



## INTERIM REPORT JANUARY – JUNE 2010

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- Net sales rose 18.0% to SEK 49,713 million (42,128) for the second quarter and 27.2% to SEK 120,370 million (94,656) for the first half of the year
- Operating profit rose 52.4% to SEK 8,963 million (5,881) for the second quarter and 1.8% to SEK 19,078 million (18,741) for the first half of the year. Excluding items affecting comparability, operating profit for the first half of the year rose 30.3% to SEK 24,312 million (18,662)
- Profit for the second quarter (after tax) rose 97.5% to SEK 5,185 million (2,625), while profit for the first half decreased by 16.3% to SEK 8,972 million (10,716). Excluding items affecting comparability, profit for the first half (after tax) rose 33.3% to SEK 14,204 million (10,655)

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## Financial calendar

Interim report January—March  
29 April 2010

Interim report January—June  
29 July 2010

Interim report January—September  
28 October 2010

Year-end report 2010  
10 February 2011

## Annual General Meeting

27 April 2011, in Stockholm

## For enquiries, please contact

Øystein Løseth, President and CEO,  
tel. +46-8-739 50 05

Dag Andresen, First Senior Executive Vice  
President and CFO, tel. +46-8-739 60 06

Klaus Aurich, Head of Investor Relations,  
tel. +46-8-739 65 14, or +46-70 539 65 14

All comparison figures in this report pertain to the second quarter of 2009, unless indicated otherwise.

Cover photo: Vattenfall's combined heat and power plant in Nyköping, Sweden; close-up of wood chips used as fuel for the plant's electricity and heat generation.

Production: Vattenfall AB in co-operation with Intellecta Corporate.  
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# HIGHER GENERATION VOLUMES, BUT INSUFFICIENT PROFITABILITY

- Net sales rose 18.0% to SEK 49,713 million (42,128) for the second quarter and 27.2% to SEK 120,370 million (94,656) for the first half of the year
- Operating profit rose 52.4% to SEK 8,963 million (5,881) for the second quarter and 1.8% to SEK 19,078 million (18,741) for the first half of the year. Excluding items affecting comparability<sup>1</sup>, operating profit for the first half of the year rose 30.3% to SEK 24,312 million (18,662)
- Profit for the second quarter (after tax) rose 97.5% to SEK 5,185 million (2,625), while profit for the first half decreased by 16.3% to SEK 8,972 million (10,716). Excluding items affecting comparability, profit for the first half (after tax) rose 33.3% to SEK 14,204 million (10,655)

<sup>1</sup> Items affecting comparability, net, amounted to SEK -5,234 million (79), of which SEK -5,316 million is attributable to the sale of Vattenfall's transmission business. During the second quarter, items affecting comparability amounted to SEK +27 million (+76).

## Second quarter 2010 – net sales, profit, cash flow and debt

Consolidated net sales rose 18.0% to SEK 49,713 million (42,128), of which approximately SEK 9,100 million is attributable to N.V. Nuon Energy (Nuon), which is consolidated in the Vattenfall Group since 1 July 2009. Currency movements had a negative impact on net sales by approximately SEK 3,800 million, due to the stronger Swedish krona. Operating profit rose 52.4% to SEK 8,963 million (5,881). Operating profit before depreciation and amortisation (EBITDA) rose 37.7% to SEK 13,966 million (10,145).

The earnings improvement is mainly attributable to higher electricity generation volumes for all types of energy generated by Vattenfall, as well as lower operating and maintenance expenses. Vattenfall's electricity generation increased by 20.3% to 41.4 TWh (34.4), of which Nuon's contribution was 2.3 TWh. Overall, electricity prices had a slightly negative impact on consolidated profit, since the higher electricity prices achieved in the Nordic market were offset by lower prices achieved in Continental Eu-

rope. A large share of Vattenfall's generation is hedged through contracts previously entered into in the forward market. Currency movements affected operating profit negatively by SEK 0.6 billion.

Profit for the period (after tax) rose 97.5% to SEK 5,185 million (2,625). Return on equity was 8.7%, and the return on net assets was 8.6% (last 12-month values). Vattenfall's long-term required rate of return on equity is 15% over a business cycle (5–7 years). The target return on net assets is 11%. The cash flow interest coverage ratio after maintenance investments was 4.1, which is within the target interval of 3.5–4.5.

Funds from operations (FFO) increased by SEK 9,111 million to SEK 11,679 million (2,568). Net debt decreased by SEK 14,510 million from 31 March 2010, to SEK 151,071 million. The decrease is partly attributable to the receipt of margin calls and to payment received for the sale of the German transmission grid. The net debt/equity ratio was 107.7% at 30 June 2010 (31 March 2010: 118.7%). For detailed information about net debt, see page 21. The



*“Despite improved quarterly earnings, profitability is insufficient. To meet our earnings targets it is of utmost importance that we ensure high availability in our generation plants, focus on our core businesses and improve efficiency throughout Vattenfall’s operations. We have launched a review of the Group’s strategy, including its organisation, cost structure and performance. This may lead to restructuring costs and possibly impairment charges – among other things as a result of a review of future investments. I intend to return later this year with closer details.”*

Øystein Løseth  
President and CEO

Group's total investments amounted to SEK 8,973 million (9,939). For more information about investment activities, see page 7. The operations of N.V. Nuon Energy (Nuon), which are consolidated in the Vattenfall Group since 1 July 2009, contributed SEK 77 million to operating profit during the second quarter of 2010. Excluding amortisation of surplus value, Nuon contributed SEK 500 million (SEK 3,283 million for the first half of 2010). Nuon's wind power operations have been integrated in the Wind business unit of Business Group Pan Europe (see page 11), and its energy trading operations are included in Supply & Trading (see page 15). Nuon's other operations – conducted in the business units Exploration & Production; Power, Heat & Services; and Sales – are included in Business Group Benelux (see page 14).

Following is a breakdown of operating profit for Vattenfall's operating segments during the second quarter of 2010:

- Operating profit for Business Group Pan Europe increased by SEK 1,759 million to SEK 2,229 million.
- Operating profit for Business Group Nordic increased by SEK 1,026 million to SEK 2,966 million.
- Operating profit for Business Group Central Europe decreased by SEK 137 million to SEK 3,639 million.
- Operating profit for Business Group Benelux amounted to SEK –188 million. Comparison values for 2009 are lacking, as Business Group Benelux did not become part of the Group until 1 July 2009.
- Operating profit for Supply & Trading increased by SEK 804 million to SEK 824 million.
- Operating profit for Other decreased by SEK 182 million to SEK –507 million.

For detailed information on the Group's operating segments, see pages 11–15.

#### Electricity generation, sales of heat and gas in Q2 2010

Vattenfall's electricity generation increased by 20.3% to 41.4 TWh (34.4). Hydro power generation increased by

12.9% to 7.9 TWh (7.0). Nuclear power generation increased by 13.9% to 12.3 TWh (10.8), fossil-based power increased by 26.7% to 20.4 TWh (16.1), and wind power generation increased from 0.3 TWh to 0.4 TWh. Electricity generation based on biomass and waste amounted to 0.4 TWh (0.2). Sales of heat increased by 37.5% to 7.7 TWh (5.6). Sales of gas totalled 8.9 TWh (0). For more information, see page 8.

#### Electricity prices

Compared with the second quarter of 2009, the average spot price on Nord Pool was 32% higher (EUR 44.87/MWh, compared with EUR 34.03/MWh), but approximately 25% lower than during the first quarter of 2010. The hydrological balance improved slightly during the second quarter to –24 TWh in June, from a low of –36 TWh in February.

In Germany, the average spot price (EPEX Spot) was 28% higher than the corresponding quarter in 2009 (EUR 41.52/MWh, compared with EUR 32.40/MWh). Also in the Netherlands, the average spot price was 28% higher (EUR 42.44/MWh, compared with EUR 33.17/MWh).

Futures prices rose slightly in the Nordic countries as well as in Germany and the Netherlands. Futures prices for the 2011 and 2012 contracts in the Nordic market closed at the end of the quarter at EUR 45.05/MWh and EUR 42.85/MWh, respectively. In Germany, the corresponding contracts closed at EUR 53.23/MWh and EUR 55.11/MWh, respectively, while in the Netherlands the corresponding contracts closed at EUR 53.39/MWh and EUR 55.35/MWh, respectively. CO<sub>2</sub> emission allowances were traded at prices that were roughly 9% higher than during the second quarter of 2009. For further information and price charts, see page 9.

#### Group, first half of 2010

Net sales rose 27.2% to SEK 120,370 million (94,656), of which approximately SEK 24,500 million is attributable to Nuon. Currency movements affected net sales negatively

by approximately SEK 6.9 billion. Operating profit rose 1.8% to SEK 19,078 million (18,741). Excluding items affecting comparability, operating profit rose 30.3% to SEK 24,312 million (18,662).

Items affecting comparability for the first half of 2010 amounted to SEK –5,234 million, net, of which SEK –5,223 million (EUR 531 million) pertains to an impairment charge that was taken during first quarter for Vattenfall's German transmission business. The sale of the transmission business was completed on 19 May 2010. The sum of items affecting comparability also includes a capital loss of SEK 93 million, which corresponds to the earned profit that accrues to the buyer of the transmission business.

Currency movements had a negative impact on operating profit by SEK 0.6 billion, attributable to the second quarter. Profit for the period after tax decreased by 16.3% to SEK 8,972 million (10,716); excluding items affecting comparability, profit for the period after tax rose 33.3% to SEK 14,204 million (10,655). Funds from operations (FFO) increased by 0.8% to SEK 21,499 million (21,328). Net debt decreased by SEK 3,916 million to SEK 151,071 million compared with 31 December 2009.

Electricity generation increased by 12.2% to 89.3 TWh (79.6). Hydro power generation increased by 4.6% to 18.1 TWh (17.3), nuclear power generation decreased by 6.5% to 22.9 TWh (24.5), fossil-based generation increased by 26.7% to 46.5 TWh (36.7), and wind power generation increased to 0.8 TWh (0.7). Sales of heat increased by 28.5% to 27.5 TWh (21.4). Sales of gas amounted to SEK 34.8 TWh. For more information, see page 8.

#### Important events during the second quarter of 2010

##### Sale of Vattenfall's German transmission grid completed

On 19 May 2010 the sale was completed of 50Hertz Transmission GmbH – Vattenfall's German transmission grid – to the Belgian transmission system operator Elia and the Australian company Industry Funds Management (IFM). The enterprise value was EUR 810 million. The proceeds from the sale of the shares amounted to EUR 464.6 mil-

## Summary of Vattenfall's consolidated financial performance, cash flow and balance sheet

Amounts in SEK million unless otherwise stated

	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Last 12 months
Net sales	49,713	42,128	18.0	120,370	94,656	27.2	231,121
Operating profit before depreciation and amortisation (EBITDA)	13,966	10,145	37.7	29,443	27,294	7.9	53,926
Operating profit (EBIT)	8,963	5,881	52.4	19,078	18,741	1.8	28,275
Operating profit excl. items affecting comparability	8,936	5,805	53.9	24,312	18,662	30.3	36,944
Financial items, net	-2,132	-2,408	11.5	-5,031	-4,511	-11.5	-10,724
Profit before tax	6,831	3,473	96.7	14,047	14,230	-1.3	17,551
Profit for the period	5,185	2,625	97.5	8,972	10,716	-16.3	11,704
- of which, attributable to owners of the Parent Company	5,077	2,456	106.7	8,823	10,207	-13.6	11,512
- of which, attributable to minority interests	108	169	-36.1	149	509	-70.7	192
Return on equity, %	8.7 <sup>1</sup>	12.5 <sup>1</sup>	-	8.7 <sup>1</sup>	12.5 <sup>1</sup>	-	8.7
Return on net assets, %	8.6 <sup>1</sup>	13.9 <sup>1</sup>	-	8.6 <sup>1</sup>	13.9 <sup>1</sup>	-	8.6
Funds from operations (FFO)	11,679	2,568	354.8	21,499	21,328	0.8	36,871
Cash flow before financing activities	13,828	1,200	1,052.3	7,331	5,782	26.8	-35,245
Free cash flow	14,288	5,594	155.4	13,231	14,049	-5.8	26,748
Cash and cash equivalents plus short-term investments	45,644	101,874	-55.2	45,644	101,874	-55.2	
Balance sheet total	543,907	500,621	8.6	543,907	500,621	8.6	
Equity incl. minority interests	140,215	145,060	-3.3	140,215	145,060	-3.3	
Capital Securities	9,414	10,728	-12.2	9,414	10,728	-12.2	
Other interest-bearing liabilities	189,123	156,175	21.1	189,123	156,175	21.1	
Net debt	151,071	63,478	138.0	151,071	63,478	138.0	
Net debt/Operating profit before depreciation and amortisation (EBITDA), times	2.8 <sup>1</sup>	1.3 <sup>1</sup>	-	2.8 <sup>1</sup>	1.3 <sup>1</sup>	-	

1) Last 12-month values.

See pages 31-32 for definitions and calculations of key ratios.

lion. In addition, the buyers redeemed shareholder loans of EUR 320 million from Vattenfall.

### Clarification of Vattenfall AB's assignment

On 3 June, Sweden's parliament (Riksdag) decided to clarify Vattenfall AB's assignment in accordance with the government's bill. According to the decision, Vattenfall is to generate a market rate of return by operating a commercial energy business that enables Vattenfall to be among the leaders in developing environmentally sustainable energy generation. 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 of Vattenfall AB on 23 August 2010.

### Swedish parliament lifts ban on new construction of nuclear reactors in Sweden

On 17 June, Sweden's parliament (Riksdag) decided to lift the ban on new construction of nuclear reactors in Sweden. The decision, which takes effect on 1 January 2011, will make it possible to apply for permits to build new reactors on sites currently with reactors in operation. The precondition is that the new reactor replaces an older one and that there are never more than ten reactors in operation at one time in Sweden.

### Proposal for new nuclear power tax in Germany

The federal government in Germany has proposed a new nuclear power tax starting in 2011. The aim of the new

tax is to raise EUR 2.3 billion, net, each year. The details remain unclear. Vattenfall's share of total nuclear power capacity in Germany is approximately 7%.

### Changes in Executive Group Management

On 12 April Øystein Løseth took office as President and CEO of Vattenfall AB. He succeeded Lars G. Josefsson, who is set to retire. Harald von Heyden, head of Trading and Generation Management, joined the Executive Group Management on 3 May 2010. Huib Morelisse took office as Head of Business Group Benelux on 1 July 2010 and was also made a member of the Executive Group Management.

## Sales, profit and cash flow

Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %
<b>Net sales</b>	<b>49,713</b>	<b>42,128</b>	<b>18.0</b>	<b>120,370</b>	<b>94,656</b>	<b>27.2</b>

**Comment:** Of net sales for the second quarter of 2010, totalling SEK 49.7 billion, N.V. Nuon Energy (Nuon) accounted for approximately SEK 9.1 billion. Nuon is consolidated in the Vattenfall Group since 1 July 2009. Net sales for Business Group Central Europe decreased by SEK 3.0 billion, which is mainly attributable to currency effects resulting from the stronger Swedish krona compared with the same quarter in 2009. Business Group Nordic reported a rise in net sales by SEK 1.5 billion, attributable to increased sales of electricity. Supply & Trading also reported an increase in net sales, by SEK 1.0 billion.

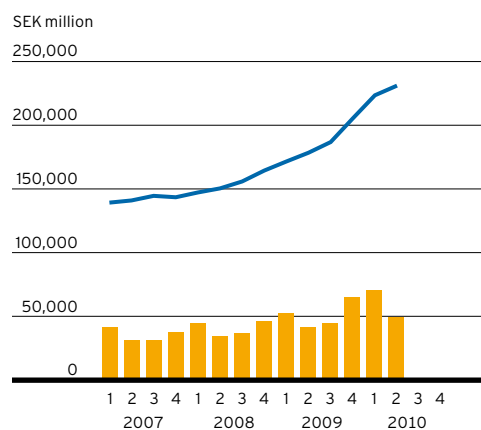
Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %
<b>Cost of products sold</b>	<b>36,343</b>	<b>32,788</b>	<b>10.8</b>	<b>87,215</b>	<b>69,470</b>	<b>25.5</b>

**Comment:** Of the cost of products sold, totalling SEK 36.3 billion, Nuon accounted for approximately SEK 7.6 billion. Operating and maintenance expenses were SEK 1.4 billion lower than during the same quarter in 2009, which is largely attributable to Business Group Pan Europe and Business Group Central Europe. The lower costs in Business Group Pan Europe are mainly due to the fact that the annual audits of the nuclear power plants will not be conducted until during the third quarter. In 2009, most of this work was conducted during the second quarter. The lower costs in Business Group Central Europe are mainly attributable to the stronger Swedish krona compared with 2009.

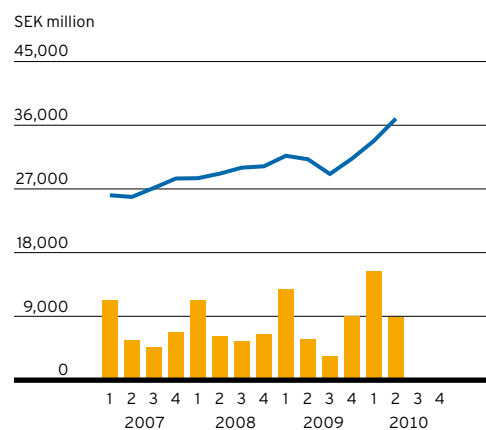
Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %
<b>Operating profit (EBIT)</b>	<b>8,963</b>	<b>5,881</b>	<b>52.4</b>	<b>19,078</b>	<b>18,741</b>	<b>1.8</b>
<b>Operating profit (EBIT) excl. items affecting comparability</b>	<b>8,936</b>	<b>5,805</b>	<b>53.9</b>	<b>24,312</b>	<b>18,662</b>	<b>30.3</b>

**Comment:** Operating profit improved by SEK 3,082 million. Higher generation volumes and lower operating and maintenance expenses had a combined positive effect of approximately SEK 3.7 billion. Lower average electricity prices achieved affected operating profit negatively by approximately SEK 0.7 billion. Currency movements had a net negative impact on the change in operating profit, by SEK 0.6 billion. The acquired operations of N.V. Nuon Energy contributed SEK 77 million to operating profit.

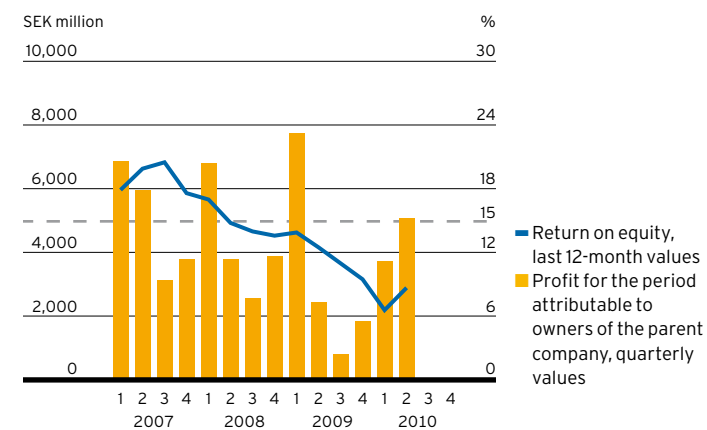
### Net sales



### Operating profit, excl. items affecting comparability



### Return on equity incl. items affecting comparability/ Profit for the period



Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %
<b>Funds from operations (FFO)</b>	<b>11,679</b>	<b>2,568</b>	<b>354.8</b>	<b>21,499</b>	<b>21,328</b>	<b>0.8</b>
<b>Cash flow from changes in operating assets and operating liabilities (working capital)</b>	<b>5,628</b>	<b>7,869</b>		<b>-1,933</b>	<b>637</b>	
<b>Cash flow from operating activities</b>	<b>17,307</b>	<b>10,437</b>	<b>65.8</b>	<b>19,566</b>	<b>21,965</b>	<b>-10.9</b>

**Comment:** Compared with the second quarter of 2009, funds from operations (FFO) increased by SEK 9.1 billion, mainly due to an improved profit before tax of SEK 6.7 billion (of which SEK 3.3 billion is attributable to Other adjustment items, such as higher unrealised exchange rate losses, lower financial payments and lower net provisions), higher depreciation (SEK 0.7 billion), and lower paid tax (SEK 1.7 billion).

Cash flow from changes in operating assets and operating liabilities (working capital) amounted to SEK 5.6 billion. Inventories and operating receivables increased during the quarter, which had a negative impact on cash flow. The change in operating liabilities also had a negative impact on cash flow. Other changes, mainly the receipt of margin calls and payment of option premiums, had a net positive impact of SEK 7.7 billion.

Since the first quarter of 2010, cash flow from changes in operating assets and operating liabilities (working capital) includes bilateral margin calls from Credit Support Annexes (CSAs), which are used in the trading activities. Previously these were reported in cash flow from financing activities. Bilateral margin calls had a positive effect on working capital of SEK 6.6 billion during the second quarter of 2010 and SEK 8.8 billion for the first half of the year. The corresponding figures for 2009 were SEK 1.2 billion and SEK -2.3 billion, respectively. However, in the table above and in the statement of cash flows on page 22, the figures for 2009 have not been adjusted retroactively.

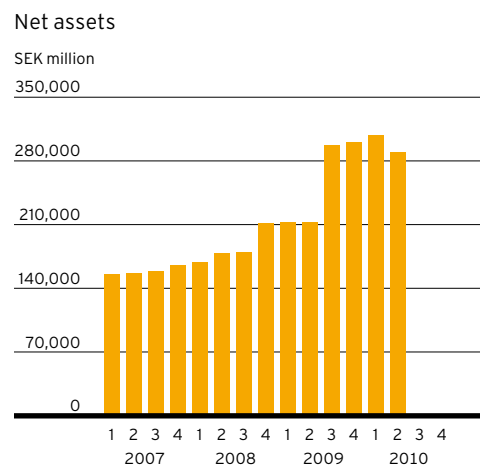
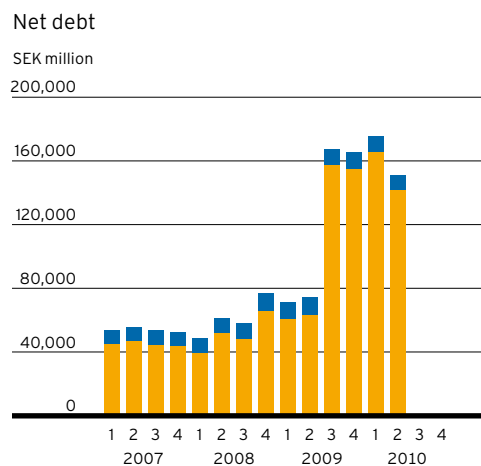
Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %
<b>Net financial items</b>	<b>-2,132</b>	<b>-2,408</b>	<b>11.5</b>	<b>-5,031</b>	<b>-4,511</b>	<b>-11.5</b>
<b>Interest income from financial investments</b>	<b>303</b>	<b>337</b>	<b>-10.1</b>	<b>529</b>	<b>654</b>	<b>-19.1</b>
<b>Interest expenses from loans</b>	<b>-1,659</b>	<b>-1,687</b>	<b>1.7</b>	<b>-3,254</b>	<b>-3,030</b>	<b>-7.4</b>
<b>Interest received</b>	<b>212</b>	<b>363</b>	<b>-41.6</b>	<b>437</b>	<b>665</b>	<b>-34.3</b>
<b>Interest paid</b>	<b>-2,022</b>	<b>-2,477</b>	<b>18.4</b>	<b>-2,915</b>	<b>-3,703</b>	<b>21.3</b>

**Comment:** The improvement in financial items during the second quarter of 2010 is mainly attributable to higher market values of derivatives.

## Financial position

Amounts in SEK million	30 June 2010	30 June 2009	Change %
<b>Cash and cash equivalents, and short-term investments</b>	<b>45,644</b>	<b>101,874</b>	<b>-55.2</b>
Committed credit facilities (unutilised)	9,601	10,946	-12.3
Other credit facilities (unutilised)	7,925	10,827	-26.8

**Comment:** The decrease in Cash, cash equivalents and short-term investments is attributable to the acquisition of shares in N.V. Nuon Energy. Committed credit facilities consist of a EUR 1 billion Revolving Credit Facility that expires on 23 February 2013 and a SEK 100 million bank overdraft facility that expires in December 2010. Vattenfall's target is to have no less than 10% of the Group's net sales, but at least the equivalent of the next 90 days' maturities, in the form of liquid assets or committed credit facilities.



■ Capital Securities  
■ Quarterly values

Amounts in SEK million	30 June 2010	30 June 2009	Change %
<b>Net debt</b>	<b>151,071</b>	<b>63,478</b>	<b>138.0</b>
<b>Interest-bearing liabilities</b>	<b>198,537</b>	<b>166,903</b>	<b>19.0</b>
Average interest rate, % <sup>1</sup>	3.4	4.7	-27.7
Duration, years <sup>1</sup>	4.3	4.0	7.5
Average time to maturity, years <sup>1</sup>	6.9	9.2	-25.0

1) Excluding Capital Securities and loans from minority owners and associated companies. Including SEK 9,414 million in Capital Securities, the average interest rate is 3.5%, the duration is 4.3 years, and the average time to maturity is 6.8 years. These values pertain to 30 June 2010. The norm duration is 4 years. The duration is allowed to vary 12 months over and below the norm time.

**Comment:** Compared with 30 June 2009, net debt increased by SEK 87,593 million, and total interest-bearing liabilities increased by SEK 31,634 million. This is mainly associated with the financing of the shares purchased in N.V. Nuon Energy (Nuon). Interest-bearing liabilities also include a remaining payment to Nuon's shareholders (SEK 44,886 million). Interest on this item is 2%.

Compared with 31 December 2009, net debt decreased by SEK 3,916 million, mainly due to exchange rate differences and the sale of 50Hertz Transmission GmbH, Vattenfall's German transmission grid.

Amounts in SEK million	30 June 2010	30 June 2009	Change %
<b>Equity attributable to</b>			
Owners of the Parent Company	133,572	133,752	-0.1
Minority interests	6,643	11,308	-41.3
<b>Total</b>	<b>140,215</b>	<b>145,060</b>	<b>-3.3</b>

**Comment:** Changes in equity are specified on page 23.

## Credit ratings

The current ratings for Vattenfall's long-term borrowing are A (Standard & Poor's) and A2 (Moody's). Vattenfall's rating outlook is "negative" from Standard & Poor's and "stable" from Moody's.



## Investments

Amounts in SEK million	Q2 2010	Q2 2009	Change %
Maintenance investments	3,019	4,843	-37.7
Growth investments	5,954	5,096	16.8
– of which, shares	937	225	316.4
<b>Total investments</b>	<b>8,973</b>	<b>9,939</b>	<b>-9.7</b>

**Comment:** Maintenance investments were 38% lower than in the second quarter of 2009. The decrease is due to concluded investments in generation. The increase in growth investments pertains mainly to greater investments in the Thanet and Ormonde wind farms in the UK.

## Specification of investments

Amounts in SEK million	Q2 2010	Q2 2009	Change %
<b>Electricity generation</b>			
Hydro power	236	364	-35.4
Nuclear power	1,322	934	41.5
Fossil-based power	763	2,363	-67.7
Wind power	1,500	1,537	-2.4
Biomass, waste	111	24	373.5
Other	571	674	-15.3
<b>Total Electricity generation</b>	<b>4,502</b>	<b>5,895</b>	<b>-23.6</b>
<b>Heat</b>			
Fossil-based power	125	414	-69.9
Biomass, waste	79	260	-69.7
Other	143	196	-27.1
<b>Total Heat</b>	<b>347</b>	<b>870</b>	<b>-60.2</b>
<b>Electricity networks</b>			
Electricity networks	1,340	1,534	-12.7
<b>Total Electricity networks</b>	<b>1,340</b>	<b>1,534</b>	<b>-12.7</b>
<b>Acquisitions of shares</b>	<b>939</b>	<b>225</b>	<b>316.9</b>
Other, excl. shares	1,846	1,415	30.5
<b>Total</b>	<b>8,973</b>	<b>9,939</b>	<b>-9.7</b>

**Comment:** Investments in electricity generation were SEK 1,393 million lower than in the second quarter of 2009, mainly due to the fact that major investments in fossil-based power (mainly pertaining to the Boxberg combined heat and power plant and the Reichwalde open-cast lignite mine in Germany) are in their final stages. The investments in heat and in electricity networks decreased as a result of the completion of major projects since the second quarter of 2009.

## Divestments

Amounts in SEK million	Q2 2010	Q2 2009	Change %
Divestments	5,785	675	757.0
– of which, shares	4,593	519	785.0

**Comment:** During the second quarter of 2010, the sale was completed of 50Hertz Transmission GmbH, Vattenfall's German transmission grid. The proceeds from the sale amounted to EUR 464.6 million. In addition, the buyers redeemed shareholder loans of EUR 320 million from Vattenfall.

## Employees

Number of employees, full-time equivalents	30 June 2010	30 June 2009	Change %
Business Group Pan Europe	5,817	5,476	6.2
Business Group Nordic	5,394	5,624	-4.1
Business Group Central Europe	20,326	21,335	-4.7
Business Group Benelux	5,605	-	-
Supply & Trading	405	244	66.0
Other	736	703	4.7
<b>Total</b>	<b>38,283</b>	<b>33,382</b>	<b>14.7</b>

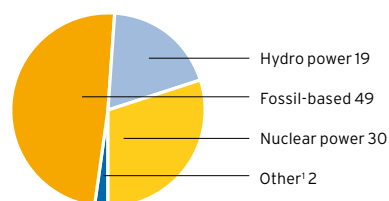
**Comment:** The acquisition of N.V. Nuon Energy increased the number of employees by 5,851 compared with the same quarter a year ago. In addition to the employees in Business Group Benelux, 155 work for Supply & Trading and 91 for Business Group Pan Europe. The increase in Business Group Pan Europe is mainly attributable to safety enhancement measures at nuclear power plants and organic growth in wind power.

## Electricity generation, sales of heat and gas

	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Full year 2009
<b>Electricity generation, TWh</b>							
Hydro power	7.9	7.0	12.9	18.1	17.3	4.6	33.9
Nuclear power	12.3	10.8	13.9	22.9	24.5	-6.5	41.5
Fossil-based power	20.4	16.1	26.7	46.5	36.7	26.7	80.4
Wind power	0.4	0.3	33.3	0.8	0.7	14.3	1.7
Biomass, waste	0.4	0.2	100.0	0.9	0.5	80.0	1.4
<b>Total</b>	<b>41.4</b>	<b>34.4</b>	<b>20.3</b>	<b>89.3</b>	<b>79.6</b>	<b>12.2</b>	<b>158.9</b>
<b>Sales of heat, TWh</b>							
Business Group Nordic	2.5	1.9	31.6	7.6	6.4	18.8	11.1
Business Group Central Europe	4.8	3.7	29.7	17.1	15.0	14.0	26.3
Business Group Benelux	0.4	-	-	2.8	-	-	0.6
<b>Total</b>	<b>7.7</b>	<b>5.6</b>	<b>37.5</b>	<b>27.5</b>	<b>21.4</b>	<b>28.5</b>	<b>37.9</b>
<b>Sales of gas, TWh</b>							
Business Group Nordic	-	-	-	0.1	0.1	-	0.2
Business Group Central Europe	-	-	-	-	0.1	-	0.2
Business Group Benelux	8.9	-	-	34.7	-	-	19.7
<b>Total</b>	<b>8.9</b>	<b>-</b>	<b>-</b>	<b>34.8</b>	<b>0.2</b>	<b>-</b>	<b>20.1</b>

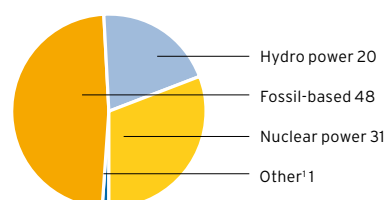
Rounding differences of 0.1 TWh exist on certain items.

Electricity generation, Q2 2010, %



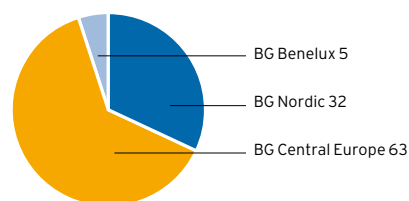
1) Wind power, biomass and waste.

Electricity generation, Q2 2009, %

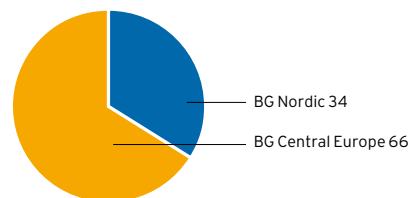


1) Wind power, biomass and waste.

Heat sales, Q2 2010, %



Heat sales, Q2 2009, %



## Electricity generation

Vattenfall's total electricity generation increased by 20.3% during the second quarter, to 41.4 TWh. The acquired company N.V. Nuon Energy accounted for 2.3 TWh. Excluding Nuon, electricity generation increased by 4.6 TWh (13.4%). Volume increased for all types of generation. The increase in nuclear power generation is attributable to the Nordic operations, since the Brunsbüttel nuclear power plant in Germany is still off line, which was also the case during the second quarter of 2009. The outage at the 50%-owned Krümmel nuclear power plant in Germany did not affect consolidated volumes, since the plant is not consolidated in Vattenfall's accounts. Fossil-based electricity generation increased by 4.3 TWh, of which N.V. Nuon's operations contributed 2.3 TWh and Business Group Central Europe 2.1 TWh.

## Sales of heat

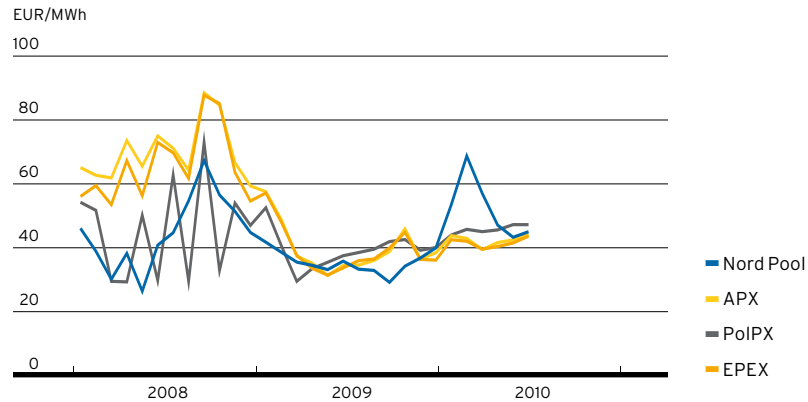
Sales of heat increased by 37.5% to 7.7 TWh. Excluding N.V. Nuon Energy, sales of heat increased by 30.4%, mainly due to colder temperatures in April compared with a year ago.

## Sales of gas

Business Group Benelux (which in practice accounts for all of Vattenfall's gas sales) sold 8.9 TWh to end customers during the second quarter. Comparison figures are lacking, since Nuon's operations were not consolidated in the Vattenfall Group until 1 July 2009.

## Wholesale price trend

Nordic, German, Polish and Dutch electricity spot prices 2008–2010, monthly averages



### Electricity spot prices in the Nordic countries, Germany, Poland and the Netherlands

Spot prices rose in all of Vattenfall's markets during the second quarter and were approximately 30% higher than in the same period in 2009. Average spot prices in the Nordic countries were 32% higher than in the same period in 2009 (EUR 44.87/MWh, compared with EUR 34.03/MWh). However, prices were 25% lower than in the first quarter of 2010. The hydrological balance in the Nordic countries improved slightly during the second quarter, reaching -24 TWh in June from a bottom level of -36 TWh in February.

Average spot prices in Germany and the Netherlands traded at a 28% higher level than during the same period a year ago. German spot prices – at EUR 41.52/MWh – were the lowest among Vattenfall's markets. The average spot price in the Netherlands was EUR 42.44/MWh. The average spot price in Poland was 33% higher than in the second quarter of 2009 (EUR 46.45/MWh, compared with EUR 35.04/MWh). In general, cold spring weather and rising industrial demand supported the price trend in Continental Europe.

Nordic, German and Dutch electricity futures prices

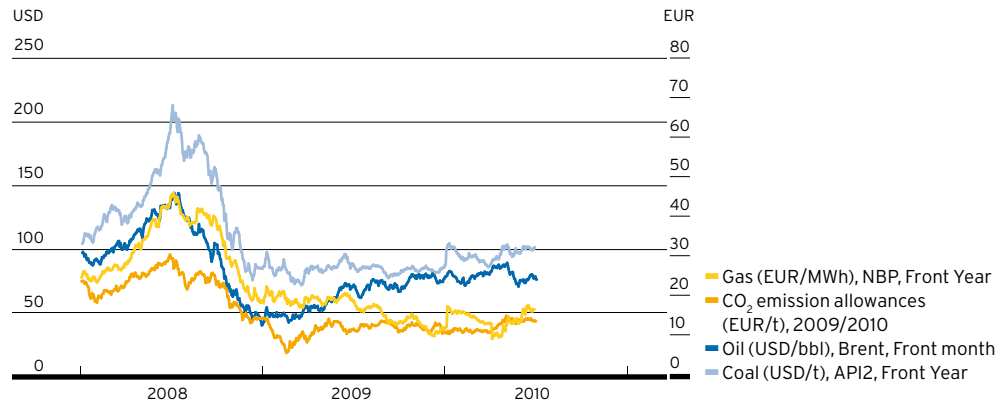


### Electricity futures prices in the Nordic countries, Germany and the Netherlands

Electricity futures prices in Vattenfall's markets increased during the second quarter of 2010. The average price for the 2011 futures contracts increased more than the futures contracts for 2012. The Nordic futures contract for 2011 traded 10% higher than in the preceding quarter. The average price for the 2012 futures contract remains at a lower level than the 2011 contract and increased by 6%.

Electricity futures prices for 2011 increased by 11% in Germany and 13% in the Netherlands. Both the German and Dutch futures contracts for 2012 increased by 6% over the preceding quarter. The price rise is attributable to higher spot prices and a slight recovery from the economic downturn.

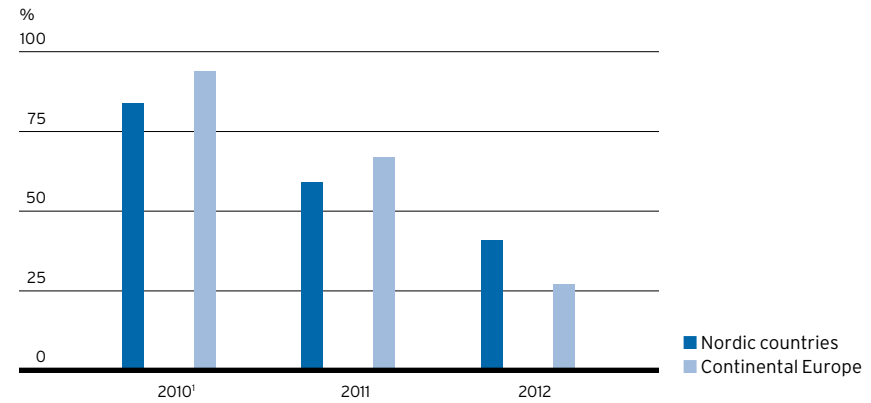
### Price trend for oil, coal, gas and CO<sub>2</sub> emission allowances



### Price trend for oil, coal, gas and CO<sub>2</sub> emission allowances

Compared with the first quarter of 2010, prices of coal and gas rose during the second quarter of 2010. However, compared with the second quarter of 2009, only coal prices rose (by 13%), while gas prices fell 25%. The price of CO<sub>2</sub> emission allowances, which had been unchanged since the start of 2010, began rising during the second quarter. Compared with the second quarter of 2009, the price rose 9%. The price of oil continued to fall during the second quarter of 2010, however, it is still up 32% year-on-year.

### Vattenfall's degree of price hedging in various markets per 30 June 2010



1) Remaining months.

### Vattenfall's degree of price hedging

The chart above shows Vattenfall's price hedging of planned electricity generation in various markets. Vattenfall continuously hedges its electricity generation through sales in the futures market.

## The Group's operating segments

### Business Group Pan Europe

Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Full year 2009	Last 12 months
Net sales	6,358	5,379	18.2	11,757	11,162	5.3	21,113	21,708
External net sales <sup>1</sup>	2,048	2,078	-1.4	3,828	3,893	-1.7	8,239	8,174
Operating profit (EBIT)	2,229	470	374.3	3,224	1,990	62.0	2,113	3,347
Operating profit (EBIT) excl. items affecting comparability	2,228	469	375.1	3,223	1,989	62.0	1,968	3,202
<b>Electricity generation<sup>2</sup>, TWh</b>	<b>12.7</b>	<b>11.1</b>	<b>14.4</b>	<b>23.7</b>	<b>25.1</b>	<b>-5.6</b>	<b>43.2</b>	<b>41.8</b>
- of which, nuclear power	12.3	10.8	13.9	22.9	24.5	-6.5	41.5	39.9
- of which, wind power	0.4	0.3	33.3	0.8	0.6	33.3	1.7	1.9

1) Excluding intra-Group transactions.

2) Of electricity generation during Q1-2 2010, Vattenfall disposed over 16.5 TWh (17.3 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

Business Group Pan Europe comprises the three Group-wide business units Wind, Nuclear and Engineering. Business Group Pan Europe is also responsible for Vattenfall's European business development, focusing on efficient use of energy and biomass. Business Group Pan Europe accounted for 7.6% of the Group's operating profit in 2009.

Helene Biström is Head of Business Group Pan Europe.

### Operating profit Q2

Operating profit improved by SEK 1,759 million. Operating profit for the Wind business unit decreased despite slightly higher prices achieved and a positive volume effect. This is mainly due to higher depreciation associated with the ongoing expansion in wind power. Operating profit for the Nuclear business unit improved, mainly due to average higher prices and higher generation volumes during the quarter as well as compensation received for the sale of the remaining generation rights for the Stade nuclear power plant (SEK 590 million). Operating and maintenance expenses were lower, which is due to the fact that the year's audits of the nuclear power plants had not yet been started. During the corresponding period in 2009, audits were in progress at three nuclear power units. The loss of revenue<sup>1</sup> caused by the outages at the Krümmel and Brunsbüttel nuclear power plants in Germany is estimated at approximately EUR 100 million (approximately SEK 1 billion) for the second quarter of 2010. The corresponding loss of revenue resulting from the brief, unplanned outages and capacity restrictions at Forsmark 2 and Ringhals 2 is estimated at approximately SEK 0.4 billion.

1) Calculation of the loss of revenue is theoretical and is based on the average level of spot prices and planned generation during the period.

### Electricity generation, Q2

Electricity generation increased by 14.4% to 12.7 TWh (11.1). The increase is mainly attributable to higher nuclear power generation at Ringhals, where audits will be conducted later this year and which had extended audits in 2009. However, the reduced capacity continues – currently unit 2 at Forsmark runs at approximately 30%. The Brunsbüttel nuclear power plant in Germany continues to be off line, which was also the case during the second quarter of 2009. The outage at the half-owned Krümmel nuclear power plant in Germany did not affect consolidated generation volumes, since the plant is not consolidated in Vattenfall's accounts. Wind power generation increased by 0.1 TWh to 0.4 TWh, which is almost entirely attributable to wind power generation by N.V. Nuon Energy.

### Important events Q2

- In April, Germany's first offshore wind farm, alpha ventus, was inaugurated. The wind farm comprises twelve 5 MW turbines and is a collaboration project between EWE, E.ON and Vattenfall.
- Vattenfall and Swedfund, a Swedish state-owned development finance institution that focuses on investment in developing countries, acquired 20% and 10% stakes, respectively, in Buchanan Renewables Fuel in Liberia. The purchase price amounted to EUR 20 million and EUR 10 million, respectively. The company produces biomass from old, non-productive rubber trees from plantations. Vattenfall has a previously existing supply agreement with Buchanan Renewables. This is a first step towards building an international sourcing portfolio to secure long-term supply of biomass.

- At the end of June, an important milestone was reached in the construction of Thanet, the world's largest offshore wind farm, when the 100th and final turbine was installed. The official inauguration is scheduled to take place on 23 September 2010.
- Vattenfall began construction of its third offshore wind farm in the UK, Ormonde Wind Farm, in the Irish Sea. The first foundation for the Ormonde farm was installed in early May 2010, and the project is expected to be completed in 2011.
- Under an agreement with the majority shareholder of E.ON Kernkraft GmbH, Vattenfall sold its share (one-third, corresponding to approximately 1.6 TWh) in the remaining production rights for the closed German nuclear power plant Stade, to RWE Power AG. The proceeds from the sale amounted to SEK 590 million.
- Vattenfall's first onshore wind farm in the UK, Edinbane, was commissioned on 1 July 2010. The wind farm has total installed capacity of 41.4 MW.

## Business Group Nordic

Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Full year 2009	Last 12 months
Net sales	10,215	9,112	12.1	22,833	22,198	2.9	42,393	43,028
External net sales <sup>1</sup>	11,034	9,535	15.7	28,283	24,461	15.6	45,064	48,886
Operating profit (EBIT)	2,966	1,940	52.9	9,559	6,270	52.5	7,504	10,793
Operating profit (EBIT) excl. items affecting comparability	2,964	1,870	58.5	9,556	6,188	54.4	11,117	14,485
<b>Heat sales, TWh</b>	<b>2.5</b>	<b>1.9</b>	<b>31.6</b>	<b>7.6</b>	<b>6.4</b>	<b>18.8</b>	<b>11.1</b>	<b>12.3</b>
<b>Electricity generation<sup>2</sup>, TWh</b>	<b>8.9</b>	<b>8.1</b>	<b>9.9</b>	<b>20.9</b>	<b>20.3</b>	<b>3.0</b>	<b>38.8</b>	<b>39.5</b>
– of which, hydro power	7.2	6.4	12.5	16.7	16.1	3.7	31.2	31.8
– of which, fossil-based power	1.5	1.7	-11.8	3.7	3.9	-5.1	7.3	7.1
– of which, biomass and waste	0.2	0.1	100.0	0.6	0.3	100.0	0.3	0.6
Transited volume, excl. production transits	16.8	15.9	5.7	40.8	38.9	4.9	74.5	76.5

1) Excluding intra-Group transactions.

2) Of electricity generation during Q1-2 2010, Vattenfall disposed over 19.8 TWh (19.3 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

Business Group Nordic conducts operations in Sweden, Finland and Denmark. The following business units are included in the segment: Hydro, Distribution, Sales, Heat and Services. Business Group Nordic accounted for 26.9% of the Group's operating profit in 2009.

Torbjörn Wahlborg is Head of Business Group Nordic.

### Operating profit Q2

Operating profit improved by SEK 1,026 million. The improvement is mainly attributable to the Hydro business unit and is largely due to higher prices. The Distribution business unit showed an improvement through higher tariffs and lower costs. Operating profit for the Sales business unit also improved as a result of an improved gross margin, lower selling costs and lower administrative expenses.

### Sales of heat and electricity generation Q2

Sales of heat increased by 31.6% to 2.5 TWh (1.9). Electricity generation increased by 9.9% to 8.9 TWh (8.1), mainly due to higher hydro power generation. Large water supply during the second quarter resulted in nearly normal reservoir levels in Sweden. Transited volume increased by 5.7%, mainly due to the cold spring weather.

### Important events Q2

- Two new biomass-fired combined heat and power plants were inaugurated in Denmark during the second quarter. In Copenhagen, unit 1 at the Amagerværket plant was commissioned, while in Odense, unit 8 at the Fynsværket plant was commissioned. More than 300,000 large straw bales will replace 100,000 tonnes of coal as fuel per year at the two plants.
- In Uppsala, a new turbine was commissioned at a waste incineration plant, resulting in approximately 85 GWh of new electricity generation. The waste consists primarily of biomass.
- Vattenfall and ABB, together with the Swedish Royal Institute of Technology and Uppsala University, started a collaboration to run the Swedish part of InnoEnergy, the world's largest innovations factory for creating new companies and products in the energy sector. In Sweden, priority will be given primarily to two research areas – smart electricity networks and electricity storage. The first leg in this collaboration will involve a joint effort surrounding a large, Swedish demonstration project involving smart electricity grids on the Swedish island of Gotland.

## Business Group Central Europe

Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Full year 2009	Last 12 months
Net sales	33,611	37,811	-11.1	78,362	83,048	-5.6	163,476	158,790
External net sales <sup>1</sup>	24,289	27,391	-11.3	57,752	58,764	-1.7	116,466	115,454
Operating profit (EBIT)	3,639	3,776	-3.6	3,710	11,021	-66.3	18,938	11,627
Operating profit (EBIT) excl. items affecting comparability	3,622	3,771	-4.0	9,021	11,011	-18.1	18,373	16,383
<b>Heat sales, TWh</b>	<b>4.8</b>	<b>3.7</b>	<b>29.7</b>	<b>17.1</b>	<b>15.0</b>	<b>14.0</b>	<b>26.3</b>	<b>28.4</b>
<b>Electricity generation<sup>2</sup>, TWh</b>	<b>17.5</b>	<b>15.2</b>	<b>15.1</b>	<b>37.9</b>	<b>34.2</b>	<b>10.8</b>	<b>68.8</b>	<b>72.5</b>
- of which, fossil-based power	16.6	14.5	14.5	36.1	32.7	10.4	65.2	68.5
- of which, hydro power	0.8	0.6	33.3	1.5	1.2	25.0	2.5	2.8
- of which, biomass and waste	0.2	0.1	100.0	0.3	0.2	50.0	1.1	1.2
Transited volume, excl. production transits	9.8	9.4	4.3	20.2	20.2	-	40.7	40.8

1) Excluding intra-Group transactions.

2) Of electricity generation during Q1-2 2010, Vattenfall disposed over 37.9 TWh (34.2 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

Business Group Central Europe conducts operations in Germany and Poland. The operating segment consists of the following business units: Mining & Generation, Distribution, Sales and Heat. Business Group Central Europe accounted for 67.8% of the Group's operating profit in 2009.

Tuomo Hatakka is Head of Business Group Central Europe.

### Operating profit Q2

Operating profit fell by SEK 137 million. The Mining & Generation business unit reported a lower operating profit despite higher production volumes and lower operating and maintenance expenses. The latter is due primarily to fewer audit days than in the corresponding period a year ago. The earnings decline is mainly due to lower average electricity prices achieved in Germany. Operating profit for the Distribution business unit improved, which is mainly attributable to higher tariffs and lower operating and maintenance expenses – due among other things to lower material costs. Currency movements had a net impact on operating profit of SEK –350 million.

### Sales of heat and electricity generation, Q2

Sales of heat increased by 29.7% to 4.8 TWh (3.7). Electricity generation increased by 15.1% to 17.5 TWh (15.2), of which the largest share (2.1 TWh) consisted of an increase in fossil-based power stemming from higher availability at production plants. Transited volume increased by 4.3%.

### Important events Q2

- In April, Vattenfall Europe Innovation GmbH was established, which will be active in e-mobility, hydrogen powered vehicles, intelligent systems and electricity distribution.
- Vattenfall is investing in the Lausitz region in Germany by financing a three-year research project at the Technical University in Cottbus involving the integration of renewable energy sources in a virtual power plant and two professorships. The focus will be on increasing energy efficiency, production and use of biomass, and on integrating renewable energy sources.
- On 19 May 2010 the sale was completed of 50Hertz Transmission GmbH –Vattenfall's German transmission grid – to the Belgian transmission system operator Elia and the Australian company Industry Funds Management (IFM). The enterprise value was EUR 810 million. The proceeds from the sale of the shares amounted to EUR 464.6 million. In addition, the buyers redeemed shareholder loans of EUR 320 million from Vattenfall.
- On 17 June 2010, Vattenfall Europe New Energy Services GmbH was established. The new unit will be involved primarily in marketing electricity services in Hamburg's district heating sector. In addition to district heating, the company will also offer local supply solutions such as block heating and power plants, heat pumps and solar energy.

## Business Group Benelux

Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Kv 3-4 2009	Last 12 months
Net sales	9,398	-	-	25,731	-	-	24,290	50,021
External net sales <sup>1</sup>	8,000	-	-	22,358	-	-	20,446	42,804
Operating profit (EBIT)	-188	-	-	40	-	-	-644	-604
Operating profit (EBIT) excl. items affecting comparability	-195	-	-	-33	-	-	-205	-238
Gas sales, TWh	8.9	-	-	34.7	-	-	19.7	54.4
Heat sales, TWh	0.4	-	-	2.8	-	-	0.6	3.4
Electricity generation, TWh	2.3	-	-	6.7	-	-	8.0	14.7
- of which, fossil-based power	2.3	-	-	6.7	-	-	7.9	14.6
- of which, hydro power	-	-	-	-	-	-	0.2	0.2

1) Excluding intra-Group transactions.

Business Group Benelux conducts operations in the Netherlands and Belgium and consists of the business units Exploration & Production (mainly gas production); Power, Heat & Services; and Sales. Nuon's wind power and energy trading operations are now part of Business Group Pan Europe and the Supply & Trading segment, respectively. Business Group Benelux is consolidated in the Vattenfall Group since 1 July 2009.

As of 1 July 2010, Huib Morelisse is Head of Business Group Benelux.

### Operating result Q2

Operating profit including amortisation of surplus value of SEK 534 million was SEK -188 million, of which approximately SEK 260 million pertains to a reversal of provisions in the Power, Heat & Services business unit. Excluding the amortisation of surplus value, operating profit was SEK +346 million. Operating profit for the Exploration & Production business unit was affected by higher volumes but lower prices for gas. However, during the quarter gas prices recovered. The Sales business unit had a marginal impact on Business Group Benelux's operating profit.

### Sales of gas and heat, and electricity generation Q2

Sales of gas to end customers amounted to 8.9 TWh, sales of heat amounted to 0.4 TWh, and electricity generation amounted to 2.3 TWh. Comparison figures are lacking, since Nuon's operations were not consolidated in the Vattenfall Group until 1 July 2009.

### Important events Q2

- In May, Nuon opened a new cooling station in Amsterdam's Zuidoost district which makes use of cold water from nearby Ouderkerkerplas Lake. The cooling station allows connected offices and buildings to replace their traditional air conditioning, leading to a reduction in CO<sub>2</sub> emissions of up to 75%.
- The EU Commission has given the Dutch authorities permission to award a subsidy of EUR 10 million to Nuon for construction of a pilot plant for CO<sub>2</sub> capture based on precombustion technology. The pilot is currently under construction at the Buggenum power plant in the Netherlands.
- In June 2010, Almere Sun Island was commissioned in the Netherlands. In an area covering 7,000 sq. m., Nuon has built 520 solar collectors that capture the heat of the sun to generate hot tap water and heat for 2,700 homes.
- In April a decision was made to invest in a new gas-fired power plant, Hemweg 9, at an existing site in Amsterdam. The plant will replace an older gas-fired plant with a capacity of 511 MW, which will be decommissioned. The new, more efficient, 435 MW plant is planned to be operating by year-end 2012.



## Supply & Trading

Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Full year 2009	Last 12 months
Net sales	18,589	12,548	48.1	41,002	28,159	45.6	70,781	83,624
External net sales <sup>1</sup>	4,505	2,600	73.3	8,067	7,035	14.7	14,593	15,625
Operating profit (EBIT)	824	20	-	2,988	547	446.3	1,571	4,012
Operating profit (EBIT) excl. items affecting comparability	824	20	-	2,988	561	432.6	1,585	4,012

1) Excluding intra-Group transactions.

Supply & Trading has Group-wide responsibility for market access, price hedging, fuel purchasing, dispatching for the German and Dutch power plants, and trading for own account within mandates issued by the Board of Directors. The Supply & Trading operating segment accounted for 5.6% of the Group's operating profit in 2009.

Stephen Asplin is Head of Supply & Trading.

### Operating profit Q2

Operating profit improved by SEK 804 million, of which N.V. Nuon Energy (Nuon) accounted for SEK 634 million. The improvement can be credited in large part to a realised profit from favourable contracts in Nuon's trading activities that were previously entered into.

### Important events Q2

- Vattenfall Energy Trading established the Vattenfall Carbon Fund in the aim of gathering knowledge and experience within the Group in the CDM/JI area. Through financing and participation in CDM (Clean Development Mechanism) and JI (Joint Implementation) projects, Vattenfall Carbon Fund will provide the Vattenfall Group with CO<sub>2</sub> emission allowances from this project.
- Starting in mid-May, Vattenfall Energy Trading serves as a market maker on the Dutch APX-ENDEX TTF spot market.

## Other

Amounts in SEK million	Q2 2010	Q2 2009	Change %	Q1-Q2 2010	Q1-Q2 2009	Change %	Full year 2009	Last 12 months
Net sales	170	786	-78.4	493	993	-50.4	2,127	1,627
External net sales <sup>1</sup>	-163	524	-	82	503	-83.7	599	178
Operating profit (EBIT)	-507	-325	-56.0	-443	-1,087	59.2	-1,544	-900
Operating profit (EBIT) excl. items affecting comparability	-507	-325	-56.0	-443	-1,087	59.2	-1,544	-900

1) Excluding intra-Group transactions.

Other includes Treasury operations and Other Group functions. Operating profit also includes unrealised changes in fair value of energy trading contracts, which according to IAS 39 may not be recognised using hedge accounting.

### Operating profit

The SEK 182 million decrease in operating profit is mainly attributable to unrealised changes in fair value of the derivative portfolio. The result impact of Nuon's fair valuation of its derivative portfolio was SEK -217 million.

## Consolidated income statement

Amounts in SEK million	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Last 12 months
Net sales	49,713	42,128	120,370	94,656	205,407	231,121
Cost of products sold <sup>1</sup>	-36,343	-32,788	-87,215	-69,470	-162,564	-180,309
<b>Gross profit</b>	<b>13,370</b>	<b>9,340</b>	<b>33,155</b>	<b>25,186</b>	<b>42,843</b>	<b>50,812</b>
Selling expenses, administrative expenses and research and development costs <sup>2</sup>	-4,844	-3,913	-9,524	-7,561	-17,922	-19,885
Other operating income and expenses, net	411	91	-4,681	269	1,707	-3,243
Participations in the results of associated companies	26	363	128	847	1,310	591
<b>Operating profit (EBIT)<sup>3</sup></b>	<b>8,963</b>	<b>5,881</b>	<b>19,078</b>	<b>18,741</b>	<b>27,938</b>	<b>28,275</b>
Financial income <sup>4</sup>	295	415	861	1,102	2,814	2,573
Financial expenses <sup>5</sup>	-2,427	-2,823	-5,892	-5,613	-13,018	-13,297
<b>Profit before tax<sup>6</sup></b>	<b>6,831</b>	<b>3,473</b>	<b>14,047</b>	<b>14,230</b>	<b>17,734</b>	<b>17,551</b>
Income tax expense	-1,646	-848	-5,075	-3,514	-4,286	-5,847
<b>Profit for the period<sup>7</sup></b>	<b>5,185</b>	<b>2,625</b>	<b>8,972</b>	<b>10,716</b>	<b>13,448</b>	<b>11,704</b>
Profit for the period attributable to:						
Owners of the Parent Company	5,077	2,456	8,823	10,207	12,896	11,512
Minority interests	108	169	149	509	552	192
<b>Total</b>	<b>5,185</b>	<b>2,625</b>	<b>8,972</b>	<b>10,716</b>	<b>13,448</b>	<b>11,704</b>
<b>Earnings per share</b>						
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700	131,700	131,700
Earnings per share, basic and diluted (SEK)	38.55	18.65	66.99	77.50	97.92	87.41
<b>Supplementary information</b>						
Operating profit before depreciation and amortisation (EBITDA)	13,966	10,145	29,443	27,294	51,777	53,926
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-1,302	-1,665	-3,629	-3,215	-7,994	-8,408
1) Of which, depreciation, amortisation and impairment losses related to non-recurring assets	-4,725	-4,133	-9,960	-8,280	-23,238	-24,918
2) Of which, depreciation, amortisation and impairment losses related to non-recurring assets	-278	-131	-405	-273	-601	-733
3) Including items affecting comparability attributable to:						
Capital gains/losses, net	-80	74	-14	83	58	-39
Impairment losses and impairment losses reversed, net	107	2	-5,220	-4	-4,231	-9,447
Other items affecting comparability	-	-	-	-	817	817
4) Including return from the Swedish Nuclear Waste Fund	-42	82	205	374	1,188	1,019
5) Including interest components related to pension costs	-286	-310	-582	-621	-1,297	-1,258
5) Including discounting effects attributable to provisions	-788	-825	-1,607	-1,670	-3,398	-3,335
6) Including items affecting comparability attributable to:						
Capital gains/losses, net	-80	77	-13	85	103	5
Impairment losses and impairment losses reversed, net	107	2	-5,220	-4	-4,231	-9,447
Other items affecting comparability	-	-	-	-	817	817
7) Including items affecting comparability stated above adjusted for tax	26	62	-5,232	61	-2,606	-7,899

## Consolidated statement of comprehensive income

Amounts in SEK million	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Last 12 months
<b>Profit for the period</b>	<b>5,185</b>	<b>2,625</b>	<b>8,972</b>	<b>10,716</b>	<b>13,448</b>	<b>11,704</b>
<b>Other comprehensive income:</b>						
Cash flow hedges:						
Changes in fair value	5,058	-1,545	4,856	1,741	-1,399	1,716
Dissolved against the income statement	144	349	-225	1,132	8,238	6,881
Transferred to cost of hedged item	421	-278	319	-342	-1,509	-848
Tax attributable to cash flow hedges	-1,401	272	-1,250	-824	-1,576	-2,002
<b>Total cash flow hedges</b>	<b>4,222</b>	<b>-1,202</b>	<b>3,700</b>	<b>1,707</b>	<b>3,754</b>	<b>5,747</b>
Hedging of net investments in foreign operations	3,718	783	12,970	1,039	8,111	20,042
Tax attributable to hedging of net investments in foreign operations	-978	-206	-3,411	-273	-2,133	-5,271
<b>Total hedging of net investments in foreign operations</b>	<b>2,740</b>	<b>577</b>	<b>9,559</b>	<b>766</b>	<b>5,978</b>	<b>14,771</b>
Translation differences	-6,213	-544	-19,218	-2,041	-11,393	-28,570
<b>Total other comprehensive income, net after tax</b>	<b>749</b>	<b>-1,169</b>	<b>-5,959</b>	<b>432</b>	<b>-1,661</b>	<b>-8,052</b>
<b>Total comprehensive for the period</b>	<b>5,934</b>	<b>1,456</b>	<b>3,013</b>	<b>11,148</b>	<b>11,787</b>	<b>3,652</b>
Total comprehensive income for the period attributable to:						
Owners of the Parent Company	5,923	1,075	3,192	10,791	11,920	4,321
Minority interests	11	381	-179	357	-133	-669
<b>Total</b>	<b>5,934</b>	<b>1,456</b>	<b>3,013</b>	<b>11,148</b>	<b>11,787</b>	<b>3,652</b>

## Operating segments, Vattenfall Group

Amounts in SEK million	External net sales					Internal net sales					Total net sales				
	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Business Group Pan Europe	2,048	2,078	3,828	3,893	8,239	4,310	3,301	7,929	7,269	12,874	6,358	5,379	11,757	11,162	21,113
Business Group Nordic	11,034	9,535	28,283	24,461	45,064	-819	-423	-5,450	-2,263	-2,671	10,215	9,112	22,833	22,198	42,393
Business Group Central Europe	24,289	27,391	57,752	58,764	116,466	9,322	10,420	20,610	24,284	47,010	33,611	37,811	78,362	83,048	163,476
Business Group Benelux	8,000	-	22,358	-	20,446	1,398	-	3,373	-	3,844	9,398	-	25,731	-	24,290
Supply & Trading	4,505	2,600	8,067	7,035	14,593	14,084	9,948	32,935	21,124	56,188	18,589	12,548	41,002	28,159	70,781
Other <sup>1</sup>	-163	524	82	503	599	333	262	411	490	1,528	170	786	493	993	2,127
Eliminations <sup>2</sup>	-	-	-	-	-	-28,628	-23,508	-59,808	-50,904	-118,773	-28,628	-23,508	-59,808	-50,904	-118,773
<b>Total</b>	<b>49,713</b>	<b>42,128</b>	<b>120,370</b>	<b>94,656</b>	<b>205,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,713</b>	<b>42,128</b>	<b>120,370</b>	<b>94,656</b>	<b>205,407</b>

Amounts in SEK million	Profit					Profit excl. items affecting comparability				
	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Business Group Pan Europe	2,229	470	3,224	1,990	2,113	2,228	469	3,223	1,989	1,968
Business Group Nordic	2,966	1,940	9,559	6,270	7,504	2,964	1,870	9,556	6,188	11,117
Business Group Central Europe	3,639	3,776	3,710	11,021	18,938	3,622	3,771	9,021	11,011	18,373
Business Group Benelux	-188	-	40	-	-644	-195	-	-33	-	-205
Supply & Trading <sup>3</sup>	824	20	2,988	547	1,571	824	20	2,988	561	1,585
Other <sup>1</sup>	-507	-325	-443	-1,087	-1,544	-507	-325	-443	-1,087	-1,544
<b>Operating profit (EBIT)</b>	<b>8,963</b>	<b>5,881</b>	<b>19,078</b>	<b>18,741</b>	<b>27,938</b>	<b>8,936</b>	<b>5,805</b>	<b>24,312</b>	<b>18,662</b>	<b>31,294</b>
Financial income and expenses	-2,132	-2,408	-5,031	-4,511	-10,204					
<b>Profit before tax</b>	<b>6,831</b>	<b>3,473</b>	<b>14,047</b>	<b>14,230</b>	<b>17,734</b>					

1) Includes Treasury operations and Other Group functions. Operating profit also includes unrealised changes in fair value according to IAS 39 for energy trading contracts administered by Supply & Trading which are reported in Other until the amounts are realised. When the amounts are realised the segment for which the contract is signed is affected.

2) Chiefly concerns trade between Business Groups and Supply & Trading.

3) Operating profit excludes unrealised changes in fair value according to IAS 39 which are reported in Other.

## Vattenfall Group, information about products and services

Amounts in SEK million	External net sales					Internal net sales					Total net sales				
	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Electricity Generation <sup>1</sup>	10,688	8,879	28,518	20,814	40,516	9,558	10,040	15,971	21,337	43,781	20,246	18,919	44,489	42,151	84,297
Supply & Trading	4,505	2,600	8,067	7,035	14,593	14,084	9,948	32,935	21,124	56,188	18,589	12,548	41,002	28,159	70,781
Electricity Networks	11,510	12,631	29,470	26,660	54,491	2,403	3,424	5,761	8,693	16,755	13,913	16,055	35,231	35,353	71,246
Heat	4,102	3,696	11,213	10,172	19,390	2,602	2,413	7,111	6,936	12,739	6,704	6,109	18,324	17,108	32,129
Other <sup>2</sup>	24,190	19,130	60,073	40,823	98,027	2,634	2,493	5,925	4,874	11,889	26,824	21,623	65,998	45,697	109,916
Eliminations	-5,282	-4,808	-16,971	-10,848	-21,610	-31,281	-28,318	-67,703	-62,964	-141,352	-36,563	-33,126	-84,674	-73,812	-162,962
<b>Total</b>	<b>49,713</b>	<b>42,128</b>	<b>120,370</b>	<b>94,656</b>	<b>205,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,713</b>	<b>42,128</b>	<b>120,370</b>	<b>94,656</b>	<b>205,407</b>

Amounts in SEK million	Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Electricity Generation <sup>1</sup>	7,202	5,365	16,221	14,672	27,674	7,194	5,364	16,219	14,675	27,282
Supply & Trading <sup>3</sup>	824	20	2,988	547	1,571	824	20	2,988	561	1,585
Electricity Networks	1,310	810	-1,454	2,988	5,800	1,306	726	3,864	2,904	5,152
Heat	726	667	3,546	2,675	-609	720	682	3,537	2,681	3,545
Other	-1,099	-981	-2,223	-2,141	-6,498	-1,108	-987	-2,296	-2,159	-6,270
<b>Total</b>	<b>8,963</b>	<b>5,881</b>	<b>19,078</b>	<b>18,741</b>	<b>27,938</b>	<b>8,936</b>	<b>5,805</b>	<b>24,312</b>	<b>18,662</b>	<b>31,294</b>

1) Electricity Generation consists of the business units Wind, Nuclear, Hydro, Mining & Generation, Exploration & Production and Power, Heat & Services.

2) Includes Energy Sales, Treasury operations, Other Group functions and certain other business operations. Operating profit also includes unrealised changes in fair value according to IAS 39 for energy trading contracts administered by Supply & Trading which are reported in Other until the amounts are realised. When the amounts are realised mainly Electricity Generation is affected.

3) Operating profit excludes unrealised changes in fair value according to IAS 39 which are reported in Other.

## Vattenfall Group, information about geographical areas

Amounts in SEK million	External net sales					Internal net sales					Total net sales				
	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Nordic countries	12,554	11,029	31,137	27,312	50,987	636	452	-3,017	403	717	13,190	11,481	28,120	27,715	51,704
Germany and Poland	24,743	27,899	58,547	59,650	118,420	9,735	10,644	21,455	24,535	47,565	34,478	38,543	80,002	84,185	165,985
Netherlands and Belgium	8,004	-	22,370	-	20,457	1,431	-	3,439	-	3,999	9,435	-	25,809	-	24,456
Other <sup>1</sup>	4,412	3,200	8,316	7,694	15,543	14,402	10,206	33,330	21,608	57,702	18,814	13,406	41,646	29,302	73,245
Eliminations	-	-	-	-	-	-26,204	-21,302	-55,207	-46,546	-109,983	-26,204	-21,302	-55,207	-46,546	-109,983
<b>Total</b>	<b>49,713</b>	<b>42,128</b>	<b>120,370</b>	<b>94,656</b>	<b>205,407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,713</b>	<b>42,128</b>	<b>120,370</b>	<b>94,656</b>	<b>205,407</b>

Amounts in SEK million	Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Nordic countries	4,730	2,874	12,605	9,402	11,820	4,727	2,803	12,601	9,319	15,572
Germany and Poland	4,292	3,246	4,153	9,774	16,624	4,275	3,241	9,464	9,764	16,059
Netherlands and Belgium	-331	-	-221	-	-1,757	-338	-	-294	-	-336
Other	272	-239	2,541	-435	1,251	272	-239	2,541	-421	-1
<b>Total</b>	<b>8,963</b>	<b>5,881</b>	<b>19,078</b>	<b>18,741</b>	<b>27,938</b>	<b>8,936</b>	<b>5,805</b>	<b>24,312</b>	<b>18,662</b>	<b>31,294</b>

1) Chiefly concerns Supply & Trading, Treasury operations and Other Group functions. Also includes operations in the UK.

## Consolidated balance sheet

Amounts in SEK million	30 June 2010	30 June 2009	31 December 2009
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	58,152	7,459	64,431
Property, plant and equipment	278,084	262,599	303,025
Other non-current assets	51,257	54,985	50,048
<b>Total non-current assets</b>	<b>387,493</b>	<b>325,043</b>	<b>417,504</b>
<b>Current assets</b>			
Inventories	15,023	12,522	14,848
Intangible assets: current	6,815	1,091	12,432
Trade receivables and other receivables	30,340	28,268	42,152
Advance payment to suppliers	3,668	714	542
Derivatives with positive fair value	36,458	23,631	39,170
Prepaid expenses and accrued income	7,828	4,582	9,807
Current tax assets	4,890	2,896	1,376
Short-term investments	24,365	19,476	46,385
Cash and cash equivalents	21,279	82,398	10,555
Assets held for sale	5,748	-	7,356
<b>Total current assets</b>	<b>156,414</b>	<b>175,578</b>	<b>184,623</b>
<b>Total assets</b>	<b>543,907</b>	<b>500,621</b>	<b>602,127</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Attributable to owners of the Parent Company	133,572	133,752	135,620
Attributable to minority interests	6,643	11,308	6,784
<b>Total equity</b>	<b>140,215</b>	<b>145,060</b>	<b>142,404</b>
<b>Non-current liabilities</b>			
Capital Securities	9,414	10,728	10,250
Other interest-bearing liabilities	171,346	128,066	174,428
Pension provisions	18,994	20,849	20,690
Other interest-bearing provisions	62,528	63,304	65,601
Deferred tax liabilities	34,266	27,618	35,953
Other noninterest-bearing liabilities	8,285	3,980	7,480
<b>Total non-current liabilities</b>	<b>304,833</b>	<b>254,545</b>	<b>314,402</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	21,195	16,337	42,106
Advance payments from customers	1,237	142	401
Derivatives with negative fair value	27,291	26,820	36,802
Accrued expenses and deferred income	21,176	22,459	30,637
Current tax liabilities	5,748	2,226	1,086
Interest-bearing liabilities	17,777	28,109	28,816
Interest-bearing provisions	4,435	4,923	4,809
Liabilities associated with assets held for sale	-	-	664
<b>Total current liabilities</b>	<b>98,859</b>	<b>101,016</b>	<b>145,321</b>
<b>Total equity and liabilities</b>	<b>543,907</b>	<b>500,621</b>	<b>602,127</b>
Pledged assets	669	1,521	752
Contingent liabilities	8,131	5,258	6,366

## Supplementary information

### Net assets

Amounts in SEK million	30 June 2010	30 June 2009	31 December 2009
Business Group Pan Europe	59,493	41,195	53,249
Business Group Nordic	63,028	70,274	70,964
Business Group Central Europe	82,989	99,643	92,351
Business Group Benelux	62,492	-	60,949
Supply & Trading	23,045	2,292	26,578
Other <sup>1</sup>	-973	983	-3,366
Eliminations	-200	-1,268	2
<b>Total net assets</b>	<b>289,874</b>	<b>213,119</b>	<b>300,727</b>
Net assets, weighted average value	289,487	200,168	245,016

1) Includes Treasury operations and Other Group functions.

### Net debt

Amounts in SEK million	30 June 2010	30 June 2009	31 December 2009
Capital Securities	-9,414	-10,728	-10,250
Bond issues and liabilities to credit institutions	-113,243	-127,845	-122,086
Present value of liability pertaining to acquisition of N.V. Nuon Energy	-44,886	-	-49,447
Liabilities to associated companies	-16,402	-17,727	-16,711
Liabilities to minority owners	-8,669	-7,222	-7,975
Other liabilities	-5,923	-3,381	-7,025
<b>Total interest-bearing liabilities</b>	<b>-198,537</b>	<b>-166,903</b>	<b>-213,494</b>
Cash and cash equivalents	21,279	82,398	10,555
Short-term investments	24,365	19,476	46,385
Loans to minority owners of foreign subsidiaries	1,822	1,551	1,567
<b>Net debt</b>	<b>-151,071</b>	<b>-63,478</b>	<b>-154,987</b>

### Adjusted gross debt and net debt

Amounts in SEK million	30 June 2010	30 June 2009	31 December 2009
Total interest-bearing liabilities	-198,537	-166,903	-213,494
50% of Capital Securities	4,707	5,364	5,125
Present value of pension obligations	-19,677	-21,893	-21,197
Provisions for mining, gas and wind operations and other environment-related provisions	-13,304	-14,318	-14,463
Provisions for nuclear power (net)	-5,837	-4,904	-6,776
Currency derivatives for hedging of debt in foreign currency	3,505	2,499	1,345
Margin calls received	4,874	2,105	5,545
Liabilities to minority owners due to consortium agreements	8,153	6,856	7,588
<b>Adjusted gross debt</b>	<b>-216,116</b>	<b>-191,194</b>	<b>-236,327</b>
Reported cash and cash equivalents and short-term investments	45,644	101,874	56,940
Unavailable liquidity	-9,326	-17,562	-25,641
<b>Adjusted cash and cash equivalents and short-term investments</b>	<b>36,318</b>	<b>84,312</b>	<b>31,299</b>
<b>Adjusted net debt</b>	<b>-179,798</b>	<b>-106,882</b>	<b>-205,028</b>

## Consolidated statement of cash flows

Amounts in SEK million	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Last 12 months
<b>Operating activities</b>						
Profit before tax	6,831	3,473	14,047	14,230	17,734	17,551
Depreciation, amortisation and impairment losses	5,003	4,264	10,365	8,553	23,838	25,650
Tax paid	-1,047	-2,714	-7,245	-1,523	-4,739	-10,461
Other adjustment items	892	-2,455	4,332	68	-133	4,131
<b>Funds from operations (FFO)</b>	<b>11,679</b>	<b>2,568</b>	<b>21,499</b>	<b>21,328</b>	<b>36,700</b>	<b>36,871</b>
Changes in inventories	-955	-822	-195	-74	-1,597	-1,718
Changes in operating receivables	-1,106	10,890	-2,496	8,075	-5,230	-15,801
Changes in operating liabilities	-48	-2,606	-10,709	-4,587	17,667	11,545
Other changes	7,737	407	11,467	-2,777	-1,294	12,950
<b>Cash flow from changes in operating assets and operating liabilities</b>	<b>5,628</b>	<b>7,869</b>	<b>-1,933</b>	<b>637</b>	<b>9,546</b>	<b>6,976</b>
<b>Cash flow from operating activities</b>	<b>17,307</b>	<b>10,437</b>	<b>19,566</b>	<b>21,965</b>	<b>46,246</b>	<b>43,847</b>
<b>Investing activities</b>						
Investments	-8,973	-9,939	-17,908	-16,947	-102,989	-103,950
Divestments	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
<b>Cash flow from investing activities</b>	<b>-3,479</b>	<b>-9,237</b>	<b>-12,235</b>	<b>-16,183</b>	<b>-83,040</b>	<b>-79,092</b>
<b>Cash flow before financing activities</b>	<b>13,828</b>	<b>1,200</b>	<b>7,331</b>	<b>5,782</b>	<b>-36,794</b>	<b>-35,245</b>
<b>Financing activities</b>						
Changes in short-term investments	-2,010	3,782	6,468	-316	-25,611	-18,827
Changes in loans to minority owners in foreign subsidiaries	-45	-111	-397	-450	-529	-476
Loans raised <sup>1</sup>	7,074	32,854	8,118	73,656	72,543	7,005
Amortisation of debt	-186	-9,221	-5,706	-10,363	-11,601	-6,944
Dividends paid to owners	-5,277	-6,941	-5,294	-6,968	-6,980	-5,306
Contribution from minority interests	97	-	97	-	-	97
<b>Cash flow from financing activities</b>	<b>-347</b>	<b>20,363</b>	<b>3,286</b>	<b>55,559</b>	<b>27,822</b>	<b>-24,451</b>
<b>Cash flow for the period</b>	<b>13,481</b>	<b>21,563</b>	<b>10,617</b>	<b>61,341</b>	<b>-8,972</b>	<b>-59,696</b>
<b>Cash and cash equivalents</b>						
Cash and cash equivalents at the beginning of the period	7,238	60,841	10,555	20,904	20,904	82,398
Cash and cash equivalents included in assets held for sale at 31 December 2009	653	-	653	-	-653	-
Cash flow for the period	13,481	21,563	10,617	61,341	-8,972	-59,696
Translation differences	-93	-6	-546	153	-724	-1,423
<b>Cash and cash equivalents at the end of the period</b>	<b>21,279</b>	<b>82,398</b>	<b>21,279</b>	<b>82,398</b>	<b>10,555</b>	<b>21,279</b>

1) Short-term borrowings in which the duration is three months or shorter are reported net.



## Consolidated statement of cash flows (cont.)

### Supplementary information

Amounts in SEK million	Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Full year 2009	Last 12 months
<b>Cash flow before financing activities</b>	<b>13,828</b>	<b>1,200</b>	<b>7,331</b>	<b>5,782</b>	<b>-36,794</b>	<b>-35,245</b>
<b>Financing activities</b>						
Dividend paid to owners	-5,277	-6,941	-5,294	-6,968	-6,980	-5,306
Contribution from minority owners	97	-	97	-	-	97
<b>Cash flow after dividend</b>	<b>8,648</b>	<b>-5,741</b>	<b>2,134</b>	<b>-1,186</b>	<b>-43,774</b>	<b>-40,454</b>
<b>Analysis of change in net debt</b>						
Net debt at beginning of the period	-165,581	-60,571	-154,987	-66,000	-66,000	-63,478
Changed calculation of net debt <sup>1</sup>	-	-	-11,252	-	-	-11,252
Cash flow after dividend	8,648	-5,741	2,134	-1,186	-43,774	-40,454
Changes as a result of valuation at fair value	-893	2,570	-2,464	2,104	1,475	-3,093
Changes in interest-bearing liabilities for leasing	30	13	62	24	406	444
Interest-bearing liabilities acquired/divested	3,670	-	3,670	-	-2,046	1,624
Liability pertaining to the acquisition of N.V. Nuon Energy incl. discounting effects	1,046	-	681	-	-51,392	-50,711
Cash and cash equivalents included in assets held for sale at 31 December 2009	653	-	653	-	-653	-
Translation differences on net debt	1,356	251	10,432	1,580	6,997	15,849
<b>Net debt at the end of the period</b>	<b>-151,071</b>	<b>-63,478</b>	<b>-151,071</b>	<b>-63,478</b>	<b>-154,987</b>	<b>-151,071</b>
Free cash flow	14,288	5,594	13,231	14,049	27,566	26,748

1) As of the first quarter 2010 bilateral margin calls are recognised as Advance payment to suppliers/Advance payments from customers. Earlier these were recognised as Short-term investments and Current interest-bearing liabilities, respectively.

## Consolidated statement of changes in equity

Amounts in SEK million	30 June 2010			30 June 2009			31 December 2009		
	Attributable to owners of the Parent Company	Attributable to minority interests	Total equity	Attributable to owners of the Parent Company	Attributable to minority interests	Total equity	Attributable to owners of the Parent Company	Attributable to minority interests	Total equity
Balance brought forward	135,620	6,784	142,404	129,861	11,025	140,886	129,861	11,025	140,886
Dividends paid to owners	-5,240	-54	-5,294	-6,900	-68	-6,968	-6,900	-80	-6,980
Group contributions from(+)/to(-) minority, net after tax	-	-	-	-	-	-	-	342	342
Changes in ownership	-	92	92	-	-6	-6	739	-4,370	-3,631
Cash flow hedges:									
Changes in fair value	4,921	-65	4,856	1,759	-18	1,741	-1,344	-55	-1,399
Dissolved against income statement	-224	-1	-225	1,132	-	1,132	8,238	-	8,238
Transferred to cost of hedged item	320	-1	319	-342	-	-342	-1,509	-	-1,509
Tax attributable to cash flow hedges	-1,268	18	-1,250	-829	5	-824	-1,590	14	-1,576
Total cash flow hedges	3,749	-49	3,700	1,720	-13	1,707	3,795	-41	3,754
Hedging of net investments in foreign operations	12,970	-	12,970	1,039	-	1,039	8,111	-	8,111
Tax attributable to net investments in foreign operations	-3,411	-	-3,411	-273	-	-273	-2,133	-	-2,133
Total hedging of net investments in foreign operations	9,559	-	9,559	766	-	766	5,978	-	5,978
Translation differences	-18,939	-279	-19,218	-1,902	-139	-2,041	-10,749	-644	-11,393
Profit for the period	8,823	149	8,972	10,207	509	10,716	12,896	552	13,448
Total comprehensive income for the period	3,192	-179	3,013	10,791	357	11,148	11,920	-133	11,787
<b>Balance carried forward</b>	<b>133,572<sup>1</sup></b>	<b>6,643</b>	<b>140,215</b>	<b>133,752<sup>1</sup></b>	<b>11,308</b>	<b>145,060</b>	<b>135,620<sup>1</sup></b>	<b>6,784</b>	<b>142,404</b>
1) Of which, Reserve for cash flow hedges	3,490			-2,334			-259		

## Key ratios, Vattenfall Group (definitions and calculations of key ratios on pages 31–32)

In % unless otherwise stated. (x) means times	Q2 2010	Q2 2009	Q1–Q2 2010	Q1–Q2 2009	Full year 2009	Last 12 months
Operating margin	18.0	14.0	15.8	19.8	13.6	12.2
Operating margin <sup>1</sup>	18.0	13.8	20.2	19.7	15.2	16.0
Pre-tax profit margin	13.7	8.2	11.7	15.0	8.6	7.6
Pre-tax profit margin <sup>1</sup>	13.7	8.1	16.0	14.9	10.2	11.3
Return on equity	8.7 <sup>2</sup>	12.5 <sup>2</sup>	8.7 <sup>2</sup>	12.5 <sup>2</sup>	9.5	8.7
Return on equity <sup>1</sup>	14.6 <sup>2</sup>	12.6 <sup>2</sup>	14.6 <sup>2</sup>	12.6 <sup>2</sup>	11.4	14.6
Return on net assets	8.6 <sup>2</sup>	13.9 <sup>2</sup>	8.6 <sup>2</sup>	13.9 <sup>2</sup>	10.0	8.6
Return on net assets <sup>1</sup>	11.6 <sup>2</sup>	14.0 <sup>2</sup>	11.6 <sup>2</sup>	14.0 <sup>2</sup>	11.4	11.6
EBIT interest cover, (x)	5.7	3.1	4.6	4.9	3.1	3.0
EBIT interest cover, (x) <sup>1</sup>	5.7	3.1	5.8	4.9	3.4	3.9
FFO interest cover, (x)	8.1	2.3	6.0	6.4	4.8	4.7
FFO interest cover, net, (x)	10.0	2.5	6.9	7.6	5.6	5.4
Cash flow interest cover after maintenance investments, (x)	11.6	4.3	4.6	5.2	4.3	4.1
FFO/gross debt	18.6 <sup>2</sup>	24.5 <sup>2</sup>	18.6 <sup>2</sup>	24.5 <sup>2</sup>	17.2	18.6
FFO/net debt	24.4 <sup>2</sup>	64.4 <sup>2</sup>	24.4 <sup>2</sup>	64.4 <sup>2</sup>	23.7	24.4
EBITDA/net financial items, (x)	10.7	6.1	8.1	8.5	6.5	6.4
EBITDA/net financial items, (x) <sup>1</sup>	10.7	6.0	9.6	8.5	6.9	7.4
Equity/total assets	25.8	29.0	25.8	29.0	23.7	25.8
Gross debt/equity	141.6	115.1	141.6	115.1	149.9	141.6
Net debt/equity	107.7	43.8	107.7	43.8	108.8	107.7
Gross debt/gross debt plus equity	58.6	53.5	58.6	53.5	60.0	58.6
Net debt/net debt plus equity	51.9	30.4	51.9	30.4	52.1	51.9
Net debt/EBITDA, (x)	2.8 <sup>2</sup>	1.3 <sup>2</sup>	2.8 <sup>2</sup>	1.3 <sup>2</sup>	3.0	2.8

1) Excl. items affecting comparability.

2) Last 12-month values.

## Quarterly information, Vattenfall Group

Amounts in SEK million	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
<b>Income statement</b>						
Net sales	49,713	70,657	65,405	45,346	42,128	52,528
Cost of products sold	-36,343	-50,872	-55,993	-37,101	-32,788	-36,682
Other operating income and expenses, net	-4,433	-9,772	-3,905	-5,018	-3,822	-3,470
Participations in the results of associated companies	26	102	166	297	363	484
Operating profit before depreciation and amortisation (EBITDA)	13,966	15,477	15,360	9,123	10,145	17,149
Operating profit (EBIT)	8,963	10,115	5,673	3,524	5,881	12,860
Financial items, net	-2,132	-2,899	-2,995	-2,698	-2,408	-2,103
Financial items, net <sup>1</sup>	-1,302	-2,327	-2,487	-2,292	-1,665	-1,550
Profit before tax	6,831	7,216	2,678	826	3,473	10,757
<b>Profit for the period</b>	<b>5,185</b>	<b>3,787</b>	<b>2,110</b>	<b>622</b>	<b>2,625</b>	<b>8,091</b>
– of which, attributable to owners of the Parent Company	5,077	3,746	1,858	831	2,456	7,751
– of which, attributable to minority interests	108	41	252	-209	169	340
<b>Balance sheet</b>						
Non-current assets	387,493	389,168	417,504	428,063	325,043	321,685
Short-term investments	24,365	22,952	46,385	41,240	19,476	23,256
Cash and cash equivalents	21,279	7,238	10,555	18,726	82,398	60,841
Other current assets	110,770	149,737	127,683	111,254	73,704	94,111
<b>Total assets</b>	<b>543,907</b>	<b>569,095</b>	<b>602,127</b>	<b>599,283</b>	<b>500,621</b>	<b>499,893</b>
Equity	140,215	139,461	142,404	137,668	145,060	150,485
– of which, attributable to owners of the Parent Company	133,572	132,889	135,620	130,870	133,752	139,577
– of which, attributable to minority interests	6,643	6,572	6,784	6,798	11,308	10,908
Capital Securities	9,414	9,646	10,250	10,128	10,728	10,856
Other interest-bearing liabilities	189,123	187,942	203,244	208,687	156,175	135,267
Pension provisions	18,994	19,390	20,690	19,884	20,849	20,993
Other interest-bearing provisions	66,963	67,788	70,410	67,842	68,227	69,387
Deferred tax liabilities	34,266	32,721	35,953	40,695	27,618	27,870
Other noninterest-bearing liabilities	84,932	112,147	119,176	114,379	71,964	85,035
<b>Total equity and liabilities</b>	<b>543,907</b>	<b>569,095</b>	<b>602,127</b>	<b>599,283</b>	<b>500,621</b>	<b>499,893</b>
Net assets	289,874	307,966	300,727	297,757	213,119	212,812
Net debt	-151,071	-165,581	-154,987	-157,317	-63,478	-60,571
<b>Cash flow</b>						
Funds from operations (FFO)	11,679	9,820	11,375	3,997	2,568	18,760
Cash flow from changes in operating assets and operating liabilities	5,628	-7,561	1,755	7,154	7,869	-7,232
Cash flow from operating activities	17,307	2,259	13,130	11,151	10,437	11,528
Cash flow from investing activities	-3,479	-8,756	-13,563	-53,294	-9,237	-6,946
Cash flow before financing activities	13,828	-6,497	-433	-42,143	1,200	4,582
Changes in short-term investments	-2,010	8,478	-1,424	-23,871	3,782	-4,098
Loans raised/Amortisation of debt, net, etc.	6,940	-4,828	-5,501	3,071	23,522	39,321
Dividends paid to owners	-5,277	-17	-3	-9	-6,941	-27
Cash flow from financing activities	-347	3,633	-6,928	-20,809	20,363	35,196
<b>Cash flow for the period</b>	<b>13,481</b>	<b>-2,864</b>	<b>-7,361</b>	<b>-62,952</b>	<b>21,563</b>	<b>39,778</b>
Free cash flow	14,288	-1,057	6,436	7,081	5,594	8,455

1) Excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund.

## Quarterly information, Vattenfall Group (cont.)

### Key ratios (definitions and calculations of key ratios on pages 31–32)

In % unless otherwise stated. (x) means times	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Return on equity <sup>1</sup>	8.7	6.6	9.5	11.0	12.5	13.9
Return on equity <sup>1,2</sup>	14.6	12.5	11.4	11.1	12.6	14.1
Return on net assets <sup>1</sup>	8.6	8.1	10.0	11.7	13.9	14.9
Return on net assets <sup>1,2</sup>	11.6	11.4	11.4	11.8	14.0	15.1
EBIT interest cover, (x)	5.7	3.9	2.1	1.4	3.1	6.8
EBIT interest cover, (x) <sup>2</sup>	5.7	5.9	3.4	1.4	3.1	6.8
FFO interest cover, (x) <sup>1</sup>	18.6	14.0	17.2	16.5	24.5	25.8
FFO interest cover, net, (x) <sup>1</sup>	24.4	16.8	23.7	23.0	64.4	62.2
Equity/assets ratio	25.8	24.5	23.7	23.0	29.0	30.1
Gross debt/equity	141.6	141.7	149.9	158.9	115.1	97.1
Net debt/equity	107.7	118.7	108.8	114.3	43.8	40.3
Net debt/net debt plus equity	51.9	54.3	52.1	53.3	30.4	28.7
Net debt/EBITDA, (x) <sup>1</sup>	2.8	3.3	3.0	3.3	1.3	1.3

1) Last 12-month values.

2) Excl. items affecting comparability.

### Key ratios – renewable energy<sup>1</sup> generation in the Nordic countries

Amounts in SEK million	Wind power		Hydro power <sup>2</sup>		Heat		Total	
	Q1–Q2 2010	Q1–Q2 2009	Q1–Q2 2010	Q1–Q2 2009	Q1–Q2 2010	Q1–Q2 2009	Q1–Q2 2010	Q1–Q2 2009
Operating profit	-99.0	-13.9	173.4	99.4	389.1	245.9	463.5	331.4
Investments	251.5	1,353.4	3.3	25.1	208.0	778.2	462.8	2,156.7
Property, plant and equipment <sup>3</sup>	5,407.0	5,260.3	391.3	332.1	7,692.0	7,043.2	13,490.3	12,635.6
Return on property, plant and equipment, %	-3.7	-0.5	88.6	59.8	10.1	7.0	3.4	10.5

1) By renewable energy is meant electricity and heat generation in the Nordic countries according to the official rules that apply for electricity certificates in Sweden.

2) Small-scale hydro power and capacity increases.

3) The value of Property, plant and equipment is calculated as an average over the year.

### Exchange rates

Key exchange rates applied in the accounts of the Vattenfall Group:

	Q2 2010	Q2 2009	Q1–Q2 2010	Q1–Q2 2009	Full year 2009	30 June 2010	30 June 2009	31 December 2009
<b>Average rate</b>								
EUR	9.6201	10.8039	9.8296	10.8908	10.6354	9.5005	10.8455	10.3530
DKK	1.2924	1.4508	1.3206	1.4620	1.4282	1.2755	1.4565	1.3915
GBP	11.2730	12.2125	11.3396	12.0971	11.8664	11.6975	12.8400	11.4850
NOK	1.2131	1.2123	1.2219	1.2070	1.2105	1.2005	1.2020	1.2430
PLN	2.4075	2.3950	2.4414	2.4343	2.4546	2.2900	2.4200	2.5000
USD	7.5219	7.9069	7.4014	8.0939	7.6431	7.7725	7.6875	7.2125
<b>Balance sheet date rate</b>								
EUR						9.5005	10.8455	10.3530
DKK						1.2755	1.4565	1.3915
GBP						11.6975	12.8400	11.4850
NOK						1.2005	1.2020	1.2430
PLN						2.2900	2.4200	2.5000
USD						7.7725	7.6875	7.2125

## Parent Company income statement

Amounts in SEK million	Q1-Q2 2010	Q1-Q2 2009	Full year 2009
Net sales	20,107	16,253	29,745
Cost of products sold	-10,193	-9,136	-17,712
<b>Gross profit</b>	<b>9,914</b>	<b>7,117</b>	<b>12,033</b>
Selling expenses, administrative expenses and research and development costs	-1,436	-1,541	-2,119
Other operating income and expenses, net	62	10	46
<b>Operating profit (EBIT)</b>	<b>8,540</b>	<b>5,586</b>	<b>9,960</b>
Result from participations in Group companies	11,107	57	-1,532
Result from participations in associated companies	1	235	682
Result from other shares and participations	73	104	616
Interest income and similar profit/loss items	14,589	586	10,125
Interest expenses and similar profit/loss items	-3,686	-1,806	-7,952
<b>Profit before appropriations and tax</b>	<b>30,624</b>	<b>4,762</b>	<b>11,899</b>
Appropriations	65	-51	-2,680
<b>Profit before tax</b>	<b>30,689</b>	<b>4,711</b>	<b>9,219</b>
Income tax expense	-5,242	-1,141	-2,622
<b>Profit for the period</b>	<b>25,447</b>	<b>3,570</b>	<b>6,597</b>

## Parent Company balance sheet

Amounts in SEK million	30 June 2010	30 June 2009	31 December 2009
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	131	125	145
Property, plant and equipment	21,588	20,447	21,144
Other non-current assets	249,784	101,726	209,056
<b>Total non-current assets</b>	<b>271,503</b>	<b>122,298</b>	<b>230,345</b>
<b>Current assets</b>			
Inventories	241	274	361
Intangible assets: current	436	417	762
Current receivables	24,185	38,578	51,282
Current tax assets	-	1,063	-
Short-term investments	14,849	52,942	-
Cash and cash equivalents	17,365	185	281
<b>Total current assets</b>	<b>57,076</b>	<b>93,459</b>	<b>52,686</b>
<b>Total assets</b>	<b>328,579</b>	<b>215,757</b>	<b>283,031</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Restricted equity			
Share capital	6,585	6,585	6,585
Statutory reserve	1,286	1,286	1,286
Non-restricted equity			
Retained earnings	47,920	41,235	44,718
Profit for the period	25,447	3,570	6,597
<b>Total equity</b>	<b>81,238</b>	<b>52,676</b>	<b>59,186</b>
<b>Untaxed reserves</b>	<b>10,153</b>	<b>7,546</b>	<b>10,175</b>
<b>Provisions</b>	<b>149</b>	<b>96</b>	<b>183</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	154,404	130,148	181,863
Deferred tax liabilities	410	-	-
Other non-current noninterest-bearing liabilities	4,080	2,905	3,138
<b>Total non-current liabilities</b>	<b>158,894</b>	<b>133,053</b>	<b>185,001</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	56,354	719	1,458
Current tax liabilities	4,492	-	461
Other current noninterest-bearing liabilities	17,299	21,667	26,567
<b>Total current liabilities</b>	<b>78,145</b>	<b>22,386</b>	<b>28,486</b>
<b>Total equity and liabilities</b>	<b>328,579</b>	<b>215,757</b>	<b>283,031</b>

## Accounting policies, risks and uncertainties, and the Parent Company's interim report

### Group

#### Accounting policies

The consolidated accounts for the first half of 2010 have, as in the year-end accounts for 2009, been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU Commission for application within the EU, and the Swedish Annual Accounts Act.

This interim report for the Group has been prepared in accordance with IAS 34 – *Interim Financial Reporting*, and the Swedish Annual Accounts Act.

The accounting policies applied in this interim report are the same as those described in Vattenfall's 2009 Annual Report (Note 2 to the consolidated accounts), with exception for the new amended standards and interpretations endorsed by the EU and described below, which are effective as of the 2010 financial year:

Amendments in IFRS 2 – *Share-based Payment*, “Group Cash-settled Share-based Payment Transactions” clarify the accounting for certain intra-Group share-based payments and entail that IFRIC 8 – *Scope of IFRS 2* and IFRIC 11 – *Group and Treasury Share Transactions* is incorporated in IFRS 2. IFRS 2 is not relevant for Vattenfall.

Revised IFRS 3 – *Business Combinations* continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as liabilities subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs shall be expensed. Vattenfall applies the revised IFRS 3 prospectively to all business combinations from 1 January 2010.

Amendments in IAS 27 – *Consolidated and Separate Financial Statements* require the effects of all transactions with

minority interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard states that when a parent company's control is lost, any remaining interest in the entity is remeasured to fair value, and the gain or loss is recognised in the income statement. Vattenfall applies the amended IAS 27 prospectively to transactions with minority interests from 1 January 2010.

Amendments in IAS 32 – *Classification of Right Issues*. Rights denominated in a currency other than the company's functional currency are classified as equity instruments under certain conditions. The amendments are not relevant for Vattenfall.

Amendment in IAS 39 – *Financial Instruments: Recognition and Measurement* clarifies the application of the principles for hedge accounting. It clarifies the designation of a one-sided risk in the hedged item and inflation in a hedged item. The amendment has had no impact on Vattenfall's financial statements.

“*Improvements to IFRSs*” (issued in April 2009) aim to streamline and clarify the accounting standards concerning presentation, recognition and measurement including changes in terminology or amendments of an editorial nature. These amendments have had no or minimal impact on Vattenfall's financial statements.

IFRIC 12 – *Service Concession Arrangements*. The interpretation provides, among other things, general principles on recognising and measuring the obligations and related rights and assets in service concession arrangements. The interpretation has had no impact on Vattenfall's financial statements.

IFRIC 15 – *Agreements for the Construction of Real Estate* clarifies when construction and sales of real estate shall be accounted for according to IAS 11 – *Construction Contracts*, or IAS 18 – *Revenue*, respectively. The interpretation has had no impact on Vattenfall's financial statements.

IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation* clarifies the accounting treatment in respect of net investments in foreign operations. The interpretation has had no impact on Vattenfall's financial statements.

IFRIC 17 – *Distribution of Non-cash Assets to Owners* addresses questions on the situation when a dividend is distributed by using other assets than cash. The interpretation has had no impact on Vattenfall's financial statements.

IFRIC 18 – *Transfers of Assets from Customers*. The interpretation clarifies the accounting treatment of assets or cash transferred from a customer and thereafter used to provide the customer with goods and services. The interpretation has resulted in a change in the accounting for certain connection fees received by Vattenfall, which has had a marginal impact on Vattenfall's financial statements.

### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2009 Annual Report, pages 75–81. No other material changes, other than what is stated in this interim report, have taken place since the publication of the 2009 Annual Report.

### Other

Significant related-party transactions are described in Note 53 to the consolidated accounts in Vattenfall's 2009 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2009 Annual Report.

## Parent Company Vattenfall AB

### Accounting policies

The Parent Company Vattenfall AB's accounts are prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 – *Accounting for Legal Entities*, issued by the Swedish Financial Reporting Board.

The accounting policies used in this report are the same as those described in Vattenfall's 2009 Annual Report (Note 2 to the Parent Company accounts).

### First half of 2010

A condensed income statement and balance sheet for the Parent Company are presented on page 27 of this report.

Effective 1 May 2010 Vattenfall Treasury AB, which is responsible for co-ordinating borrowing, liquidity management and the management of associated risk exposure for the Vattenfall Group, merged with Vattenfall AB. This organisational change means that, from this date, Vattenfall Treasury AB's counterparties deal directly with the Parent Company Vattenfall AB, which previously guaranteed all of Vattenfall Treasury AB's business. Increase in the Parent Company's equity as a result of the merger was SEK 1,924 million.

Sales amounted to SEK 20,107 million (16,253).

Profit before appropriations and tax was SEK 30,624 million (4,762). The improvement in earnings compared with the preceding year is attributable to intra-Group dividends of SEK 11,072 million and positive currency effects of SEK 12,729 million.

The balance sheet total amounted to SEK 328,579 million (215,757). The increase in the Parent Company's balance sheet total is attributable to the merger with Vattenfall Treasury AB

Investments for the period amounted to SEK 1,116 million (2,243).

Cash and cash equivalents amounted to SEK 17,365 million (185) as a result of the merger with Vattenfall Treasury AB.

### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2009 Annual Report, pages 75–81. No material changes, other than what is stated in this report, have taken place since the publication of the 2009 Annual Report.

### Other

Significant related-party transactions are described in Note 40 to the Parent Company accounts in Vattenfall's 2009 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2009 Annual Report.

The information provided in this interim report is such that Vattenfall is required to disclose pursuant to the Swedish Securities Market Act.

The Board of Directors and President certify that this half-year interim report presents a true and fair overview of the Vattenfall Group's and the Parent Company Vattenfall AB's operations, financial position and results of operations, and describes the significant risks and uncertainties facing the Company and the companies belonging to the Group.

Stockholm, 29 July 2010

Lars Westerberg  
Chairman

Øystein Løseth  
President and Chief Executive Officer

Carl-Gustaf Angelin  
Director

Eli Arnstad  
Director

Johnny Bernhardsson  
Director

Christer Bådholm  
Director

Ronny Ekvall  
Director

Lone Fønss Schrøder  
Director

Patrik Jönsson  
Director

Björn Savén  
Director

Cecilia Vieweg  
Director

## Review Report

### Introduction

We have reviewed the interim report for Vattenfall AB (publ) for the period from 1 January to 30 June 2010. It is the Board of Directors and the President who are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements, SÖG 2410, Review of the Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not, in all material respects, been prepared for the Group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the Parent Company in accordance with the Swedish Annual Accounts Act.

Stockholm, 29 July 2010

Ernst & Young AB  
Hamish Mabon  
Authorised Public Accountant

Per Redemo  
Authorised Public Accountant appointed by  
the Swedish National Audit Office



## Definitions and calculations of key ratios

Figures for the Group in 2010. Amounts in SEK million unless otherwise stated.

**EBIT** = Earnings Before Interest and Tax.

**EBITDA** = Earnings Before Interest, Tax, Depreciation and Amortisation.

**FFO** = Funds From Operations.

**Items affecting comparability** = Capital gains and capital losses from shares and other non-current assets, impairment losses and impairment losses reversed pertaining to non-current assets, and other non-recurring items.

**Free cash flow** = Cash flow from operating activities less maintenance investments.

**Capital Securities** = Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments. Reported as interest-bearing non-current liabilities.

**Net assets** = Balance sheet total less noninterest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, short-term investments.

**Net debt** = Interest-bearing liabilities less loans to minority owners in foreign subsidiaries, cash and cash equivalents, short-term investments.

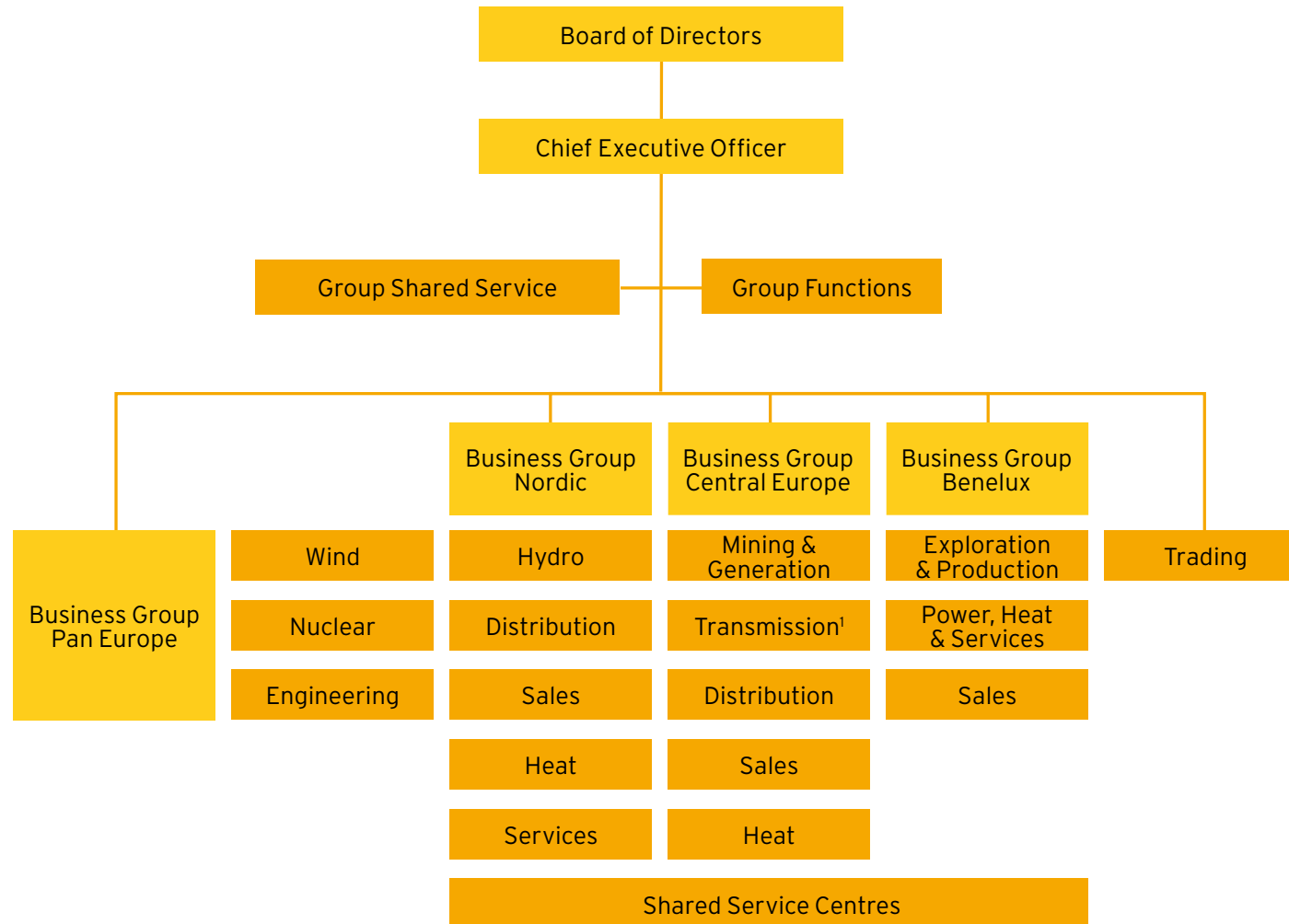
The key ratios are presented as percentages (%) or times (x).

**Key ratios based on last 12-month values (July 2009–June 2010):**

<b>Operating margin, %</b>	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{28,275}{231,121}$	=	<b>12.2</b>
<b>Operating margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{36,944}{231,121}$	=	<b>16.0</b>
<b>Pre-tax profit margin, %</b>	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{17,551}{231,121}$	=	<b>7.6</b>
<b>Pre-tax profit margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{26,176}{231,121}$	=	<b>11.3</b>
<b>Return on equity, %</b>	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{11,512}{132,957}$	=	<b>8.7</b>
<b>Return on equity excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{19,411}{132,957}$	=	<b>14.6</b>
<b>Return on net assets, %</b>	= 100 x	$\frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{24,940}{289,487}$	=	<b>8.6</b>
<b>Return on net assets excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{33,609}{289,487}$	=	<b>11.6</b>
<b>EBIT interest cover, (x)</b>	=	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{29,829}{9,962}$	=	<b>3.0</b>

EBIT interest cover excl. items affecting comparability, (x) =	Operating profit (EBIT) excl. items affecting comparability + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	38,498	=	3.9
	Financial expenses excl. discounting effects attributable to provisions	9,962		
FFO interest cover, (x) =	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	46,833	=	4.7
	Financial expenses excl. discounting effects attributable to provisions	9,962		
FFO interest cover, net, (x) =	Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	45,279	=	5.4
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	8,408		
Cash flow interest cover after maintenance investments, (x) =	Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	35,452	=	4.1
	Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	8,704		
FFO/gross debt, % = 100 x	Funds from operations (FFO)	36,871	=	18.6
	Interest-bearing liabilities	198,537		
FFO/net debt, % = 100 x	Funds from operations (FFO)	36,871	=	24.4
	Net debt	151,071		
EBITDA/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA)	53,926	=	6.4
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	8,408		
EBITDA excl. items affecting comparability/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	62,595	=	7.4
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	8,408		
<b>Key ratios based on the balance sheet per 30 June, 2010:</b>				
Equity/total assets, % = 100 x	Equity	140,215	=	25.8
	Balance sheet total	543,907		
Gross debt/equity, % = 100 x	Interest-bearing liabilities	198,537	=	141.6
	Equity	140,215		
Net debt/equity, % = 100 x	Net debt	151,071	=	107.7
	Equity	140,215		
Gross debt/gross debt plus equity, % = 100 x	Interest-bearing liabilities	198,537	=	58.6
	Interest-bearing liabilities + equity	338,752		
Net debt/net debt plus equity, % = 100 x	Net debt	151,071	=	51.9
	Net debt + equity	291,286		
Net debt/EBITDA, (x) =	Net debt	151,071	=	2.8
	Operating profit before depreciation and amortisation (EBITDA)	53,926		

## Vattenfall's organisation



1) Divested 19 May 2010

Vattenfall AB (publ)  
SE-162 87 Stockholm, Sweden  
Visitors' address: Sturegatan 10  
Corporate Identity Number 556036-2138

Tel. +46 8 739 50 00

[www.vattenfall.com](http://www.vattenfall.com)  
[www.vattenfall.se](http://www.vattenfall.se)  
[www.vattenfall.de](http://www.vattenfall.de)

