

Vattenfall Q2 Results 2007

Presentations by

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Jan Erik Back, CFO

26 July 2007



Highlights – H1 results 2007

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Net sales rose

7.8% to SEK 73,721 million (68,384)

EBIT decreased

10.0% to SEK 16,668 million (18,523)

Profit after tax increased

18.5% to SEK 13,487 million (11,378) due to reduction of German corporate income tax

Net debt decreased

by SEK 2,642 million to SEK 46,765 million compared with 31 December 2006

Net sales rose

5.6% to SEK 32,077 million (30,371)

EBIT decreased

6.2% to SEK 5,470 million (5,834)

Profit after tax increased

83.9% to SEK 6,252 million (3,399) due to reduction of German corporate income tax

Highlights – Q2 results 2007

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Net debt increased

by SEK 1,937 million to SEK 46,765 million vs 31 March 2007

Return on Net Assets

was 15.2% LTM (FY 2006: 16.6%)

Return on Equity

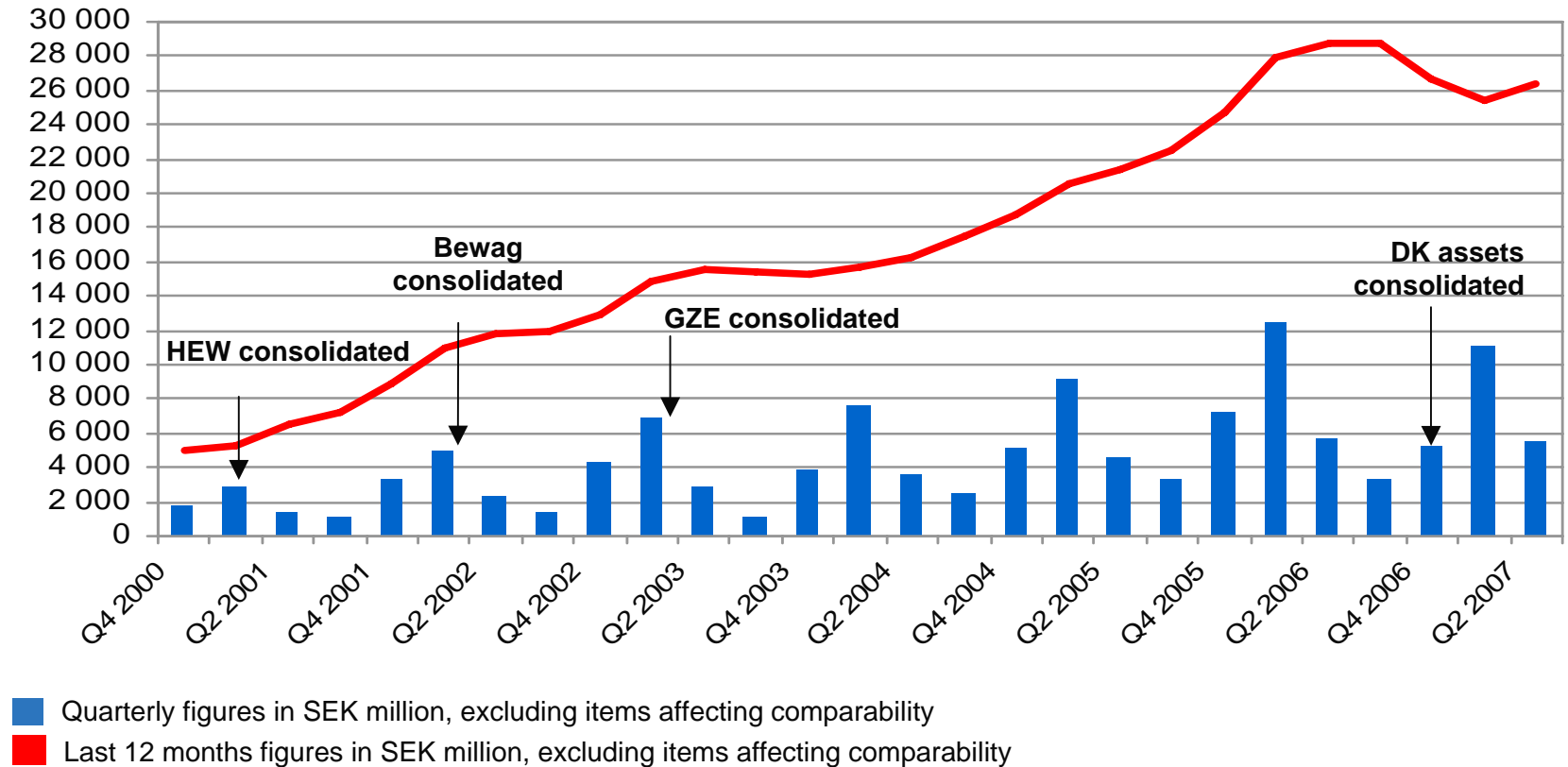
was 19.9% LTM (FY 2006: 19.1%)

Net Gearing

was 40% as of 30 June 2007 vs 46% as of 31 December 2006

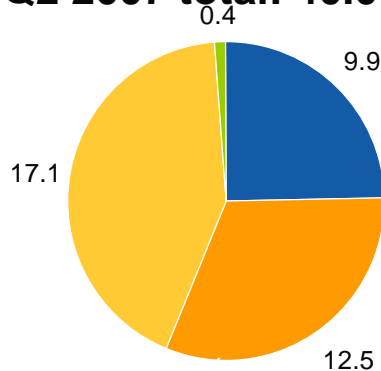
LTM = Last twelve months

Quarterly figures, SEK million

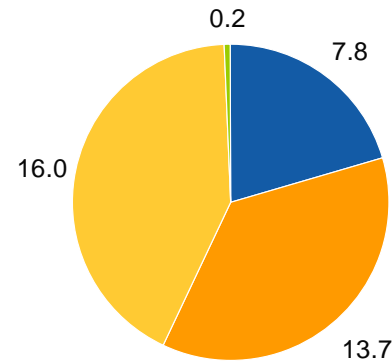


Increased hydro power generation

Electricity:
Q2 2007 total: 40.0 TWh

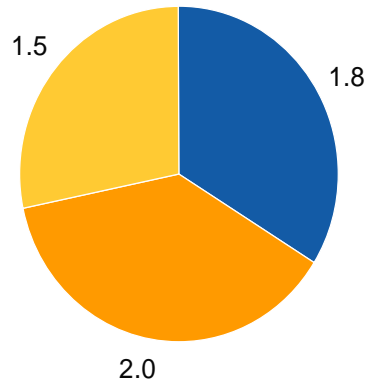


Electricity:
Q2 2006 total: 37.7 TWh

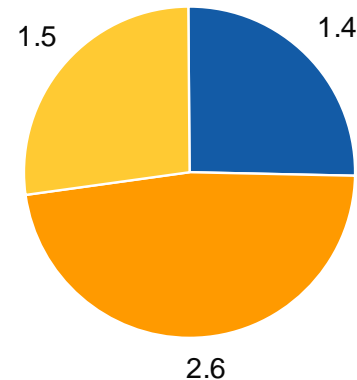


- Hydro
 - Nuclear
 - Fossil
 - Other
- Other=wind, biofuel, waste

Heat: Q2 2007 total: 5.3 TWh



Heat Q2 2006 total: 5.5 TWh

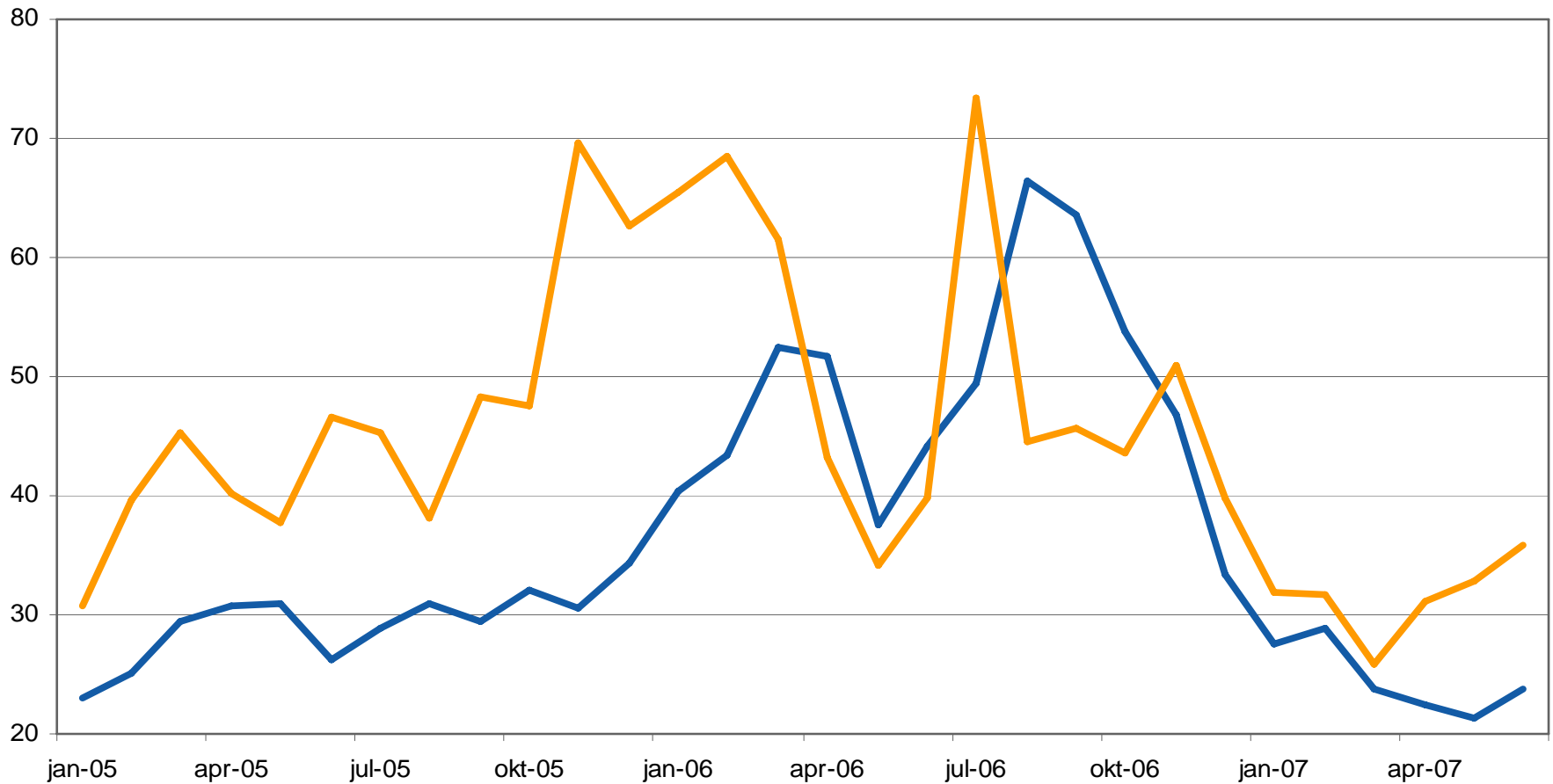


- Nordic
- Germany
- Poland

Significantly lower spot prices vs 2006

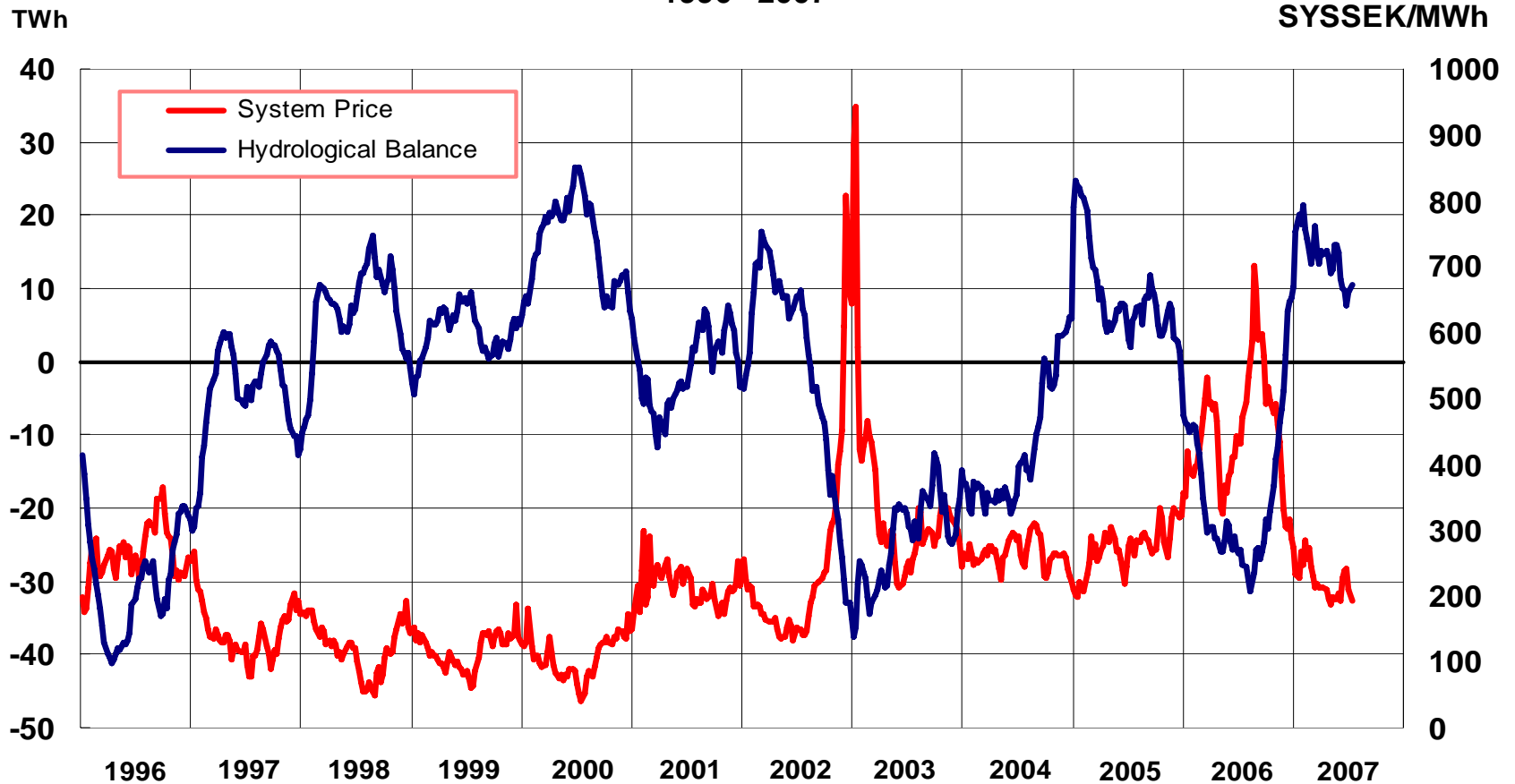
Monthly Spot Average

NordPool (SYSEUR) EEX



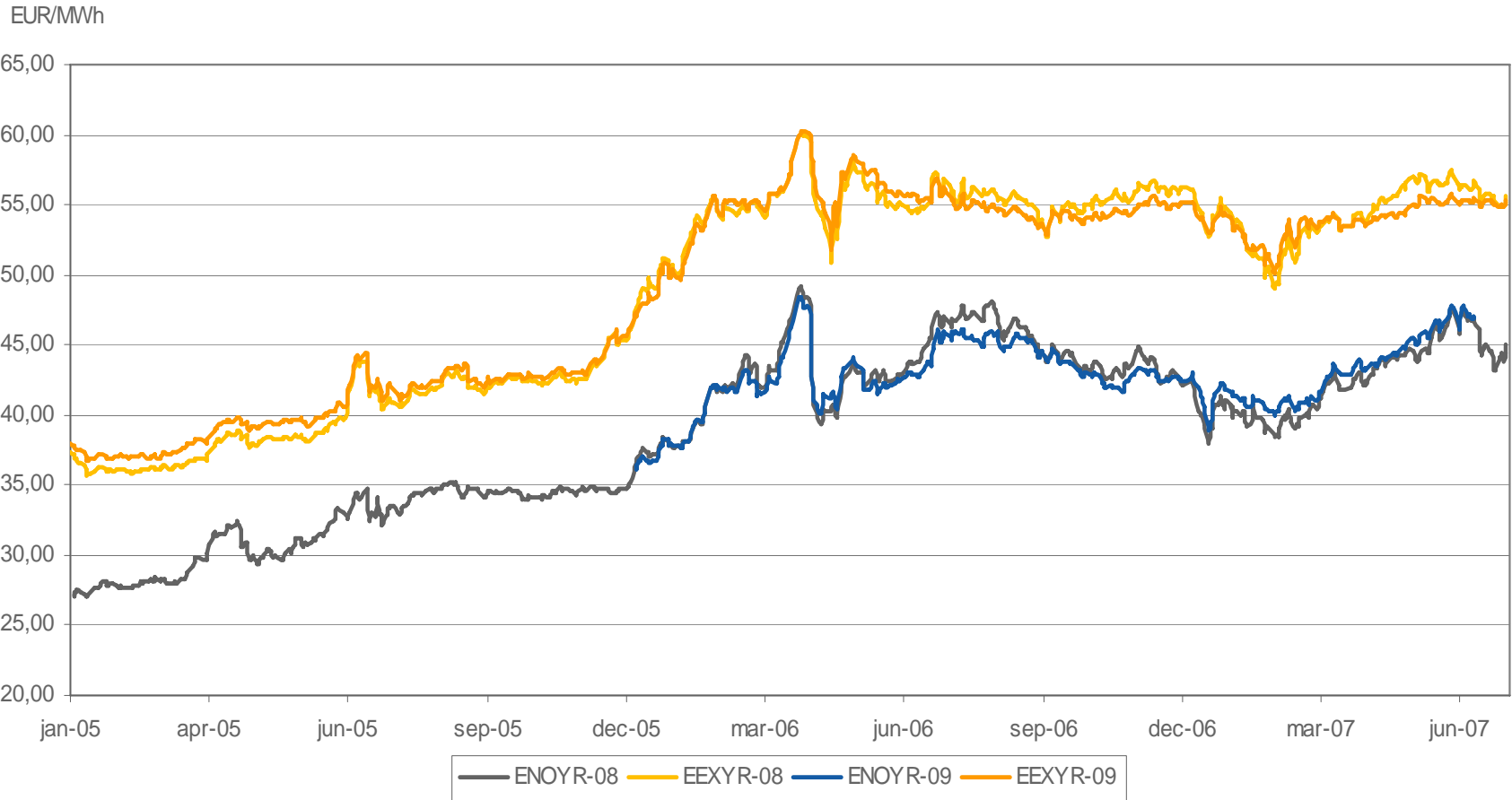
Strong hydrological balance

Hydrological Balance and System Price 1996 - 2007



Increasing forward prices

Daily Forward Closing Prices



Oil, coal, gas and CO₂ allowances

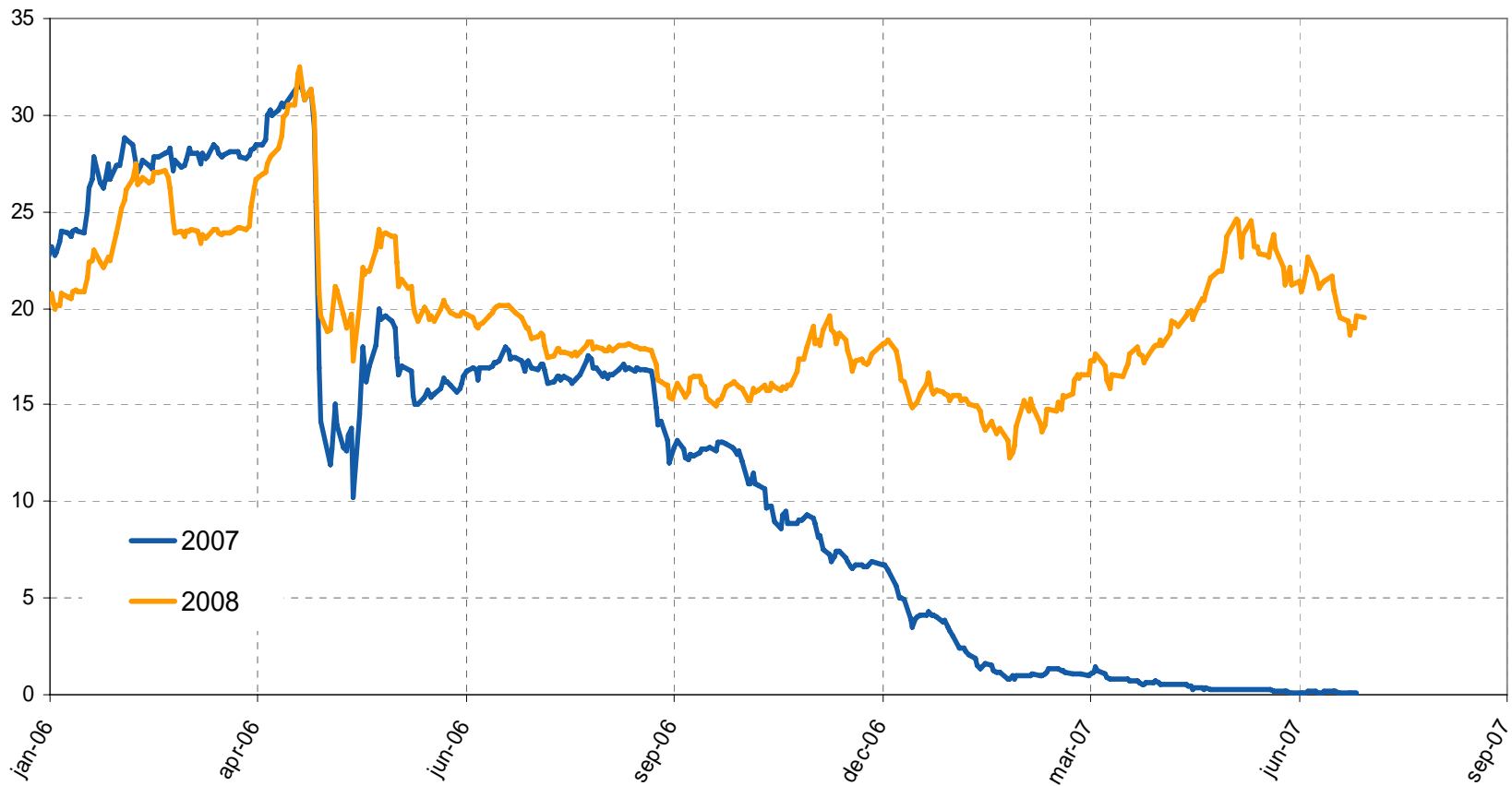
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— Oil (USD/bbl), Brent Front Month — Coal (USD/t), API1, Front Year — Emission allowances CO2 (EUR/t), 2008 — Gas (EUR/MWh), NBP, Front Year

CO₂ allowances

EUR/tonne



Outages at German nuclear plants on 28 June

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Krümmel

Type and Capacity: BWR / 1,346 MW
Start of operation: 1984
Decommissioning year: *) 2016
Ownership: Vattenfall 50%
E.ON 50%



Brunsbüttel

Type and Capacity: BWR / 771 MW
Start of operation: 1977
Decommissioning year: *) 2009
Ownership: Vattenfall: 66.7%
E.ON: 33.3%

*) The German Act on Phasing out Nuclear Power

- On 28 June Brunsbüttel and Krümmel were scrammed
 - Brunsbüttel was scrammed due to a short circuit in a switchyard outside of the power plant.
 - Krümmel was scrammed due to a fire in a power transformer outside of the reactor building. The resulting arc – a spark – set fire to the oil in the transformer.
- Both events were preliminarily classified as zero (0) on the International Nuclear Events Scale (the INES-scale) which means i.e. deviations with "No safety significance".
- The faults at both plants occurred outside the nuclear area of the power plants.
- The scrams at the plants worked properly, and no risks arose to people or the environment.
- After three days Brunsbüttel was restarted.
- Following the repairs of the damages caused by the fire at Krümmel, wrong types and wrong installations of some anchors were detected.
 - Krümmel will remain disconnected from the grid until all questions and irregularities are clarified and all relevant measures are taken. Krümmel will have a planned outage due to the annual overhaul in August.
- On 19 July Brunsbüttel was disconnected from the grid due to scavenging of the oil circuit in the transformer. At the same time some deficient anchor plates were detected which now are being replaced.
 - Brunsbüttel will remain disconnected from the grid until the replacement work is finished and questions clarified.

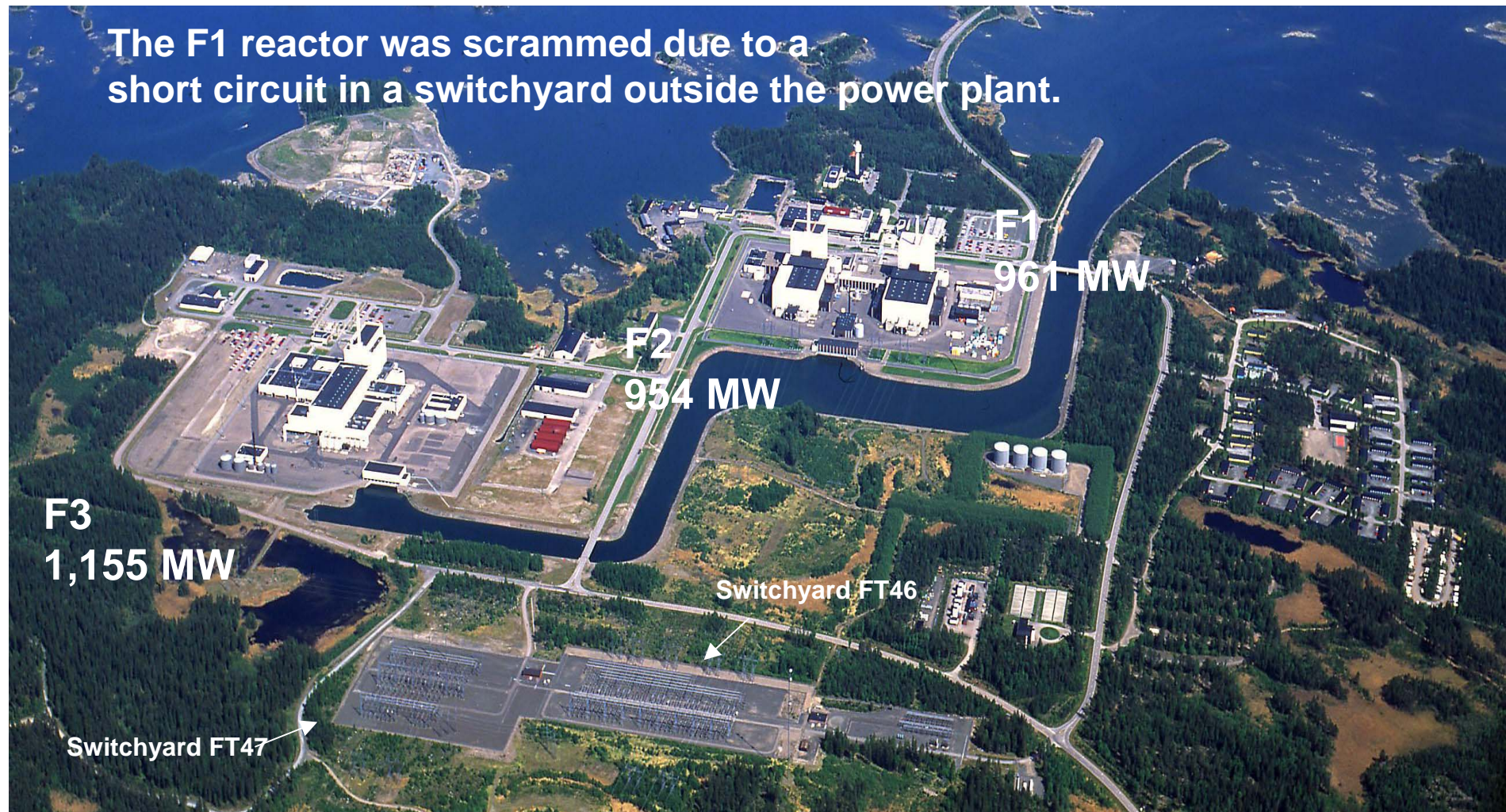
- Immediate and extensive information about the events was provided to the authorities (i.a. Sozialministerium Schleswig-Holstein)
- However, Vattenfall has to acknowledge that our communication with the general public was insufficient
- The discussion on the terms of nuclear phase out in Germany has intensified again.

- An independent expert commission has been appointed and assigned the task to conduct an overall analysis for both power plants and suggest improvements
- The following personnel changes have been made:
 - Prof. Dr. Klaus Rauscher has resigned from his position as Head of Vattenfall Europe AG.
 - Hans-Jürgen Cramer has been appointed new Head of Vattenfall Europe AG.
 - Dr. Bruno Thomauske was relieved from his position as Head of Vattenfall Europe Nuclear Energy (VENE)
 - Johannes Altmeyen has resigned from his position as Head of Communication of Vattenfall Europe AG
- The months ahead will be in a sense a new start for Vattenfall in Germany. And with this start we will emphasise that Vattenfall Europe AG is a part of the Vattenfall Group. The core values for which we stand together are effectiveness, accountability and openness.

What happened at Forsmark on 25 July 2006?

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The F1 reactor was scrammed due to a short circuit in a switchyard outside the power plant.



- The Forsmark 1 (INES-scale 2 incident) on 25 July was followed by a series of events which caused the Nuclear Inspectorate SKI to demand a number of safety measures to be implemented at Forsmark
- Measures taken
 - A 60-point improvement programme was initiated within the areas technical, organisational and safety performance and –culture.
 - Changes in the Board and Management of Forsmark Kraftgrupp AB.
 - A safety committee has been established within the supervisory board of Vattenfall AB.
 - Safety review of an independent expert of all nuclear power plants in Vattenfall.
 - Creation of Vattenfall Safety Management Institute.
- Current situation
 - The plant is fully operational but remains under special SKI supervision.
 - A so called OSART inspection by IAEA was requested by Vattenfall and will be carried out 2008.
 - The planned capacity increases have been postponed pending approval from the authorities.

VATTENFALL'S
CLIMATE MAP
2030

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WAYS TO CUT EMISSIONS

Mission possible
How we'll get rid of **26.7 billion tonnes** of emissions by 2030 and halt global warming. Major mapping sector-by-sector, region-by-region

WHAT'S THE COST?
We show the cost of cutting emissions, sector-by-sector

BEYOND KYOTO
How all countries can reduce CO2 and still make economic progress

GLOBAL PRICE
Why a global price on carbon dioxide is necessary

COMBATING CLIMATE CHANGE IS NOT ONLY NECESSARY...

Carbon dioxide emissions have increased to global warming and the planet's heat balance, but the world's carbon reserves are being used up. The carbon reserves of carbon dioxide will be exhausted by the year 2030, as a result of human activities.

Melting ice and a steeply mounting curve of carbon dioxide emissions – alongside the planet's infrastructure, it is not about some kind of technological connection, something that may happen. Carbon dioxide is a gas that is emitted by the world's infrastructure. The carbon dioxide is emitted by the world's infrastructure. The carbon dioxide is emitted by the world's infrastructure. The carbon dioxide is emitted by the world's infrastructure.

...IT IS ALSO POSSIBLE!

-26.7
Billion tonnes of carbon dioxide – it is possible to reduce emissions by 26.7 billion tonnes by 2030.

- In april we set a goal to halve the Group's CO2 emissions by 2030 from the base year 1990.
- We are developing technologies to enable this, e.g.
 - A pilot lignite power plant in Germany using oxyfuel technology
 - A large oxyfuel demonstration plant
 - Agreement with Norwegian Ministry of Petroleum and an industrial syndicate on building a CCS test installation using post-combustion technology
- Vattenfall's global 3C initiative has unfolded with great success
 - 42 leading international companies have signed

3C initiative - 42 companies have signed

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ABB	Switzerland	General Electric Co	USA
Alcan Inc.	Canada	Hitachi Ltd	Japan
Alstom	France	Iberdrola	Spain
Areva	France	Lufthansa	Germany
Bayer	Germany	Munich Re Group	Germany
British Petroleum BP	UK	Norske Skog	Norway
British Sky Broadcasting Ltd	UK	NRG Energy	USA
Centrica	UK	Nuon	The Netherlands
CEZ Group	Czech Republic	Otto Group	Germany
China National Offshore Oil Corp.	China	PG & E Corp.	USA
Citigroup Inc.	USA	PNM Resources	USA
Deutsche Bahn	Germany	RAO UESR	Russia
Deutsche Post	Germany	Reuters	UK
DONG Energy	Denmark	SAP AG	Germany
Duke Energy Corporation	USA	SAS	Sweden
E.ON AG	Germany	Siemens	Germany
EnBW AG	Germany	SUEZ	France
Endesa S.A	Spain	The Tata Power Company Ltd	India
Enel	Italy	Vattenfall	Sweden
Eskom	South Africa	Veolia	France
Fortum	Finland	Wallenius Lines	Sweden

Financials

Jan Erik Back, CFO

Consolidated income statement

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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
<i>Financial net</i>	-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

- 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 Denmark and Poland (expected).

German operations:

Deficit of CO ₂ -certificates:	31 mn ton	(approximately)
Net cost	-440 MEUR	p.a. from 2008
Cash flow effect	-440 MEUR	

Danish operations:

Deficit of CO ₂ -certificates:	1.8 mn ton	(approximately)
Net cost	-27 MEUR	p.a. from 2008
Cash flow effect	-27 MEUR	

- On 6 July the German Bundesrat decided upon a new taxation act.
- The German corporate income tax will be lowered by approximately 10 percentage-points as of 2008.
- For Vattenfall this will result in a considerably lower annual tax charge as of 2008.

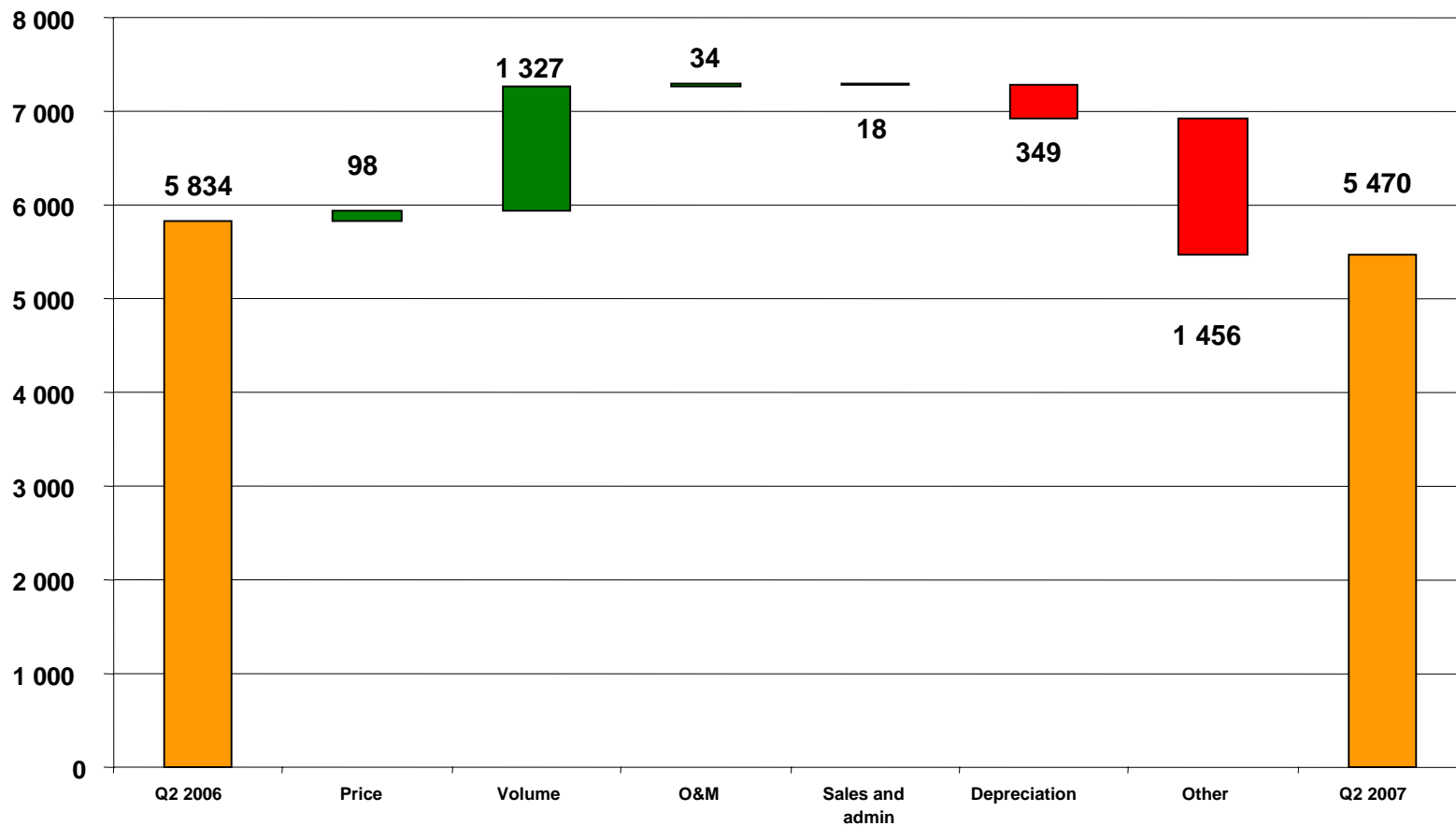
- EBIT decreased by SEK 137 million to SEK 2,436 million (-5.3%).
- Sharp decline in Nordic spot prices mitigated by hedging.
- Higher electricity generation despite nuclear outages due to acquired Danish CHP plants and increased hydro power.
- Lower results in Distribution primarily due to increased depreciation and higher administrative costs.
- Lower results in Heat despite acquired Danish CHP plants due to warm weather.
- The Administrative Court of Appeal has announced a positive decision on the Lillgrund Wind Farm. It will be the largest wind farm in Sweden and the third largest in the world.

- EBIT decreased by SEK 273 million to SEK 2,948 million (-8.5%).
- Mining & Generation increased its result despite planned/unplanned outages. Decline in spot prices mitigated by hedging.
- Heat decreased its result due to mild weather which caused substantially lower heat demand.
- Transmission's result was affected negatively by the hurricane "Kyrill".
- Significantly lower result for Distribution due to rulings by German network regulator in 2006.
- NAP2 - German government has decided on new rules for the allocation of CO2 emissions allowances for 2008-2012. Total national emissions cut to 453 million tonnes per year (NAP1 was 499 million tonnes). Vattenfall estimates a yearly deficit of approx. 31 million tonnes.

- EBIT increased by SEK 54 million to SEK 231 million (30.5%).
- Heat increased its result despite mild weather due to higher achieved prices.
- Distribution increased its result despite lower tariffs due to decreased "electricity thefts" and lower costs.
- Sales decreased its results due to lower gross margins.

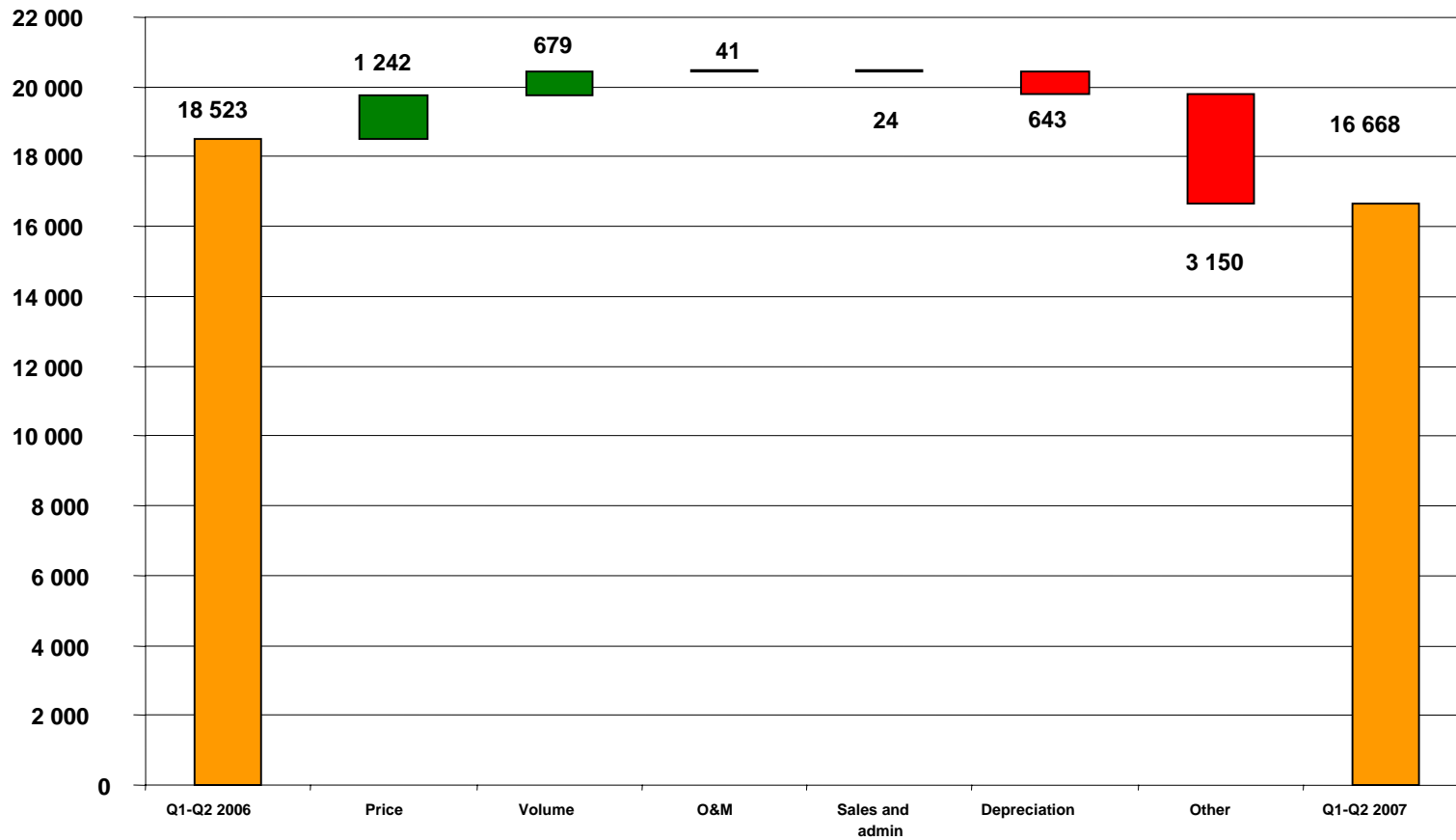
EBIT Q2 2007 vs Q2 2006

SEK Million



EBIT H1 2007 vs H1 2006

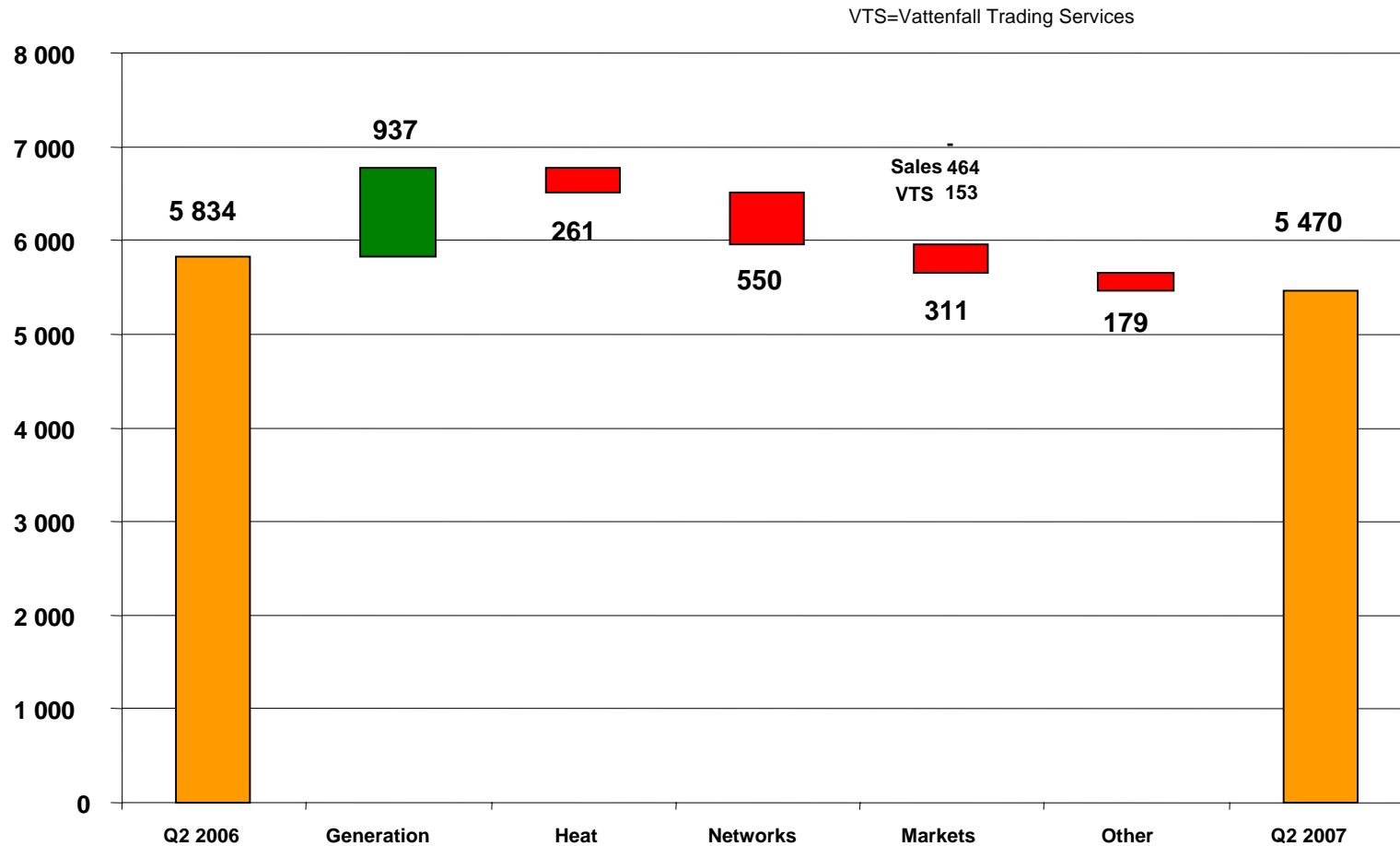
SEK Million



EBIT Q2 2007 vs Q2 2006 – secondary segments

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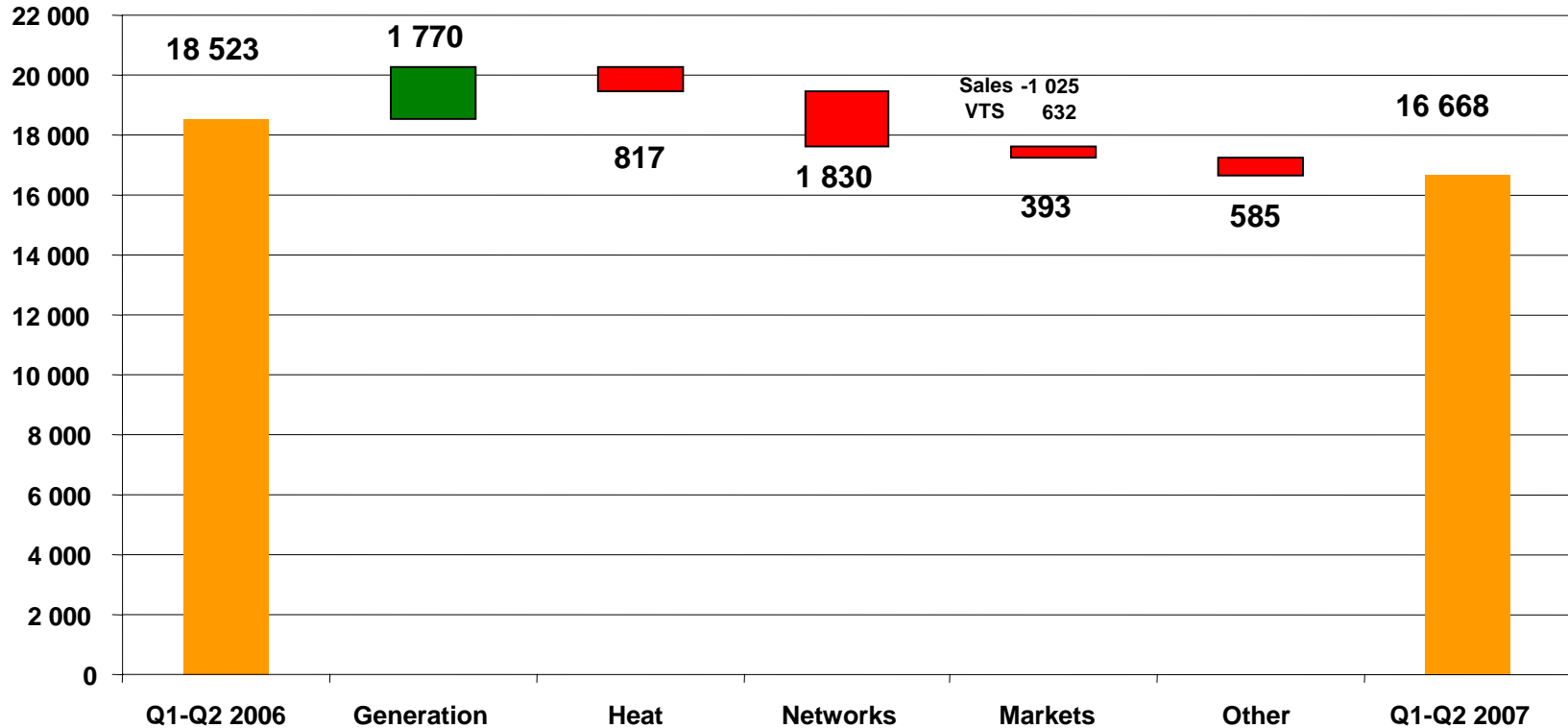
SEK Million



EBIT H1 2007 vs H1 2006 – secondary segments 31

SEK Million

VTS=Vattenfall Trading Services

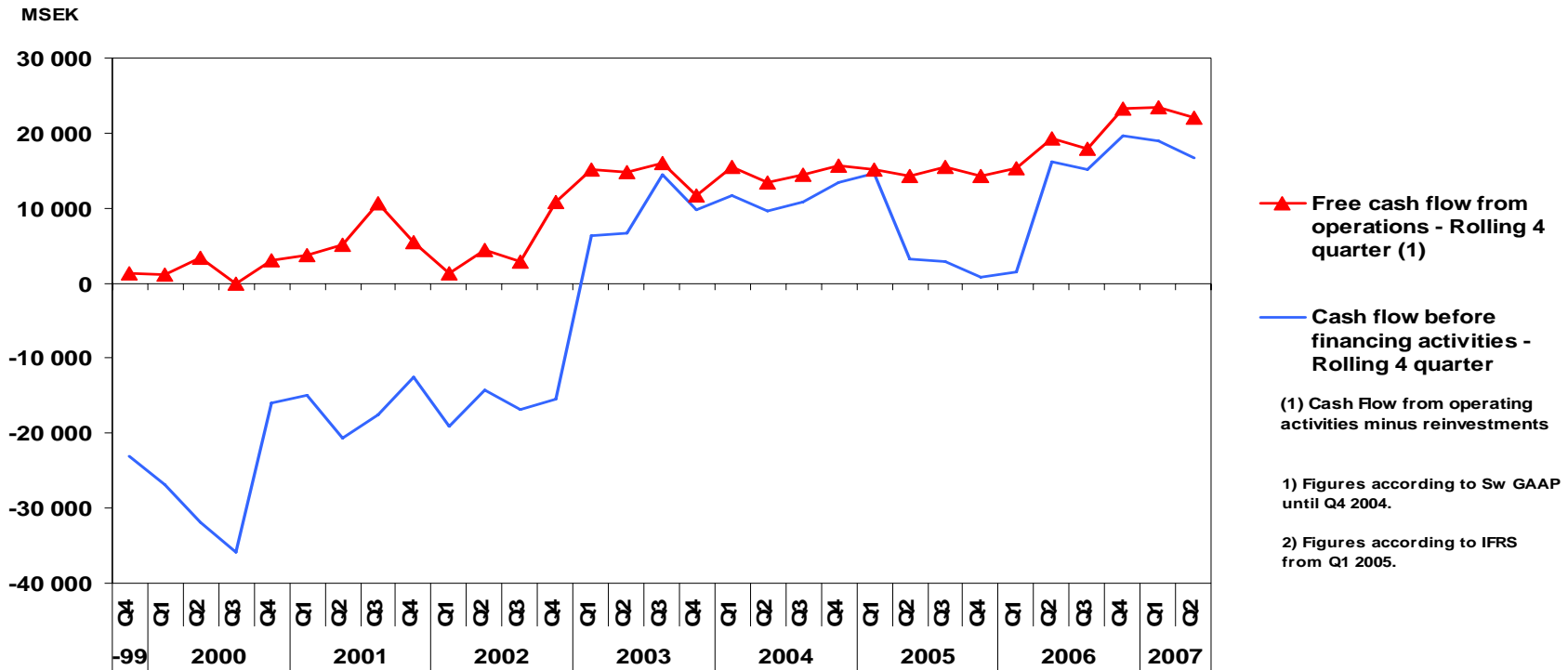


Consolidated balance sheet

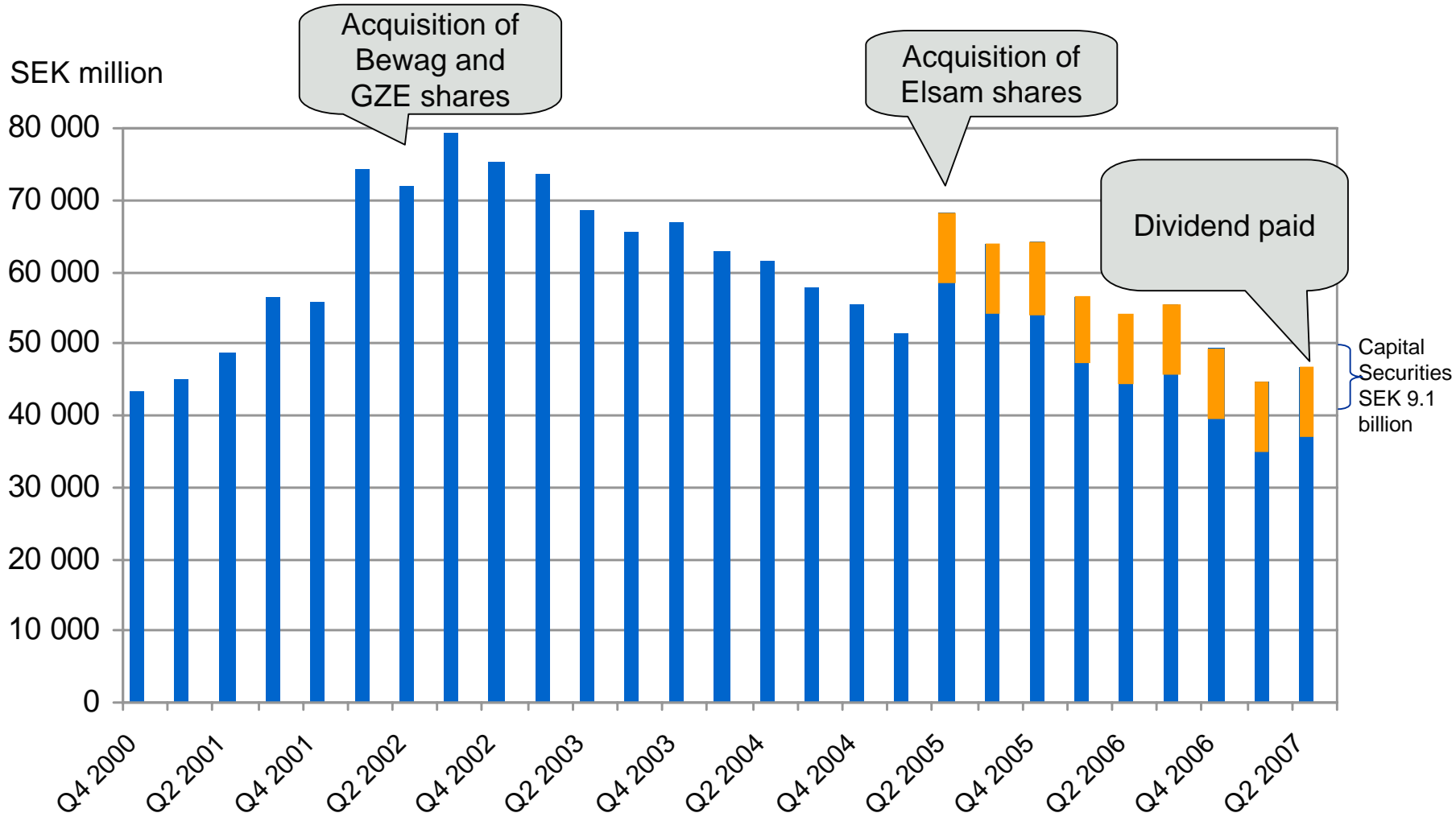
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Amounts in MSEK	30/6/07 IFRS	30/6/06 IFRS	Change %	31/12/06
Non-current assets	256,030	259,325	-1.3	251,893
Current assets	66,451	59,525	11.6	71,273
Total assets	322,481	318,850	1.1	323,166
Equity	116,102	92,865	25.0	107,674
Interest-bearing liabilities	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 liabilities	41,320	53,631	-23.0	47,948
Total equity and liabilities	322,481	318,850	1.1	323,166

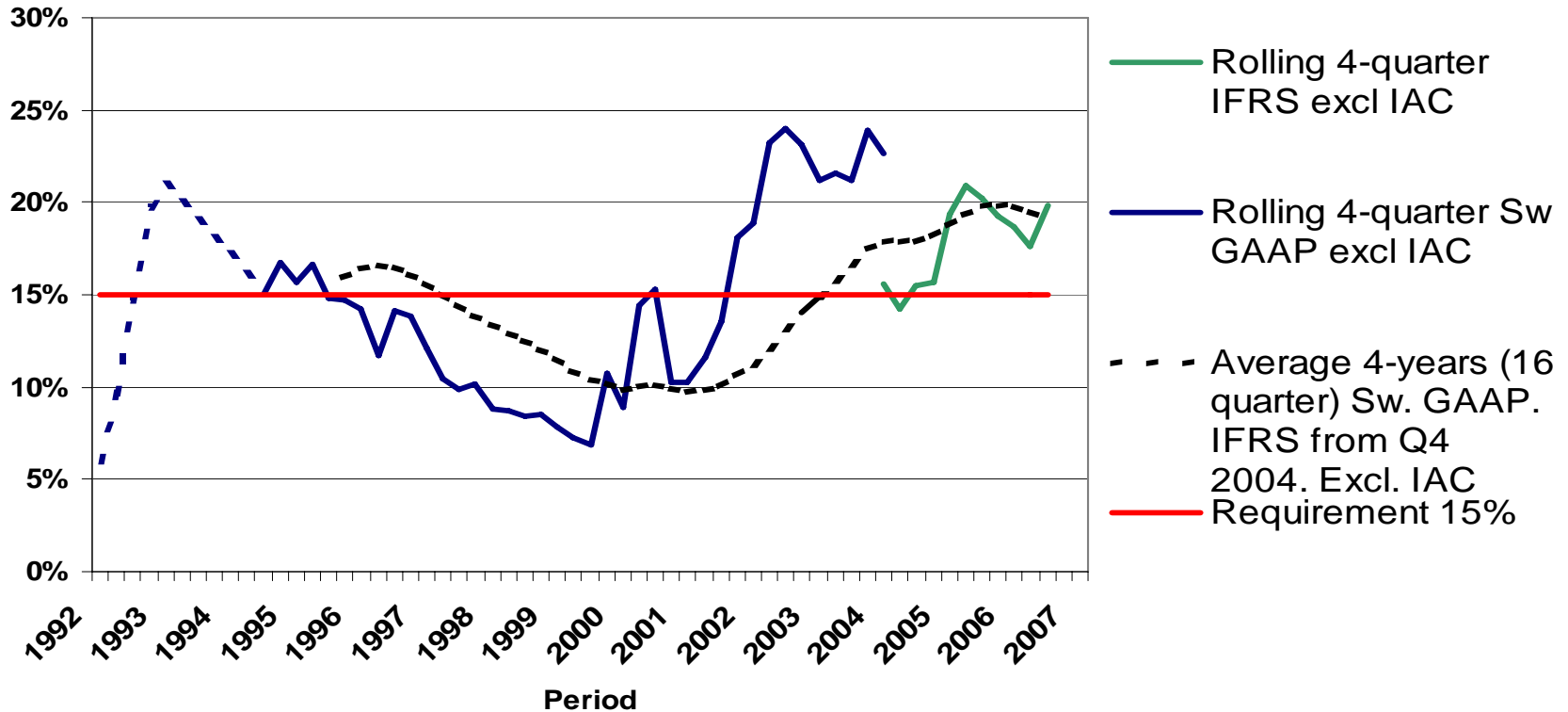
Cash flow development



Net debt development



Return on equity



Financial targets & outcome

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Key Ratio	Targets	Q2 2007
Return on Equity (RoE)	15 % on average equity	19.9%*
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

* Q2 2007 figure = LTM



Questions & Answers

Back-up slides

- A Business Leaders' Initiative

The 3C Statement:

”The 3C Initiative aims at forming a global opinion group consisting of companies showing leadership by demanding an integration of climate issues into the world of markets and trade facilitated by means of a global framework coming into force in 2013.”

3C - Guiding principles

- A switch-over to a low emitting economy is a necessity
- A global solution is needed
- A common, global goal limiting climate changes is needed
- Greenhouse gas emissions must have a global price
- A well laid-out combination of short- and long-term actions is needed
- No options should be excluded
- A global emissions market is needed
- The developed countries must lead the way and the developing countries should follow as soon as they are able
- Fair and sustainable global burden-sharing must be reached

Our commitment - Drawing a roadmap to a low-emitting society

Consolidated income statement

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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
<i>Financial net</i>	-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 cash flow statement

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Amounts in MSEK	Q2 2007 IFRS	Q2 2006 IFRS	Change %	FY 2006	LTM
Funds from operations (FFO)	4,932	7,240	-31.9	35,673	32,290
Change in working capital	3,514	1,889	86.0	-466	2,798
Cash Flow from operating activities	8,446	9,129	7.5	35,207	35,088
Investments	-4,463	-3,233	38.0	-16,534	-18,766
Divestments	191	704		1,720	985
Cash and cash equivalents in aquired/divested companies	-	-		-686	-686
Cash Flow from investing activities	-4,272	-2,647	-61.4	-15,647	-18,420
Cash Flow before financing activities	4,174	6,482	-35.6	19,560	16,668
Cash Flow from financing activities	-9,625	-9,528	-1.0	-10,742	-11,245
Cash Flow for the period	-5,451	-3,046	-79.0	8,818	5,423
Net debt at the end of the period	-46,765	-54,179	-13.7	-49,407	-46,765

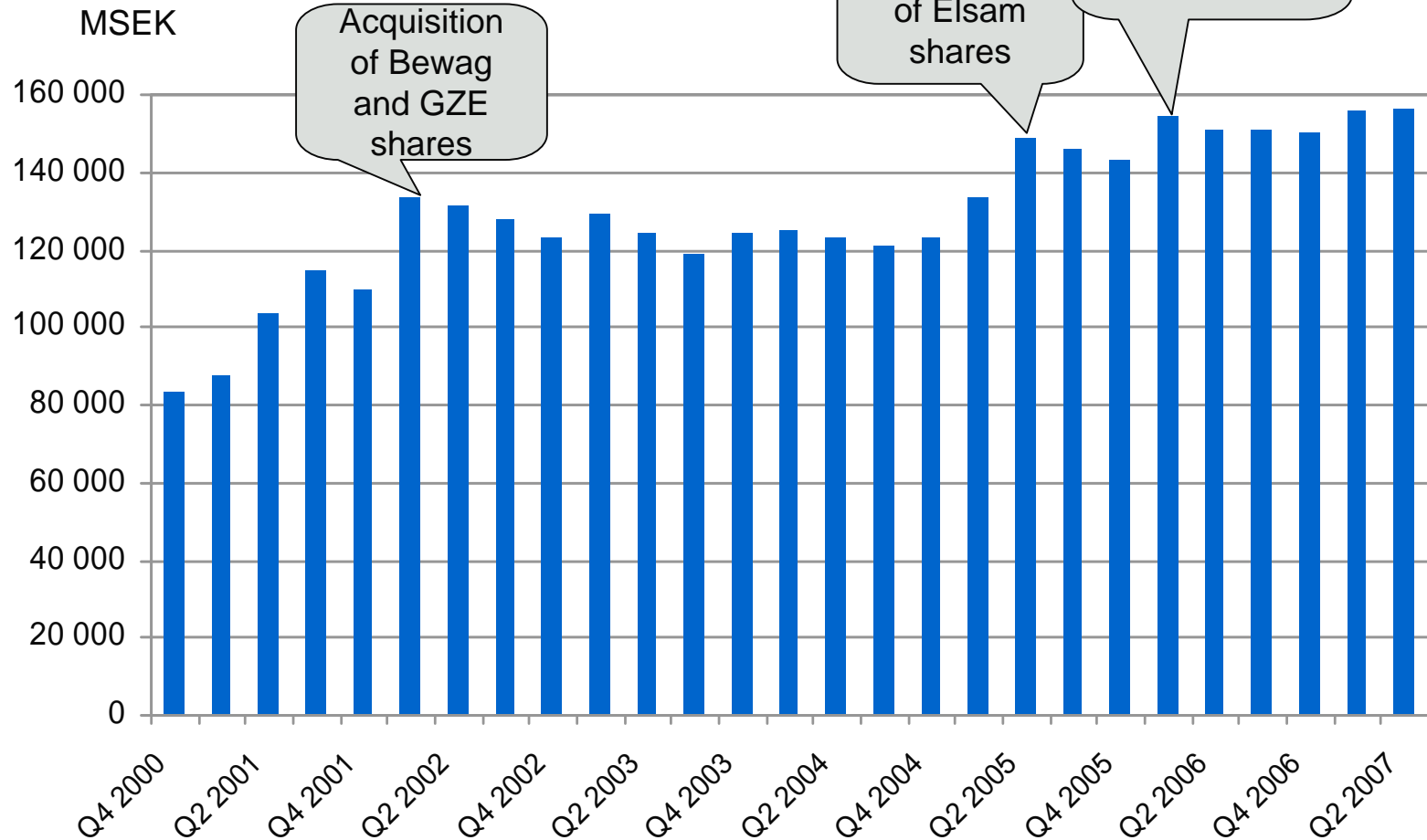
Key ratios

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Key Ratios (% unless otherwise stated)	Q2 2007	Q2 2006	LTM
RoNA (1)			15.2
RoE (1)			19.9
Operating margin	17.1	19.2	17.9
Pre-tax profit margin	15.6	17.4	16.8
Cash Flow interest coverage after maintenance investments, times	8.4	10.2	7.6
FFO/net debt (1)			69.0
Equity/assets ratio	36.0	29.1	36.0
Net Gearing - Net debt/equity, times	0.40	0.58	0.40
Capitalisation - Net debt/net debt + equity	28.7	36.8	28.7

1) Q2 2007 value = LTM

Net asset development



Break down of group liquidity

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Amounts in SEK million

As of

June 30, 2007

	Treasury	Germany	Poland	Nordic	Total	%
Cash and bank	820	882	534	765	3,002	14
Interest-bearing investments	679	10,626		275	11,581	55
Special Funds		2,704			2,704	13
Brunsbüttel		3,922			3,922	18
Shares		23			23	
Total	1,499	18,157	534	1,041	21,231	100

Unused committed credit facilities amount to 9,620 SEK million and other unused credit- and overdraft facilities amount to 9,934 SEK million.

Break down of group debt

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Amounts in SEK million

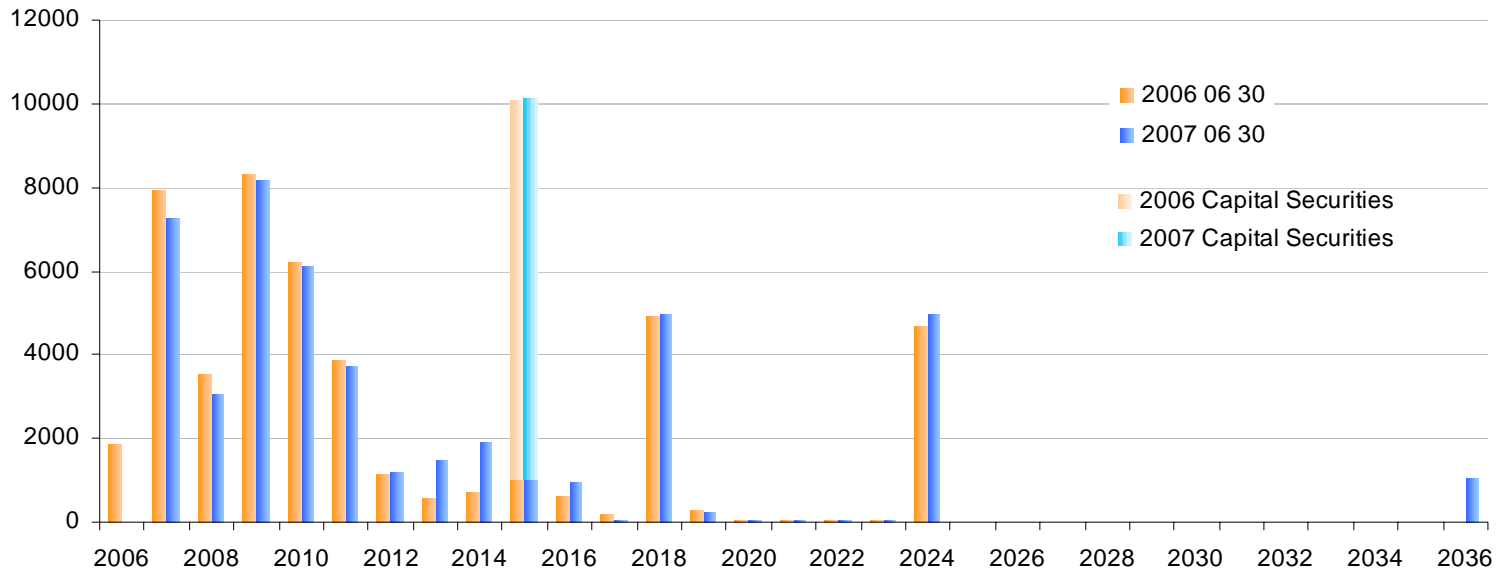
As of

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

Vattenfall debt maturity profile

SEK million



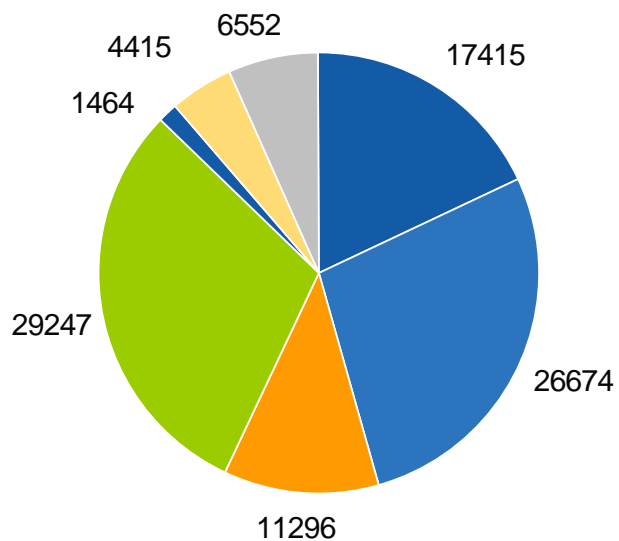
	June 30, 2007	June 30, 2006
Duration (years)	3.5 ¹⁾	3.4
Average time to maturity (years)	6.3 ¹⁾	6.3
Net debt (SEK bn)	46.8	54.2

1) Based on external debt. Excluding Capital Securities the duration is 2.8 years and average time to maturity 5.9 years.

Group provisions (IFRS) down by 6.0%

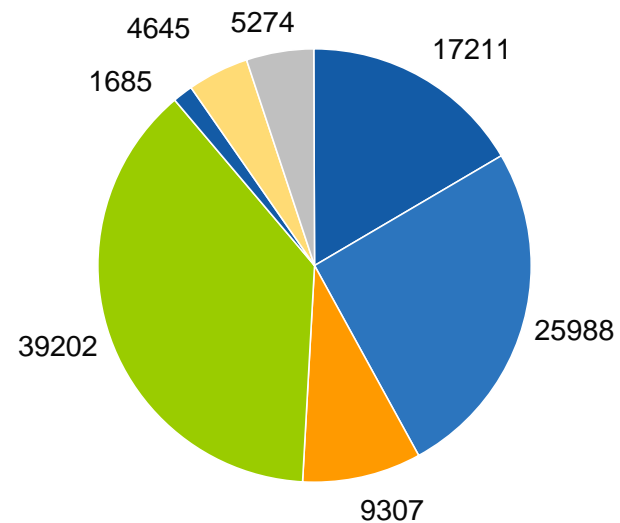
30 Juni 2007

SEK 97,063 million



30 Juni 2006

SEK 103,312 million



- Pensions
- Nuclear
- Mining
- Taxes
- Other
- Personnel
- Legal