

2011

Year-End Report

Contents	Page	Financial calendar
CEO's message	1	Annual Report 2011
Group	5	29 March 2012
Electricity generation, sales of heat and gas	10	Interim report January–March
Wholesale price trend	11	3 May 2012
The Group's operating segments	13	Interim report January–June
Consolidated income statement	20	31 July 2012
Consolidated statement of comprehensive income	21	Interim report January–September
Segment reporting	22	30 October 2012
Consolidated balance sheet	24	Annual General Meeting
Consolidated statement of cash flows	26	25 April 2012, in Stockholm
Consolidated statement of changes in equity	28	For enquiries, please contact
Key ratios	29	Øystein Løseth, President and CEO
Quarterly information	30	tel. +46-8-739 50 05
Exchange rates	31	Klaus Aurich, Head of Investor Relations
Parent Company income statement and balance sheet	32	tel. +46-8-739 65 14, or +46-705-39 65 14
Accounting policies, risks and uncertainties, and the Parent Company's interim report	33	
Vattenfall's organisational structure 2011	35	
Definitions and calculations of key ratios	36	

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In the event of any discrepancy, the Swedish version shall govern.

All comparison figures in this report pertain to the full year 2010, unless indicated otherwise.

Delivering according to strategy during a demanding year

- Net sales in 2011 decreased by 15.2%, to SEK 181,040 million (213,572).
- The cost-cutting programme is proceeding better than planned.
- Sales of assets totalled SEK 23 billion, of which SEK 16 billion was received in 2011.
- Operating profit decreased by 22.3% to SEK 23,209 million (29,853). Profit was charged with SEK 10.5 billion as a result of the German decision to phase out the country's nuclear power.
- Underlying operating profit¹ for 2011 decreased by 16.4%, to SEK 30,793 million (36,838), mainly as a result of lower production volumes and average lower electricity prices received.
- Operating profit for the fourth quarter increased 105.4% to SEK 10,159 million (4,946). Underlying operating profit for the fourth quarter decreased by 19.4% to SEK 7,343 million (9,109).
- Profit for the year (after tax) decreased by 21.0% to SEK 10,416 million (13,185).

1) Operating profit excluding items affecting comparability and unrealised changes in the fair value of energy derivatives, which according to IAS 39 may not be reported using hedge accounting, and changes in the fair value of inventories.



"Although 2011 was a tough year in many respects for the entire energy sector, Vattenfall successfully carried out a number of measures to boost profitability and improve its financial position. I am satisfied with the result we achieved in 2011, especially against the background of the large earnings charge of SEK 10.5 billion caused by the unexpected decision in Germany to phase out the country's nuclear power.

We have delivered in accordance with our strategy. Vattenfall's cost-cutting programme, aimed at reducing SEK 6 billion in costs by year-end 2013, is proceeding better than planned, and we have lowered our annual costs by SEK 4 billion. At the same time, future-oriented operations have given rise to new costs of SEK 1.4 billion. We have completed or signed agreements to carry out sales of non-core assets at a fast pace – corresponding to a value of SEK 37 billion. This includes the sale of operations in Finland, which was completed in January 2012. In addition, the investment programme for the coming five years has been adjusted to a level that is compatible with our cash flow at the same time that we are increasing our focus on investments in renewable energy generation.

The economic slowdown in our markets dampened demand for electricity, and warm weather during the second half of the year led to lower sales of gas and

heat. We also had problems at some of our production plants – mainly an extended outage of one of the reactors at the Ringhals nuclear power plant. Vattenfall's challenges remain great, and we must therefore continue at an undiminished pace our work on improving cash flow and further strengthening the company's financial position so that we can be one of the leaders in developing environmentally sustainable energy production. With our strategy and the active measures we have taken, I am confident about our opportunities to achieve the goals set by our owner and ourselves."

A handwritten signature in blue ink, which appears to read "Øystein Løseth".

Øystein Løseth
President and CEO

Vattenfall delivering in accordance to strategy

In September 2010 Vattenfall adopted a new strategic direction for the Group, entailing that the company regards the years 2011–2013 as a consolidation phase with focus on the following measures:

- Cost-cutting programme, SEK 6 billion
- Divestment of non-core assets
- Revised investment programme
- New, business-led organisational structure

During the year, Vattenfall successfully carried out a number of measures in pursuit of its strategy. Annual costs have been reduced by SEK 4 billion compared with the cost base in 2010. At the same time, future-oriented operations gave rise to new costs of SEK 1.4 billion. Sales of non-core assets were carried out for a value of SEK 23 billion, of which SEK 16 billion was received in 2011. Added to this, Vattenfall's electricity distribution and district heat operations in Finland have been sold to SEK 14 billion, which will be booked during the first quarter of 2012. The investment programme for the coming five-year period 2012–2016 has been adjusted downward to SEK 147 billion (from SEK 165 billion for the period 2011–2015), at the same time that the focus on renewable electricity generation is increasing. A function-based organisational structure has been implemented in place of the former geographic organisation. This has enabled the achievement of substantial synergies, which have made a significant contribution to the cost reduction.

Full year 2011 – net sales, profit, cash flow and debt

Consolidated net sales decreased by 15.2%, to SEK 181,040 million (213,572), which is mainly attributable to the sale of the German transmission business in May 2010 (SEK 20 billion), average lower electricity prices received and lower production volumes (SEK 6 billion), and currency effects associated with the stronger Swedish krona (SEK 8 billion). Operating profit decreased by 22.3% to SEK 23,209 million (29,853). Underlying operating profit, decreased by 16.4% to SEK 30,793 million (36,838). The drop is mainly attributable to lower production volumes (SEK 3.2 billion), average lower electricity prices received (SEK 4 billion) and lower gas sales (SEK 1.1 billion). Lower costs for operations, maintenance,

sales, administration, and research and development had a positive impact on underlying operating profit (SEK 2.6 billion, net). Currency effects of the stronger Swedish krona had a negative impact on operating profit by approximately SEK 1 billion.

Profit for the year (after tax) decreased by 21.0% to SEK 10,416 million (13,185). Return on equity was 8.6%, and the return on net assets was 7.1%. Vattenfall's long-term target of return on equity is 15% over a business cycle (5–7 years). The target return on net assets is 11%. The cash flow interest coverage ratio after maintenance investments was 3.0 (4.6), compared with the target interval of 3.5–4.5.

Funds from operations (FFO) decreased by 4.6% to SEK 38,256 million (40,108), mainly as a result of lower production volumes, average lower electricity prices received, and lower margins on gas sales. Net debt decreased by 2.1% to SEK 141,089 million. FFO in relation to adjusted net debt according to Vattenfall's definition was 21.7%. Taking into account payments received on 10 and 11 January 2012 for divested operations in Belgium and Poland, FFO/adjusted net debt is approximately 1 percentage point higher. For detailed information on net debt, see page 25.

The Group's total investments amounted to SEK 35,750 million (41,794). In addition, an additional 15% of the shares in N.V. Nuon Energy were acquired to the amount of SEK 13,538 million. Vattenfall thereafter owns 64% of the shares in N.V. Nuon Energy, although it has had control of the company since 1 July 2009, at which date the company was consolidated. For further information about investment activities, see page 9.

Since the first quarter of 2011 Vattenfall has been reporting its operations broken down into three operating segments: Generation, Distribution and Sales, and Renewables. Performance of the operating segments in 2011 is as follows:

- Underlying operating profit for Generation decreased by SEK 8,970 million to SEK 22,118 million (31,088).
- Underlying operating profit for Distribution and Sales increased by SEK 2,070 million to SEK 10,496 million (8,426).
- Underlying operating profit for Renewables increased by SEK 1,061 million to SEK 460 million (–601).

For further information about the Group's operating segments, see pages 13–19.

Electricity generation, sales of heat and gas in 2011

Vattenfall's total electricity generation decreased by 3.3% in 2011, to 166.7 TWh (172.4). Nuclear power generation decreased by 2.5%, hydro power decreased by 2.5% and fossil-based power decreased by 5.2%. Wind power generation increased by 55% to 3.4 TWh (2.2), and electricity generation based on biomass decreased by 13% to 1.3 TWh (1.5). Sales of heat decreased by 11.7% to 41.6 TWh (47.1). Sales of gas decreased by 14.9% to 53.8 TWh (63.2). For further information, see page 10.

Wholesale price trend for electricity and CO₂-emission allowances

Compared with 2010, the average spot price on Nord Pool was 11.3% lower (EUR 47.15/MWh compared with EUR 53.14/MWh). The hydrological balance in the Nordic countries improved during the year from a deficit of –41.6 TWh to a surplus of 18.8 TWh at year-end 2011.

In Germany, the average spot price (EPEX Spot) was 15% higher than in 2010 (EUR 51.14/MWh, compared with EUR 44.46/MWh). In the Netherlands, the average spot price was 15.3% higher (EUR 52.31/MWh, compared with EUR 45.35/MWh).

Futures prices rose in the Nordic countries as well as in Germany and the Netherlands. The Nordic futures contracts for deliveries in 2012 and 2013 were an average of 9% and 6% higher, respectively, than in 2010, while the corresponding contracts in Germany and the Netherlands were 6% and 2% higher and 8% and 2% higher, respectively. A large share of Vattenfall's production is hedged through contracts previously entered into in the futures market.

Prices of CO₂ emission allowances were traded at a level that was 8% lower than in 2010. At year-end 2011, they were quoted at EUR 7/tonne. For further information and price charts, see pages 11–12.

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

Net sales decreased by 9.2%, to SEK 50,453 million (55,537), compared with the corresponding quarter in 2010. Underlying operating profit decreased by 19.4% to SEK 7,343 million (9,109). The drop is mainly due to lower production volumes (SEK 1.2 billion) and average lower electricity prices received

(SEK 0.5 billion). Profit for the period before tax rose 56.6% to SEK 7,531 million (4,808). Excluding items affecting comparability, profit for the period after tax decreased by 32.0% to SEK 4,903 million (7,208). Funds from operations decreased by 13.3% to SEK 10,120 million (11,670).

Fourth quarter 2011 – Electricity generation, sales of heat and gas

Vattenfall's total electricity generation decreased by 5.6% during the fourth quarter, to 43.7 TWh (46.3). Nuclear power generation decreased by 20.7%, hydro power generation increased by 11.7%, and fossil-based power decreased by 6.5%. Wind power generation increased by 22.2% to 3.4 TWh (2.2), while electricity generation based on biomass was unchanged at 0.4 TWh. Sales of heat decreased by 22.9% to 13.1 TWh (17.0). Sales of gas decreased by 24.0% to 16.8 TWh (22.1).

Important events in 2011

Changes in the Board of Directors and Executive Group Management

- On 18 March Lars Westerberg left his position as Chairman of Vattenfall AB. Björn Savén was appointed as interim Chairman and as Deputy Chairman of Vattenfall AB until the Annual General Meeting on 27 April 2011. At the Annual General Meeting on 27 April, Björn Savén was elected as Chairman of the Board of Vattenfall AB until an Extraordinary General Meeting to be held on 14 June.
- At an Extraordinary General Meeting of Vattenfall on 14 June, Lars G. Nordström was elected as new Chairman of the Board of Vattenfall AB. Christer Bådholm was elected as Deputy Chairman.
- Peter Smink was appointed as acting CFO, effective 28 October 2011. On 19 December, Ingrid Bonde was appointed as Deputy CEO and new CFO. She will take office not later than 1 July 2012.

Divestments in 2011

- On 1 February Vattenfall sold its 25% interest in the Rostock hard coal-fired plant in Germany to RheinEnergie AG. The power plant has installed capacity of 553 MW. The purchase price has not been publicly disclosed by the parties.

- On 23 June Vattenfall sold its 21.3% shareholding in the German energy company Energieversorgung Sachsen Ost AG (ENSO) to EnergieVerbund Dresden GmbH (EVD). The purchase price was EUR 147 million (approximately SEK 1.3 billion).
- On 15 July Vattenfall sold parts of its Swedish engineering consultancy to Pöyry PLC. The divested units include approximately 245 employees at 20 offices in Sweden, Norway and the UK, with the largest presence in the Swedish market. The purchase price has not been publicly disclosed by the parties.
- On 24 May Vattenfall sold its gas production operations in the Dutch company Nuon Exploration & Production B.V. (E&P) to Tullow Oil plc. The purchase price was EUR 281 million (approximately SEK 2.5 billion).
- On 30 June the Helsingør combined heat and power (CHP) plant was sold to Forsyning Helsingør. The sale also covered the heat transmission line from the plant. The purchase price has not been publicly disclosed by the parties.
- On 27 July Vattenfall signed an agreement with the Italian energy company Eni on the sale of Vattenfall's operations in Belgium, based on an enterprise value of EUR 157 million (approximately SEK 1.4 billion). The sale covers Nuon Belgium NV, which services approximately 550,000 electricity and gas connections, and the companies Nuon Wind Belgium NV and Nuon Power Generation Walloon NV. The sale was completed on 10 January 2012.
- On 23 August Vattenfall signed an agreement with Polish energy supplier Tauron S.A. on the sale of Vattenfall's subsidiary Gornoslaski Zaklad Elektroenergetyczny (GZE), in Upper Silesia. An agreement was also signed with the Polish company PGNiG S.A. on the sale of Vattenfall Heat Poland S.A. (VHP). The enterprise value of GZE is approximately PLN 3.5 billion, or SEK 7.4 billion, while the enterprise value of VHP is approximately PLN 3.7 billion, or SEK 7.8 billion. The transactions were completed on 13 December 2011 and 11 January 2012, respectively.
- On 29 November Vattenfall announced that it had signed an agreement with the City of Hamburg under which the City of Hamburg will acquire 25.1% of Vattenfall's electricity distribution and district heating networks in Hamburg for a combined total of EUR 463.1 million (approximately

SEK 4.2 billion). Vattenfall will retain operational management of the networks. The transaction is contingent upon approval by Hamburg's parliament.

Divestments after the balance sheet date, 31 December 2011

On 16 December 2011 Vattenfall announced that it had signed an agreement with LNI Acquisition Oy – a consortium comprising 3i Infrastructure plc, 3i Group plc, GS Infrastructure Partners and Ilmarinen Mutual Pension Insurance Company – on the sale of Vattenfall's electricity distribution and heat businesses in Finland. Vattenfall will retain ownership of its electricity sales organisation and its hydro power operations in Finland. The sales price is based on an enterprise value of EUR 1.54 billion (approximately SEK 14 billion). The transaction was completed on 10 January 2012.

New wind power projects

- In early October Vattenfall acquired full ownership of the Zuidlob land-based wind farm in the Netherlands, which upon completion will be one of the country's largest wind farms. The Zuidlob wind farm will have installed capacity of 122 MW, and starting in 2013, 36 wind turbines will provide power for 88,000 households.
- On 25 November Vattenfall announced that it had purchased the licences to build the Sandbank offshore wind farm off the German island of Sylt in the North Sea. The project is initially for up to 575 MW (96 turbines), but can be further expanded. Start of construction is planned for 2014.
- In the UK, the 30th and last 5 MW turbine was installed in August at the Ormonde offshore wind farm. The wind farm has installed capacity of 150 MW and is expected to supply electricity to 100,000 UK households.

Other important events

Application for nuclear fuel repository

On 16 March SKB (the Swedish Nuclear Fuel and Waste Management Company), which is 56%-owned by Vattenfall, submitted a formal licence application to build a repository for spent nuclear fuel as well as an encapsulation facility for storage of spent nuclear fuel before it is transferred to the

repository. SKB's application is being considered by the Swedish Radiation Safety Authority and the Environmental Court. The application will thereafter be taken up for political decisions in the affected municipalities and by the Swedish government.

Decision to phase out nuclear power in Germany

On 30 June Germany's parliament decided that all 17 of the country's nuclear power plants shall be closed by 2022 at the latest. Germany's new revision of the Atomic Energy Act took effect on 6 August 2011. The consequence of the decision for Vattenfall is that the Brunsbüttel and Krümmel nuclear power plants, for which Vattenfall has operating responsibility and owns 66.7% and 50%, respectively, may not be restarted. Vattenfall thereby lost 1,187 MW of installed capacity and was forced by the decision to recognise an impairment loss for the book value of these two plants and increase provisions for dismantling the plants and handling nuclear fuel, for a total cost of SEK 10.5 billion.

Vattenfall has announced that the company expects to receive fair compensation for its financial losses.

Analysis work surrounding new nuclear power in Sweden

The issue of construction of new nuclear power in Sweden was the subject of heated debate in Sweden during the autumn. In October Vattenfall announced that the company has intensified its analysis work to illuminate the conditions for new nuclear power reactors in Sweden. The analysis will show which criteria must be met in order for an investment in new reactors to be profitable and in line with Vattenfall's required rate of return. The analysis work also addresses how the company would proceed to meet the high safety and environment requirements.

Study of routines for remuneration of senior executives and managers

Against the background of the highly publicised remuneration paid out in spring 2011, by order of the Board of Direc-

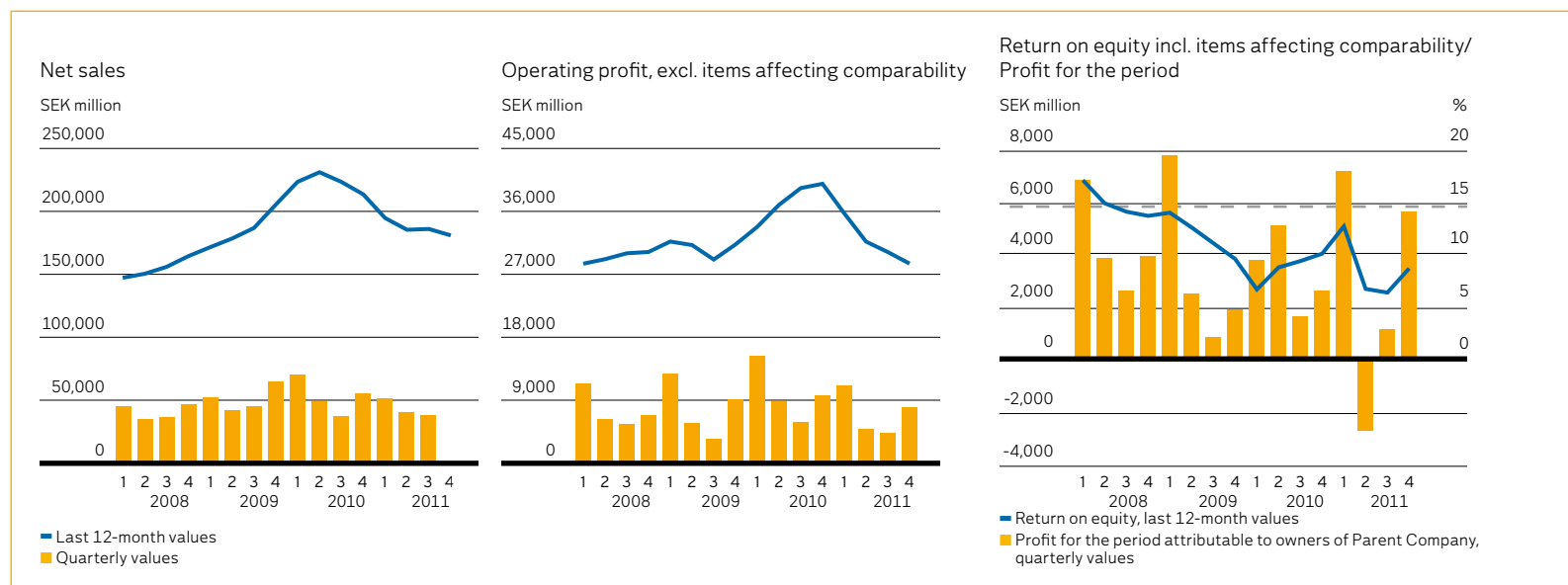
tors, Vattenfall conducted a study of contracts for 16 senior executives and 228 senior managers. A number of measures, including renegotiation of employment contracts, have been taken to ensure that the government's guidelines are being followed.

Changed credit rating from Standard & Poor's

On 9 December the credit rating agency Standard & Poor's changed its long-term credit rating for Vattenfall from A to A- and at the same time changed its outlook from negative to stable.

Proposed dividend

The Board of Directors proposes a dividend of SEK 4,433 million, corresponding to 40% of profit for the year attributable to owners of the Parent Company.



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

Amounts in SEK million unless, indicated otherwise	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Net sales	50,453	55,537	-9.2	181,040	213,572	-15.2
Operating profit before depreciation and amortisation (EBITDA)	15,447	15,355	0.6	54,538	60,706	-10.2
Operating profit (EBIT)	10,159	4,946	105.4	23,209	29,853	-22.3
Operating profit excl. items affecting comparability	8,084	9,732	-16.9	28,562	39,952	-28.5
Underlying operating profit	7,343	9,109	-19.4	30,793	36,838	-16.4
Financial items, net	-2,628	-138	-	-8,911	-8,430	-5.7
Profit before tax	7,531	4,808	56.6	14,298	21,423	-33.3
Profit for the period	5,103	2,464	107.1	10,416	13,185	-21.0
- of which, attributable to owners of the Parent Company	5,602	2,577	117.4	11,083	12,997	-14.7
- of which, attributable to non-controlling interests (minority interests)	-499	-113	341.6	-667	188	-
Return on equity, %	8.6 ¹	10.0 ¹	-	8.6	10.0	-
Return on net assets, %	7.1 ¹	9.1 ¹	-	7.1	9.1	-
Funds from operations (FFO)	10,120	11,670	-13.3	38,256	40,108	-4.6
Cash flow before financing activities	-894	-1,637	-45.4	12,666	6,448	96.4
Free cash flow	-2,270	3,355	-	17,637	23,846	-26.0
Cash and cash equivalents plus short-term investments	28,685	43,873	-34.6	28,685	43,873	-34.6
Balance sheet total	524,558	541,432	-3.1	524,558	541,432	-3.1
Equity incl. non-controlling interests (minority interests)	138,931	133,621	4.0	138,931	133,621	4.0
Capital Securities	8,883	8,929	-0.5	8,883	8,929	-0.5
Other interest-bearing liabilities	161,467	179,348	-10.0	161,467	179,348	-10.0
Net debt	141,089	144,109	-2.1	141,089	144,109	-2.1
Net debt/Operating profit before depreciation and amortisation (EBITDA), times	2.6 ¹	2.4 ¹	-	2.6	2.4	-

1) Last 12-month values.

See pages 36-37 for definitions and calculations of key ratios.

Sales, profit and cash flow

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Net sales	50,453	55,537	-9.2	181,040	213,572	-15.2

Comment: Consolidated net sales in 2011 decreased by SEK 32.5 billion compared with 2010. The sale of the German transmission business, 50Hertz Transmission GmbH, in May 2010, resulted in a decrease in consolidated net sales of SEK 20 billion. Average lower electricity prices received and lower production volumes decreased net sales by SEK 6.0 billion. Currency effects of the stronger Swedish krona had a negative impact on net sales by approximately SEK 8.0 billion.

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Operating profit (EBIT)	10,159	4,946	105.4	23,209	29,853	-22.3
Items affecting comparability	2,075	-4,786	-	-5,353	-10,099	-47.0
Fair valuation¹	741	623	18.9	-2,231	3,114	-
Underlying operating profit	7,343	9,109	-19.4	30,793	36,838	-16.4

1) Refers to unrealised changes in the fair value of energy derivatives, which according to IAS 39 may not be reported using hedge accounting, and changes in the fair value of inventories.

Comment: Underlying operating profit for 2011 decreased by SEK 6.0 billion. This is mainly attributable to:

- Lower electricity volumes (SEK -3.2 billion)
- Average lower electricity prices received (SEK -4 billion)
- Lower gas sales (SEK -1.1 billion)
- Lower costs for operations, maintenance, sales, administration, and research and development (SEK 2.6 billion, net)
- Other items, net (SEK -0.3 billion)

Items affecting comparability in 2011 amounted to SEK -5.3 billion, net (SEK -10.1 billion). See table at right.

Items affecting comparability

Amounts in SEK million	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Items affecting comparability that have affected operating profit (EBIT)				
Capital gains	2,461	51	4,780	195
Capital losses	22	-127	-58	-444
Impairment losses	-507	-6,006	-11,301	-11,152
Reversed impairment losses	379	1,296	386	1,302
Other items affecting comparability	-280	-	840	-
Total	2,075	-4,786	-5,353	-10,099

Comment: Items affecting comparability in 2011 amounted to SEK -5,353 million and consist mainly 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 (SEK -10.5 billion), and capital gains on sales of operations in 2011 (SEK 4.8 billion). Items affecting comparability for 2010 consisted primarily of impairment of goodwill pertaining to the former Benelux operating segment (SEK -4.3 billion) and impairment of 50Hertz Transmission GmbH (SEK -5.1 billion).

Fair valuation

Amounts in SEK million	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Fair valuation of energy derivatives	7	546	-1,690	2,860
Fair valuation of inventories	734	77	-541	254
Total	741	623	-2,231	3,114

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Funds from operations (FFO)	10,120	11,670	-13.3	38,256	40,108	-4.6
Cash flow from changes in operating assets and operating liabilities (working capital)	-6,841	-1,776	285.2	-4,788	1,123	-
Cash flow from operating activities	3,279	9,894	-66.9	33,468	41,231	-18.8

Comment: Compared with 2010, funds from operations (FFO) decreased by SEK 1.9 billion in 2011. The decrease is mainly attributable to lower production volumes, average lower electricity prices received and lower sales of gas. Lower costs for operations, maintenance, sales, administration, and research and development, together with lower paid tax and lower interest expenses, had a positive impact. Cash flow from changes in working capital decreased by SEK 4.8 billion, which was mainly attributable to an increase in inventories (SEK 3.3 billion) of primarily oil and gas. Margin calls decreased by SEK 4.2 billion, of which SEK 3.3 billion pertains to the net change in Credit Support Annex (CSA) agreements¹ in the trading operation. Changes in operating receivables and operating liabilities along with realised equity hedge items had a positive impact on operating profit of SEK 2.7 billion.

1) A Credit Support Annex (CSA) is a legal document that sets forth the rules governing the posting of margin calls for derivative transactions. It defines the terms and conditions that apply for the posting of collateral or transfer of funds between two parties to reduce credit risk.

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Net financial items	-2,628	-138	-	-8,911	-8,430	-5.7
– of which, interest income from financial investments	619	298	107.7	1,454	1,131	28.6
– of which, interest expenses for loans	-1,535	-1,600	4.1	-6,176	-6,447	4.2
Interest received	80	245	-67.3	635	912	-30.4
Interest paid	-252	-854	-70.5	-4 871	-4,866	-0.1
Average monthly net interest expense	-305	-434		-393	-443	

Comment: The deterioration of financial items during the fourth quarter is mainly attributable to impairment of the value of Vattenfall's shareholding in the energy company Enea S.A. (SEK 1.6 billion) and a negative change in the value of derivatives (SEK 1.5 billion). For the full year 2011, an improved return from the Swedish Nuclear Waste Fund (SEK 0.9 billion) and improvement in net interest income (SEK 0.6 billion – mainly refunded interest on tax) had a positive impact on financial items compared with 2010.

Employees

Number of employees, full-time equivalents	31 Dec. 2011	31 Dec. 2010	Change %
Generation	17,078	17,359	-1.6
Distribution and Sales	12,166	14,982	-18.8
Renewables	350	318	10.1
Other	5,091	5,521	-7.8
Total	34,685	38,180	-9.2

Comment: The decrease is mainly attributable to divested operations in Poland and Belgium, and natural attrition.

Financial position

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010	Change %
Cash and cash equivalents, and short-term investments	28,685	43,873	-34.6
Committed credit facilities (unutilised)	42,297	9,102	364.7
Other credit facilities (unutilised)	2,901	6,860	-57.7

Comment: The decrease in cash and cash equivalents, and short-term investments, is mainly attributable to payment for an additional 15% of the shares in N.V. Nuon Energy, as planned. 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 12-month EUR 1.3 billion revolving Multi Option Facility (unutilised amount EUR 1.2 billion), contracted in August 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. As per 31 December 2011, available liquid assets and/or committed credit facilities amounted to 36% of net sales.

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010	Change %
Net debt	141,089	144,109	-2.1
Interest-bearing liabilities	170,350	188,277	-9.5
Adjusted net debt (see page 25)	176,031	173,409	1.5
Average interest rate, % ¹	3,9	3,5	10.2
Duration, years ¹	4,3	3,9	10.8
Average time to maturity, years ¹	5,5	6,1	-10.8

1) Including Capital Securities and loans from owners with non-controlling interests (minority owners) and associated companies.

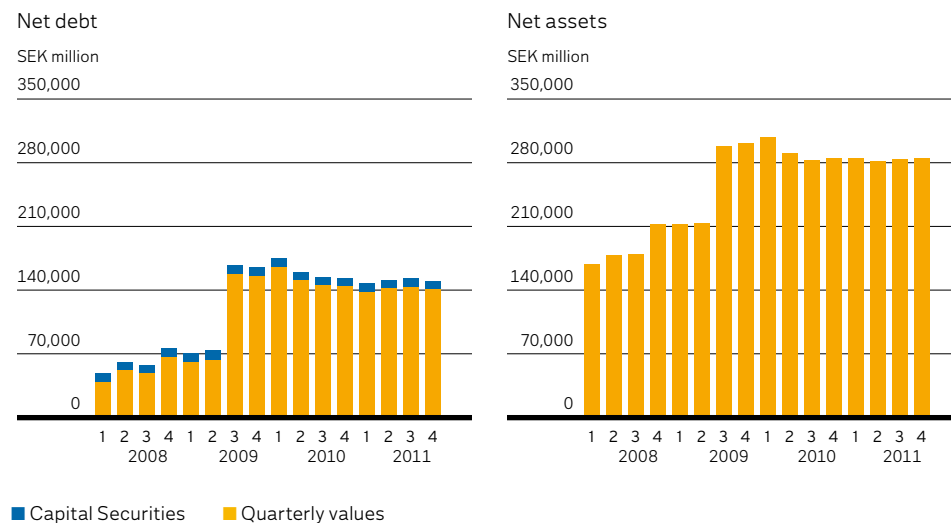
Comment: Compared with 31 December 2010, net debt decreased by SEK 3.0 billion, and total interest-bearing liabilities decreased by SEK 17.9 billion. Repayment of loans accounted for SEK 29 billion of the decrease in total interest-bearing liabilities, of which repayment of loans pertaining to acquisitions of subsidiaries accounted for SEK 13.5 billion. New loans increased interest-bearing liabilities by SEK 10.5 billion. Compared with 31 December 2010, adjusted net debt increased by SEK 2.6 billion, which is attributable to higher provisions for nuclear power as a result of the decision to close the Krümmel and Brunsbüttel nuclear power plants in Germany.

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010	Change %
Equity attributable to			
Owners of the Parent Company	131,988	126,704	4.2
Non-controlling interests (minority interests)	6,943	6,917	0.4
Total	138,931	133,621	4.0

Comment: For a specification of changes in equity, see page 28.

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 "stable" from both Standard & Poor's and Moody's. On 9 December 2011 the rating agency Standard & Poor's lowered its long-term rating for Vattenfall from A to A- and at the same time changed its outlook from negative to stable.



Investments

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Maintenance investments	5,549	6,539	-15.1	15,831	17,385	-8.9
Growth investments	7,026	6,066	15.8	19,919	24,409	-18.4
– of which, shares	236	21	–	396	1,085	-63.5
Total investments	12,575	12,605	-0.2	35,750	41,794	-14.5

Specification of investments

Amounts in SEK million	Full year 2011	Full year 2010	Change %
Electricity generation			
Hydro power	1,157	813	42.3
Nuclear power	4,800	4,688	2.4
Fossil-based power	12,153	12,471	-2.5
Wind power	2,972	7,303	-59.3
Biomass, waste	163	203	-19.6
Other	1,928	1,915	0.7
Total Electricity generation	23,173	27,393	-15.4
Thermal power, heat			
Fossil-based power	3,949	1,631	142.2
Biomass, waste	225	538	-58.2
Other	1,309	865	51.6
Total thermal power, heat	5,483	3,033	80.8
Electricity networks			
Electricity networks	5,024	5,405	-7.0
Total Electricity networks	5,024	5,405	-7.0
Acquisitions of shares	396	1,085	-63.5
Other, excl. shares	1,674	4,878	-65.7
Total	35,750	41,794	14.5

Comment: Investments are proceeding in the coal-fired Boxberg and Moorburg power plants in Germany and in three gas-fired power plants in the Netherlands. The investment in the Ormonde offshore wind farm in the UK is in progress; commissioning has been delayed due to poor weather conditions. The lower investment level in wind power in 2011 is due to the fact that no major purchases were made during the period. However, several new wind power projects were started up during the year, entailing that the investment amounts will be booked in coming years. In addition, an additional 15% of the shares in N.V. Nuon Energy were acquired in July. Vattenfall thereafter owns 64% of the shares in N.V. Nuon Energy, although it has had full control of the company since 1 July 2009.

Divestments

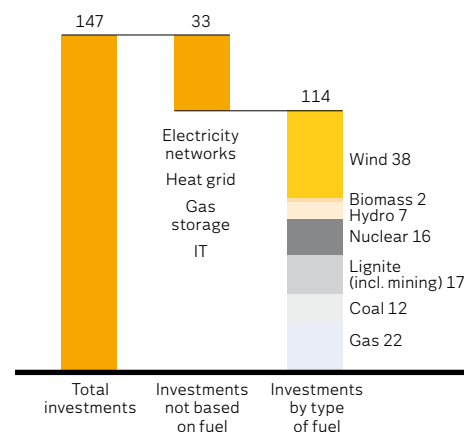
Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Divestments	9,708	974	–	16,280	7,197	126.2
– of which, shares	9,454	544	–	13,553	5,200	160.6

Comment: Divestments in 2011 pertained to the following:

- Vattenfall's 25% interest in the Rostock coal-fired power plant in Germany
- Vattenfall's 21.3% shareholding in the German energy company Energiversorgung Sachsen Ost AG (ENSO)
- Vattenfall's sale of parts of its Swedish engineering consultancy
- Nuon Exploration and Production B.V. (E&P)
- Helsingør CHP
- Vattenfall's operations in Belgium, comprising Nuon Belgium NV, Nuon Wind Belgium NV and Nuon Power Generation Walloon NV. Payment was received in January 2012
- Vattenfall's operations in Poland, comprising the subsidiary Gornoslaski Zaklad Elektroenergetyczny (GZE) and Vattenfall Heat Poland (VHP). Payment for VHP was received in January 2012

For further information on divestments, see page 3.

Total investments 2012–2016



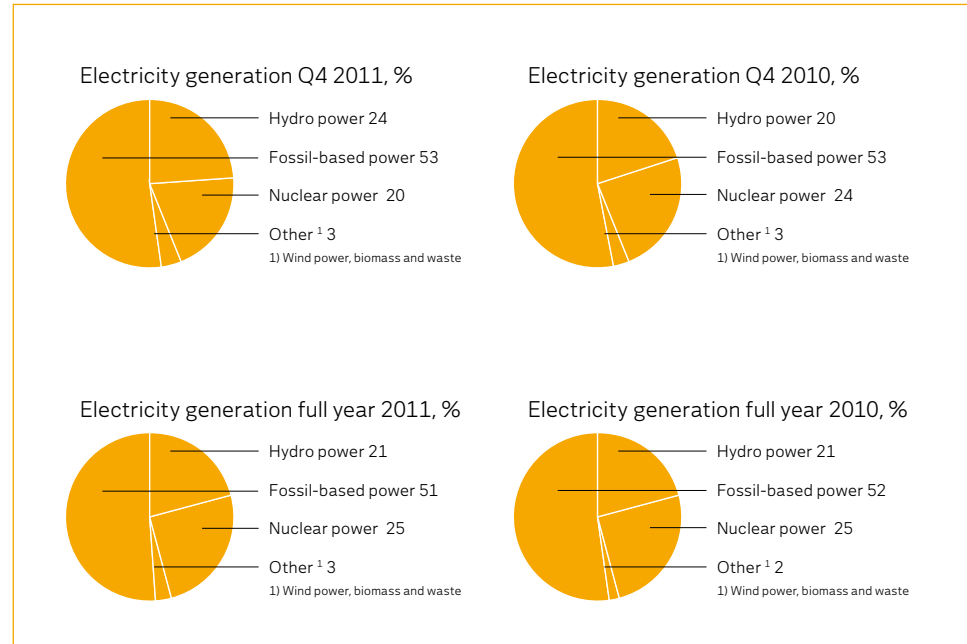
Investment programme 2012–2016

Vattenfall's total investment programme has decreased by 11%, from SEK 165 billion for the period 2011–2015 to SEK 147 billion for the five-year period 2012–2016. Of the total investment amount, SEK 114 billion is earmarked for production of electricity and heat. The remaining amount is being allocated to investments in electricity and heating networks, IT and gas storage. A large share of investments consist of the completion of investment projects that were decided on in previous years. As shown in the adjacent chart, investments are distributed across several forms of energy. Compared with 2011–2015, the share of low CO₂-emitting electricity generation has increased from 36% to 43%.

Electricity generation, sales of heat and gas

	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Electricity generation, TWh						
Hydro power	10.5	9.4	11.7	34.5	35.4	-2.5
Nuclear power	8.8	11.1	-20.7	42.5	43.6	-2.5
Fossil-based power	22.9	24.5	-6.5	85.0	89.7	-5.2
Wind power	1.1	0.9	22.2	3.4	2.2	54.5
Biomass, waste	0.4	0.4	-	1.3	1.5	-13.3
Total	43.7	46.3	-5.6	166.7	172.4	-3.3
External sales of electricity, TWh	59.7	53.5	11.6	209.4¹⁾	194.2¹⁾	7.8
Sales of heat, TWh	13.1	17.0	-22.9	41.6	47.1	-11.7
Sales of gas, TWh	16.8	22.1	-24.0	53.8	63.2	-14.9

1) Of which, bilateral sales through the trading operations amounted to 52.9 TWh (40.0) in 2011.



Electricity generation, full year 2011

Vattenfall's total electricity generation decreased by 3.3% to 166.7 TWh (172.4). Hydro power generation decreased by 2.5% to 34.5 TWh (35.4). Increased water supply during the fourth quarter contributed to greater hydro power generation and higher reservoir levels. At year-end 2011, the reservoirs were 81% full. The hydrological balance in the Nordic countries continued to strengthen during the fourth quarter, to +18.8 TWh at the end of December, from +10.9 TWh at the end of September. Nuclear power generation decreased by 2.5% to 42.5 TWh (43.6). Generation by the Forsmark nuclear power plant increased by 20.4%, while generation by Ringhals decreased by 21.3%, mainly due to extensive audits, continued safety development during the year and an unplanned outage at Ringhals 2. Fossil-based power generation decreased by 5.2%, to 85.0 TWh (89.7), mainly attributable to operational disruptions at a few power stations in Denmark. Wind power generation increased by nearly 55% to 3.4 TWh (2.2), while electricity generation based on biomass and waste decreased to 1.3 TWh (1.5).

Sales of heat, full year 2011

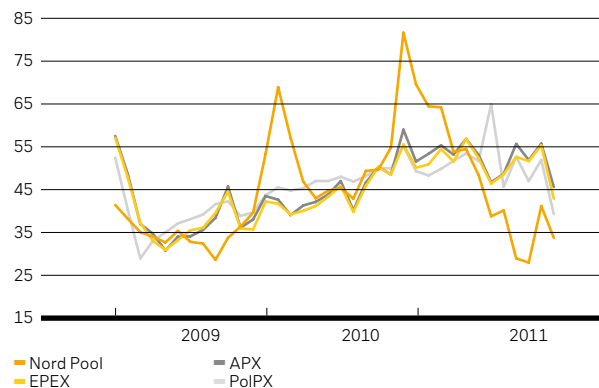
Sales of heat decreased by 11.7% to 41.6 TWh (47.1), mainly as a result of warmer weather.

Sales of gas, full year 2011

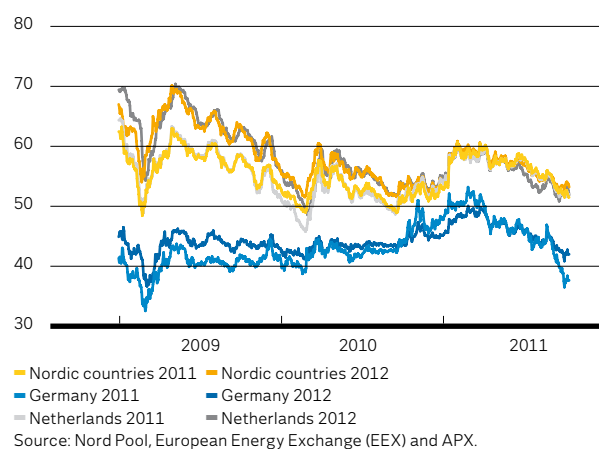
Sales of gas decreased by 14.9% to 53.8 TWh (63.2), mainly due to warmer weather.

Wholesale price trend

Electricity spot prices in the Nordic countries, Germany, Poland and the Netherlands, 2009-2011, monthly averages
EUR/MWh



Electricity futures prices in the Nordic countries, Germany and the Netherlands
EUR/MWh



Source: Nord Pool, European Energy Exchange (EEX) and APX.

The hydrological balance continued to strengthen during the fourth quarter, which led to slightly lower average spot prices compared with the third quarter of 2011. However, compared with the fourth quarter of 2010, spot prices were 45% lower. Overall, Nordic spot prices were 11% lower in 2011 than in 2010. Average electricity spot prices in Germany and the Netherlands were an average of 1.5% higher during the fourth quarter compared with the third quarter. Compared with the fourth quarter of 2010, spot prices were 3% lower, owing to milder weather and a greater mix of renewable energy in the system. Overall, German and Dutch spot prices were 15% higher in 2011 than in 2010.

Time period / EUR/MWh	NordPool (Nordic countries)	EPEX (Germany)	APX (Netherlands)
Q4 2010	62.03	51.46	52.61
Q4 2011	34.29	49.97	51.10
Full year 2010	53.14	44.46	45.35
Full year 2011	47.15	51.14	52.31

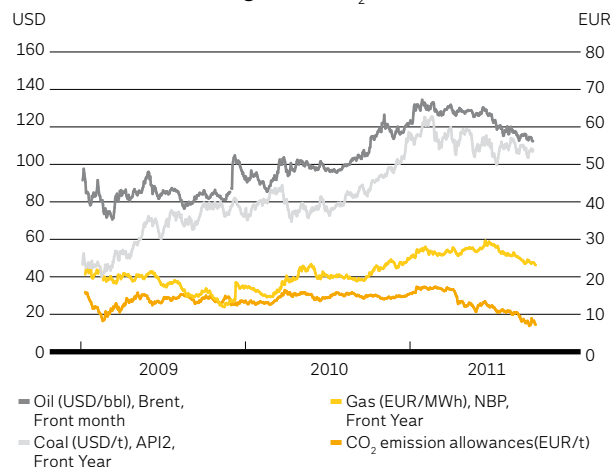
Average spot prices in Poland on the Polish electricity exchange, PPX, decreased by 15% to EUR 46.08/MWh during the fourth quarter, which was also due to the warmer weather in December. However, part of the change is attributable to the weakening of the Polish zloty against the euro.

Electricity futures prices for 2012 and 2013 fell during the fourth quarter of 2011. The decrease in Nordic electricity futures prices was mainly caused by the improved hydrological balance, while the decrease in futures prices in the Continental European market was attributable to a poorer macroeconomic outlook, the European debt crisis and lower electricity spot prices. However, despite the decrease, average futures prices for the full year 2011 were higher than the corresponding prices in 2010. NordPool contracts for deliveries in 2012 and 2013 rose by 10% and 6%, respectively, while the German and Dutch contracts for delivery in the same time periods rose by 6%-8% for deliveries in 2012 and by 2% for deliveries in 2013.

Time period / EUR/MWh	NordPool 2012	NordPool 2013	EEX 2012	EEX 2013	APX 2012	APX 2013
Q4 2010	44.39	44.12	50.94	53.03	50.99	53.11
Q4 2011	41.88	43.49	53.86	54.15	53.66	52.87
Full year 2010	42.55	43.41	52.53	55.21	51.67	54.69
Full year 2011	46.71	46.07	56.01	56.38	55.97	55.66

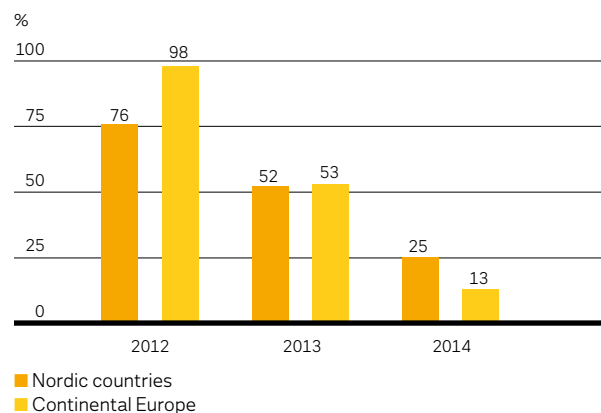
Wholesale price trend

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



Prices of fuel and CO₂ emission allowances fell during the fourth quarter, where prices of CO₂ emission allowances showed the greatest change, with quotations of EUR 7/tonne at the end of the fourth quarter (average for fourth quarter of 2010: EUR 15/tonne). Generation of electricity from renewable energy sources, such as wind power, increased, and the large supply of CO₂ emission allowances pushed the price down. Demand for gas fell as a result of economic uncertainty and mild weather. Gas prices fell by an average of 10% during the fourth quarter, but were still 36% higher in 2011 than in 2010. Oil prices fell back during the year from high levels as a result of recurring downward adjustments of global growth figures and lower demand. However, the weakening of the euro against the US dollar translated to more expensive oil for European buyers. The price decline was dampened by geopolitical anxiety at the end of the year. Compared with 2010, the price of oil was 37% higher in 2011. Coal prices also fell slightly during the fourth quarter, although they were still 24% higher on an annual basis compared with 2010.

Vattenfall's degree of price hedging in various markets per 31 December 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 31 December 2011

EUR/MWh	2012	2013	2014
Nordic countries	45	46	43
Continental Europe	55	58	60

Vattenfall's operating segments

Effective 1 January 2011 Vattenfall 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 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.

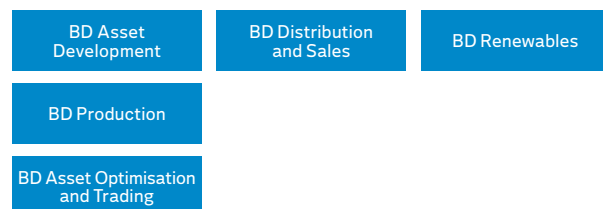
Staff Functions and Shared Service Centres

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 coordinated 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".

Three operating segments:



Five Business Divisions:



Generation

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Net sales	34,588	38,083	-9.2	123,111	129,882	-5.2
External net sales ¹	15,004	21,812	-31.2	59,347	71,567	-17.1
Operating profit (EBIT)	5,152	4,338	18.8	10,545	30,388	-65.3
Items affecting comparability	-469	-3,825	-87.7	-9,342	-3,814	144.9
Fair valuation ²	741	623	18.9	-2,231	3,114	-
Underlying operating profit	4,880	7,540	-35.3	22,118	31,088	-28.9
Sales of heat, TWh	2.8	4.2	-33.3	9.9	11.9	-16.8
Electricity generation ³ , TWh	37.9	40.2	-5.7	148.2	153.9	-3.7
– of which, hydro power	10.5	9.4	11.7	34.5	35.4	-2.5
– of which nuclear power	8.8	11.1	-20.7	42.5	43.6	-2.5
– of which, fossil-based power	18.5	19.7	-6.1	70.8	74.7	-5.2
– of which, biomass, waste	0.1	-	-	0.4	0.2	100.0
External electricity sales, TWh	4.1	5.2	-21.2	18.3	18.6	-1.6

1) Excluding intra-Group transactions.

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

3) Of electricity generation 2011, Vattenfall disposed over 132.6 TWh (130.0 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

Operations in 2011 were conducted in Sweden, Denmark, Germany, the Netherlands and Poland.

The Generation segment includes a total of 17,078 employees (full-time equivalents).

Generation

Underlying operating profit, full year 2011

Underlying operating profit fell by SEK 9.0 million, which was mainly attributable to average lower electricity prices received, lower production volumes and increased depreciation.

Items affecting comparability in 2011 amounted to SEK -9.3 billion. These consist mainly of impairment of book value and increased provisions for the dismantling and handling of nuclear fuel as a result of the decision to close the Krümmel and Brunsbüttel nuclear power plants in Germany (for a combined total of SEK -10.5 billion), and capital gains (SEK 0.7 billion). Items affecting comparability in 2010 consisted primarily of impairment of goodwill in the former Benelux operating segment (SEK 4.3 billion).

Underlying operating profit Q4

Underlying operating profit decreased by SEK 2.7 billion and is mainly attributable to average lower electricity prices received and lower production volumes. Lower costs for operations, maintenance, and research and development had a positive effect on underlying operating profit.

Electricity generation and sales of heat, full year 2011

Electricity generation decreased by 3.7% to 148.2 TWh (153.9). Hydro power generation decreased by 2.5% to 34.5 TWh (35.4).

Nuclear power generation decreased by 2.5% to 42.5 TWh (43.6), mainly attributable to the Ringhals nuclear power plant (see below). Availability of the Forsmark nuclear power plant was 86% (72%) in 2011, while availability of Ringhals was 60% (76%) due to unplanned outages, extensive audits, and modernisation and maintenance work. Nuclear power generation at Forsmark increased by 20.4% to 23.6 TWh (19.6), while nuclear power generation in Ringhals decreased by 21.3% to 18.9 TWh (24.0).

Fossil-based generation decreased by 5.2% to 70.8 TWh (74.7). Electricity generation based on coal in Germany decreased by 1.5% to 12.8 TWh (13.0). The decrease is mainly

owing to the sale of Vattenfall's interest in the Rostock power plant. Fossil-based generation in the Netherlands decreased by 3.1% to 12.4 TWh (12.8) due to operational disruptions at the Hemweg 8, Velsen and Purmerend power stations. Fossil-based generation in Denmark decreased by 36.5% to 4.7 TWh (7.4). The decrease is mainly attributable to the divestment of the Hillerød and Helsingør power stations, extended audits at the Fyn 7 and Nordjylland 3 power stations, and a shortage of straw at the Fyn 8 power station.

Sales of heat decreased by 16.8% to 9.9 TWh (11.9) as a result of warmer weather.

Important events Q4

Political impasse stops Vattenfall's CCS investment in Germany

In September 2011, the upper house of Germany's parliament (Bundesrat) rejected the proposed CCS law. The government has now initiated a parliamentary process to amend the law, but it remains unclear what the outcome will be. Since Germany lacks consistent legislation in this area, Vattenfall has decided to discontinue its CCS demonstration project in Jämschwalde in eastern Germany. The EU-supported project would have been operational by 2015/16 and would have been the first European project to demonstrate how CCS works on a significant power plant scale. Nevertheless, Vattenfall is continuing further development of CCS technology, particularly R&D surrounding storage. For example, Vattenfall is a partner in the UK's largest CCS pilot plant at Ferrybridge Power Station in West Yorkshire, which was inaugurated on 30 November. Vattenfall will also continue the test operation of the CCS pilot plant at Schwarze Pumpe, Germany, and work for the development of a European CO₂ storage infrastructure.

New timetable for Moorburg power plant project

Quality defects in a certain type of steel (T24) have led to delays in the Moorburg power plant project in Hamburg, Germany.

Moorburg's unit B is expected to be ready for commercial operation in early 2014, and unit A is expected to be ready by the middle of the same year.

Audits of nuclear power plants

During the year, Forsmark attained its highest generation result since 2005, reaching an energy availability of 86.2%. Ringhals had availability of 60% in 2011. Ringhals 2 was off line for the greater part of the year due to, among other things, extensive clean-up work following a small fire in a reactor containment unit during the spring. Ringhals 1 noted its best year since 2006, and Ringhals 3 posted annual generation in excess of 7 TWh. Ringhals 4 resumed generation on 15 November 2011 following its most extensive audit ever. The upgrade included, among other things, replacement of the steam generators and installation of a new pressuriser. The replacement of the pressuriser was the first to be carried out at a European nuclear power plant.

Expanded gas storage capacity in the Netherlands

In an auction process Vattenfall has secured storage capacity for gas in Bergermeer, the Netherlands, which will be available in 2015. Since demand for gas is highly seasonal, by having storage capacity Vattenfall can store gas during the summer, when demand is low, for sale during the winter, when demand is higher.

Publication of power plant data in the Netherlands

In December Vattenfall began to publish information on the availability of its Dutch power plants and the Epe gas storage facility. Vattenfall is thereby supporting the EU's goal of increasing transparency in the European electricity and gas markets. Vattenfall has previously reported production data for Germany on the EEX exchange's website and for the Nordic facilities on NordPool's website.

Distribution and Sales

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Net sales	42,703	47,589	-10.3	155,299	165,529	-6.2
External net sales ¹	39,575	42,932	-7.8	144,575	151,850	-4.8
– of which, Distribution	4,565	5,031	-9.3	17,965	17,968	–
– of which, Heat	5,111	5,892	-13.3	17,481	19,626	-10.9
Operating profit (EBIT)	3,163	2,329	35.8	11,123	8,340	33.4
– of which, Distribution	877	1,778	-50.7	5,035	5,906	-14.7
– of which, Heat	1,956	926	111.2	4,895	4,388	11.6
Items affecting comparability	76	-134	–	627	-86	–
– of which, Distribution	-23	183	–	-32	202	–
– of which, Heat	378	-318	–	386	-307	–
Underlying operating profit	3,087	2,463	25.3	10,496	8,426	24.6
Sales of gas, TWh	16.8	21.0	-20.0	51.6	58.3	-11.5
Sales of heat, TWh	10.3	12.8	-19.5	31.7	35.2	-9.9
Electricity generation², TWh	4.7	5.3	-11.3	15.1	16.3	-7.4
– of which, fossil-based power	4.4	4.9	-10.2	14.2	15.0	-5.3
– of which, biomass, waste	0.3	0.4	-25.0	0.9	1.3	-30.8
External sales of electricity, TWh	36.5	36.5	–	137.9	135.3	1.9
– of which, private customers	9.2	9.8	-6.1	34.0	34.3	-0.9
– of which, resellers	7.7	7.3	5.5	28.7	27.4	4.7
– of which, business customers	19.3	18.5	4.3	74.8	70.2	6.6
Transited volume, excl. production transiting	31.2	33.3	-6.3	118.8	121	-1.8

1) Excluding intra-Group transactions.

2) Of electricity generation in 2011. Vattenfall disposed over 15.1 TWh (16.3 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 six Business Units (BUs):

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

Operations in 2011 were conducted in Sweden, Denmark, Finland, Norway, Germany, France, and the Netherlands. The Distribution and Sales segment includes a total of 12,166 employees (full-time equivalents).

Distribution and Sales

Underlying operating profit, full year 2011

Underlying operating profit improved by SEK 2.0 billion. The improvement is mainly attributable to higher profitability for the Sales B2C (Business to Consumers) unit, primarily in Germany and the Netherlands. Lower costs for sales and administration had a positive earnings impact.

Items affecting comparability in 2011 amounted to SEK 0.6 billion and consisted of capital gains on the sale of a property on Spitalerstraße in Hamburg (SEK 0.4 billion) and of Vattenfall's interest in the German energy company ENSO (SEK 0.2 billion), reversed impairment of heating assets in the Netherlands (SEK 0.4 billion), and a provision pertaining to the distribution operations in Germany (SEK -0.3 billion).

Underlying operating profit Q4

Underlying operating profit improved by SEK 0.6 billion. The improvement is mainly attributable to higher profitability for the Sales B2C (Business to Consumers) unit, primarily in Germany and the Netherlands. Lower margins in the distribution operations had a negative impact on underlying operating profit. Severe storms in Sweden and Finland in December gave rise to costs for repairs and outage compensation, together totalling approximately SEK 250 million.

Sales of gas and heat, and electricity generation, full year 2011

Sales of gas to end customers decreased by 11.5% to 51.6 TWh (58.3) as a result of warmer weather. Sales of heat decreased by 9.9% to 31.7 TWh (35.2), mainly in Germany and Sweden, also as a result of warmer weather. Electricity generation decreased by 7.4%, to 15.1 TWh (16.3), mainly attributable to Germany.

Important events Q4

Application for revenue framework for Swedish network operations

The new, so-called ex ante regulation of Swedish electricity network fees, which took effect in 2012, entails that a predetermined revenue framework is set for four years by the Swedish Energy Markets Regulator. The application for a revenue framework for the four-year period 2012–2015 that Vattenfall Eldistribution AB filed with the Regulator in spring 2011 entailed a higher level of investments, among other things to improve the electricity network's resilience to storms. In addition, the application sought the ability to increase connections of small as well as large scale wind power plants to the grid, raise delivery qual-

ity and provide better information to customers. The Regulator did not accept the requested revenue framework, and instead granted a considerably lower framework for the first four-year period. Like more than 80 other Swedish network companies that also had their revenue frameworks reduced, Vattenfall has appealed the Regulator's decision.

Sale of Finnish operations

On 16 December 2011 Vattenfall announced that it had signed an agreement with Lakeside Network Investments – a consortium comprising 3i Infrastructure plc, 3i Group plc, GS Infrastructure Partners and Ilmarinen Mutual Pension Insurance Company – on the sale of Vattenfall's electricity distribution and heat businesses in Finland. The sale is based on an enterprise value of approximately EUR 1.54 billion (approximately SEK 14 billion). The transaction was completed on 11 January 2012 and will be booked in the first quarter of 2012. Vattenfall will retain ownership of its electricity sales organisation and hydro power operations in Finland.

Completion of sales of Polish operations

The sale of Gornoslaski Zaklad Energetyczny (GZE), Vattenfall's Polish electricity trading and distribution company, was completed on 13 December. The buyer was the Polish energy company Tauron Polska Energia S.A. The sales price is based on an enterprise value of approximately PLN 3.5 billion (approximately SEK 7.4 billion). On 11 January 2012, the sale of Vattenfall Heat Poland S.A. (VHP) to the Polish gas company PGNiG S.A. was completed for an enterprise value of PLN 3.7 billion (approximately SEK 7.8 billion). The sale to PGNiG S.A. covers all of VHP's operations including the Żerań, Siekierki and Pruszkow combined heat and power plants, and the Kawęczyn and Wola heat generation plants, which feed heat into the local Warsaw and Pruszkow grids, respectively. Both transactions are booked in 2011.

Several major customer contracts signed:

- In Sweden, GE Real Estate AB, with its subsidiary Roxanne Properties AB, extended its contract with Vattenfall, for a total of 66 GWh/year.
- In Sweden, Metsä Tissue AB signed a new contract for three of its plants. Vattenfall will deliver 200 GWh/year during a three-year period.
- In the Netherlands, 2,000 members of NIFE, the Netherlands' largest real estate consultancy for greenhouse operations,

signed a new contract for 220 GWh.

- In Germany, BASF signed a new contract for 35 GWh for 16 of its plants.

Renewables

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Net sales	1,043	1,008	3.5	3,131	2,078	50.7
External net sales ¹	673	531	26.7	1,820	1,040	75.0
Operating profit (EBIT)	308	-864	-	496	-1,620	-
Items affecting comparability	-	-839	-	36	-1,019	-
Underlying operating profit	308	-25	-	460	-601	-
Electricity generation², TWh	1.1	0.9	22.2	3.4	2.2	54.5
– of which, wind power	1.1	0.9	22.2	3.4	2.2	54.5
External sales of electricity, TWh	0.1	0.1	-	0.3	0.3	-

1) Excluding intra-Group transactions.

2) Of electricity generation in 2011, Vattenfall disposed over 3.4 TWh (2.2 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

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 four 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 350 employees (full-time equivalents).

Underlying operating profit 2011

Underlying operating profit improved by SEK 1.1 billion. The improvement is mainly attributable to greater wind power generation. Items affecting comparability in 2010 consisted mainly of goodwill impairment attributable to Nuon (SEK -0.8 billion).

Underlying operating profit Q4

Underlying operating profit improved by SEK 0.3 billion. The improvement is mainly attributable to greater wind power generation.

Electricity generation, full year 2011

Wind power generation increased by 55% to 3.4 TWh (2.2). The increase is mainly attributable to high availability at all wind farms and favourable wind conditions. However, winds primarily in Denmark and the UK were occasionally too strong, resulting in lower availability and difficulties in maintaining offshore wind farms. Sales of biomass from Liberia amounted to 232 ktonnes.

Important events Q4

Vattenfall purchases licence to build Sandbank wind farm

Vattenfall purchased the licence to build the new Sandbank offshore wind farm from the German company Sandbank Power GmbH & Co. Permits are currently in place for 96 wind turbines which will deliver a combined output of 576 MW. The purchase includes the opportunity to expand the project with 40 turbines. Sandbank is located 90 kilometres west of the German island of Sylt – in the vicinity of Vattenfall's already ongoing project, DanTysk. Construction of the new Sandbank wind farm will commence when DanTysk is completed in early 2014.

Other

Amounts in SEK million	Q4 2011	Q4 2010	Change %	Full year 2011	Full year 2010	Change %
Net sales	1,670	2,179	-23.4	7,303	31,482	-76.8
External net sales ¹	148	159	-6.9	983	21,464	-95.4
Operating profit (EBIT)	1,536	-857	–	1,045	-7,255	-114.4
Items affecting comparability	2,468	12	–	3,326	-5,180	–
Underlying operating profit	-932	-869	7.2	-2,281	-2,075	9.9

1) Excluding intra-Group transactions.

“Other” comprises all Staff Functions including Treasury activities and Shared Service Centres. The Dutch company Nuon Exploration & Production B.V. (E&P), which was divested during the second quarter of 2011, and the German transmission business, which was divested in May 2010, are reported under “Other”. “Other” includes a total of 5,091 employees (full-time equivalents).

Underlying operating profit 2011

Underlying operating profit fell by SEK 0.2 billion, which is mainly explained by the 2010 operating profit from 50Hertz Transmission GmbH, which was divested in mid-May 2010. Lower costs for Staff Functions had a positive impact.

Items affecting comparability in 2011 amounted to SEK 3.3 billion and consist of capital gains on part of the sales of Vattenfall’s operations in Poland and Belgium, and the sale of Nuon Exploration & Production B.V. (E&P) during the second quarter of 2011. Items affecting comparability in 2010 consisted of impairment of 50Hertz Transmission GmbH (SEK -5.1 billion).

Underlying operating profit Q4

Underlying operating profit fell by SEK 63 million. Items affecting comparability (SEK 2.5 billion) consisted of capital gains for part of the sale of Vattenfall’s operations in Poland.

Consolidated income statement

Amounts in SEK million	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Net sales	50,453	55,537	181,040	213,572
Cost of products sold ¹	-37,449	-44,612	-144,492	-159,098
Gross profit	13,004	10,925	36,548	54,474
Selling expenses, administrative expenses and research and development costs ²	-5,700	-6,386	-18,849	-20,094
Other operating income and expenses, net	2,855	94	5,478	-5,151
Participations in the results of associated companies	—	313	32	624
Operating profit (EBIT)³	10,159	4,946	23,209	29,853
Financial income ⁴	1,319	783	3,843	2,514
Financial expenses ⁵	-3,947	-921	-12,754	-10,944
Profit before tax⁶	7,531	4,808	14,298	21,423
Income tax expense	-2,428	-2,344	-3,882	-8,238
Profit for the period⁷	5,103	2,464	10,416	13,185
Profit for the period attributable to:				
Owners of the Parent Company	5,602	2,577	11,083	12,997
Non-controlling interests (minority interests)	-499	-113	-667	188
Total	5,103	2,464	10,416	13,185
Earnings per share				
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700
Earnings per share, basic and diluted (SEK)	42.54	19.57	84.15	98.69
Supplementary information				
Operating profit before depreciation and amortisation (EBITDA)	15,447	15,355	54,538	60,706
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-2,319	308	-7,893	-6,179
1) Of which, depreciation, amortisation and impairment losses related to immater intangible assets (non-current) and property, plant and equipment	-5,119	-10,509	-30,737	-30,342
2) Of which, depreciation, amortisation and impairment losses related to immater intangible assets (non-current) and property, plant and equipment	-169	100	-592	-511
3) Including items affecting comparability attributable to:				
Capital gains/losses, net	2,483	-77	4,722	-250
Impairment losses and close-down costs pertaining to German nuclear power plants	-193	—	-10,513	—
Other impairment losses and impairment losses reversed, net	65	-4,709	-402	-9,849
Other items affecting comparability	-280	—	840	—
Total of items affecting comparability in Operating profit	2,075	-4,786	-5,353	-10,099
4) Including return from the Swedish Nuclear Waste Fund	538	434	1,948	1,011
5) Including interest components related to pension costs	-266	-273	-1,043	-1,138
5) Including discounting effects attributable to provisions	-847	-880	-2,966	-3,262
6) Including items affecting comparability attributable to:				
Capital gains/losses, net	2,536	-74	4,826	-247
Impairment losses and close-down costs pertaining to German nuclear power plants	-193	—	-10,414	—
Other impairment losses and impairment losses reversed, net	-1,646	-4,709	-2,113	-9,849
Other items affecting comparability	-280	—	840	—
Total of items affecting comparability in Profit before tax	417	-4,783	-6,861	-10,096
7) Including items affecting comparability stated above adjusted for tax	200	-4,744	-4,726	-10,009

Consolidated statement of comprehensive income

Amounts in SEK million	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Profit for the period	5,103	2,464	10,416	13,185
Other comprehensive income:				
Cash flow hedges:				
Changes in fair value	-1,409	-4,132	-4,675	-1,189
Dissolved against the income statement	3,055	-56	6,668	-684
Transferred to cost of hedged item	162	6	224	246
Tax attributable to cash flow hedges	-554	1,173	-638	494
Total cash flow hedges	1,254	-3,009	1,579	-1,133
Hedging of net investments in foreign operations	4,287	2,205	960	19,831
Tax attributable to hedging of net investments in foreign operations	-1,117	-580	-242	-5,215
Total hedging of net investments in foreign operations	3,170	1,625	718	14,616
Translation differences	-6,386	-3,556	-2,014	-30,727
Translation differences and exchange rate effects net, divested companies	621	-	621	-
Revaluation of available-for-sale financial assets	186	-	-1 591	-
Transferred to the income statement, available-for-sale financial assets	1 591	-	1 591	-
Total other comprehensive income, net after tax	436	-4,940	904	-17,244
Total comprehensive income for the period	5,539	-2,476	11,320	-4,059
Total comprehensive income for the period attributable to:				
Owners of the Parent Company	6,180	-2,290	12,008	-3,717
Non-controlling interests (minority interests)	-641	-186	-688	-342
Total	5,539	-2,476	11,320	-4,059

Operating segments, Vattenfall Group

Amounts in SEK million	External net sales				Internal net sales				Total net sales			
	Q4 2011	Q4 2010	Full year 2011	Full year 2010	Q4 2011	Q4 2010	Full year 2011	Full year 2010	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Generation	15,004	21,812	59,347	71,567	19,584	16,271	63,764	58,315	34,588	38,083	123,111	129,882
Distribution and Sales	39,575	42,932	144,575	151,850	3,128	4,657	10,724	13,679	42,703	47,589	155,299	165,529
Renewables	673	531	1,820	1,040	370	477	1,311	1,038	1,043	1,008	3,131	2,078
Other ¹	148	159	983	21,464	1,522	2,020	6,320	10,018	1,670	2,179	7,303	31,482
Eliminations ²	-4,947	-9,897	-25,685	-32,349	-24,604	-23,425	-82,119	-83,050	-29,551	-33,322	-107,804	-115,399
Total	50,453	55,537	181,040	213,572	-	-	-	-	50,453	55,537	181,040	213,572

Amounts in SEK million	Profit				Profit excl. items affecting comparability				Underlying profit ³			
	Q4 2011	Q4 2010	Full year 2011	Full year 2010	Q4 2011	Q4 2010	Full year 2011	Full year 2010	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Generation	5,152	4,338	10,545	30,388	5,621	8,163	19,887	34,202	4,880	7,540	22,118	31,088
Distribution and Sales	3,163	2,329	11,123	8,340	3,087	2,463	10,496	8,426	3,087	2,463	10,496	8,426
Renewables	308	-864	496	-1,620	308	-25	460	-601	308	-25	460	-601
Other ¹	1,536	-857	1,045	-7,255	-932	-869	-2,281	-2,075	-932	-869	-2,281	-2,075
Operating profit (EBIT)	10,159	4,946	23,209	29,853	8,084	9,732	28,562	39,952	7,343	9,109	30,793	36,838
Financial income and expenses	-2,628	-138	-8,911	-8,430								
Profit before tax	7,531	4,808	14,298	21,423								

1) Chiefly includes Treasury Activities and Other Staff functions.

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

3) Operating profit excluding items affecting comparability and unrealised changes in the fair value of energy derivatives, which according to IAS 39 may not be reported using hedge accounting and changes in the fair value of inventories.

Vattenfall Group, information about geographical areas

Amounts in SEK million	External net sales				Internal net sales				Total net sales			
	Q4 2011	Q4 2010	Full year 2011	Full year 2010	Q4 2011	Q4 2010	Full year 2011	Full year 2010	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Nordic countries	13,645	17,614	53,505	59,829	1,236	-1,437	-1,327	-4,368	14,881	16,177	52,178	55,461
Germany and Poland	19,673	20,328	73,433	95,974	9,970	10,261	36,290	40,402	29,643	30,589	109,723	136,376
Netherlands and Belgium	11,549	12,819	38,361	41,990	1,941	2,277	8,243	7,338	13,490	15,096	46,604	49,328
Other ¹	5,586	4,776	15,741	15,779	29,047	23,314	75,819	70,999	34,633	28,090	91,560	86,778
Eliminations	-	-	-	-	-42,194	-34,415	-119,025	-114,371	-42,194	-34,415	-119,025	-114,371
Total	50,453	55,537	181,040	213,572	-	-	-	-	50,453	55,537	181,040	213,572

Amounts in SEK million	Operating profit (EBIT)				Operating profit (EBIT) excl. items affecting comparability			
	Q4 2011	Q4 2010	Full year 2011	Full year 2010	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Nordic countries	3,872	5,238	17,330	21,196	3,846	5,447	16,046	21,344
Germany and Poland	420	3,226	1,138	9,908	3,304	2,044	13,168	13,897
Netherlands and Belgium	1,502	-5,035	1,883	-5,570	-17	190	-96	-417
Other ¹	4,329	1,517	2,822	4,319	949	2,051	-558	5,128
Total	36	-	36	-	2	-	2	-
Summa	10,159	4,946	23,209	29,853	8,084	9,732	28,562	39,952

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

Consolidated balance sheet

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010
Assets		
Non-current assets		
Intangible assets: non-current	46,229	49,787
Property, plant and equipment	279,445	285,631
Investment property	539	626
Biological assets	8	4
Participations in associated companies and joint ventures	12,344	12,949
Other shares and participations	3,235	4,954
Share in the Swedish Nuclear Waste Fund	28,430	26,791
Current tax assets, non-current	990	1,184
Prepaid expenses	188	171
Deferred tax assets	1,303	1,397
Other non-current receivables	5,732	4,769
Total non-current assets	378,443	388,263
Current assets		
Inventories	18,564	16,825
Biological assets	1	–
Intangible assets: current	5,627	8,330
Trade receivables and other receivables	41,880	36,380
Advance payments to suppliers	6,368	3,904
Derivatives with positive fair value	30,099	29,338
Prepaid expenses and accrued income	6,450	10,597
Current tax assets	1,853	2,311
Short-term investments	17,417	31,278
Cash and cash equivalents	11,268	12,595
Assets held for sale	6,588	1,611
Total current assets	146,115	153,169
Total assets	524,558	541,432

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010
Equity and liabilities		
Equity		
Attributable to owners of the Parent Company	131,988	126,704
Attributable to non-controlling interests (minority interests)	6,943	6,917
Total equity	138,931	133,621
Non-current liabilities		
Capital Securities	8,883	8,929
Other interest-bearing liabilities	149,602	144,599
Pension provisions	17,995	18,137
Other interest-bearing provisions	66,487	62,494
Deferred tax liabilities	35,406	36,125
Other noninterest-bearing liabilities	8,238	8,409
Total non-current liabilities	286,611	278,693
Current liabilities		
Trade payables and other liabilities	35,108	33,184
Advance payments from customers	1,142	1,912
Derivatives with negative fair value	22,454	25,216
Accrued expenses and deferred income	18,507	24,804
Current tax liabilities	844	2,062
Interest-bearing liabilities	11,865	34,749
Interest-bearing provisions	7,237	7,191
Liabilities associated with assets held for sale	1,859	–
Total current liabilities	99,016	129,118
Total equity and liabilities	524,558	541,432
Pledged assets	–	634
Contingent liabilities	3,584	4,542

Consolidated balance sheet, cont.

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010
Supplementary information		
Net assets	284,250	285,153
Net assets, weighted average value	283,957	293,298
Net debt		
Capital Securities	-8,883	-8,929
Bond issues, commercial papers and liabilities to credit institutions	-102,234	-110,038
Present value of liabilities pertaining to acquisitions of subsidiaries	-30,472	-43,438
Liabilities to associated companies	-10,521	-10,493
Liabilities to owners of non-controlling interests (minority owners)	-10,240	-9,327
Other liabilities	-8,000	-6,052
Total interest-bearing liabilities	-170,350	-188,277
Cash and cash equivalents	11,268	12,595
Short-term investments	17,417	31,278
Loans to owners of non-controlling interests (minority owners) in foreign subsidiaries	576	295
Net debt	-141,089	-144,109

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010
Adjusted gross debt and net debt		
Total interest-bearing liabilities	-170,350	-188,277
50% of Capital Securities	4,442	4,464
Present value of pension obligations	-22,461	-19,992
Provisions for mining, gas and wind operations and other environment-related provisions	-12,542	-12,760
Provisions for nuclear power (net)	-18,470	-12,794
Currency derivatives for hedging of debt in foreign currency	3,282	2,668
Margin calls received	7,369	5,149
Liabilities to owners of non-controlling interests (minority owners) due to consortium agreements	9,771	8,923
Adjusted gross debt	-198,959	-212,619
Reported cash and cash equivalents and short-term investments	28,685	43,873
Unavailable liquidity	-5,757	-4,663
Adjusted cash and cash equivalents and short-term investments	22,928	39,210
Adjusted net debt	-176,031	-173,409

Consolidated statement of cash flows

Amounts in SEK million	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Operating activities				
Profit before tax	7,531	4,808	14,298	21,423
Reversal of depreciation, amortisation and impairment losses ¹	6,948	10,409	33,040	30,853
Tax paid	-479	-127	-5,250	-8,901
Capital gains/losses, net	-2,537	74	-4,827	247
Other, incl. non-cash flow items	-1,343	-3,494	995	-3,514
Funds from operations (FFO)	10,120	11,670	38,256	40,108
Changes in inventories	152	-1,000	-3,350	-2,407
Changes in operating receivables	-14,727	-17,869	944	-12,612
Changes in operating liabilities	11,351	16,024	668	5,681
Other changes	-3,617	1,069	-3,050	10,461
Cash flow from changes in operating assets and operating liabilities	-6,841	-1,776	-4,788	1,123
Cash flow from operating activities	3,279	9,894	33,468	41,231
Investing activities				
Acquisitions in Group companies	-254	4	-257	-577
Investments in associated companies and other shares and participations	17	-26	-140	-508
Other investments in non-current assets	-12,338	-12,583	-35,353	-40,709
Total investments	-12,575	-12,605	-35,750	-41,794
Divestments	9,708	974	16,280	7,197
Cash and cash equivalents in acquired companies	-	97	-	111
Cash and cash equivalents in divested companies	-1,306	3	-1,332	-297
Cash flow from investing activities	-4,173	-11,531	-20 802	-34,783
Cash flow before financing activities	-894	-1,637	12,666	6,448
Financing activities				
Changes in short-term investments	-956	-4,997	11,292	-1,919
Changes in loans to owners of non-controlling interests (minority owners) in foreign subsidiaries	2	22	-287	1,135
Loans raised ²	7,512	4,491	10,511	13,325
Amortisation of debts pertaining to acquisitions of subsidiaries	-	-	-13,538	-
Amortisation of other debts	-7,266	-1,219	-15,688	-12,389
Dividends paid to owners	-3	-4	-6,701	-5,311
Contribution from owners of non-controlling interests (minority interests)	49	-85	569	12
Cash flow from financing activities	-662	-1,792	-13,842	-5,147
Cash flow for the period	-1,556	-3,429	-1,176	1,301

Consolidated statement of cash flows, cont.

Amounts in SEK million	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Cash and cash equivalents at the beginning of the period	11,848	16,014	12,595	10,555
Cash and cash equivalents included in assets held for sale	880	–	–	653
Cash flow for the period	-1,556	-3,429	-1,176	1,301
Translation differences	96	10	-151	86
Cash and cash equivalents at the end of the period	11,268	12,595	11,268	12,595
1) In this context, impairment losses also include other discontinuation costs than impairment in 2011 pertaining to nuclear power plants in Germany. The total of these impairment losses and other discontinuation costs amounts to SEK 10,513 million.				
2) Short-term borrowings in which the duration is three months or shorter are reported net.				
Supplementary information				
Cash flow before financing activities	-894	-1,637	12,666	6,448
Financing activities				
Dividends paid to owners	-3	-4	-6,701	-5,311
Contribution from owners of non-controlling interests (minority interests)	49	-85	569	12
Cash flow after dividend	-848	-1,726	6,534	1,149
Analysis of change in net debt				
Net debt at beginning of the period	-143,808	-145,155	-144,109	-154,987
Changed calculation of net debt				-11,252
Cash flow after dividend	-848	-1,726	6 534	1,149
Changes as a result of valuation at fair value	-704	1,528	-2,210	-1,743
Changes in interest-bearing liabilities for leasing	32	34	114	111
Interest-bearing liabilities/short-term investments acquired/divested	-478	332	-459	4,002
Changes in liabilities pertaining to acquisitions of subsidiaries, discounting effects	–	-600	–	-122
Cash and cash equivalents included in assets held for sale	-74	-159	-549	-627
Interest-bearing liabilities associated with assets held for sale	880	–	–	653
Translation differences on net debt	344	–	344	–
Net debt at the end of the period	3,567	1,637	-754	18,707
Net debt at the end of the period	-141,089	-144,109	-141,089	-144,109
Free cash flow	-2, 270	3,355	17,637	23,846

Consolidated statement of changes in equity

Amounts in SEK million	31 Dec. 2011			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
Balance brought forward	126,704	6,917	133,621	135,620	6,784	142,404
Dividends paid to owners	-6,500	-201	-6,701	-5,240	-71	-5,311
Group contributions from(+)/to(-) owners of non-controlling interests (minority interests), net after tax	-	358	358	-	402	402
Changes in ownership	-224	557	333	41	144	185
Cash flow hedges:						
Changes in fair value	-4,689	14	-4,675	-1,086	-103	-1,189
Dissolved against income statement	6,667	1	6,668	-684	-	-684
Transferred to cost of hedged item	213	11	224	247	-1	246
Tax attributable to cash flow hedges	-631	-7	-638	467	27	494
Total cash flow hedges	1,560	19	1,579	-1,056	-77	-1,133
Hedging of net investments in foreign operations	960	-	960	19,831	-	19,831
Tax attributable to hedging of net investments in foreign operations	-242	-	-242	-5,215	-	-5,215
Total hedging of net investments in foreign operations	718	-	718	14,616	-	14,616
Translation differences	-1,974	-40	-2,014	-30,274	-453	-30,727
Translation differences and exchange rate effects net, divested companies	621	-	621	-	-	-
Revaluation of available-for-sale financial assets	-1,591	-	-1,591	-	-	-
Transferred to the income statement, available-for-sale financial assets	1,591	-	1,591	-	-	-
Total other comprehensive income for the period	925	-21	904	-16,714	-530	-17,244
Profit for the period	11,083	-667	10,416	12,997	188	13,185
Total comprehensive income for the period	12,008	-688	11,320	-3,717	-342	-4,059
Balance carried forward	131,988¹	6,943	138,931	126,704¹	6,917	133,621
1) Of which, Reserve for cash flow hedges	245			-1,315		

Key ratios, Vattenfall Group (definitions and calculations of key ratios on pages 36-37)

In % unless otherwise stated, (x) means times	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Operating margin	20.1	8.9	12.8	14.0
Operating margin ¹	16.0	17.5	15.8	18.7
Pre-tax profit margin	14.9	8.7	7.9	10.0
Pre-tax profit margin ¹	14.1	17.3	11.7	14.8
Return on equity	8.6 ²	10.0 ²	8.6	10.0
Return on equity ¹	12.2 ²	17.7 ²	12.2	17.7
Return on net assets	7.1 ²	9.1 ²	7.1	9.1
Return on net assets ¹	9.0 ²	12.5 ²	9.0	12.5
EBIT interest cover, (x)	2.5 ²	4.1 ²	2.5	4.1
EBIT interest cover, (x) ¹	3.1 ²	5.4 ²	3.1	5.4
FFO interest cover, (x)	4.8 ²	6.2 ²	4.8	6.2
FFO interest cover, net, (x)	5.8 ²	7.5 ²	5.8	7.5
Cash flow interest cover after maintenance investments, (x)	3.0 ²	4.6 ²	3.0	4.6
FFO/gross debt	22.5 ²	21.3 ²	22.5	21.3
FFO/net debt	27.1 ²	27.8 ²	27.1	27.8
EBITDA/net financial items, (x)	6.7	–	6.9	9.8
EBITDA/net financial items, (x) ¹	5.8	–	7.6	11.5
Equity/total assets	26.5	24.7	26.5	24.7
Gross debt/equity	122.6	140.9	122.6	140.9
Net debt/equity	101.6	107.8	101.6	107.8
Gross debt/gross debt plus equity	55.1	58.5	55.1	58.5
Net debt/net debt plus equity	50.4	51.9	50.4	51.9
Net debt/EBITDA, (x)	2.6 ²	2.4 ²	2.6	2.4

1) Excl. items affecting comparability.

2) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Income statement								
Net sales	50,453	38,276	40,443	51,868	55,537	37,665	49,713	70,657
Cost of products sold	-37,449	-29,238	-40,997	-36,808	-44,612	-27,271	-36,343	-50,872
Other operating income and expenses, net	-2,845	-4,666	-2,397	-3,463	-6,292	-4,748	-4,433	-9,772
Participations in the results of associated companies	-	75	-288	245	313	183	26	102
Operating profit before depreciation and amortisation (EBITDA)	15,447	9,593	12,566	16,932	15,355	10,685	13,867	20,799
Operating profit (EBIT)	10,159	4,447	-3,239	11,842	4,946	5,829	8,963	10,115
Financial items, net	-2,628	-2,800	-1,590	-1,893	-138	-3,261	-2,132	-2,899
Financial items, net ¹	-2,319	-2,933	-1,211	-1,430	308	-2,858	-1,302	-2,327
Profit before tax	7,531	1,647	-4,829	9,949	4,808	2,568	6,831	7,216
Profit for the period	5,103	1,345	-3,235	7,203	2,464	1,749	5,185	3,787
- of which, attributable to owners of the Parent Company	5,602	1,106	-2,742	7,117	2,577	1,597	5,077	3,746
- of which, attributable to non-controlling interests (minority interests)	-499	239	-493	86	-113	152	108	41
Balance sheet								
Non-current assets	378,443	385,438	389,453	387,991	388,263	386,867	391,153	392,920
Short-term investments	17,417	19,498	18,959	28,647	31,278	26,841	24,365	22,952
Cash and cash equivalents	11,268	11,848	20,238	10,909	12,595	16,014	21,279	7,238
Other current assets	117,430	107,704	94,540	110,201	109,296	99,012	107,110	145,985
Total assets	524,558	524,488	523,190	537,748	541,432	528,734	543,907	569,095
Equity	138,931	133,223	132,493	140,948	133,621	135,605	140,215	139,461
- of which, attributable to owners of the Parent Company	131,988	126,032	125,715	133,754	126,704	128,953	133,572	132,889
- of which, attributable to non-controlling interests (minority interests)	6,943	7,191	6,778	7,194	6,917	6,652	6,643	6,572
Capital Securities	8,883	9,207	9,084	8,869	8,929	9,081	9,414	9,646
Other interest-bearing liabilities	161,467	166,548	172,809	169,461	179,348	179,263	189,123	187,942
Pension provisions	17,995	18,792	18,517	18,053	18,137	18,393	18,994	19,390
Other interest-bearing provisions	73,724	75,081	74,840	69,746	69,685	67,584	66,963	67,788
Deferred tax liabilities	35,406	33,877	34,395	36,526	36,125	31,974	34,266	32,721
Other noninterest-bearing liabilities	88,152	87,760	81,052	94,145	95,587	86,834	84,932	112,147
Total equity and liabilities	524,558	524,488	523,190	537,748	541,432	528,734	543,907	569,095
Net assets	284,250	284,187	281,771	285,169	285,153	282,413	289,874	307,966
Net debt	-141,089	-143,808	-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	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Cash flow								
Funds from operations (FFO)	10,120	9,855	6,125	12,156	11,670	6,939	11,679	9,820
Cash flow from changes in operating assets and operating liabilities	-6,841	932	5,670	-4,549	-1,776	4,832	5,628	-7,561
Cash flow from operating activities	3,279	10,787	11,795	7,607	9,894	11,771	17,307	2,259
Cash flow from investing activities	-4,173	-7,145	-4,533	-4,951	-11,531	-11,017	-3,479	-8,756
Cash flow before financing activities	-894	-3,642	7,262	2,656	-1,637	754	13,828	-6,497
Changes in short-term investments	-956	-289	9,726	2,811	-4,997	-3,390	-2,010	8,478
Loans raised/Amortisation of debt, net, etc.	297	-11,047	-560	-7,123	3,209	-3,238	6,940	-4,828
Dividends paid to owners	-3	-	-6,682	-16	-4	-13	-5,277	-17
Cash flow from financing activities	-662	-11 336	2,484	-4,328	-1,792	-6,641	-347	3,633
Cash flow for the period	-1,556	-7,694	9,746	-1,672	-3,429	-5,887	13,481	-2,864
Free cash flow	-2,270	6,434	8,410	5,063	3,355	7,260	14,288	-1,057

Key ratios (definitions and calculations of key ratios on pages 36-37)

In % unless otherwise stated, (x) means times

Return on equity ¹	8.6	6.3	6.6	12.6	10.0	9.3	8.7	6.6
Return on equity ^{1,2}	12.2	13.8	14.3	15.9	17.7	15.4	14.6	12.5
Return on net assets ¹	7.1	5.3	5.7	9.9	9.1	9.2	8.6	8.1
Return on net assets ^{1,2}	9.0	9.6	10.1	11.3	12.5	12.1	11.6	11.4
EBIT interest cover, (x) ¹	2.5	2.9	3.0	4.7	4.1	3.1	3.0	2.6
EBIT interest cover, (x) ^{1,2}	3.1	4.7	4.7	5.3	5.4	3.9	3.9	3.4
FFO/gross debt ¹	22.5	22.6	20.3	23.8	21.3	21.1	18.6	14.0
FFO/net debt ¹	27.1	27.7	26.0	30.7	27.8	27.4	24.4	16.8
Equity/assets ratio	26.5	25.4	25.3	26.2	24.7	25.6	25.8	24.5
Gross debt/equity	122.6	131.9	137.3	126.5	140.9	138.9	141.6	141.7
Net debt/equity	101.6	107.9	107.3	98.1	107.8	107.0	107.7	118.7
Net debt/net debt plus equity	50.4	51.9	51.8	49.5	51.9	51.7	51.9	54.3
Net debt/EBITDA, (x) ¹	2.6	2.6	2.6	2.4	2.4	2.4	2.6	3.0

1) Last 12-month values.

2) Excl. items affecting comparability.

Exchange rates

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

	Q4 2011	Q4 2010	Full year 2011	Full year 2010
Average rate				
EUR	9.1050	9.1860	9.0215	9.5694
DKK	1.2244	1.2325	1.2110	1.2850
GBP	10.6075	10.7275	10.3810	11.1573
NOK	1.1703	1.1449	1.1579	1.1920
PLN	2.0550	2.2950	2.1900	2.3831
USD	6.7875	6.8306	6.4922	7.2152

	31 Dec. 2011	31 Dec. 2010
Balance sheet date rate		
EUR	8.9400	9.0020
DKK	1.2033	1.2075
GBP	10.6800	10.5475
NOK	1.1505	1.1520
PLN	2.0300	2.2700
USD	6.9200	6.8025

Parent Company income statement

Amounts in SEK million	Full year 2011	Full year 2010 ¹
Net sales	31,655	36,538
Cost of products sold	-19 037	-19,190
Gross profit	12,618	17,348
Selling expenses, administrative expenses and research and development costs	-3,538	-3,111
Other operating income and expenses, net	-3,136	303
Operating profit (EBIT)	5,944	14,540
Result from participations in Group companies	13,935	15,456
Result from participations in associated companies	1	2
Result from other shares and participations	-1,523	73
Group contributions received	1,921	1,379
Group contributions paid	-2,862	-3,918
Other financial income	6,037	10,765
Other financial expenses	-7,005	-7,061
Profit before appropriations and tax	16,448	31,236
Appropriations	3,253	-3,602
Profit before tax	19,701	27,634
Income tax expense	-2,847	-3,577
Profit for the year	16,854	24,057

Parent Company statement of comprehensive income

Amounts in SEK million	Full year 2011	Full year 2010 ¹
Profit for the year	16,854	24,057
Total other comprehensive income	-	-
Total comprehensive income for the year	16,854	24,057

1) The Parent Company's income statement, statement of comprehensive income and balance sheet have been recalculated compared with previously published information. See accounting policies, etc. on page 34.

Parent Company balance sheet

Amounts in SEK million	31 Dec. 2011	31 Dec. 2010 ¹
Assets		
Non-current assets		
Intangible assets: non-current	206	166
Property, plant and equipment	4,086	22,138
Shares and participations	178,670	194,064
Deferred tax assets	-	417
Other non-current assets	72,495	55,899
Total non-current assets	255,457	272,684
Current assets		
Inventories	360	268
Intangible assets: current	334	660
Current receivables	47,431	33,888
Current tax assets	565	-
Short-term investments	12,839	26,874
Cash and cash equivalents	6,265	7,348
Total current assets	67,794	69,038
Total assets	323,251	341,722
Equity and liabilities		
Equity		
Restricted equity		
Share capital	6,585	6,585
Statutory reserve	1,286	1,286
Non-restricted equity		
Retained earnings	62,790	45,232
Profit for the year	16,854	24,057
Total equity	87,515	77,160
Untaxed reserves	10,355	13,819
Provisions	191	195
Non-current liabilities		
Capital Securities	8,883	8,929
Other interest-bearing liabilities	134,972	131,234
Deferred tax liabilities	932	-
Other noninterest-bearing liabilities	5,864	4,341
Total non-current liabilities	150,651	144,504
Current liabilities		
Interest-bearing liabilities	50,202	79,641
Current tax liabilities	-	1,394
Other noninterest-bearing liabilities	24,337	25,009
Total current liabilities	74,539	106,044
Total equity and liabilities	323,251	341,722

Accounting policies, risks and uncertainties, and the Parent Company's year-end report

Group

Accounting policies

The consolidated accounts for 2011 have 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 year-end 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 year-end report are the same as those described in Vattenfall's 2010 Annual Report (Note 3 to the consolidated accounts), except for the new and amended IFRSs standards and IFRIC interpretations endorsed by the EU and described below, which are effective as of the 2011 financial year.

New and amended IFRSs and IFRIC interpretations

The new standards and amendments to standards and interpretations described below, and endorsed by the EU, are effective as of the 2011 financial year. Amendments to IFRS 1 – *First-time Adoption of IFRS* have been omitted as these 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, Vattenfall's transactions with 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.

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

Amendment in IFRIC 14 – *Prepayments of a Minimum Funding Requirement*, corrects an unintended consequence of IFRIC 14 and provides guidance on 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 creditors 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. Certain relief from the disclosure requirements has been introduced. For example, an amendment to IFRS 7 – *Financial Instruments*: Disclosures entails that Vattenfall no longer discloses its maximum credit risk exposure for financial instruments. In other respects, these amendments have had no or negligible 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, while 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.

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%, respectively, may not be restarted. Because of this, Vattenfall is forced to recognise an impairment loss for the entire book value of these two plants and increase its provisions for dismantling and handling of nuclear fuel. A charge of EUR 1,145 million (SEK 10,240 million) was booked against operating profit (EBIT) for the second quarter of 2011 for these measures. Calculated at the exchange rate applicable after four quarters in 2011, the corresponding effect on income is SEK 10,330 million. In addition, during the fourth quarter of 2011, provisions for dismantling and handling of nuclear fuel were increased by an additional SEK 183 million.

In a review conducted during the second quarter of 2011 of the valuation of long-term electricity contracts, Vattenfall has determined that, for valuation of the period beyond 27 months, that is, the time horizon during which market quotations are not available until the contract's expiration date, the use of 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 affected operating profit (EBIT) in its entirety while increasing net sales. The value of these derivatives at 31 December 2011 was SEK +785 million.

Vattenfall owns approximately 19% of the shares in the energy company Enea S.A., which is listed on the stock exchange in Warsaw, Poland. Enea's share price has a history of relatively high volatility, which is coupled to very limited trading.

The holding in Enea is classified as a financial instrument in the subcategory "Available-for-sale financial assets". Such assets are to be carried at fair value with changes in fair value recognised in Other comprehensive income, alternatively, impaired in the income statement. As per 31 December 2010, the cumulative changes in the fair value of the holding were negligible. During the first three quarters of 2011, Vattenfall recognised the changes in fair value in Other comprehensive income, which were thereby charged against consolidated equity. However, since the changes in fair value as per 31 December 2011 are considered to be

both significant and permanent over time, a decision has been made to make an impairment of the shareholding in Enea to fair value, taking also into account the decline in value of the Polish zloty (PLN). The impairment amounts to SEK 1,591 million and has been recognised as a Financial expense in the income statement.

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 year-end report, have taken place since publication of the 2010 Annual Report. The turbulence in the capital markets caused by the debt crisis in the euro zone has not had any negative impact on Vattenfall's funding situation.

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 and this year-end report are prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 – *Accounting for Legal Entities*, issued by the Swedish Financial Reporting Board.

The accounting policies used in this report are the same as those described in Vattenfall's 2010 Annual Report (Note 2 to the Parent Company accounts) with the exception that the Parent Company, as of the 2011 financial year, recognises Group contributions received as financial income and Group contributions paid as financial expenses.

Comparison figures for 2010 have been restated to reflect this new accounting policy.

Full year 2011

A condensed income statement and balance sheet for the

Parent Company are presented on page 32 of this report.

Sales amounted to SEK 31,655 million (36,538).

Profit before appropriations and tax was SEK 16,448 million (31,236).

In 2011, Vattenfall's electricity distribution, network services and electricity sales activities in Poland, conducted via Gornoslaski Zaklad Elektroenergetyczny S.A. (GZE), and Vattenfall's electricity and heat production activities in Warsaw, Poland, conducted via Vattenfall Heat Poland S.A., were divested. Capital gains from these divestments amounted to SEK 2.3 billion and SEK 1.1 billion, respectively.

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.

In 2011 Vattenfall AB repaid part of its liability to Nuon's shareholders, for which the Parent Company has recognised a realised foreign exchange gain in the income statement of slightly more than SEK 2 billion.

During the year, the shareholding in the Polish company Enea S.A. was impaired by SEK 1.6 billion.

In other respects, the decrease in earnings compared with the preceding year is attributable to lower dividends from subsidiaries.

The balance sheet total amounted to SEK 323,251 million (341,722).

Investments for the period amounted to SEK 700 million (2,286).

Cash and cash equivalents and short-term investments amounted to SEK 19,104 million (34,222).

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 year-end report, have taken place since publication of the 2010 Annual Report. The turbulence in the capital markets caused by the debt crisis in the euro zone has not had any negative impact on Vattenfall's funding situation.

Other

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

Dividend

Consolidated profit attributable to shareholders of the Parent Company amounted to SEK 11,083 million (12,997) or SEK 84.15 (98.69) per share. The Board of Directors proposes a dividend of SEK 4,433 million, corresponding to SEK 33.66 per share.

Annual General Meeting

The Annual General Meeting will be held on 25 April 2012, in Stockholm. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English) is expected to be published on www.vattenfall.se and www.vattenfall.com, respectively, on 29 March 2012. Printed versions of the Annual Report in Swedish and English will be distributed in early April. Copies of the printed Annual Report can be ordered from Vattenfall AB, e-mail: info@vattenfall.se or directly via Vattenfall's websites: www.vattenfall.se (Swedish) and www.vattenfall.com (English).

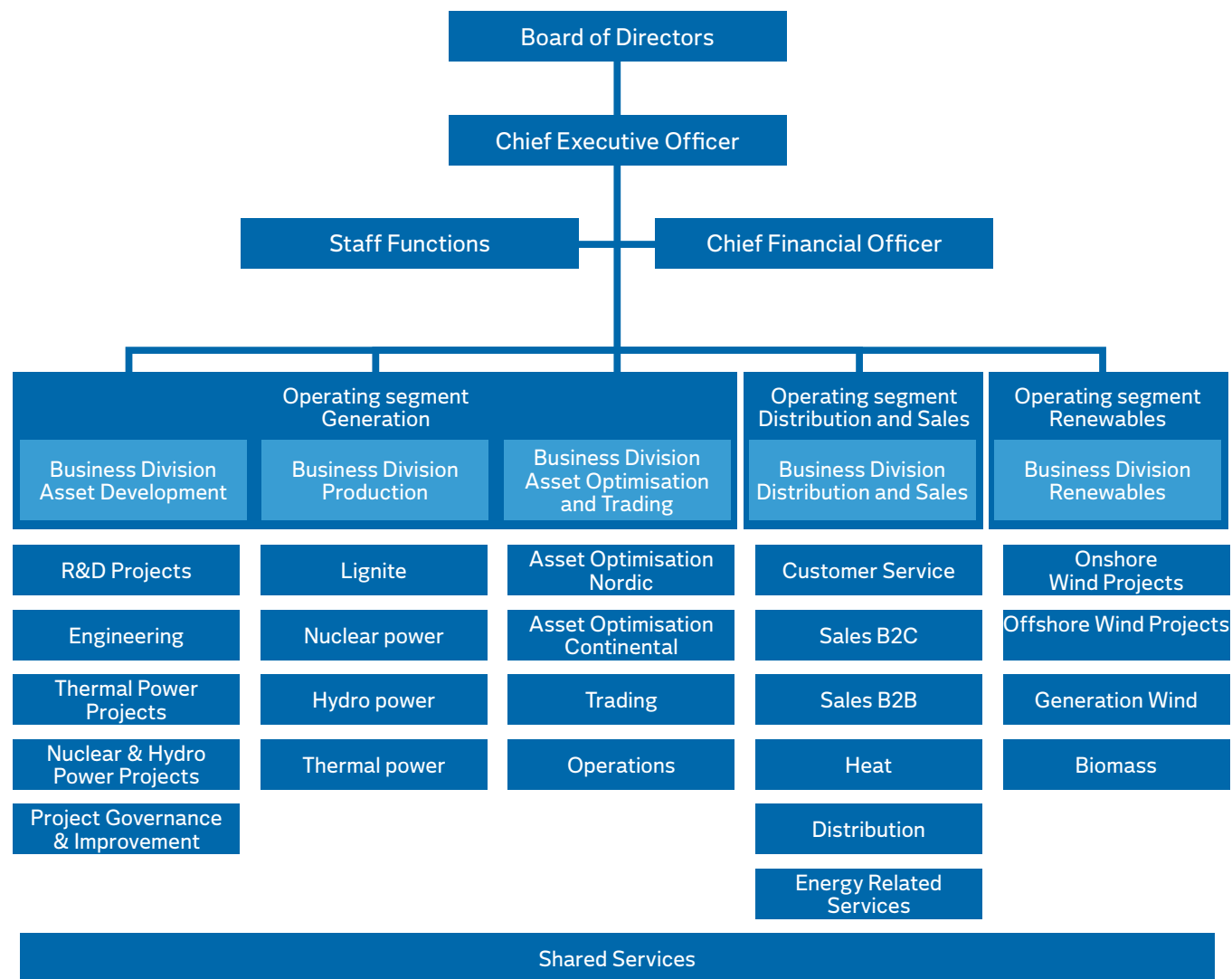
Stockholm, 9 February 2012

Vattenfall AB (publ)
The Board of Directors

This year-end report has not been reviewed by the company's auditors.

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

Vattenfall's organisational structure 2011



Definitions and calculations of key ratios

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

EBIT	=	Earnings Before Interest and Tax.
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation. Also other close-down costs than impairment losses pertaining to the close-down of German nuclear power plants during 2011 are here treated as Amortisation.
Underlying profit	=	Operating profit excluding items affecting comparability and unrealised changes in the fair value of energy derivatives, which according to IAS 39 may not be reported using hedge accounting, and changes in the fair value of inventories.
FFO	=	Funds From Operations.
Items affecting comparability	=	Capital gains and capital losses from shares and other non-current assets, impairment losses and impairment losses reversed pertaining to non-current assets, and other non-recurring items.
Free cash flow	=	Cash flow from operating activities less maintenance investments.
Capital Securities	=	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments. Reported as interest-bearing non-current liabilities.
Net assets	=	Balance sheet total less noninterest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, short-term investments.
Net debt	=	Interest-bearing liabilities less loans to 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 full year amounts 2011:

Operating margin, %	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{23,209}{181,040}$	=	12.8
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{28,562}{181,040}$	=	15.8
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{14,298}{181,040}$	=	7.9
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{21,159}{181,040}$	=	11.7
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{11,083}{129,479}$	=	8.6
Return on equity excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{15,809}{129,479}$	=	12.2
Return on net assets, %	= 100 x	$\frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{20,243}{283,957}$	=	7.1

Return on net assets excl. items affecting comparability, %	= 100 x	Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions	25,596	=	9.0
		Weighted average of net assets for the period	283,957		
EBIT interest cover, (x)	=	Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	25,359	=	2.5
		Financial expenses excl. discounting effects attributable to provisions	10,043		
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	30,712	=	3.1
		Financial expenses excl. discounting effects attributable to provisions	10,043		
FFO interest cover, (x)	=	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	48,299	=	4.8
		Financial expenses excl. discounting effects attributable to provisions	10,043		
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	46,149	=	5.8
		Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	7,893		
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	26,637	=	3.0
		Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	9,000		
FFO/gross debt, %	= 100 x	Funds from operations (FFO)	38,256	=	22.5
		Interest-bearing liabilities	170,350		
FFO/net debt, %	= 100 x	Funds from operations (FFO)	38,256	=	27.1
		Net debt	141,089		
EBITDA/net financial items, (x)	=	Operating profit before depreciation and amortisation (EBITDA)	54,538	=	6.9
		Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	7,893		
EBITDA excl. items affecting comparability/net financial items, (x)	=	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	59,891	=	7.6
		Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	7,893		

Key ratios based on the balance sheet per 31 December, 2011:

Equity/total assets, %	= 100 x	Equity	138,931	=	26.5
		Balance sheet total	524,558		
Gross debt/equity, %	= 100 x	Interest-bearing liabilities	170,350	=	122.6
		Equity	138,931		
Net debt/equity, %	= 100 x	Net debt	141,089	=	101.6
		Equity	138,931		
Gross debt/gross debt plus equity, %	= 100 x	Interest-bearing liabilities	170,350	=	55.1
		Interest-bearing liabilities + equity	309,281		
Net debt/net debt plus equity, %	= 100 x	Net debt	141,089	=	50.4
		Net debt + equity	280,020		
Net debt/EBITDA, (x)	=	Net debt	141,089	=	2.6
		Operating profit before depreciation and amortisation (EBITDA)	54,538		

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