

Vattenfall Treasury AB

(publ)

Corporate identity no 556439-0606

INTERIM REPORT FOR THE PERIOD January 1 – June 30, 2008

English translation from Swedish original

Ownership and operations

Vattenfall Treasury (VFT) is a wholly owned subsidiary of Vattenfall AB (registered in Stockholm, 556036-2138) with responsibility for co-ordinating borrowing, liquidity management and the management of associated risk exposure for the Vattenfall Group. VFT also constitutes part of the financial staff of the Group, and is responsible for the Group's internal banking activities.

In February 2008 VFT formed a subsidiary, Vattenfall Treasury Financing AB (corporate identity no 556752-2858), with the purpose of funding foreign (wholly or partly owned) group units. The company is not yet active.

Financial Performance

Earnings before appropriations and tax amounted to SEK 89 million, a decrease by SEK 405 million compared to corresponding period previous year. The interest net has decreased by SEK 397 million, which depends on both deteriorated interest net and negative result from derivatives which are used to manage the duration in the liability portfolio. The currency net has deteriorated by SEK10 million.

There have been no material changes in the company since the closing day.

Financing

Internal Banking

The internal banking operations involve borrowing/lending within the Group and buying/selling currencies from/to group units, all on commercial terms. Group bank account systems, administered by VFT, are established in Sweden, Finland, Denmark and Germany. There are some 70 account holders.

On the closing day, lending to group units amounted to SEK 103,166 million (93,887) while borrowing totalled SEK 47,823 million (53,459).

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

Financing and Liquidity

Liquidity assets, including all short-term money market investments, decreased during the first half of the year by SEK 2,075 million and amounted to SEK 3,214 million at the end of June.

The external net debt, external interest bearing liabilities (including liabilities to associated companies) less liquid assets, increased during the period by SEK 9,732 million and amounted to SEK 54,235 million at the end of the period. During the period new loans have been raised by SEK 7,429 million.

Credit Support Annex

During 2008 the company has signed Credit Support Annex (CSA) with its most important counterparties, in order to minimize future credit exposure and to avoid the banks so called credit charges for longer interest rate swaps and instruments alike.

Risks and uncertainties

A description of risks, factors of uncertainty and risk management can be found in the Annual Report of the company. No significant changes have taken place since publication of the 2007 Annual Report

Accounting Principles

The same accounting principles have been used as in the preparation of the latest annual accounts.

The interim report has been prepared in line with IAS 34 Interim Financial Reporting, by taking in to consideration of those exceptions and amendments to IFRS/IAS, which are stated in RFR 2.1 and in accordance with the Swedish Annual Accounts Act.

Income Statement

SEK '000

	January - June	
	2008	2007
Operating income		
Net interest income	109 845	506 636
Net currency income	-3 848	5 908
Gross profit	105 997	512 544
Operating expenses	-16 663	-17 851
Operating profit	89 334	494 693
Appropriations	0	0
Tax*	-25 014	-138 514
Net profit for the period	64 320	356 179

* Calculated on the basis of a tax rate of 28 per cent

Balance sheet

SEK '000

	2008-06-30	2007-12-31
ASSETS		
Fixed assets		
Tangible assets	113	126
Financial assets:		
Participations in group companies	100	0
Receivables from group companies	103 166 462	93 987 279
Receivables from associated companies and external	14 930	5 000
Total fixed assets	103 181 605	93 992 405
Current assets		
Current tax assets	0	916
Receivables	682 016	662 204
Investments	2 300 137	4 257 565
Cash and bank balances	913 386	1 031 499
Total current assets	3 895 539	5 952 184
TOTAL ASSETS	107 077 144	99 944 589

EQUITY AND LIABILITIES

Equity

Restricted equity	600	600
Non-restricted equity	623 385	559 065
Total equity	623 985	559 665
Untaxed reserves	1 418	1 418
Provisions		
Pension obligations	1 198	1 266
Less: Capital in pension funds	-1 544	-1 266
Total provisions	-346	0

Liabilities

Interest-bearing liabilities:		
External liabilities	50 361 795	42 686 725
Liabilities to associated companies	7 087 500	7 105 750
Liabilities to group companies	48 177 487	47 426 695
Current tax liabilities	22 980	0
Non-interest bearing liabilities	802 325	2 164 336
Total liabilities	106 452 087	99 383 506
TOTAL EQUITY AND LIABILITIES	107 077 144	99 944 589

Changes in Equity

SEK '000

	January - June	
	2008	2007
Equity at the beginning of the period	560 110	560 818
Profit for the period	64 320	298 546
Equity at the end of the period	624 430	859 364

Cash Flow Statement

SEK '000

	January - June	
	2008	2007
Cash flow from operating activities		
Net profit for the year	64 320	356 179
Adjustments for the effects of non-cash items	-803 447	-29 413
Tax paid	23 896	137 306
Cash flow from operating activities before changes in working capital	-715 231	464 072
Cash flow from changes in working capital	-11 987	39 973
Cash flow from investing activities	-100	0
Cash flow from financing activities		
Decrease(-)/increase(+) in external interest bearing liabilities	7 675 070	-12 854
Decrease(-)/increase(+) in deposits from group and associated companies	732 542	-5 636 136
Decrease(+)/decrease(-) in lending to group and associated companies	-9 189 113	1 792 833
Decrease(+)/increase(-) of investments with > 3 months' maturity	938 439	-679 146
Group contribution made	-597 349	-857 785
Cash flow from financing activities	-440 411	-5 393 088
Cash flow for the year	-1 167 729	-4 889 043
Liquid assets at the beginning of the period (with < 3 months' maturity)	3 878 592	5 702 602
Exchange rate differences in liquid assets	30 627	6 517
Liquid assets at the end of the period (with < 3 months' maturity)	2 741 490	820 076

Not 21 Fair value

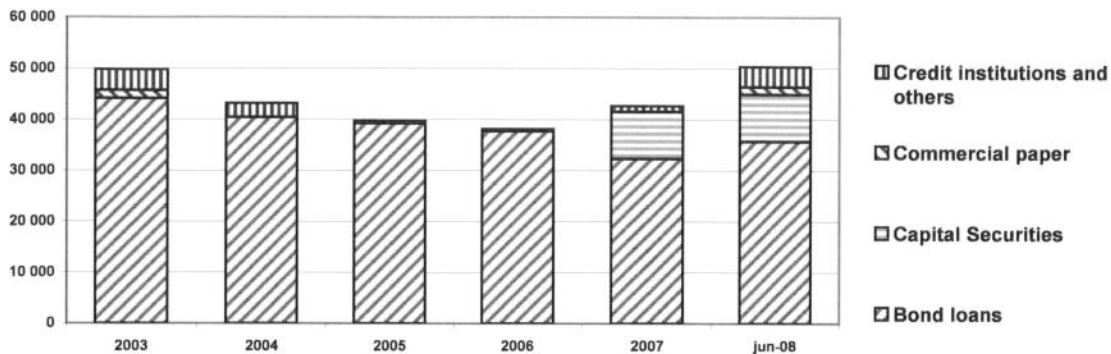
excluding accrued interest

	Book value	Fair value
<i>Short-term investments</i>		
Interest-bearing investments	679 146	679 146
<i>Interest-bearing liabilities, external</i>		
Commercial paper	1 444 183	1 444 759
Bond loans	34 912 476	35 325 622
Capital Securities	9 330 202	9 553 082
Liabilities to credit institutions	3 935 482	3 909 110
Derivatives	739 452	1 366 881
Total	48 917 612	50 154 695
<i>Other derivatives</i>		
(currency forward contracts, interest forward contracts, interest rate swaps)	535 998	609 945

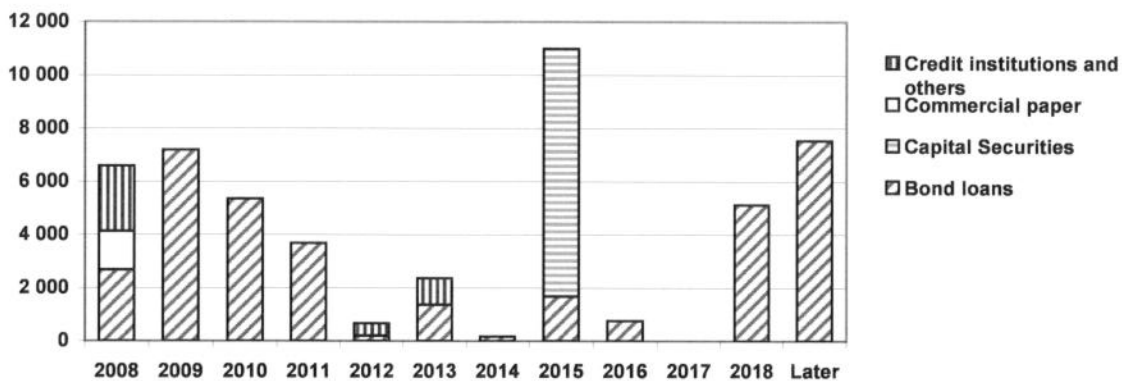
Comments: The conditions on the lending to Group companies are matched with the conditions on the external borrowing

Diagram

TOTAL BORROWINGS, MSEK



MATURITY PROFILE, MSEK



The Board of Directors and President certify that this half-year interim report presents a fair overview of Vattenfall Treasury AB's operations, position and earnings, and describes the significant risks and uncertainty factors facing the company.

Stockholm, August 11, 2008

Jan-Erik Back
Chairman

Erik Hagland
Director

Kimmo Mattila
Director

Hans-Jürgen Meyer
Director

Johan Gyllenhoff
President

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