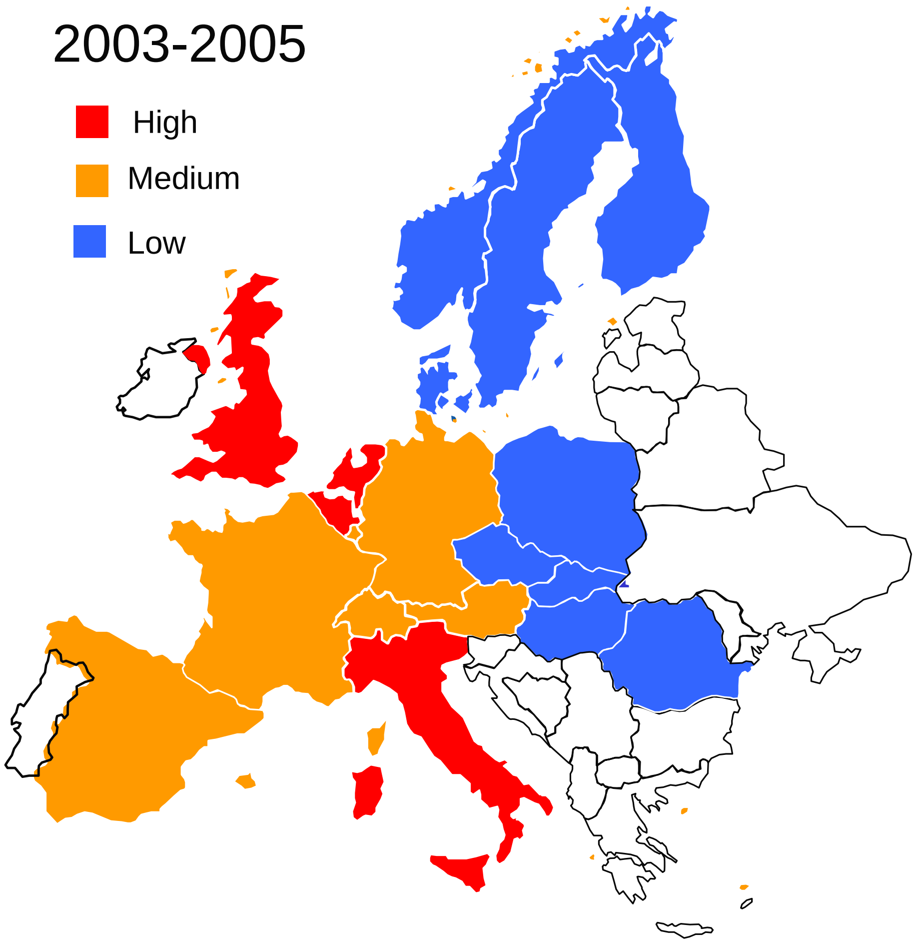


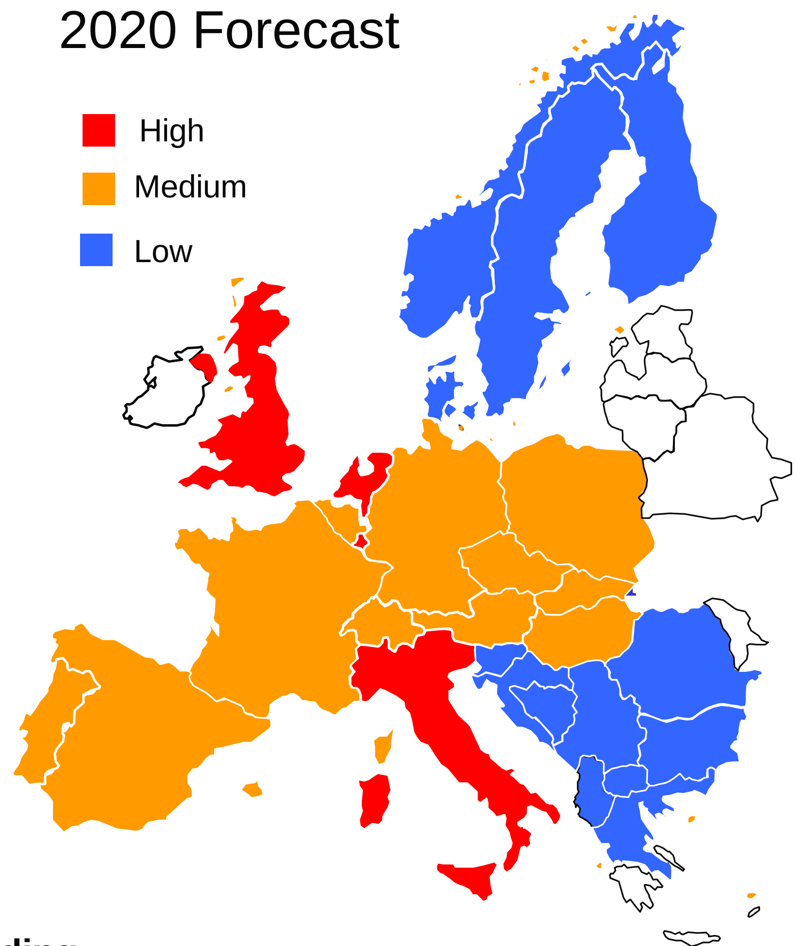
CO_2 prices



EUR/ton
35
30
25
20
15
10
5
0
2007
2008
jan-06
apr-06
jul-06
okt-06
jan-07
apr-07
jul-07
okt-07

Electricity price areas in 2005 and 2020





Source: Vattenfall

Incl. CO2 trading

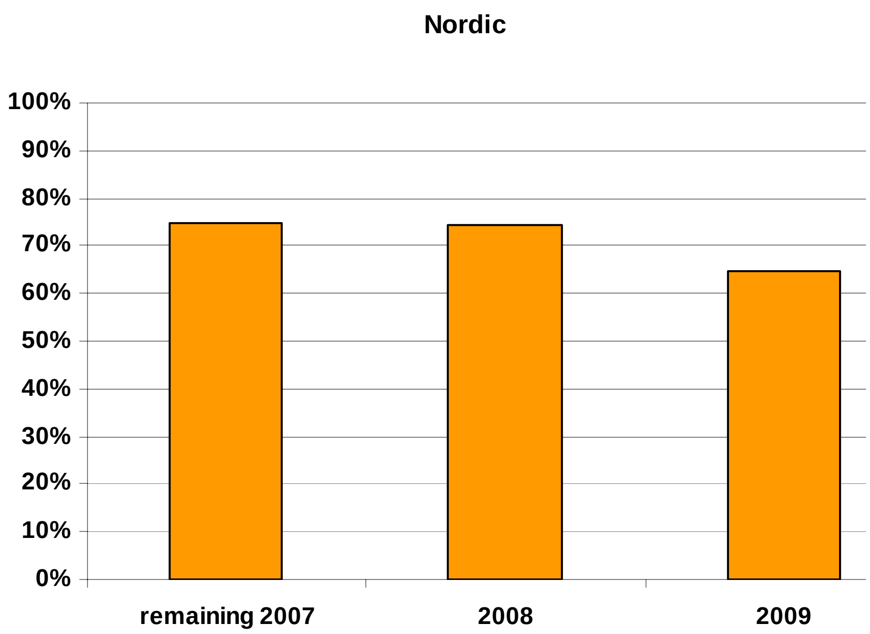
Cost of NAP2

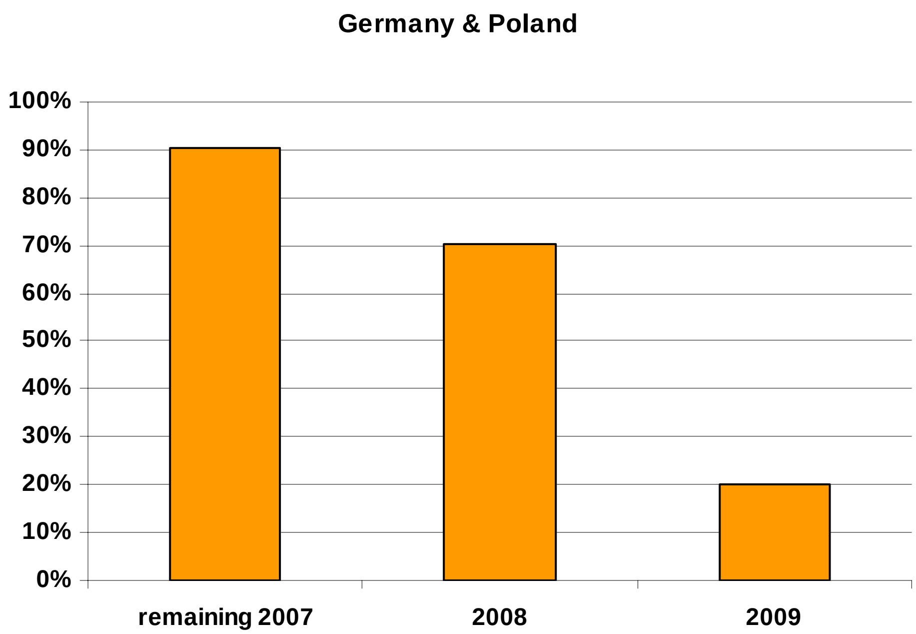
- Lower allocation of CO2 allowances than expected.
- German electricity generating sector must carry the German burden.
- Material financial impact on Vattenfall's German operations, less in Nordic and Poland

Germany		
Deficit of CO_2-certificates:	28-33 mn ton	
Estimated net cost (after tax) & cash flow effect	400-500 MEUR	p.a. from 2008
Denmark		
Deficit of CO_2-certificates:	1.8 mn ton	(approximately)
Estimated net cost (after tax) & cash flow effect	26-28 MEUR	p.a. from 2008
Poland		
Deficit of CO_2-certificates:	0.7-1.0 mn ton	
Estimated EBIT effect	15-20 MEUR	p.a. from 2008

Hedging position

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





4. Financial challenges

Satisfactory top-down earnings

Amounts in MSEK	FY 2006
Net sales	135,802
Direct costs	81,502
Gross profit	**54,300**
Sales and administration	12,759
Depreciation [1)]	15,239
Other	1,960
Operating profit, excl. write-down[1)]	**28,262**
RoE	**18.7**

- **19% RoE**
- **Whole-sale electricity price effects**

1) FY2006 adjusted for comparison: (A) ISU write downs 193 MSEK, (B) network write downs 1.020 MSEK, and (C) capitalised major revisions in Germany.

Earnings are truly generation and heat driven

		2004	2005	2006	Outlook 2007
Generation	Nordic	🟢	🟢	🟢	🟢
	Germany	🔴	🟢	🟢	🟢
Heat	Nordic	🔴	🟢	🟢	🟢
	Germany	🟢	🟢	🟢	🟢
	Poland		🟢	🟢	🟢
Transmission	Germany	🔴	🔴	🔴	🔴
Distribution	Nordic	🔴	🔴	🔴	🔴
	Germany	🔴	🔴	🔴	🔴
	Poland		🔴	🔴	🔴
Sales	Nordic	🔴	🔴	🔴	🔴
	Germany	🔴	🔴	🔴	🔴
	Poland		🔴	🔴	🔴
Services	Nordic	🟢	🟢	🟢	🟢

Generation:

- Whole-sale el price driven.
- High content CO_2 free (hydro, nuclear).
- CCS important for coal.
- Nuclear replacement.

Network challenges:

- Tariff levels (regulators, public pressure).
- Increased investment expectations.

Sales challenges:

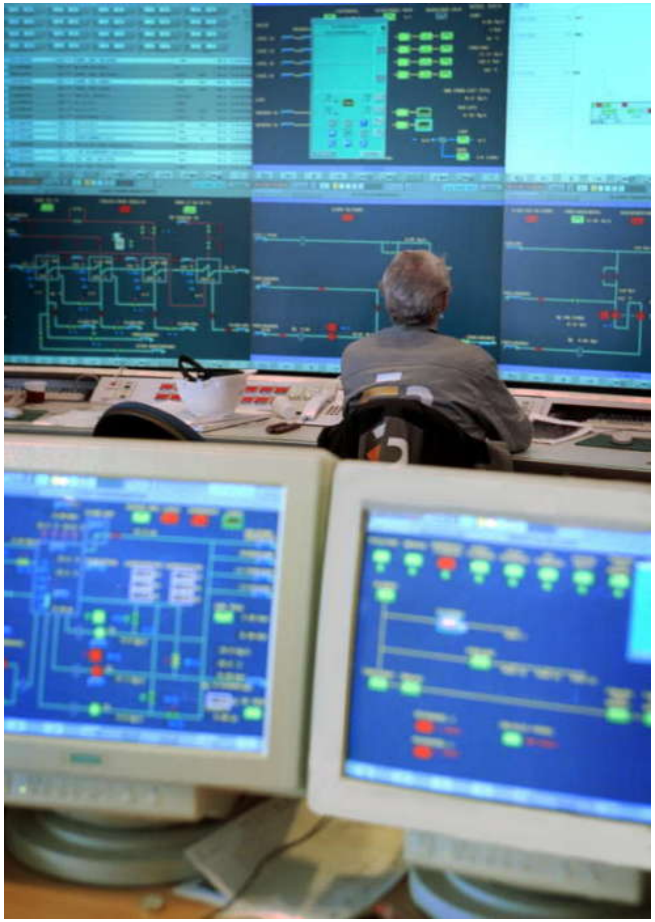
- Gross margin pressure.
- Cost-to-serve (scale).

🟢 **Performers:** Above requirement.

🔴 **Different degree of challenges:** Below requirement, and not closing the gap in the short-term.

Finalising financial integration

- Very long squeeze-out process of remaining minority shareholders in Vattenfall Europe AG (3%).
- Optimisation and further improvement of intra-Group cash management.
- Finalising “the Vattenfall model” for successful financial integration:
  - Cross-border synergies in operations (fuel, purchasing).
  - Cross-border synergies in support processes (IT, administration).
  - Functional responsibilities.



The growth challenge

- Strong focus on maintenance, capacity replacement and life-time extensions.
- “Organic” growth added.
  (new power plants, capacity increases).
- Renewable energy growth (modest return, long lead-times).
- Continued high investment expectations within network businesses (limited return).
- Highly priced acquisition targets.
  Synergies important for value creation.
- Cross-border synergies to be further developed (to enhance value creation).

Lillgrund Wind Power Plant 2007-08-04
Installation of a wind turbin from M/S See Power.

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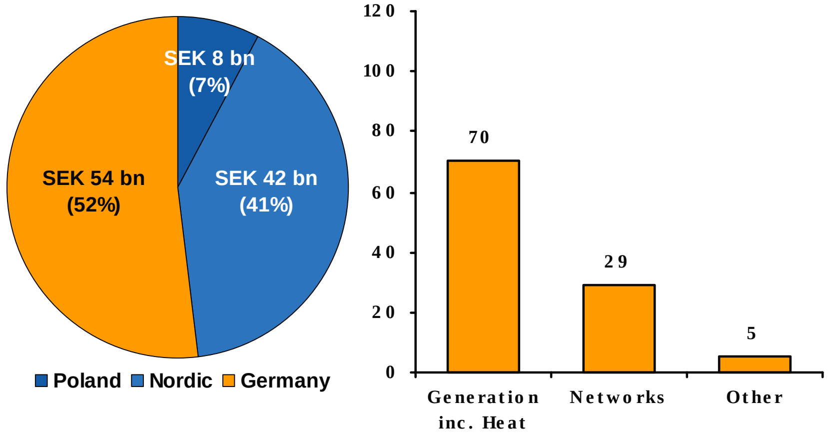
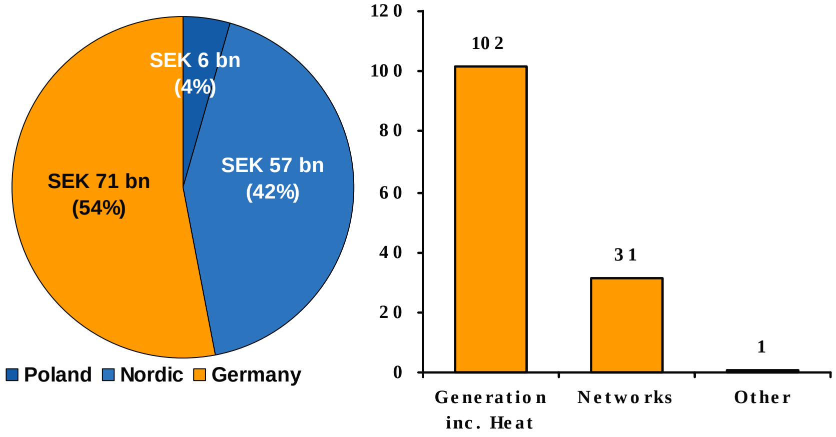
Capex plan

SEK 104 bn 2006-2010



SEK 134 bn 2007-2011



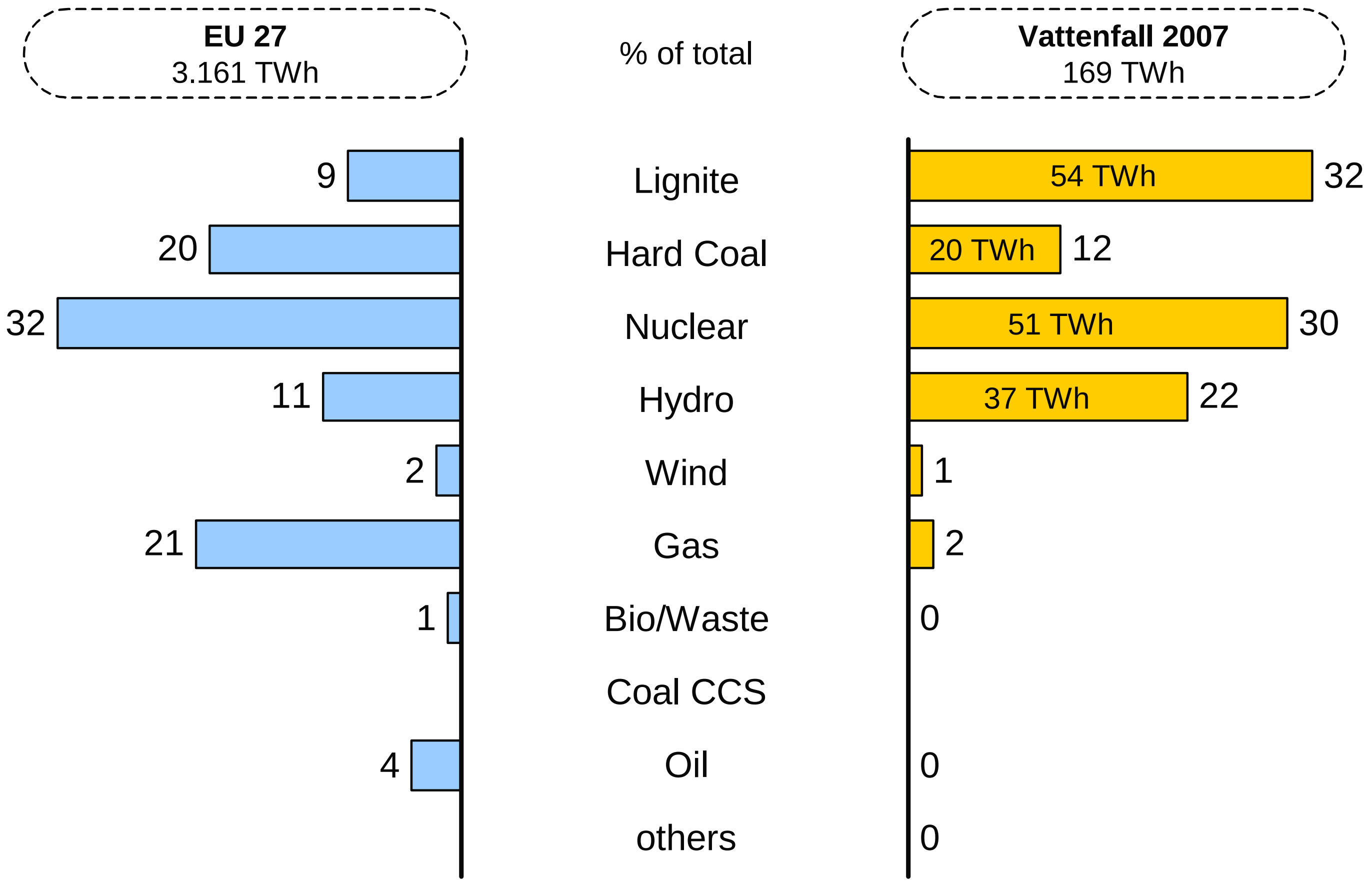
- Boxberg power plant (675 MW)
- Moorburg power plant (1,640 MW)
- Reichwalde mine
- Nuclear capacity upgrade
- Network improvements

Plus:

German and Nordic windpower

Life-time extensions generation assets in Nordic and Germany

Electricity generation portfolio by fuel types



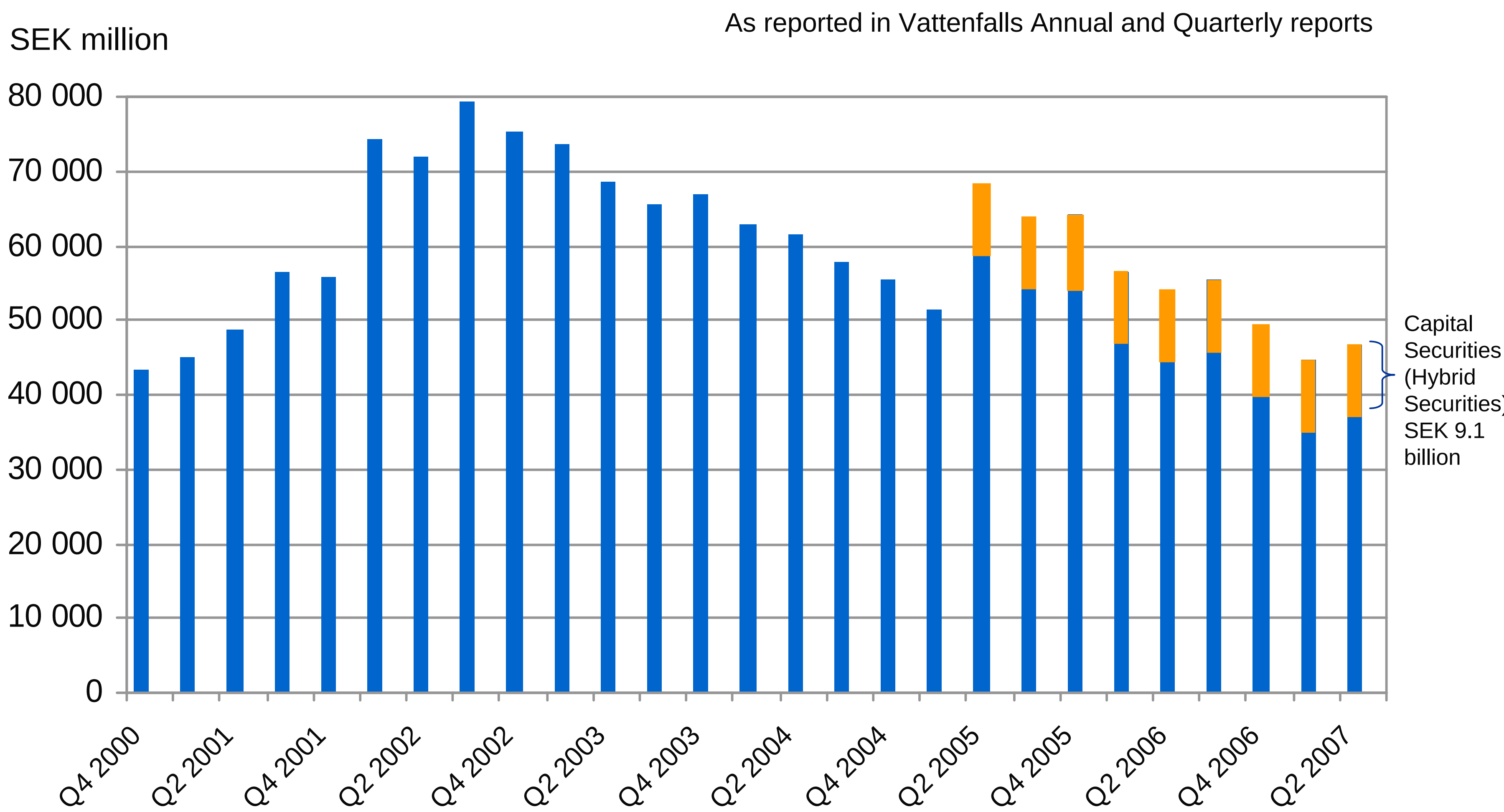
Rationale for growth

- Value growth opportunities through synergy generation (benefits of scale).
- Risk diversification through regional differences (mainly fuel and generation mix):
  - Nordic: Weather and energy based via hydro power dependence.
  - Germany: Capacity based with great coal competence and resources.
  - Enter a new market
- Grow financial capacity to fund reinvestments and expanding capital intensive assets:
  - Nuclear generation assets (life-time extension followed by asset retirement approaching fast).
  - Thermal assets (typically 25 year lifetime, growing replacement needs in Germany).
  - Network assets (increasing public and regulatory investment expectations).
- Increasing political and regulatory pressure require size to maintain dialogue (EU-level).

Maintained value creation and competitiveness.

5. Debt management

Net debt development

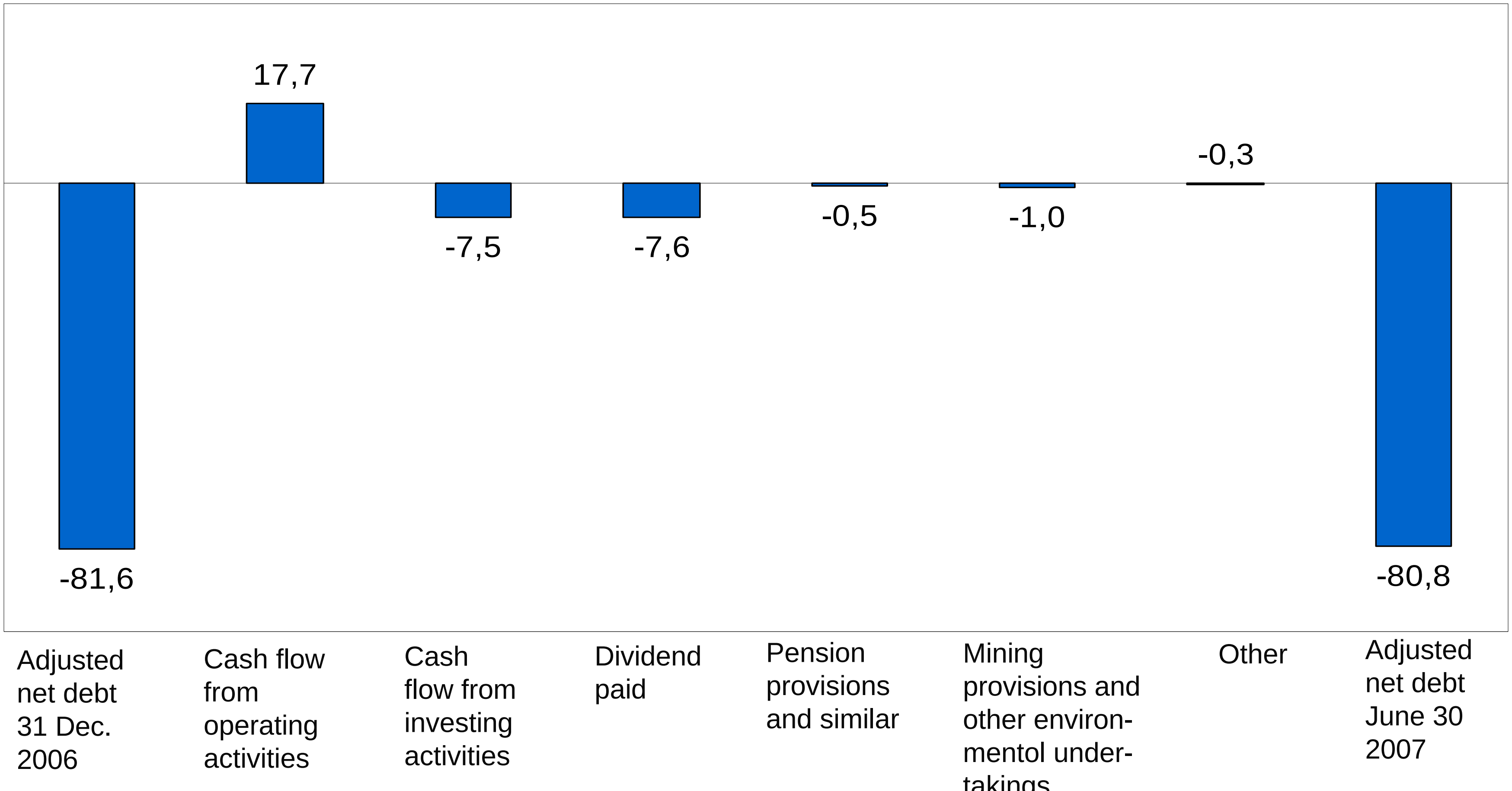


Adjusted gross and net debt

SEK million	30 June 2007	31 Dec 2006
Reported gross debt (IFRS)	**67 996**	**71 575**
+ PV of net pension obligations (incl actuarial gains/losses)	20 208	19 670
+ Mining & environmental provisions	11 297	10 295
- 50% of Hybrid securities	-4 555	-4 455
= Adjusted gross debt	**94 946**	**97 085**
Reported cash & short term investments	**20 849**	**22 168**
- German nuclear "Solidarvereinbarung"	-3 147	-3 076
- Minority owner's share of German nuclear cash position	-3 540	-3 594
= Adjusted cash & short term investments	**14 162**	**15 498**
Adjusted gross debt	94 946	97 085
- Adjusted cash & short term investments	-14 162	-15 498
= Adjusted net debt	**80 784**	**81 587**
Reported net debt	*46 765*	*49 407*

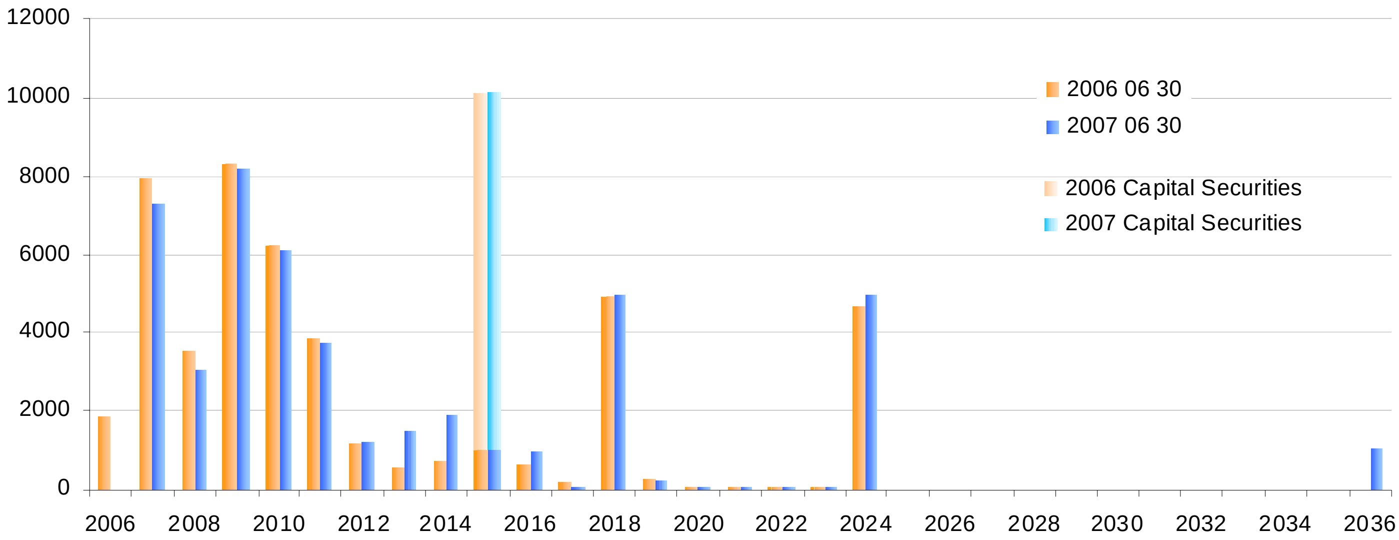
Adjusted net debt development in H1 2007

SEK billion



Gross debt maturity profile

SEK million



Excluding loans from associated companies and minority owners

	June 30, 2007	June 30, 2006
Duration (years)	**3,5** 1)	3,4
Average time to maturity (years)	**6,3** 1)	6,3
Net debt (SEK bn)	**46,8**	54,2

1) Based on external debt. Excluding Capital Securities the duration is 2,8 years and average time to maturity 5,9 years.

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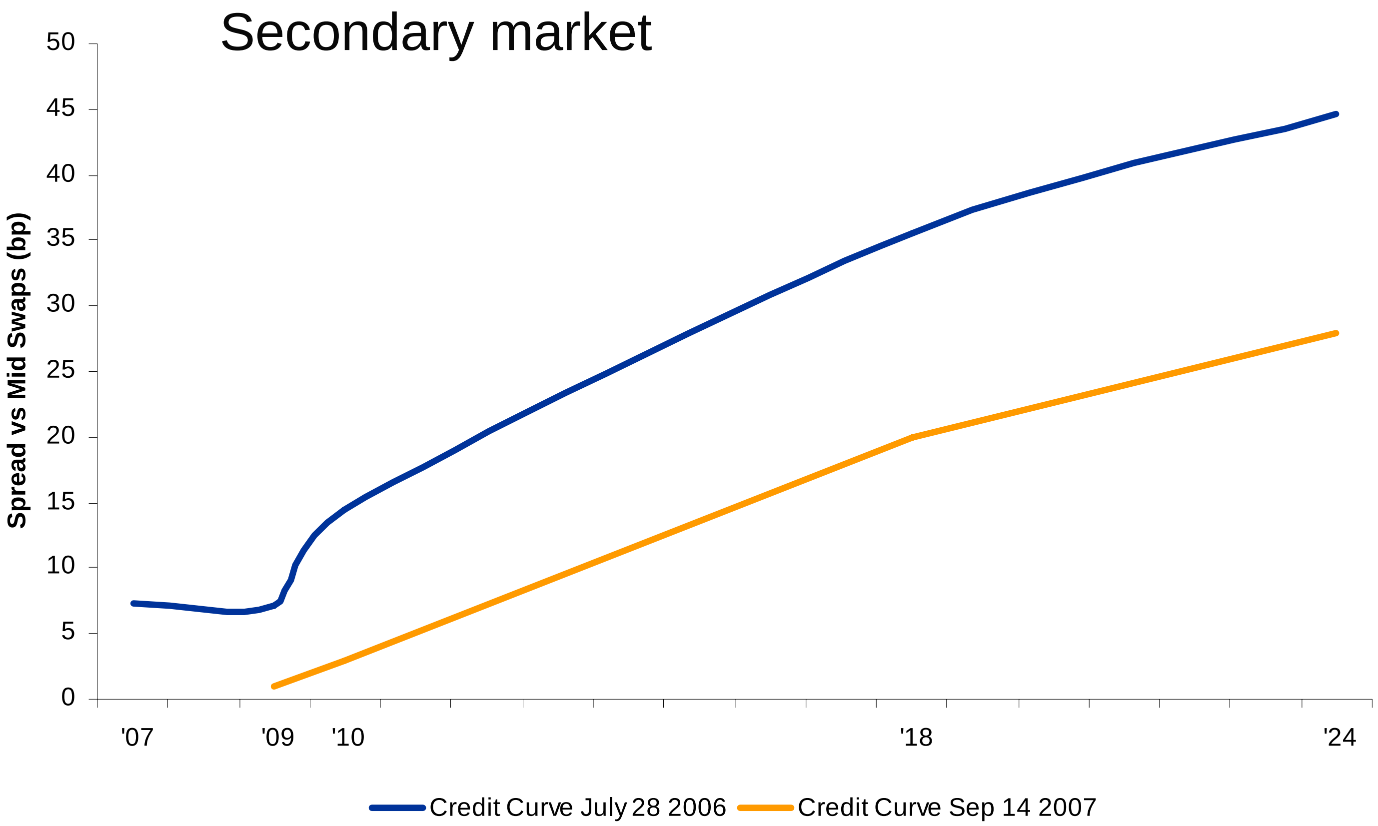
Vattenfall historical and current credit curves



Source: Citi

6. Summary & conclusions

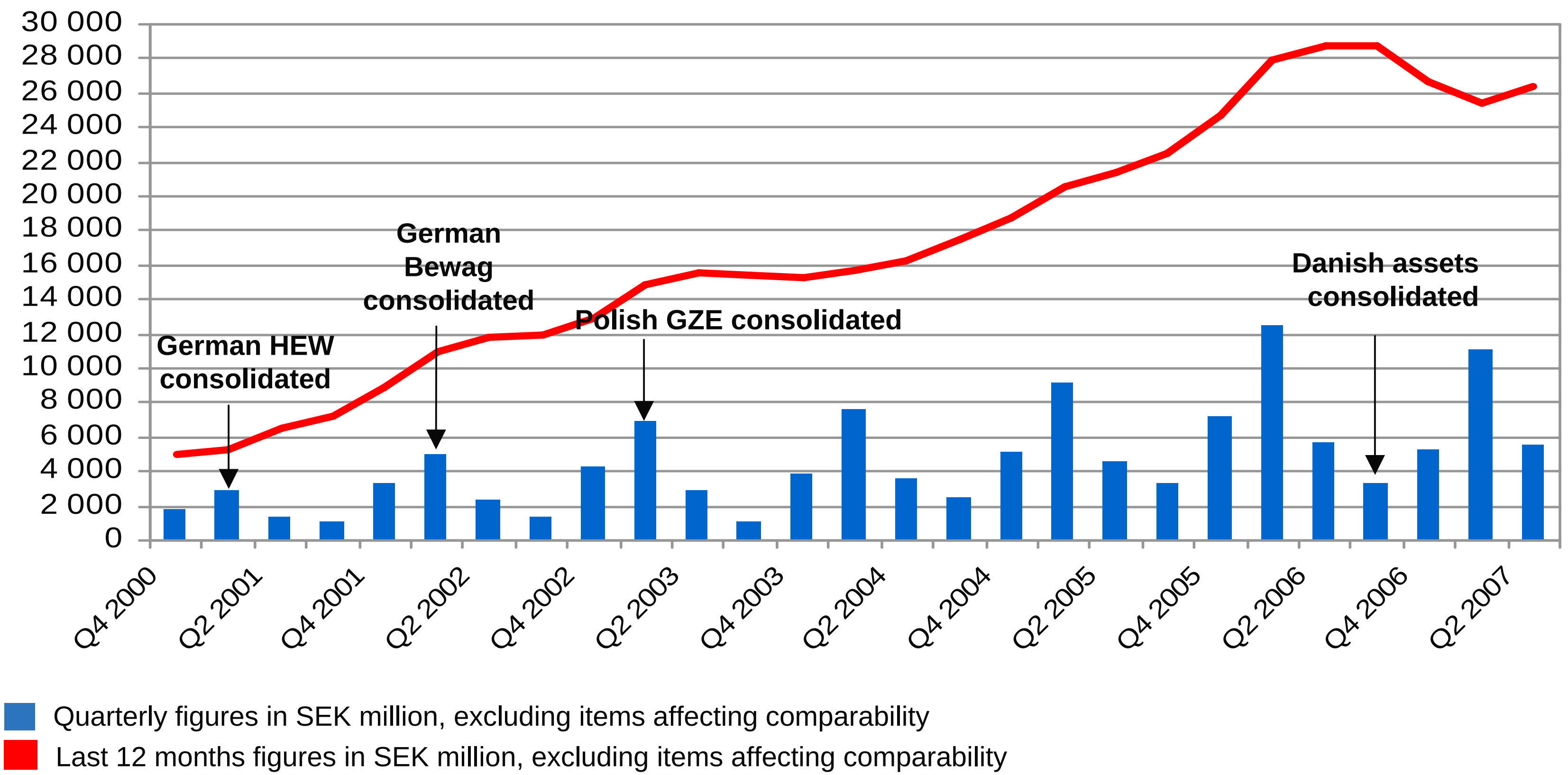
Summary & conclusions

- Satisfactory results but need for increased focus on operational excellence
- Taxes and CO2 cost emphasizes need for productivity improvement
- Create increased capacity for further growth
- Credit market turbulence has increased Vattenfall new issue price levels, but still fairly close to historical low levels

Back up slides

EBIT has grown by a factor of six since 2000

Quarterly figures, SEK million



Consolidated income statement

Amounts in MSEK	**Q2 2007 IFRS**	Q2 2006 IFRS	Change %	FY2006	LTM
Net sales	**32,077**	30,371	5.6	*135,802*	141,139
Cost of products sold	**23,841**	21,884	8.9	*96,844*	103,196
Gross profit	**8,236**	8,487	-3.0	*38,958*	37,943
Operating profit (EBIT)	**5,470**	5,834	-6.2	*27,049*	25,194
Operating profit, excl. IAC*	**5,453**	5,697	-4.3	*26,676*	25,117
Financial income	**845**	681	24.1	*3,839*	3,992
Financial expenses	**-1,300**	-1,240	4.8	*-5,363*	-5,427
Financial net	***-455***	*-559*	*18.6*	*-1,524*	*-1,435*
Profit before taxes	**5,015**	5,275	-4.9	*25,525*	23,759
Taxes	**1,237**	-1,876		*-5,667*	-1,792
Profit for the period	**6,252**	3,399	83.9	*19,858*	21,967

* IAC = items affecting comparability

Consolidated income statement

Amounts in MSEK	**H1 2007 IFRS**	H1 2006 IFRS	Change %
Net sales	**73,721**	68,384	7.8
Cost of products sold	**51,576**	45,224	14.0
Gross profit	**22,145**	23,160	-4.4
Operating profit (EBIT)	**16,668**	18,523	-10.0
Operating profit, excl. IAC*	**16,573**	18,132	-8.6
Financial income	**1 631**	1 478	10.4
Financial expenses	**-2,580**	-2,516	2.5
Financial net	***-949***	*-1 038*	*8.5*
Profit before taxes	**15,719**	17,485	-10.1
Taxes	**-2,232**	-6,107	-63.5
Profit for the period	**13,487**	11,378	18.5

* IAC = items affecting comparability

Consolidated balance sheet

Amounts in MSEK	**30/6/07** **IFRS**	30/6/06 IFRS	Change %	31/12/06
Non-current assets	**256,030**	259,325	-1.3	*251,893*
Current assets	**66,451**	59,525	11.6	*71,273*
Total assets	**322,481**	318,850	1.1	*323,166*
Equity	**116,102**	92,865	25.0	*107,674*
Interest-bearing liabilitites	**67,996**	69,042	-1.5	*71,575*
Interest-bearing provisions	**50,401**	46,899	7.5	*49,217*
Pension provisions	**17,415**	17,211	1.2	*16,877*
Deferred tax liabilities	**29,247**	39,202	-25.4	*29,875*
Other non-interest-bearing liabilitites	**41,320**	53,631	-23.0	*47,948*
Total equity and liabilities	**322,481**	318,850	1.1	*323,166*

Break down of group debt

Amounts in SEK million

As of June 30, 2007	Treasury	Germany	Poland	Nordic	**Total**	%
Subordinated perpetual Capital Securities	9,110				**9,110**	13
MTN	842				**842**	1
EMTN	35,174				**35,174**	52
Liabilities to assoc. companies	3,697	4,221			**7,918**	12
Liabilities to minority shareholders		45		4,533	**4,578**	7
Bank loans and others	910	6,697	146	2,620	**10,374**	15
Total	**49,733**	**10,964**	**146**	**7,153**	**67,996**	**100**

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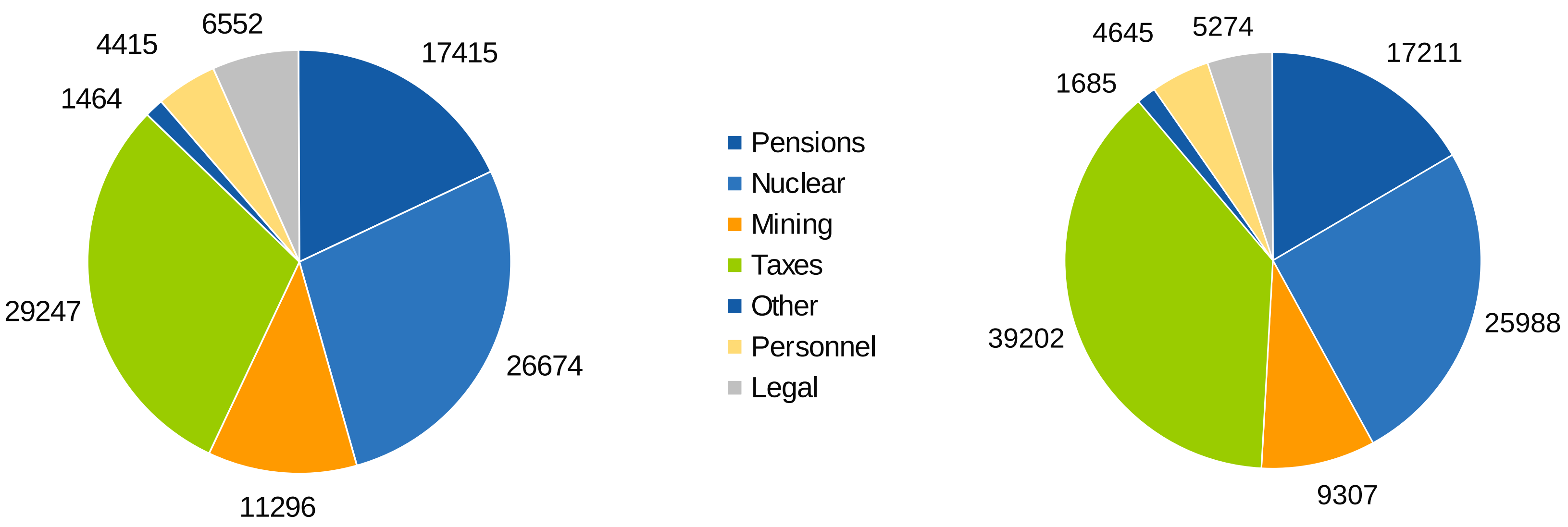
Group provisions

30 Juni 2007

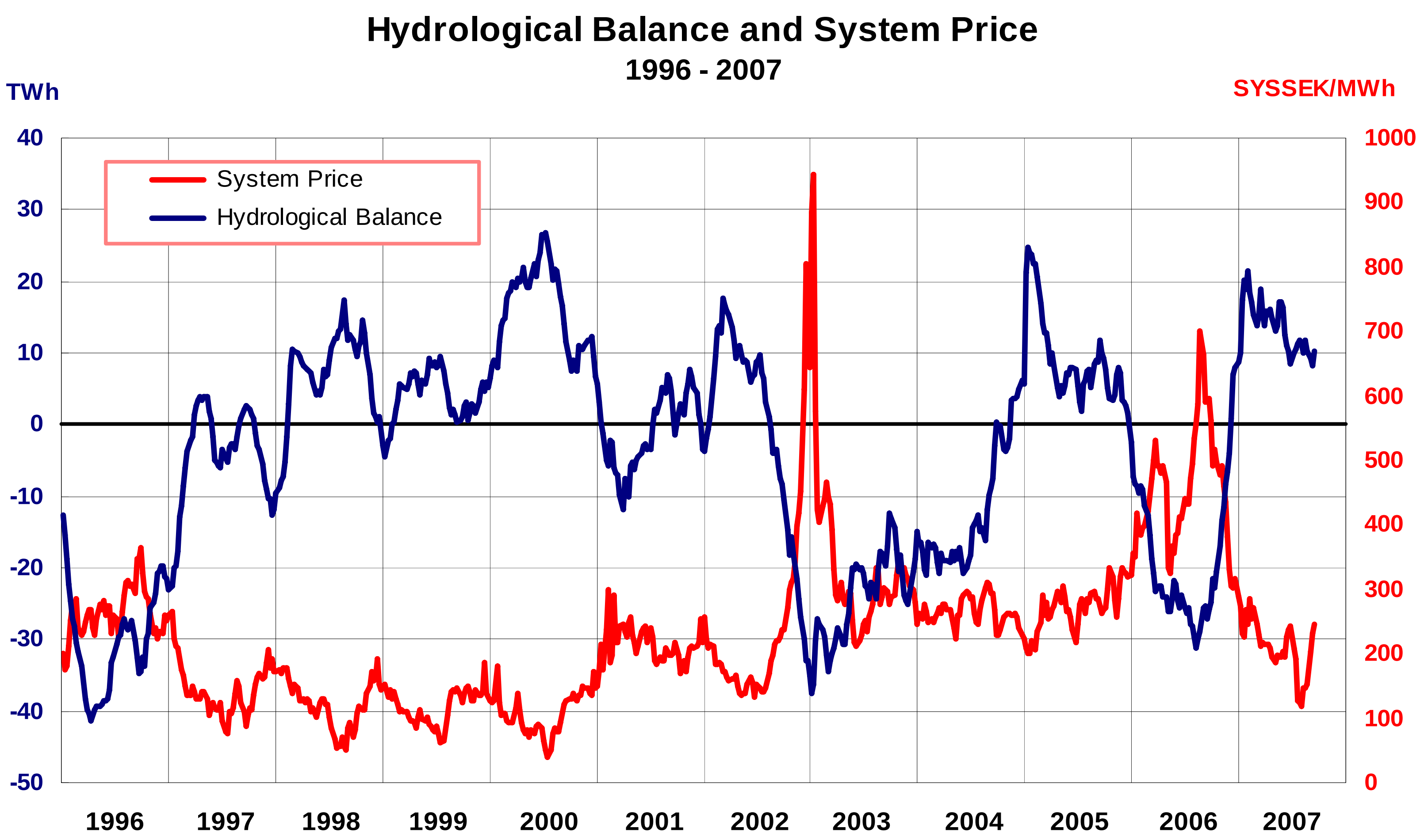
SEK 97,063 million

30 Juni 2006

SEK 103,312 million

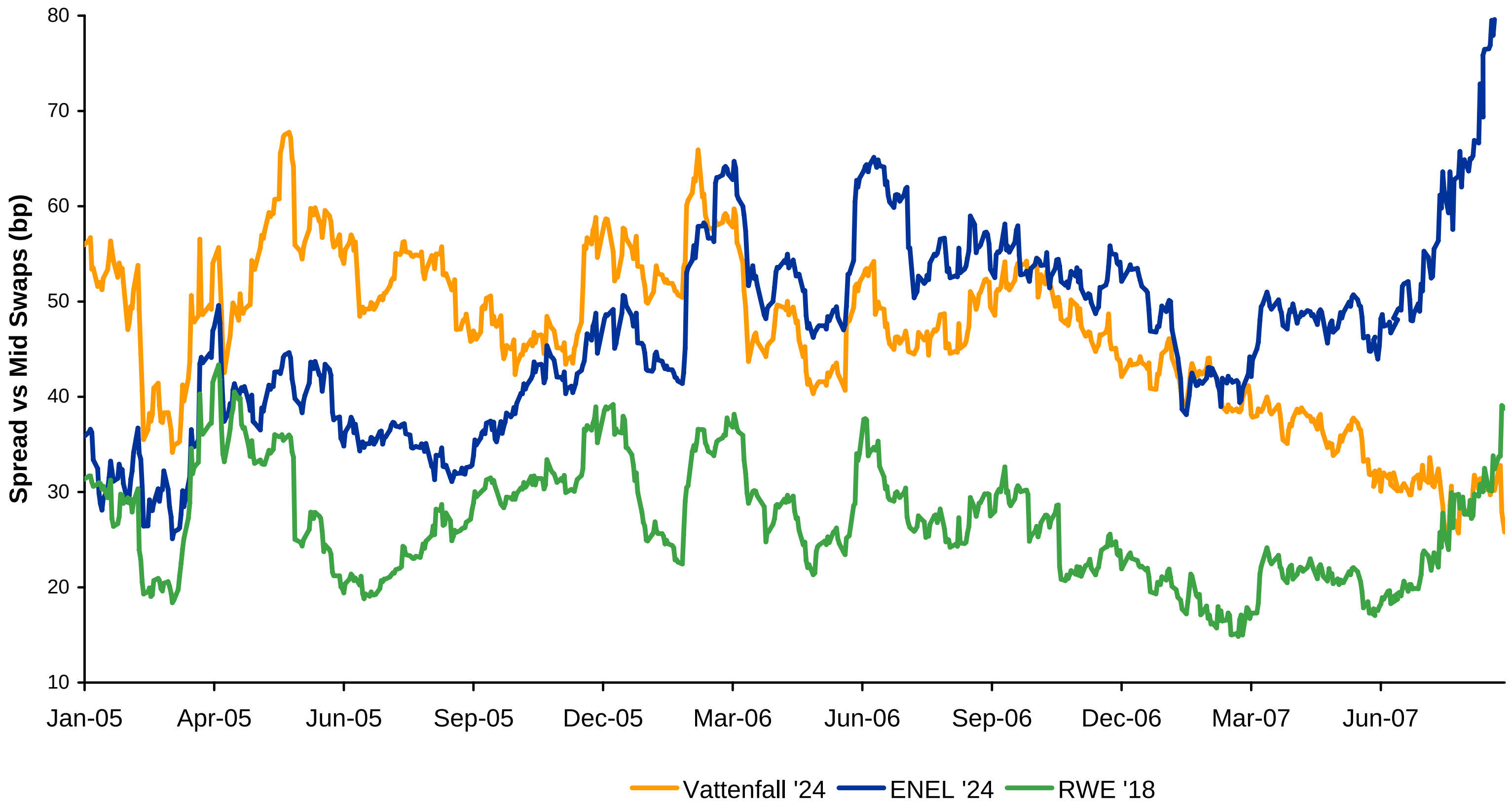


Hydrological balance



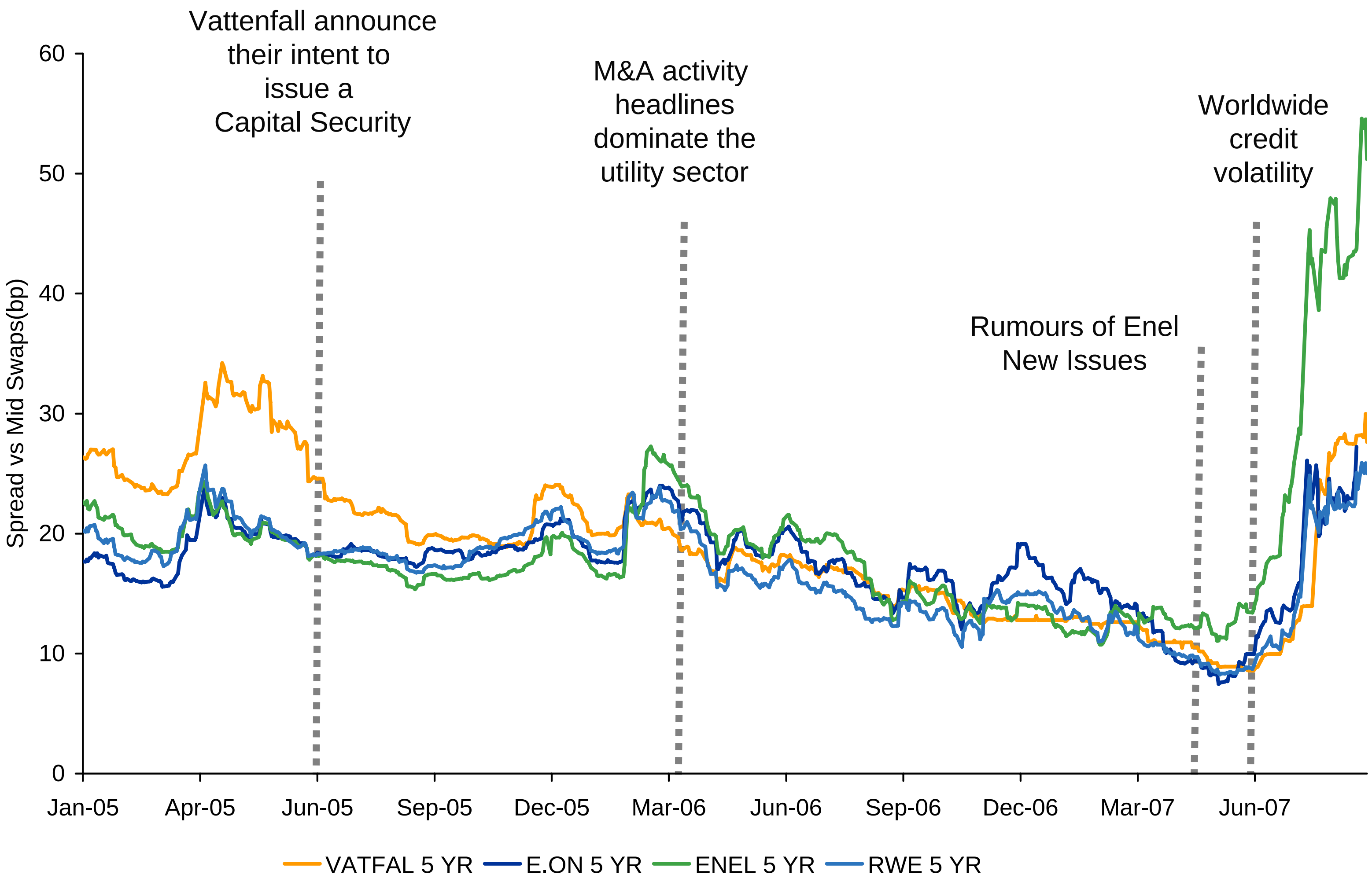
Source: Markedskraft A/S, Nord Pool Updated per 16 Sept. 2007

Comparable utility bond performance



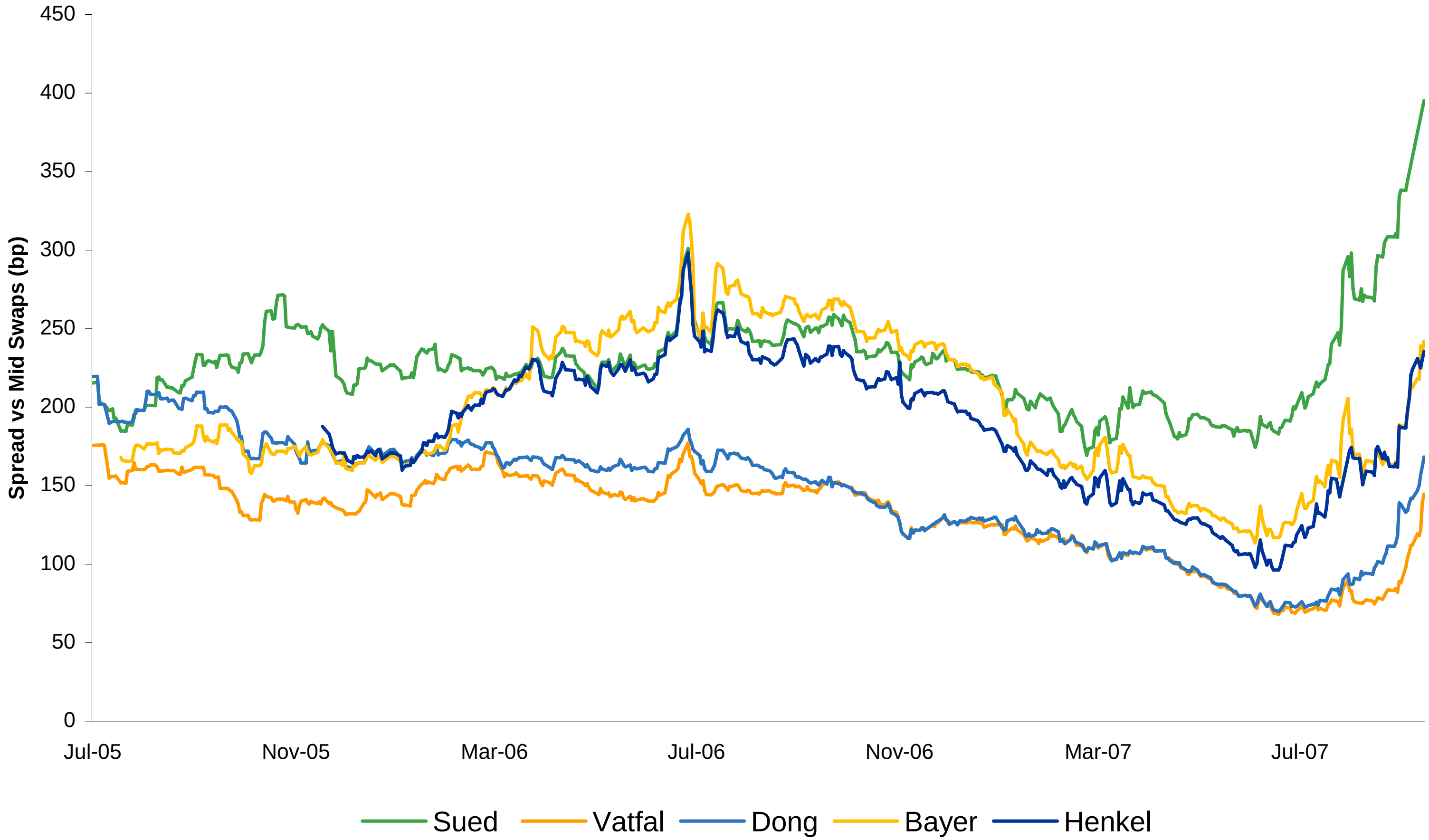
Source: Citi

Utility CDS performance



Source: Citi

Hybrid bond performance



Source: Citi