Delivering our consolidation strategy

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Vattenfall is delivering its consolidation strategy

Cost-cutting programme	• On track • Target to achieve cost savings of SEK 6 billion p.a. by year-end 2013
Divestment of non core businesses	• On track • Cash proceeds in H1 2011 SEK 5.9 billion
Revised capex plan	• Reduced capex programme for 2011-2015 to SEK 165[1] billion, down from SEK 201 billion for the period 2010-2014[2] • Ongoing process to further reduce CAPEX programme for 2012-2016. Current indication SEK 150-155 billion
New organisation	• New business-led organisational structure successfully implemented as from 1 January 2011 - From a geographical to a business led organisation - Promoting efficiency and expertise - New steering model, with clear responsibilities

[1] Using an exchange rate of SEK:EUR of 9,55.
[2] Using an exchange rate of SEK:EUR of 10,85.

Improve efficiency of operations

By year-end 2013, annual costs will be reduced by SEK 6 billion

Increased efficiency and value creation through 2013

2010

Negative trend reversed; improved operating performance

- Freeze on new recruitment
- Freeze on new consulting assignments
- Accelerated IT savings initiatives
- Accelerated purchasing savings
- Initiated operational excellence

2011-2013

Further improvements in operating performance

Purchasing

- Improve co-ordination
- Standardise processes and routines

Costs for operations and maintenance, sales and administration

- Increase focus on core businesses
- Increase process efficiency
- Increase cross-border standardisation

- **Costs to be reduced by SEK 6 billion annually by year-end of 2013**
  - Greatest potential within procurement (~50% of total cost savings)
  - Savings in other areas by focusing on core business, increasing process efficiency and uniformity between markets
  - Lowered costs for personnel and administration
  - 25% of cost reductions to be realised in 2011, 50% in 2012, 75% in 2013 and 100% in 2014

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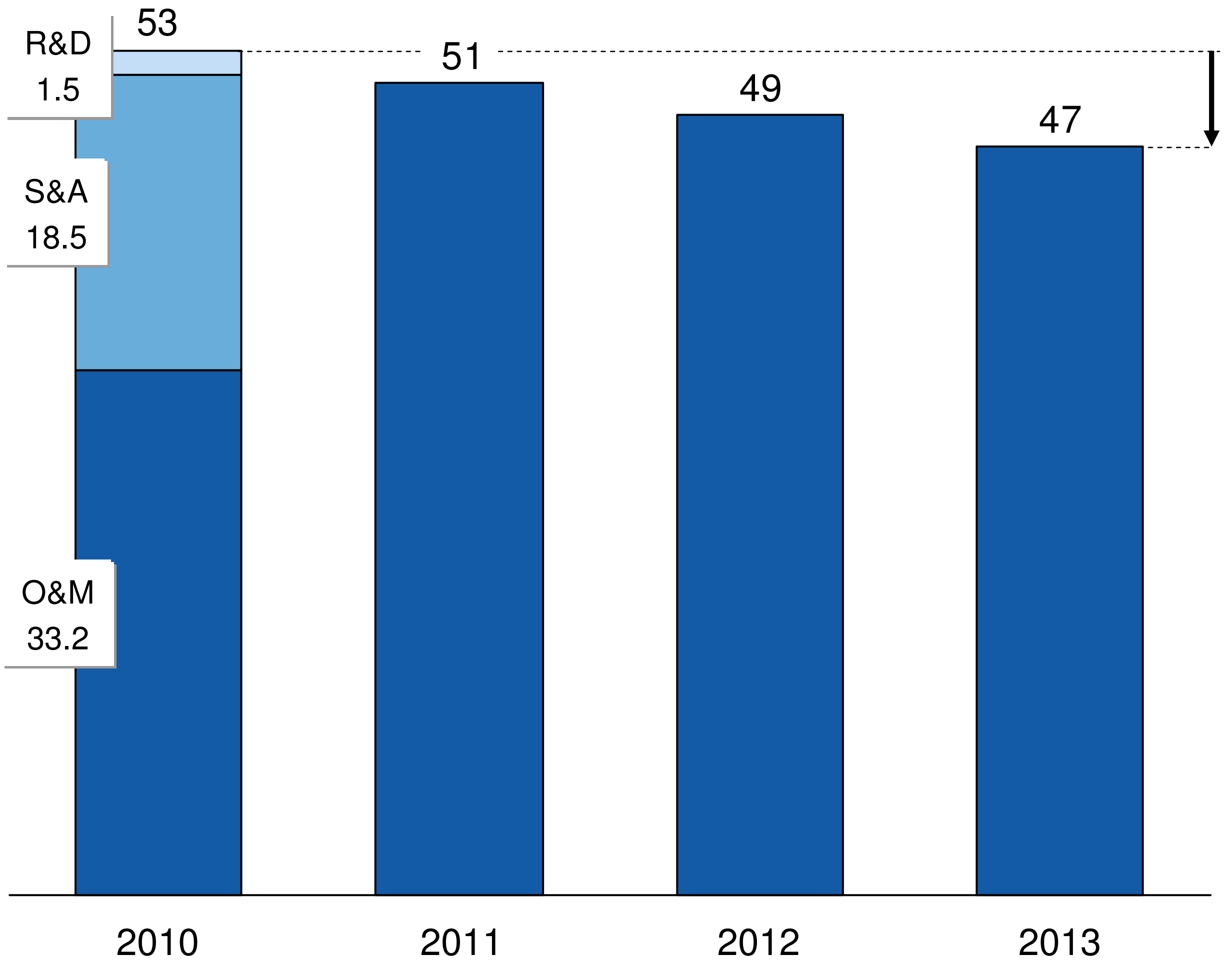
Cost-cutting progamme

Cost base reduction, excluding divestments*
SEK billion



Cost base reduction:

SEK - 6 billion

Levers for cost reductions:

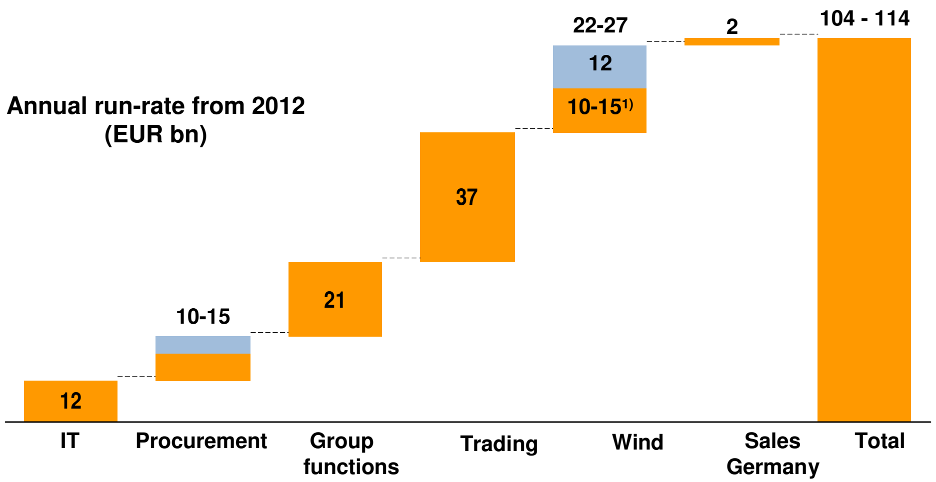
- Strict focus and prioritisation of activities
- Savings in:
  - Procurement
  - IT
  - R&D
  - FTE

* Exposed cost base for OPEX-reduction: O&M, S&A, R&D. Divestments expected to reduce cost base by SEK 3 billion.

Nuon integration completed

- When N.V. Nuon Energy (Nuon) was acquired in 2009 synergies of EUR ~100 million (annually), to be achieved by 2015, were identified
- Synergies were identified mainly in procurement, IT, Group functions and Trading.

Status and ambition as defined in June 2009



- EUR 104 -114 million in annual run rate from 2012 proposed as value creation target for areas directly related to integration
- Due dil. phase estimated ~EUR100 million in value creation opportunities

IT	Procurement	Group functions	Trading	Wind	Sales Germany
▪ Scale benefits IT procurement ▪ Use group solutions and platform	▪ Scale benefits procure-ment	▪ Short-term duplications ▪ Optimization program	▪ Improved fuel sourcing ▪ IT consolidation ▪ Overlapping functions	▪ UK integration ▪ Improved mainte-nance	▪ Improve cost-to-serve and back-office

▪ Operational expenditure reduction
▪ CAPEX reduction

1) Actual impact depends on MW installed that year, average run rate ~10-15 million (2012: ~7 mln)

Status 2011

Nuon is now fully integrated in Vattenfall and realised synergies slightly exceed targeted EUR 100mn

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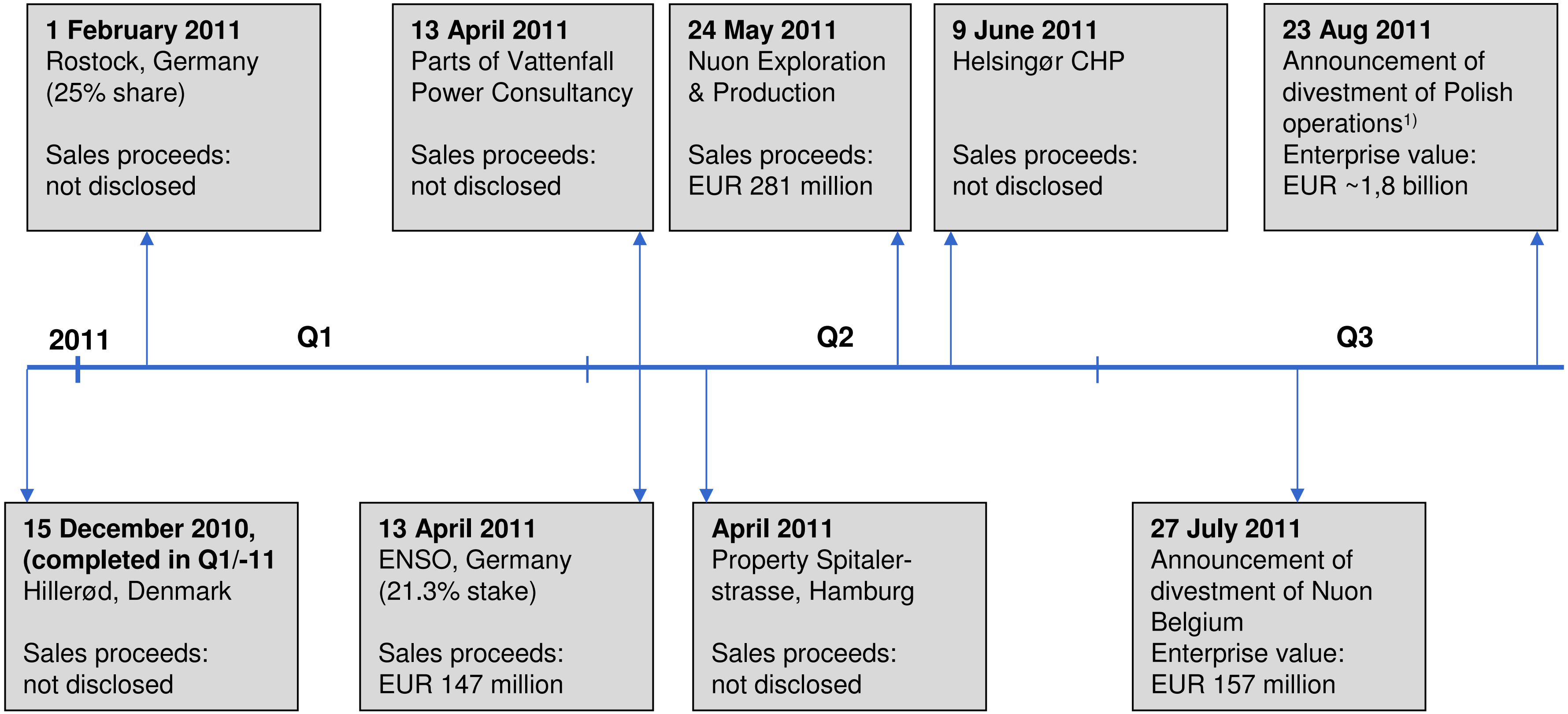
Divestments of non-core assets continue according to plan



- **Total proceeds in H1 2011: SEK 5.9 billion**

[1)] Existing Polish operations of Vattenfall Energy Trading and IT are not included in the divestment, and will remain (~100 FTE)

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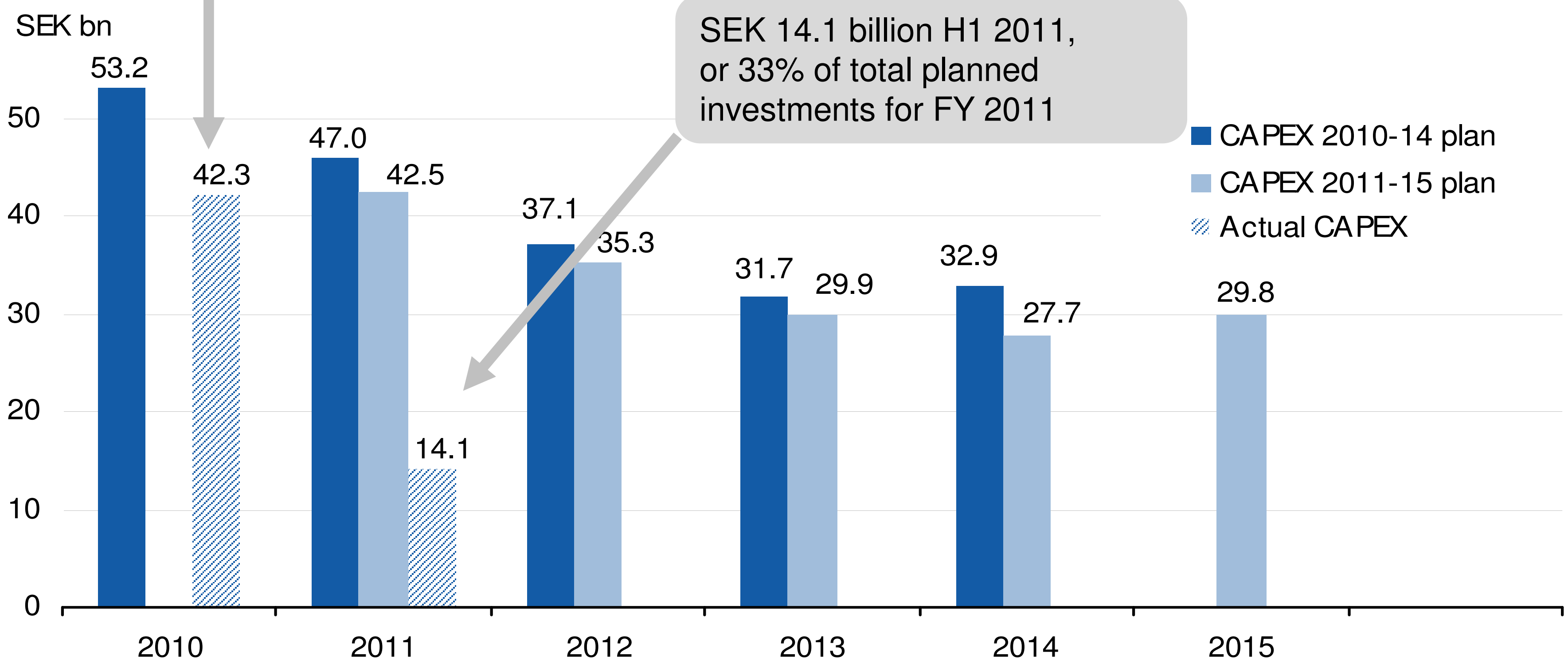
CAPEX programme – break down per year

Total deviation of ~11 billion SEK FY 2010 mainly due to:
- Divestment of German Transmission (avoided investments of SEK 4 bn)
- Rescheduled payments for planned unit in Siekierki (PL), SEK 0.9 bn, Moorburg (DE), SEK 2 bn and Boxberg (DE), SEK 0.6 bn
- Postponed payments for the district heat transport, SEK 1 bn

SEK 14.1 billion H1 2011, or 33% of total planned investments for FY 2011



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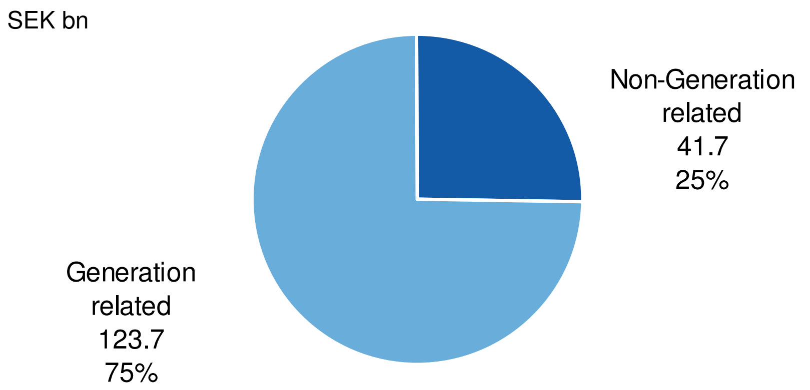
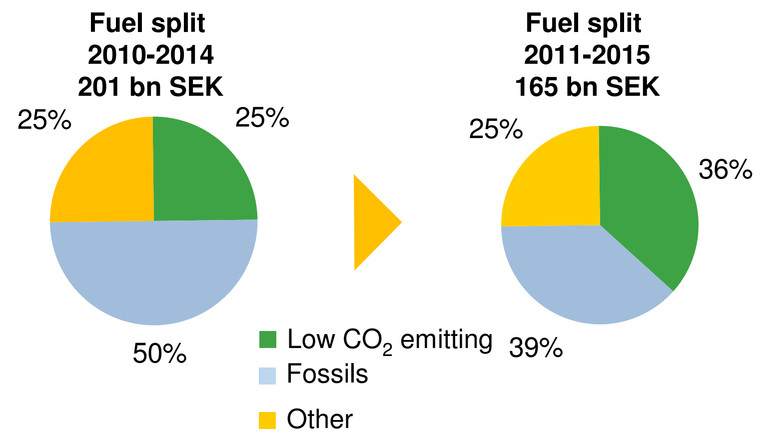
CAPEX programme 2011-2015

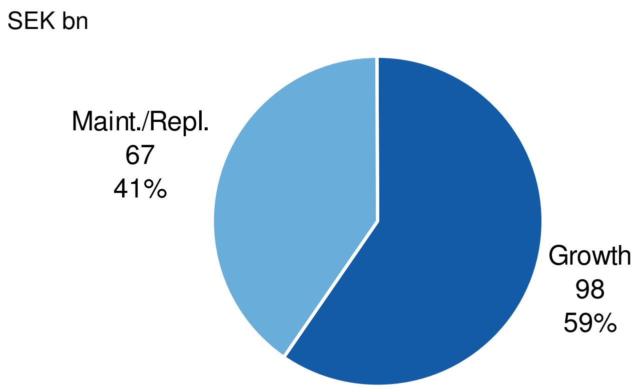
Generation vs. non generation (2011-2015)



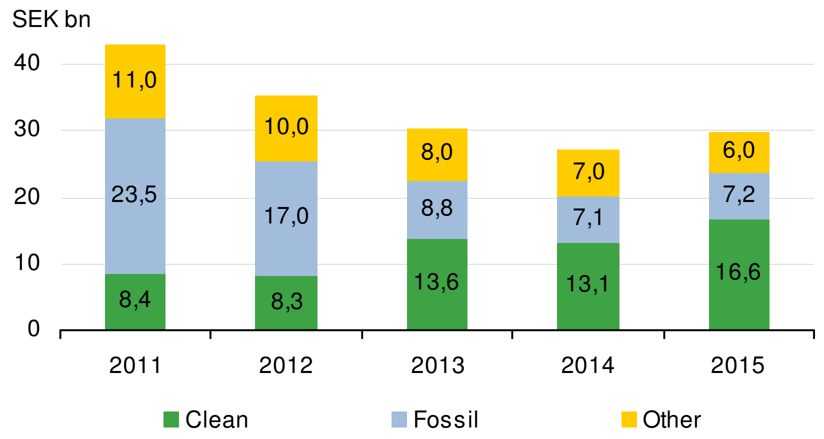
Increasing low CO_2 emitting part



Growth vs. maintenance / replacement (2011-2015)



Increasing "clean" part (2011-2015)



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Major ongoing investment projects

Project	Scope	Status
Akkats, SE (reconstruction)	150 MW hydro power plant	On track
Dan Tysk, DE	300 MW offshore wind park	On track
EPE gas storage, NL	210 million m^3 under ground storage	Operational april 2011, below budget and ahead of schedule
Diemen 34, NL	435 MW electricity, 200 MW heat, CCGT	On track. Turn-key. Traditional design
Hemweg 9, NL	435 MW CCGT	On track. Turn-key. Traditional design
Magnum, NL	1,312 MW CCGT	Some investments moved from 2011 to 2012. Estimated commissioning of third (and last) unit, Jan 2013
Moorburg, DE	1,654 MW electricity, 450 MW thermal, hard coal fired CHP	Delays due to T-24 steel material challenges and delayed heat pipe
Boxberg, DE	675 MW lignite fired power plant	Delays due to T-24 steel material challenges

New steering model implemented

Segment	Generation			Distribution and Sales	Rene-wables	
BD / KPI	Asset Develop-ment	Production	AOT	Distribution and Sales	Rene-wables	Staff Functions
Financial KPI	•EBIT (Engineer-ing) •OPEX	•Plant availability •OPEX	•EBIT •Revenue optim./ pricing	•EBIT •Opex	•EBIT •Opex	•Opex
People	•Employee Satisfaction Index •Safety					
Business specific (monitoring or target) - examples	•NPV impact of capex deviations	•Cost of unavail-ability	•Optimisa-tion value added •Net Contrib-ution	•Custo-mer satis-faction •Cost to serve customer (B2C)	•Negative NPV deviation in time and budget	•HR costs •Absent-eeism

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German nuclear decision – financial impact

- Impairment of the book values of Brunsbüttel and Krümmel and increased provisions for dismantling the plants and the handling of nuclear fuel.
- Total EBIT impact of SEK -10.2 billion in Q2 2011
  - Impairment charge (write-down) of assets: SEK 5 billion
    - Brunsbüttel SEK 3.3 billion
    - Krümmel SEK 1.7 billion
  - Increased provisions[1)]: SEK 5.2 billion
    - Longer post-operational phase (the time between the closing of the plants and dismantling)
    - Reversal of the lowered provisions in 2010, which were based on last years decision on life-time extensions
    - The increase of provisions raised adj. net debt by approx. SEK 6.2 billion
  - Negligible impact on cash flow in 2011
- Annual average estimated total pro rata cash outflow from provisions during 2012-2019 amounts to EUR 180 million (for Brunsbüttel and Krümmel). Lower amounts for the years thereafter.
- Lower German tax payments by approx EUR 280 million for fiscal year 2011 (of which EUR 67 million have been refunded already).

1) Including cost sharing from E.ON (minority shareholder in Brunsbüttel).

Liquidity & funding situation

- Strong liquidity position (both cash and committed credit lines).
- No estimated refinancing need 2011 and 2012.
- We experience today a great interest in Vattenfall risk among investors.
- We see hybrid capital as an option to bolster credit metrics. We will on a continual basis evaluate the pros and cons of building up further hybrid capital.

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Strong liquidity position

As of 30 June 2011

Group liquidity	SEK mn
Cash and equivalents	20 238
Short term investments	18 959
Reported cash, cash equivalents & short term investments	**39 197**
Unavailable liquidity [1)]	-4 173
Available liquidity	**35 024**

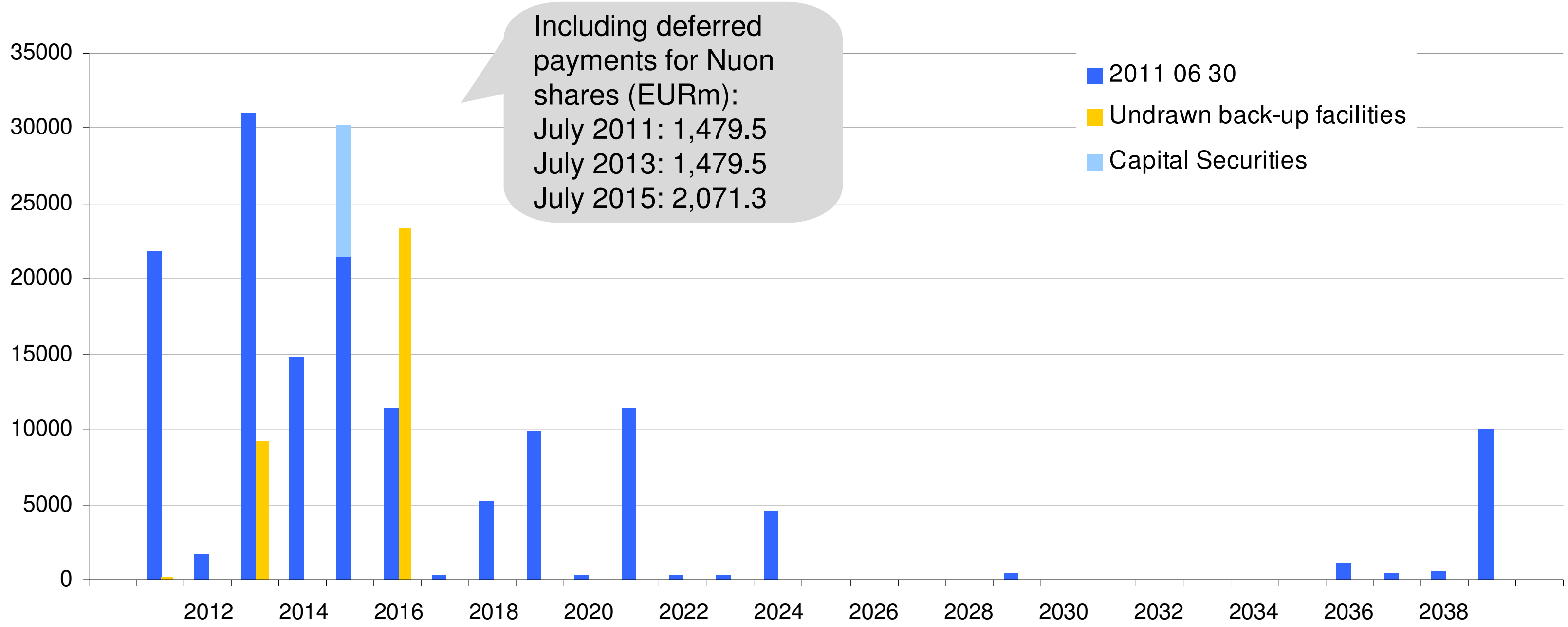
1) German nuclear ”Solidarvereinbarung” 3 115, Margin calls paid and others 1 058

Committed credit facilities	Line size	Amount available SEK mn
RCF (maturity Feb 2013)	EUR 1 000 million	9 150
RCF (maturity Jan 2016)	EUR 2550 million	23 333
Overdraft facility	SEK 100 million	100
Total undrawn		**32 583**
Other credit lines unutilised		*3 897*

Debt maturities [2)]	SEK mn
- within 90 days	14 070
- within 180 days	21 650

2) Excluding loans from minority owners and associated companies

Debt maturity profile



Excluding loans from associated companies and minority owners

	30 June 2011	30 June 2010
Duration (years) 2)	4.0	4.3
Average time to maturity (years) 2)	6.0	6.9
Average interest rate (%) 2)	3.6	3.4
Net debt (SEK bn)	142.2	151.1

2) Based on external debt, excluding Capital Securities.

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Continued focus on consolidation

- Vattenfall is on track delivering its consolidation strategy
- Next two years focus is to continue delivering on the consolidation initiatives launched 2010
  - New five-year rolling investment plan for 2012-2016 to be finalised end of 2011 (current indication SEK 150-155 billion)
  - Executing the cost-cutting programme, with the target of achieving cost savings of SEK 6 billion p.a. by year-end 2013
  - Divestment of non-core business to proceed

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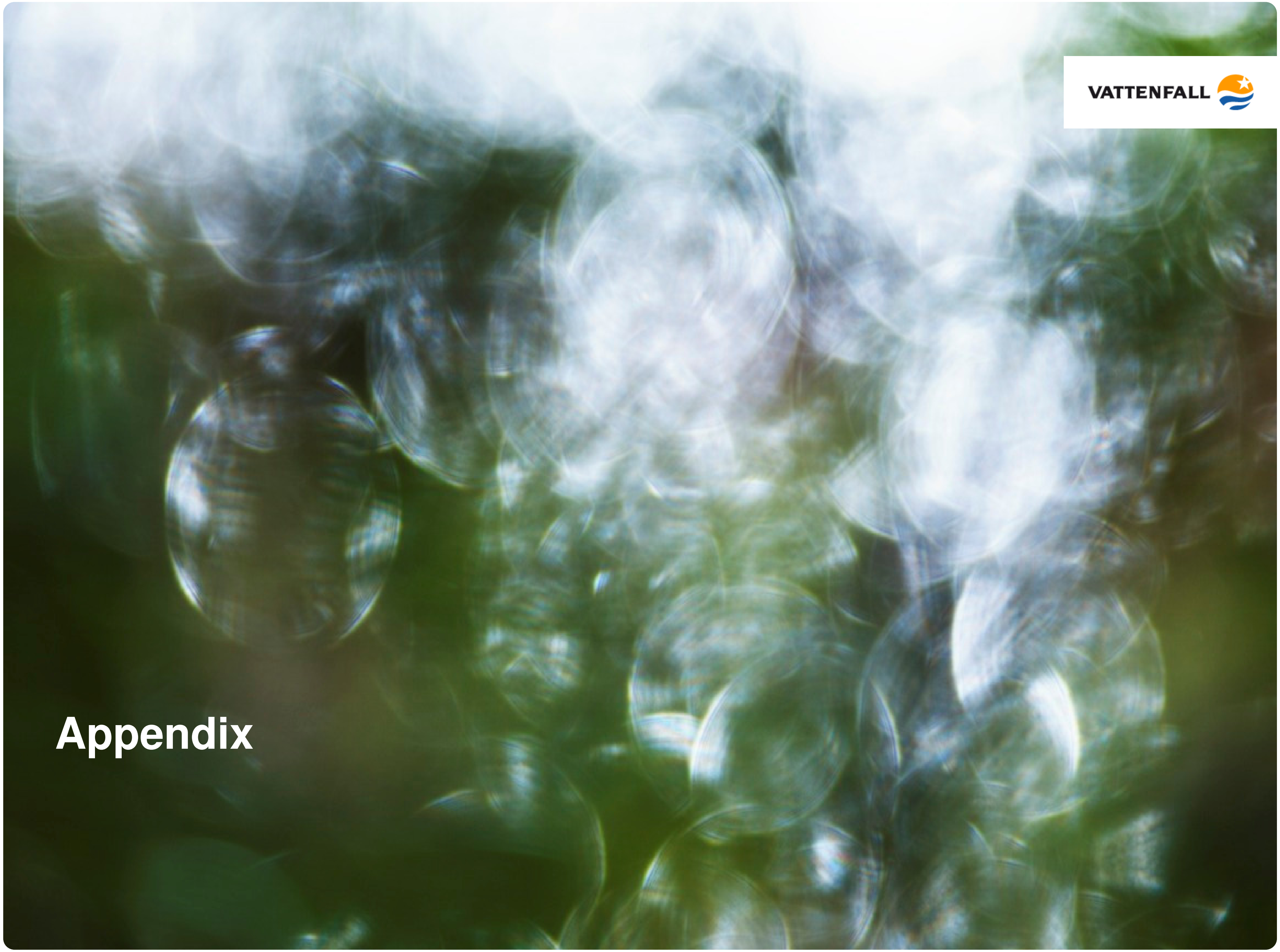

Appendix

Financial targets and outcome

Key Ratio	Targets	Q2 2011
Return on Equity (RoE)	15% on average equity	6.6%[1] 14.3% excl. IAC[1]
Cash flow interest coverage after maintenance investments	3.5-4.5 times	5.0[1]
Credit rating	Single A category rating	Moody's: A2, stable outlook S&P: A, negative outlook
Dividend pay-out	40-60%	50% (SEK 6.5 bn paid out 3 May 2011)

1) Last twelve months

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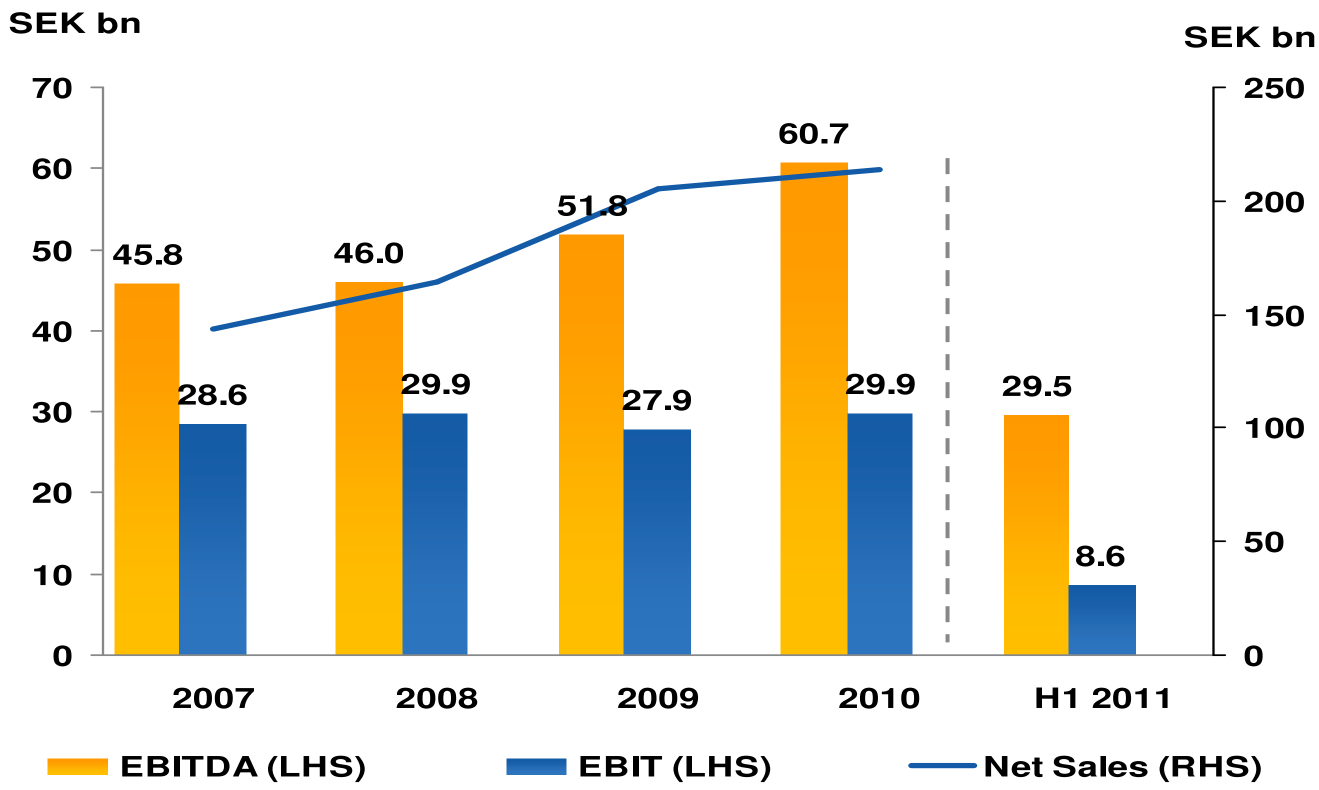
Net sales, EBITDA and EBIT development



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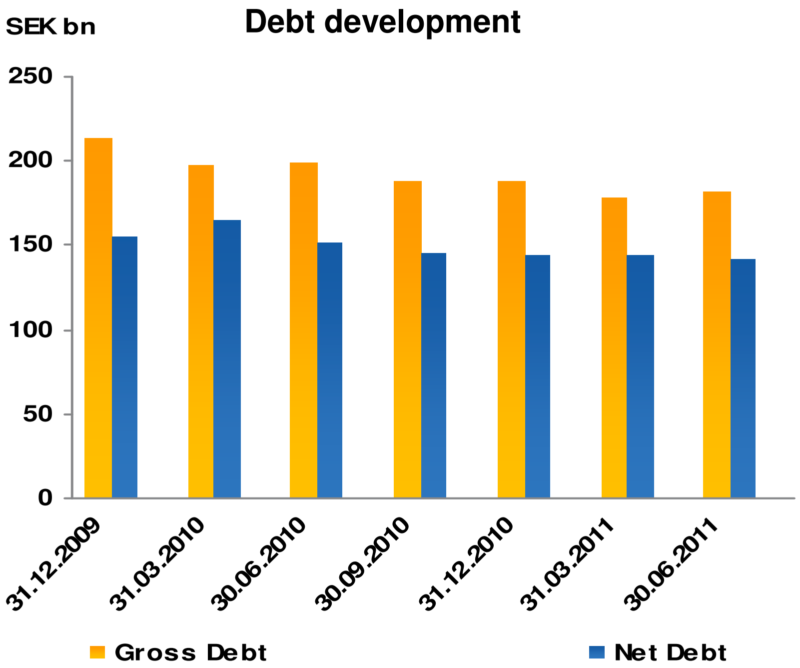
Debt development / Key credit metrics



Key credit metrics	FY 2009	FY 2010	Q2 2011
FFO Interest cover (x)	4.8	6.2	6.2[1)]
FFO/net debt (%)	23.7	27.8	26.0[1)]
FFO/adj. net debt(%)	17.9	23.1	21.3[1)]
Adj.net debt/EBITDA (x)	4.0	2.9	3.2[1)]

[1)] Last twelve months

- Reported gross and net debt decreased slightly compared to 31 Dec 2010.

- Credit metrics slightly deteriorated since Q1/11.
- Adjusted net debt increased due to increased provisions related to German nuclear phase-out decision.

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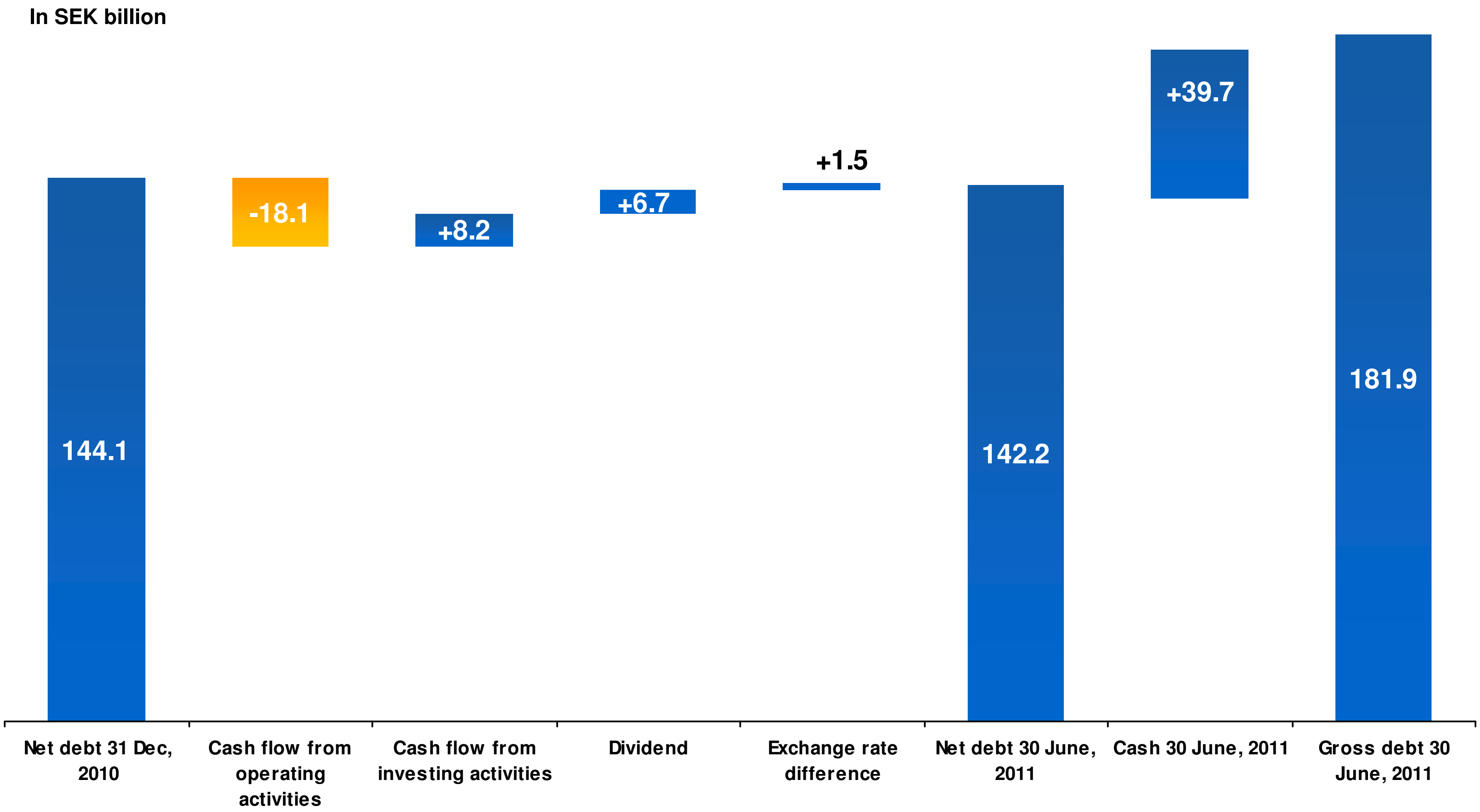
Production related taxes

- General trend within Vattenfall's core markets towards decreased corporate income tax rate, and increased tax rate of operational taxes (e.g. production related taxes). In addition, new operational taxes are being introduced, such as:
  - The nuclear fuel tax in Germany
  - However, the recently discussed German coal input tax was not introduced

- Production related taxes within Vattenfall consist mainly of Real estate/property tax, Nuclear Tax, and Energy taxes related to production.
  - All production taxes affect EBIT and are accounted for in the consolidated income statement as "Cost of products sold".

Production related taxes within Vattenfall 2010 (MSEK)	**Real Estate Tax**	**Nuclear Tax**	**Energy taxes**
Germany	70	0	95
Sweden	1,552	2,924	67
Netherlands	17	n.a.	0
Other countries	221	n.a.	489
Total	**1,860**	**2,924**	**651**

Slightly lower net debt H1 2011



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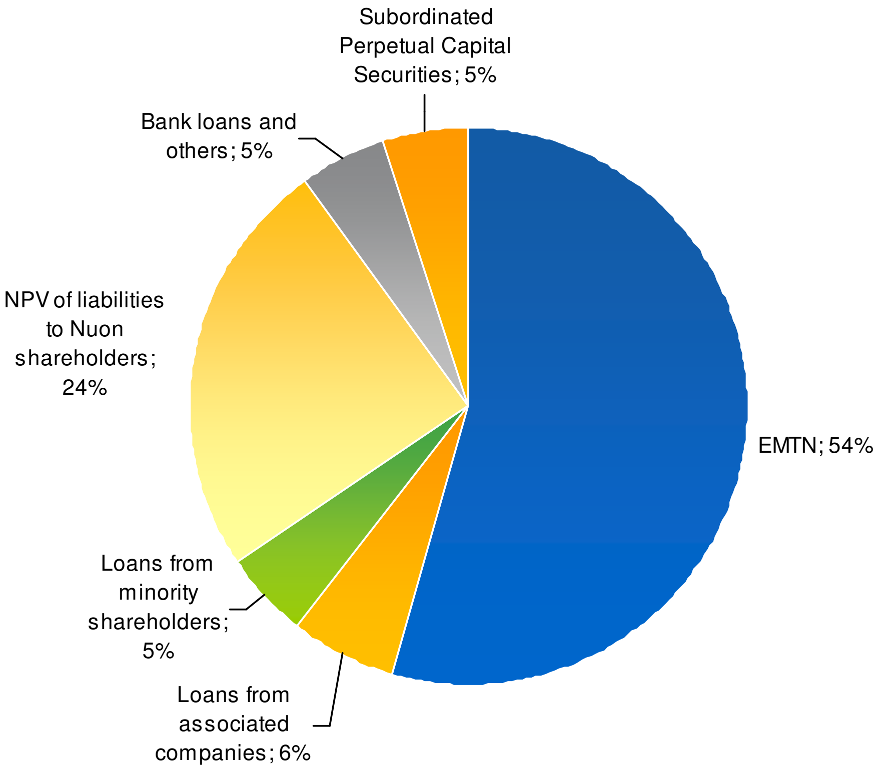
Breakdown of gross debt

Total debt 30 June 2011 [1)] :
(SEK 181.8 bn / EUR 20.0 bn)



Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	10 385
EUR 2 bn Euro CP	2 000	0
SEK 15 bn Domestic CP	1 639	0
Total	**18 639**	**10 385**

- All public debt issued by Vattenfall AB
- The debt portfolio has no currency exposure that has an impact on the income statement. The debt in foreign currency is either swapped to SEK or booked as a hedge against net foreign investments.
- No structural subordination

1) Of which external market debt: SEK 117.1 bn (64%)

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Reported and adjusted net debt

Net debt (SEK bn)	June 30 2011	Dec 31 2010
Capital Securities	-9.1	-8,9
Bond issues, commercial papers and liabilities to credit institutions	-98.2	-109.6
Present value of liability pertaining to acquisition of subsidiaries	-44.4	-43.3
Liabilities to associated companies	-10.7	-10.5
Liabilities to minority shareholders	-9.7	-9.3
Other liabilities	-9.8	-6.7
Total interest-bearing liabilities	**-181.9**	**-188.3**
Cash and cash equivalents	20.2	12.6
Short-term investments	19.0	31.3
Loans to minority owners of foreign subsidiaries	0.5	0.3
Reported net debt	**-142.2**	**-144.1**

Adjusted net debt (SEK bn)	June 30 2011	Dec 31 2010
Total reported interest-bearing liabilities	**-181.9**	**-188.3**
50% of Capital securities	4.5	4.5
Present value of pension obligations	-20.6	-20.0
Mining & environmental provisions	-12.5	-12.8
Provisions for nuclear power (net)	-19.8	-12.8
Cross currency swaps	1.9	2.7
Margin calls received	4.2	5.2
Liabilities to minority owners due to consortium agreements	9.2	8.9
= Adjusted gross debt	**-214.9**	**-212.6**
Reported cash, cash equivalents & short-term investments	39.2	43.9
Unavailable liquidity	-4.2[1)]	-4.7[1)]
= Adjusted cash, cash equivalents & short-term investments	**35.0**	**39.2**
= Adjusted net debt	**-179.9**	**-173.4**

1) Of which: German nuclear ”Solidarvereinbarung” 3.1, Margin calls paid and others 1.1

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Credit rating outlook

<u>Standard & Poor's</u>

A (negative outlook)

Summary: 24 May 2011

Outlook:

"The negative outlook reflects our concern that Vattenfall could struggle to maintain cash flow credit metrics in line with our rating expectations on a sustainable basis… We currently expect FFO to debt to remain at about 20% over the near term and that Vattenfall manages to reduce debt levels."

"We could lower the rating by one notch if we believe Vattenfall is unlikely to maintain a ratio of FFO to debt (adjusted) of more than 20% on a sustainable basis."

"Conversely, we could revise the outlook to stable if Vattenfall were to successfully implement measures to maintain a financial profile at a level we consider commensurate with an "a-" stand-alone credit profile."

<u>Moody's</u>

A2 (stable outlook)

Credit Opinion: 22 December 2010

Outlook:

"The outlook is stable. Moody's believes that the company is taking measures to bolster its financial profile in the near to medium term. However, Moody's notes that the company is likely to be positioned at the low end of the rating category level in the near term."

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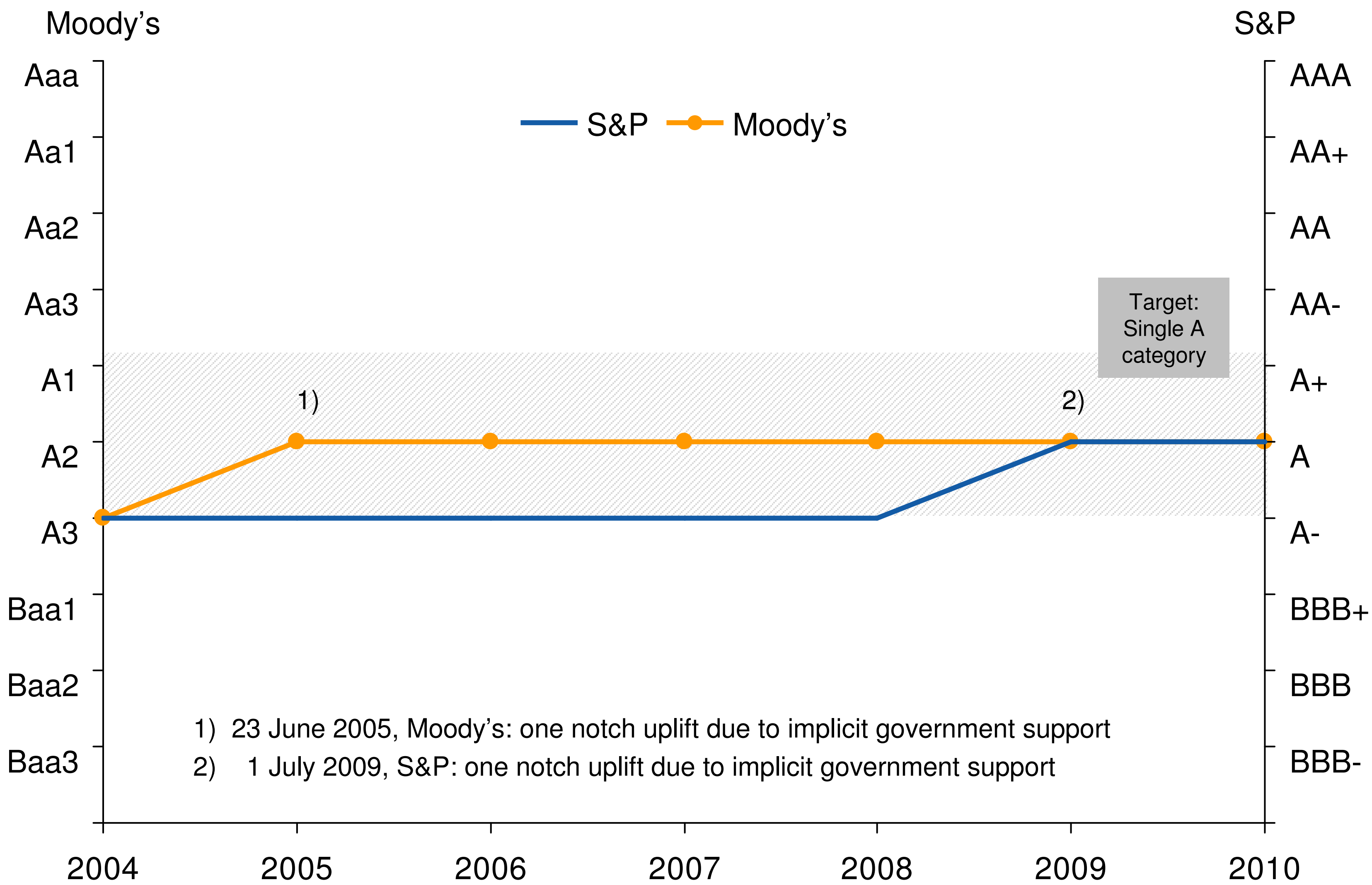
Credit ratings development



1) 23 June 2005, Moody's: one notch uplift due to implicit government support
2) 1 July 2009, S&P: one notch uplift due to implicit government support

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