

## Chairman's comments

# VATTENFALL'S VOICE IMPORTANT FOR DEREGULATION OF THE ENERGY MARKET

Dear readers:

As Chairman of Vattenfall I am often asked the question: Why is it good for Sweden that Vattenfall grows and strives to be a leading European energy company?

Let me begin by saying that the question is entirely justified. The most obvious part of my answer is naturally that the best way for a company to create economic value for its owners is to pursue profitable growth. Few people can question that Vattenfall has succeeded with this in recent time. But there is additional value in ensuring that Vattenfall is and continues to be a large and successful international company. Sweden is a relatively sparsely populated country in northern Europe. But in relation to our size and population, we have an impressive number of large international companies. It is due in large part to these large companies, their exports and their operations around the world, that Sweden has become known and that we have been able to make our voice heard.

Most Swedish companies are industrial enterprises, and a significant share of these are process industries based on the preparation and refinement of domestic raw materials. They are thus also large energy consumers, and their success is dependent on reliable electricity supplies at competitive prices. Stable and reliable energy generation at reasonable prices is best achieved through free competition and the far-reaching integration that is currently taking place in Europe's energy market. This line is also being driven by the European Union (EU), and according to the electricity and gas market directive that was issued in 2003, all EU Member States are to have deregulated their electricity and gas markets and opened them for competition not later than 1 July 2007. The reality, however, is somewhat different. A number of European countries still have a long way to go before they have achieved the EU's targets, partly because deregulation decisions have not been followed and partly because investments have not been made to connect the national electricity grids. Hence in large parts of Europe today the conditions do not exist for entirely free competition.

The leading utilities play a central role in the work on achieving a free and deregulated energy market in Europe. As one of Europe's largest energy companies, Vattenfall has taken a clear position as a strong advocate of swift deregulation. The larger Vattenfall's operations are, the stronger our voice will be in these discussions. Sweden thereby also gains greater influence and can more emphatically promote energy policies that ensure security of supply and stable prices, which in the end run benefits Sweden's major, energy-intensive industrial companies.

## Strong involvement in the climate issue

Vattenfall has a similar posture with respect to the climate

issue. As a leading player in the European energy market, Vattenfall has attracted a large amount of positive attention, and Vattenfall's CEO, Lars G. Josefsson, has gained a listening ear among key decision-makers both in international business and in the world of politics. Vattenfall's Combat Climate Change (3C) initiative, which was presented in early 2007, has gathered business leaders from around the world and has thus created a strong lobby in the work on broadening the system of emission allowances into a global scale. In parallel with this, in its "Global Climate Impact Abatement Map" study, Vattenfall has compiled a list of actions that are needed around the world to limit emissions of carbon dioxide and other greenhouse gases and thereby be able to limit global warming to a maximum of 2°C.

Through its strong involvement, Vattenfall has been one of many players that have helped push the climate issue up to the top of the international agenda. Vattenfall has thereby played an active part in strengthening Sweden's voice in this important future issue.

To further underscore the gravity of the situation and Vattenfall's resolve regarding the climate issue, in 2007 the Company's management set a new target that Vattenfall will halve its CO<sub>2</sub> emissions by 2030 compared with 1990 levels (which is also the reference level in the Kyoto Protocol). Cutting CO<sub>2</sub> emissions in half by 2030 is a very ambitious goal, and even though Vattenfall has already taken several steps in the right direction, a great deal of work remains as do a number of costly investments before this goal can be achieved. The climate issue is one of several reasons why Vattenfall must maintain a high level of profitability in the coming years as well, in order to be able to manage the major investments that lay ahead, both in generation and in grids.

## Investments in renewable energy generation

One such investment is the expansion of our renewable energy generation. At Vattenfall's 2005 AGM, our owner, the Swedish state, made the following amendment to the Articles of Association: "The Company shall, within the framework of businesslike operations, be the leading company in the transition to an ecologically and economically sustainable Swedish energy supply". More precisely, Vattenfall's board set the target that Vattenfall should expand its renewable energy generation by 10 TWh in the Nordic countries. We believe that wind power can make a limited yet important contribution to electricity supply in Sweden. However, for this to become a reality, the permit process for establishing wind power plants must be simplified. Today the construction of wind power plants is being delayed due to very cumbersome permit-granting processes. Repeated appeals have in some

cases resulted in delays of several years, which has made it difficult for wind power to make a significant contribution.

During the past year, Vattenfall's investments in renewable energy were subject to an audit by the National Audit Office. The report published after the audit shows that Vattenfall has taken clear command of these issues and is running its operations in accordance with the amendment made to the Articles of Association in 2005.

In September 2007 the Swedish government decided that all state-owned companies must publish an annual sustainability report which complies with the guidelines of the Global Reporting Initiative (GRI), starting no later than the 2008 financial year. I can certify that Vattenfall has been a leader in this respect. Since 2003 we have been publishing an annual CSR report which discusses the Group's impact on the environment, society and economy, as well as its contribution to sustainable development in society, in accordance with the GRI guidelines.

### Growth strategy intact

Vattenfall's vision is to be a leading European energy company. Developments in recent years – not least regarding the rapidly growing importance of the climate issue – have underscored the importance that Vattenfall maintains profitable growth. To concretise our growth strategy, we wrote in our third-quarter interim report: "Growth will take place primarily in geographically close markets in which we can create value. Growth may take place through acquisitions, but also organically through investments in new power and heat generation." In our acquisition considerations, we are studying the UK market in particular, in addition to power and heat generation in other parts of northern Europe. We have also made it clear that in the UK, we are eager to participate in discussions on new nuclear power initiatives, and that we want to participate both as an owner and operator, and in the development of expertise in this area.

### Trust and openness

During the year, the Board kept a close eye on the heated debate that flared up in Germany following the outages at the two nuclear power plants, Brunsbüttel and Krümmel. Vattenfall was heavily criticised both by customers and the mass media for its information practices. Self-critically, we must admit that we did not live up to one of our core values in this respect – openness. This crisis in confidence has resulted in tangible losses for Vattenfall, both in the form of a tarnished reputation and lost revenues. Vattenfall has taken a number of measures to raise the quality of its information practices and to restore trust in the Group as a responsible energy company. What happened here shows clearly that having the public's trust and the confidence of customers is decisive for an energy company's success.

### Long-term active ownership

The Swedish government exercises long-term active ownership with value creation as the overall objective. The Ministry of Enterprise, Energy and Communications has a special

division for state ownership which is responsible for governance of state-owned companies. Like other company owners, this state ownership division has a number of governance tools at its disposal and works actively on such matters as the board's composition, auditing, and descriptions of companies' activities.

To clarify the state's view on certain matters and to achieve uniformity among the companies under its administration, the government has adopted guidelines on external financial reporting, terms of employment for senior executives, and employee incentive programmes. In addition, the government has identified certain, special policy issues of major importance, where state-owned companies are to act as a model. These concern such aspects as equal opportunity, the environment, diversity, work environments and companies' role in society. To promote clarity and uniformity on liability and information matters in state-owned companies, the Ministry of Enterprise, Energy and Communications has drawn up a proposal to support boards in adopting and revising rules of procedure and for handling certain information matters. Vattenfall AB abides by the same laws as privately owned companies in Sweden and complies where applicable, with the recommendations and norms that apply for companies listed on the Stockholm Stock Exchange. The Swedish Code of Corporate Governance (the Code) is part of the government's framework for its administration as company owners. Vattenfall applies the Code and regards it as one of several important sets of rules for external reporting and communication.

Developments in 2007 – positive as well as negative – underscore the central role that a leading energy company plays in modern society and how important public trust and customer confidence are in enabling an energy company to live up to this responsibility in a responsible manner. The events during the year also show that past success is no guarantee for the future – we must always dedicate ourselves to active renewal and improvement work. Given the ambitious efforts made every day by Vattenfall's more than 32,000 employees, I look forward to 2008 with great confidence.



*Dag Klackenberg*

Dag Klackenberg  
Chairman of the Board

## CORPORATE GOVERNANCE AND DECISION-MAKING

### Application of the Code and contents of the Corporate Governance Report

Vattenfall applies the Swedish Code of Corporate Governance (“the Code”) and considers it as one of several important sets of governing regulations for external reporting and communication. Vattenfall also adheres to the Swedish state’s ownership policy. The departures that Vattenfall makes from the Code are mainly due to the Company’s ownership structure – Vattenfall has only one owner, while the Code is written primarily for listed companies with broad ownership.

Information on corporate governance according to the Code for the 2007 financial year is provided below. For information already provided in the Annual Report, reference is made to the appropriate section.

### Annual General Meeting

According to the Vattenfall’s Articles of Association, the Annual General Meeting (AGM) shall be held within six months after the end of the financial year.

Vattenfall’s 2007 Annual General Meeting was held on 26 April 2007, in Stockholm. At the AGM, all directors were present, except for the two departing board members, Maarit Aarni-Sirviö and Peter Lindell, who had other engagements. The public was invited to attend, and Vattenfall arranged an open question and answer session, in accordance with the state’s ownership policy. Members of Parliament were given the right to ask questions in connection with the meeting, as stipulated in Vattenfall’s Articles of Association. The Meeting was transmitted live via webcast, and a taped version is available “on demand”. Minutes and other material from the AGM are published on Vattenfall’s website.

### The Board’s composition and work

#### The duties and allocation of work in the Board

The matters reserved for the Board are prescribed primarily by the Swedish Companies Act and the Board’s Rules of Procedure. The main duties of the Board, apart from appointing the CEO and deputy CEO, are to establish the strategic direction of operations, approve major investments, acquisitions and substantial organisational changes in the Group, and to set central policies and instructions. In addition, the Board oversees the Company’s financial development and has ultimate responsibility for internal control and risk management.

Each year the Board establishes its Rules of Procedure, based on the supporting document for rules of procedure in state-owned companies issued by the State Enterprises Division of the Ministry of Enterprise, Energy and Communications. Apart from mandatory items pursuant to the Swedish Companies Act, the Rules of Procedure regulate such things

as the Chairman’s duties, information to the Board, the form of board meetings, the establishment of board committees, and evaluation of the work of the Board and the CEO.

The Chairman’s duties are outlined in the Swedish Companies Act and the Board’s Rules of Procedure. The Chairman heads the work of the Board and is responsible for ensuring that other board members receive adequate information. The Chairman participates when necessary in important external contacts. In the event the Chairman is prevented from fulfilling his duties, the Board’s work is headed by the Vice Chairman, who is appointed by the Annual General Meeting.

The Board has established within itself an audit committee, safety committee and compensation committee, which are described in more detail below. In addition, the Board can, where necessary, establish other committees to look into matters in more defined areas. In other respects, the Board shall not delegate any special areas of responsibility or duties among its members.

### The Board’s risk management process

Operational risk management is regulated by Group instructions with special focus on risks associated with energy and commodity trading, and financial, insurance and credit risks. The Board decides on overall risk limits for the Group in all these areas. Operational risks are followed up on a regular basis and are reported within the respective Business Groups. At each board meeting the Board is informed about the Group’s financial position, and any outstanding guarantees and risks are reported. Twice a year the results of earlier decisions on investments are reported on for follow-up. The Board also holds an annual risk management seminar with a more thorough review of the Group’s financial and operational risks.

The Chief Financial Officer (CFO) has overall responsibility for the Group’s financial activities and risk management, and ensures compliance with the Group’s policies and instructions in this area. A Group risk committee has been established to support the CFO in these issues. The Risk Committee is chaired by the CFO and is primarily tasked with ensuring qualitative risk management in the Group by, for example, approving risk management methods, ensuring standardised routines for risk management and risk reporting, and proposing mandates and limits. Since 2003, the Group also conducts an annual environmental risk evaluation which is co-ordinated by the Head of Group Environment. The results of this evaluation are presented to the Executive Group Management (EGM) and Vattenfall’s risk committee. Environmental risk management is co-ordinated with other risk management. For more information about Vattenfall’s risks and risk management, see pages 70–73 of this annual report and Note 36 to the consolidated accounts.

### Composition of the Board of Directors

According to Vattenfall’s Articles of Association, the Board shall consist of a minimum of five and a maximum of ten directors, in addition to the directors and deputies appointed pursuant to other laws than the Swedish Companies Act.

## Departures from the Code

Vattenfall's corporate governance for the 2007 financial year departs from the requirements stipulated in the Swedish Code of Corporate Governance on the following points:

| Code requirement  | Description   | Comment   |
|---|---|---|
| 1.1.2 Shareholders' initiative rights                     | Shareholder information on website  | Information on the Annual General Meeting is provided on Vattenfall's website. However, because of the ownership structure, this stipulation is not directly applicable.  |
| 1.1.3 Notification of general shareholder meetings        | Registration by e-mail or via the Company's website   | Because of Vattenfall's ownership structure, this stipulation is not applicable.  |
| 1.4.1 Chairman to preside over the Annual General Meeting | The Nomination Committee shall propose a person to serve as AGM chairman  | Due to its ownership structure, Vattenfall has no nomination committee. Election of an AGM chairman is done at the Meeting in accordance with the stipulations of the Swedish Companies Act.  |
| 2.1 Nomination committee                                  | Composition of nomination committee and public announcement of the members and other related information  | Due to its ownership structure, Vattenfall has no nomination committee. The nomination process is conducted in accordance with the Swedish state's ownership policy. Information on this process is provided below and on Vattenfall's website. |
| 2.2 Appointment of the Board                              | The nomination committee's recommendations for directors, chairman and fees; the nomination committee's documentation for its recommendations and presentation of motivation for recommendations; report on the nomination committee's work | Due to its ownership structure, Vattenfall has no nomination committee. The nomination process is conducted in accordance with the Swedish state's ownership policy. Information on this process is provided below and on Vattenfall's website. |
| 4.2.1 Compensation committee                              | Committee members shall be independent in relation to the Company   | The Compensation Committee includes one member who is not an AGM-elected director and who is employed by Vattenfall. This gives the employee representatives an opportunity to participate on the committee.                                    |

Vattenfall's board has eight directors elected by the Annual General Meeting, plus three directors and three deputies elected by the employee organisations. No members of the EGM are board members. Of the board members, three are women and two are foreign citizens. The average age of board members is 57.

At the 2007 AGM, Christer Bådholm, Greta Fossum, Dag Klackenberg, Hans-Olov Olsson, Lone Fønss Schröder and Anders Sundström were re-elected as directors, and Jonas Iversen and Tuija Soanjärvi were elected as new directors. The AGM appointed Dag Klackenberg as Chairman of the Board and Hans-Olov Olsson as Vice Chairman. The employee organisations appointed Carl-Gustaf Angelin, Johnny Bernhardsson and Ronny Ekwall as employee representatives, with their deputies Lars Carlsson, Stig Lindberg and Per-Ove Lööv, respectively. In accordance with the Swedish state's ownership policy, the CEO is not a director on the Board. For further information on the Board of Directors, see pages 56–57 of the annual report.

### Directors' fees

Directors' fees are set by the AGM. For information on directors' fees for 2007, see Note 46 to the consolidated accounts in the annual report.

### Directors' independence

The Swedish state's ownership policy stipulates that nomination of directors is to be made public in accordance with the guidelines of the Code. However, directors' independence in relation to the Swedish state as a major shareholder is not to be reported. Of the Company's directors, Christer Bådholm,

Greta Fossum, Dag Klackenberg, Jonas Iversen, Hans-Olov Olsson, Lone Fønss Schröder, Tuija Soanjärvi and Anders Sundström are independent in relation to the Company and the EGM.

### Appointment of the Board

For enterprises that are wholly owned by the Swedish state, uniform and joint principles for a structured nomination process are applied, which take the place of the Code's rules on the appointment of directors and auditors. The nomination process is run and co-ordinated by the State Enterprises Division of the Ministry of Enterprise, Energy and Communications. A work group analyses qualification needs based on the Company's operations and the current situation as well as the Board's composition. Thereafter, any recruitment needs are determined and recruitment work is initiated. Board members are chosen from a broad recruitment base. Once this process has been completed, any nominations are to be made public in accordance with the Code's guidelines.

### Description of the Board's work

Board meetings are conducted largely according to a plan established by the Rules of Procedure. This specifies that seven ordinary meetings are to be held each year. In addition to ordinary meetings, the Board is summoned to further meetings if the need arises. According to the Rules of Procedure, at least one meeting each year must be held at a place other than the head office. In 2007 a meeting was held in Forsmark, which was combined with a tour of its nuclear power plant. In addition, a meeting was held in Hamburg, which was combined with a tour of the nuclear power plant in Krümmel.

The Rules of Procedure stipulate, among other things, that the following items must be included on the agenda once a year:

- The Group's strategic plan
- The Group's total risk exposure
- Safety and environmental issues within the Group's nuclear power operations
- Personnel issues within the Group, including the ability to attract and retain skilled personnel
- Research and development activities within the Group

In addition, the following are reported at each meeting:

- Important business events since the previous meeting, under the item "Business status"
- The Group's financial position

In 2007, safety issues at the Group's nuclear power facilities were also discussed at each board meeting.

Investments are followed up and analysed by the Board three years after the Board's decision to invest.

The Board also holds a number of board seminars each year. At these seminars the Board receives more detailed information about and discusses Vattenfall's long-term development, strategy, competitive scenario and risk management.

The Board had 13 meetings in 2007, including the statutory meeting. Following is a compilation of the meetings and some of the more important items of business that were discussed.

### Matters handled by the Board appointed by the 2006 AGM

| Meeting date      | Focus and important matters discussed  |
|-------------------|--|
| 17 January 2007   | <ul style="list-style-type: none"> <li>• The Group Management System (GMS)</li> <li>• The Group's risk exposure</li> <li>• The storm "Per"</li> <li>• Operations at Forsmark</li> <li>• The Group's network operations</li> <li>• The Group's climate activities</li> </ul>  |
| 2 February 2007   | <ul style="list-style-type: none"> <li>• Operations at Forsmark</li> </ul>   |
| 7-8 February 2007 | <ul style="list-style-type: none"> <li>• Year-end report</li> <li>• Operations at Forsmark</li> <li>• Establishment of a safety committee</li> </ul>   |
| 7 March 2007      | <ul style="list-style-type: none"> <li>• Year-end book-closing, Annual Report and Audit Report</li> <li>• Corporate governance report and the Board's report on internal control</li> <li>• Evaluation of the Board and CEO</li> <li>• Vattenfall's R&amp;D activities</li> <li>• Vattenfall's climate vision</li> <li>• Wind power issues</li> <li>• Management planning and development</li> </ul> |
| 4 April 2007      | <ul style="list-style-type: none"> <li>• Electricity generation in Sweden and Germany</li> <li>• Report from Safety Committee</li> <li>• Vattenfall's climate vision</li> </ul>  |
| 25 April 2007     | <ul style="list-style-type: none"> <li>• Financial targets for Vattenfall AB</li> <li>• Vattenfall's three-month interim report</li> </ul>   |

### Matters handled by the Board appointed by the 2007 AGM

| Meeting date                       | Focus and important matters discussed   |
|------------------------------------|---|
| Statutory meeting on 26 April 2007 | <ul style="list-style-type: none"> <li>• The Board's rules of procedure, instructions and division of duties between the Board and CEO, and instructions on financial reporting to the Board</li> <li>• Members and rules of procedure for Audit Committee</li> <li>• Members of the Safety Committee</li> <li>• Members of the Compensation Committee</li> </ul>   |
| 21 May 2007                        | <ul style="list-style-type: none"> <li>• Finance instructions and policy and instructions for managing energy and commodities risks</li> <li>• Follow-up of investments made during the first half of 2004</li> <li>• Transmission networks in Germany</li> <li>• Report from Audit Committee</li> <li>• Vattenfall's Environmental Management System</li> <li>• Competition issues in Germany</li> <li>• General update on acquisitions</li> <li>• Current investments and divestments</li> <li>• Plan for renewable energy</li> <li>• Report from Safety Committee</li> <li>• Ongoing reorganisation</li> </ul>   |
| 25 July 2007                       | <ul style="list-style-type: none"> <li>• Report on the German nuclear power operations</li> <li>• Changes in Executive Group Management</li> <li>• Vattenfall's half-year interim report</li> </ul>   |
| 30 August 2007                     | <ul style="list-style-type: none"> <li>• Strategy seminar</li> <li>• Strategic plan</li> <li>• Communication issues</li> <li>• Acquisition matters</li> <li>• Competence succession in nuclear power technology</li> <li>• Wind power matters</li> <li>• Report from Safety Committee</li> <li>• Report from Audit Committee</li> </ul>   |
| 23 October 2007                    | <ul style="list-style-type: none"> <li>• Follow-up of investments made during the second half of 2004</li> <li>• Acquisition matters</li> <li>• Current investment matters</li> <li>• Review of media image of Vattenfall Group locally and internationally</li> <li>• Evaluation of Board and CEO</li> <li>• Report from Safety Committee</li> <li>• Wind power matters</li> <li>• Quantification and follow-up of strategic objectives</li> </ul>   |
| 30 October 2007                    | <ul style="list-style-type: none"> <li>• Vattenfall's nine-month interim report</li> </ul>  |
| 11-12 December 2007                | <ul style="list-style-type: none"> <li>• Acquisition matters</li> <li>• Succession planning for Executive Management Group</li> <li>• New Group structure for crisis management</li> <li>• 2008 business plans, financial plan and approval of investment plan</li> <li>• Investments in German energy generation and network operations</li> <li>• Carbon Capture and Storage (CCS) project</li> <li>• Safety and environmental issues in the Group's nuclear power operations</li> <li>• Annual follow-up of investment programmes in hydro, wind and nuclear power in the Nordic countries</li> <li>• Group borrowings and pledging of security</li> </ul> |

| Directors' attendance at board meetings |                             |          |             |          |          |          |                             |          |          |          |          |          |             |
|---|-----------------------------|----------|-------------|----------|----------|----------|-----------------------------|----------|----------|----------|----------|----------|-------------|
|   | Board appointed by 2006 AGM |          |             |          |          |          | Board appointed by 2007 AGM |          |          |          |          |          |             |
|   | 17/01/07                    | 02/02/07 | 07-08/02/07 | 07/03/07 | 04/04/07 | 25/04/07 | 26/04/07                    | 21/05/07 | 25/07/07 | 30/08/07 | 23/10/07 | 30/10/07 | 11-12/12/07 |
| Maarit Aarni-Sirviö                     | -                           | X        | X           | -        | -        | X        |                             |          |          |          |          |          |             |
| Christer Bådholm                        | X                           | X        | -           | X        | X        | X        | X                           | X        | X        | X        | X        | X        | X           |
| Greta Fossum                            | X                           | X        | X           | X        | X        | X        | X                           | X        | X        | -        | X        | X        |             |
| Jonas Iversen                           |                             |          |             |          |          |          | X                           | X        | -        | X        | X        | X        | X           |
| Dag Klackenberg                         | X                           | X        | X           | X        | X        | X        | X                           | X        | X        | X        | X        | X        | X           |
| Peter Lindell                           | X                           | X        | X           | -        | -        | -        |                             |          |          |          |          |          |             |
| Hans-Olov Olsson                        | -                           | X        | X           | X        | X        | -        | X                           | X        | X        | X        | X        | X        | -           |
| Lone Fønss Schrøder                     | X                           | X        | X           | X        | X        | X        | X                           | X        | X        | -        | X        | X        |             |
| Tuija Soanjärvi                         |                             |          |             |          |          |          | X                           | X        | X        | X        | X        | X        | X           |
| Anders Sundström                        | X                           | X        | X           | X        | -        | X        | X                           | X        | X        | X        | X        | X        | X           |
| Carl-Gustaf Angelin                     | X                           | X        | X           | X        | X        | X        | X                           | X        | -        | X        | X        | X        | X           |
| Johnny Bernhardsson                     | X                           | X        | X           | X        | X        | X        | X                           | X        | X        | X        | X        | X        | X           |
| Ronny Ekwall                            | X                           | X        | -           | -        | X        | X        | X                           | X        | X        | X        | -        | X        |             |
| Lars Carlsson*                          | X                           | X        | X           | X        | X        | -        | X                           | X        | -        | X        | -        | -        | X           |
| Stig Lindberg*                          | X                           | X        | X           | X        | X        | X        | X                           | X        | X        | X        | X        | X        | X           |
| Per-Ove Lööv*                           | X                           | X        | X           | X        | X        | X        | X                           | X        | X        | X        | X        | X        | X           |

X Present      - Not present      \*) Deputy

### Evaluation of the Board's and CEO's work

The Board evaluates its own work and the CEO's work through a special process once a year. This evaluation is headed by the Chairman and is reported to the Board. The evaluations performed in 2006 and 2007 were based on analyses conducted by an external consultant. The most recent evaluation was presented at the board meeting on 23 October 2007. A report on the next evaluation is scheduled for the Board's meeting in October 2008.

### Committees

#### Audit Committee

The Audit Committee is a board committee tasked with gaining greater knowledge of, insight into and control over the Company's accounting, financial reporting and risk management. The Audit Committee has special responsibility for ensuring application of the Code and for preparing required reports. The Audit Committee does preparatory work for the Board in quality assuring the Company's financial reporting. In conjunction with audits, the Company's auditors report their observations at Audit Committee meetings. No formal decision-making authority has been delegated to the committee, since its members are all directors on the Board.

At the board meeting on 26 April 2007, Christer Bådholm and Lone Fønss Schrøder were re-elected as members of the Audit Committee, and Tuija Soanjärvi was elected as a new member of the committee. Among non-AGM-elected board members, Per-Ove Lööv participated on the Audit Committee. With respect to fees paid the committee's members, see Note 46 to the consolidated accounts in the annual report.

The Board has adopted rules of procedures for the committee. The committee reports its work to the Board by submitting meeting notes to the Board and, when requested, by making presentations at board meetings.

The Audit Committee held four meetings in 2007. The auditors were present at all meetings and presented their observations from the audit. The auditors presented their audit of the annual accounts to the entire board at the board meetings held on 7 February 2007 and 7 March 2007. For auditors' report presented on 7 February, the Board met with the auditors without the presence of the CEO or other EGM members.

### Attendance at Audit Committee meetings in 2007

|  | 05/02/07 | 24/04/07 | 28/08/07 | 06/12/07 |
|--|----------|----------|----------|----------|
| Peter Lindell                          | X        | X        |          |          |
| Christer Bådholm                       | X        | X        | X        | X        |
| Lone Fønss Schrøder                    | X        | X        | X        | -        |
| Tuija Soanjärvi                        |          |          | X        | X        |
| Per-Ove Lööv<br>(union representative) | X        | X        | X        | X        |

#### Nomination Committee

Vattenfall AB has no nomination committee. For more detailed information on the nomination process, see under heading "Appointment of the Board" on page 49.

#### Safety Committee

On 8 February 2007 the Board established a safety committee tasked with closely monitoring and overseeing nuclear safety within the Group. The Safety Committee focuses on performing analyses of management systems, safety, reporting and management functions at Vattenfall's nuclear power plants. The committee oversees safety work and reports its observations to the Board. This is done by the committee chair as well as by the safety expert who was appointed by the board on 4 April 2007 to perform an analysis of the Group's nuclear power plants. The committee also reports its work to the Board by submitting meeting notes to the Board. As a board committee, the Safety Committee has no formal decision-making authority. With respect to fees paid the committee's members, see Note 46 to the consolidated accounts in the annual report.

Upon establishment of the Safety Committee, the following persons were appointed as members: Christer Bådholm, Anders Sundström and Dag Klackenberg. These persons were re-elected at the board meeting on 26 April 2007. Among non-AGM-elected directors, Johnny Bernhardsson participated on the Safety Committee.

The Safety Committee held four meetings in 2007. Following is a record of the members' attendance at the committee's meetings.

### Attendance at Safety Committee meetings in 2007

|   | 01-02/03/07 | 02/04/07 | 27/04/07 | 11/10/07 |
|---|-------------|----------|----------|----------|
| Christer Bådholm                              | –           | X        | X        | X        |
| Dag Klackenber                                | X           | X        | X        | X        |
| Anders Sundström                              | –           | X        | X        | X        |
| Johnny Bernhardsson<br>(union representative) | X           | –        | X        | X        |

### Compensation Committee

The Compensation Committee prepares ongoing matters regarding the compensation of senior executives, including matters pertaining to annual salary reviews and other terms of employment for the CEO.

In addition, a going-rate principle is adhered to regarding the salaries and remuneration of all deputy CEOs and heads of the Group functions. The committee reviews current compensation, fixed and variable salaries, and other remuneration where applicable, including pension terms, of significance to all such executives. The committee also drafts principles regarding salaries and remuneration.

At the board meeting on 26 April 2007, Dag Klackenber and Anders Sundström were re-elected as members of the Compensation Committee, and Jonas Iversen was elected for a first term. Among non-AGM-elected directors, Carl-Gustaf Angelin participated on the Compensation Committee. The head of Human Resources and deputy head of Human Resources make presentations at the committee's meetings.

The Compensation Committee has adopted rules of procedure for its work. The committee reports on its work to the Board, whereby the committee chair informs the Board about the committee's decisions. However, the Board as a whole must decide on matters concerning the CEO's employment and decide on the CEO's terms of employment. The committee also reports its work to the Board by submitting meeting notes to the Board.

The Compensation Committee held one meeting in 2007, on 18 October, which was attended by Dag Klackenber, Anders Sundström and Carl-Gustaf Angelin.

### Remuneration of senior executives

The Board has approved a programme that complies with the Swedish government's guidelines on remuneration and incentive programmes for senior executives. The programme covers all employees in Sweden and took effect in 2005. Each year Vattenfall's internal auditors perform a review to ensure compliance with these guidelines. The result of this review is reported to the Board.

According to these guidelines, the CEO does not receive any variable salary. Other executives and employees in Sweden do not have higher variable salary than the equivalent of two months' salary a year, or 16.7% of their normal base salary. The normal base salary for certain executives can be decreased by 16.7%, depending on performance. Lo-

cal practice applies in other countries. As previously, the Group's long-term value creation forms the basis of compensation levels. The Group's targets apply for all employees. Executives' individual performance is also measured, as is the performance of their respective units.

There are no share- or share price-related incentive programmes for the Board or Executive Group Management. Due to Vattenfall's ownership structure, no such programmes will be possible, either.

More detailed disclosures about taxable salaries, benefits and pension costs for the Chairman of the Board, company directors, the CEO and other senior executives are provided in Note 46 to the consolidated accounts in the annual report.

### Assuring the quality of financial reporting

In its separate report on internal control (page 55), the Board has reported on the Company's internal control structure in the financial reporting routines.

The Audit Committee's work is a part of this control exercised by the Board, where external and internal auditors present their observations to the directors who are members of the Audit Committee. The external auditors presented, among other things, their observations concerning the six-month accounts and the annual accounts at each audit committee meeting in 2007. At these meetings, Vattenfall's internal audit function is represented by its head, who also presents the unit's findings to the Audit Committee. At least two meetings between all board members and the external auditors are planned for 2008.

In conjunction with planning work for the annual audit, discussions are held between the external auditors and the internal audit unit concerning Vattenfall's risk situation.

### Auditors

The Swedish state's ownership policy states that responsibility for election of auditors of state-owned companies shall always rest with the owner by decision of the Annual General Meeting, and that the Swedish National Audit Office can appoint one or more auditors to participate in the annual audit.

The 2004 Annual General Meeting appointed Ernst & Young AB as auditor, with Authorised Public Accountant Lars Träff as auditor-in-charge. This appointment applies for a term lasting through the 2008 AGM. Lars Träff has served as auditor-in-charge since the 1997 AGM. In addition to Vattenfall, Lars Träff has auditing assignments with the following companies, among others: Lantmännen, Scania, Sweden Post, Ångpanneföreningen (ÅF), Avanza and Öresund. Lars Träff has no assignments with companies that affect his independence as an auditor of Vattenfall.

The Swedish National Audit Office has appointed Authorised Public Accountant Per Redemo to serve until the 2008 AGM. He has held this position since 2004. Per Redemo is the appointed auditor for Vattenfall AB, Sveriges Television AB and Chalmers Tekniska Högskola AB, and he is auditor-in-charge for the following authorities/state

enterprises: the Swedish Tax Agency, the Swedish National Board of Student Aid (CSN), and Swedish State Railways. Per Redemo has no assignments for companies that affect his independence as an auditor of Vattenfall.

The auditors are present and report at the board meeting concerning the annual report and meet with Vattenfall's CEO and CFO on a number of occasions throughout the year. In addition, the auditors maintain ongoing contact and attend meetings of the Board's audit committee. When more extensive consulting is required from the elected auditors, such assignments must first be considered and approved by the Audit Committee. The Group's audit costs are described in more detail in Note 49 to the consolidated accounts and Note 39 to the Parent Company accounts in the annual report.

Consulting services provided by Ernst & Young AB from 2005–2007 pertained primarily to tax and accounting issues.

### National Audit Office

In 2007 the National Audit Office conducted a review to see if internal governance and follow-up at Vattenfall AB is being conducted in accordance with the amendments that were made to the Company's Articles of Association in 2005. In addition, a review was conducted to see if the reporting of the result of the new orientation is being done in such a way that a comparison with the amended wording is possible. The amendment to Vattenfall AB's Articles of Association states that "the Company shall, within the framework of businesslike operations, be the leading company in the transition to an ecologically and economically sustainable Swedish energy supply...". The National Audit Office's overall judgement is that the amendment to the Articles of Association has affected Vattenfall's internal governance and internal reporting. In addition, the National Audit Office stated that the Group has taken significant measures to achieve the desired ambition levels for generation of electricity and renewable energy. However, it has been noted that the amendment leaves scope for varying interpretations. The complete assessment can be found in the National Audit Office's report, RiR 2007:29.

### General information on the Group Management System

The Group is governed with a focus on value creation and long-term overarching goals and requirements for the Business Groups and Business Units. The Business Groups propose short-term goals for each Business Unit, which are subsequently approved by the CEO and Executive Group Management (EGM).

To ensure that Vattenfall develops in the intended direction and lives up to ethical and legal requirements, the CEO has established a Group Management System (GMS), which also includes a description of how the Group is governed. Integrated with the GMS is an Environmental Management System (EMS), which governs how the Group manages environmental issues. The GMS and EMS are available to all employees on the Group's intranet.

The GMS consists of a number of building blocks (see GMS diagram on page 54). Governance is based on Vattenfall's mission and vision, the Group-wide Code of Conduct and company philosophy, and on the Group's policies in key areas. The GMS is documented in governing documents, consisting of Group policies, Group instructions and other documents. The Group policies describe the intentions for action on matters of importance for the Group, while Group instructions provide more detailed and operative control, and lay down binding rules.

The "Roles and Allocation of Responsibility" instruction defines decision-making bodies and fundamental roles within the Group.

Another set of central instructions are the "Principles for Decision-Making and Delegation", which also cover delegation from the CEO to the heads of the Business Groups, Group Functions and Group Shared Services.

The Group's management processes for strategic planning, business planning and follow-up are central governance tools for the Executive Group Management.

The Group functions are responsible for proposing, developing and following up Group policies and instructions. The Group's Quality function is charged with coordinating the GMS. Both the Head of the Group's Quality function and the Head of Group Environment must approve all Group policies and instructions prior to final adoption. All governing documents at the Group level are submitted to the EGM for approval.

All activities within Vattenfall are obligated to comply with the GMS governing documents. Consequently, each Business Group has a complementary management system that is adapted to the detailed requirements of its operations. Special routines are in place to ensure that the GMS and EMS are also applied by subsidiaries. With respect to subsidiaries in the Nordic countries, this is done in part through special owner statements at Annual General Meetings with the purport that the management systems shall also apply for the respective subsidiaries within the framework of applicable laws, etc. These owner statements are a part of Vattenfall's management systems and enable Group-wide governance of operation in accordance with the intentions that are ultimately adopted at Vattenfall AB's Annual General Meeting. The Group's Internal Audit function is responsible for reviewing and evaluating compliance with the GMS.

### Organisation and processes

Vattenfall's organisational model is based on the value chain for electricity – generation, transmission, distribution and sales – and for heat – generation, distribution and sales. The President, who is also the Chief Executive Officer, heads the Group's business activities and administration in accordance with the Swedish Companies Act and the Board's instructions. Reporting and follow-up of the business activities are conducted with full transparency in accounting, control, profitability and value creation.

In terms of governance, Vattenfall’s operations are broken down into three categories:

- Business activities are handled by Business Groups and their Business Units in defined geographic areas.
- Group and Business Group functions that support their respective management teams.
- Shared Service units, which provide services that support their customers’ (internal Business Units and others) efforts to optimise their business activities. Shared Service activities are run on a full cost basis and operate at both the Group (Group Shared Services) and Business Group levels.

A number of governance processes that are essential for the Group have been established. Each process is managed by a process owner, usually a member of the EGM, who is responsible for developing the process. At present, the following Group processes exist:

| Process                        | Process owner            |
|--------------------------------|--------------------------|
| Strategy and business planning | Head of Group Strategies |
| Reporting and follow-up        | Chief Financial Officer  |
| Risk management                | Chief Financial Officer  |
| Mergers & acquisitions         | Head of M&A              |
| Investments                    | Chief Financial Officer  |
| Communications                 | Head of Communications   |
| Management planning            | Head of Human Resources  |
| Capacity management            | Head of Group Strategies |

The strategy and business planning process culminates in yearly strategy and business plans. This process includes

the analysis and assessment of strategic issues for ongoing evaluation with decisions on selection, formulation and prioritisation made by the EGM. Strategy planning includes the Group’s long-term operations as well as its financial performance. Each year a five-year strategic plan is drafted for decision by Vattenfall’s board.

Based on the directives of the strategic plan, the Business Groups and Business Units draw up three-year business plans that are ultimately approved by the EGM. The business plans for the following calendar year are adopted by the Board.

**Governing business ethics**

Vattenfall’s core values are:

*Openness, Accountability and Effectiveness.*

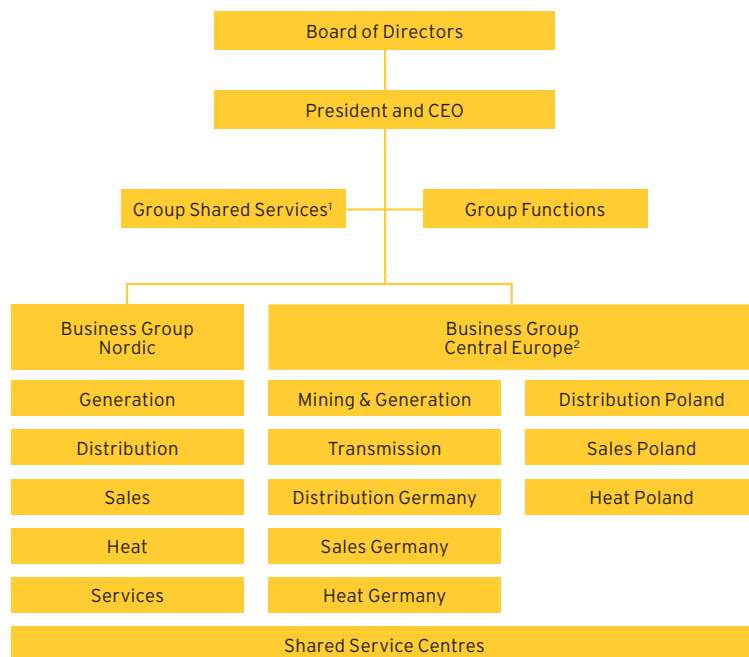
Vattenfall’s joint-Group Code of Conduct and company philosophy stipulate that all employees shall adhere to and work in accordance with Vattenfall’s core values, policies and Group instructions. The stipulations of the Code are concretised in other parts of the GMS, such as in instructions for general legal and business ethics principles, and competition matters. Further information on governing business ethics is provided in Vattenfall’s CSR Report, which can be downloaded and ordered from Vattenfall’s website: [www.vattenfall.com](http://www.vattenfall.com).

**Audit of the Corporate Governance Report**

The Corporate Governance Report and the description below of the Company’s internal control of financial reporting have not been reviewed by the Company’s auditors.

**Vattenfall’s Group Management System and organisation**

**Building blocks of Group Management System**



1) Vattenfall Trading Services, Vattenfall Treasury, Vattenfall Insurance, Vattenfall Research and Development and Vattenfall IT Infrastructure Services.

2) Business Group Germany and Business Group Poland were integrated on 1 January 2008 into the new Business Group Central Europe.

### **The Board's report on internal control of financial reporting**

This report has been prepared in accordance with section 3.7.2 of the Swedish Code of Corporate Governance (the Code). It includes a description of the most important internal control routines regarding Vattenfall's financial reporting.

#### **Control environment**

Apart from relevant legislation, the framework surrounding the Board consists of the Swedish state's ownership and administration policy and the Code.

Vattenfall's Group-wide Code of Conduct, which has been approved by the Board, expresses the expectation that all employees agree to adhere to Vattenfall's company philosophy, Code of Conduct, core values, policies and rules.

The formal decision-making structure in the Group is based on the division of responsibility between the Board and CEO, which the Board has established in its Rules of Procedure. To define and ensure a shared view of roles and responsibilities, the EGM has adopted a management system with governing documents which provide – among other things – Group instructions for decision-making, delegation and authorisation, governance of subsidiaries, risk management and internal control.

#### **Risk analysis**

The rules and outcome of the Group's risk assessment and risk management processes are reviewed by the Board each year. The Board has appointed an audit committee tasked with, among other things, assessing the scope and focus of the Group's risk management. The Group's risk management and reporting are co-ordinated by a risk committee that is headed by Vattenfall's CFO.

#### **Control activities and follow-up**

The Board receives monthly financial reports, and the Parent Company's and Group's financial position are discussed at every board meeting. The EGM has regular follow-up meetings on the financial outcome with the management and finance functions of the various business areas.

Vattenfall's management system contains a description of the essential financial reporting processes. The management system serves as a platform for internal control for all units within the Group. The control activities for financial reporting in the Group are followed up, analysed, developed and improved on a continuous basis. In 2007 Vattenfall conducted a Group project aimed at further strengthening internal control of financial reporting. A newly developed framework focusing on adopting key controls in financial reporting was completed during the year. Starting on 1 January 2008, responsibility for reporting, follow-up and continuous development of the framework for good internal control in financial reporting has been transferred from the project organisation to a newly established Compliance Officer function in the Group function Finance. In addition, Internal Audit has performed and reported on reviews in selected areas.

#### **Information and communication**

Information and communication about the Group's policies, instructions, guidelines and manuals are available on Vattenfall's intranet. Updates and changes in accounting and reporting principles are communicated via messages on the intranet, e-mail, and at regular meetings held by the Group's finance and control functions.

# BOARD OF DIRECTORS

**Dag Klackenborg** (born 1948) is Chairman of the Board and was elected as a director in 2001. He has an MBA from the Stockholm School of Economics and Bachelor of Law degree from Stockholm University. After completing an internship with the Ministry for Foreign Affairs in 1974, he held various positions at the Ministry for Foreign Affairs until 1993, when he was named Director-General for Administrative Affairs, a position he held until 2001. Since 2001 he has been serving as President of the Swedish Trade Federation. He is a director on the boards of Handelsbanken Regionbank Stockholm and Atrium Ljungberg AB, and is Chairman of the Board of Ersta Sköndal högskola.

**Hans-Olov Olsson** (born 1941) is Vice Chairman of the Board and was elected as a director in 2004. He has a M.Sc. in Political Science from Göteborg University with a focus on Economics and Information Management. He has completed a management programme at Harvard Business School. In 2006 he conferred with an honorary doctorate in economics from the Göteborg University School of Business, Economics and Law. He began his career at Volvo in 1966 as a systems engineer, followed by a number of management positions. He was CEO of Volvo Car Corporation from 2000–2005 and Chairman in 2006. In 2006 he was responsible for global branding and marketing strategy at Ford Motor Company and a member of Ford's executive management. He is currently Chairman of the industry and employer organisation Teknikföretagen and Vice Chairman of the Confederation of Swedish Enterprise. He is also a director on the boards of AB SKF, Lindab International AB, Höganäs AB, Elanders AB, the Anna Lindh Memorial Fund and the IQ initiative.

**Maarit Aarni-Sirviö** (born 1953) was elected to the Board in 2003 and resigned at the 2007 Annual General Meeting.

**Carl-Gustaf Angelin** (born 1951) is an employee representative (for "Akademikerrådet") and was elected to the Board in 2003. He has a M.Sc. in Engineering from the Royal Institute of Technology in Stockholm. Between 1977 and 1988 he worked at AB Svenska Fläktfabriken, and has since served in various positions within the Vattenfall Group. He is currently active in Sales Nordic.

**Johnny Bernhardsson** (born 1952) is an employee representative (for "Unionen") and was elected to the Board in 1995. He is a qualified engineer and has completed supplementary coursework in economics at TBV. He has held various positions within the Vattenfall Group since 1970.

**Christer Bådholm** (born 1943) is a director and was elected to the Board in 2002. He has an M.Sc. in Engineering from Chalmers University of Technology (Gothenburg) and has also completed courses in Corporate and Group Management at IFL and in International Management at MiL. He has a long record of experience as a CEO for various companies in the transport industry, including ABV Southern Region, NCC International AB, ABB Traction AB, Adtrans GmbH and Bombardier Transportation GmbH. He has had his own consultancy business since 2002. He is also a director on the boards of Anläggnings AB ODEN and Icomera AB, and is Chairman of Bombarier Transportation Sweden AB and Balfour Beatty Rail AB.

**Lars Carlsson** (born 1951) is an employee representative (for "Unionen") and was elected as a deputy director to the Board in 1991. He has a degree in engineering from Katrineholm Technical College. He has held various positions within the Vattenfall Group since 1972.

**Ronny Ekwall** (born 1953) is an employee representative for SEKO (the Union of Service and Communication Employees) and was elected to the Board in 1999. He has electrical engineering training from the Stora Kopparberg Vocational College. From 1969–1977 he served as principal electrician at Stora Kopparberg, and has since then worked as an electrician within the Vattenfall Group.

**Greta Fossum** (born 1947) is a director and was elected to the Board in 2006. She has a M.Sc. in Engineering and an Engineering Licentiate from the Royal Institute of Technology in Stockholm, and an Honorary Doctorate from Umeå University. From 1974 until 2000 she served as a departmental manager and research manager at Modo R&D in Örnsköldsvik, and is currently an executive at Skogsindustrierna with responsibility for research policies. She is a director on the boards of Innovationsbron Umeå, The Marcus Wallenberg Foundation, Allehanda Media AB and Tryckteknisk Forskning AB, and a member of the Royal Swedish Academy of Engineering Sciences (IVA).

**Jonas Iversen** (born 1965) is a director and was elected to the Board in 2007. He has a M.Sc. degree in economics from Stockholm University and is assistant undersecretary and head of the division for state ownership in the Ministry of Enterprise, Energy and Communications. He was previously a deputy director in the Ministry of Finance. He is also a director on the board of Vin & Sprit AB.

**Stig Lindberg** (born 1946) is an employee representative for Ledarna (the Swedish Organisation for Managers) and was elected as a deputy director in 1992. He has a degree in technical engineering and has served as a foreman at Kraftbyggarna Entreprenad AB and Ringhals AB, and in the Vattenfall Group since 1985.

**Peter Lindell** (born 1972) was elected as a director on the Board in 2002 and resigned at the 2007 Annual General Meeting.

**Per-Ove Lööv** (born 1961) is an employee representative for SEKO (the Union of Service and Communication Employees) and was elected as a deputy director in 1999. He has a degree in Business Economics from the Luleå University of Technology, and a degree in Engineering from Midkogsskolan Luleå. He has held various positions within the Vattenfall Group since 1987.

**Lone Fønss Schrøder** (born 1960) is a director and was elected to the Board in 2003. She has a M.Sc. in Law from the University of Copenhagen, and a M.Sc. in Economics from the Copenhagen Business School. From 1982–2003 she held various executive positions at A.P. Møller/Maersk A/S, and since 2003 she has been serving as Managing Director of Wallenius Lines AB. She is a director on the boards of DSB and Yara ASA, Chairman of Bioneer A/S and WWL A/S, and Vice Chairman of Aker ASA.

**Tuija Soanjärvi** (born 1955) is a director as was elected to the Board in 2007. She has a Master's in Economics from the Helsinki School of Economics and Business Administration and is CFO of Itella Abp (formerly Posten Finland Abp). She worked for Kesko Abp from 1981 to 1986, and thereafter held various positions for TietoEnator Abp. She was CFO for Elisa Abp from 2003 to 2005.

**Anders Sundström** (born 1952) is director and was elected to the Board in 2004. He has a BA in Social Science from Umeå University. He served as Municipal Commissioner for the Municipality of Piteå from 1980–1994, Chairman of the Norrbotten Chapter of the Swedish Social Democratic Party from 1989–1999, and was a member of the Social Democratic party board and executive committee from 1990–2005. He has also held several minister posts in the Swedish government: Minister of Labour from 1994–1996, Minister of Enterprise, Energy and Communications from 1996–1998, and Minister of Health and Social Affairs in 1998. From 1999–2002 he was President of Sparbanken Nord. He is currently Managing Director of Folksam Liv and Folksam Sak, Chairman of the Luleå University of Technology, and a director on the boards of Boliden AB, Falck A/S and ALKA Forsikring A/S.



In November the Board of Directors visited Vattenfall's nuclear power plant Krümmel, Germany.

Dag Klackenberg



Christer Bådholm, Ronny Ekwall, Johnny Bernhardsson, Carl-Gustaf Angelin



Per-Ove Lööv, Hans-Olov Olsson, Stig Lindberg, Tuija Soanjärvi



Jonas Iversen



Anders Sundström



Lone Fønss  
Schröder



Lars Carlsson



Greta Fossum



# EXECUTIVE GROUP MANAGEMENT

**Lars G. Josefsson** (born 1950) has been serving as President and CEO since 2000. He has a M.Sc. in Engineering from the Chalmers University of Technology in Gothenburg and began his career at Ericsson in 1974, where he held several positions until 1993 in the Radar Section and Surface Sensor Division. From 1993–1997 he was Managing Director of Schrack Telecom AG, Vienna, and thereafter served as Managing Director of Celsius until 2000. He is a director on the board of ESKOM Holdings Ltd, Vice Chairman of Eurelectric and Chairman of the German-Swedish Chamber of Commerce. At year-end Lars G. Josefsson did not have any material shareholdings in companies with which Vattenfall has business dealings.

**Jan Erik Back** (born 1961) took office as First Senior Executive Vice President and Chief Financial Officer in January 2007. He has an MBA from Uppsala University and began his career with Handelsbanken, in 1987. Between 1987 and 1998 he held several positions in the areas of money markets, foreign operations and central business control. He joined Skandia in 1998 as Head of Group Accounting and was subsequently named Group Controller. He became CFO of Skandia in 2002 and was also named as an Executive Vice President, a position he held until autumn 2006.

**Tuomo Hatakka** (born 1956) is Senior Executive Vice President of Vattenfall AB since 2005 and Head of Business Group Central Europe since 1 January 2008. He was Head of Business Group Poland from 2004 to December 2007. He studied at the Helsinki School of Economics and Business Administration and the Instituto de Estudios Superiores de la Empresa, in Barcelona, Spain. His professional experience includes work as a consultant at Bain & Company, London, Executive Vice President and partner at Enterprise Investors in Warsaw, Poland, and President and CEO of Elektrim Kable SA, Warsaw, Poland.

**Hans von Uthmann** (born 1958) has been serving as Senior Executive Vice President of Vattenfall AB and Head of Business Group Nordic since 2003. He attended the Stockholm School of Economics. From 1984–1994 he held various management positions with the Shell Group. He then served as Head of Business and Strategy Consulting for Shell International in London until 1996, when he was appointed as Managing Director of AB Svenska Shell. In 2000 he was named President and CEO of Duni AB, a post he held until 2003. He is a director on the boards of the Confederation of Swedish Enterprise, DF AB and Fryshuset, Vice Chairman of Svensk Energi, and Chairman of EFA (Energiföretagens Arbetsgivareförening).

**Helmar Rendez** (born 1962) took office as Senior Vice President, Group Function Strategies in August 2007. He has a Ph.D. from the Berlin University of Technology (TU). He was a project manager at Zentrum für Logistik und Unternehmensplanung GmbH in Berlin from 1989–1993, Managing Director of Kienbaum Management Consultants GmbH's Berlin office from 1993–1998, and head of group development at VEAG (Vereinigte Energiewerke AG), Berlin from 1998–2001. He was responsible for the integration process within Vattenfall Europe and head of Company Development from 2001–2003. He was a member of the executive management of WEMAG AG, Schwerin, from 2004–2007, and Managing Director of Vattenfall Europe Business Services GmbH, Berlin, from 2006–2007.

**Ann-Charlotte Dahlström** (born 1952) has been serving as Senior Vice President, Group Function Human Resources since 2001. She has an MA from Stockholm University and has completed several management courses. Prior to joining Vattenfall she served as Head of Human Resources for the Stockholm County Council, Ericsson and SEB. She is a director on the boards of EFA (Energiföretagens Arbetsgivareförening), IHM Business School and Salus Ansvar.

**Mats Fagerlund** (born 1950) was Executive Vice President, Group Function Legal Affairs (Legal Affairs and M&As) from 2003–2007. He is a member of the executive management (Vorstand) of Vattenfall Europe AG and Head of Distribution Germany and Transmission for Business Group Central Europe. 31 December 2007 he left his position as Head of Group Function Legal Affairs and also his seat on the Executive Group Management.

**Knut Leman** (born 1950) was Senior Vice President, Group Function Communications from 2000 until 1 February 2008, when he retired. He has a Diploma in Market Economics from DIHM, and a PR and Journalism degree from Skurups Folkhögskola. Prior to joining Vattenfall, he served as Information Officer for Volvo AB from 1991–1997, and thereafter as Information Officer for Bure Equity AB, until 2000. He is a director on the board of the Swedish Marketing Federation.

**Lennart Billfalk** (born 1946) was Senior Vice President, Group Function Strategies until mid-August 2007, when he retired.

**Klaus Rauscher** (born 1949) was a Senior Executive Vice President of Vattenfall AB since 2003 and Head (Vorstandsvorsitzender) of Vattenfall Europe AG until July 2007, when he resigned.

**Hans-Jürgen Cramer** (born 1951) served as Senior Executive Vice President of Vattenfall AB in 2007 and was Head of Business Group Vattenfall Europe and spokesman for Vattenfall Europe AG's executive management (Vorstand) from July–December 2007. He left his post on 31 December 2007 following a reorganisation.

## New members of the Executive Group Management starting 1 February 2008

**Carolina Wallenius** (born 1968) is Senior Vice President, Group Function Communications. She has a M.Sc. in Economics from Stockholm University and has held various management positions at the corporate level for the Stockholm County Council and Intentia, among others. She was also a business area manager for Tradimus (now called Aditro).

**Hélène Biström** (born 1962) is Vice Head of Business Group Nordic since 2007. She has a M.Sc. in Engineering from the Royal Swedish Institute of Technology in Stockholm. She has held various positions with Vattenfall AB from 1985–2000. From 2001 to 2002 she was President of REGA Energiplanering AB. She returned to Vattenfall in 2003, and from 2004 to 2007 she was Head of Business Unit Heat Nordic.

**Hans-Jürgen Meyer** (born 1957) is Finance Director of Vattenfall Europe AG since 2005. He has a Dr. Jur. (PhD) degree from the University of Tübingen Law School, and a Master of Laws degree from Harvard University Law School, USA. He served as a Law Clerk with the Federal Administrative Court of Germany, in Berlin, from 1983–1985, and from 1987–1991 he worked as a judge. From 1991–2000 he worked for Treuhandanstalt/BVS (a Federal Agency) in Berlin, and was named Vice President in 1993. He joined Bewag AG in 2000 as its Chief Financial Officer. From 2002–2005 he was Head of Control and Finance for Vattenfall Europe AG.



Capital Markets Day at Nalen in Stockholm.



Ann-Charlotte Dahlström



Hans von Uthmann



Lars G. Josefsson



Jan Erik Back



Tuomo Hatakka



Helmar Rendez



Carolina Wallenius



Hélène Biström



Hans-Jürgen Meyer



Hans-Jürgen Cramer  
(left the EGM on 31 December 2007)



Mats Fagerlund  
(left the EGM on 31 December 2007)



Knut Leman  
(retired on 31 January 2007)

In September Vattenfall organised its sixth Capital Markets Day in Stockholm. The aim was to provide investors, bankers and analysts a deeper understanding of Vattenfall's current situation, markets, strategies and future plans, and to give participants an opportunity to ask questions in person to members of the Executive Group Management.