

Vattenfall Q2 results 2011

Øystein Løseth, CEO and
Dag Andresen, CFO

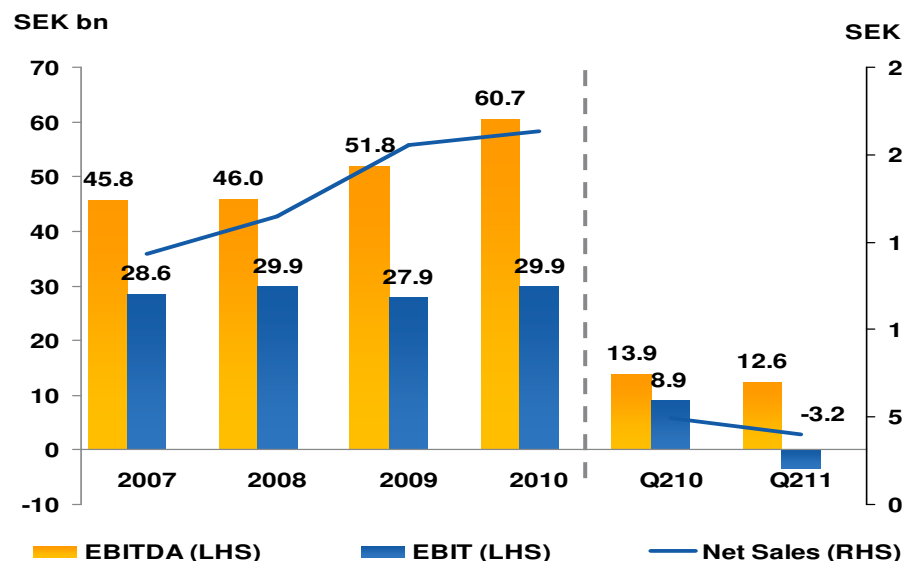
Conference Call, 28 July 2011

Business highlights

- German nuclear decision negatively impacts Vattenfall's Q2 result due to impairment charges and increased provisions (EBIT SEK -10.2 bn)
- Lower electricity generation, lower achieved prices and lower heat and gas sales also negatively impacted EBIT (SEK -3.6 bn)
- Operating profit (EBIT) decreased by SEK 12.2 bn to SEK -3.2 bn
- Divestment of non-core assets according to plan
 - Total proceeds in H1 2011: SEK 5.9 bn
 - Divestment of Belgian operations announced 27 July

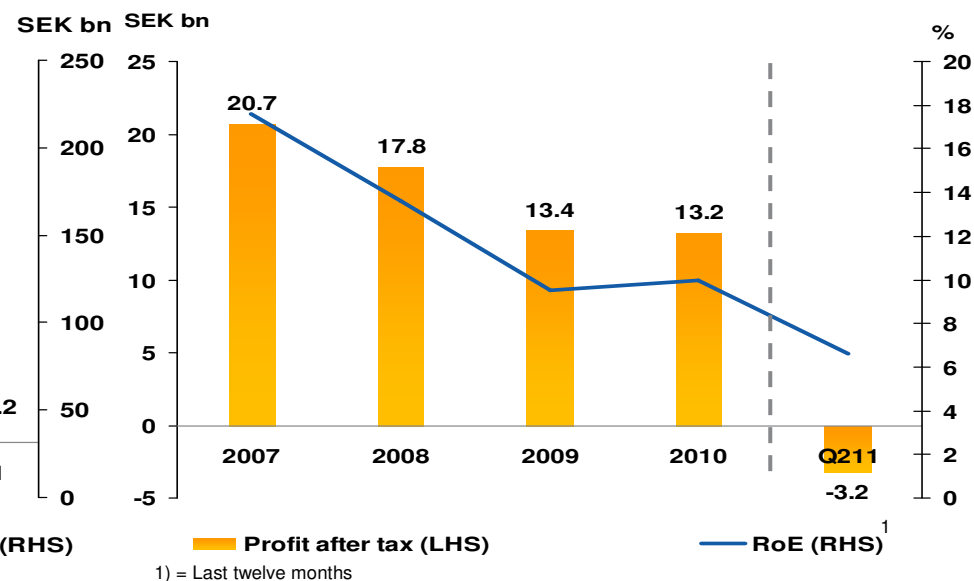
Development of key financial figures

EBITDA, EBIT and Net Sales



- Net sales decreased 18.6% to SEK 40.4 billion
- EBITDA decreased 9.4% to SEK 12.6 billion
- EBIT decreased to SEK -3.2 billion

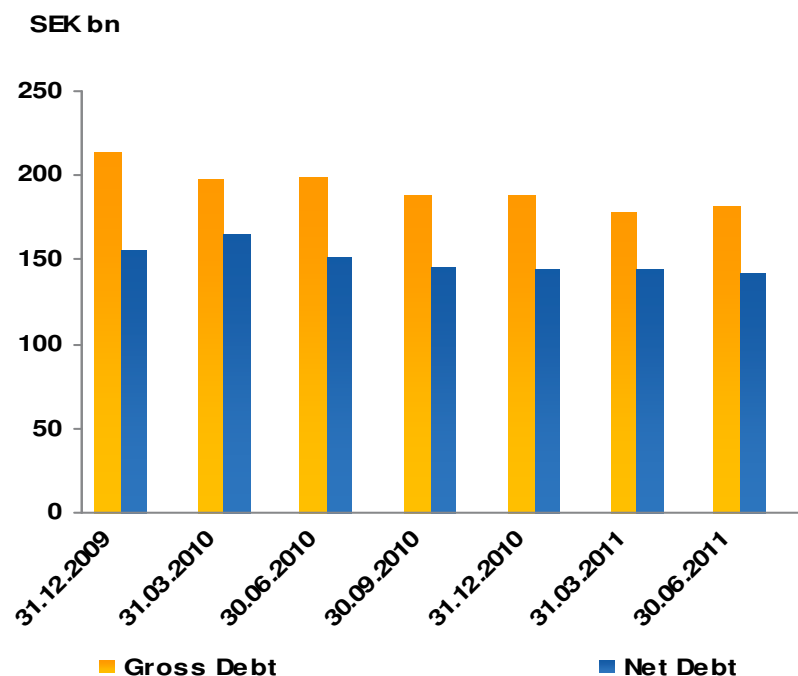
RoE and Profit after tax



- RoE decreased to 6.6%
- Excluding IAC RoE was 14.3%
- Profit after tax decreased to SEK -3.2 billion

Debt development / Key credit metrics

Debt development



- Reported gross and net debt decreased slightly

Key credit metrics

	FY 2009	FY 2010	Q2/11
FFO Interest cover (x)	4.8	6.2	6.2 ¹⁾
FFO/net debt (%)	23.7	27.8	26.0 ¹⁾
FFO/adj. net debt(%)	17.9	23.1	21.3 ¹⁾
Adj.net debt/ EBITDA (x)	4.0	2.9	3.1 ¹⁾

1) Last twelve months

- Credit metrics slightly deteriorated since Q1/11
- Increase of adjusted net debt due to increased provisions related to German nuclear decision

Higher electricity market prices

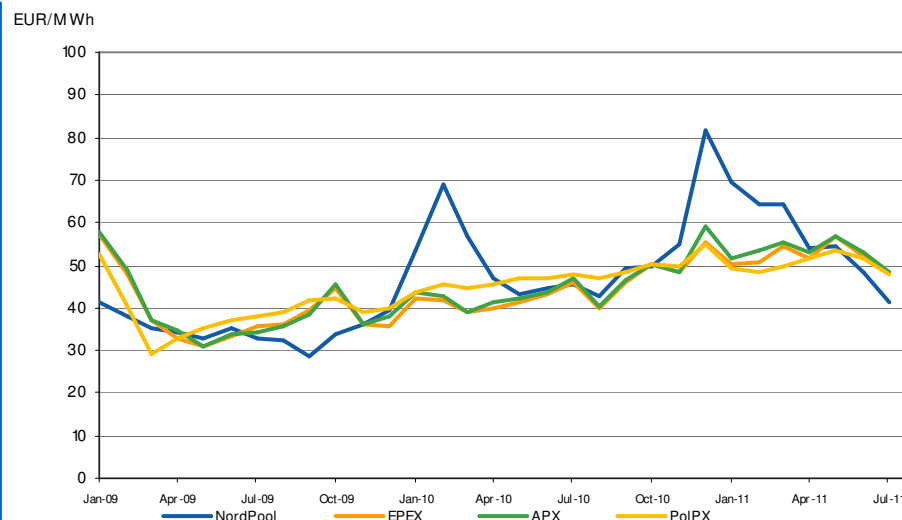
Spot prices

- 16% higher average Nordic spot prices (Q2-11 vs.Q2-10).
 - The hydrological balance continued to recover from -43 TWh in January to -10.9 TWh in June.
- 29% higher average spot prices in Germany and 28% higher average spot prices in the Netherlands (Q2-11 vs. Q2-10).

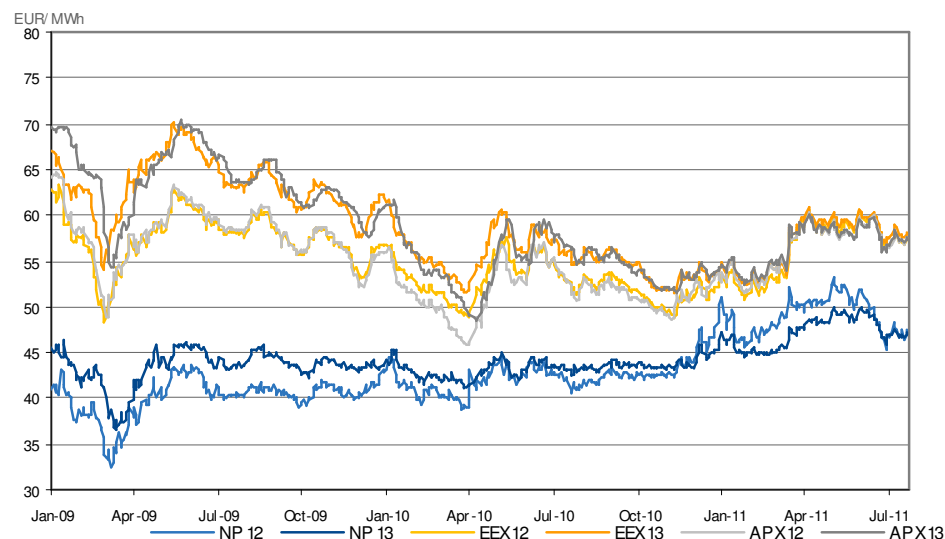
Future prices

- Future prices decreased during June but on average slightly higher than during Q1-11.

Monthly Spot Average

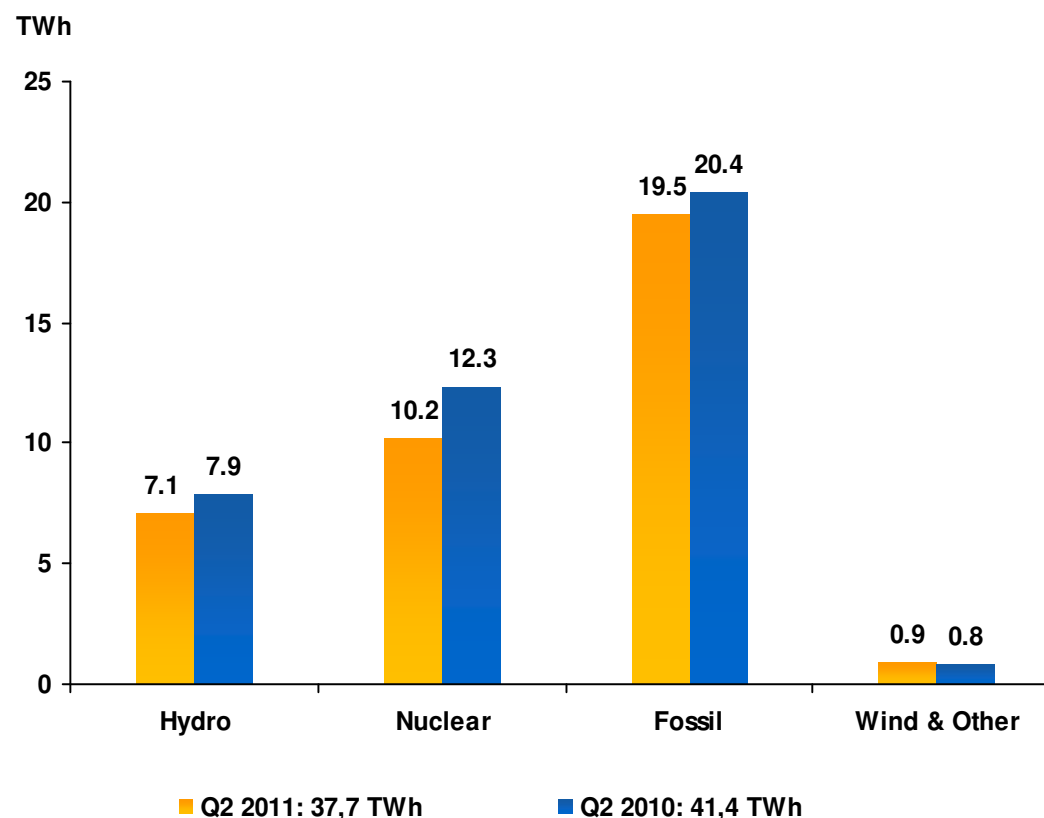


Daily Future Closing Prices



Lower generation volumes

- Electricity generation decreased 3.7 TWh (8.9%) to 37.7 TWh
- Nuclear generation (Sweden) decreased 2.1 TWh (17%) due to planned outages and prolonged outage at Ringhals 2
- Fossil power decreased 0.9 TWh (4%)
- Hydro power decreased 0.8 TWh (10%)
- Wind power increased 0.4 TWh to 0.7 TWh, other (biomass and waste) decreased to 0.2 TWh.



German nuclear decision



- German parliament decided to reverse last year's life-time extension decision on German nuclear plants
- All German nuclear plants to be shut down at the latest by 2022
- All pre-1980 nuclear plants including Krümmel (in total 8 plants) not permitted to restart from temporary shut down
- As a consequence, Vattenfall's nuclear plants Brunsbüttel (66.7%) and Krümmel (50%) will not restart. Dismantling to start several years from now

German nuclear decision - EBIT impact

- Vattenfall had to impair its book value of Brunsbüttel and Krümmel, and increase provisions for dismantling the plants and the handling of nuclear fuel.
- EBIT negatively impacted by 10.2 bn SEK in Q2 2011
 - Impairment charge (write-down) of assets: 5 bn SEK
 - Brunsbüttel 3.3 bn SEK
 - Krümmel 1.7 bn SEK
 - Increased provisions¹: 5.2 bn SEK
 - Additional costs for a longer post-operational phase (the time between decommissioning and dismantling)
 - Reversal of the lowered provisions in 2010 which were based on last years decision on life-time extensions.
 - No impact on cash flow in 2011

1) Including cost sharing from minority shareholder in Brunsbüttel

Swedish nuclear update: Forsmark and Ringhals



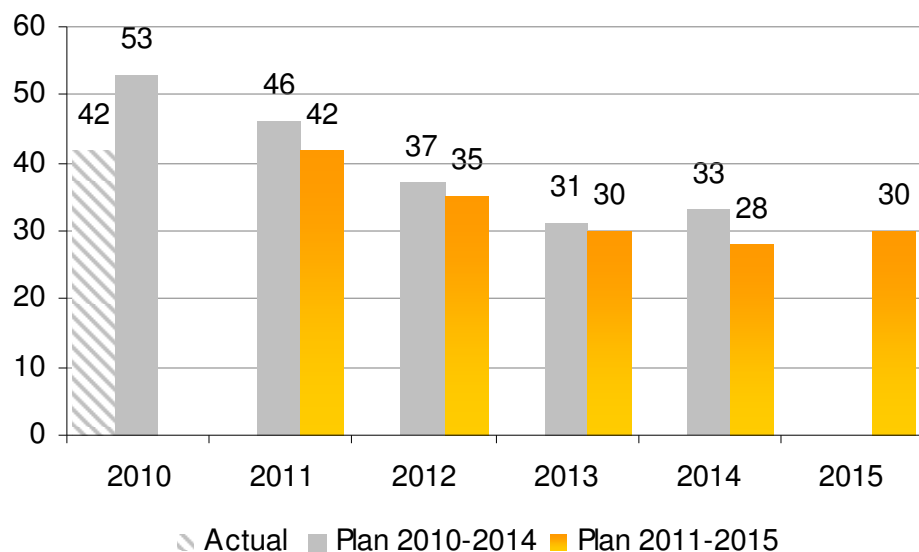
- All reactors at Forsmark are running
- Ringhals 2 offline due to planned outage since 2 April. During outage work a small fire occurred during a test. Restart was delayed, now planned for 18 November
- Ringhals 4 offline due to planned outage since 31 May. Major modernisation; i.a. replacement of steam generators. Planned restart 8 September

Major investment projects

5-year capex programme totals SEK 165bn

(18% reduction compared with previous 5 year programme)

SEK bn



Major on-going investment projects

- Hard-coal fired CHP plant; Hamburg Moorburg, Germany, 1,640 MW (project delayed)
- New lignite power plant unit in Boxberg, Germany, 675 MW (project delayed; expected commercial startup in early 2013)
- Gas-fired power plants Diemen 34, 440 MW, and Hemweg 9, 433 MW, in the Netherlands (expected startup in 2013)
- Gas-fired power plant Magnum in the Netherlands, 1,311 MW (expected startup in 2012)
- Ormonde offshore wind farm, the UK, 150 MW (expected startup in 2011)
- DanTysk offshore wind farm, Germany, 288 MW¹ (expected startup in 2013/2014)
- Nuclear upgrades in Forsmark and Ringhals, Sweden

Efficiency improvement programme on track



Short-term efficiency improvement programme	Status
Cost-cutting programme, SEK 6 bn p.a. by year-end 2013	On track
Divestment of non-core business	On track
Revised investment plan for 2011-2015 to SEK 165 bn	✓
New business-led organisational structure from 1 January 2011	✓

Reshaping the generation portfolio
Focus on growth in low CO ₂ -emitting production, and gas.
Focus on core markets with growth opportunities where Vattenfall has or can build a critical size position.
Reduce CO ₂ -exposure.

Financials

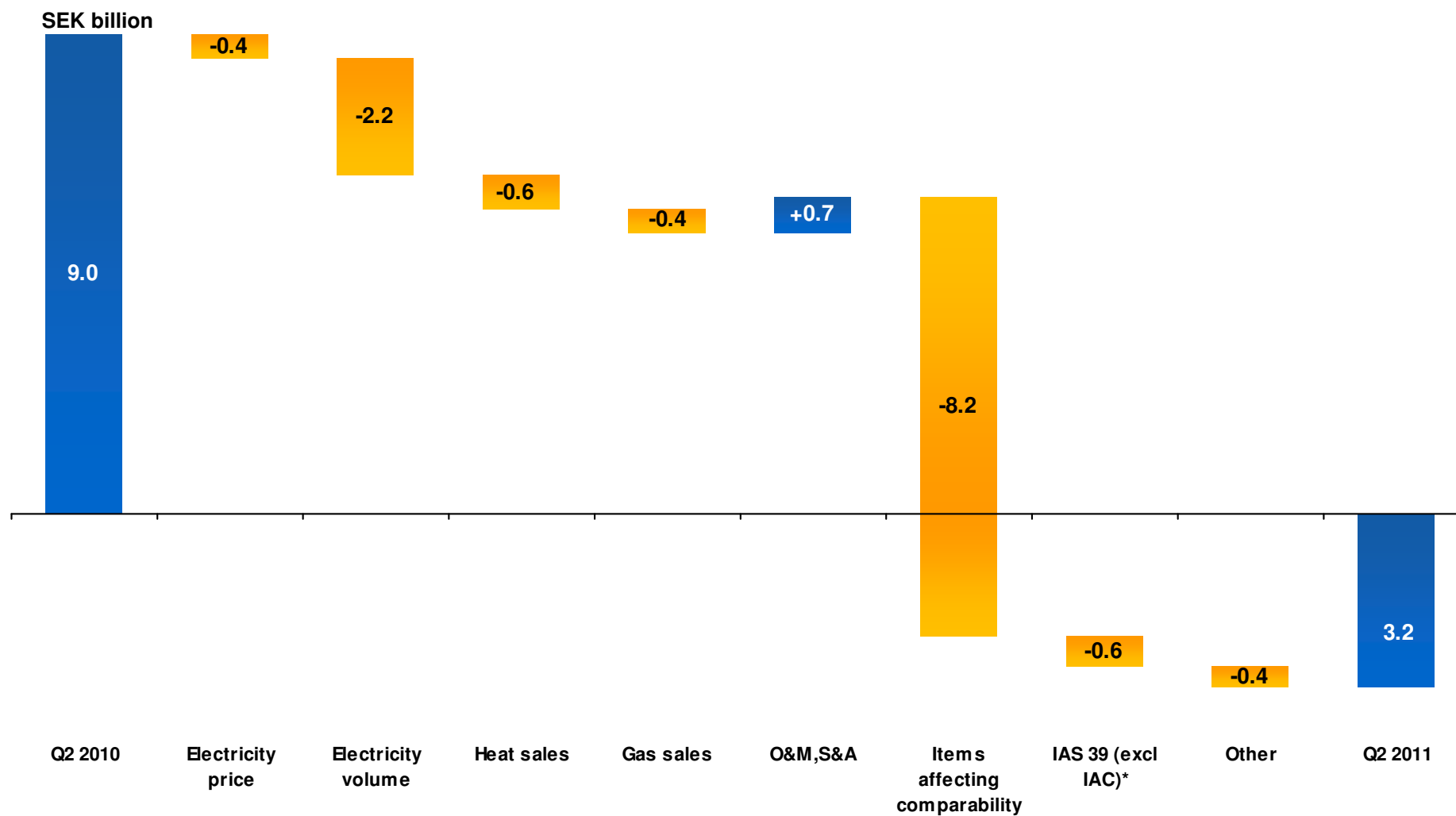
Dag Andresen, CFO

Q2 2011 Financial highlights

SEK million	Q2 2011	Q2 2010	Change (%)
Net Sales	40,443	49,713	-18.6%
EBITDA	12,566	13,867	-9.4%
EBIT	-3,239	8,963	--
EBIT excl. IAC*	4,907	8,936	-45.1%
Profit after tax	-3,235	5,185	--
Profit after tax excl. IAC*	2,268	5,159	-56.0%
FFO	6,125	11,679	-47.5%
Cash flow from operating activities	11,795	17,307	-31.8%
Cash flow before financing activities	7,262	13,828	--

*IAC = Items affecting comparability

EBIT development Q2 2011



* IAS 39 transactions pertain to unrealised changes in the fair value of financial derivatives, which according to IAS 39 may not be reported using hedge accounting.

EBIT, Q2 2011 - by Operating Segment

SEK million

	Q2 2011	Q2 2010	Change	FY 2010
Generation	-6,103	7,841	--	30,388
Distribution and Sales	2,142	1,843	16.2%	8,340
Renewables	68	-305	--	-1,620
Other ¹	654	-416	--	-7,255
Total	-3,239	8,963	--	29,853

1) Includes Staff functions including Treasury activities, Shared Service Centres and the Gas Exploration & Production business.

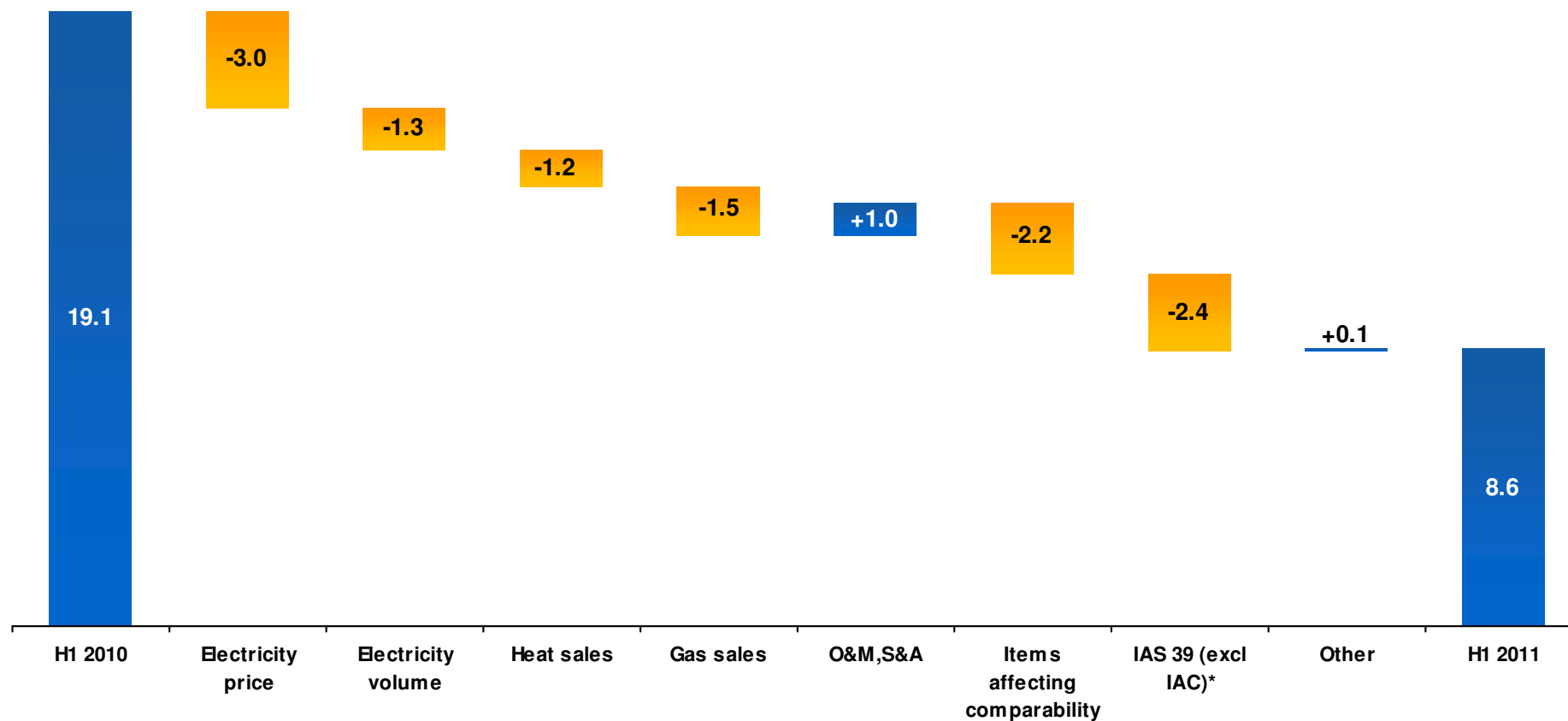
H1 2011 Financial highlights

SEK million	H1 2011	H1 2010	Change (%)
Net Sales	92,311	120,370	-23.3%
EBITDA	29,498	34,666	-14.9%
EBIT	8,603	19,078	-54.9%
EBIT excl. IAC*	16,060	24,312	-33.9%
Profit after tax	3,968	8,972	-55.8%
Profit after tax excl. IAC*	8,982	14,204	-36.8%
FFO	18,281	21,499	-15.0%
Cash flow from operating activities	19,402	19,566	-0.8%
Cash flow before financing activities	9,918	7,331	+35.3%

*IAC = Items affecting comparability

EBIT development H1 2011

SEK billion



Debt development & key earning ratios

Total interest-bearing liabilities (gross debt) decreased
by SEK 6.4 bn to SEK 181.9 bn compared with 31 Dec. 2010

Net debt decreased
by SEK 2 bn to SEK 142 bn compared with 31 Dec. 2010

Adjusted net debt increased
by SEK 6.5 bn to SEK 179.9 bn compared with 31 Dec. 2010
- mainly due to increased nuclear provisions

Return on Net Assets (RoNA)

- Incl. IAC: 5.7%* (FY 2010: 9.1%)
- Excl. IAC: 10.1%* (FY 2010: 12.5%)
- Target 11%

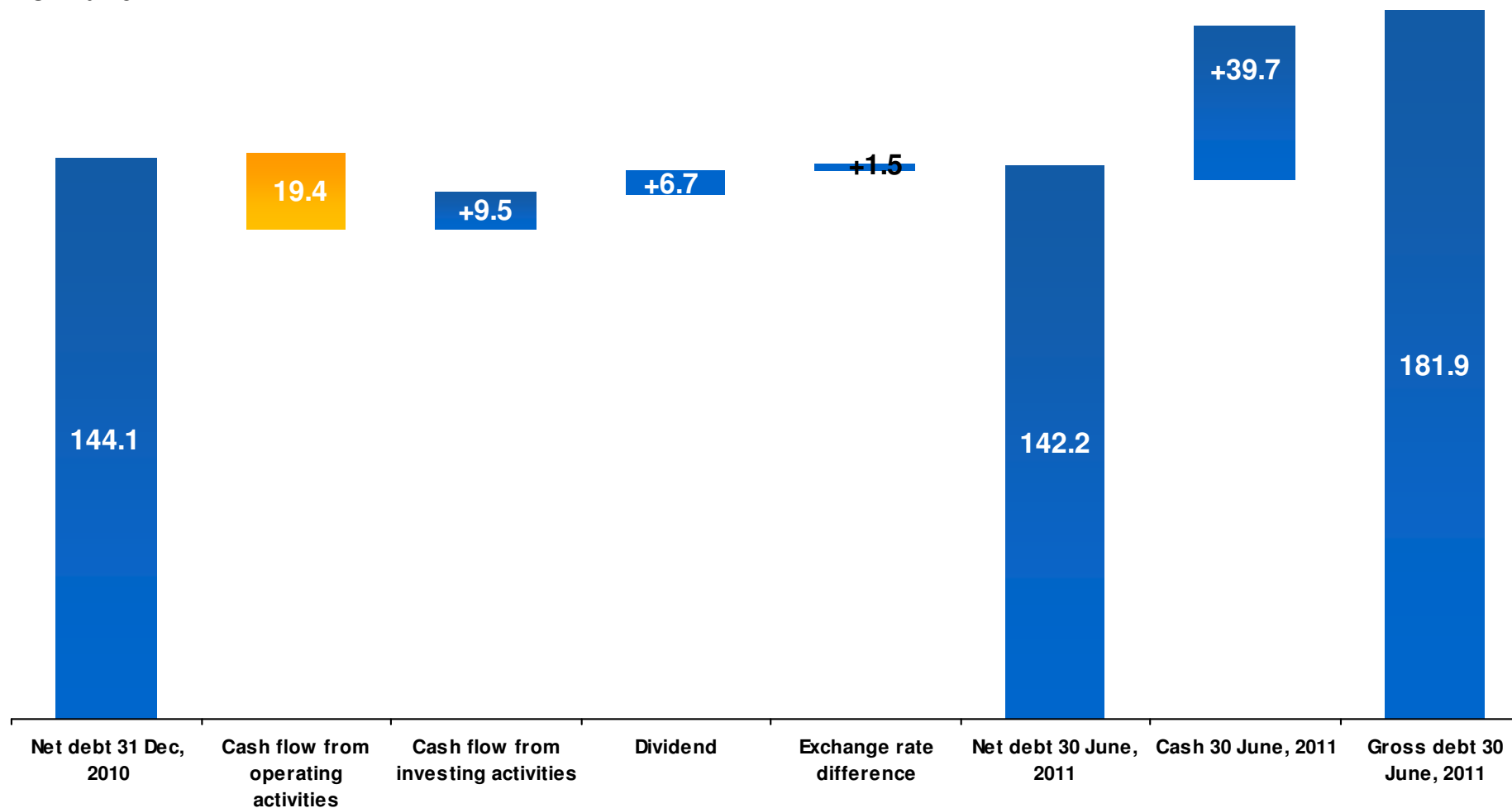
Return on Equity (RoE)

- Incl. IAC: 6.6%* (FY 2010: 10.0%)
- Excl. IAC: 14.3%* (FY 2010: 17.7%)
- Long-term target 15%

*Last 12 months

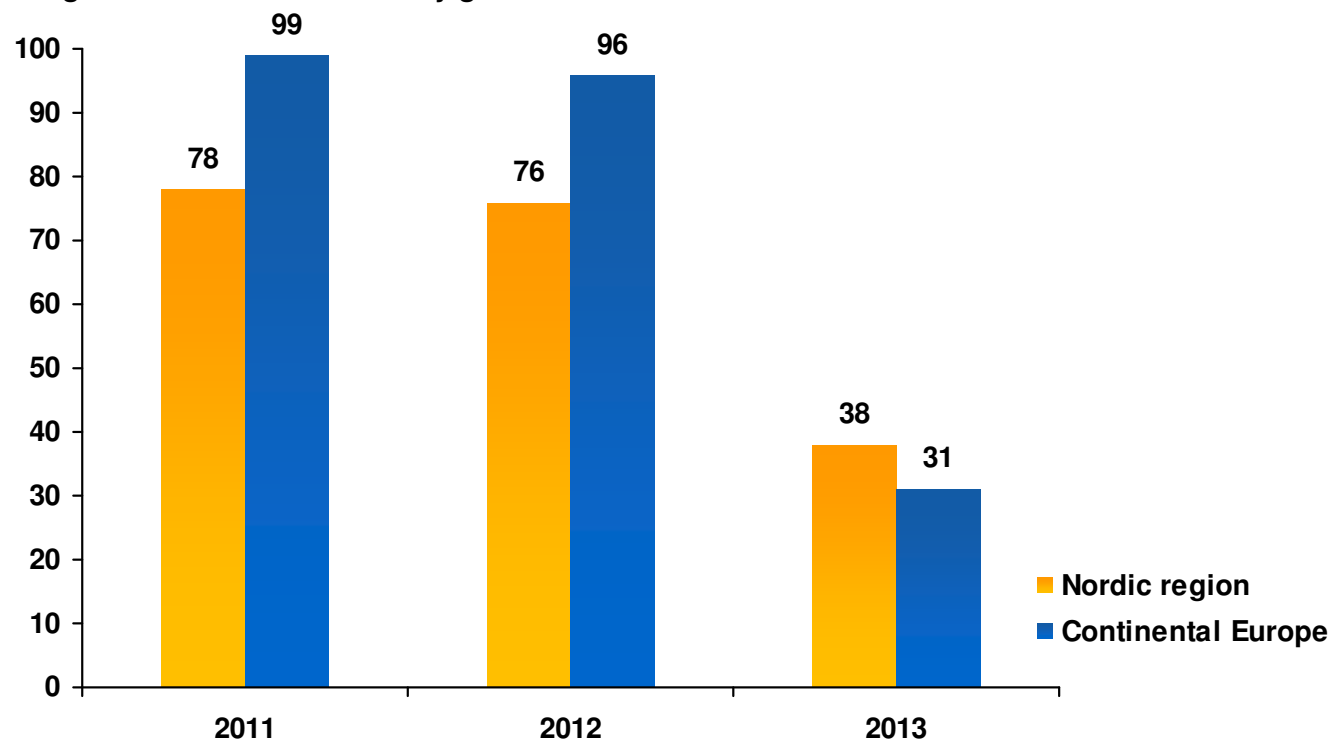
Slightly decreased net debt during H1 2011

SEK billion



Hedging position and prices as of 30 June 2011

% hedged of forecasted electricity generation



EUR/MWh	2011	2012	2013
Nordic region	45	44	45
Continental Europe	56	55	59

Financial targets and outcome

Key Ratio	Targets	Q2 2011
Return on Equity (RoE)	15% on average equity	6.6% ¹ 14.3% excl. IAC ¹
Cash flow interest coverage after maintenance investments	3.5-4.5 times	5.0 ¹
Credit rating	Single A category rating	Moody's: A2, stable outlook S&P: A, negative outlook
Dividend pay-out	40-60%	50% (SEK 6.5 bn paid out 3 May 2011)

1) Last twelve months

Asset disposals - update

- Divestment of non-core assets continues according to plan
- Total proceeds during H1 2011: 5.9 billion SEK, including:
 - 21.3% stake in Energieversorgung Sachsen Ost AG (ENSO), Germany
 - 25% stake in hard coal-fired power plant Rostock, Germany
 - Parts of Swedish consultancy business sold to Pöyry PLC
 - Nuon Exploration & Production B.V., Netherlands
 - Hillerød and Helsingør CHP plants, both natural gas based, Denmark
 - Sale of property Spitalerstraße, Hamburg
- Divestment of Belgian operations announced 27 July

VATTENFALL



Q & A

Appendix

Facts Brunsbüttel and Krümmel



Brunsbüttel:

- Ownership: 66,7% Vattenfall, 33,3 % E.ON
- Start up year: 1977
- Installed capacity (MW): 771 MW (net)
- Normal production output 6 TWh
- Production in 2010: 0



Krümmel:

- Ownership: 50% Vattenfall, 50 % E.ON
- Start up year: 1984
- Installed capacity (MW): 1,346 MW (net)
- Normal production output 10.5 TWh
- Production in 2010: 0

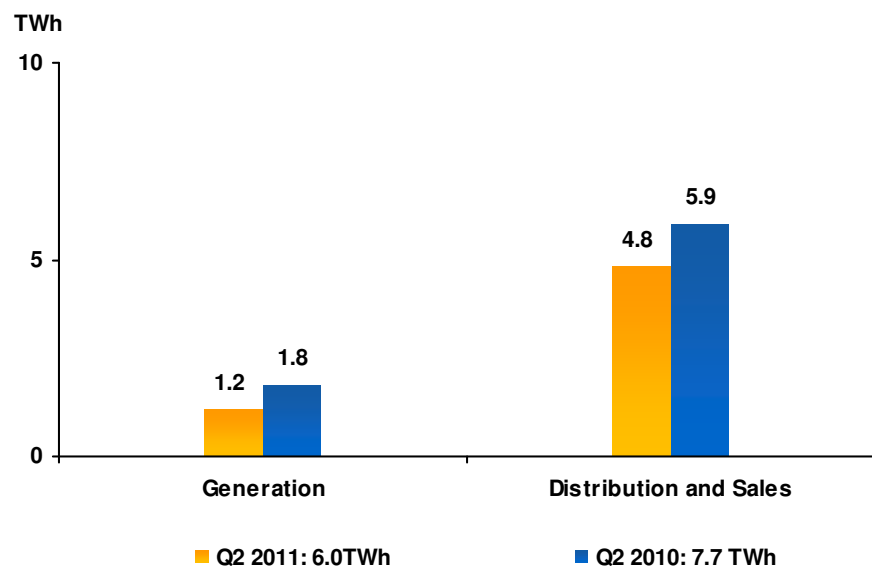
EBIT impact from German nuclear decision

MEUR	Brunsbüttel (100%)	Krümmel (50%)	Total
Write-down of non-current assets and partly used fuel (impairment)	-368	-192	-560
Increase of provisions	-293*	-323	-585
Total EBIT-impact	-661	-484	-1,145

Brunsbüttel is fully consolidated by Vattenfall. Krümmel is accounted for at equity.

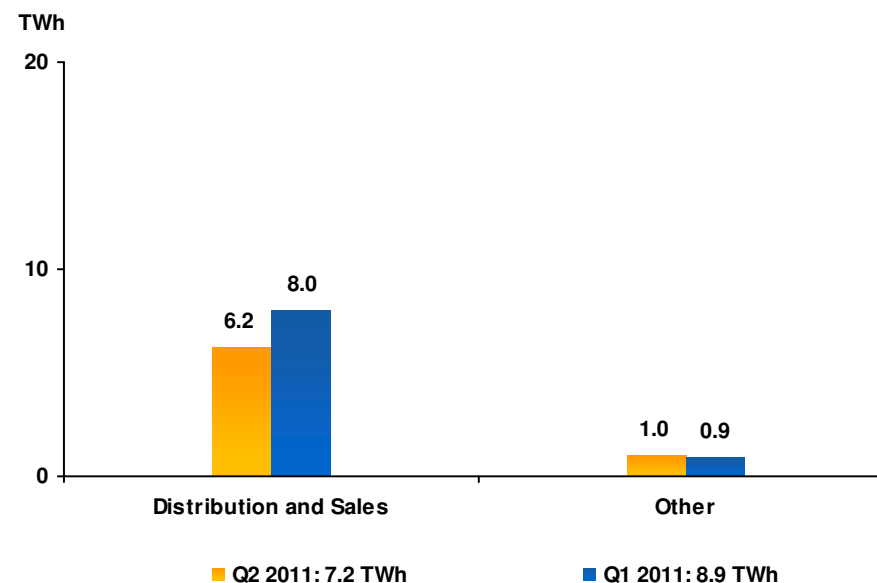
* Including cost sharing from minority shareholder of Brunsbüttel

Heat and gas sales



Heat sales decreased by 1.7 TWh to 6.0 TWh

- Warmer weather compared with Q2 2011



Gas sales decreased by 1.7 TWh to 7.2 TWh

Consolidated income statement

SEK million	Q2 2011	Q2 2010	H1 2011	H1 2010	FY 2010
Net sales	40,443	49,713	92,311	120,370	213,572
Cost of products sold	-40,997	-36,343	-77,805	-87,215	-159,098
Gross profit	-554	13,370	14,506	33,155	54,474
Operating profit	-3,239	8,963	8,603	19,078	29,853
Operating profit, excl. IAC*	4,907	8,936	16,060	24,312	39,952
Financial income	802	295	1,594	861	2,514
Financial expenses	-2,392	-2,427	-5,077	-5,892	-10,944
<i>Financial net</i>	<i>-1,590</i>	<i>-2,132</i>	<i>-3,483</i>	<i>-5,031</i>	<i>-8,430</i>
Profit before tax	-4,829	6,831	5,120	14,047	21,423
Taxes	1,594	-1,646	-1,152	-5,075	-8,238
Profit after tax	-3,235	5,185	3,968	8,972	13,185

* IAC = Items affecting comparability

Consolidated cash flow statement

SEK million	Q2 2011	Q2 2010	H1 2011	H1 2010	FY 2010
Funds from operations (FFO)	6,125	11,679	18,281¹	21,499	40,108
Change in working capital	5,670	5,628	1,121	-1,933	1,123
Cash flow from operating activities	11,795	17,307	19,402	19,566	41,231
Investments	-7,854	-8,973	-14,053	-17,908	41,794
Divestments	3,321	5,785	4,569	5,964	7,197
Cash and cash equivalents in acquired/divested companies	--	-291	--	-291	-186
Cash flow from investing activities	-4,533	-3,479	-9,484	-12,235	-34,783
Free cash flow	8,410	14,288	13,473	13,231	23,846
Cash flow before financing activities	7,262	13,828	9,918	7,331	6,448
Cash flow from financing activities	2,484	-347	-1,844	3,286	-5,147
Cash flow for the period	9,746	13,481	8,074	10,617	1,301
Net debt at the end of the period	-142,453	-151,071	-142,153	-151,071	-144,109

1) The amount is adjusted compared to previously published information due to reclassification of currency effects

Liquidity position

As of 30 June 2011

Group liquidity	SEK million
Cash and equivalents	20 238
Short term investments	18 959
Reported cash, cash equivalents & short term investments	39 197
Unavailable liquidity ¹⁾	-4 173
Available liquidity	35 024

1) German nuclear "Solidarvereinbarung" 3 115, Margin calls paid and others 1 058

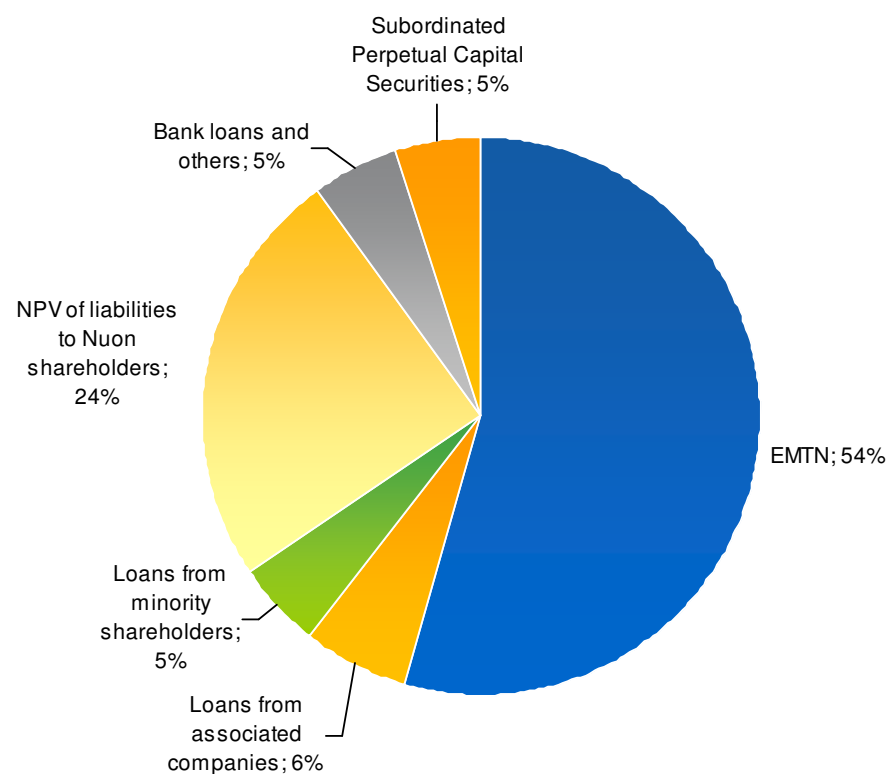
Committed credit facilities	Line size	Amount available SEK million
RCF (maturity Feb 2013)	EUR 1 000 million	9 150
RCF (maturity Jan 2016)	EUR 2550 million	23 333
Overdraft facility	SEK 100 million	100
Total undrawn		32 583
<i>Other credit lines unutilised</i>		<i>3 897</i>

Debt maturities ²⁾	SEK million
- within 90 days	14 070
- within 180 days	21 650

2) Excluding loans from minority owners and associated companies

Breakdown of gross debt

Total debt 30 June 2011 ¹⁾ :
(SEK 181.8 bn / EUR 20.0 bn)



Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	10 385
EUR 2 bn Euro CP	2 000	0
SEK 15 bn Domestic CP	1 639	0
Total	18 639	10 385

- All public debt issued by Vattenfall AB
- The debt portfolio has no currency exposure that has an impact on the income statement. The debt in foreign currency is either swapped to SEK or booked as a hedge against net foreign investments.
- No structural subordination

1) Of which external market debt: SEK 117.1 bn (64%)

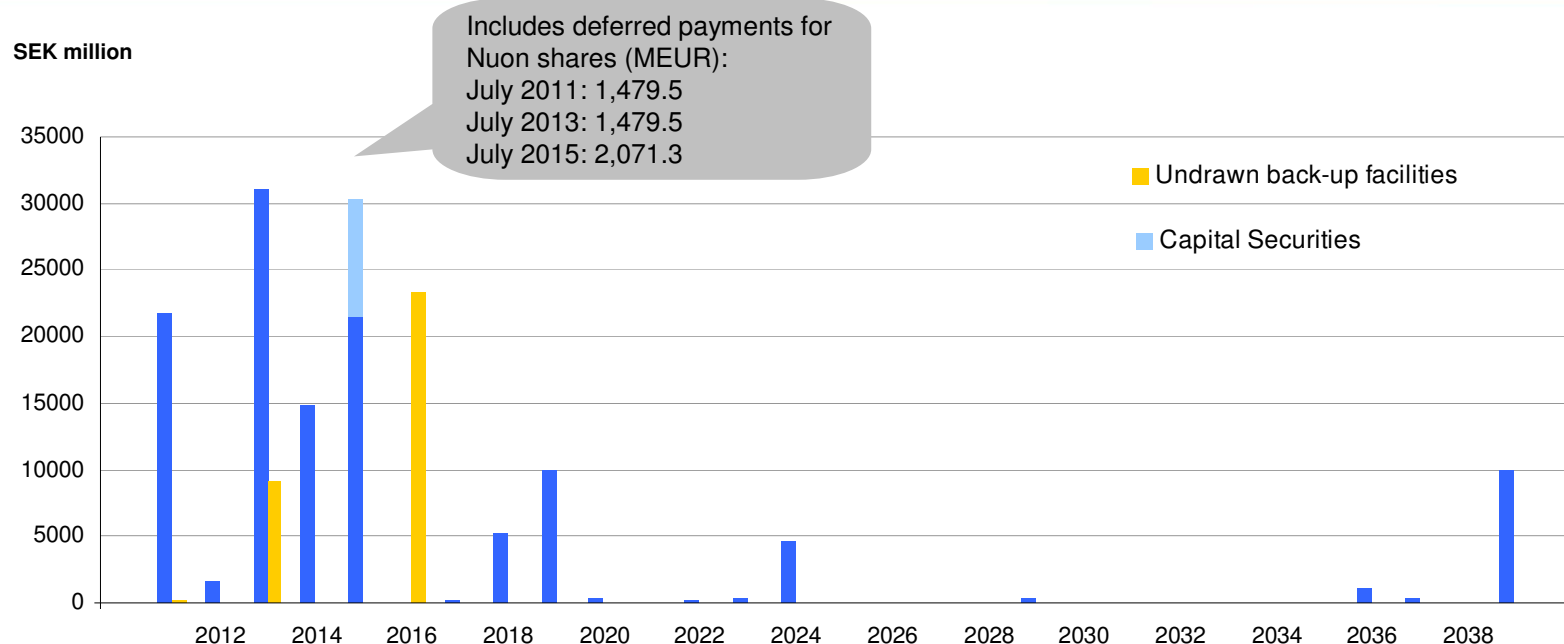
Development of reported and adjusted net debt

Net debt (SEK bn)	June 30 2011	Dec 31 2010
Capital Securities	-9.1	-8.9
Bond issues, commercial papers and liabilities to credit institutions	-98.2	-109.6
Present value of liability pertaining to acquisition of subsidiaries	-44.4	-43.3
Liabilities to associated companies	-10.7	-10.5
Liabilities to minority shareholders	-9.7	-9.3
Other liabilities	-9.8	-6.7
Total interest-bearing liabilities	-181.9	-188.3
Cash and cash equivalents	20.2	12.6
Short-term investments	19.0	31.3
Loans to minority owners of foreign subsidiaries	0.5	0.3
Net debt	-142.2	-144.1

Adjusted net debt (SEK bn)	June 30 2011	Dec 31 2010
Total interest-bearing liabilities	-181.9	-188.3
50% of Capital securities	4.5	4.5
Present value of pension obligations	-20.6	-20.0
Mining & environmental provisions	-12.5	-12.8
Provisions for nuclear power (net)	-19.8	-12.8
Cross currency swaps	1.9	2.7
Margin calls received	4.2	5.2
Liabilities to minority owners due to consortium agreements	9.2	8.9
= Adjusted gross debt	-214.9	-212.6
Reported cash, cash equivalents & short-term investments	39.2	43.9
Unavailable liquidity	-4.2 ¹⁾	-4.7 ¹⁾
= Adjusted cash, cash equivalents & short-term investments	35.0	39.2
= Adjusted net debt	-179.9	-173.4

1) Of which: German nuclear "Solidarvereinbarung" 3.1, Margin calls paid and others 1.1

Vattenfall debt maturity profile

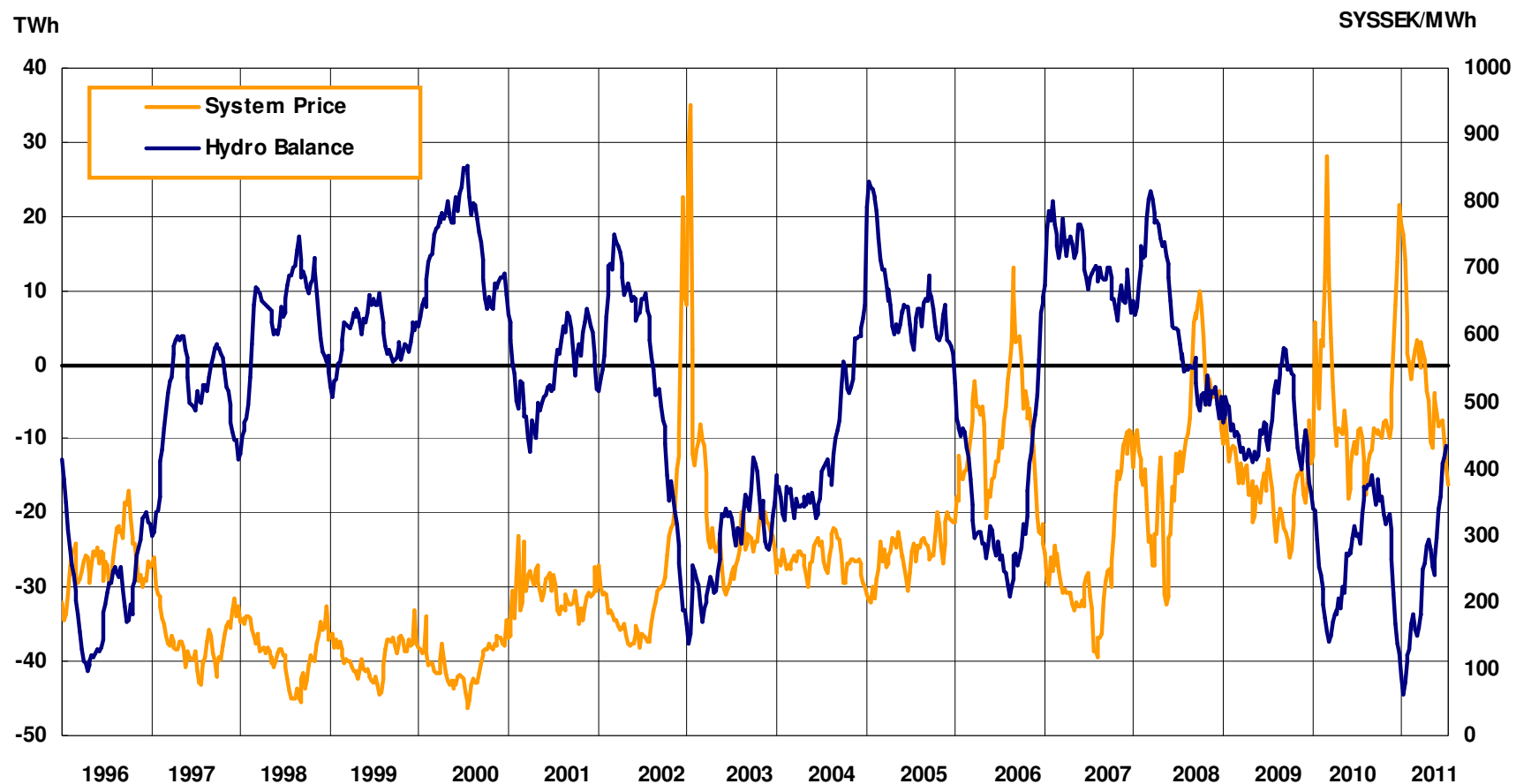


Excluding loans from associated companies and minority owners

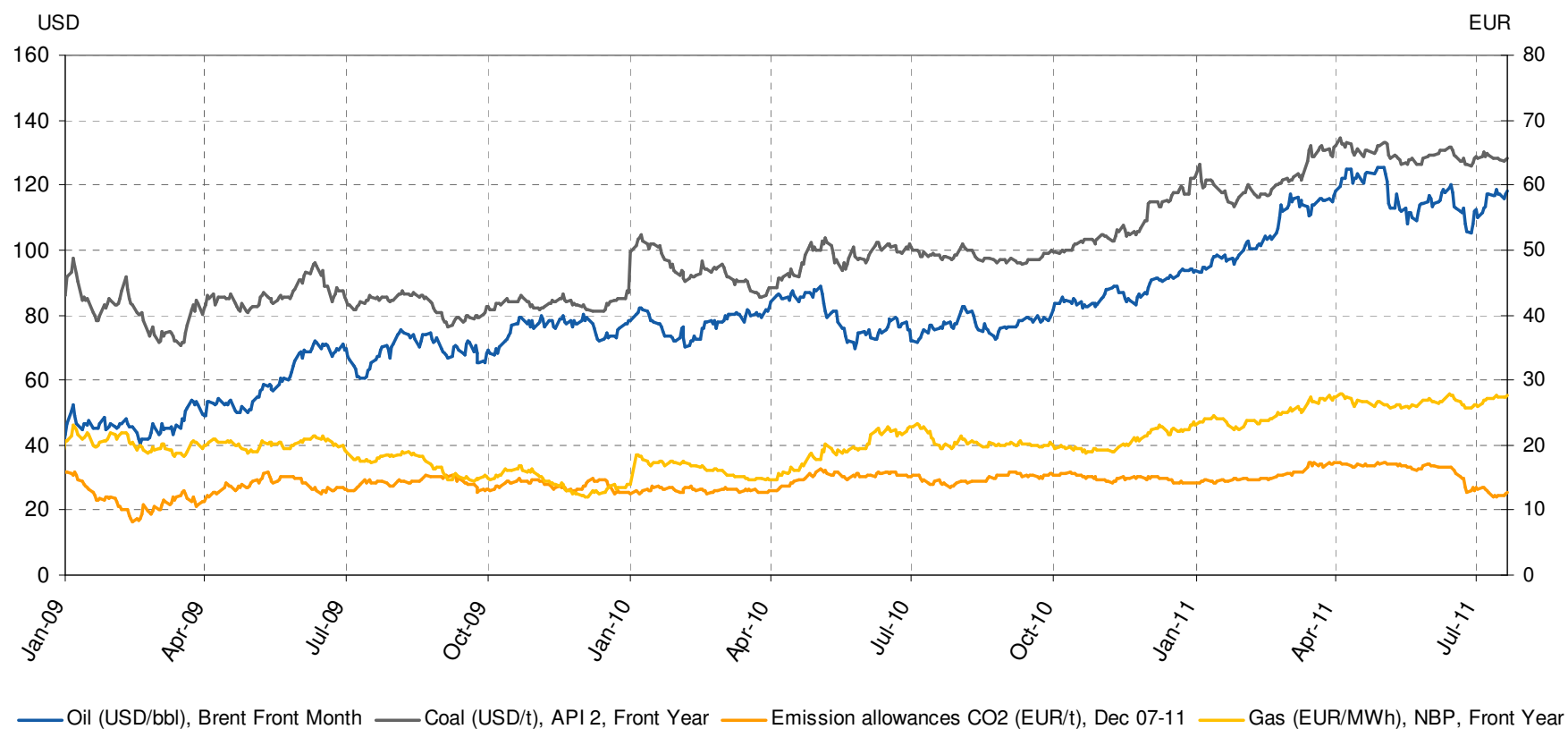
	2011-06-30	2010-06-30
Duration (years)	4.0	4.3
Average time to maturity (years)	6.0	6.9
Average interest rate (%)	3.6	3.4
Net debt (SEK bn)	142.2	151.1

Excluding Capital Securities

Hydrological balance recovered

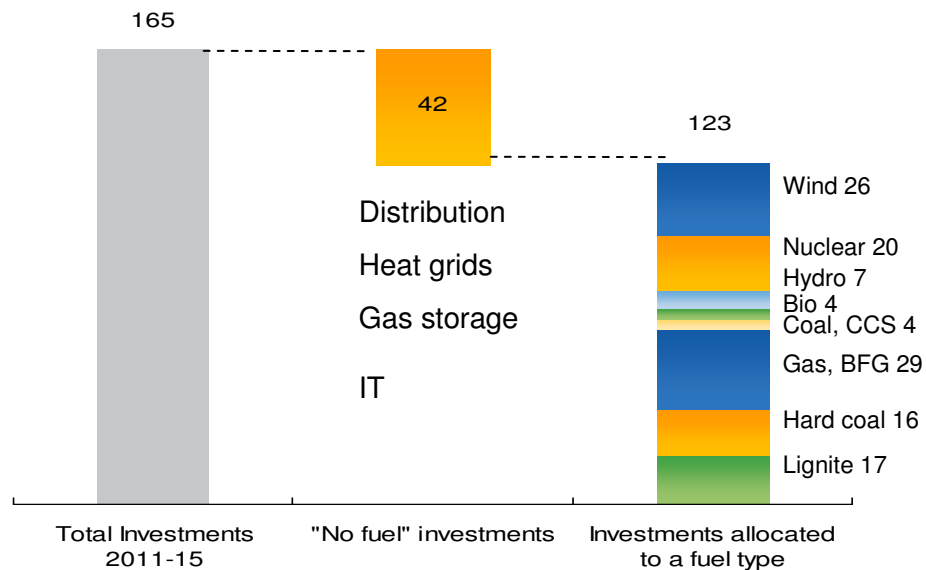


Oil, coal, gas and CO₂ allowances



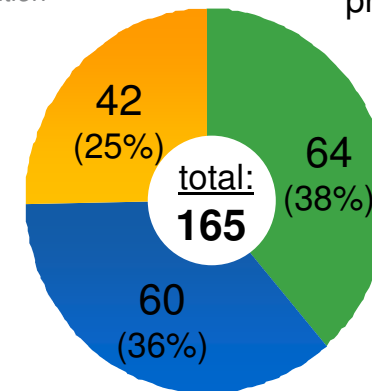
Updated Capex plan 2011-2015 - fuel split

Well diversified fuel split 2011-2015



Trisection of the investments

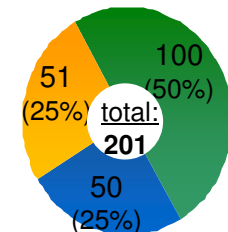
"No fuel" investments
El.-distribution
Heat grids
Storages
IT
Sales



Investments allocated to electricity and heat production causing CO₂ emissions
Lignite
Hard coal
Gas
Mining

Investments in Low CO₂ production
Hydro
Wind
Bio
Nuclear
CCS-demo

For comparison:
Plan 2010-14

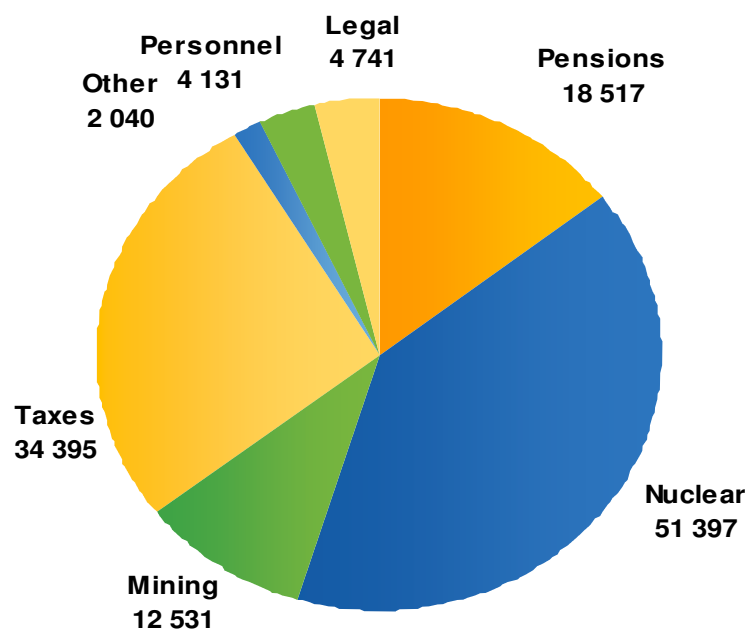


The capex portion for low CO₂-emitting production is rising compared to the previous plan.

Group provisions (IFRS)

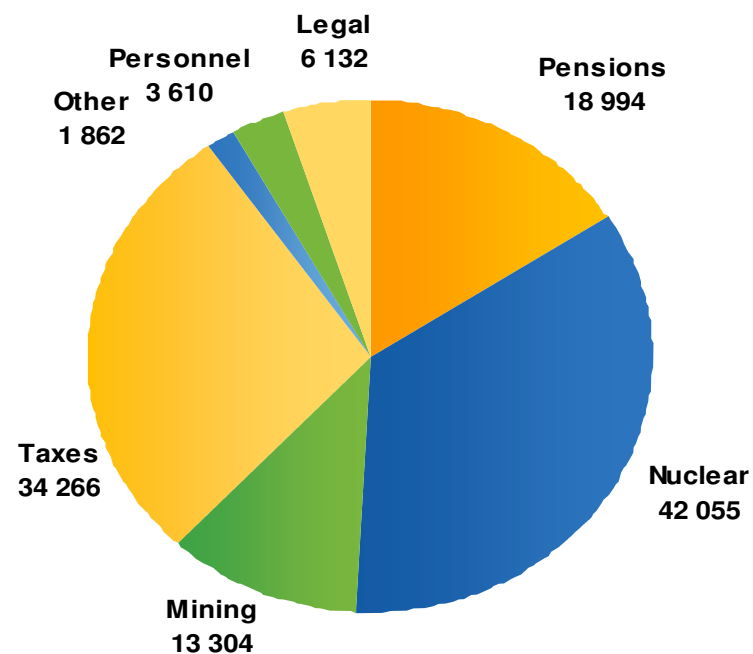
30 June 2011

SEK 127,752 million



30 June 2010

SEK 120,223 million



Credit ratings

Standard & Poor's **A (negative outlook)**

Summary: 24 May 2011

Outlook:

"The negative outlook reflects our concern that Vattenfall could struggle to maintain cash flow credit metrics in line with our rating expectations on a sustainable basis... We currently expect FFO to debt to remain at about 20% over the near term and that Vattenfall manages to reduce debt levels."

"We could lower the rating by one notch if we believe Vattenfall is unlikely to maintain a ratio of FFO to debt (adjusted) of more than 20% on a sustainable basis."

"Conversely, we could revise the outlook to stable if Vattenfall were to successfully implement measures to maintain a financial profile at a level we consider commensurate with an "a-" stand-alone credit profile."

Moody's **A2 (stable outlook)**

Credit Opinion: 22 December 2010

Outlook:

"The outlook is stable. Moody's believes that the company is taking measures to bolster its financial profile in the near to medium term. However, Moody's notes that the company is likely to be positioned at the low end of the rating category level in the near term."