

Vattenfall Q2 results 2010

Presentations by

Øystein Løseth, CEO and
Dag Andresen, CFO

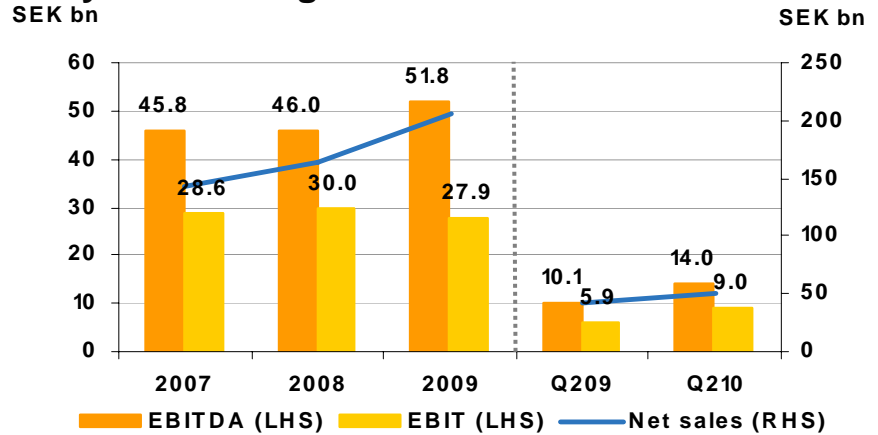
Conference call 29 July 2010

Highlights second quarter 2010

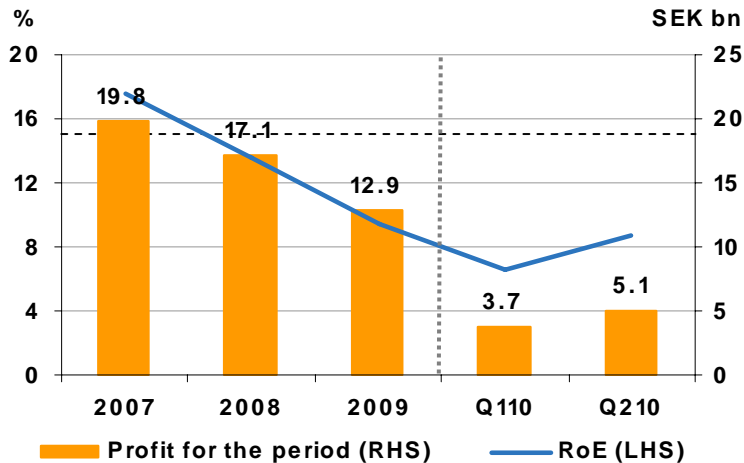
Business and financial highlights

- Increased earnings due to higher generation volumes.
- Higher spot prices had limited impact due to hedging.
- Higher heat sales due to colder weather.
- RoE below owner's requirement.
- Review of Vattenfall's strategy and structure initiated.

Key financial figures

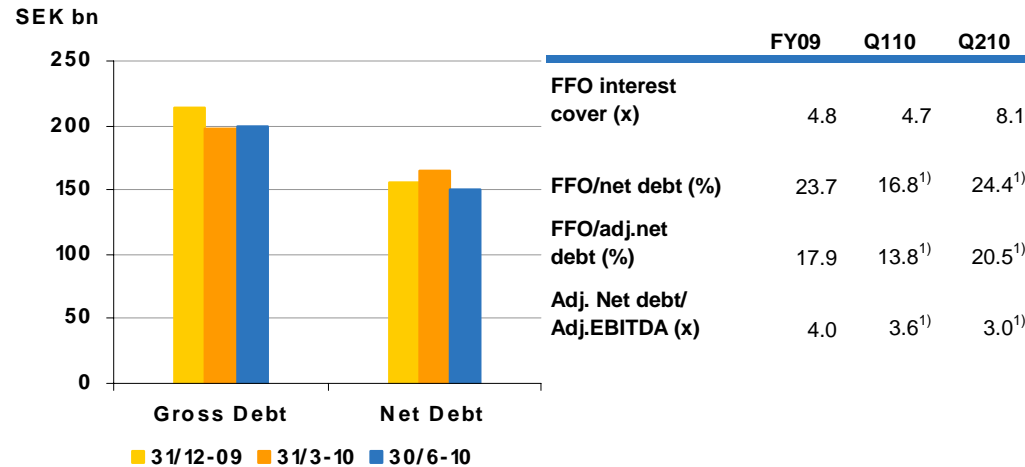


RoE and Profit for the period*



*Profit for the period attributable to owners of the parent company

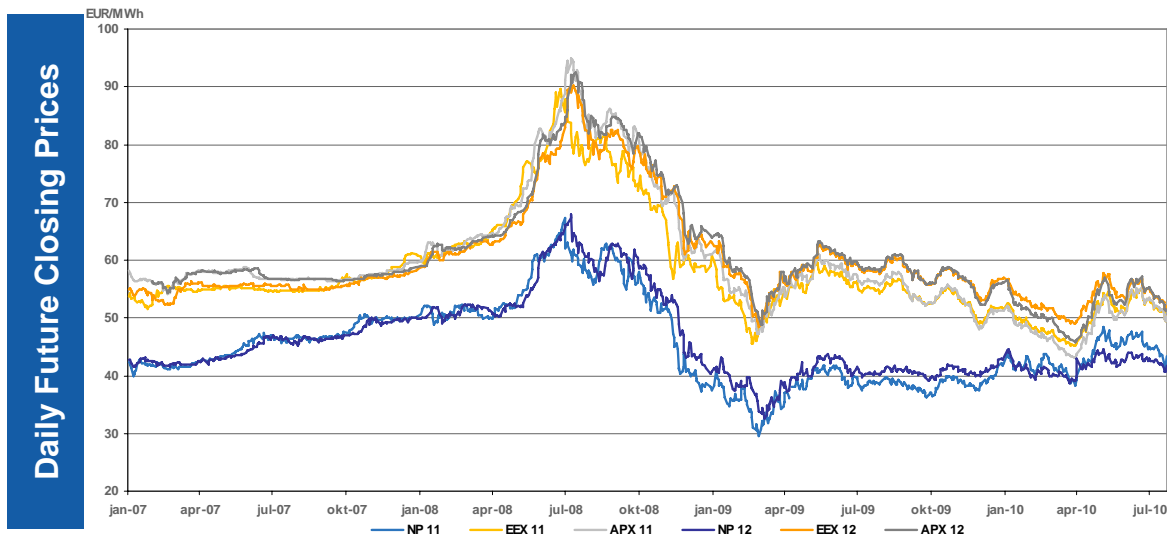
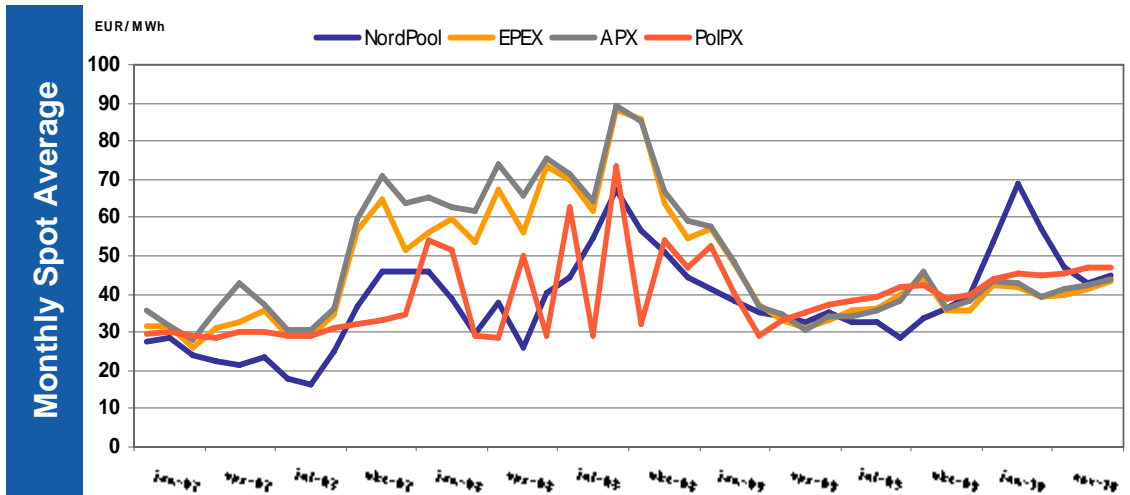
Gross- and net debt development and credit metrics



1) Last 12-month values.

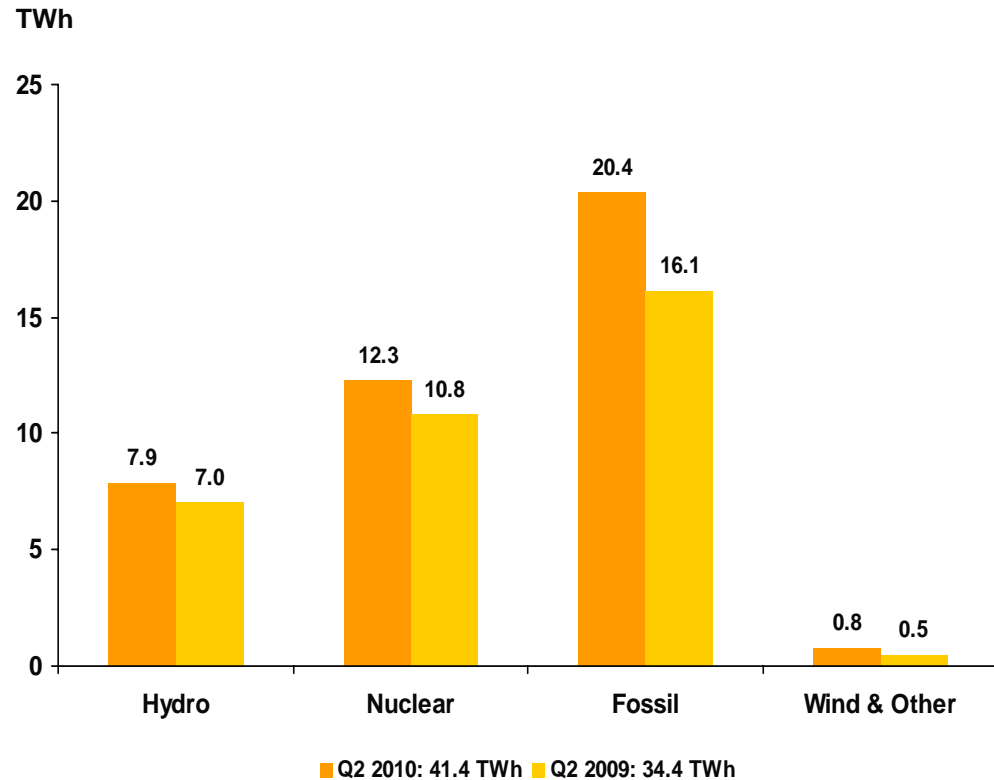
Higher electricity prices

- **32% higher spot prices in the Nordic region (Q2-10 vs. Q2-09).**
 - But 25% lower spot prices than previous quarter.
 - The hydrological balance recovered somewhat in the second quarter – from -36TWh to -24TWh.
- **28% higher spot prices in Germany and the Netherlands (Q2-10 vs. Q2-09).**
 - Supported by a cold spring and increasing industrial demand.
- **Prices on the future markets in Europe increased slightly in Q2, 2010.**



Significant higher electricity generation, +20.3%

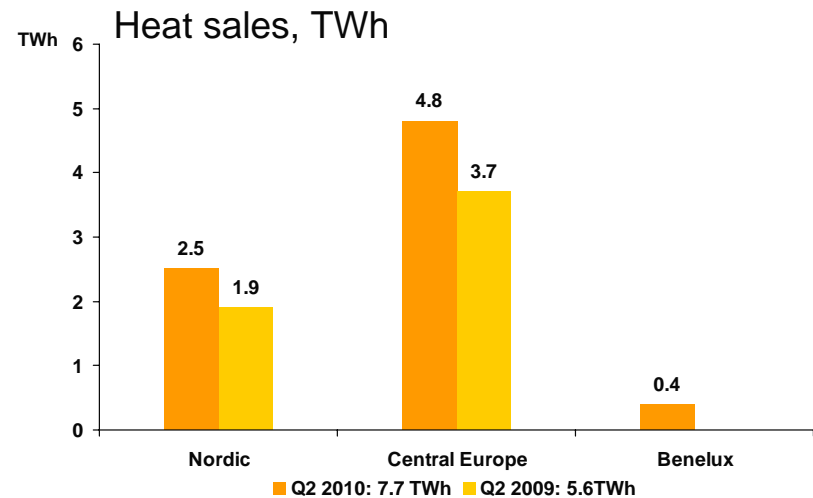
- **Increased hydro generation.**
 - Good prices in Nordic.
 - Strong generation.
- **Increased nuclear generation.**
 - Less maintenance in Q2, 2010. Will be carried out in Q3.
 - Forsmark 2 runs with reduced capacity (appr. 30%).
- **Good contribution by fossile generation plants.**
 - Nuon contributed 2.3 TWh.
 - Less maintenance in German plants than last year.
 - Better utilisation than expected.
- **Wind**
 - Increase pertains mainly to UK.
 - Less wind than normal.



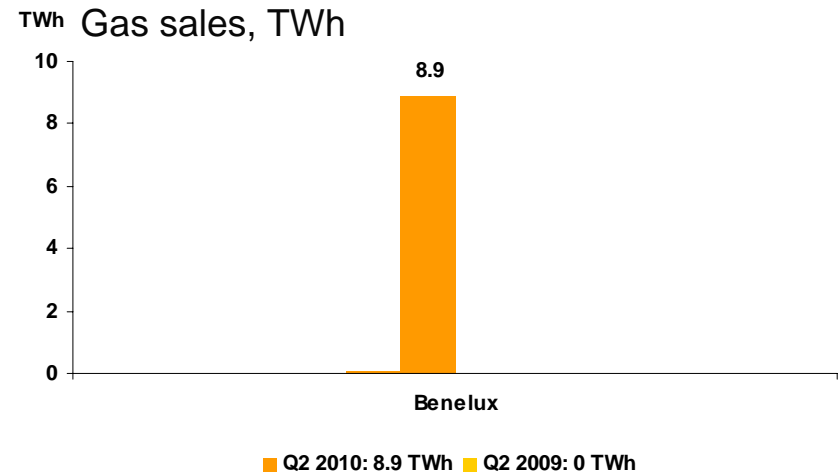
Wind & Other incl. biomass and waste

Higher heat sales

- **Heat sales increased by 37.5%**
 - Increase mainly due to cold weather in April.
 - Nuon contributed with 0.4 TWh.



- **Gas sales amounted to 8.9 TWh**
 - Virtually all gas sales pertains to BG Benelux. Comparison figures for Q2 2009 are lacking.



Nuclear update

- The Swedish parliament decided on 17 June to lift the ban on new build of nuclear power plants.
- The two German nuclear power plants, Brunsbüttel and Krümmel are still off-line. Not expected to be restarted during 2010
 - Some remaining projects, followed by an extensive recommissioning programme.
- Estimated earnings impact (loss of revenues) for the standstills Q2 2010:
 - Nordic: SEK 400 million
 - Germany: SEK 950 million
- The German government has announced a new nuclear tax from 2011
 - Aim to raise EUR 2.3 billion net, annually, details are yet unclear.
 - Vattenfall's share of total nuclear power capacity in Germany is approx. 7%.
- Vattenfall's production quotas in German nuclear plant Stade sold for SEK 590 mn
 - Vattenfall's ownership in Stade amounts to 1/3.

Several investments in renewable energy

- Two new biomass-fired CHP plants inaugurated in Denmark.
 - Unit 1 at the Amagerverket and unit 8 at the Fynsverket. Replaces 100,000 tonnes of coal by straw.
- First German offshore wind farm alpha ventus inaugurated.
 - Joint project between Vattenfall, E.ON and EWE (12 turbines of each 5 MW).
- Acquisition of 20% of Buchanan renewables fuel, Liberia.
 - The company produces biomass from old non productive rubber trees. A first step towards building an international sourcing portfolio to secure long-term access of biomass.
- Edinbane 41.4 MW onshore wind farm in UK, inaugurated.
- The 100th and final turbine was installed at Thanet in the UK.
 - The worlds largest offshore wind-farm to date. Total capacity: 300 MW.
- Construction work started at 150 MW Ormonde Wind farm in the Irish sea.
 - Estimated to be commissioned in 2011.
- A new sustainable cooling station commissioned in Amsterdam.
 - Leads to a CO₂ reduction of up to 75%.
- Solar island Almere in the Netherlands, inaugurated.
 - Comprises 520 solar collectors that capture the heat of the sun to generate hot tap water and for 2,700 homes.

Clarification of Vattenfall's assignment

- On 3 June, 2010 Sweden's parliament (Riksdag) passed the Government's Bill regarding clarification of Vattenfall AB's corporate assignment

“ The object for the Company's activities is to generate a market rate of return by operating a commercial energy business that enables the company to be among the leaders in developing environmentally sustainable energy production”.

The Swedish original text:

” Föremål för bolagets verksamhet är att generera en marknadsmässig avkastning genom att affärsmässigt bedriva energiverksamhet så att bolaget tillhör ett av de bolag som leder utvecklingen mot en miljömässigt hållbar energiproduktion”.

- The Riksdag's decision is being formally implemented through an amendment to Vattenfall AB's articles of association. The amendment will be dealt with at an extraordinary shareholder's meeting in Vattenfall AB on 23 August 2010.

Review of Vattenfall's strategy and structure initiated

- *Starting point:*
Vattenfall's current geographical presence and fuel mix provide a good platform to handle upcoming financial, environmental and regulatory challenges.
- We have initiated a review of existing strategy, including organizational structure, cost levels and performance. The outcome will be discussed with our shareholder and Vattenfall's Board in the coming months. This may lead to restructuring costs and possibly impairment charges – among other things as a result of a review of future investments.
- Going forward Vattenfall must find the right balance between financial performance, security of supply and the environmental/regulatory agenda.
- We will return with more details later this year.

Financials

Dag Andresen, CFO

Q2 Financial highlights

SEK million	Q2 2010	Q2 2009	Change (%)
Net sales	49,713	42,128	+18.0
EBITDA	13,966	10,145	+37.7
EBIT	8,963	5,881	+52.4
EBIT excl. IAC	8,936	5,805	+53.9
Profit after tax	5,185	2,625	+97.5
Profit after tax excl. IAC	5,159	2,563	+101.3
FFO	11,679	2,568	+354.8
Cash flow from operating activities	17,307	10,437	+65.8
Cash flow before financing activities	13,828	1,200	+1 052.3

* IAC = items affecting comparability

H1 Financial highlights

SEK million	H1 2010	H1 2009	Change (%)
Net sales	120,370	94,656	+27.2
EBITDA	29,443	27,294	+7.9
EBIT	19,078	18,741	+1.8
EBIT excl. IAC	24,312	18,662	+30.3
Profit after tax	8,972	10,716	-16.3
Profit after tax excl. IAC	14,204	10,655	+33.3
FFO	21,499	21,328	+0.8
Cash flow from operating activities	19,566	21,965	-10.9
Cash flow before financing activities	7,331	5,782	+26.8

* IAC = items affecting comparability

H1 – Debt development & Key ratios

Total interest-bearing liabilities (gross debt) decreased by
SEK 15 bn to SEK 199 bn compared with 31 Dec. 2009

Net debt decreased by
SEK 3.9 bn to SEK 151 bn compared with 31 Dec. 2009

Return on Net Assets

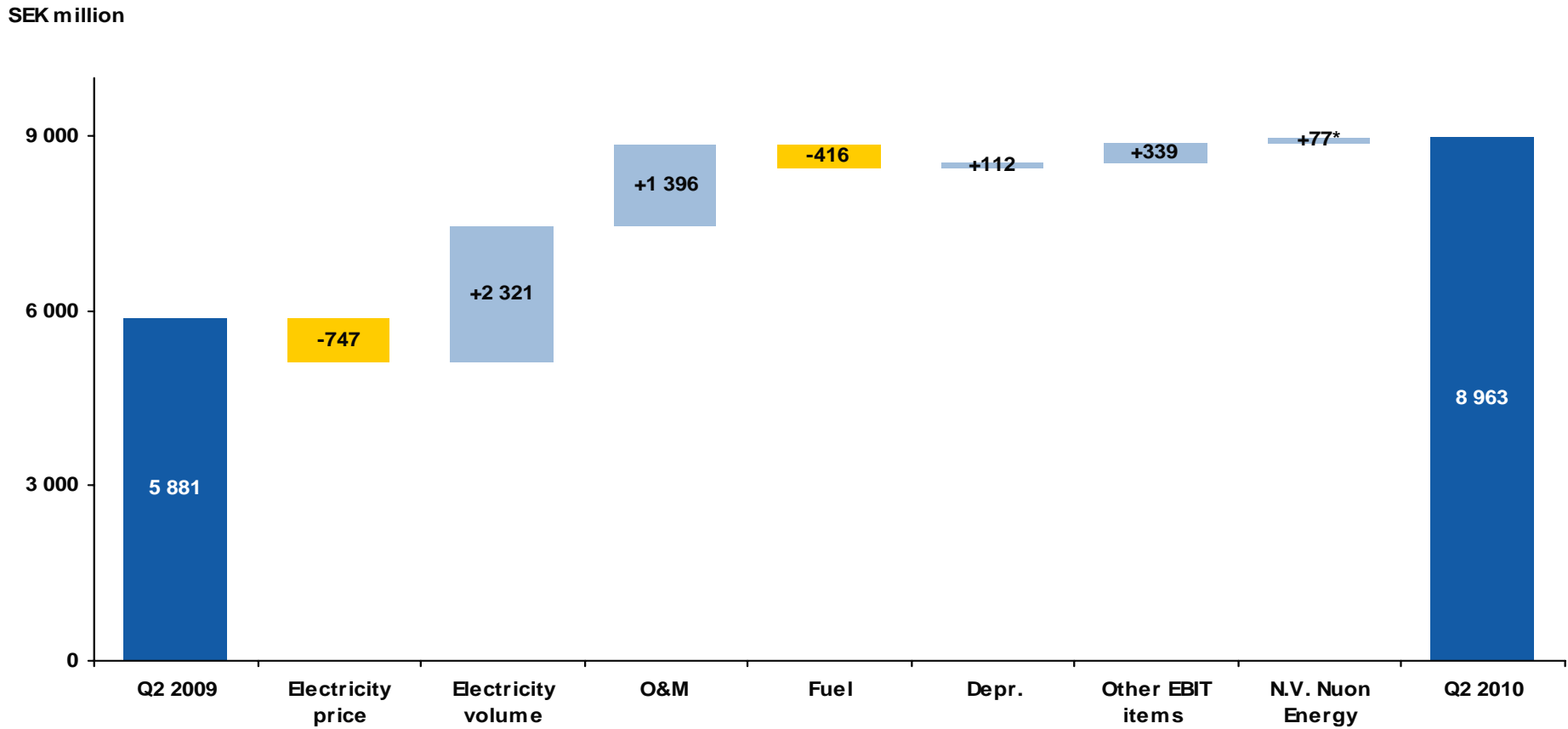
- incl. IAC: 8.6%* (FY 2009: 10.0%)
- excl. IAC: 11.6%* (FY 2009: 11.4%)
- target 11%

Return on Equity

- incl. IAC: 8.7%* (FY 2009: 9.5%)
- excl. IAC: 14.6%* (FY 2009: 11.4%)
- long-term target 15%

* Last Twelve Months

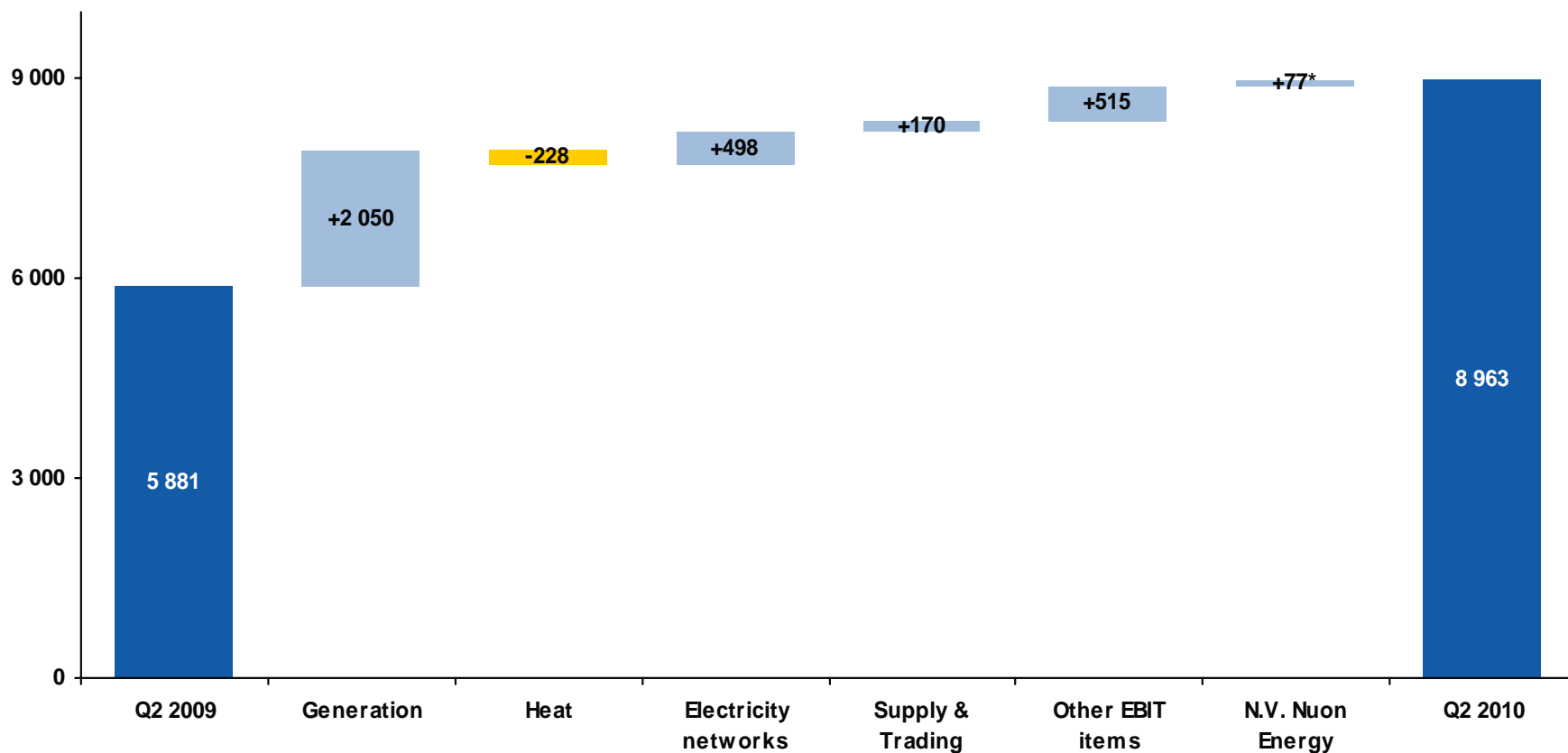
EBIT development, Q2 2010



* Excluding amortization of surplus value Nuon contributed with 500 million SEK.

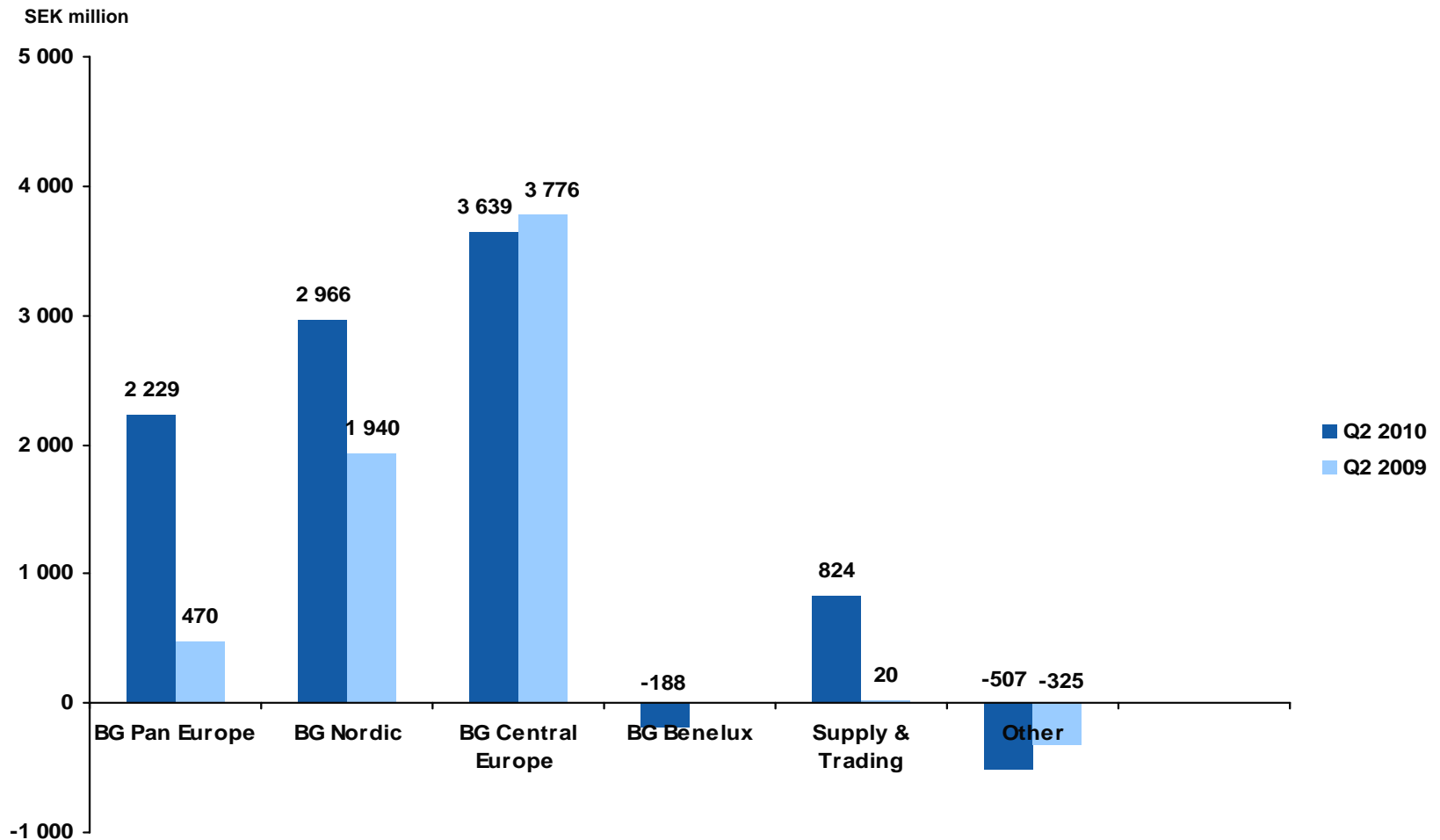
EBIT development, Q2 2010 – by Product & Services

SEK million

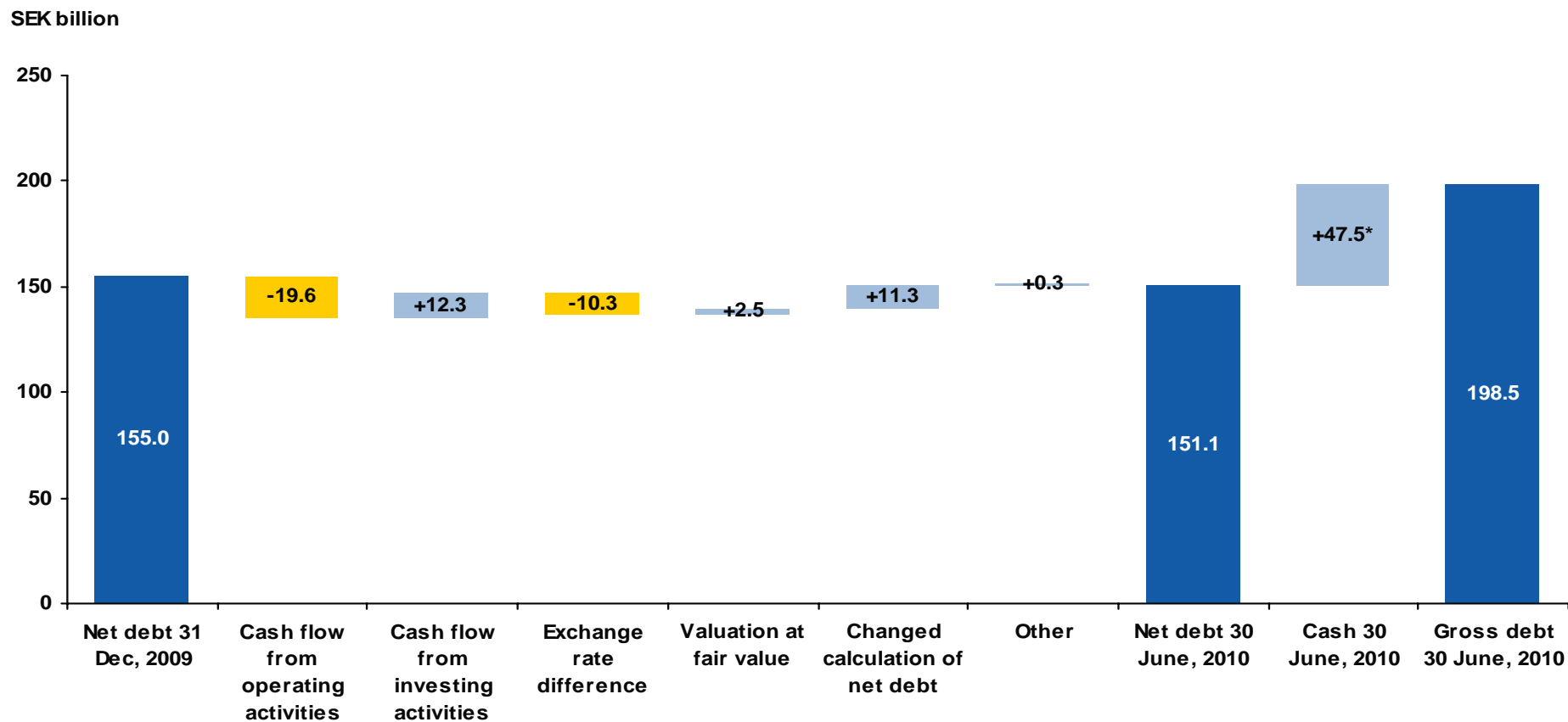


* Excluding amortization of surplus value Nuon contributed with 500 million SEK.

EBIT by Operating Segment



Debt development H1 2010



*Includes loans to minority owners in foreign subsidiaries of SEK 1.8bn (excluded from liquidity calculation on slide 29)

Divestment of 50Hertz Transmission GmbH completed

<u>As agreed 2010/Q1</u>	<u>EUR mn</u>
Price agreed (Equity Value as of 1 January 2010)	464.6
Shareholder's loans to be redeemed	320.0
Calculated divestment proceeds	784.6

<u>As executed at closing 19 May 2010</u>	<u>EUR mn</u>
Cash paid, shares	464.6
Debt redeemed	320.0
Divestment proceeds	784.6

	<u>EUR mn</u>	
Cash received by Vattenfall	194	
Cash retained by Vattenfall	126	(50Hertz cash generated Jan – May 2010)
	320	↓ Profit earned April – 19 May 2010 accounted in 2010/Q2 as capital loss (9.4 M€).

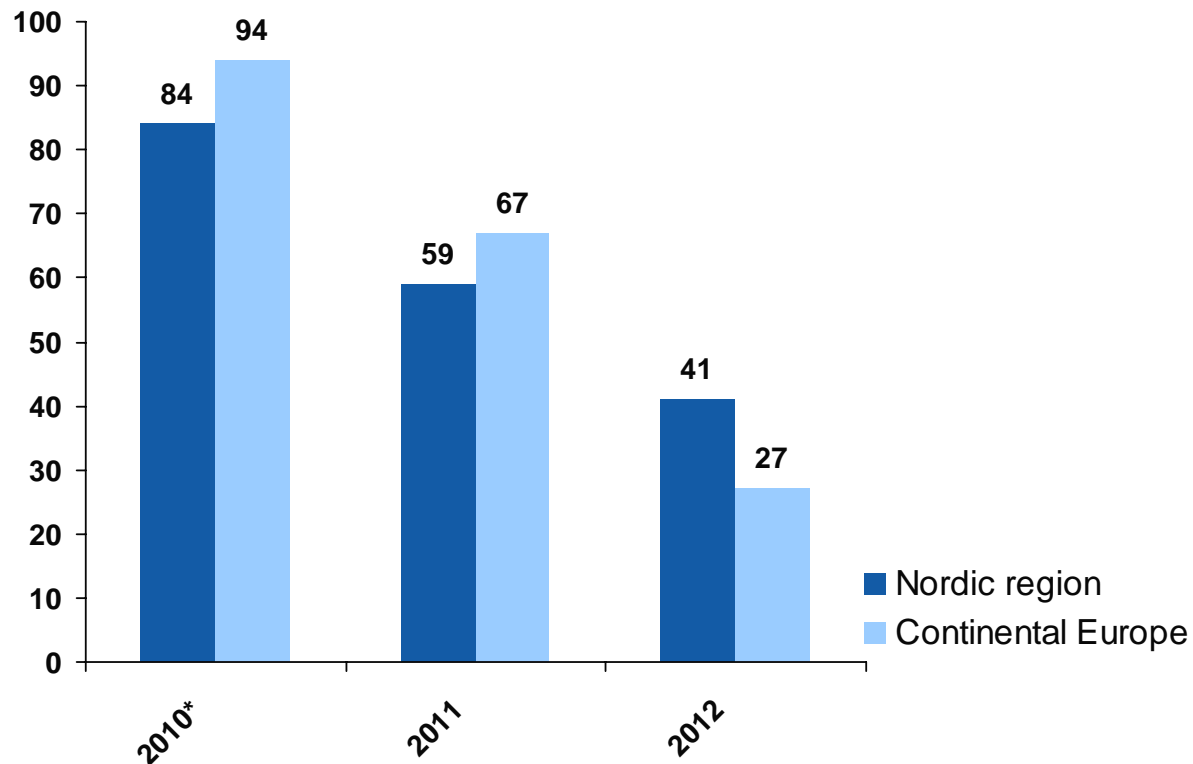
- Buyers take over responsibility for grid investments of approx. EUR 3 bn.
- Net provisions and working capital transferred to buyer (delta EUR 784.6 million and EUR 810 million enterprise value).

Accounting

- 2010/Q1 write-down of SEK 5,322 million (EUR 531 mn) (based on book value as of 2010/Q1).
- 2010/Q2 capital loss of SEK 93 million (based on net profit in Q2, April to 19 May).

Hedging position as of 30 June 2010

% hedged of forecasted electricity generation.



EUR/MWh	2010*	2011	2012
Nordic region	46	42	41
Continental Europe	57	56	56

* remaining part of 2010

Financial targets and outcome

Key Ratio	Targets	Q2 2010
Return on Equity (ROE)	15% on average equity	8.7%* 14.6%* excl. IAC
Cash flow interest coverage after maintenance investments	3.5-4.5 times	4.1*
Credit Rating	Single A category rating	Moody's: A2 Stable outlook S&P: A Negative outlook
Dividend pay-out	40-60%	40.6%

* Last Twelve Months

VATTENFALL

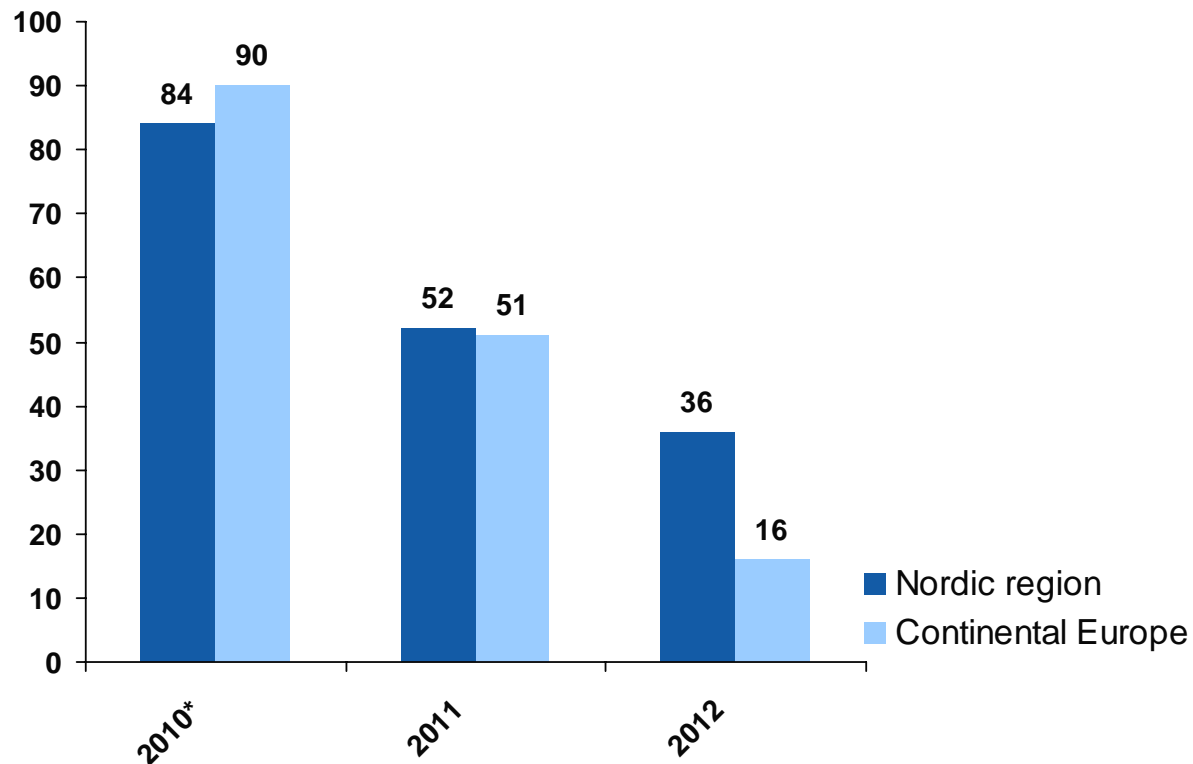


Q & A

Back-up slides

Hedging position as of 30 June 2010

% hedged of forecasted electricity generation.



EUR/MWh	2010*	2011	2012
Nordic region	45	41	40
Continental Europe	58	57	55

* remaining part of 2010

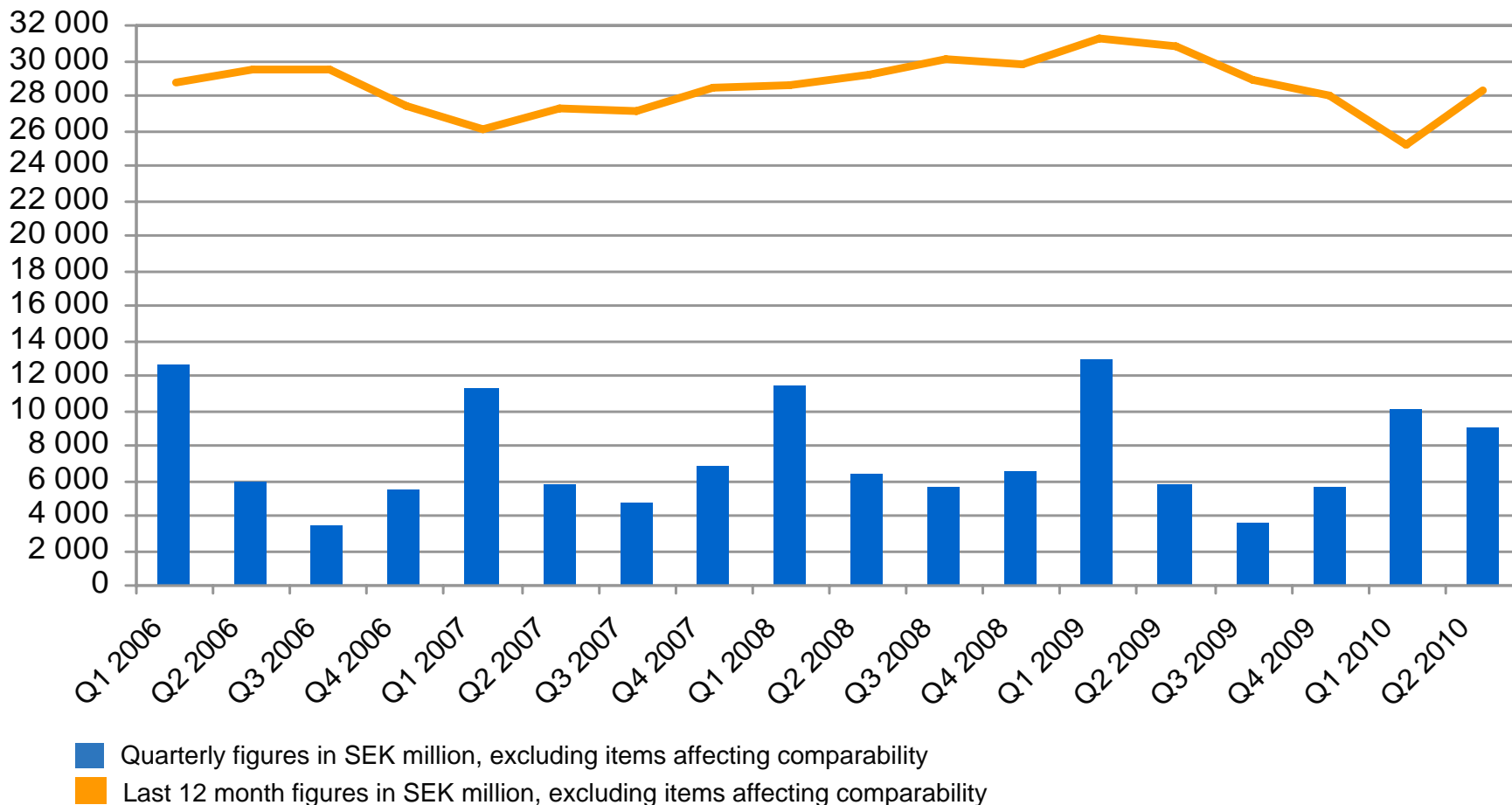
Consolidated income statement

SEK million	Q2 2010	Q2 2009	H1 2010	H1 2009	FY 2009	LTM
Net sales	49,713	42,128	120,370	94,656	205,407	231,121
Cost of products sold	-36,343	-32,788	-87,215	-69,470	-162,564	-180,309
Gross profit	13,370	9,340	33,155	25,186	42,843	50,812
Operating profit	8,963	5,881	19,078	18,741	27,938	28,275
Operating profit, excl. IAC*	8,936	5,805	24,312	18,662	31,294	36,944
Financial income	295	415	861	1,102	2,814	2,573
Financial expenses	-2,427	-2,823	-5,892	-5,613	-13,018	-13,297
<i>Financial net</i>	<i>-2,132</i>	<i>-2,408</i>	<i>-5,076</i>	<i>-4,511</i>	<i>-10,204</i>	<i>-10,724</i>
Profit before taxes	6,831	3,473	14,047	14,230	17,734	17,551
Taxes	-1,646	-848	-5,075	-3,514	-4,286	-5,847
Profit after tax	5,185	2,625	8,972	10,716	13,448	11,704

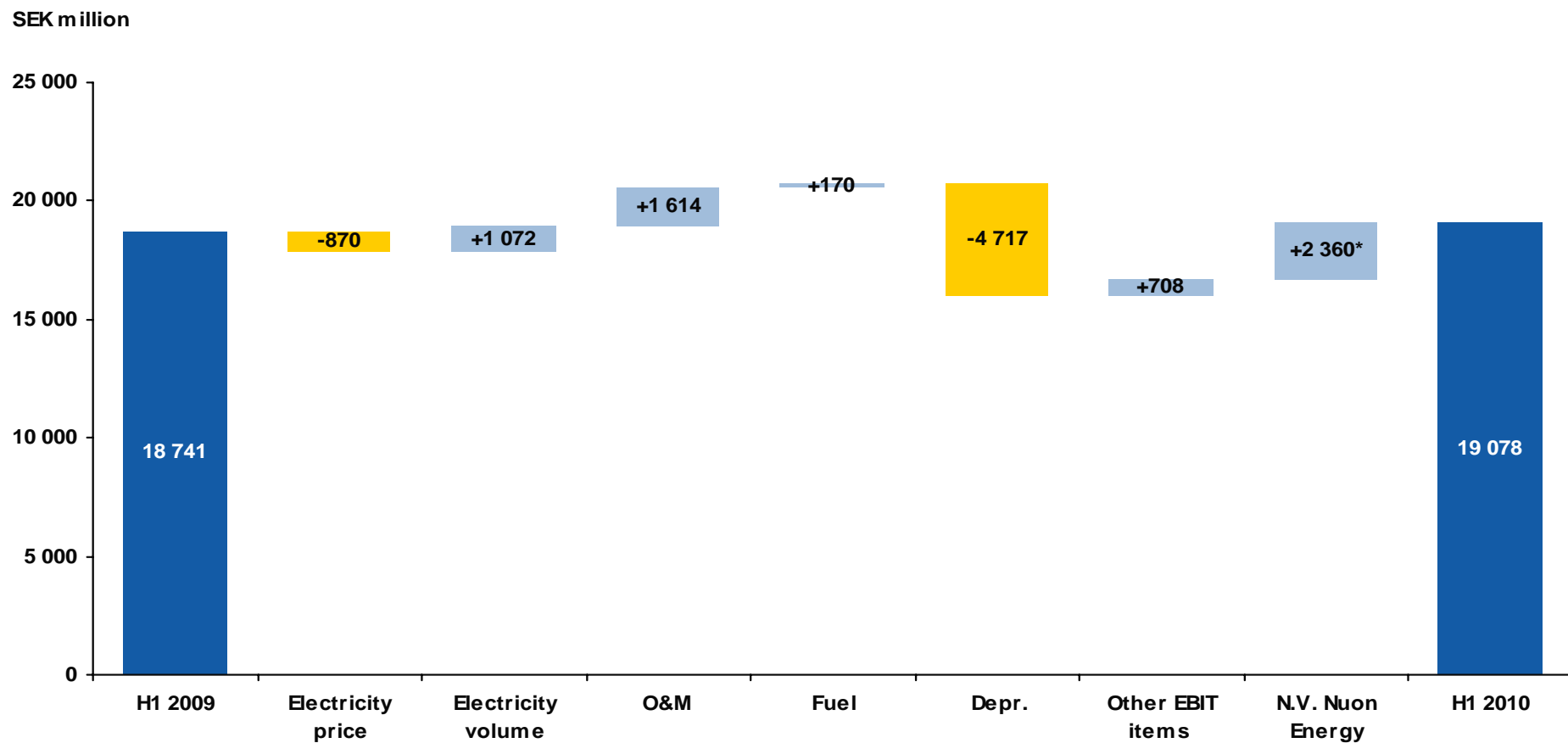
* IAC = items affecting comparability

EBIT development last 5 years

Quarterly figures, SEK million

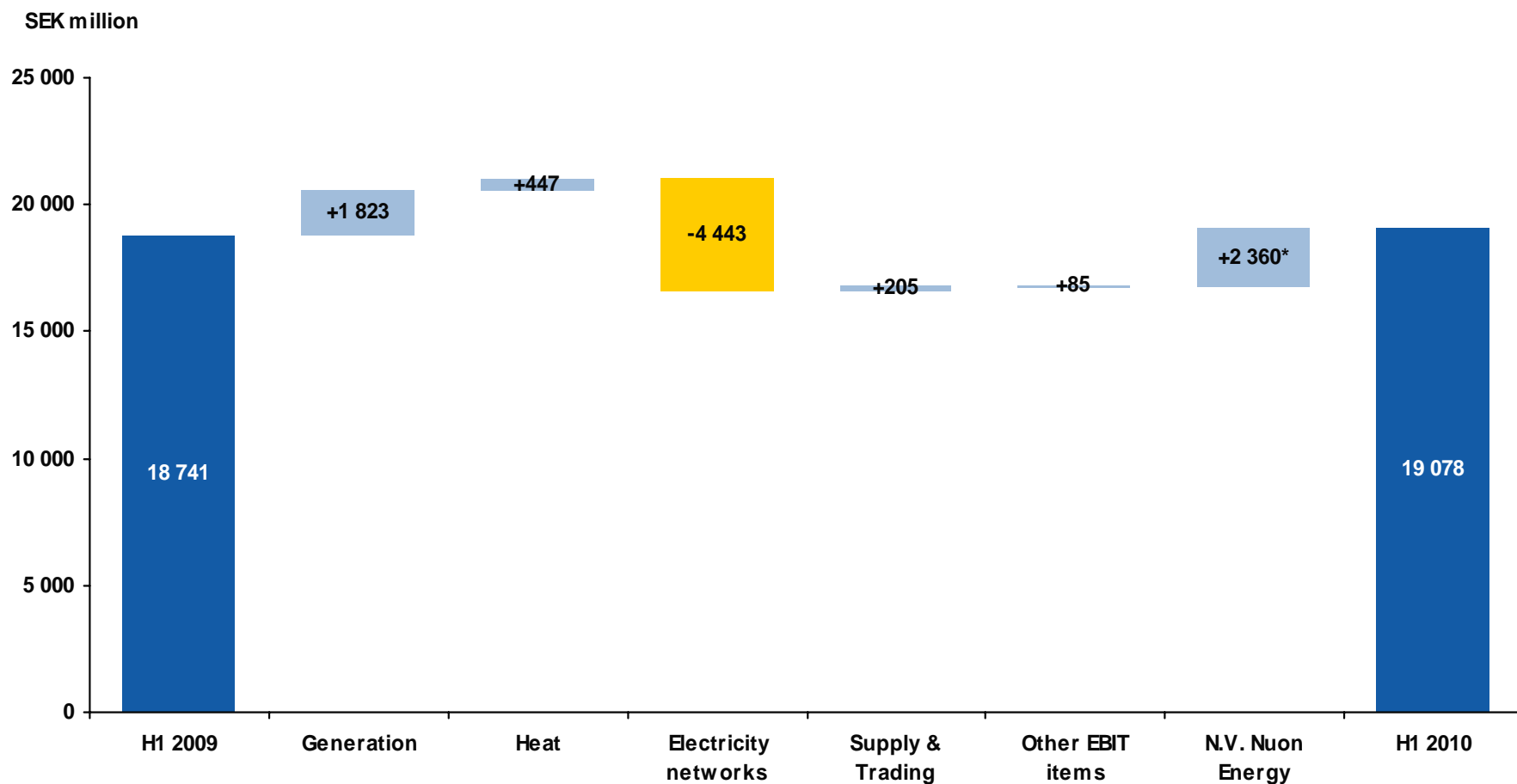


EBIT development, H1 2010



* Excluding amortization of surplus value Nuon contributed 3 283 million SEK.

EBIT development, H1 2010 – by Product & Services



* Excluding amortization of surplus value Nuon contributed 3 283 million SEK.

Consolidated cash flow statement

SEK million	Q2 2010	Q2 2009	H1 2010	H1 2009	FY 2009	LTM
Funds from operations (FFO)	11,679	2,568	21,499	21,328	36,700	36,871
Change in working capital	5,628	7,869	-1,933	637	9,546	6,976
Cash flow from operating activities	17,307	10,437	19,566	21,965	46,246	43,847
Investment	-8,973	-9,937	-17,908	-16,947	-102,989	-103,950
Divestment	5,785	675	5,964	737	5,542	10,769
Cash and cash equivalents in acquired/divested companies	-291	27	-291	27	14,407	14,089
Cash flow from investing activities	-3,479	-9,237	-12,235	-16,183	-83,040	-79,092
Free cash flow	14,288	5,594	13,231	14,049	27,566	26,748
Cash flow before financing activities	13,828	1,200	7,331	5,782	-36,794	-35,245
Cash flow from financing activities	-347	20,363	3,286	55,559	27,822	-24,451
Cash flow for the period	13,481	21,563	10,617	61,341	-8,972	-59,696
Net debt at the end of the period	-151,071	-63,478	-151,071	-63,478	-154,987	-151,071

Liquidity position

As of 30 June 2010

Group liquidity (SEK million)

Cash and equivalents	21 279
Short term investments	24 365
Reported cash, cash equivalents & short term investments	45 644
Restricted cash ¹⁾	-9 326
Available cash	36 318

1) German nuclear "Solidarvereinbarung" 3 234, Minority owner's share of German nuclear subsidiaries cash position 3 610, Margin calls paid and others 2 482

Committed credit facilities	Line size	Amount available
RCF (maturity Feb 2013)	EUR 1000 million	SEK 9 501 million
Overdraft facility	SEK 100 million	SEK 100 million
Total undrawn		SEK 9 601 million
<i>Other credit lines unutilised</i>		<i>SEK 7 925 million</i>

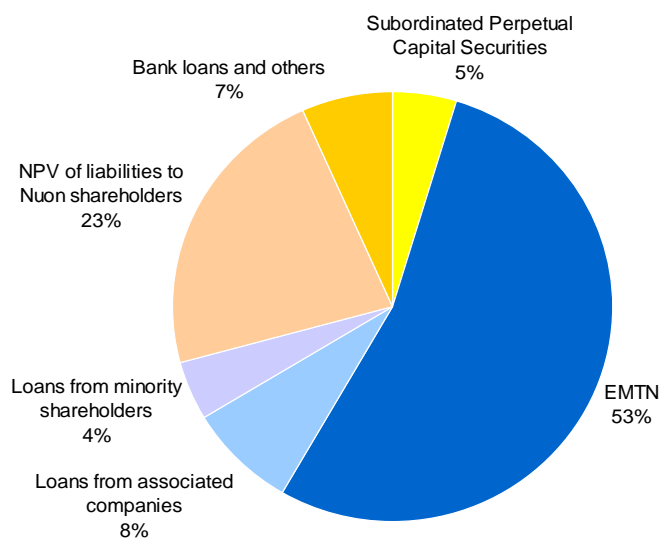
Debt maturities ²⁾ (SEK million)

- within 90 days	560
- within 180 days	1 641

2) Excluding loans from minority owners and associated companies

Breakdown of gross debt

Total debt 30 June 2010 ¹⁾ :
(SEK 198.5 bn / EUR 20.9 bn)



1) Of which external market debt: SEK 128.6 bn (65%)

Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	10 604
EUR 2 bn Euro CP	2 000	0
SEK 15 bn Domestic CP	1 579	0
Total	18 579	10 604

- All public debt issued by Vattenfall AB
- No currency exposure in the debt portfolio
- No structural subordination

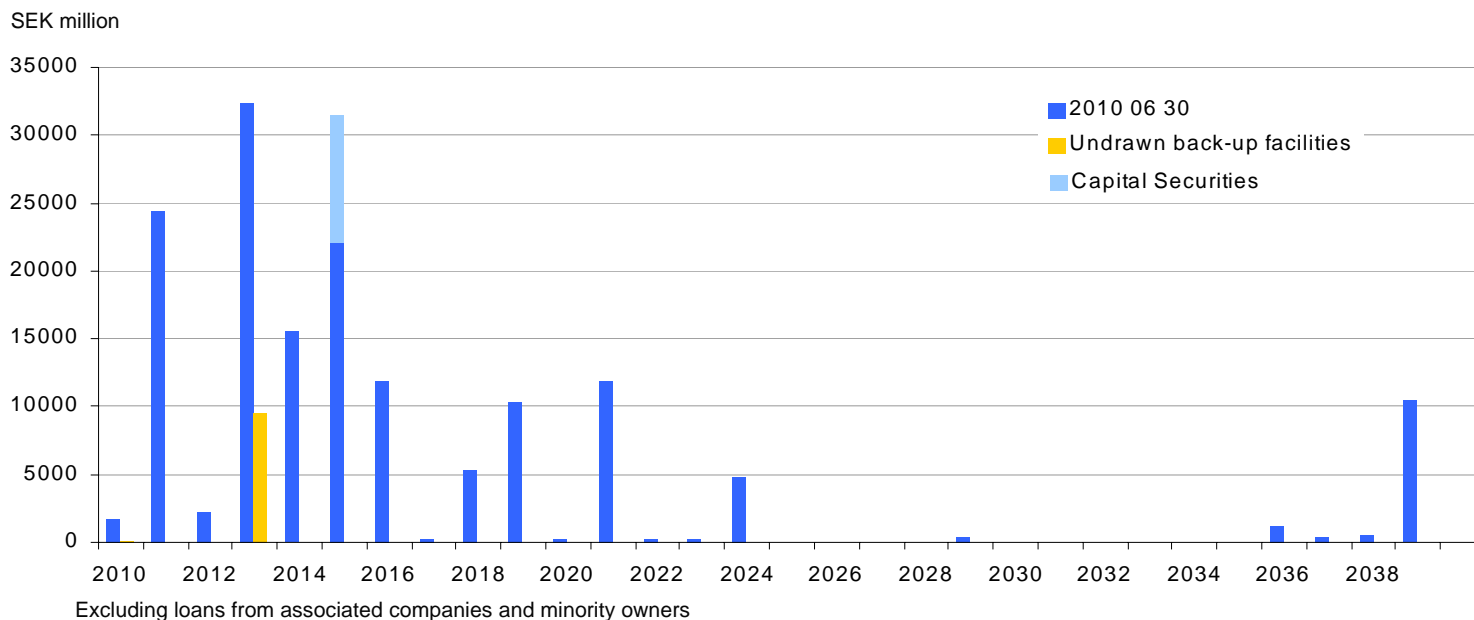
Development of reported and adjusted net debt

Net debt (SEK bn)	June 30 2010	Dec 31 2009
Capital Securities	-9,4	-10,3
Bond loans and liabilities to credit institutions	-113,2	-122,1
Present value of liability pertaining to acquisition of N.V. Nuon Energy	-44,9	-49,4
Liabilities to associated companies	-16,4	-16,7
Liabilities to minority shareholders	-8,7	-8,0
Other liabilities	-6,0	-7,0
Total interest-bearing liabilities	-198,5	-213,5
Cash and cash equivalents	21,3	10,6
Short-term investments	24,4	46,4
Loans to minority owners of foreign subsidiaries	1,8	1,5
Net Debt	-151,1	-155,0

Adjusted net debt (SEK bn)	June 30 2010	Dec 31 2009
Total interest-bearing liabilities	-198,5	-213,5
50% of Capital securities	4,7	5,1
Present value of net pension obligations	-19,6	-21,2
Mining & environmental provisions	-13,3	-14,4
Nuclear asset retirement obligations	-5,8	-6,7
Cross currency swaps	3,5	1,3
Margin calls received	4,8	5,5
Liabilities to minority owners due to consortium agreements	8,1	7,6
= Adjusted gross debt	-216,1	-236,3
Reported cash, cash equivalents & short term investments	45,6	56,9
Restricted cash	-9,3 ¹⁾	-25,6
= Adjusted cash, cash equivalents & short term investments	36,3	31,3
= Adjusted net debt	-179,8	-205,0

1) Of which: German nuclear "Solidarvereinbarung" 3 234, Minority owner's share of German nuclear subsidiaries cash position 3 610, Margin calls paid and others 2 482

Vattenfall debt maturity profile

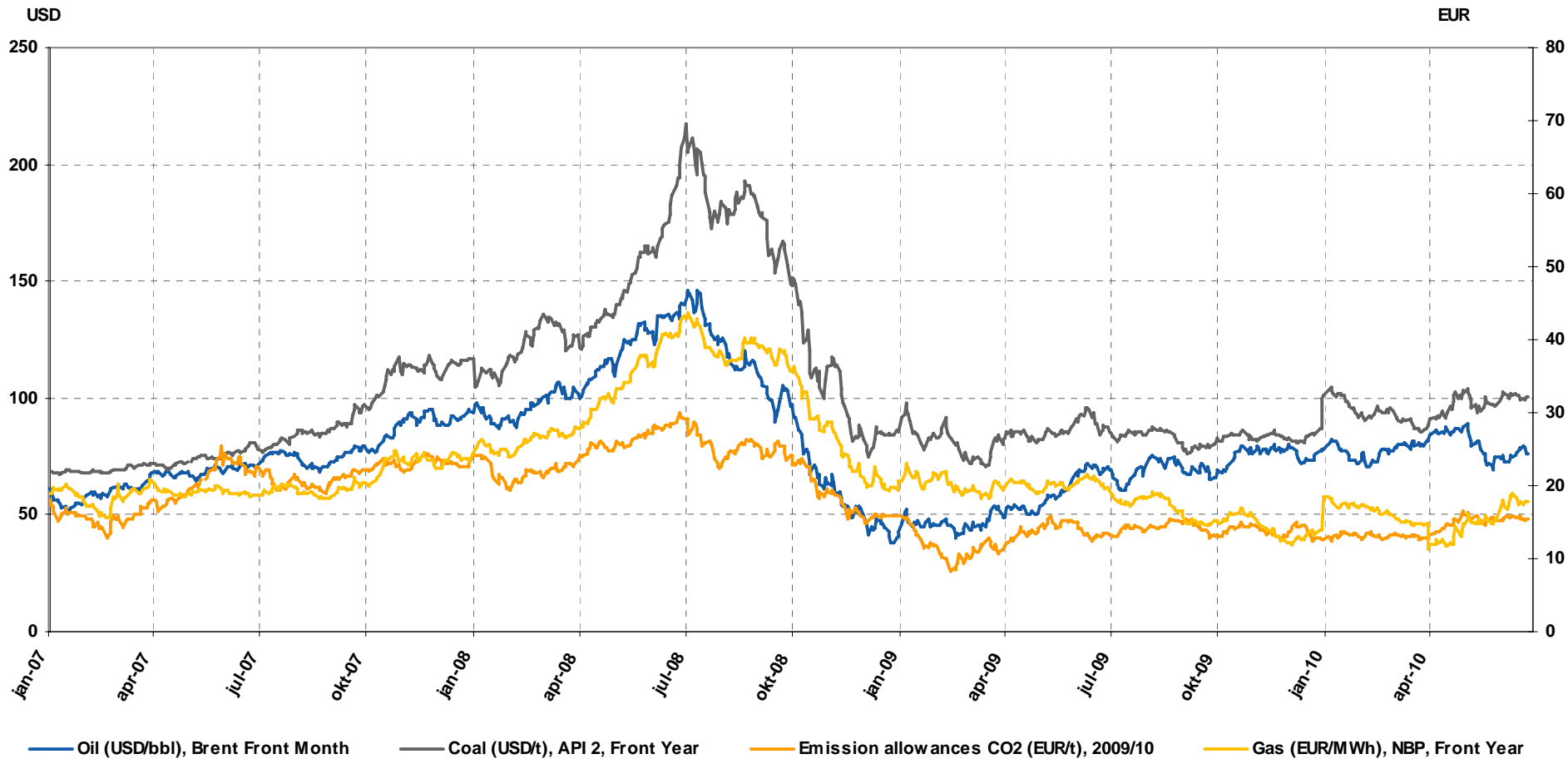


	2010-06-30	2009-06-30
Duration (years) ¹⁾	4.3 ²⁾	4.0
Average time to maturity (years)	6.9 ²⁾	9.2
Average interest rate (%)	3.4 ²⁾	4.7
Net debt (SEK bn)	151.1	63.5

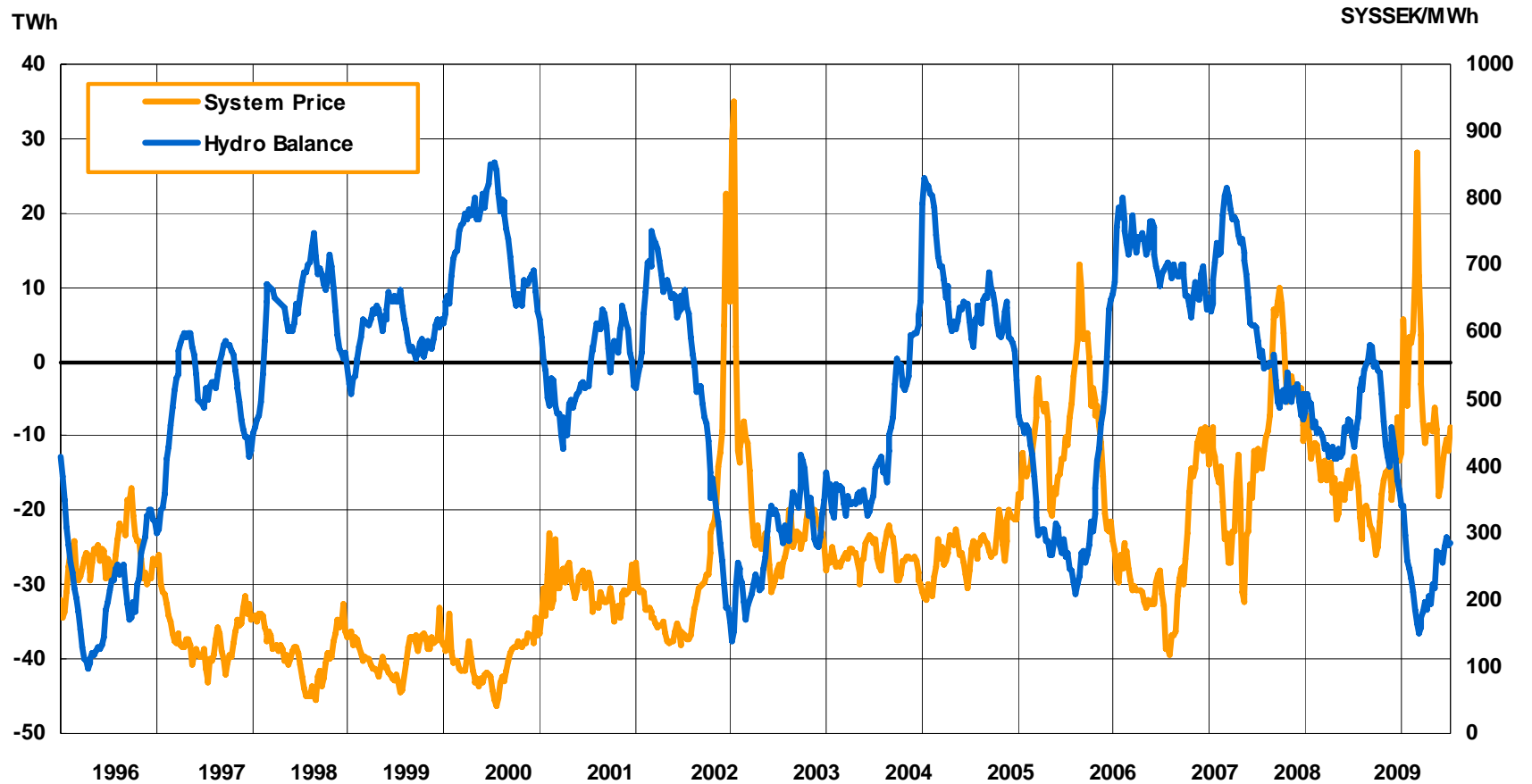
1) The duration in the liability portfolio was in the end of May 2009 prolonged from 2,5 to 4 years

2) Based on external debt, excluding Capital Securities. Including Capital Securities the Duration is 4.3, Average time to maturity 6.8, and Average interest rate 3.5.

Oil, coal, gas and CO₂ allowances



Hydrological balance in Nordic region



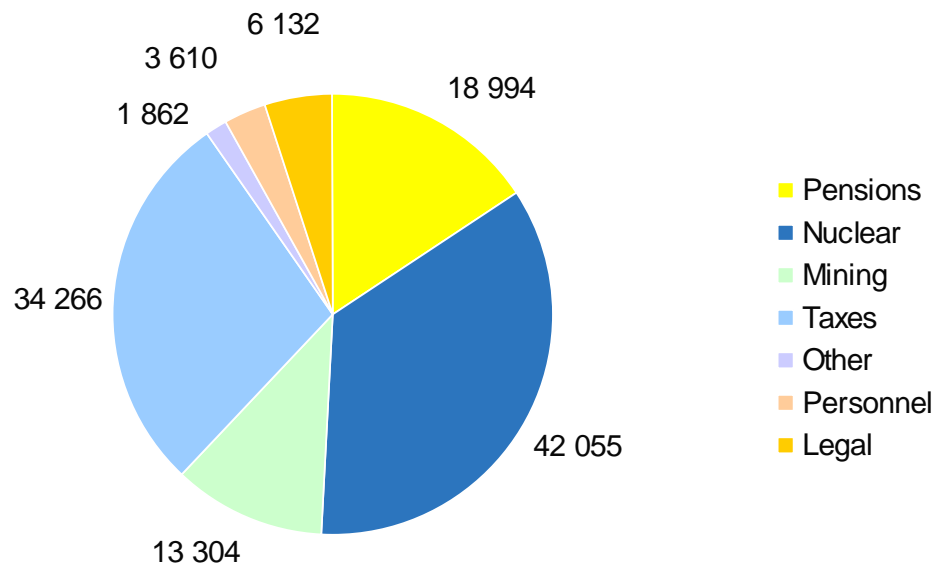
Audits 2010

per/weeks		Q2	Q3	Q4	MW	
Nuclear	Formark	F1				978
		F2				990
		F3				1 170
	Ringhals	R1				855
R2					866	
R3					1 051	
R4					936	
Lignite/Coal power plants	Jämschwalde	A				500
		B				500
		D				500
		E				500
		F				500
		Boxberg	P			
Schweizerpumpe	A				800	
	B				800	
	R				900	
Lippendorf					900	
Rostock	A				553	
Gas and coal	Ulrecht	LWE6				247
		MK11-12				103
		DM33				249
		AL01-02				62/52
	Arnslandam	HW71-72				579
		HW-8				650
		PU-1				67
	Velsen	VN24-25				459/375
	Oost	BUGG				240

Group provisions (IFRS)

30 June 2010

SEK 120,223 million



30 June 2009

SEK 116,694 million

