

2011

Interim Report January–June

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All comparison figures in this report pertain to the second quarter of 2010, unless indicated otherwise.		This is a translation of the Swedish original. In the event of any discrepancy, the Swedish version shall govern.

German nuclear power decision weighs down operating profit by SEK 10.2 billion

- Net sales decreased by 18.6% to SEK 40,443 million (49,713) for the second quarter and by 23.3% to SEK 92,311 million (120,370) for the first half of the year.
- Operating profit for the second quarter decreased by SEK 12,202 million to SEK -3,239 million (8,963). Of this amount, SEK -10.2 billion is attributable to a one-off effect of the German parliament's decision to phase out the country's nuclear power. Operating profit for the first half of the year decreased by 54.9% to SEK 8,603 million (19,078).
 - Excluding items affecting comparability,¹ operating profit decreased by 45.1% to SEK 4,907 million (8,936) for the second quarter and by 33.9% to SEK 16,060 million (24,312) for the first half of the year.
- Profit for the period (after tax) decreased by SEK 8,420 million to SEK -3,235 million (5,185). For the first half of the year, profit after tax decreased by 55.8% to SEK 3,968 million (8,972).
 - Excluding items affecting comparability, profit after tax decreased by 44.0% to SEK 2,268 million (5,159) for the second quarter and by 36.8% to SEK 8,982 million (14,204) for the first half of the year.

1) Items affecting comparability for the second quarter amounted to SEK -8,146 million, net (27), of which SEK -10 240 million is attributable to impairment of the Brunsbüttel and Krümmel nuclear power plants in Germany and to an increase in provisions for dismantling and handling of nuclear fuel. Items affecting comparability for the first half of the year amounted to SEK -7,457 million, net (-5,234).

Second quarter 2011 – net sales, profit, cash flow and debt

Consolidated net sales decreased by SEK 9,270 million, or 18.6%, to SEK 40,443 million (49,713), mainly due to the divestment of the German transmission business, 50Hertz Transmission GmbH, in May 2010. Currency movements attributable to the average stronger Swedish krona and lower production and sales volumes also had a negative effect on net sales.

Operating profit decreased by SEK 12,202 million to SEK -3,239 million (8,963). The decrease is mainly attributable to a one-off effect of SEK 10.2 billion caused by the German parliament's decision to phase out the country's nuclear power. As a result of the decision, Vattenfall has been forced to recognise an impairment loss for the book value of the Brunsbüttel and Krümmel nuclear power plants in Germany and to increase provisions for dismantling and handling of nuclear fuel.

Lower production and sales volumes for electricity, gas and heat, and average lower electricity prices received as a result of currency effects, had a negative effect of SEK 3.6 billion. Lower costs for operations and maintenance, sales and administration, by SEK 0.7 billion, and capital gains from the sale of shares in subsidiaries and associated companies,

as well as from real estate, totalling SEK 1.4 billion, had a positive effect on operating profit (see below on page 4 for a more detailed account of the change in operating profit).

Items affecting comparability for the second quarter of 2011 amounted to SEK -8,146 million, net, compared with SEK 27 million for the corresponding period in 2010. Excluding items affecting comparability – of which the effects of Germany's nuclear power decision accounted for the greater part – operating profit decreased by SEK 4,029 million, or 45.1%, to SEK 4,907 million (8,936).

Profit for the period (after tax) decreased by SEK 8,420 million to SEK -3,235 million (5,185). The decrease is mainly attributable to the above-mentioned impairment charge and higher provisions attributable to the German nuclear power plants.

Return on equity was 6.6%, and the return on net assets was 5.7%. 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 decreased to 5.0, compared with the target interval of 3.5–4.5.

Compared with 31 March 2011, net debt increased by SEK 3,871 million to SEK 142,153 million, mainly due to a weaker Swedish krona on the balance sheet date. Compared with



"Vattenfall is reporting a lower result for the second quarter, mainly due to the German parliament's decision to phase out the country's nuclear power, but also because the company could not repeat the high production and sales volumes it had during the corresponding quarter a year ago.

As a result of Germany's decision to phase out the country's nuclear power, Vattenfall has been forced to recognise an impairment loss for the book value of its two nuclear power plants in Germany and increase provisions, which together resulted in one-off charges against operating profit for the second quarter. Vattenfall respects the German parliament's decision and expects fair compensation for the company's financial losses. The phase-out of nuclear power in Germany will result in an acceleration of the transition to renewable energy generation in Germany. Vattenfall's sees business opportunities in this transition and intends to continue actively participating in the development of new projects.

The lower production and sales volumes for electricity, gas and heat, and average lower prices received as a result of currency effects, affected operating profit negatively by approximately SEK 3.6 billion."

Øystein Løseth
President and CEO

31 December 2010, net debt decreased by SEK 1,956 million.

The net debt/equity ratio was 107.3% at 30 June 2011 (31 December 2010: 107.8%). For detailed information about net debt, see page 23.

Funds from operations (FFO) decreased by SEK 5.6 billion. The decrease is mainly attributable to lower production and sales volumes for electricity, gas and heat, higher fuel costs and average lower electricity prices received as result of currency effects.

The Group's total investments amounted to SEK 7,854 million (8,973). For further information about investment activities, see page 7.

Starting with the first quarter of 2011, Vattenfall reports its operations broken down into three operating segments: Generation, Distribution and Sales, and Renewables.

Following is a breakdown of operating profit for these operating segments during the second quarter of 2011:

- Operating profit for Generation decreased by SEK 13,944 million to SEK -6,103 million. The decrease is mainly attributable to a one-off effect of SEK 10.2 billion from the Brunsbüttel and Krümmel nuclear power plants in Germany, stemming from Germany's decision to phase out the country's nuclear power.
- Operating profit for Distribution and Sales increased by SEK 299 million to SEK 2,142 million.
- Operating profit for Renewables improved by SEK 373 million to SEK 68 million.
- Operating profit for "Other" improved by SEK 1,070 million to SEK 654 million.

For further information about the Group's operating segments, see pages 11–17.

Electricity generation, sales of heat and gas in Q2 2011

Vattenfall's electricity generation decreased by 8.9% during the second quarter of 2011, to 37.7 TWh (41.4). Hydro power generation decreased by 10.1% to 7.1 TWh (7.9); nuclear power generation decreased by 17.1% to 10.2 TWh (12.3); fossil-based power generation decreased by 4.4% to 19.5 TWh (20.4); wind power generation increased to 0.7 TWh (0.4). Electricity generation based on biomass and waste decreased to 0.2 TWh (0.4). Sales of heat decreased by

22.1% to 6.0 TWh (7.7). Sales of gas decreased by 19.1% to 7.2 TWh (8.9). For further information, see page 8.

Electricity price trend

Despite the price decline during the second quarter of 2011, average spot prices in the Nordic countries were 17% higher than in the same period a year ago (EUR 52.24/MWh, compared with EUR 44.87/MWh). The hydrological balance in the Nordic countries improved during the second quarter from a deficit of -24 TWh at the end of March 2011 to a deficit of -10.9 TWh at the end of June. At the start of 2011 the deficit was -43 TWh.

A recovery of demand from industry contributed to a rise in spot prices in most markets. In Germany, the average spot price (EPEX Spot) was 29% higher than in the corresponding quarter in 2010 (EUR 53.57/MWh, compared with EUR 41.52/MWh). In the Netherlands, the average spot price was 28% higher (EUR 54.36/MWh, compared with EUR 41.52/MWh), and in Poland the average spot price was 13% higher (EUR 52.29/MWh, compared with EUR 46.45/MWh).

Average electricity futures prices in Vattenfall's markets rose slightly compared with the first quarter of 2011. The Nordic futures contract for deliveries in 2012 was on average 4% higher than during the preceding quarter, and the corresponding futures contract for 2013 was 6% higher. The German electricity futures contracts for 2012 and 2013 were 10% and 8% higher, respectively. In the Dutch market, futures prices for the 2012 and 2013 yearly contracts were an average of 7% and 6% higher, respectively. Prices of CO₂ emission allowances were traded at an average of approximately 8% higher than in the second quarter of 2010. For further information and price charts, see pages 9–10.

Vattenfall continuously hedges most of its planned electricity generation in the futures and forward markets, and thus spot prices have only a limited impact on Vattenfall's earnings.

Group, first half of 2011

Net sales decreased by 23.3% to SEK 92,311 million (120,370). Operating profit decreased by 54.9% to SEK 8,603 million (19,078). Excluding items affecting comparability, operating profit decreased by 33.9% to SEK 16,060 million (24,312).

Items affecting comparability for the first half of the year amounted to SEK -7,457 million, net, of which SEK -10,240 million is attributable to impairment of the Brunsbüttel and Krümmel nuclear power plants in Germany and an increase in provisions for dismantling and handling of nuclear fuel.

Profit for the period after tax decreased by 55.8% to SEK 3,968 million (8,972); excluding items affecting comparability, profit for the period after tax decreased by 36.8% to SEK 8,982 million (14,204). Funds from operations (FFO) decreased by 15.0% to SEK 18,281 million (21,499). Net debt decreased by SEK 1,956 million to SEK 142,153 million compared with 31 December 2010.

Vattenfall's electricity generation decreased by 1.7% to 87.7 TWh (89.2). Hydro power generation decreased by 12.7% to 15.8 TWh (18.1); nuclear power generation increased by 8.3% to 24.8 TWh (22.9); fossil-based power generation decreased by 3.9% to 44.7 TWh (46.5); wind power generation doubled to 1.6 TWh (0.8). Electricity generation based on biomass and waste decreased to 0.8 TWh (0.9). Sales of heat decreased by 16.4% to 22.9 TWh (27.4). Sales of gas decreased by 10.3% to 31.2 TWh (34.8). For further information, see page 8.

Important events during the second quarter of 2011 Nuclear power

On 30 June 2011 Germany's parliament decided that all 17 of the country's nuclear power plants shall be shut down by 2022 at the latest. The consequence of this decision for Vattenfall is that the Brunsbüttel and Krümmel nuclear power plants, for which Vattenfall has managerial responsibility and owns to 66.7% and 50%, respectively, may not be restarted. As a result of this decision, Vattenfall has been forced to recognise an impairment loss for the book value of these two plants and increase provisions for dismantling and handling of nuclear fuel. The negative impact on operating profit (EBIT) for the second quarter of 2011 amounts to SEK 10.2 billion, of which SEK 5 billion pertains to impairment and the rest to provisions, net, after taking into account cost compensation from the minority owner of Brunsbüttel. In Vattenfall's accounting, Brunsbüttel is consolidated, while Krümmel is reported in accordance with the equity method. The impairment charge and increase in provisions have no negative effect on cash flow for 2011.

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

Amounts in SEK million, unless indicated otherwise	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %	Full year 2010	Last 12 months
Net sales	40,443	49,713	-18.6	92,311	120,370	-23.3	213,572	185,513
Operating profit before depreciation and amortisation (EBITDA)	12,566	13,867	-9.4	29,498	34,666	-14.9	60,706	55,538
Operating profit (EBIT)	-3,239	8,963	—	8,603	19,078	-54.9	29,853	19,378
Operating profit excl. items affecting comparability	4,907	8,936	-45.1	16,060	24,312	-33.9	39,952	31,700
Financial items, net	-1,590	-2,132	25.4	-3,483	-5,031	30.8	-8,430	-6,882
Profit before tax	-4,829	6,831	—	5,120	14,047	-63.6	21,423	12,496
Profit for the period	-3,235	5,185	—	3,968	8,972	-55.8	13,185	8,181
- of which, attributable to owners of the Parent Company	-2,742	5,077	—	4,375	8,823	-50.4	12,997	8,549
- of which, attributable to non-controlling interests (minority interests)	-493	108	—	-407	149	—	188	-368
Return on equity, %	6.6 ¹	8.7 ¹	—	6.6 ¹	8.7 ¹	—	10.0	6.6
Return on net assets, %	5.7 ¹	8.6 ¹	—	5.7 ¹	8.6 ¹	—	9.1	5.7
Funds from operations (FFO)	6,125	11,679	-47.6	18,281	21,499	-15.0	40,108	36,890
Cash flow before financing activities	7,262	13,828	-47.5	9,918	7,331	35.3	6,448	9,035
Free cash flow	8,410	14,288	-41.1	13,473	13,231	1.8	23,846	24,088
Cash and cash equivalents plus short-term investments	39,197	45,644	-14.1	39,197	45,644	-14.1	43,873	
Balance sheet total	523,190	543,907	-3.8	523,190	543,907	-3.8	541,432	
Equity incl. non-controlling interests (minority interests)	132,493	140,215	-5.5	132,493	140,215	-5.5	133,621	
Capital Securities	9,084	9,414	-3.5	9,084	9,414	-3.5	8,929	
Other interest-bearing liabilities	172,809	189,123	-8.6	172,809	189,123	-8.6	179,348	
Net debt	142,153	151,071	-5.9	142,153	151,071	-5.9	144,109	
Net debt/operating profit before depreciation and amortisation (EBITDA), times	2.6 ¹	2.6 ¹	—	2.6 ¹	2.6 ¹	—	2.4	

1) Last 12-month values.

See pages 34–35 for definitions and calculations of key ratios.

Divestments

As part of Vattenfall's new strategic direction, which entails among other things a focus on core business assets, a number of divestments have been carried out. These amounted to a combined total of approximately SEK 4.6 billion during the second quarter. Total capital gains for the quarter amounted to SEK 1.4 billion.

- On 24 May 2011 Vattenfall signed an agreement to sell the Dutch company Nuon Exploration & Production B.V. (E&P) to Tullow Oil plc.
- On 30 June 2011, the sale of the Helsingør combined heat and power plant was completed.
- On 23 June the sale of Vattenfall's 21.3% interest in

the German energy company ENSO to EnergieVerbund Dresden GmbH (EVD) was completed.

- In April, a property on Spitalerstraße in Hamburg was sold.
- The work on divesting non-core assets is continuing, but no further decisions have been made.

Changes in the Board of Directors and Executive Group Management

At an extraordinary general meeting held on 14 June, Lars G. Nordström was elected as new Chairman of the Board of Vattenfall AB. Christer Bådholm was elected as Vice Chairman.

Important event after the end of the reporting period

- After the balance sheet date, the sale of parts of Vattenfall's Swedish Engineering consultancy to Pöry PLC was completed. The divested units include approximately 245 employees at 20 offices in Sweden, Norway and the UK. The transaction has no material earnings impact.
- On 27 July Vattenfall announced that the company has signed an agreement to sell Nuon Belgium N.V. to the Italian energy company Eni for EUR 157 million (approximately SEK 1,4 billion), enterprise value.

Sales, profit and cash flow

Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %
Net sales	40,443	49,713	-18.6	92,311	120,370	-23.3

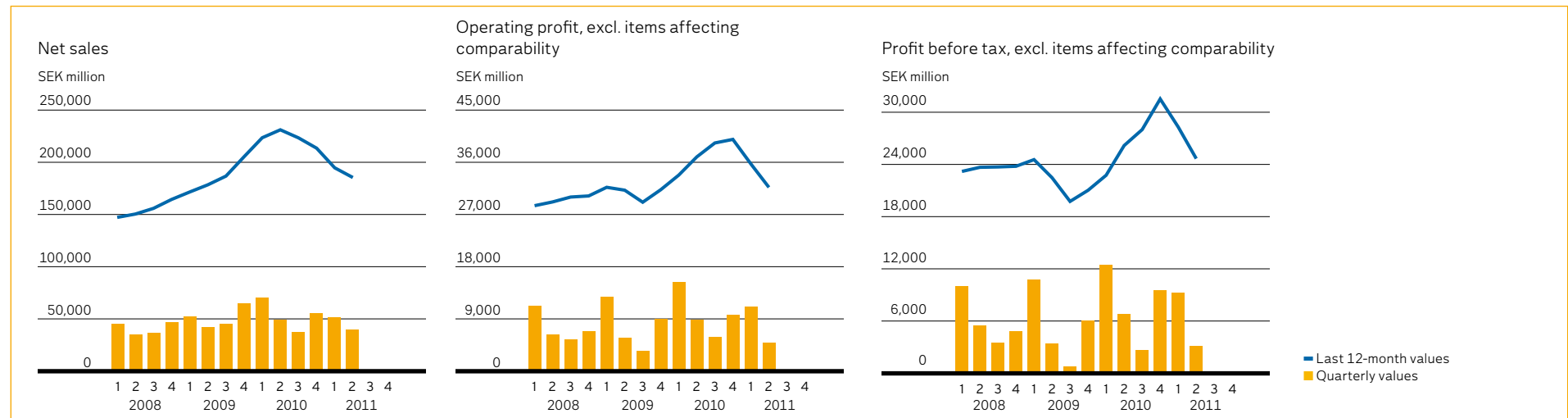
Comment: Consolidated net sales decreased by SEK 9.3 billion, mainly due to the divestment of the German transmission business, 50Hertz Transmission GmbH, in May 2010. Currency effects from the average stronger Swedish krona and lower production and sales volumes also had a negative impact on net sales.

Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %
Operating profit (EBIT)	-3,239	8,963	-	8,603	19,078	-54.9
Operating profit (EBIT) excl. items affecting comparability	4,907	8,936	-45.1	16,060	24,312	-33.9

Comment: Operating profit decreased by SEK 12.2 billion, which is mainly explained by the following:

- impairment of book value and increased provisions for dismantling and handling of nuclear fuel as a result of the decision to shut down the Brunsbüttel and Krümmel nuclear power plants in Germany (SEK -10.2 billion), and impairment pertaining to the CCS project in Buggenum, the Netherlands (SEK -0.4 billion)
- capital gains totalling SEK 1.4 billion from the sales of the Dutch company Nuon Exploration & Production B.V. along with its gas fields (SEK 0.8 billion), a property on Spitalerstraße in Hamburg (SEK 0.4 billion), and Vattenfall's interest in the German energy company ENSO (SEK 0.2 billion)
- lower electricity volumes (SEK -2.2 billion)
- lower sales of heat (SEK -0.6 billion)
- average lower electricity prices received as a result of currency effects (SEK -0.4 billion)
- lower sales of gas (SEK -0.4 billion)
- fair valuation of derivatives, which according to IAS 39 may not be reported using hedge accounting (SEK 0.6 billion)
- lower costs for operations and maintenance, and for sales and administration (SEK 0.7 billion).

Excluding items affecting comparability, operating profit decreased by SEK 4.1 billion. Items affecting comparability consist mainly of impairment of book value and increased provisions as a result of the closure of the German nuclear power plants (Krümmel and Brunsbüttel), impairment pertaining to the CCS project in Buggenum, capital gains on the sales of Nuon Exploration & Production B.V., a property on Spitalerstraße in Hamburg, and Vattenfall's interest in the German energy company ENSO, and fair valuation of certain embedded derivatives, totalling SEK 1.1 billion.



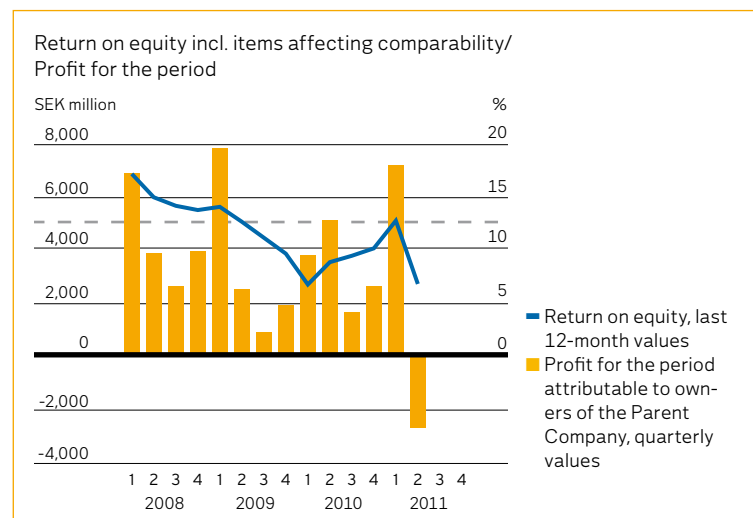
Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %
Funds from operations (FFO)	6,125	11,679	-47.6	18,281	21,499	-15.0
Cash flow from changes in operating assets and operating liabilities (working capital)	5,670	5,628	0.7	1,121	-1,933	-
Cash flow from operating activities	11,795	17,307	-31.8	19,402	19,566	-0.8

Comment: Funds from operations (FFO) decreased by SEK 5.6 billion. The decrease is mainly attributable to lower production and sales volumes for electricity, gas and heat, higher fuel costs and average lower electricity prices received as a result of currency effects.

Cash flow from changes in operating assets and operating liabilities (working capital) increased by SEK 5.7 billion compared with the first quarter of 2011. This is mainly attributable to a seasonal decrease in operating receivables.

Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %
Net financial items	-1,590	-2,132	25.4	-3,483	-5,031	30.8
– of which, interest income from financial investments	304	303	0.4	538	529	1.8
– of which, interest expenses for loans	-1,561	-1,659	5.9	-3,166	-3,254	2.7
Interest received	189	212	-10.8	382	437	-12.6
Interest paid	-2,457	-2,022	-21.5	-3 961	-2,915	-35.9
Average monthly net interest expense	-419	-452		-438	-454	

Comment: The improvement in financial items is mainly attributable to an improved return from the Swedish Nuclear Waste Fund and currency movements, which were partly offset by a negative change in the value of derivatives.



Financial position

Amounts in SEK million	30 June 2011	30 June 2010	Change %
Cash and cash equivalents, and short-term investments	39,197	45,644	-14.1
Committed credit facilities (unutilised)	32,583	9,601	239.4
Other credit facilities (unutilised)	3,897	7,925	-50.8

Comment: Committed credit facilities consist of a EUR 2.55 billion Revolving Credit Facility that expires on 20 January 2016, 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 2011. 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.

Amounts in SEK million	30 June 2011	30 June 2010	Change %
Net debt	142,153	151,071	-5.9
Interest-bearing liabilities	181,893	198,537	-8.4
Average interest rate, % ¹	3.6	3.4	5.9
Duration, years ¹	4.0	4.3	-7.0
Average time to maturity, years ¹	6.0	6.9	-13.0

1) Excluding Capital Securities and loans from owners with non-controlling interests (minority owners) and associated companies. Including SEK 8,866 million in Capital Securities, the average interest rate is 3.7%, the duration is 3.9 years, and the average remaining time to maturity is 5.9 years. These values pertain to 30 June 2011.

Comment: Compared with 30 June 2010, net debt decreased by SEK 8.9 billion, and total interest-bearing liabilities decreased by SEK 16.6 billion. Exchange rate differences accounted for SEK 12.1 billion of the decrease in total interest-bearing liabilities. The exchange rate differences have no impact on profit, since the largest share is reported as translation differences in equity under the heading "Hedging of net investments in foreign operations", and the remaining amount is swapped to SEK.

Net debt

SEK million
350,000

280,000

210,000

140,000

70,000

0

1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
2008 2009 2010 2011

■ Capital Securities ■ Quarterly values

Net assets

SEK million
350,000

280,000

210,000

140,000

70,000

0

1 2 3 4 1 2 3 4 1 2 3 4 1 2 3 4
2008 2009 2010 2011

Amounts in SEK million	30 June 2011	30 June 2010	Change %
Equity attributable to owners of the Parent Company	125,715	133,572	-5.9
Non-controlling interests (minority interests)	6,778	6,643	2.0
Total	132,493	140,215	-5.5

Comment: For a specification of changes in equity, see page 26.

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 2011	Q2 2010	Change, %
Maintenance investments	3,385	3,019	12.1
Growth investments	4,469	5,954	-24.9
— of which, shares	120	937	-87.2
Total investments	7,854	8,973	-12.5

Specification of investments

Amounts in SEK million	Q2 2011	Q2 2010	Last 12 months
Electricity generation			
Hydro power	260	236	945
Nuclear power	1,009	1,322	4,396
Fossil-based power	3,090	763	16,648
Wind power	393	1,500	4,886
Biomass, waste	54	111	160
Other	761	571	1,882
Total Electricity generation	5,567	4,502	28,917
Thermal power, heat			
Fossil-based power	435	114	2,347
Biomass, waste	27	79	388
Other	260	153	1,076
Total thermal power, heat	722	347	3,811
Electricity networks			
Electricity networks	1,042	1,340	4,747
Total Electricity networks	1,042	1,340	4,747
Acquisitions of shares	120	939	167
Other, excl. shares	402	1,846	297
Total	7,854	8,973	37,939

Comment: Growth investments continue to be made in the coal-fired Boxberg and Moorburg power plants in Germany, and in three gas-fired power plants in the Netherlands. Work on Ormonde Wind Farm offshore the UK is in progress, and the wind farm is expected to be fully operating in the fourth quarter of 2011. The relatively low level of investment in wind power during the second quarter of 2011 is due to the fact that no major purchases for ongoing projects were made during the period.

Divestments

Amounts in SEK million	Q2 2011	Q2 2010	Change, %
Divestments	3,321	5,785	-42.6
— of which, shares	2,554	4,593	-44.4

Comment: Divestments during the second quarter of 2011 pertain mainly to the sale of Nuon Exploration & Production B.V. along with its gas fields.

Employees

Number of employees, full-time equivalents	30 June 2011	30 June 2010	Change, %
Generation	17,167	17,609	-2.5
Distribution and Sales	14,604	14,713	-0.7
Renewables	321	310	3.5
Other	5,432	5,652	-3.9
Total	37,524	38,284	-2.0

Electricity generation, sales of heat and gas

	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %	Full year 2010
Electricity generation, TWh							
Hydro power	7.1	7.9	-10.1	15.8	18.1	-12.7	35.4
Nuclear power	10.2	12.3	-17.1	24.8	22.9	8.3	43.6
Fossil-based power	19.5	20.4	-4.4	44.7	46.5	-3.9	89.7
Wind power	0.7	0.4	75.0	1.6	0.8	100.0	2.2
Biomass, waste	0.2	0.4	-50.0	0.8	0.9	-11.1	1.5
Total	37.7	41.4	-8.9	87.7	89.2	-1.7	172.4
Sales of heat, TWh							
Generation	1.2	1.8	-33.3	4.8	5.4	-11.1	9.4
Distribution and Sales	4.8	5.9	-18.6	18.1	22.0	-17.7	35.2
Total	6.0	7.7	-22.1	22.9	27.4	-16.4	44.6
Sales of gas, TWh							
Distribution and Sales	6.2	8.0	-22.5	29.0	32.6	-11.0	58.3
Other	1.0	0.9	11.1	2.2	2.2	0.0	4.9
Total	7.2	8.9	-19.1	31.2	34.8	-10.3	63.2

Electricity generation

Vattenfall's total electricity generation decreased by 8.9% during the second quarter to 37.7 TWh (41.4).

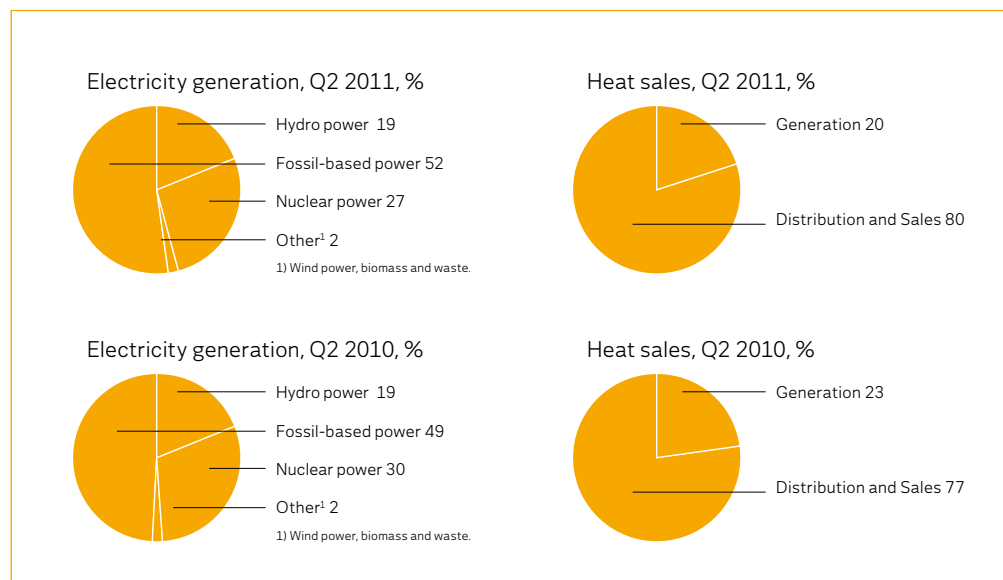
Swedish nuclear power generation decreased by 17.1%, mainly on account of planned audits and an extended audit of Ringhals 2. Generation at the Forsmark and Ringhals nuclear power plants decreased by 4% and 26%, respectively. The Brunsbüttel nuclear power plant in Germany was off line, which was also the case in 2010. The outage at the half-owned Krümmel nuclear power plant in Germany did not affect consolidated volumes, since the plant is not consolidated in Vattenfall's accounts. Hydro power generation decreased by 10.1%. Fossil-based power generation decreased by 4.4%. Wind power generation increased to 0.7 TWh (0.4), while electricity generation based on biomass and waste decreased to 0.2 TWh (0.4).

Sales of heat

Sales of heat decreased by 22.1% to 6.0 TWh (7.7). The decrease is the result of warmer weather.

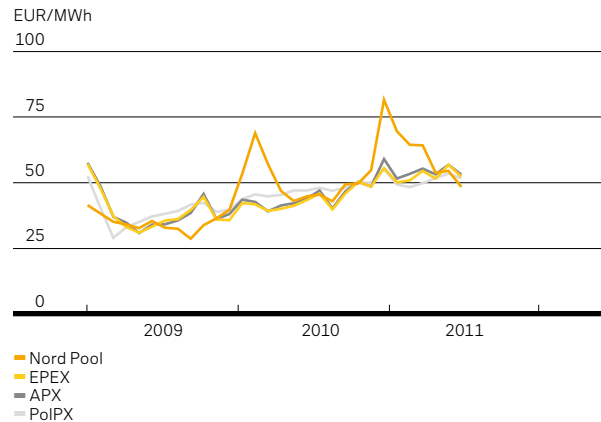
Sales of gas

Sales of gas decreased by 19.1% to 7.2 TWh (8.9). The decrease is the result of warmer weather. Essentially all gas sales are in the Netherlands.

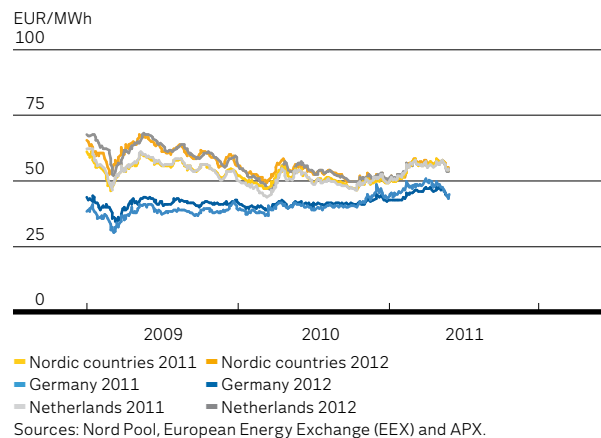


Wholesale price trend

Electricity spot prices in the Nordic countries, Germany, Poland and the Netherlands, 2009–2011, monthly averages



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



Nordic spot prices continued to fall during the second quarter of 2011, mainly due to a recovery of the hydrological balance from a deficit of -43 TWh at the start of the year to -10.9 TWh at the end of June, owing mainly to a high level of precipitation during the spring. Despite the price decline during the second quarter, average spot prices in the Nordic countries were 16% higher than in the corresponding quarter a year ago (EUR 52.24/MWh, compared with EUR 44.87/MWh). The Swedish area prices were 25% higher – EUR 52.23/MWh compared with EUR 41.92/MWh.

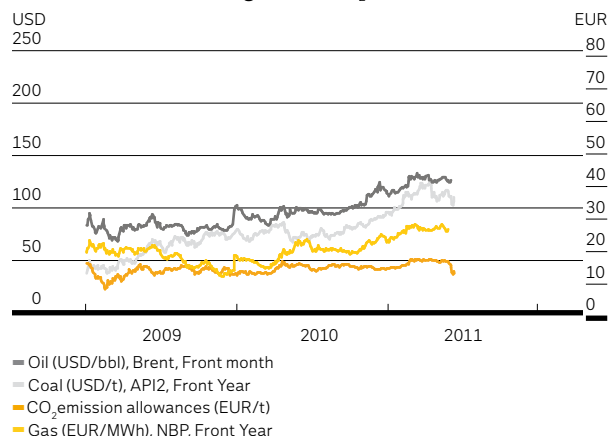
In Germany, the Netherlands and Poland, average spot prices rose compared with the same period a year ago. The price rise is mainly attributable to the industrial recovery following the recession in 2008. Average spot prices in Germany amounted to EUR 53.57/MWh, which is 29% higher than in the corresponding period a year ago (EUR 41.52/MWh). The German government's decision to introduce a moratorium and to take seven older German nuclear power plants out of operation¹ for a three-month period did not have any major impact on the German spot market, since electricity generation from wind power and solar energy, together with imports of electricity from neighbouring countries, were sufficient to meet demand. In the Netherlands, the average spot price was EUR 54.36/MWh (EUR 42.44/MWh), while in Poland it was EUR 52.29/MWh (EUR 46.45/MWh).

Average electricity futures prices in Vattenfall's markets rose slightly compared with the first quarter of 2011, even though falling prices of oil and CO₂ emission allowances impacted prices at the end of the quarter. The Nordic futures contract for deliveries in 2012 was an average of 4% higher than during the preceding quarter (EUR 50.25/MWh vs. EUR 48.18/MWh), while the corresponding rise for the futures contract for 2013 was 6%. The German electricity futures contracts rose 10% for futures contracts for delivery in 2012 (EUR 58.87/MWh vs. EUR 53.72/MWh) and 8% (futures contract for 2013). In the Dutch market as well, futures prices rose by an average of 7% and 6%, respectively. The futures contract for 2012 rose from EUR 54.35/MWh during the first quarter of 2011 to an average of EUR 58.40/MWh during the second quarter of 2011.

As a result of the decision by Germany's parliament, these nuclear power plants will not be restarted. Read more on page 2.

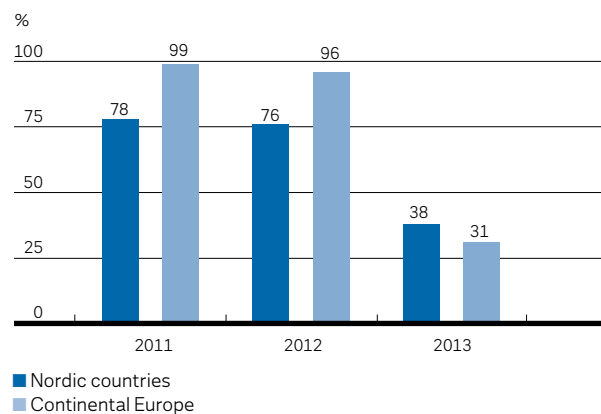
Wholesale price trend

Price trend for oil, coal, gas and CO₂ emission allowances



Even though prices of most commodities fell during the second quarter of 2011, higher prices were achieved on average than during the second quarter of 2010. For oil, gas and coal, prices were an average of 30%–40% higher than in the corresponding quarter a year ago. The continued tense political situation in the Middle East and North Africa contributed to rising oil prices at the start of the quarter. However, in early May prices fell when the IEA (International Energy Agency) withdrew oil from its strategic oil reserve and placed it on the market. The lower oil prices also affected the prices of CO₂ emission allowances, which fell from EUR 17/tonne at the end of May to EUR 13.51/tonne at the end of June.

Vattenfall's degree of price hedging in various markets per 30 June 2011



Vattenfall's degree of price hedging

The chart shows Vattenfall's price hedging of planned electricity generation in the Nordic countries and Continental Europe. Vattenfall continuously hedges its electricity generation through sales in the futures and forward markets.

Average price hedges as per 30 June 2011

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

Vattenfall's operating segments

Vattenfall's operating segments

Effective 1 January 2011 Vattenfall has moved from a geographical to a business-led organisational structure that is based on the value chain and which comprises the following three operating segments:

- Generation
- Distribution and Sales
- Renewables

The operating segments are organised into five Business Divisions, where the Generation segment comprises three Business Divisions: Asset Development, Production, and Asset Optimisation and Trading. The Distribution and Sales segment is made up of Business Division Distribution and Sales, and the Renewables segment is made up of Business Division Renewables. See the illustration below.

Responsibilities of the operating segments:

The *Generation* segment is Vattenfall's interface towards the wholesale market and includes development and building of production assets, generation of electricity and heat, and sales of electricity on the wholesale energy market.

- *Business Division Asset Development* is responsible for project development and execution of new build generation projects in electricity and large modification projects in thermal power, heat, infrastructure, nuclear power and hydro power. Business Division Asset Development is also

responsible for the Group's R&D activities and engineering consulting business.

- *Business Division Production* operates Vattenfall's lignite mining and power generation assets (including hydro power but excluding other renewable generation assets) as cost-effectively as possible to ensure optimal levels of generation capacity and availability. The Division also operates Vattenfall's combined heat and power (CHP) plants in Germany, Denmark and the Netherlands.
- *Business Division Asset Optimisation and Trading* is responsible for optimising the dispatch of all of Vattenfall's generation assets (i.e., it manages when and how the plants generate electricity) and hedges the production output of those assets for maximum profitability within a given risk mandate. This Business Division also conducts proprietary trading under defined risk mandates.

The Distribution and Sales segment is Vattenfall's interface towards the end-customer market and includes the unbundled and regulated electricity distribution business.

- *Business Division Distribution and Sales* is responsible for Vattenfall's electricity sales and heat businesses, the regulated electricity distribution business and other downstream businesses. This Business Division is responsible for relationships with all of Vattenfall's end customers.

The Renewables segment is responsible for asset development, and operation and maintenance of Vattenfall's renewable energy operations, except for hydro power, which is managed within the Generation segment.

- *Business Division Renewables* is responsible for asset development, and operation and maintenance of Vattenfall's renewable energy operations, primarily wind power and upstream biomass.

Depending on the type of business, a number of key performance indicators (KPIs) have been developed. For Business Division Production in the Generation segment, for Business Unit Heat within Distribution and Sales, and for Business Division Renewables, the main KPIs are operating expenses and plant availability. For Business Division Asset Optimisation and Trading, the main KPIs pertain to

the value added from asset optimisation as well as to hedging performance above a certain benchmark. Apart from its engineering consulting business, Business Division Asset Development is managed as a cost centre and focuses on delivery of projects within budget and on time.

Staff Functions and Shared Service Centres

A number of Group-wide Staff Functions support Vattenfall's business as well as the decision-making process of the Executive Group Management (EGM) and CEO. The Staff Functions also govern relevant business processes in Vattenfall as a whole. The Staff Functions are managed and co-ordinated centrally with employees located at both the corporate level and closer to the business. Staff Functions are financially managed as cost centres. Shared Service Centres (SSCs) are an important and integral element of Vattenfall's business operations and focus on transaction-related processes. Shared Services are led with a focus on process efficiency and utilisation of economies of scale. Shared Services provide such services and specialist functions which, from a cost perspective, are advantageous to handle and perform on a shared basis. Staff Functions and Shared Service Centres are reported under the heading "Other".

Note:

The three operating segments that are described above and which Vattenfall is reporting as from the first quarter interim report differ from the previous descriptions provided in the 2010 Year-end Report (page 30) and 2010 Annual Report (page 98). In these publications it was stated that starting in 2011, Vattenfall will report according to five operating segments that are identical to the five Business Divisions. The three Business Divisions – Asset Development, Production, and Asset Optimisation and Trading – together make up the Generation segment. Vattenfall's management believes that a composite assessment of the divisions' operations is needed to gain a complete picture of the operations' performance at the Group level. Generation thereby makes up one of the Group's operating segments.

Three operating segments:

Generation	Distribution and Sales	Renewables
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Five Business Divisions:

BD Asset Development	BD Distribution and Sales	BD Renewables
BD Production		
BD Asset Optimisation and Trading		

The Group's operating segments

Generation

Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %	Full year 2010	Last 12 months
Net sales	28,120	28,618	-1.7	63,366	66,941	-5.3	127,177	123,602
External net sales ¹	15,135	14,974	1.1	32,545	36,698	-11.3	71,567	67,414
Operating profit	-6,103	7,841	-	1,407	19,865	-92.9	30,388	11,930
Operating profit excl. items affecting comparability	3,430	7,834	-56.2	10,271	19,864	-48.3	34,202	24,609
Operating profit excl. IAS 39 transactions ²	-6,545	7,840	-	2,311	19,503	-88.2	29,410	12,218
Sales of heat, TWh	1.2	1.8	-33.3	4.8	5.4	-11.1	9.4	8.8
Electricity generation³, TWh	34.2	37.7	-9.3	77.8	79.4	-2.0	153.9	152.3
– of which, hydro power	7.1	7.9	-10.1	15.8	18.1	-12.7	35.4	33.1
– of which nuclear power	10.2	12.3	-17.1	24.8	22.9	8.3	43.6	45.5
– of which, fossil-based power	16.8	17.4	-3.4	36.9	38.2	-3.4	74.7	73.4
– of which, biomass, waste	0.1	0.1	0.0	0.3	0.2	50.0	0.2	0.3

1) Excluding intra-Group transactions.

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

3) Of electricity generation in Q1-2 2011, Vattenfall disposed over 68.8 TWh (71.1 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

The Generation operating segment is Vattenfall's interface towards the wholesale market and includes development and building of production assets, generation of electricity and heat, and sales of electricity on the wholesale energy market. The Generation segment comprises three Business Divisions:

- Asset Development
- Production
- Asset Optimisation and Trading

Each Business Division is further divided into several Business Units. For details, see the organisational chart on page 31. Asset Development is responsible for project development and execution of new build initiatives and large modification projects in thermal power and heat, infrastructure, nuclear power and hydro power. Project development in wind power and biomass rests with Business Division Renewables. Asset Development is also responsible for the Group's R&D activities and engineering consulting business. Business Division Production is responsible for Vattenfall's lignite mining activities and electricity generation based on nuclear, coal, gas and hydro power. Operations are conducted in Sweden, Denmark, Finland, Germany and the Netherlands. Business Division Production also runs Vattenfall's combined heat and power (CHP) plants in Germany, Denmark and the Netherlands.

Asset Optimisation and Trading is responsible for the optimisation (dispatch) and price hedging of all electricity generated by Vattenfall's power plants to maximise profitability within a given risk mandate. The Division also conducts trading business in its own right, i.e., proprietary trading under defined mandates, as well as third-party origination. Operations are conducted in Sweden, Denmark, Germany, the Netherlands and Poland. These three Business Divisions – Asset Development, Production, and Asset Optimisation and Trading – are seen as a single segment and represent Vattenfall's interface towards the wholesale energy market. The three Business Divisions – Asset Development, Production, and Asset Optimisation and Trading – together make up the Generation segment. Vattenfall's management believes that a composite assessment of the divisions' operations is needed to gain a complete picture of the operations' performance at the Group level. Generation thereby makes up one of the Group's operating segments. The Generation segment includes a total of 17,167 employees (full-time equivalents).

Generation

Operating profit Q2

Operating profit fell by SEK 13.9 billion, mainly owing to impairment of book value and increased provisions for dismantling and handling of nuclear fuel as a result of the decision to close the Krümmel and Brunsbüttel nuclear power plants in Germany, together totalling SEK 10.2 billion. Operating profit was also charged with lower average electricity prices achieved as a result of currency effects, higher fuel costs and lower production volumes, mainly in the Nordic market.

Excluding items affecting comparability, operating profit decreased by SEK 4.4 billion. Items affecting comparability consisted primarily of impairment of book value and increased provisions for dismantling and handling of nuclear fuel as a result of the decision to close the Krümmel and Brunsbüttel nuclear power plants in Germany (together amounting to SEK -10.2 billion), impairment pertaining to the CCS project in Buggenum (SEK -0.4 billion), and fair valuation of certain embedded derivatives, totalling SEK 1.1 billion.

Electricity generation and sales of heat, Q2

Swedish nuclear power generation decreased by 17.1% to 10.2 TWh (12.3) as a result of planned audits and an extended audit of Ringhals 2. Generation by the Forsmark and Ringhals nuclear power plants decreased by 4% and 26%, respectively. The Brunsbüttel and Krümmel nuclear power plants in Germany have been off line since June 2007. Vattenfall's ownership in these plants amounts to 66.7% and 50%, respectively. Only Brunsbüttel is consolidated in Vattenfall's accounts.

Hydro power generation decreased by 10.1% to 7.1 TWh (7.9).

Fossil-based power generation decreased by 3.4% to 16.8 TWh (17.4). Electricity generation based on lignite in Germany decreased by 4.4% to 13.1 TWh (13.7). Changes in fossil-based generation in the Netherlands and Denmark were relatively small, 2.3 TWh (2.2) and 1.4 TWh (1.5), respectively.

Sales of heat in Denmark decreased by 35.7% to 0.9 TWh (1.4), while sales of heat in Germany from lignite-fired power plants decreased to 0.3 TWh (0.5).

Important events Q2

Boxberg/Moorburg

Following previous delays caused by quality defects in the steam generators in the two new build projects Boxberg and Moorburg, work is now under way on remedying these defects. Boxberg is expected to be commissioned for commercial operation in early 2013. Vattenfall is still studying possible solutions and consequences for the timetable regarding Moorburg.

Small fire at Ringhals 2

On 11 May a temperature deviation was discovered as a result of a fire at Ringhals 2 in connection with a standard test. The reactor has been off line since 2 April under a planned outage and does not contain any radioactive fuel. Restart is scheduled to take place on 18 November 2011.

Vattenfall sells parts of its consulting business

In April Vattenfall agreed to sell parts of its Swedish Engineering consultancy to Pöyry PLC. The sale was completed in July. The divested units include approximately 245 employees at some 20 offices in Sweden, Norway and the UK. The sales price has not been disclosed.

Vattenfall completes sale of Helsingør CHP

On 30 June the sale of the Helsingør combined heat and power plant was completed.

Vattenfall invests in wave power offshore the Shetland Islands

Together with the Scottish wave power technology company Pelamis, Vattenfall has formed a joint venture company, Aegir Wave Power, in which Vattenfall owns 51% of the shares. On 19 May the company received authorisation to continue developing an area for wave power generation offshore the Shetland Islands.

Trading begun in British green certificates

Vattenfall Energy Trading (VET) has begun trading in Renewables Obligation Certificates (ROCs) from Vattenfall's Thanet offshore wind farm. These green certificates are part of the support system for renewable electricity generation projects in the UK.

The Group's operating segments

Distribution and Sales

Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %	Full year 2010	Last 12 months
Net sales	33,574	34,606	-3.0	80,731	86,068	-6.2	165,529	160,192
External net sales ¹	31,443	32,010	-1.8	74,870	79,087	-5.3	151,850	147,633
– of which, Distribution	4,162	4,022	3.5	9,239	8,972	3.0	17,968	18,235
– of which, Heat	3,358	3,953	-15.1	9,463	10,790	-12.3	19,626	18,299
Operating profit	2,142	1,843	16.2	6,933	5,623	23.3	8,340	9,650
– of which, Distribution	1,130	1,106	2.2	3,149	3,037	3.7	5,906	6,018
– of which, Heat	452	1,013	-55.4	2,917	3,460	-15.7	4,388	3,845
Operating profit excl. items affecting comparability	1,607	1,809	-11.2	6,397	5,520	15.9	8,426	9,303
– of which, Distribution	1,132	1,109	2.1	3,155	3,039	3.8	5,704	5,820
– of which, Heat	460	1,008	-54.4	2,921	3,452	-15.4	4,695	4,164
Sales of gas, TWh	6.2	8.0	-22.5	29.0	32.6	-11.0	58.3	54.7
Sales of heat, TWh	4.8	5.9	-18.6	18.1	22.0	-17.7	35.2	31.3
Electricity generation, TWh	2.8	3.3	-15.2	8.3	9.0	-7.8	16.3	15.6
– of which, fossil-based power	2.7	3.0	-10.0	7.8	8.3	-6.0	15.0	14.5
– of which, biomass, waste	0.1	0.3	-66.7	0.5	0.7	-28.6	1.3	1.1
Transited volume, excl. production transiting	26.7	26.5	0.8	61.0	61.1	-0.2	121.0	120.9

1) Excluding intra-Group transactions.

2) Of electricity generation in Q1-2 2011, Vattenfall disposed over 7.5 TWh (9.0 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

The Distribution and Sales operating segment and Business Division is responsible for Vattenfall's electricity sales and heat businesses, electricity distribution and other downstream businesses. The Division is responsible for all relationships with Vattenfall's end customers. Distribution and Sales comprises five Business Units (BUs):

- BU Sales B2C (Business to Consumers)
- BU Sales B2B (Business to Business)
- BU Heat
- BU Distribution
- BU Energy Related Services

Operations are conducted in Sweden, Denmark, Finland, Norway, Germany, France, the Netherlands, Belgium and Poland. The Distribution and Sales segment includes a total of 14,604 employees (full-time equivalents).

Distribution and Sales

Operating profit 2

Operating profit improved by SEK 0.3 billion. The improvement is mainly attributable to capital gains from the sale of a property on Spitalerstraße in Hamburg (SEK 0.4 billion) and Vattenfall's interest in the German energy company ENSO (SEK 0.2 billion). Business Unit Sales B2C (Business to Consumers) reported higher profitability in the Nordic countries and Germany, thanks to higher gross margins and lower costs for sales and administration. Business Unit Distribution showed a marginal improvement as a result of higher margins and lower costs for overlying networks. Business Unit Heat reported a drop in operating profit. The decline is mainly attributable to lower sales of heat and electricity as a result of warmer weather.

Excluding items affecting comparability, operating profit decreased by SEK 0.2 billion. Items affecting comparability consisted of capital gains from the sale of a property on Spitalerstraße in Hamburg (SEK 0.4 billion) and Vattenfall's interest in the German energy company ENSO (SEK 0.2 billion).

Sales of gas and heat, and electricity generation, Q2

Sales of heat and gas decreased as a result of warmer weather in Continental Europe during the second quarter of 2011 compared with the corresponding quarter in 2010. Sales of gas to end customers decreased by 18.6% to 4.8 TWh (5.9), mainly in Germany. Electricity generation decreased by 15% to 2.8 TWh (3.3), which is attributable to Germany and Poland.

Important events Q2

Several new agreements signed

- In Sweden, Vattenfall and Stora Enso signed a new, long-term agreement on electricity supply covering 7 TWh over an 11-year period.
- The Swedish district heating company Norrenergi AB extended its electricity contract with Vattenfall until year-end 2014, entailing the supply of 215 GWh of electricity, including a sourcing guarantee.
- In the Nordic countries, Vattenfall signed a new, one-year contract for 2012 with Borealis for supply of electricity in both Sweden and Finland.
- A new agreement was signed with the Finnish company Paroc on supply of electricity to its production plants in Finland and Sweden. The agreement extends until 2014 and covers a total of 110 GWh.
- In Germany, the agreement with Kabel Deutschland, Germany's largest cable operator, was extended until 2014 and covers approximately 40 GWh of electricity per year.
- In the Netherlands, a new, major agreement was reached with Overgaag en Sons, one of the largest greenhouse farms in the Netherlands. The agreement entails a two-year contract for gas supply covering 10.5 million cubic metres of gas. In connection with this, the company also became a customer of Nuon's trading platform, which enables customers to sell any surplus electricity that they may generate, such as from greenhouse heat, to various markets, such as OTC and APX.
- A new, two-year agreement was signed with Shell on the supply of electricity to the company's petrochemical plant in Moerdijk, south of Amsterdam. The agreement covers 440 GWh per year.

The Group's operating segments

Renewables

Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %	Full year 2010	Last 12 months
Net sales	248	291	-14.8	1,043	689	51.4	2,078	2,432
External net sales ¹	-38	146	-	356	326	9.2	1,040	1,070
Operating profit	68	-305	-	248	-437	-	-1,620	-935
Operating profit excl. items affecting comparability	61	-306	-	227	-438	-	-601	64
Electricity generation, TWh	0.7	0.4	75.0	1.6	0.8	100.0	2.2	3.0
– of which, wind power	0.7	0.4	75.0	1.6	0.8	100.0	2.2	3.0

1) Excluding intra-Group transactions.

The Renewables operating segment and Business Division is responsible for capacity development, and operation and maintenance of Vattenfall's renewable energy operations – primarily in wind power and upstream biomass.

Renewables comprises five Business Units (BUs):

- BU Onshore Wind Projects
- BU Offshore Wind Projects
- BU Generation Wind
- BU Biomass

Operations are conducted in Sweden, Denmark, Germany, the Netherlands, Belgium, Poland, the UK and Liberia. The Renewables segment includes a total of 321 employees (full-time equivalents).

Operating profit Q2

Operating profit improved by SEK 0.4 billion. The improvement is mainly attributable to higher wind power generation from Thanet, Vattenfall's new offshore wind farm in the UK, and Stor-Rotliden, the land-based wind farm in Sweden, both of which were commissioned at the end of 2010.

Electricity generation Q2

Wind power generation increased to 0.7 TWh (0.4). This is mainly attributable to the commissioning of the Thanet offshore wind farm in the UK and the Stor-Rotliden land-based wind farm in Sweden. Sales of biomass from Liberia amounted to 44,000 tonnes.

Important events Q2

Official inauguration of Östra Herrestad

In May, Östra Herrestad, the land-based wind farm in Simrishamn, Sweden, was inaugurated. The wind farm comprises nine 1.8 MW wind turbines and is estimated to generate renewable electricity for 11,000 households. The wind farm was completed in 2010 and has been generating electricity since then, but was now officially inaugurated in May 2011.

Joint venture research programme for mitigating noise

In May, eight operators of German offshore wind farms signed a joint venture agreement within the framework of Germany's Offshore Wind Foundation. The aim is to research and develop effective methods for mitigating underwater noise in connection with the construction of offshore wind farms. The project is planned to be led by RWE OLC, a subsidiary of RWE Innogy. The research programme is expected to take eight months and will entail a cost of approximately EUR 3.9 million, which will be shared by all eight operators.

Construction of Ormonde Wind Farm in progress

Twenty of a total of 30 5 MW turbines have been installed in Ormonde Wind Farm, Vattenfall's offshore wind farm in the Irish Sea. The remaining turbines are expected to be installed by the end of August 2011. With total installed capacity of 150 MW, Ormonde Wind Farm is estimated to generate 500 GWh of renewable electricity each year, which corresponds to the needs of approximately 100,000 British households.

Prestigious award presented to Buchanan Renewables

On 22 June, Buchanan Renewables, Liberia, which is part-owned by Vattenfall, was presented the annual Green Award at the 2011 African Business Awards ceremony in London. The award is presented to the company that has demonstrated outstanding leadership in environmentally sustainable development in Africa.

Other

Amounts in SEK million	Q2 2011	Q2 2010	Change %	Q1-2 2011	Q1-2 2010	Change %	Full year 2010	Last 12 months
Net sales	2,424	10,702	-77.4	4,291	27,486	-84.4	31,482	8,287
External net sales ¹	345	7,863	-95.6	745	21,229	-96.5	21,464	980
Operating profit	654	-416	–	15	-5,973	–	-7,255	-1,267
Operating profit excl. items affecting comparability	-191	-401	52.4	-835	-634	-31.7	-2,075	-2,276

1) Excluding intra-Group transactions.

“Other” comprises all Staff Functions including Treasury activities, Shared Service Centres and the Gas Exploration & Production (E&P) business¹. The German transmission business, which was divested in May 2010, is reported under “Other”. “Other” includes a total of 5,432 employees (full-time equivalents).

1) Was sold during Q2.

Operating profit Q2

Operating profit improved by SEK 1.1 billion. The improvement is mainly attributable to a capital gain of SEK 0.8 billion from the sale of the Dutch gas company Nuon Exploration & Production B.V. The improvement is also attributable to lower costs for Staff Functions.

Consolidated income statement

Amounts in SEK million	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Last 12 months
Net sales	40,443	49,713	92,311	120,370	213,572	185,513
Cost of products sold ¹	-40,997	-36,343	-77,805	-87,215	-159,098	-149,688
Gross profit	-554	13,370	14,506	33,155	54,474	35,825
Selling expenses, administrative expenses and research and development costs ²	-4,289	-4,844	-8,716	-9,524	-20,094	-19,286
Other operating income and expenses, net	1,892	411	2,856	-4,681	-5,151	2,386
Participations in the results of associated companies	-288	26	-43	128	624	453
Operating profit (EBIT)³	-3,239	8,963	8,603	19,078	29,853	19,378
Financial income ⁴	802	295	1,594	861	2,514	3,247
Financial expenses ⁵	-2,392	-2,427	-5,077	-5,892	-10,944	-10,129
Profit before tax⁶	-4,829	6,831	5,120	14,047	21,423	12,496
Income tax expense	1,594	-1,646	-1,152	-5,075	-8,238	-4,315
Profit for the period⁷	-3,235	5,185	3,968	8,972	13,185	8,181
Profit for the period attributable to:						
Owners of the Parent Company	-2,742	5,077	4,375	8,823	12,997	8,549
Non-controlling interests (minority interests)	-493	108	-407	149	188	-368
Total	-3,235	5,185	3,968	8,972	13,185	8,181
Earnings per share						
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)	-20.82	38.55	33.22	66.99	98.69	64.91
Supplementary information						
Operating profit before depreciation and amortisation (EBITDA)	12,566	13,867	29,498	34,666	60,706	55,538
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-1,211	-1,302	-2,641	-3,629	-6,179	-5,191
1) Of which, depreciation, amortisation and impairment losses related to non-current assets	-15,665	-4,626	-20,617	-15,183	-30,342	-35,776
2) Of which, depreciation, amortisation and impairment losses related to non-current assets	-140	-278	-278	-405	-511	-384
3) Including items affecting comparability attributable to:						
Capital gains/losses, net	1,418	-80	2,108	-14	-250	1,872
Impairment losses and closure costs for German nuclear power plants	-10,240	—	-10,240	—	—	-10,240
Other impairment losses/reversals of impairment losses, net	-444	107	-445	-5,220	-9,849	-5,074
Other items affecting comparability	1,120	—	1,120	—	—	1,120
4) Including return from the Swedish Nuclear Waste Fund	305	-42	538	205	1,011	1,344
5) Including interest components related to pension costs	-251	-286	-501	-582	-1,138	-1,057
5) Including discounting effects attributable to provisions	-684	-788	-1,380	-1,607	-3,262	-3,035
6) Including items affecting comparability attributable to:						
Capital gains/losses, net	1,462	-80	2,152	-13	-247	1,918
Impairment losses and closure costs for German nuclear power plants	-10,142	—	-10,142	—	—	-10,142
Other impairment losses/reversals of impairment losses, net	-444	107	-445	-5,220	-9,849	-5,074
Other items affecting comparability	1,120	—	1,120	—	—	1,120
7) Including items affecting comparability stated above adjusted for tax	-5,503	26	-5,014	-5,232	-10,009	-9,791

Consolidated statement of comprehensive income

Amounts in SEK million	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Last 12 months
Profit for the period	-3,235	5,185	3,968	8,972	13,185	8,181
Other comprehensive income:						
Cash flow hedges:						
Changes in fair value	-964	5,058	1,238	4,856	-1,189	-4,807
Dissolved against the income statement	-71	144	248	-225	-684	-211
Transferred to cost of hedged item	32	421	-34	319	246	-107
Tax attributable to cash flow hedges	227	-1,401	-350	-1,250	494	1,394
Total cash flow hedges	-776	4,222	1,102	3,700	-1,133	-3,731
Hedging of net investments in foreign operations	-3,004	3,718	-2,069	12,970	19,831	4,792
Tax attributable to hedging of net investments in foreign operations	790	-978	544	-3,411	-5,215	-1,260
Total hedging of net investments in foreign operations	-2,214	2,740	-1,525	9,559	14,616	3,532
Revaluation of available-for-sale financial assets	-447	—	-1,153	—	—	-1,153
Translation differences	4,707	-6,213	2,758	-19,218	-30,727	-8,751
Total other comprehensive income, net after tax	1,270	749	1,182	-5,959	-17,244	-10,103
Total comprehensive income for the period	-1,965	5,934	5,150	3,013	-4,059	-1,922
Total comprehensive income for the period attributable to:						
Owners of the Parent Company	-1,539	5,923	5,511	3,192	-3,717	-1,398
Non-controlling interests (minority interests)	-426	11	-361	-179	-342	-524
Total	-1,965	5,934	5,150	3,013	-4,059	-1,922

The Group's operating segments

Amounts in SEK million	External net sales					Internal net sales					Total net sales				
	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010
Generation	15,135	14,974	32,545	36,698	71,567	12,985	13,644	30,821	30,243	55,610	28,120	28,618	63,366	66,941	127,177
Distribution and Sales	31,443	32,010	74,870	79,087	151,850	2,131	2,596	5,861	6,981	13,679	33,574	34,606	80,731	86,068	165,529
Renewables	-38	146	356	326	1,040	286	145	687	363	1,038	248	291	1,043	689	2,078
Other ¹	345	7,863	745	21,229	21,464	2,079	2,839	3,546	6,257	10,018	2,424	10,702	4,291	27,486	31,482
Eliminations ²	-6,442	-5,280	-16,205	-16,970	-32,349	-17,481	-19,224	-40,915	-43,844	-80,345	-23,923	-24,504	-57,120	-60,814	-112,694
Total	40,443	49,713	92,311	120,370	213,572	—	—	—	—	—	40,443	49,713	92,311	120,370	213,572

Amounts in SEK million	Profit					Profit excl. items affecting comparability				
	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010
Generation	-6,103	7,841	1,407	19,865	30,388	3,430	7,834	10,271	19,864	34,202
Distribution and Sales	2,142	1,843	6,933	5,623	8,340	1,607	1,809	6,397	5,520	8,426
Renewables	68	-305	248	-437	-1,620	61	-306	227	-438	-601
Other ¹	654	-416	15	-5,973	-7,255	-191	-401	-835	-634	-2,075
Operating profit (EBIT)	-3,239	8,963	8,603	19,078	29,853	4,907	8,936	16,060	24,312	39,952
Financial income and expenses	-1,590	-2,132	-3,483	-5,031	-8,430					
Profit before tax	-4,829	6,831	5,120	14,047	21,423					

1) Mainly includes Treasury Activities and Other Staff functions.

2) For external net sales, the elimination pertains to sales to the Nordic electricity exchange, Nord Pool.

Vattenfall Group, information about geographical areas

Amounts in SEK million	External net sales					Internal net sales					Total net sales				
	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010
Nordic countries	12,059	12,554	29,492	31,137	59,829	-796	636	-3,123	-3,017	-4,368	11,263	13,190	26,369	28,120	55,461
Germany and Poland	17,022	24,743	37,267	58,547	95,974	8,291	9,735	18,280	21,455	40,402	25,313	34,478	55,547	80,002	136,376
Netherlands and Belgium	7,212	8,004	19,836	22,370	41,990	2,355	1,431	4,923	3,439	7,338	9,567	9,435	24,759	25,809	49,328
Other ¹	4,150	4,412	5,716	8,316	15,779	13,621	14,402	33,155	33,330	70,999	17,771	18,814	38,871	41,646	86,778
Eliminations	—	—	—	—	—	-23,471	-26,204	-53,235	-55,207	-114,371	-23,471	-26,204	-53,235	-55,207	-114,371
Total	40,443	49,713	92,311	120,370	213,572	—	—	—	—	—	40,443	49,713	92,311	120,370	213,572

Amounts in SEK million	Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010
Nordic countries	3,192	4,730	10,459	12,605	21,196	2,038	4,727	9,302	12,601	21,344
Germany and Poland	-7,418	4,292	-2,254	4,153	9,908	2,352	4,275	6,830	9,464	13,897
Netherlands and Belgium	463	-331	1,006	-221	-5,570	-7	-338	536	-294	-417
Other ¹	524	272	-608	2,541	4,319	524	272	-608	2,541	5,128
Total	-3,239	8,963	8,603	19,078	29,853	4,907	8,936	16,060	24,312	39,952

1) Mainly concerns Trading, Treasury activities and Other Staff functions. Also includes operations in the UK.

Consolidated balance sheet

Amounts in SEK million	30 June 2011	30 June 2010	31 Dec. 2010	Amounts in SEK million	30 June 2011	30 June 2010	31 Dec. 2010
Assets				Equity and liabilities			
Non-current assets				Equity			
Intangible assets: non-current	47,646	58,152	49,787	Attributable to owners of the Parent Company	125,715	133,572	126,704
Property, plant and equipment	288,718	278,084	285,631	Attributable to non-controlling interests (minority interests)	6,778	6,643	6,917
Investment property	622	680	626	Total equity	132,493	140,215	133,621
Biological assets	10	3	4	Non-current liabilities			
Participations in associated companies and joint ventures	12,884	13,380	12,949	Capital Securities	9,084	9,414	8,929
Other shares and participations	3,827	5,308	4,954	Other interest-bearing liabilities	144,497	171,346	144,599
Share in the Swedish Nuclear Waste Fund	27,183	26,094	26,791	Pension provisions	18,517	18,994	18,137
Current tax assets, non-current	1,232	1,123	1,184	Other interest-bearing provisions	67,069	62,528	62,494
Prepaid expenses	166	162	171	Deferred tax liabilities	34,395	34,266	36,125
Deferred tax assets	2,183	1,803	1,397	Other noninterest-bearing liabilities	8,488	8,285	8,409
Other non-current receivables	4,982	6,364	4,769	Total non-current liabilities	282,050	304,833	278,693
Total non-current assets	389,453	391,153	388,263	Current liabilities			
Current assets				Trade payables and other liabilities	26,986	21,195	33,184
Inventories	17,300	15,023	16,825	Advance payments from customers	1,258	1,237	1,912
Biological assets	1	—	—	Derivatives with negative fair value	23,868	27,291	25,216
Intangible assets: current	3,957	6,815	8,330	Accrued expenses and deferred income	18,419	21,176	24,804
Trade receivables and other receivables	30,804	30,340	36,380	Current tax liabilities	1,433	5,748	2,062
Advance payments to suppliers	2,807	3,668	3,904	Interest-bearing liabilities	28,312	17,777	34,749
Derivatives with positive fair value	28,095	36,458	29,338	Interest-bearing provisions	7,771	4,435	7,191
Prepaid expenses and accrued income	7,150	7,828	10,597	Liabilities associated with assets held for sale	600	—	—
Current tax assets	2,566	4,890	2,311	Total current liabilities	108,647	98,859	129,118
Short-term investments	18,959	24,365	31,278	Total equity and liabilities	523,190	543,907	541,432
Cash and cash equivalents	20,238	21,279	12,595	Pledged assets	—	669	634
Assets held for sale	1,860	2,088	1,611	Contingent liabilities	3,392	8,131	4,542
Total current assets	133,737	152,754	153,169				
Total assets	523,190	543,907	541,432				

Consolidated balance sheet, cont.

Amounts in SEK million	30 June 2011	30 June 2010	31 Dec. 2010	Amounts in SEK million	30 June 2011	30 June 2010	31 Dec. 2010
Supplementary information				Adjusted gross debt and net debt			
Net assets				Total interest-bearing liabilities	-181,893	-198,537	-188,277
Net assets, weighted average value	284,639	289,487	293,298	50% of Capital Securities	4,542	4,707	4,464
Net debt				Present value of pension obligations	-20,591	-19,677	-19,992
Capital Securities	-9,084	-9,414	-8,929	Provisions for mining, gas and wind operations and other environment-related provisions	-12,531	-13,304	-12,760
Bond issues, commercial papers and liabilities to credit institutions	-102,842	-113,243	-110,038	Provisions for nuclear power (net)	-19,776	-5,837	-12,794
Present value of liabilities pertaining to acquisitions of subsidiaries	-44,606	-44,886	-43,438	Currency derivatives for hedging of debt in foreign currency	1,966	3,505	2,668
Liabilities to associated companies	-10,693	-16,402	-10,493	Margin calls received	4,169	4,874	5,149
Liabilities to owners of non-controlling interests (minority owners)	-9,660	-8,669	-9,327	Liabilities to owners of non-controlling interests (minority owners) due to consortium agreements	9,194	8,153	8,923
Other liabilities	-5,008	-5,923	-6,052	Adjusted gross debt	-214,920	-216,116	-212,619
Total interest-bearing liabilities	-181,893	-198,537	-188,277	Reported cash and cash equivalents and short-term investments	39,197	45,644	43,873
Cash and cash equivalents	20,238	21,279	12,595	Unavailable liquidity	-4,173	-9,326	-4,663
Short-term investments	18,959	24,365	31,278	Adjusted cash and cash equivalents and short-term investments	35,024	36,318	39,210
Loans to owners of non-controlling interests (minority owners) in foreign subsidiaries	543	1,822	295	Adjusted net debt	-179,896	-179,798	-173,409
Net debt	-142,153	-151,071	-144,109				

Consolidated statement of cash flows

Amounts in SEK million	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Last 12 months
Operating activities						
Profit before tax	-4,829	6,831	5,120	14,047	21,423	12,496
Depreciation, amortisation and impairment losses ¹	15,805	4,904	20,895	15,588	30,853	36,160
Tax paid	-1,135	-1,047	-4,461	-7,245	-8,901	-6,117
Other adjustment items	-3,716	991	-3,273	-891	-3,267	-5,649
Funds from operations (FFO)	6,125	11,679	18,281	21,499	40,108	36,890
Changes in inventories	-1,132	-955	-1,058	-195	-2,407	-3,270
Changes in operating receivables	13,942	3,056	11,820	464	-12,612	-1,256
Changes in operating liabilities	-6,704	-4,210	-10,672	-13,669	5,681	8,678
Other changes	-436	7,737	1,031	11,467	10,461	25
Cash flow from changes in operating assets and operating liabilities	5,670	5,628	1,121	-1,933	1,123	4,177
Cash flow from operating activities	11,795	17,307	19,402	19,566	41,231	41,067
Investing activities						
Acquisitions in Group companies	—	-575	-1	-581	-577	3
Investments in associated companies and other shares and participations	-120	-361	-107	-445	-508	-170
Other investments in non-current assets	-7,734	-8,037	-13,945	-16,882	-40,709	-37,772
Total investments	-7,854	-8,973	-14,053	-17,908	-41,794	-37,939
Divestments	3,321	5,785	4,569	5,964	7,197	5,802
Cash and cash equivalents in acquired companies	—	13	—	13	111	98
Cash and cash equivalents in divested companies	—	-304	—	-304	-297	7
Cash flow from investing activities	-4,533	-3,479	-9,484	-12,235	-34,783	-32,032
Cash flow before financing activities	7,262	13,828	9,918	7,331	6,448	9,035
Financing activities						
Changes in short-term investments	9,726	-2,010	12,537	6,468	-1,919	4,150
Changes in loans to owners of non-controlling interests (minority owners) in foreign subsidiaries	-38	-45	-238	-397	1,135	1,294
Loans raised ²	351	7,074	969	8,118	13,325	6,176
Amortisation of debt	-1,065	-186	-8,835	-5,706	-12,389	-15,518
Dividends paid to owners	-6,682	-5,277	-6,698	-5,294	-5,311	-6,715
Contribution from owners of non-controlling interests (minority interests)	192	97	421	97	12	336
Cash flow from financing activities	2,484	-347	-1,844	3,286	-5,147	-10,277
Cash flow for the period	9,746	13,481	8,074	10,617	1,301	-1,242

1) Also other close-down costs than impairment losses pertaining to the close-down of German nuclear power plants during 2011 are here treated as impairment losses. The total of these impairment losses (SEK 5,008 million) and other close-down costs (SEK 5,232 million) amount to SEK 10,240 million for the second quarter of 2011.

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

Consolidated statement of cash flows, cont.

Amounts in SEK million	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010	Last 12 months
Cash and cash equivalents at the beginning of the period	10,909	7,238	12,595	10,555	10,555	21,279
Cash and cash equivalents included in assets held for sale	-276	653	-276	653	653	-276
Cash flow for the period	9,746	13,481	8,074	10,617	1,301	-1,242
Translation differences	-141	-93	-155	-546	86	477
Cash and cash equivalents at the end of the period	20,238	21,279	20,238	21,279	12,595	20,238
Supplementary information						
Cash flow before financing activities	7,262	13,828	9,918	7,331	6,448	9,035
Financing activities						
Dividends paid to owners	-6,682	-5,277	-6,698	-5,294	-5,311	-6,715
Contribution from owners of non-controlling interests (minority interests)	192	97	421	97	12	336
Cash flow after dividend	772	8,648	3,641	2,134	1,149	2,656
Analysis of change in net debt						
Net debt at beginning of the period	-138,282	-165,581	-144,109	-154,987	-154,987	-151,071
Changed calculation of net debt	—	—	—	-11,252	-11,252	—
Cash flow after dividend	772	8,648	3,641	2,134	1,149	2,656
Changes as a result of valuation at fair value	-379	-893	536	-2,464	-1,743	1,257
Changes in interest-bearing liabilities for leasing	44	30	63	62	111	112
Interest-bearing liabilities/short-term investments acquired/divested	—	3,670	—	3,670	4,002	332
Changes in liabilities pertaining to acquisitions of subsidiaries	-300	1,046	-469	681	-749	-1,899
Cash and cash equivalents included in assets held for sale	-276	653	-276	653	653	-276
Interest-bearing liabilities associated with assets held for sale	19	—	19	—	—	19
Translation differences on net debt	-3,751	1,356	-1,558	10,432	18,707	6,717
Net debt at the end of the period	-142,153	-151,071	-142,153	-151,071	-144,109	-142,153
Free cash flow	8,410	14,288	13,473	13,231	23,846	24,088

Consolidated statement of changes in equity

Amounts in SEK million	30 June 2011			30 June 2010			31 Dec. 2010		
	Attributable to owners of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity	Attributable to owners of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity	Attributable to owners of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity
Balance brought forward	126,704	6,917	133,621	135,620	6,784	142,404	135,620	6,784	142,404
Dividends paid to owners	-6,500	-198	-6,698	-5,240	-54	-5,294	-5,240	-71	-5,311
Group contributions from(+)/to(-) owners of non-controlling interests (minority interests), net after tax	—	—	—	—	—	—	—	402	402
Changes in ownership	—	420	420	—	92	92	41	144	185
Cash flow hedges:									
Changes in fair value	1,226	12	1,238	4,921	-65	4,856	-1,086	-103	-1,189
Dissolved against income statement	248	—	248	-224	-1	-225	-684	—	-684
Transferred to cost of hedged item	-38	4	-34	320	-1	319	247	-1	246
Tax attributable to cash flow hedges	-346	-4	-350	-1,268	18	-1,250	467	27	494
Total cash flow hedges	1,090	12	1,102	3,749	-49	3,700	-1,056	-77	-1,133
Hedging of net investments in foreign operations	-2,069	—	-2,069	12,970	—	12,970	19,831	—	19,831
Tax attributable to hedging of net investments in foreign operations	544	—	544	-3,411	—	-3,411	-5,215	—	-5,215
Total hedging of net investments in foreign operations	-1,525	—	-1,525	9,559	—	9,559	14,616	—	14,616
Revaluation of available-for-sale financial assets	-1,153	—	-1,153	—	—	—	—	—	—
Translation differences	2,724	34	2,758	-18,939	-279	-19,218	-30,274	-453	-30,727
Profit for the period	4,375	-407	3,968	8,823	149	8,972	12,997	188	13,185
Total comprehensive income for the period	5,511	-361	5,150	3,192	-179	3,013	-3,717	-342	-4,059
Balance carried forward	125,715¹	6,778	132,493	133,572¹	6,643	140,215	126,704¹	6,917	133,621
1) Of which, Reserve for cash flow hedges	-225			3,490			-1,315		

Key ratios, Vattenfall Group (definitions and calculations of key ratios on pages 34–35)

In % unless otherwise stated. (x) means times	Q2 2011	Q2 2010	Q1–2 2011	Q1–2 2010	Full year 2010	Last 12 months
Operating margin	-8.0	18.0	9.3	15.8	14.0	10.4
Operating margin ¹	12.1	18.0	17.4	20.2	18.7	17.1
Pre-tax profit margin	-11.9	13.7	5.5	11.7	10.0	6.7
Pre-tax profit margin ¹	7.9	13.7	13.5	16.0	14.8	13.3
Return on equity	6.6 ²	8.7 ²	6.6 ²	8.7 ²	10.0	6.6
Return on equity ¹	14.3 ²	14.6 ²	14.3 ²	14.6 ²	17.7	14.3
Return on net assets	5.7 ²	8.6 ²	5.7 ²	8.6 ²	9.1	5.7
Return on net assets ¹	10.1 ²	11.6 ²	10.1 ²	11.6 ²	12.5	10.1
EBIT interest cover,(x)	3.0 ²	3.0 ²	3.0 ²	3.0 ²	4.1	3.0
EBIT interest cover,(x) ¹	4.7 ²	3.9 ²	4.7 ²	3.9 ²	5.4	4.7
FFO interest cover,(x)	6.2 ²	4.7 ²	6.2 ²	4.7 ²	6.2	6.2
FFO interest cover, net,(x)	8.1 ²	5.4 ²	8.1 ²	5.4 ²	7.5	8.1
Cash flow interest cover after maintenance investments,(x)	5.0 ²	4.1 ²	5.0 ²	4.1 ²	4.6	5.0
FFO/gross debt	20.3 ²	18.6 ²	20.3 ²	18.6 ²	21.3	20.3
FFO/net debt	26.0 ²	24.4 ²	26.0 ²	24.4 ²	27.8	26.0
EBITDA/net financial items,(x)	10.4	10.7	11.2	9.6	9.8	10.7
EBITDA/net financial items,(x) ¹	17.1	10.6	14.0	11.0	11.5	13.1
Equity/total assets	25.3	25.8	25.3	25.8	24.7	25.3
Gross debt/equity	137.3	141.6	137.3	141.6	140.9	137.3
Net debt/equity	107.3	107.7	107.3	107.7	107.8	107.3
Gross debt/gross debt plus equity	57.9	58.6	57.9	58.6	58.5	57.9
Net debt/net debt plus equity	51.8	51.9	51.8	51.9	51.9	51.8
Net debt/EBITDA,(x)	2.6 ²	2.6 ²	2.6 ²	2.6 ²	2.4	2.6

1) Excl. items affecting comparability.

2) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Income statement						
Net sales	40,443	51,868	55,537	37,665	49,713	70,657
Cost of products sold	-40,997	-36,808	-44,612	-27,271	-36,343	-50,872
Other operating income and expenses, net	-2,397	-3,463	-6,292	-4,748	-4,433	-9,772
Participations in the results of associated companies	-288	245	313	183	26	102
Operating profit before depreciation and amortisation (EBITDA)	12,566	16,932	15,355	10,685	13,867	20,799
Operating profit (EBIT)	-3,239	11,842	4,946	5,829	8,963	10,115
Financial items, net	-1,590	-1,893	-138	-3,261	-2,132	-2,899
Financial items, net ¹	-1,211	-1,430	308	-2,858	-1,302	-2,327
Profit before tax	-4,829	9,949	4,808	2,568	6,831	7,216
Profit for the period	-3,235	7,203	2,464	1,749	5,185	3,787
– of which, attributable to owners of the Parent Company	-2,742	7,117	2,577	1,597	5,077	3,746
– of which, attributable to non-controlling interests (minority interests)	-493	86	-113	152	108	41
Balance sheet						
Non-current assets	389,453	387,991	388,263	386,867	391,153	392,920
Short-term investments	18,959	28,647	31,278	26,841	24,365	22,952
Cash and cash equivalents	20,238	10,909	12,595	16,014	21,279	7,238
Other current assets	94,540	110,201	109,296	99,012	107,110	145,985
Total assets	523,190	537,748	541,432	528,734	543,907	569,095
Equity	132,493	140,948	133,621	135,605	140,215	139,461
– of which, attributable to owners of the Parent Company	125,715	133,754	126,704	128,953	133,572	132,889
– of which, attributable to non-controlling interests (minority interests)	6,778	7,194	6,917	6,652	6,643	6,572
Capital Securities	9,084	8,869	8,929	9,081	9,414	9,646
Other interest-bearing liabilities	172,809	169,461	179,348	179,263	189,123	187,942
Pension provisions	18,517	18,053	18,137	18,393	18,994	19,390
Other interest-bearing provisions	74,840	69,746	69,685	67,584	66,963	67,788
Deferred tax liabilities	34,395	36,526	36,125	31,974	34,266	32,721
Other noninterest-bearing liabilities	81,052	94,145	95,587	86,834	84,932	112,147
Total equity and liabilities	523,190	537,748	541,432	528,734	543,907	569,095
Net assets	281,771	285,169	285,153	282,413	289,874	307,966
Net debt	-142,153	-138,282	-144,109	-145,155	-151,071	-165,581

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

Quarterly information, Vattenfall Group, cont.

Amounts in SEK million	Q2 2011	Q12011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Cash flow						
Funds from operations (FFO)	6,125	12,156 ²	11,670	6,939	11,679	9,820
Cash flow from changes in operating assets and operating liabilities	5,670	-4,549 ²	-1,776	4,832	5,628	-7,561
Cash flow from operating activities	11,795	7,607	9,894	11,771	17,307	2,259
Cash flow from investing activities	-4,533	-4,951	-11,531	-11,017	-3,479	-8,756
Cash flow before financing activities	7,262	2,656	-1,637	754	13,828	-6,497
Changes in short-term investments	9,726	2,811	-4,997	-3,390	-2,010	8,478
Loans raised/Amortisation of debt, net, etc.	-560	-7,123	3,209	-3,238	6,940	-4,828
Dividends paid to owners	-6,682	-16	-4	-13	-5,277	-17
Cash flow from financing activities	2,484	-4,328	-1,792	-6,641	-347	3,633
Cash flow for the period	9,746	-1,672	-3,429	-5,887	13,481	-2,864
Free cash flow	8,410	5,063	3,355	7,260	14,288	-1,057

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

Key ratios (definitions and calculations of key ratios on pages 34–35)

In % unless otherwise stated. (x) means times

Return on equity ¹	6.6	12.6	10.0	9.3	8.7	6.6
Return on equity ^{1, 2}	14.3	15.9	17.7	15.4	14.6	12.5
Return on net assets ¹	5.7	9.9	9.1	9.2	8.6	8.1
Return on net assets ^{1,2}	10.1	11.3	12.5	12.1	11.6	11.4
EBIT interest cover, (x) ¹	3.0	4.7	4.1	3.1	3.0	2.6
EBIT interest cover, (x) ^{1,2}	4.7	5.3	5.4	3.9	3.9	3.4
FFO/gross debt ¹	20.3	23.8 ³	21.3	21.1	18.6	14.0
FFO/net debt ¹	26.0	30.7 ³	27.8	27.4	24.4	16.8
Equity/assets ratio	25.3	26.2	24.7	25.6	25.8	24.5
Gross debt/equity	137.3	126.5	140.9	138.9	141.6	141.7
Net debt/equity	107.3	98.1	107.8	107.0	107.7	118.7
Net debt/net debt plus equity	51.8	49.5	51.9	51.7	51.9	54.3
Net debt/EBITDA, (x) ¹	2.6	2.4	2.4	2.4	2.6	3.0

1) Last 12-month values.

2) Excl. items affecting comparability.

3) The amount is adjusted compared to previously published information.

Exchange rates

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

	Q2 2011	Q2 2010	Q1-2 2011	Q1-2 2010	Full year 2010
Average rate					
EUR	8.9705	9.6201	8.9429	9.8296	9.5694
DKK	1.2028	1.2924	1.1993	1.3206	1.2850
GBP	10.1331	11.2730	10.2532	11.3396	11.1573
NOK	1.1505	1.2131	1.1444	1.2219	1.1920
PLN	2.2575	2.4075	2.2543	2.4414	2.3831
USD	6.1963	7.5219	6.3611	7.4014	7.2152

	30 June 2011	30 June 2010	31 Dec. 2010
Balance sheet date rate			
EUR	9.1500	9.5005	9.0020
DKK	1.2263	1.2755	1.2075
GBP	10.1500	11.6975	10.5475
NOK	1.1760	1.2005	1.1520
PLN	2.3000	2.2900	2.2700
USD	6.3100	7.7725	6.8025

Parent Company income statement

Amounts in SEK million	Q1-2 2011	Q1-2 2010	Full year 2010
Net sales	16,611	20,107	36,538
Cost of products sold	-9,946	-10,193	-19,190
Gross profit	6,665	9,914	17,348
Selling expenses, administrative expenses and research and development costs	-1,421	-1,436	-3,111
Other operating income and expenses, net	-2,669	62	303
Operating profit (EBIT)	2,575	8,540	14,540
Result from participations in Group companies	7,655	11,107	15,456
Result from participations in associated companies	1	1	2
Result from other shares and participations	—	73	73
Other financial income	745	14,589	10,765
Other financial expenses	-3,509	-3,686	-7,061
Profit before appropriations and tax	7,467	30,624	33,775
Appropriations	5,108	65	-3,602
Profit before tax	12,575	30,689	30,173
Income tax expense	-1,618	-5,242	-4,244
Profit for the period	10,957	25,447	25,929

Parent Company statement of comprehensive income

Amounts in SEK million	Q1-2 2011	Q1-2 2010	Full year 2010
Profit for the period	10,957	25,447	25,929
Total other comprehensive income	—	—	—
Total comprehensive income for the period	10,957	25,447	25,929

Parent Company balance sheet

Amounts in SEK million	30 June 2011	30 June 2010	31 Dec.. 2010
Assets			
Non-current assets			
Intangible assets: non-current	181	131	166
Property, plant and equipment	3,982	21,588	22,138
Shares and participations	194,148	198,850	194,064
Deferred tax assets	144	—	417
Other non-current assets	72,673	50,934	55,899
Total non-current assets	271,128	271,503	272,684
Current assets			
Inventories	264	241	268
Intangible assets: current	179	436	660
Current receivables	32,506	24,185	33,888
Short-term investments	14,382	14,849	26,874
Cash and cash equivalents	17,003	17,365	7,348
Total current assets	64,334	57,076	69,038
Total assets	335,462	328,579	341,722
Equity and liabilities			
Equity			
Restricted equity			
Share capital	6,585	6,585	6,585
Statutory reserve	1,286	1,286	1,286
Non-restricted equity			
Retained earnings	62,784	47,920	43,360
Profit for the period	10,957	25,447	25,929
Total equity	81,612	81,238	77,160
Untaxed reserves	8,501	10,153	13,819
Provisions	193	149	195
Non-current liabilities			
Capital Securities	9,084	9,414	8,929
Other interest-bearing liabilities	134,370	144,990	131,234
Deferred tax liabilities	—	410	—
Other noninterest-bearing liabilities	4,360	4,080	4,341
Total non-current liabilities	147,814	158,894	144,504
Current liabilities			
Interest-bearing liabilities	75,422	56,354	79,641
Current tax liabilities	346	4,492	1,394
Other noninterest-bearing liabilities	21,574	17,299	25,009
Total current liabilities	97,342	78,145	106,044
Total equity and liabilities	335,462	328,579	341,722

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

Group

Accounting policies

The consolidated accounts for the first half of 2011 have, as in the year-end accounts for 2010, been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European 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 2010 Annual Report (Note 3 to the consolidated accounts), with exception for the amended IFRSs standards endorsed by the EU and described below, which are effective as of the 2011 financial year.

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.

Revised IAS 24 – *Related Party Disclosures*. The revised standard includes certain clarifications and simplifications of the definition of a related party and provides relief for government-related entities to disclose details of transactions with other government-related entities. However, transactions with other government-related entities do not represent a significant part of the Vattenfall Group's net sales, purchasing or earnings. The amendments in IAS 24 have not had any impact on Vattenfall's financial statements.

Amendment in IFRIC 14 – *Prepayments of a Minimum Funding Requirement*, corrects an unintended consequence of IFRIC 14 and provides guidance in determining the recoverable value of a net pension asset. The amendment has not had any impact on Vattenfall's financial statements.

IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*. The interpretation deals with the accounting of lenders that settle liabilities by issuing equity instruments, but is not relevant for Vattenfall.

"*Improvements to IFRSs*" (issued in May 2010) 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.

Reporting of operating segments

To enable Vattenfall to carry out its new strategic direction (see Vattenfall's 2010 Annual Report, pages 5–15), a new business-led organisational structure was implemented on 1 January 2011. The previous, region-based structure has been replaced by five new Business Divisions: Asset Development, Production, Asset Optimisation and Trading, Distribution and Sales, and Renewables. The first three mentioned Business Divisions together form the Generation operating segment. The Distribution and Sales and Renewables Business Divisions, respectively, are reported as separate operating segments. In the segment reporting, in addition to the above, treasury activities, other staff functions and shared services are reported under the heading Other.

Comparison figures for 2010 have been restated to reflect the new segment structure.

Changes in estimations and assessments in the preparation of the financial statements

Important estimations and assessments in the preparation of the financial statements are described in Vattenfall's 2010 Annual Report, Note 4 to the consolidated accounts. These include, among other things, a description of impairment testing of non-current assets and valuation of embedded derivatives.

The decisions in 2011 by the German government and Germany's parliament that all German nuclear power plants are to be closed by 2022 at the latest entail that the Brunsbüttel and Krümmel nuclear power plants, for which Vattenfall has operating responsibility and owns 66.7% and 50% of, respectively, may not be restarted. Because of this, Vattenfall is forced to recognise an impairment loss for the book value of these two plants and increase its provisions for handling nuclear fuel. A charge of SEK 10,240 million has been booked against operating profit (EBIT) for the second quarter of 2011 for these measures.

In a review conducted in 2011 of the valuation of long-term electricity contracts in which there are ties to the price development for other commodities than electricity, Vattenfall has determined that, for valuation of the period beyond 27

months, i.e., the time horizon for which market quotations are available and up until the contract's expiration date, the use of long-term forecasts (modelled prices) provides a reliable value. The effect of this review on the value of these embedded derivatives amounted to SEK 1,120 million as per 30 June 2011 and affects operating profit (EBIT) in its entirety.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2010 Annual Report, pages 77–83. No other material changes, other than what is stated in this interim report, have taken place since publication of the 2010 Annual Report.

Other

Significant related-party transactions are described in Vattenfall's 2010 Annual Report, Note 54 to the consolidated accounts. No material changes have taken place in relations or transactions with related parties compared with the description in the 2010 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 applied in this report are the same as those described in Vattenfall's 2010 Annual Report, Note 2 to the Parent Company accounts.

First half of 2011

A condensed income statement and balance sheet for the Parent Company are presented on page 30 of this report.

Sales amounted to SEK 16,611 million (20,107).

Profit before appropriations and tax was SEK 7,467 million (30,624). The lower earnings compared with the preceding year is attributable to lower dividends from subsidiaries and to the fact that as of 1 July 2010, Vattenfall AB applies hedge accounting for assets in a foreign currency effectively hedged by loans in a foreign currency, in accordance with the Swedish standard BFN R7.

In addition, Vattenfall AB has recognised a capital loss of approximately SEK 3 billion in connection with the divestment of all hydro power operations on 1 January 2011 to wholly owned, newly formed subsidiaries. The divestments were made at residual tax values. In connection to these divestments, Vattenfall AB has dissolved untaxed reserves (accelerated depreciation) in the amount of approximately SEK 4.3 billion.

The balance sheet total amounted to SEK 335,462 million (31 December 2010: 341,722).

Investments for the period amounted to SEK 356 million (1,116).

Cash and cash equivalents and short-term investments amounted to SEK 31,385 million (31 December 2010: 34,222).

Events after the balance sheet date

On 1 July 2011 Vattenfall AB repaid part of its liability to Nuon's shareholders, entailing that the Parent Company has reported a realised foreign exchange gain in the income statement of slightly more than SEK 2 billion during the third quarter of 2011.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2010 Annual Report, pages 77–83. No material changes, other than what is stated in this report, have taken place since publication of the 2010 Annual Report.

Other

Significant related-party transactions are described in Vattenfall's 2010 Annual Report, Note 41 to the Parent Company accounts. No material changes have taken place in relations or transactions with related parties compared with the description in the 2010 Annual Report.

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, 28 July 2011

Lars G. Nordström
Chairman of the Board

Øystein Løseth
President and
Chief Executive Officer

Christer Bådholm
Vice Chairman of the Board

Carl-Gustaf Angelin

Eli Arnstad

Johnny Bernhardsson

Ingrid Bonde

Ronny Ekvall

Håkan Erixon

Lone Fønss Schrøder

Patrik Jönsson

Cecilia Vieweg

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

Review Report

Introduction

We have reviewed the accompanying condensed balance sheet of Vattenfall AB (publ) as per 30 June 2011 and the related condensed summary of income, changes in equity and cash flows for the six-month period then ended. The Board of Directors and President are responsible for the preparation and fair presentation of this condensed interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this condensed interim financial information 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", issued by the Swedish Federation of Authorised Public Accountants. A review of interim financial information 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 International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

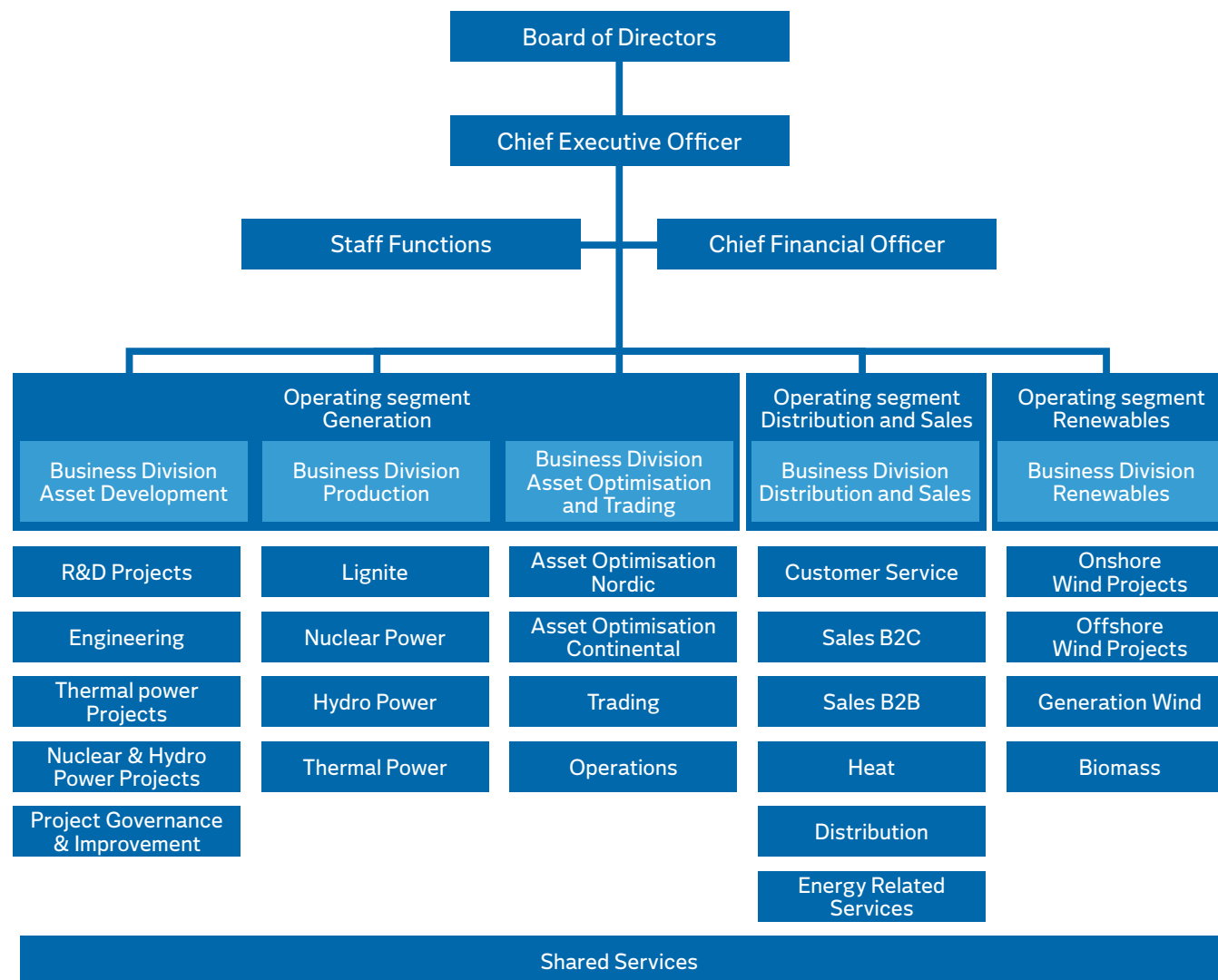
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material aspects, the financial position of the entity as at 30 June 2011, and its financial performance and its cash flows for the six-month period then ended, 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, 28 July 2011

Ernst & Young AB
Hamish Mabon
Authorised Public Accountant

Vattenfall's organisational structure 2011



Definitions and calculations of key ratios

Figures for the Group in 2011. Amounts in SEK million unless indicated otherwise.

EBIT	=	Earnings Before Interest and Tax.
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation. Other close-down costs than impairment losses pertaining to the closure of German nuclear power plants in 2011 are also classified here as 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 nonrecurring 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 owners of non-controlling interests (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 2010 – June 2011):

Operating margin, %	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{19,378}{185,513}$	=	10.4
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{31,700}{185,513}$	=	17.1
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{12,496}{185,513}$	=	6.7
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{24,674}{185,513}$	=	13.3
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{8,549}{128,604}$	=	6.6
Return on equity excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{18,340}{128,604}$	=	14.3
Return on net assets, %	= 100 x	$\frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{16,343}{284,639}$	=	5.7
Return on net assets excl. items affecting comparability, %	= 100 x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{28,665}{284,639}$	=	10.1
EBIT interest cover, (x)	=	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{21,281}{7,094}$	=	3.0

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	33,603	= 4.7
	Financial expenses excl. discounting effects attributable to provisions	7,094	
FFO interest cover, (x) =	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	43,984	= 6.2
	Financial expenses excl. discounting effects attributable to provisions	7,094	
FFO interest cover, net, (x) =	Funds from operations (FFO) + financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	42,081	= 8.1
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	5,191	
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	30,125	= 5.0
	Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	6,037	
FFO/gross debt, % = 100 x	Funds from operations (FFO)	36,890	= 20.3
	Interest-bearing liabilities	181,893	
FFO/net debt, % = 100 x	Funds from operations (FFO)	36,890	= 26.0
	Net debt	142,153	
EBITDA/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA)	55,538	= 10.7
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	5,191	
EBITDA excl. items affecting comparability/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	67,860	= 13.1
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	5,191	

Key ratios based on the balance sheet per 30 June, 2011:

Equity/total assets, % = 100 x	Equity	132,493	= 25.3
	Balance sheet total	523,190	
Gross debt/equity, % = 100 x	Interest-bearing liabilities	181,893	= 137.3
	Equity	132,493	
Net debt/equity, % = 100 x	Net debt	142,153	= 107.3
	Equity	132,493	
Gross debt/gross debt plus equity, % = 100 x	Interest-bearing liabilities	181,893	= 57.9
	Interest-bearing liabilities + equity	314,386	
Net debt/net debt plus equity, % = 100 x	Net debt	142,153	= 51.8
	Net debt + equity	274,646	
Net debt/EBITDA, (x) =	Net debt	142,153	= 2.6
	Operating profit before depreciation and amortisation (EBITDA)	55,538	



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