

Interim Report

January–June 2012



Stable second quarter

- Net sales amounted to SEK 36,703 million (40,443) for the second quarter and SEK 85,697 million (92,311) for the first half of the year. For continuing operations, i.e. excluding divested operations primarily in Belgium, Finland and Poland, sales rose by slightly more than 1% during the second quarter and by slightly more than 4% for the first half of the year.
- Operating profit amounted to SEK 4,775 million (-3,239) for the second quarter and SEK 23,731 million (8,603) for the first half of the year. Operating profit for the second quarter and first half of 2011 was negatively affected by impairment losses and increased provisions, together totaling SEK 10.2 billion, as a result of Germany's decision to phase out the country's nuclear power.
- The underlying operating profit¹⁾ amounted to SEK 4,818 million (5,382) for the second quarter and SEK 16,493 million (17,676) for the first half of the year. For continuing operations, i.e. excluding divested operations, the underlying operating profit decreased by slightly more than 2% for the second quarter, but increased by approximately 4% for the first half of the year.
- Profit (after tax) amounted to SEK 877 million (-3,235) for the second quarter and to SEK 14,732 million (3,968) for the first half of the year.

1) Operating profit excluding items affecting comparability (for a specification of items affecting comparability, see page 5).

Vattenfall discloses the information in this interim report pursuant to the Swedish Securities Market Act.

CEO's comments:

"Thanks to successful work on improving the efficiency of operations, price hedging and higher production volumes, Vattenfall is reporting a stable underlying operating profit for the second quarter, despite considerably lower electricity spot prices than in the corresponding period in 2011. The market outlook for demand and electricity prices remains weak, which is putting pressure on our earnings capacity. We are addressing this through continued efficiency improvement work in all of our operations and processes, and by broadening and improving our customer offerings. The divestments that we carried out in 2011 and at the start of this year have strengthened our financial position, which is beneficial in the prevailing market conditions."

A handwritten signature in black ink, appearing to read "Øystein Løseth".

Øystein Løseth
President and CEO

Second quarter and half year in summary

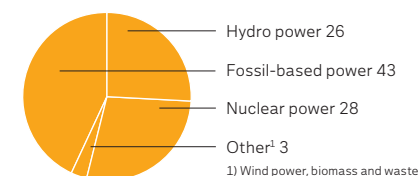
Amounts in SEK million unless indicated otherwise	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %	Full year 2011	Last 12 months
Net sales	36,703	40,443	-9.2	85,697	92,311	-7.2	181,040	174,426
Operating profit before depreciation and amortisation (EBITDA)	9,730	12,566	-22.6	33,556	29,498	13.8	54,538	58,596
Operating profit (EBIT)	4,775	-3,239	—	23,731	8,603	175.8	23,209	38,337
Underlying operating profit	4,818	5,382	-10.5	16,493	17,676	-6.7	30,793	29,610
Financial items, net	-3,204	-1,590	-101.5	-5,658	-3,483	-62.4	-8,911	-11,086
Profit before tax	1,571	-4,829	—	18,073	5,120	253.0	14,298	27,251
Profit for the period	877	-3,235	—	14,732	3,968	271.3	10,416	21,180
Return on equity, %	15.7 ¹	6.6 ¹	—	15.7 ¹	6.6 ¹	—	8.6	15.7
Funds from operations (FFO)	3,947	6,125	-35.6	16,664	18,281	-8.8	38,256	36,639
Cash flow before financing activities	2,688	7,262	-63.0	21,974	9,918	121.6	12,666	24,722
Free cash flow	4,543	8,410	-46.0	6,584	13,473	-51.1	17,637	10,748
Cash and cash equivalents plus short-term investments	42,314	39,197	8.0	42,314	39,197	8.0	28,685	—
Balance sheet total	513,633	523,190	-1.8	513,633	523,190	-1.8	524,558	—
Interest-bearing liabilities	165,739	181,893	-8.9	165,739	181,893	-8.9	170,350	—
Net debt	123,207	142,153	-13.3	123,207	142,153	-13.3	141,089	—
Adjusted net debt	156,498	179,896	-13.0	156,498	179,896	-13.0	176,031	—
Funds from operations (FFO)/adjusted net debt, %	23.4 ¹	20.5 ¹	—	23.4 ¹	20.5 ¹	—	21.7	—
Adjusted net debt/operating profit before depreciation and amortisation (EBITDA), times	2.7 ¹	3.2 ¹	—	2.7 ¹	3.2 ¹	—	3.2	—
Electricity generation, TWh ²	41.1	37.7	9.0	89.3	87.7	1.8	166.7	168.3
Hydro power	10.6	7.1	49.3	22.3	15.8	41.1	34.5	41.0
Nuclear power	11.6	10.2	13.7	24.1	24.8	-2.8	42.5	41.8
Fossil-based power	17.8	19.5	-8.7	40.4	44.7	-9.6	85.0	80.7
Wind power	0.9	0.7	28.6	1.8	1.6	12.5	3.4	3.6
Biomass, waste	0.2	0.2	—	0.7	0.8	-12.5	1.3	1.2
Sales of electricity, TWh	40.2	46.1	-12.8	90.1	102.4	-12.0	209.4	197.1
Sales of heat, TWh	6.5	6.4	1.6	17.7	24.5	-27.8	41.6	34.8
Sales of gas, TWh	8.9	7.2	23.6	30.4	31.2	-2.6	53.8	53.0
Number of employees, full-year equivalents	33,104	37,524	-11.8	33,104	37,524	-11.8	34,685	—

1) Last 12-month values.

2) Of which, bilateral sales through the trading operations for the second quarter of 2012 amounted to 7.2 TWh (9.5). For the first half of 2012, bilateral sales through the trading operations amounted to 18.7 TWh (22.2). For the full year 2011, the corresponding sales amounted to 52.9 TWh.

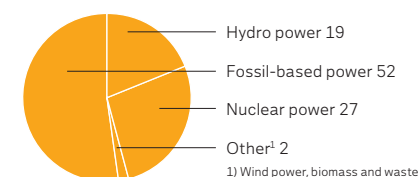
See pages 28–29 for definitions and calculations of key ratios.

Electricity generation Q2 2012, %



1) Wind power, biomass and waste.

Electricity generation Q2 2011, %



1) Wind power, biomass and waste.

Important events – Group

Petition for arbitration

In summer 2011 the German government decided to close eight nuclear power plants in Germany, including Vattenfall's Brunsbüttel and Krümmel nuclear power plants, as part of the country's so-called energy turnaround ("Energiewende"). Vattenfall supports this shift but expects fair compensation for the closure of its nuclear power plants. In May 2012 Vattenfall therefore submitted a request for the institution of arbitration proceedings with the International Center for Settlement of Investment Disputes (ICSID) in Washington, D.C., together with E.ON (the other part owner of Brunsbüttel and Krümmel). This is the first step before a formal petition for arbitration can be filed. Vattenfall has also filed suit with the Federal Constitutional Court of Germany.

Purchase of additional shares in N.V. Nuon Energy

In view of Vattenfall's strong liquidity situation, Vattenfall reached an agreement with some of the minority owners of N.V. Nuon Energy to push up the purchase of 3.04% of the shares in the company. Vattenfall thereafter owns 67.04% of the shares in N.V. Nuon Energy, although it has had control of the company since 1 July 2009, which is why N.V. Nuon Energy has been consolidated since then. The remaining shares will be acquired, according to plan, in two tranches in 2013 and 2015 at a previously determined price.

Changes in the Board of Directors and Executive Group Management

At Vattenfall's Annual General Meeting on 25 April 2012, Gunilla Berg, Håkan Buskhe and Jan-Åke Jonsson were elected as new members of Vattenfall's Board of Directors.

Ingrid Bonde took office on 14 May 2012 as CFO and Deputy CEO.

Other important events are described under the respective operating segments on pages 9–12.

Important events after the balance sheet date

Analysis of replacement of nuclear power reactors in Sweden

In 2012 Vattenfall intensified its work on analysing the conditions for investment in new nuclear power generation in Sweden. The goal is to develop a basis within the next ten years for a possible investment decision to replace existing nuclear power generation. On 31 July Vattenfall filed an application with the Swedish Radiation Safety Authority (SSM) to obtain clarity on the terms and conditions that apply for new nuclear power generation. The application is necessary for Vattenfall to investigate conditions set by SSM, which is needed to complete Vattenfall's analysis work.

Sales, profit and cash flow

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %
Net sales	36,703	40,443	-9.2	85,697	92,311	-7.2

Comment: Consolidated net sales for the second quarter decreased by SEK 3.7 billion compared with the corresponding quarter in 2011. The decrease is mainly attributable to the divestment of operations in Belgium, Finland and Poland.

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %
Operating profit (EBIT)	4,775	-3,239	—	23,731	8,603	175.8
Items affecting comparability	-43	-8,621	-99.5	7,238	-9,073	—
Underlying operating profit	4,818	5,382	-10.5	16,493	17,676	-6.7

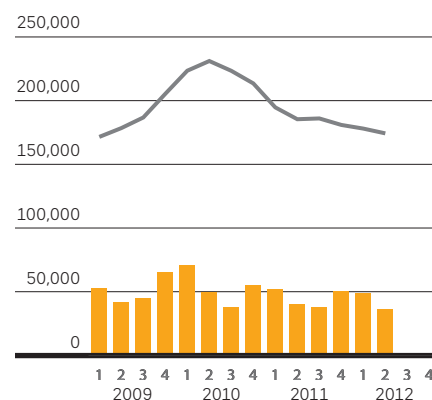
Comment: The underlying operating profit decreased by SEK 0.6 billion compared with the second quarter of 2011, which is attributable to the following:

- Negative price effects of average lower electricity prices achieved, mainly in the Nordic market (SEK -1.0 billion)
- Positive volume effects (SEK 1.5 billion)
- Lower costs for operations and maintenance, sales and administration, and research and development (SEK 0.3 billion, net)
- Lost earnings contribution from divested operations primarily in Belgium, Finland and Poland (SEK -0.5 billion)
- Other items, net (SEK -0.9 billion), of which SEK 0.5 billion is attributable to gas and coal purchases and trading in CO₂ emission allowances

Vattenfall's cost reduction programme is advancing faster than planned, and the objective is to achieve annual savings of SEK 6 billion by year-end 2012. This is one year ahead of the original plan. As of 30 June, savings of SEK 5 billion have been achieved.

Net sales

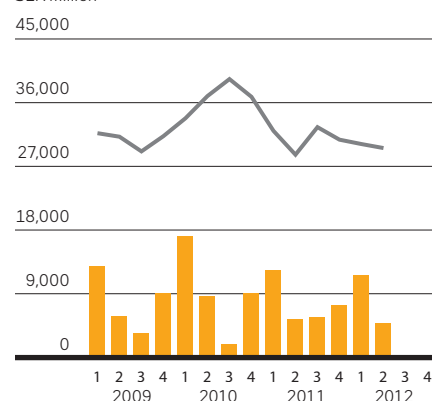
SEK million



— Last 12-month values ■ Quarterly values

Underlying operating profit

SEK million



— Last 12-month values ■ Quarterly values

Sales, profit and cash flow, cont.

Amounts in SEK million	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011
Items affecting comparability affecting operating profit (EBIT):					
Capital gains	222	1,427	8,311	2,144	4,780
Capital losses	-35	-9	-48	-36	-58
Impairment losses ¹	-29	-10,686	-64	-10,691	-11,301
Reversed impairment losses	—	2	—	6	386
Unrealised changes in the fair value of energy derivatives	-61	335	-410	-1,022	-1,690
Unrealised changes in the fair value of inventories	-70	-810	38	-594	-541
Restructuring costs	-76	—	-108	—	—
Other items affecting comparability	6	1,120	-481	1,120	840
Total	-43	-8,621	7,238	-9,073	-7,584

1) Including other close-down costs than impairment losses in 2011 pertaining to nuclear power plants in Germany.

Comment: Items affecting comparability during the second quarter of 2012 amounted to SEK -43 million. These pertain mainly to a capital gain on the sale of a combined heat and power plant in Finland (SEK 220 million) and unrealised changes in the fair value of energy derivatives and inventories (SEK -131 million). Items affecting comparability for the corresponding quarter in 2011 pertained mainly to impairment of book value and increased provisions for handling nuclear fuel and dismantling of the nuclear power plants in Germany (SEK 10.2 billion). Capital gains during the second quarter of 2011 pertained to the sale of Nuon Exploration & Production B.V.(SEK 0.8 billion), a property on Spitalerstrasse in Hamburg (SEK 0.4 billion), and Vattenfall's share in the German energy company ENSO (SEK 0.2 billion). Items affecting comparability for the first half of 2012 include a capital gain during the first quarter attributable to the sale of Vattenfall's electricity distribution and heating business in Finland (SEK 8.1 billion), and impairment losses and provisions related to the Liberian biomass project, Buchanan Renewables Fuel (SEK -0.5 billion).

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %
Funds from operations (FFO)	3,947	6,125	-35.6	16,664	18,281	-8.8
Cash flow from changes in operating assets and operating liabilities (working capital)	4,441	5,670		-4,085	1,121	
Cash flow from operating activities	8,388	11,795	-28.9	12,579	19,402	-35.2

Comment: Funds from operations (FFO) decreased by SEK 2.2 billion compared with the second quarter of 2011. The decrease is mainly attributable to a lower profit as a result of divested operations.

Cash flow from changes in working capital amounted to SEK 4.4 billion during the second quarter of 2012. This is mainly explained by lower operating receivables and operating liabilities,

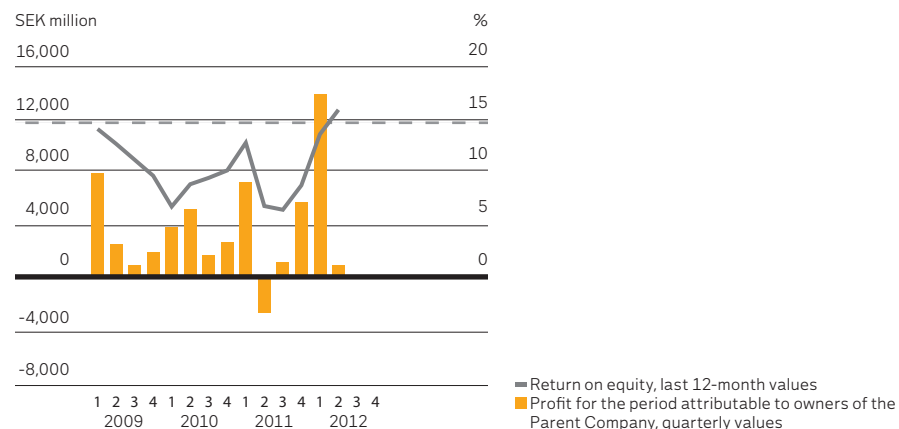
together totalling SEK 6.0 billion. Other changes, mainly realised energy derivatives that may not be reported using hedge accounting and increased inventory, had a negative effect on working capital of SEK 1.6 billion.

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %
Net financial items	-3,204	-1,590	-101.5	-5,658	-3,483	-62.4
– of which, interest income	387	304	27.3	654	538	21.6
– of which, interest expenses	-1,492	-1,561	7.0	-2,754	-3,166	13.0
– of which, impairment and provisions	-344	—	—	-1,148	—	—
Interest received ¹	217	189	14.8	320	382	-16.2
Interest paid ¹	-1,756	-2,457	28.5	-3,200	-3,961	19.2
Average monthly net interest expense	-368	-419		-350	-438	

1) Pertains to cash flows.

Comment: The decrease of financial items during the second quarter of 2012 is mainly attributable to impairment of Vattenfall's shareholding in the Polish energy company ENEA S.A., a negative change in the value of financial derivatives, and a lower return from the Swedish Nuclear Waste Fund. Financial items for the first half of 2012 include impairment and provisions together totalling SEK -0.8 billion related to the Liberian biomass project, Buchanan Renewables Fuel.

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



Financial position

Amounts in SEK million	30 June 2012	31 December 2011	Change %
Cash and cash equivalents, and short-term investments	42,314	28,685	47.5
Committed credit facilities (unutilised)	33,080	42,297	-21.8

Comment: The increase in Cash and cash equivalents, and short-term investments, is mainly attributable to the payment received in January 2012 from the sale of Vattenfall's assets in Belgium, Poland and Finland.

Committed credit facilities consist of a EUR 2.55 billion Revolving Credit Facility that expires on 20 January 2016 and a 12-month EUR 1.3 billion revolving Multi Option Facility (unutilised amount EUR 1.2 billion), contracted in August 2011. A EUR 1 billion Revolving Credit Facility that was to expire in February 2013 was terminated in the first quarter 2012. 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 30 June 2012, available liquid assets and/or committed credit facilities amounted to 38% of net sales.

Amounts in SEK million	30 June 2012	31 December 2011	Change %
Net debt	123,207	141,089	-12.7
Interest-bearing liabilities	165,739	170,350	-2.7
Adjusted net debt (see page 18)	156,498	176,031	-11.1
Average interest rate, % ¹	3.6	3.9	—
Duration, years ¹	3.9	4.3	—
Average time to maturity, years ¹	5.8	5.5	—

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

Comment: Compared with 31 December 2011, net debt decreased by SEK 17.9 billion. The improvement is mainly attributable to the payment received from Vattenfall's sale of assets in Belgium, Poland and Finland. Total interest-bearing liabilities decreased by SEK 4.6 billion, mainly owing to the purchase of additional shares in N.V. Nuon Energy during the second quarter of 2012. Adjusted net debt decreased by SEK 19.5 billion. Compared with 31 March 2012, adjusted net debt increased by SEK 1.1 billion, mainly owing to payment of dividend.

Credit ratings

The current credit ratings for Vattenfall's long-term borrowing are A- (Standard & Poor's) and A2 (Moody's). Vattenfall's rating outlook is "stable" from Standard & Poor's and "negative" from Moody's. No changes in ratings were made during the second quarter of 2012.

Investments and divestments

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %
Maintenance investments	3,845	3,385	13.6	5,995	5,929	1.1
Growth investments	2,355	4,469	-47.3	5,977	8,124	-26.4
– of which, shares	122	120	1.7	177	108	63.9
Total investments	6,200	7,854	-21.1	11,972	14,053	-14.8
Divestments	499	3,321	-85.0	21,516	4,569	370.9
– of which, shares	—	2,554	-100.0	20,945	2,555	719.8

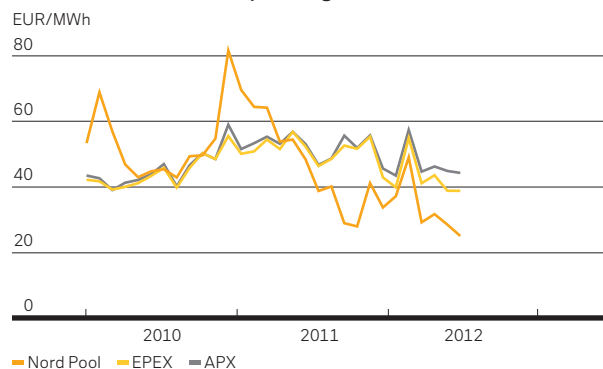
Comment: Divestments pertain to the sale of the Myllykoski combined heat and power plant in Finland.

Specification of investments

Amounts in SEK million	Q2 2012	Q2 2011	Last 12 months
Electricity generation			
Hydro power	234	260	1,198
Nuclear power	853	1,009	4,415
Fossil-based power	2,534	3,090	11,208
Wind power	120	393	2,881
Biomass, waste	—	54	100
Other	-33	761	805
Total electricity generation	3,708	5,567	20,607
CHP/heat			
Fossil-based power	275	358	3,226
Biomass, waste	51	27	247
Other	405	337	1,483
Total CHP/heat	731	722	4,956
Electricity networks			
Electricity networks	894	1,042	4,800
Total electricity networks	894	1,042	4,800
Purchases of shares	122	120	466
Other, excl. purchases of shares	744	402	2,840
Total	6,200	7,854	33,669

Wholesale price trend

Electricity spot prices in the Nordic countries, Germany and the Netherlands, monthly averages



Electricity spot prices on the European Continent continued to fall during the second quarter of 2012. The main reasons were relatively warm weather and stable production from conventional power plants and renewable energy sources. In Vattenfall's markets on the Continent, prices fell by 7%-11% from the preceding quarter and by up to 25% compared with the corresponding period a year ago. The Nordic system price fell 26% compared with the first quarter of 2012 and by a full 46% compared with the second quarter of 2011.

The lower Nordic system price, averaging EUR 28.42/MWh, is mainly due to a positive hydrological balance, 10.1 TWh, during the second quarter of 2012, compared with -21.8 TWh during the corresponding quarter a year ago. Overall, reservoir storage levels in both Norway and Sweden were slightly higher than normal.

The average spot price in Germany was EUR 40.4/MWh during the second quarter of 2012. This is the first time that the spot price reached the EUR 40 level since late 2009. The main reason is the expansion of wind power and solar energy in Germany. Germany had a continued generation surplus during the quarter and was a net exporter of electricity to its neighbouring countries.

The average spot price in the Netherlands was EUR 45.1/MWh, which is 17% lower than during the corresponding period a year ago.

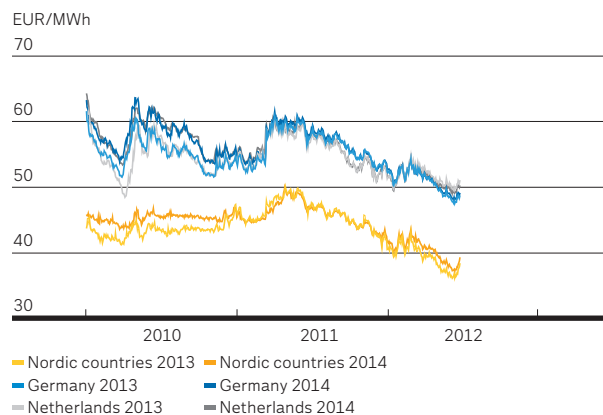
Time period	Nord Pool Spot (Nordic countries)	EPEX (Germany)	APX (Netherlands)
Q2 2012	28.42	40.41	45.14
Q2 2011	52.24	53.57	54.36
Change (%)	-45.6	-24.6	-17.0

Electricity futures prices continued to fall and reached record low levels in nearly all of Vattenfall's markets, mainly due to the low spot prices, low growth in Europe and falling prices of oil and coal.

The German contract for delivery in 2013 was at an average of EUR 49.4/MWh, which is 5% lower than during the preceding quarter. This can be compared with the second quarter of 2011, when the contract for delivery in the following year traded at around EUR 59/MWh. The Nordic contract for 2013 fell below the EUR 40 threshold and traded at an average of EUR 37.8/MWh during the period.

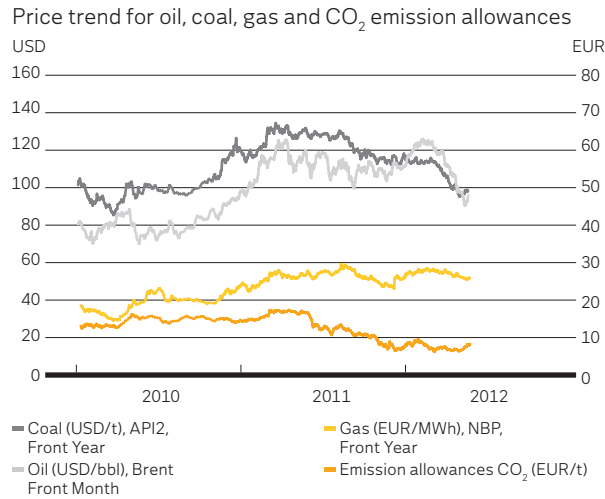
Time period	Nordic countries 2013	Nordic countries 2014	Germany 2013	Germany 2014	Nether- lands 2013	Nether- lands 2014
Q2 2012	37.82	39.03	49.40	49.70	50.91	50.41
Q1 2012	40.66	41.60	52.21	52.31	52.37	52.12
Change (%)	-7.0	-6.2	-5.4	-5.0	-2.8	-3.3

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

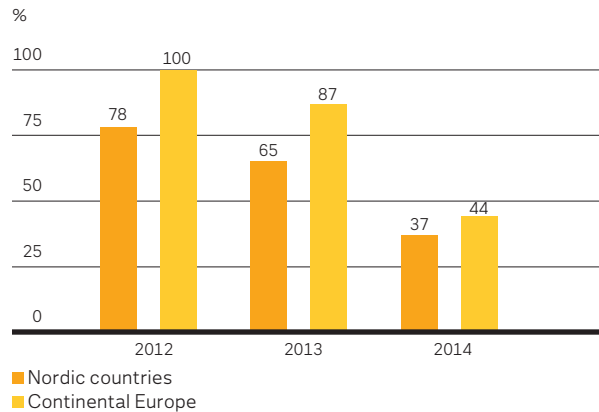


Sources: NASDAQ OMX Commodities, European Energy Exchange (EEX) and APX.

Wholesale price trend, cont.



Vattenfall's hedge ratios (%) as per 30 June 2012



Compared with 31 March 2012, Vattenfall's hedge ratios in per cent increased for both markets.

Oil prices fell to their lowest level since January 2011. On average, a barrel of Brent crude cost USD 108.5/barrel; however, at the end of the period, prices fell all the way to the USD 90 mark. Prices were pushed down by elevated nervousness in the market about a prolonged recession at the same time that OPEC production outpaced demand.

Coal prices fell below the USD 100 level for the first time since September 2010. On average, the API2 front year contract traded at USD 104/tonne, which was 9% lower than the preceding quarter and more than 20% lower than during the second quarter of 2011. Coal prices were also pushed down by the macroeconomic situation.

Gas prices, on the other hand, were stable during the quarter and fell only marginally compared with the preceding quarter. The front year contract for the National Balancing Point (NBP) in the UK traded at nearly EUR 27/MWh. News that Japan will be starting its nuclear power plants had a positive impact on the market outlook.

Prices of CO₂ emission allowances rose slightly in June, reaching EUR 8.3/tonne at the end of the period. However, on average prices were 10% below the average prices during the preceding quarter.

Vattenfall's price hedging

Since Vattenfall continuously hedges its future electricity generation through sales in the forward and futures markets, spot prices have only a limited impact in the near term on Vattenfall's earnings.

The chart shows how large a share of planned electricity generation that Vattenfall has hedged in the Nordic countries and Continental Europe (Germany and the Netherlands).

Average price hedges as per 30 June 2012

EUR/MWh	2012	2013	2014
Nordic countries	45	45	44
Continental Europe	55	56	54

Vattenfall's operating segments – Generation

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %	Full year 2011	Last 12 months
Net sales	24,817	28,120	-11.7	59,461	63,366	-6.2	123,111	119,206
External net sales ¹	12,625	15,135	-16.6	29,220	32,545	-10.2	59,347	56,022
Operating profit (EBIT)	3,457	-6,103	—	11,601	1,407	724.5	10,545	20,739
Items affecting comparability	-159	-10,008	-98.4	-361	-10,480	-96.6	-11,573	-1,454
Underlying operating profit	3,616	3,905	-7.4	11,962	11,887	0.6	22,118	22,193
Sales of heat, TWh	1.9	1.6	18.8	6.0	6.4	-6.3	9.9	9.5
Electricity generation ² , TWh	38.2	34.2	11.7	81.5	77.8	4.8	148.2	151.9
– of which, hydro power	10.6	7.1	49.3	22.3	15.8	41.1	34.5	41.0
– of which, nuclear power	11.6	10.2	13.7	24.1	24.8	-2.8	42.5	41.8
– of which, fossil-based power	15.9	16.8	-5.4	34.9	36.9	-5.4	70.8	68.8
– of which, biomass, waste	0.1	0.1	—	0.2	0.3	-33.3	0.4	0.3
External sales of electricity, TWh	4.5	4.2	7.1	9.1	10.4	-12.5	18.3	17.0
Number of employees, full-year equivalents	16,215	17,167	-5.5	16,215	17,167	-5.5	17,078	—

1) Excluding intra-Group transactions.

2) Of electricity generation in Q1-2 2012, Vattenfall disposed over 72.6 TWh (68.8 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

Underlying operating profit Q2

The underlying operating profit decreased by SEK 0.3 billion. Average lower electricity prices achieved, primarily in the Nordic market, had a negative effect on the underlying operating profit, while higher hydro and nuclear power generation, and lower costs for operations and maintenance had a positive effect on operating profit.

Items affecting comparability during the second quarter of 2012 amounted to SEK -159 million. These are mainly attributable to unrealised changes in the fair value of energy derivatives and inventories (SEK -131 million). Items affecting comparability for the corresponding quarter in 2011 pertained mainly to impairment of book value and larger provisions for handling nuclear fuel and dismantling of the German nuclear power plants (SEK 10.2 billion), impairment of the CCS project in Buggenum (SEK 0.4 billion), and fair valuation of certain embedded derivatives (SEK 1.1 billion).

Underlying operating profit, first half of 2012

The underlying operating profit was level with the first half of 2011.

Electricity generation and sales of heat Q2

Hydro power generation increased by 49.3% to 10.6 TWh (7.1), owing to good availability of water. Swedish reservoir storage

levels were 69.6% at the end of the quarter (65.4), which is 8.8 percentage points above normal.

Nuclear power generation increased by 13.7% to 11.6 TWh (10.2). Availability was 85.1% (70.6) for Forsmark and 72.7% (67.8) for Ringhals. Generation at Forsmark increased by 20.8% to 5.8 TWh (4.8), while generation at Ringhals increased by 7.4% to 5.8 TWh (5.4).

Fossil power generation decreased by 5.4% to 15.9 TWh (16.8). Power generation in Germany decreased by 5.3% to 12.4 TWh (13.1), mainly due to slightly longer outages for audits than in 2011. Generation in the Netherlands increased by 13% to 2.6 TWh (2.3). In Denmark, fossil power generation decreased by 42.9% to 0.8 TWh (1.4), partly due to outages at Nordjyllandsværket 3, Fynsværket 7 and Amagerværket 3, and partly due to low electricity prices. Sales of heat increased slightly, by 0.3 TWh, to 1.9 TWh.

Important events Q2

- On 18 June Ringhals 2 was automatically shut down following a short circuit in one of the reactor's two main transformers. The transformer has been replaced, and the reactor was restarted on 22 July.
- Within the framework of the InnoEnergy project, Vattenfall is investing SEK 70 million over a seven year period on research and development of smart grids and energy storage. Parts of

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 (BDs): BD Asset Development, BD Production, and BD Asset Optimisation and Trading. Operations during the second quarter of 2012 were conducted in Sweden, Denmark, Germany and the Netherlands.

the InnoEnergy project will be conducted on the Swedish island of Gotland, which already has a large share of wind power and some microgeneration of electricity, but which over time could serve as an international model for smart grids. Vattenfall, ABB, KTH Royal Institute of Technology and Uppsala University are the main partners of InnoEnergy, which is a consortium of some 40 European co-operation partners from universities, research institutes and companies.

- The Swedish Energy Agency has approved a grant of SEK 23 million to the Smart Grid Gotland project, a co-operation project between Vattenfall, Gotlands Energi, ABB, Svenska Kraftnät, KTH Royal Institute of Technology and Telvent. Smart Grid Gotland is a large-scale demonstration project aimed at showing how an existing electricity grid can be upgraded and made more flexible.
- In the Netherlands, Vattenfall has begun connecting the new Hemweg 9 (435 MW) combined cycle gas turbine power plant to the electricity grid. The power plant is expected to be fully operating during the fourth quarter of 2012.
- Vattenfall has decided to increase the level of biomass co-combustion at the Berlin-Moabit combined heat and power plant (140 MWe and 240 MWth) from 10% to 40%. Conversion work has begun and will be completed by year-end 2013.

Vattenfall's operating segments – Distribution and Sales

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %	Full year 2011	Last 12 months
Net sales	28,666	33,574	-14.6	68,859	80,731	-14.7	155,299	143,427
External net sales ¹	27,274	31,443	-13.3	64,943	74,870	-13.3	144,575	134,648
– of which, Distribution	3,338	4,162	-19.8	7,273	9,239	-21.3	17,965	15,999
– of which, Heat	3,114	3,358	-7.3	8,089	9,463	-14.5	17,481	16,107
Operating profit (EBIT)	1,330	2,142	-37.9	4,920	6,933	-29.0	11,123	9,110
– of which, Distribution	926	1,130	-18.1	2,693	3,149	-14.5	5,035	4,579
– of which, Heat	459	452	1.5	2,324	2,917	-20.3	4,895	4,302
Items affecting comparability	108	535	-79.8	107	536	-80.0	627	198
– of which, Distribution	-11	-2	450.0	-13	-6	116.7	-32	-39
– of which, Heat	182	-8	—	182	-4	—	386	572
Underlying operating profit	1,222	1,607	-24.0	4,813	6,397	-24.8	10,496	8,912
Sales of gas, TWh	8.9	6.2	43.5	30.4	29.0	4.8	51.6	53.0
Sales of heat, TWh	4.6	4.8	-4.2	11.7	18.1	-35.4	31.7	25.3
Electricity generation ² , TWh	2.0	2.8	-28.6	6.0	8.3	-27.7	15.1	12.8
– of which, fossil-based power	1.9	2.7	-29.6	5.5	7.8	-29.5	14.2	11.9
– of which, biomass, waste	0.1	0.1	—	0.5	0.5	—	0.9	0.9
External sales of electricity, TWh	28.5	32.4	-12.0	62.3	69.6	-10.5	137.9	130.6
– of which, private customers	6.4	7.2	-11.1	15.4	17.9	-14.0	34.0	31.5
– of which, resellers	4.9	6.8	-27.9	11.0	14.0	-21.4	28.7	25.7
– of which, business customers	17.1	18.2	-6.0	35.7	37.6	-5.1	74.8	72.9
Transited volume, excl. production transiting	23.0	26.7	-13.9	51.5	61.0	-15.6	118.8	109.3
Number of employees, full-year equivalents	11,517	14,604	-21.1	11,517	14,604	-21.1	12,166	—

1) Excluding intra-Group transactions.

2) Of electricity generation in Q1-2 2012, Vattenfall disposed over 6.0 TWh (8.3 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

Underlying operating profit Q2

The underlying operating profit decreased by SEK 0.4 billion, mainly due to the lost earnings contribution from divested operations primarily in Belgium, Finland and Poland. Improved profitability of the Business Unit Sales B2C (Business to Consumers) had a positive earnings impact.

Underlying operating profit, first half of 2012

The underlying operating profit was SEK 1.6 billion lower than in the first half of 2011, mainly due to the lost earnings contribution from divested operations primarily in Belgium, Finland and Poland.

Sales of gas and heat, and electricity generation Q2

Sales of gas to end customers increased by 43.5% to 8.9 TWh (6.2). The increase is explained by an unusually warm spring

in 2011, while 2012 was colder than normal. Sales of heat decreased by 4.2% to 4.6 TWh (4.8). The decrease is due to the divestment of the Polish operations, which accounted for 1.5 TWh during the second quarter of 2011. Colder weather counteracted the decrease somewhat.

Electricity generation decreased by 0.8 TWh to 2.0 TWh (2.8). The divested operations in Poland accounted for 0.6 TWh of electricity generation during the second quarter of 2011. Sales of electricity to private customers decreased by 11.1% to 6.4 TWh (7.2). The divested Polish and Belgian operations accounted for 1.5 TWh during the second quarter of 2011. Sales to resellers decreased by 27.9% to 4.9 TWh (6.8). Sales to business customers decreased by 6.0% to 17.1 TWh (18.2), where the Polish operations accounted for 1.6 TWh during the second quarter of 2011. Sales to businesses increased in both Germany and the Nordic countries.

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. Operations during the second quarter of 2012 were conducted in Sweden, Denmark, Finland, Norway, Germany, France and the Netherlands.

Important events Q2

- Vattenfall has begun selling turnkey solar cell packages throughout Sweden combined with the opportunity for users to sell any surplus electricity generated by their solar cells back to the grid. In Germany, Vattenfall entered an agreement with the Muldenstein solar cell plant in the eastern part of the country. The contract covers the supply of 7.5 MW of electricity through 2013, which will be resold on the wholesale market.
- Starting on 1 July Vattenfall will be supplying electricity to the European Council in Strasbourg. The contract covers a total of 45 GWh electricity over an 18 month period.
- In Sweden, NCC AB has extended its co-operation with Vattenfall under a new three-year contract covering a volume of approximately 90 GWh/year. The contract includes portfolio management by Vattenfall Power Management and so called physical building current management with some 700 active measurement points.
- The City of Hamburg has made payment (EUR 134.7 million, net) for a 25.1% share of Vattenfall's electricity network in Hamburg. The deal was communicated in December 2011. The jointly owned company has changed its name from Vattenfall Europe Distribution Hamburg GmbH to Vattenfall Stromnetz Hamburg GmbH.
- The Myllykoski combined heat and power plant in Finland was sold to UPM for EUR 53 million, generating a capital gain of SEK 220 million.

Vattenfall's operating segments – Renewables

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %	Full year 2011	Last 12 months
Net sales	838	248	237.9	1,713	1,043	64.2	3,131	3,801
External net sales ¹	514	-38	—	1,056	356	196.6	1,820	2,520
Operating profit (EBIT)	-18	68	—	-426	248	—	496	-178
Items affecting comparability	6	7	-14.3	-506	21	—	36	-491
Underlying operating profit	-24	61	—	80	227	-64.8	460	313
Electricity generation ² , TWh	0.9	0.7	28.6	1.8	1.6	12.5	3.4	3.6
– of which, wind power	0.9	0.7	28.6	1.8	1.6	12.5	3.4	3.6
External sales of electricity, TWh	—	—	—	—	0.2	-100.0	0.3	0.1
Number of employees, full-year equivalents	416	321	29.6	416	321	29.6	350	—

1) Excluding intra-Group transactions.

2) Of electricity generation in Q1-2 2012, Vattenfall disposed over 1.8 TWh (1.6 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. Operations during the second quarter of 2012 were conducted in Sweden, Denmark, Germany, the Netherlands and the UK.

Underlying operating profit Q2

The underlying operating profit decreased by SEK 0.1 billion as a result of lower average prices achieved, poorer wind conditions in the UK and temporary technical problems at one of the off-shore wind farms in the UK.

Underlying operating profit, first half of 2012

The underlying operating profit decreased by SEK 0.15 billion compared with the first half of 2011.

Items affecting comparability for the first half of the year include impairment and provisions, together totalling SEK 0.5 billion, related to Vattenfall's minority interest in the Liberian biomass project, Buchanan Renewables Fuel.

Electricity generation Q2

Wind power generation increased by 0.2 TWh to 0.9 TWh (0.7), owing to favourable wind conditions in Denmark and Sweden.

Important events Q2

- Vattenfall is building its second onshore wind farm in Germany. Construction of the Forst Briesnig wind farm in eastern Germany is scheduled to begin in late 2012. The wind farm is planned to comprise five turbines with total installed capacity of up to 15 MW. The area was previously used for lignite mining.

Other

Amounts in SEK million	Q2 2012	Q2 2011	Change %	Q1-2 2012	Q1-2 2011	Change %	Full year 2011	Last 12 months
Net sales	1,425	2,424	-41.2	2,906	4,291	-32.3	7,303	5,918
External net sales ¹	4	345	-98.8	122	745	-83.6	983	360
Operating profit (EBIT) ²	6	654	-99.1	7,636	15	—	1,045	8,666
Items affecting comparability	2	845	-99.8	7,998	850	840.9	3,326	10,474
Underlying operating profit ²	4	-191	—	-362	-835	-56.6	-2,281	-1,808
Number of employees, full-year equivalents	4,956	5,432	-8.8	4,956	5,432	-8.8	5,091	—

"Other" comprises all Staff Functions including Treasury activities and Shared Service Centres.

1) Excluding intra-Group transactions.

2) Figures for 2011 include all Staff Functions including Treasury activities and Shared Service Centres. Operating profit for Other also includes large capital gains. Starting in 2012, costs for Staff Functions, except for Treasury activities, are allocated to the operating segments Generation, Distribution and Sales, and Renewables.

Underlying operating profit Q2

The underlying operating profit improved by SEK 0.2 billion.

Underlying operating profit, first half of 2012

The underlying operating profit improved by SEK 0.5 billion compared with the first half of 2011.

Items affecting comparability for the first half of 2012 include a capital gain of SEK 8.1 billion during the first quarter from the sale of the distribution and heating business in Finland.

Consolidated income statement

Amounts in SEK million	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Last 12 months
Net sales	36,703	40,443	85,697	92,311	181,040	174,426
Cost of products sold ¹	-27,477	-40,997	-61,233	-77,805	-144,492	-127,920
Gross profit	9,226	-554	24,464	14,506	36,548	46,506
Selling expenses, administrative expenses and research and development costs ²	-4,459	-4,289	-8,700	-8,716	-18,849	-18,833
Other operating income and expenses, net	-114	1,892	7,857	2,856	5,478	10,479
Participations in the results of associated companies	122	-288	110	-43	32	185
Operating profit (EBIT)³	4,775	-3,239	23,731	8,603	23,209	38,337
Financial income ^{4,6}	173	802	1,010	1,594	3,843	3,259
Financial expenses ^{5,6}	-3,377	-2,392	-6,668	-5,077	-12,754	-14,345
Profit before tax	1,571	-4,829	18,073	5,120	14,298	27,251
Income tax expense	-694	1,594	-3,341	-1,152	-3,882	-6,071
Profit for the period	877	-3,235	14,732	3,968	10,416	21,180
Profit for the period attributable to:						
Owners of the Parent Company	899	-2,742	14,622	4,375	11,083	21,330
Non-controlling interests (minority interests)	-22	-493	110	-407	-667	-150
Total	877	-3,235	14,732	3,968	10,416	21,180
Earnings per share						
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700	131,700	131,700
Earnings per share, basic and diluted (SEK)	6.83	-20.82	111.03	33.22	84.15	161.96
Supplementary information						
Operating profit before depreciation and amortisation (EBITDA)	9,730	12,566	33,556	29,498	54,538	58,596
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-2,300	-1,211	-4,143	-2,641	-7,893	-9,395
Underlying operating profit (see definition, page 28)	4,818	5,382	16,493	17,676	30,793	29,610
1) Of which, depreciation, amortisation and impairment losses related to intangible assets (non-current) and property, plant and equipment	-4,780	-15,665	-9,524	-20,617	-30,737	-19,644
2) Of which, depreciation, amortisation and impairment losses related to intangible assets (non-current) and property, plant and equipment	-175	-140	-301	-278	-592	-615
3) Including items affecting comparability attributable to:						
Capital gains/losses, net	187	1,418	8,263	2,108	4,722	10,877
Impairment losses and close-down costs pertaining to German nuclear power plants	—	-10,240	—	-10,240	-10,513	—
Other impairment losses and impairment losses reversed, net, pertaining intangible assets (non-current) and property, plant and equipment	-29	-444	-64	-445	-402	-294
Unrealised changes in the fair value of energy derivatives	-61	335	-410	-1,022	-1,690	-1,078
Unrealised changes in the fair value of inventories	-70	-810	38	-594	-541	91
Restructuring costs	-76	—	-108	—	—	-108
Other items affecting comparability	6	1,120	-481	1,120	840	-761
Total of items affecting comparability in Operating profit which also constitute the difference between Operating profit and Underlying operating profit	-43	-8,621	7,238	-9,073	-7,584	8,727
4) Including return from the Swedish Nuclear Waste Fund	-72	305	228	538	1,948	1,638
5) Including interest components related to pension costs	-261	-251	-519	-501	-1,043	-1,061
5) Including discounting effects attributable to provisions	-832	-684	-1,743	-1,380	-2,966	-3,329
6) Items affecting comparability recognised as financial income and expenses, net	-344	142	-1,148	142	-1,508	-2,798

Consolidated statement of comprehensive income

Amounts in SEK million	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Last 12 months
Profit for the period	877	-3,235	14,732	3,968	10,416	21,180
Other comprehensive income:						
Cash flow hedges:						
Changes in fair value	2,146	-964	6,475	1,238	-4,675	562
Dissolved against the income statement	-1,744	-71	-3,335	248	6,668	3,085
Transferred to cost of hedged item	76	32	106	-34	224	364
Tax attributable to cash flow hedges	-252	227	-952	-350	-638	-1,240
Total cash flow hedges	226	-776	2,294	1,102	1,579	2,771
Hedging of net investments in foreign operations	775	-3,004	1,949	-2,069	960	4,978
Tax attributable to hedging of net investments in foreign operations	-203	790	-497	544	-242	-1,283
Total hedging of net investments in foreign operations	572	-2,214	1,452	-1,525	718	3,695
Translation differences	-1,135	4,707	-3,110	2,758	-2,014	-7,882
Translation differences and exchange rate effects net, divested companies	—	—	79	—	621	700
Revaluation of available-for-sale financial assets	18	-447	—	-1,153	-1,591	-438
Transferred to the income statement, available-for-sale financial assets	—	—	—	—	1,591	1,591
Total other comprehensive income, net after tax	-319	1,270	715	1,182	904	437
Total comprehensive income for the period	558	-1,965	15,447	5,150	11,320	21,617
Total comprehensive income for the period attributable to:						
Owners of the Parent Company	671	-1,539	15,452	5,511	12,008	21,949
Non-controlling interests (minority interests)	-113	-426	-5	-361	-688	-332
Total	558	-1,965	15,447	5,150	11,320	21,617

Operating segments, Vattenfall Group

Amounts in SEK million	External net sales					Internal net sales					Total net sales				
	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011
Generation	12,625	15,135	29,220	32,545	59,347	12,192	12,985	30,241	30,821	63,764	24,817	28,120	59,461	63,366	123,111
Distribution and Sales	27,274	31,443	64,943	74,870	144,575	1,392	2,131	3,916	5,861	10,724	28,666	33,574	68,859	80,731	155,299
Renewables	514	-38	1,056	356	1,820	324	286	657	687	1,311	838	248	1,713	1,043	3,131
Other ¹	4	345	122	745	983	1,421	2,079	2,784	3,546	6,320	1,425	2,424	2,906	4,291	7,303
Eliminations ²	-3,714	-6,442	-9,644	-16,205	-25,685	-15,329	-17,481	-37,598	-40,915	-82,119	-19,043	-23,923	-47,242	-57,120	-107,804
Total	36,703	40,443	85,697	92,311	181,040	—	—	—	—	—	36,703	40,443	85,697	92,311	181,040

Amounts in SEK million	Profit					Underlying operating profit ³				
	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011
Generation	3,457	-6,103	11,601	1,407	10,545	3,616	3,905	11,962	11,887	22,118
Distribution and Sales	1,330	2,142	4,920	6,933	11,123	1,222	1,607	4,813	6,397	10,496
Renewables	-18	68	-426	248	496	-24	61	80	227	460
Other ¹	6	654	7,636	15	1,045	4	-191	-362	-835	-2,281
Operating profit (EBIT)	4,775	-3,239	23,731	8,603	23,209	4,818	5,382	16,493	17,676	30,793
Financial income and expenses	-3,204	-1,590	-5,658	-3,483	-8,911					
Profit before tax	1,571	-4,829	18,073	5,120	14,298					

1) For 2011, mainly includes all Staff Functions including the Treasury activities and Shared Service Centres. Operating profit for Other includes large capital gains. Starting in 2012, costs for Staff Functions, except for the Treasury activities, are allocated to the operating segments Generation, Distribution and Sales, and Renewables.

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

3) See definition, page 28.

Vattenfall Group, information about geographical areas¹

Amounts in SEK million	External net sales					Internal net sales					Total net sales				
	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011
Sweden	10,713	11,785	24,223	26,008	46,075	1,016	244	3,750	-365	1,734	11,729	12,029	27,973	25,643	47,809
Germany	17,399	17,781	39,172	36,780	76,194	6,417	5,916	12,761	11,531	27,869	23,816	23,697	51,933	48,311	104,063
Netherlands	6,983	5,726	18,559	16,607	33,155	5,191	5,711	12,271	11,580	24,865	12,174	11,437	30,830	28,187	58,020
Other countries	2,336	5,306	5,651	13,274	30,494	400	1,008	1,029	2,366	3,663	2,736	6,314	6,680	15,640	34,157
Eliminations	-728	-155	-1,908	-358	-4,878	-13,024	-12,879	-29,811	-25,112	-58,131	-13,752	-13,034	-31,719	-25,470	-63,009
Total	36,703	40,443	85,697	92,311	181,040	—	—	—	—	—	36,703	40,443	85,697	92,311	181,040

Amounts in SEK million	Operating profit (EBIT)					Underlying operating profit ²				
	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011
Sweden	2,043	4,015	16,160	9,777	15,684	2,511	2,402	9,238	8,450	13,769
Germany	3,210	-8,720	6,997	-5,213	1,065	2,683	2,239	6,554	6,171	12,263
Netherlands	-714	863	-178	2,022	3,157	-466	161	125	1,071	1,453
Other countries	234	603	750	2,017	3,301	88	580	574	1,984	3,306
Eliminations	2	—	2	—	2	2	—	2	—	2
Total	4,775	-3,239	23,731	8,603	23,209	4,818	5,382	16,493	17,676	30,793

1) Pertains to consolidated financial information allocated to geographical areas.

2) See definition, page 28.

Consolidated balance sheet

Amounts in SEK million	30 June 2012	30 June 2011	31 Dec. 2011	Amounts in SEK million	30 June 2012	30 June 2011	31 Dec. 2011
Assets				Equity and liabilities			
Non-current assets				Equity			
Intangible assets: non-current	44,675	47,646	46,229	Attributable to owners of the Parent Company	143,470	125,715	131,988
Property, plant and equipment	278,869	288,718	279,445	Attributable to non-controlling interests (minority interests)	7,474	6,778	6,943
Investment property	514	622	539	Total equity	150,944	132,493	138,931
Biological assets	10	10	8	Non-current liabilities			
Participations in associated companies and joint ventures	12,221	12,884	12,344	Hybrid capital	8,725	9,084	8,883
Other shares and participations	2,945	3,827	3,235	Other interest-bearing liabilities	135,073	144,497	149,602
Share in the Swedish Nuclear Waste Fund	28,691	27,183	28,430	Pension provisions	17,763	18,517	17,995
Derivatives with positive fair value	22,298	16,816	20,691	Other interest-bearing provisions	65,322	67,069	66,487
Current tax asstes, non-current	992	1,232	990	Derivatives with negative fair value	13,625	12,213	12,590
Prepaid expenses	179	166	188	Deferred tax liabilities	35,759	34,395	35,406
Deferred tax assets	1,604	2,183	1,303	Other noninterest-bearing liabilities	8,038	8,488	8,238
Other non-current receivables	5,653	4,982	5,732	Total non-current liabilities	284,305	294,263	299,201
Total non-current assets	398,651	406,269	399,134	Current liabilities			
Current assets				Trade payables and other liabilities	26,842	26,986	35,108
Inventories	18,912	17,300	18,564	Advance payments from customers	706	1,258	1,142
Biological assets	2	1	1	Derivatives with negative fair value	7,922	11,655	9,864
Intangible assets: current	1,325	3,957	5,627	Accrued expenses and deferred income	11,299	18,419	18,507
Trade receivables and other receivables	29,342	30,804	41,880	Current tax liabilities	2,340	1,433	844
Advance payments to suppliers	4,102	2,807	6,368	Interest-bearing liabilities	21,941	28,312	11,865
Derivatives with positive fair value	10,228	11,279	9,408	Interest-bearing provisions	7,334	7,771	7,237
Prepaid expenses and accrued income	6,307	7,150	6,450	Liabilities associated with assets held for sale	—	600	1,859
Current tax assets	2,450	2,566	1,853	Total current liabilities	78,384	96,434	86,426
Short-term investments	25,767	18,959	17,417	Total equity and liabilities	513,633	523,190	524,558
Cash and cash equivalents	16,547	20,238	11,268				
Assets held for sale	—	1,860	6,588	Collateral	136	—	79
Total current assets	114,982	116,921	125,424	Contingent liabilities	3,215	3,392	3,584
Total assets	513,633	523,190	524,558				

Consolidated balance sheet, cont.

Amounts in SEK million	30 June 2012	30 June 2011	31 Dec. 2011	Amounts in SEK million	30 June 2012	30 June 2011	31 Dec. 2011
Supplementary information				Adjusted gross debt and net debt			
Net assets	275,402	281,771	284,250	Total interest-bearing liabilities	-165,739	-181,893	-170,350
Net assets, weighted average value	280,674	284,639	283,957	50% of Hybrid capital	4,363	4,542	4,442
Net debt				Present value of pension obligations	-22,950	-20,591	-22,461
Hybrid capital	-8,725	-9,084	-8,883	Provisions for mining, gas and wind operations and other environment-related provisions	-12,261	-12,531	-12,542
Bond issues, commercial paper and liabilities to credit institutions	-99,187	-102,842	-102,234	Provisions for nuclear power (net)	-18,362	-19,776	-18,470
Present value of liabilities pertaining to acquisitions of subsidiaries	-27,408	-44,606	-30,472	Currency derivatives for hedging of debt in foreign currency	3,708	1,966	3,282
Liabilities to associated companies	-9,644	-10,693	-10,521	Margin calls received	7,982	4,169	7,369
Liabilities to owners of non-controlling interests (minority owners)	-11,208	-9,660	-10,240	Liabilities to owners of non-controlling interests (minority owners) due to consortium agreements	10,370	9,194	9,771
Other liabilities	-9,567	-5,008	-8,000	Adjusted gross debt	-192,889	-214,920	-198,959
Total interest-bearing liabilities	-165,739	-181,893	-170,350	Reported cash and cash equivalents and short-term investments	42,314	39,197	28,685
Cash and cash equivalents	16,547	20,238	11,268	Unavailable liquidity	-5,923	-4,173	-5,757
Short-term investments	25,767	18,959	17,417	Adjusted cash and cash equivalents and short-term investments	36,391	35,024	22,928
Loans to owners of non-controlling interests (minority owners) in foreign subsidiaries	218	543	576	Adjusted net debt	-156,498	-179,896	-176,031
Net debt	-123,207	-142,153	-141,089				

Consolidated statement of cash flows

Amounts in SEK million	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Last 12 months
Operating activities						
Profit before tax	1,571	-4,829	18,073	5,120	14,298	27,251
Reversal of depreciation, amortisation and impairment losses	5,265	15,805	10,135	20,895	33,040	22,280
Tax paid	-1,095	-1,135	-3,280	-4,461	-5,250	-4,069
Capital gains/losses, net	-187	-1,462	-8,273	-2,152	-4,827	-10,948
Other, incl. non-cash flow items	-1,607	-2,254	9	-1,121	995	2,125
Funds from operations (FFO)	3,947	6,125	16,664	18,281	38,256	36,639
Changes in inventories	-417	-1,132	-376	-1,058	-3,350	-2,668
Changes in operating receivables	8,288	13,942	2,747	11,820	944	-8,129
Changes in operating liabilities	-2,243	-6,704	-7,954	-10,672	668	3,386
Other changes	-1,187	-436	1,498	1,031	-3,050	-2,583
Cash flow from changes in operating assets and operating liabilities	4,441	5,670	-4,085	1,121	-4,788	-9,994
Cash flow from operating activities	8,388	11,795	12,579	19,402	33,468	26,645
Investing activities						
Acquisitions in Group companies	—	—	—	-1	-257	-256
Investments in associated companies and other shares and participations	-122	-120	-177	-107	-140	-210
Other investments in non-current assets	-6,078	-7,734	-11,795	-13,945	-35,353	-33,203
Total investments	-6,200	-7,854	-11,972	-14,053	-35,750	-33,669
Divestments	499	3,321	21,516	4,569	16,280	33,227
Cash and cash equivalents in divested companies	1	—	-149	—	-1,332	-1,481
Cash flow from investing activities	-5,700	-4,533	9,395	-9,484	-20,802	-1,923
Cash flow before financing activities	2,688	7,262	21,974	9,918	12,666	24,722
Financing activities						
Changes in short-term investments	2,300	9,726	-8,689	12,537	11,292	-9,934
Changes in loans to owners of non-controlling interests (minority owners) in foreign subsidiaries	19	-38	352	-238	-287	303
Loans raised ¹	-176	351	640	969	10,511	10,182
Amortisation of debts pertaining to acquisitions of subsidiaries	-2,738	—	-2,738	—	-13,538	-16,276
Amortisation of other debts	646	-1,065	-2,702	-8,835	-15,688	-9,555
Divestment of shares in subsidiaries to owners of non-controlling interests (minority owners)	1,196	—	1,196	—	—	1,196
Dividends paid to owners	-4,489	-6,682	-4,500	-6,698	-6,701	-4,503
Contribution from owners of non-controlling interests (minority interests)	57	192	122	421	569	270
Cash flow from financing activities	-3,185	2,484	-16,319	-1,844	-13,842	-28,317
Cash flow for the period	-497	9,746	5,655	8,074	-1,176	-3,595

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

Consolidated statement of cash flows, cont.

Amounts in SEK million	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Last 12 months
Cash and cash equivalents						
Cash and cash equivalents at start of period	17,456	10,909	11,268	12,595	12,595	20,238
Cash and cash equivalents included in assets held for sale	—	-276	—	-276	—	276
Cash flow for the period	-497	9,746	5,655	8,074	-1,176	-3,595
Translation differences	-412	-141	-376	-155	-151	-372
Cash and cash equivalents at end of period	16,547	20,238	16,547	20,238	11,268	16,547
Supplementary information						
Cash flow before financing activities	2,688	7,262	21,974	9,918	12,666	24,722
Financing activities						
Dividends paid to owners	-4,489	-6,682	-4,500	-6,698	-6,701	-4,503
Sale of shares in subsidiaries to owners of non-controlling interests (minority owners)	1,196	—	1,196	—	—	1,196
Contribution from owners of non-controlling interests (minority interests)	57	192	122	421	569	270
Cash flow after dividend	-548	772	18,792	3,641	6,534	21,685
Analysis of change in net debt						
Net debt at start of period	-120,597	-138,282	-141,089	-144,109	-144,109	-142,153
Changed calculation of net debt	—	—	—	—	—	—
Cash flow after dividend	-548	772	18,792	3,641	6,534	21,685
Changes as a result of valuation at fair value	-910	-379	-439	536	-2,210	-3,185
Changes in interest-bearing liabilities for leasing	13	44	-728	63	114	-677
Interest-bearing liabilities/short-term investments acquired/divested	—	—	344	—	-459	-115
Changes in liabilities pertaining to acquisitions of subsidiaries, discounting effects	-92	-300	-202	-469	-549	-282
Cash and cash equivalents included in assets held for sale	—	-276	—	-276	—	276
Interest-bearing liability pertaining to future dividend	-324	—	-324	—	—	-324
Interest-bearing liabilities associated with assets held for sale	—	19	-344	19	344	-19
Translation differences on net debt	-749	-3,751	783	-1,558	-754	1,587
Net debt at end of period	-123,207	-142,153	-123,207	-142,153	-141,089	-123,207
Free cash flow	4,543	8,410	6,584	13,473	17,637	10,748

Consolidated statement of changes in equity

Amounts in SEK million	30 June 2012			30 June 2011			31 Dec. 2011		
	Attributable to owners of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity	Attributable to owners of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity	Attributable to owners of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity
Balance brought forward	131,988	6,943	138,931	126,704	6,917	133,621	126,704	6,917	133,621
Dividends paid to owners	-4,433	-67	-4,500	-6,500	-198	-6,698	-6,500	-201	-6,701
Group contributions from(+)/to(-) owners of non-controlling interests (minority interests), net after tax	—	—	—	—	—	—	—	358	358
Ownership change in subsidiaries in connection with the sale of shares to owners of non-controlling interests (minority interests)	463	483	946	—	—	—	—	—	—
Other ownership changes	—	120	120	—	420	420	-224	557	333
Cash flow hedges:									
Changes in fair value	6,456	19	6,475	1,226	12	1,238	-4,689	14	-4,675
Dissolved against income statement	-3,337	2	-3,335	248	—	248	6,667	1	6,668
Transferred to cost of hedged item	96	10	106	-38	4	-34	213	11	224
Tax attributable to cash flow hedges	-944	-8	-952	-346	-4	-350	-631	-7	-638
Total cash flow hedges	2,271	23	2,294	1,090	12	1,102	1,560	19	1,579
Hedging of net investments in foreign operations	1,949	—	1,949	-2,069	—	-2,069	960	—	960
Tax attributable to hedging of net investments in foreign operations	-497	—	-497	544	—	544	-242	—	-242
Total hedging of net investments in foreign operations	1,452	—	1,452	-1,525	—	-1,525	718	—	718
Translation differences	-2,972	-138	-3,110	2,724	34	2,758	-1,974	-40	-2,014
Translation differences and exchange rate effects net, divested companies	79	—	79	—	—	—	621	—	621
Revaluation of available-for-sale financial assets	—	—	—	-1,153	—	-1,153	-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	830	-115	715	1,136	46	1,182	925	-21	904
Profit for the period	14,622	110	14,732	4,375	-407	3,968	11,083	-667	10,416
Total comprehensive income for the period	15,452	-5	15,447	5,511	-361	5,150	12,008	-688	11,320
Balance carried forward	143,470¹	7,474	150,944	125,715¹	6,778	132,493	131,988¹	6,943	138,931
1) Of which, Reserve for cash flow hedges	2,516			-225			245		

Key ratios, Vattenfall Group (definitions and calculations of key ratios on pages 28-29)

In % unless indicated otherwise. (x) means times	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011	Last 12 months
Operating margin	13.0	-8.0	27.7	9.3	12.8	22.0
Operating margin ¹	13.1	13.3	19.2	19.1	17.0	17.0
Pre-tax profit margin	4.3	-11.9	21.1	5.5	7.9	15.6
Pre-tax profit margin ¹	5.3	9.0	14.0	15.2	12.9	12.2
Return on equity	15.7 ²	6.6 ²	15.7 ²	6.6 ²	8.6	15.7
Return on net assets	12.5 ²	5.7 ²	12.5 ²	5.7 ²	7.1	12.5
Return on net assets ¹	9.4 ²	9.0 ²	9.4 ²	9.0 ²	9.8	9.4
EBIT interest cover, (x)	3.6 ²	3.0 ²	3.6 ²	3.0 ²	2.5	3.6
EBIT interest cover, (x) ¹	2.8 ²	4.3 ²	2.8 ²	4.3 ²	3.3	2.8
FFO interest cover, (x)	4.3 ²	6.2 ²	4.3 ²	6.2 ²	4.8	4.3
FFO interest cover, net, (x)	4.9 ²	8.1 ²	4.9 ²	8.1 ²	5.8	4.9
Cash flow interest cover after maintenance investments, (x)	2.1 ²	5.0 ²	2.1 ²	5.0 ²	3.0	2.1
FFO/gross debt	22.1 ²	20.3 ²	22.1 ²	20.3 ²	22.5	22.1
FFO/net debt	29.7 ²	26.0 ²	29.7 ²	26.0 ²	27.1	29.7
FFO/adjusted net debt	23.4 ²	20.5 ²	23.4 ²	20.5 ²	21.7	23.4
EBITDA/net financial items, (x)	4.2	10.4	8.1	11.2	6.9	6.2
EBITDA/net financial items, (x) ¹	4.2	17.5	6.4	14.6	7.6	5.3
Equity/total assets	29.4	25.3	29.4	25.3	26.5	29.4
Gross debt/equity	109.8	137.3	109.8	137.3	122.6	109.8
Net debt/equity	81.6	107.3	81.6	107.3	101.6	81.6
Gross debt/gross debt plus equity	52.3	57.9	52.3	57.9	55.1	52.3
Net debt/net debt plus equity	44.9	51.8	44.9	51.8	50.4	44.9
Net debt/EBITDA, (x)	2.1 ²	2.6 ²	2.1 ²	2.6 ²	2.6	2.1
Adjusted net debt/EBITDA, (x)	2.7 ²	3.2 ²	2.7 ²	3.2 ²	3.2	2.7

1) Based on Underlying operating profit, i.e. Operating profit excl. items affecting comparability.

2) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Income statement						
Net sales	36,703	48,994	50,453	38,276	40,443	51,868
Cost of products sold	-27,477	-33,756	-37,449	-29,238	-40,997	-36,808
Other operating income and expenses, net	-4,573	3,730	-2,845	-4,666	-2,397	-3,463
Participations in the results of associated companies	122	-12	—	75	-288	245
Operating profit before depreciation and amortisation (EBITDA)	9,730	23,826	15,447	9,593	12,566	16,932
Operating profit (EBIT)	4,775	18,956	10,159	4,447	-3,239	11,842
Underlying operating profit	4,818	11,675	7,343	5,774	5,382	12,294
Financial items, net	-3,204	-2,454	-2,628	-2,800	-1,590	-1,893
Financial items, net ¹	-2,300	-1,843	-2,319	-2,933	-1,211	-1,430
Profit before tax	1,571	16,502	7,531	1,647	-4,829	9,949
Profit for the period	877	13,855	5,103	1,345	-3,235	7,203
– of which, attributable to owners of the Parent Company	899	13,723	5,602	1,106	-2,742	7,117
– of which, attributable to non-controlling interests (minority interests)	-22	132	-499	239	-493	86
Balance sheet						
Non-current assets	398,651	396,640	378,443	385,438	389,453	387,991
Short-term investments	25,767	28,254	17,417	19,498	18,959	28,647
Cash and cash equivalents	16,547	17,456	11,268	11,848	20,238	10,909
Other current assets	72,668	84,153	117,430	107,704	94,540	110,201
Total assets	513,633	526,503	524,558	524,488	523,190	537,748
Equity	150,944	153,877	138,931	133,223	132,493	140,948
– of which, attributable to owners of the Parent Company	143,470	146,769	131,988	126,032	125,715	133,754
– of which, attributable to non-controlling interests (minority interests)	7,474	7,108	6,943	7,191	6,778	7,194
Hybrid capital	8,725	8,793	8,883	9,207	9,084	8,869
Other interest-bearing liabilities	157,014	157,752	161,467	166,548	172,809	169,461
Pension provisions	17,763	17,853	17,995	18,792	18,517	18,053
Other interest-bearing provisions	72,656	74,188	73,724	75,081	74,840	69,746
Deferred tax liabilities	35,759	35,732	35,406	33,877	34,395	36,526
Other noninterest-bearing liabilities	70,772	78,308	88,152	87,760	81,052	94,145
Total equity and liabilities	513,633	526,503	524,558	524,488	523,190	537,748
Net assets	275,402	275,674	284,250	284,187	281,771	285,169
Net debt	-123,207	-120,597	-141,089	-143,808	-142,153	-138,282

Quarterly information, Vattenfall Group, cont.

Amounts in SEK million	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011
Cash flow						
Funds from operations (FFO)	3,947	12,717	10,120	9,855	6,125	12,156
Cash flow from changes in operating assets and operating liabilities	4,441	-8,526	-6,841	932	5,670	-4,549
Cash flow from operating activities	8,388	4,191	3,279	10,787	11,795	7,607
Cash flow from investing activities	-5,700	15,095	-4,173	-7,145	-4,533	-4,951
Cash flow before financing activities	2,688	19,286	-894	3,642	7,262	2,656
Changes in short-term investments	2,300	-10,989	-956	-289	9,726	2,811
Loans raised/Amortisation of debt, net, etc.	-996	-2,134	297	-11,047	-560	-7,123
Dividends paid to owners	-4,489	-11	-3	—	-6,682	-16
Cash flow from financing activities	-3,185	-13,134	-662	-11,336	2,484	-4,328
Cash flow for the period	-497	6,152	-1,556	-7,694	9,746	-1,672
Free cash flow	4,543	2,041	-2,270	6,434	8,410	5,063

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

Key ratios (definitions and calculations of key ratios on pages 28-29)

In % unless indicated otherwise. (x) means times

Return on equity ¹	15.7	13.4	8.6	6.3	6.6	12.6
Return on net assets ¹	12.5	9.6	7.1	5.3	5.7	9.9
Return on net assets ^{1,2}	9.4	9.5	9.0	9.6	10.1	11.3
EBIT interest cover, (x) ¹	3.6	3.2	2.5	2.9	3.0	4.7
EBIT interest cover, (x) ^{1,2}	2.8	3.1	3.1	4.7	4.7	5.3
FFO/gross debt ¹	22.1	23.3	22.5	22.6	20.3	23.8
FFO/net debt ¹	29.7	32.2	27.1	27.7	26.0	30.7
FFO/adjusted net debt ¹	23.4	25.0	21.7	22.1	20.5	25.0
Equity/assets ratio	29.4	29.2	26.5	25.4	25.3	26.2
Gross debt/equity	109.8	108.2	122.6	131.9	137.3	126.5
Net debt/equity	81.6	78.4	101.6	107.9	107.3	98.1
Net debt/net debt plus equity	44.9	43.9	50.4	51.9	51.8	49.5
Net debt/EBITDA, (x) ¹	2.1	2.0	2.6	2.6	2.6	2.4
Adjusted net debt/EBITDA, (x) ¹	2.7	2.5	3.2	3.3	3.2	3.0

1) Last 12-month values.

2) Based on Underlying operating profit, i.e. Operating profit excl. items affecting comparability.

Exchange rates

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

	Q2 2012	Q2 2011	Q1-2 2012	Q1-2 2011	Full year 2011
Average rate					
EUR	8.8780	8.9705	8.8796	8.9429	9.0215
DKK	1.1939	1.2028	1.1943	1.1993	1.2110
NOK	1.1741	1.1505	1.1704	1.1444	1.1579
PLN	2.0943	2.2575	2.0930	2.2543	2.1900
GBP	10.9180	10.1331	10.7777	10.2532	10.3810
USD	6.8941	6.1963	6.8288	6.3611	6.4922

	30 June 2012	30 June 2011	31 Dec. 2011
Balance sheet date rate			
EUR	8.7728	9.1500	8.9400
DKK	1.1802	1.2263	1.2033
NOK	1.1646	1.1760	1.1505
PLN	2.0648	2.3000	2.0300
GBP	10.8736	10.1500	10.6800
USD	6.9681	6.3100	6.9200

Parent Company income statement

Amounts in SEK million	Q1-2 2012	Q1-2 2011	Full year 2011
Net sales	20,120	16,611	31,655
Cost of products sold	-11,983	-9,946	-19,037
Gross profit	8,137	6,665	12,618
Selling expenses, administrative expenses and research and development costs	-1,806	-1,421	-3,538
Other operating income and expenses, net	-247	-2,669	-3,136
Operating profit (EBIT)	6,084	2,575	5,944
Result from participations in Group companies	9,385	7,655	13,935
Result from participations in associated companies	1	1	1
Result from other shares and participations	10	—	-1,523
Group contributions received	—	—	1,921
Group contributions paid	—	—	-2,862
Other financial income	2,750	745	6,037
Other financial expenses	-2,966	-3,509	-7,005
Profit before appropriations and tax	15,264	7,467	16,448
Appropriations	1,203	5,108	3,253
Profit before tax	16,467	12,575	19,701
Income tax expense	-2,042	-1,618	-2,847
Profit for the period	14,425	10,957	16,854

Parent Company statement of comprehensive income

Amounts in SEK million	Q1-2 2012	Q1-2 2011	Full year 2011
Profit for the period	14,425	10,957	16,854
Total other comprehensive income	—	—	—
Total comprehensive income for the period	14,425	10,957	16,854

Parent Company balance sheet

Amounts in SEK million	30 June 2012	30 June 2011	31 Dec. 2011
Assets			
Non-current assets			
Intangible assets: non-current	206	181	206
Property, plant and equipment	4,231	3,982	4,086
Shares and participations	179,876	194,148	178,670
Deferred tax assets	—	144	—
Other non-current assets	81,529	72,673	72,495
Total non-current assets	265,842	271,128	255,457
Current assets			
Inventories	360	264	360
Intangible assets: current	138	179	334
Current receivables	20,944	32,506	47,431
Current tax assets	—	—	565
Short-term investments	21,580	14,382	12,839
Cash and cash equivalents	10,755	17,003	6,265
Total current assets	53,777	64,334	67,794
Total assets	319,619	335,462	323,251
Equity and liabilities			
Equity			
Restricted equity			
Share capital	6,585	6,585	6,585
Statutory reserve	1,286	1,286	1,286
Non-restricted equity			
Retained earnings	75,212	62,784	62,790
Profit for the period	14,425	10,957	16,854
Total equity	97,508	81,612	87,515
Untaxed reserves	9,152	8,501	10,355
Provisions	184	193	191
Non-current liabilities			
Hybrid capital	8,725	9,084	8,883
Other interest-bearing liabilities	121,182	134,370	134,972
Deferred tax liabilities	857	—	932
Other noninterest-bearing liabilities	6,415	4,360	5,864
Total non-current liabilities	137,179	147,814	150,651
Current liabilities			
Interest-bearing liabilities	50,799	75,422	50,202
Current tax liabilities	846	346	—
Other noninterest-bearing liabilities	23,951	21,574	24,337
Total current liabilities	75,596	97,342	74,539
Total equity and liabilities	319,619	335,462	323,251

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

Group

Accounting policies

The consolidated accounts for the first half of 2012 have, as in the year-end accounts for 2011, been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission for application within the EU, and the Swedish Annual Accounts Act.

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

The accounting policies and calculation methods applied in this interim report are the same as those described in Vattenfall's 2011 Annual Report (Note 2 to the consolidated accounts), with exception for the amended IFRS endorsed by the EU and described below, which is effective as of the 2012 financial year.

Amendments in IFRS 7 – *Financial Instruments: Disclosures*. The amendments require additional quantitative and qualitative disclosures when derecognising financial instruments from the balance sheet. If transferred assets are not derecognised in their entirety, this fact shall be disclosed. In the same way, if the entity has a continuing involvement in the derecognised asset, this shall also be disclosed.

New definition of Items affecting comparability

Vattenfall has previously defined Items affecting comparability as: Capital gains and capital losses from shares and other non-current assets, impairment losses and reversed impairment losses pertaining to non-current assets, and other nonrecurring items. Starting with the first quarter of 2012, this definition has been expanded to also include unrealised changes in the fair value of energy derivatives, which according to IAS 39 cannot be recognised using hedge accounting, and unrealised changes in the fair value of inventories.

In the third quarter of 2011 Vattenfall introduced the profit measure "Underlying operating profit". Starting with the first quarter of 2012, this profit measure is defined as Operating profit (EBIT) excluding items affecting comparability.

Comparison figures and key ratios containing items affecting comparability for prior periods have been recalculated to reflect these new definitions.

Other changes in the financial statements

Information about geographical areas has been changed compared to what previously has been published. Starting with the first quarter of 2012, information is provided for the core markets Sweden, Germany and the Netherlands. In addition, activities in other countries are reported as a total. Comparison figures have been recalculated.

On the balance sheet, starting with the first quarter of 2012 a split has been made for "Derivatives with positive fair values" so that these, on the assets side of the balance sheet, have been split into current assets and non-current assets, respectively. Previously such derivatives were recognised only as current assets. Similarly, the item "Derivatives with negative fair values" has been split into current liabilities and non-current liabilities, respectively, compared with previously, when these were recognised as current liabilities in their entirety. Comparison figures have been recalculated.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2011 Annual Report, pages 57–65. No other material changes have taken place since publication of the 2011 Annual Report.

Other

Significant related-party transactions are described in Note 54 to the consolidated accounts in Vattenfall's 2011 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2011 Annual Report.

Parent Company Vattenfall AB

Accounting policies

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

The accounting policies used in this report are the same as those described in Vattenfall's 2011 Annual Report (Note 2 to the Parent Company accounts).

First half of 2012

A condensed income statement and balance sheet for the Parent Company are presented on page 25 of this report.

Sales amounted to SEK 20,120 million (16,611).

Profit before appropriations and tax was SEK 15,264 million (7,467). The higher profit compared with a year ago is mainly attributable to the sale in January 2012 of Vattenfall's electricity distribution and heat business in Finland, which generated a capital gain of SEK 10,051 million.

Impairment of shares in Vattenfall Biomass Liberia AB and provisions for obligations related to this company were charged against profit in the first quarter of 2012 in the amount of SEK 1,482 million.

In June, SEK 2,631 million (EUR 300 million) was repaid to Nuon's shareholders, resulting in a realised foreign exchange gain of SEK 590 million.

The balance sheet total was SEK 319,619 million (31 December 2011: 323,251).

Investments for the period amounted to SEK 1,979 million (356).

During the period, a new issue of SEK 3,000 million was carried out in the subsidiary Vattenfall Vindkraft AB. In addition, a shareholder contribution of SEK 1,450 million was repaid from the Finnish operations.

In May a share dividend of SEK 4,433 million was paid to the Swedish state.

Cash and cash equivalents and short-term investments amounted to SEK 32,335 million (31 December 2011: 19,104).

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2011 Annual Report, pages 57–65. No material changes have taken place since publication of the 2011 Annual Report.

Other

Significant related-party transactions are described in Note 40 to the Parent Company accounts in Vattenfall's 2011 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2011 Annual Report.

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

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

Stockholm, 31 July 2012

Lars G. Nordström
Chairman of the Board

Øystein Løseth
President and
Chief Executive Officer

Carl Gustaf Angelin

Eli Arnstad

Gunilla Berg

Johnny Bernhardsson

Håkan Buskhe

Ronny Ekwall

Håkan Erixon

Jan-Åke Jonsson

Patrik Jönsson

Cecilia Vieweg

Review report

Introduction

We have reviewed the condensed interim report for Vattenfall AB (publ) as at 30 June 2012 and for the six-month period then ended. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the Swedish Standard on Review Engagements, SÖG 2410, "Review of Interim Reports Performed by the Independent Auditor of the Entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Stockholm, 31 July 2012

Ernst & Young AB
Hamish Mabon
Authorised Public Accountant

Definitions and calculations of key ratios

Figures for the Group in 2012. Amounts in SEK million unless indicated otherwise.

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.		
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. Also included here are unrealised changes in the fair value of energy derivatives, which according to IAS 39 can not be recognised using hedge accounting, and unrealised changes in the fair value of inventories.		
Underlying operating profit	=	Operating profit (EBIT) excluding items affecting comparability.		
FFO	=	Funds From Operations.		
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.		
Adjusted net debt	=	For calculation, see page 18.		
The key ratios are presented as percentages (%) or times (x).				
Key ratios based on last 12-month values (July 2011–June 2012):				
Operating margin, %	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{38,337}{174,426}$	= 22.0
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying operating profit}}{\text{Net sales}}$	$\frac{29,610}{174,426}$	= 17.0
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{27,251}{174,426}$	= 15.6
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{21,322}{174,426}$	= 12.2
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{21,330}{136,049}$	= 15.7
Return on net assets, %	= 100 x	$\frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{35,008}{280,674}$	= 12.5
Return on net assets excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying operating profit + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{26,281}{280,674}$	= 9.4
EBIT interest cover, (x)	= 100 x	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{39,958}{11,016}$	= 3.6

Definitions and calculations of key ratios, cont.

EBIT interest cover excl. items affecting comparability, (x) =	Underlying operating profit + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	31,231	=	2.8
	Financial expenses excl. discounting effects attributable to provisions	11,016		
FFO interest cover, (x) =	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	47,655	=	4.3
	Financial expenses excl. discounting effects attributable to provisions	11,016		
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	46,034	=	4.9
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	9,395		
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	20,703	=	2.1
	Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	9,955		
FFO/gross debt, % = 100 x	Funds from operations (FFO)	36,639	=	22.1
	Interest-bearing liabilities	165,739		
FFO/net debt, % = 100 x	Funds from operations (FFO)	36,639	=	29.7
	Net debt	123,207		
FFO/adjusted net debt, % = 100 x	Funds from operations (FFO)	36,639	=	23.4
	Adjusted net debt	156,498		
EBITDA/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA)	58,596	=	6.2
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	9,395		
EBITDA excl. items affecting comparability/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	49,869	=	5.3
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	9,395		

Key ratios based on the balance sheet per 30 June 2012:

Equity/total assets, % = 100 x	Equity	150,944	=	29.4
	Balance sheet total	513,633		
Gross debt/equity, % = 100 x	Interest-bearing liabilities	165,739	=	109.8
	Equity	150,944		
Net debt/equity, % = 100 x	Net debt	123,207	=	81.6
	Equity	150,944		
Gross debt/gross debt plus equity, % = 100 x	Interest-bearing liabilities	165,739	=	52.3
	Interest-bearing liabilities + equity	316,683		
Net debt/net debt plus equity, % = 100 x	Net debt	123,207	=	44.9
	Net debt + equity	274,151		
Net debt/EBITDA, (x) =	Net debt	123,207	=	2.1
	Operating profit before depreciation and amortisation (EBITDA)	58,596		
Adjusted net debt/EBITDA, (x) =	Adjusted net debt	156,498	=	2.7
	Operating profit before depreciation and amortisation (EBITDA)	58,596		

Financial calendar

Interim report January–June
31 July 2012

Interim report January–September
30 October 2012

Year-end report 2012
12 February 2013

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All comparison figures in this report pertain to the second quarter of 2011, unless indicated otherwise.

This is a translation of the Swedish original. In the event of any discrepancy, the Swedish version shall govern.