

Vattenfall Q1 results 2011

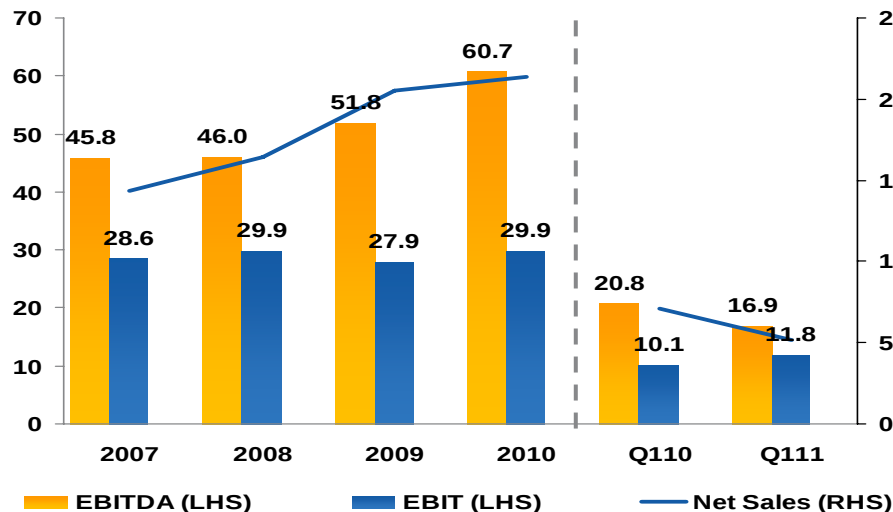
Øystein Løseth CEO and
Dag Andresen CFO

Conference Call, 5 May 2011

Satisfactory result in Q1 2011

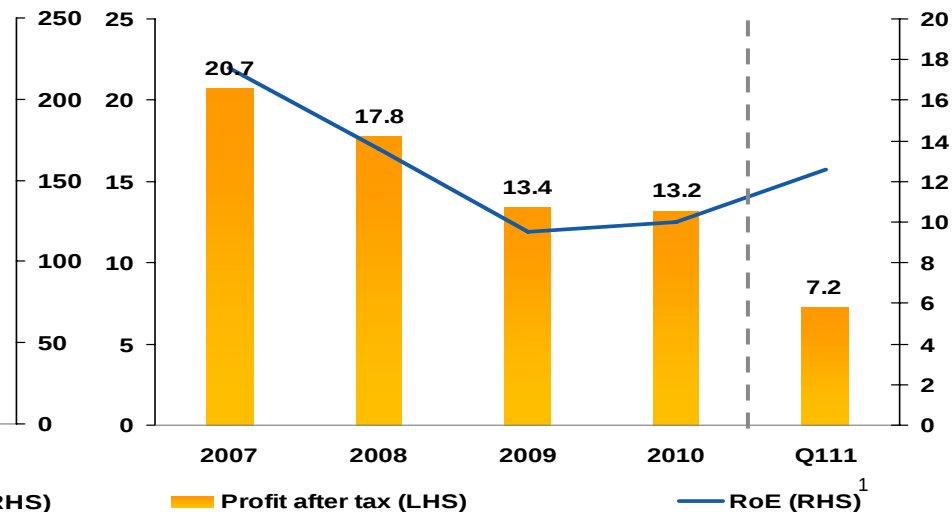
EBITDA, EBIT and Net Sales

SEK bn



RoE and Profit after tax

SEK bn SEK bn



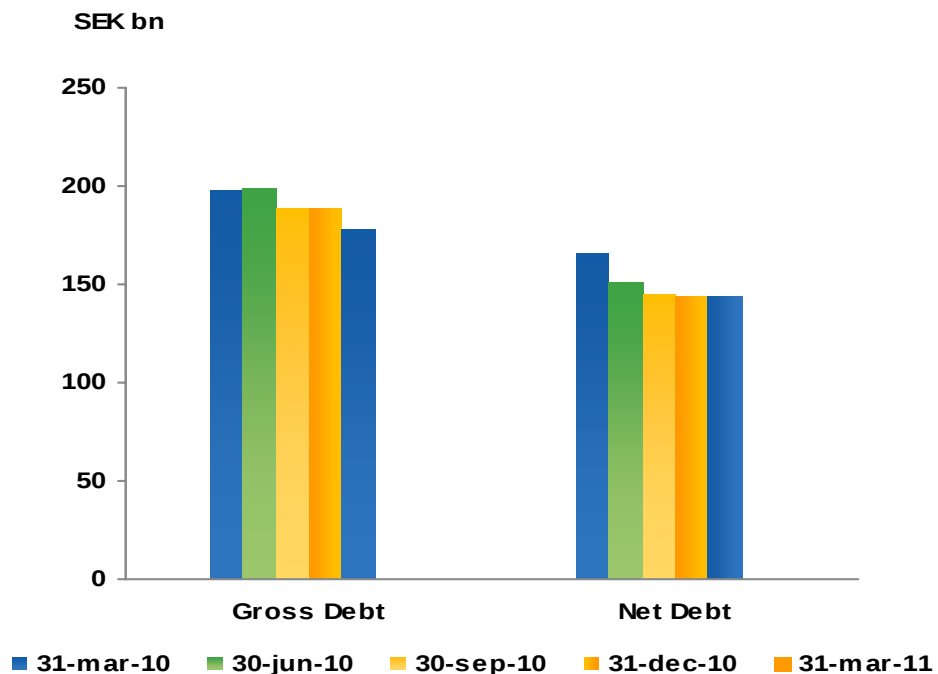
1) = Last twelve months

- Net sales decreased 26.6% mainly due to the divestment of 50Hertz Transmission GmbH in May 2010.
- EBITDA decreased 18.6%
- EBITDA adjusted for non-cash items decreased 7.6%
- EBIT increased 17.1%

- RoE improved to 12.6%, but still below target level of 15%.
- Excluding IAC RoE was 15.9%

Reduced debt levels and improved credit metrics

Debt development



- Debt reduction mainly due to stronger Swedish krona.

Key credit metrics

	FY 2009	FY 2010	Q1/11
FFO Interest cover (x)	4.8	6.2	7.5 ¹⁾
FFO/net debt (%)	23.7	27.8	32.8 ¹⁾
FFO/adj. net debt(%)	17.9	23.1	26.7 ¹⁾
Adj.net debt/ EBITDA (x) ²⁾	4.0	2.9	3.0 ¹⁾

1) Last twelve months

2) Adj.net debt/adjusted EBITDA: Q1/11: 2.5 (x)

- Stronger credit metrics.

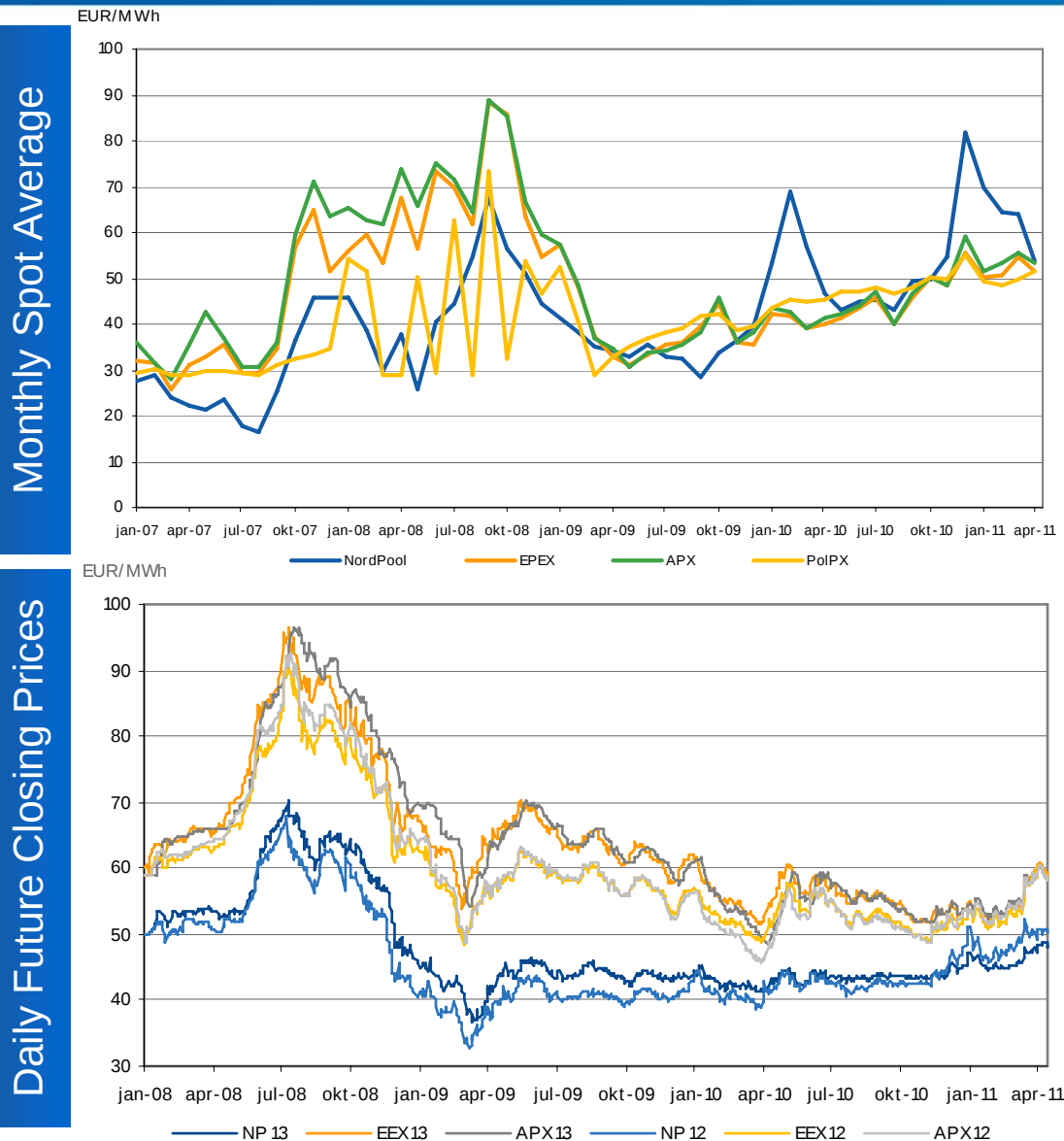
Higher electricity prices

Nordic

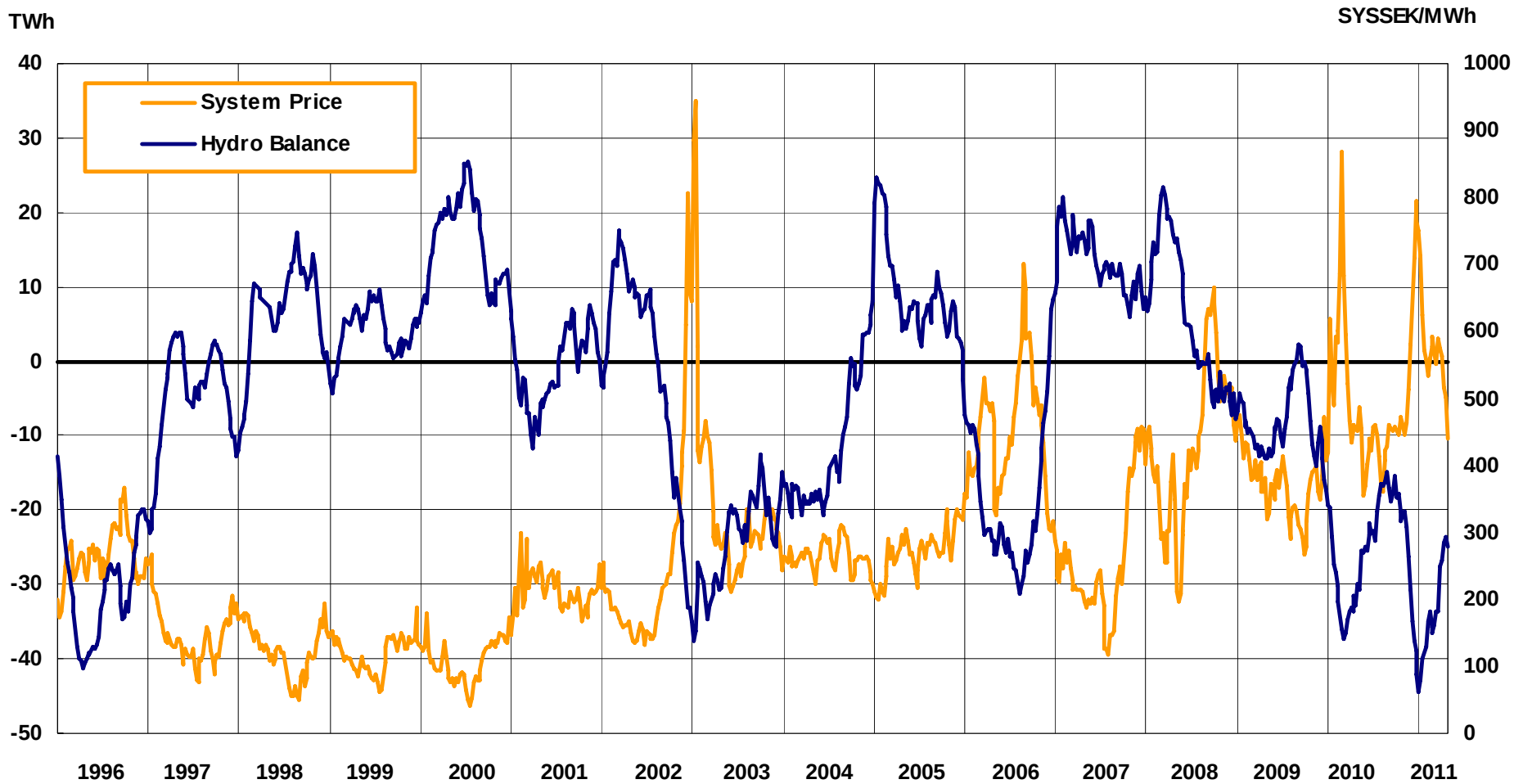
- 11% higher average Nordic spot prices (system price) (Q1-11 vs.Q1-10).
- Average Swedish area prices for Q1 2011 were 8.7% lower.
- The hydrological balance recovered from -43 TWh to -24 TWh in the first quarter 2011.

Germany, Netherlands

- 26% higher average spot prices in Germany and 28% higher average spot prices in the Netherlands (Q1-11 vs. Q1-10).
- Future prices increased.

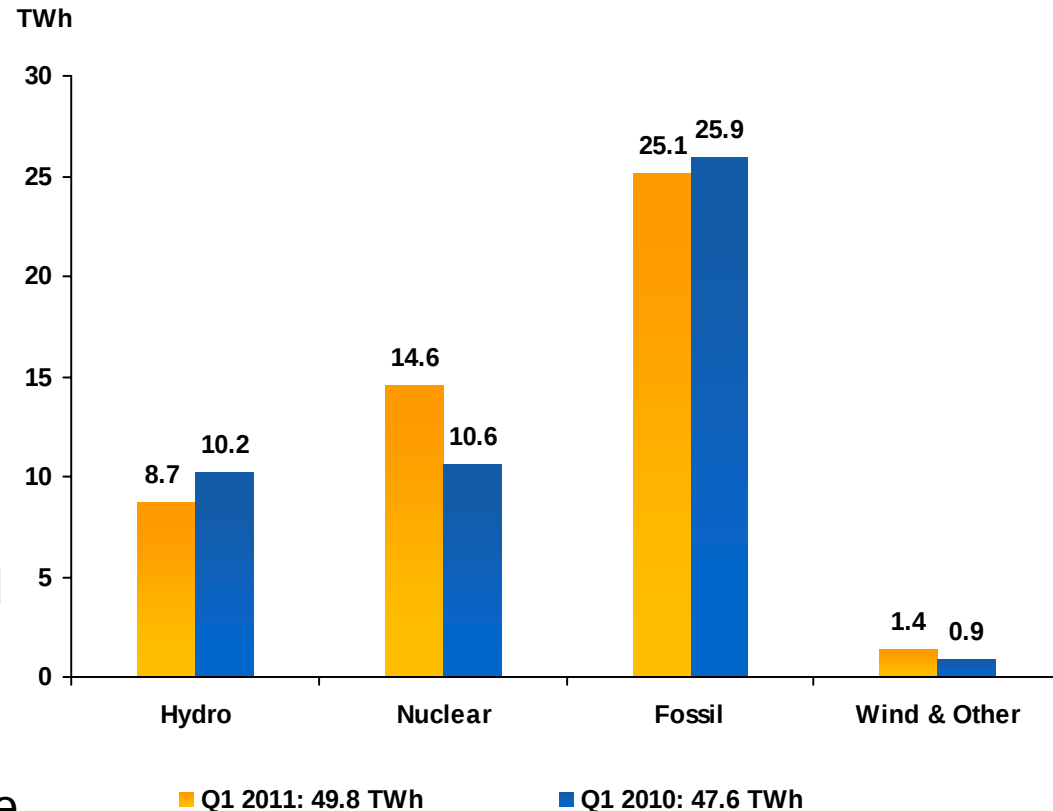


The hydrological balance recovered from -43 TWh to -24 TWh



Higher electricity generation, +4.6% Q1 2011

- **Nuclear power** increased 37.7%
 - Almost 100% availability of Vattenfall's Swedish nuclear power plants.
- **Hydro power** decreased 14.7%
- **Fossil power** decreased 3.1%
- **Wind, biomass & waste** increased 55% to 1.4 TWh.
 - Wind power increased 125% to 0.9 TWh mainly due to the commissioning in H2 2010 of the 300 MW Thanet offshore windfarm in the UK and the 78 MW Stor-Rotliden onshore wind farm in Sweden.



Fukushima accident in Japan – consequences for nuclear

- Earth quake and tsunami in Japan and accident in the nuclear power plant Fukushima have led to discussion about the future of nuclear power.
- EU has initiated "stress-tests" for all European nuclear power plants.
- The German government ordered a temporary shutdown of all pre-1980 nuclear power plants to conduct safety reviews (seven reactors).
- Three-month moratorium on the extension of lifetimes for Germany's 17 nuclear power plants.
- Ethic-panel to prepare government's decision on the future of nuclear in Germany – government decision expected in June



Nuclear Update: High availability in Swedish nuclear plants



- Vattenfall's Swedish nuclear power plants Forsmark and Ringhals had availability close to 100%.
- Vattenfall's German nuclear plants, Brunsbüttel and Krümmel, continuously out of operation during Q1, 2011.
- Estimated earnings impact (loss of revenues) for nuclear standstills during Q1 2011 amounted to:
 - German plants: SEK 1 186 million (~EUR 133 million)
- SKB (Swedish Nuclear Fuel and Waste Management Company) submitted a formal application for a permit to build a final repository for nuclear waste in Sweden.

Other important events

- First turbine installed at Ormonde offshore wind farm.
- DanTysk offshore wind farm: vessel contract signed.
- Agreement with NGO's on Magnum project in the Netherlands.
- Volvo V60 plug-in hybrid, which is the result of close collaboration between Volvo Car Corporation and Vattenfall, was unveiled at Geneva Auto Salon.
- Vattenfall signed several new deals with major business customers.



Financials

Dag Andresen, CFO

Q1 2011 Financial highlights

SEK million	Q1 2011	Q1 2010	Change (%)
Net Sales	51,868	70,657	-26.6
EBITDA	16,932	20,799	-18.6
EBIT	11,842	10,115	+17.1
EBIT excl. IAC*	11,153	15,376	-27.5
Profit after tax	7,203	3,787	+90.2
Profit after tax excl. IAC*	6,714	9,045	-25.8
FFO	15,053	9,820	+53.3
Cash flow from operating activities	7,607	2,259	+236.7
Cash flow before financing activities	2,656	-6,497	-

*IAC = Items affecting comparability

Debt development & key earning ratios

Total interest-bearing liabilities (gross debt) decreased
by SEK 10 bn to SEK 178 bn compared with 31 Dec. 2010

Net debt decreased
by SEK 6 bn to SEK 138 bn compared with 31 Dec. 2010

Adjusted net debt decreased
by SEK 3 bn to SEK 170 bn compared with 31 Dec. 2010

Return on Net Assets (RoNA)

- Incl. IAC: 9.9%* (FY 2010: 9.1%)
- Excl. IAC: 11.3%* (FY 2010: 12.5%)
- Target 11%

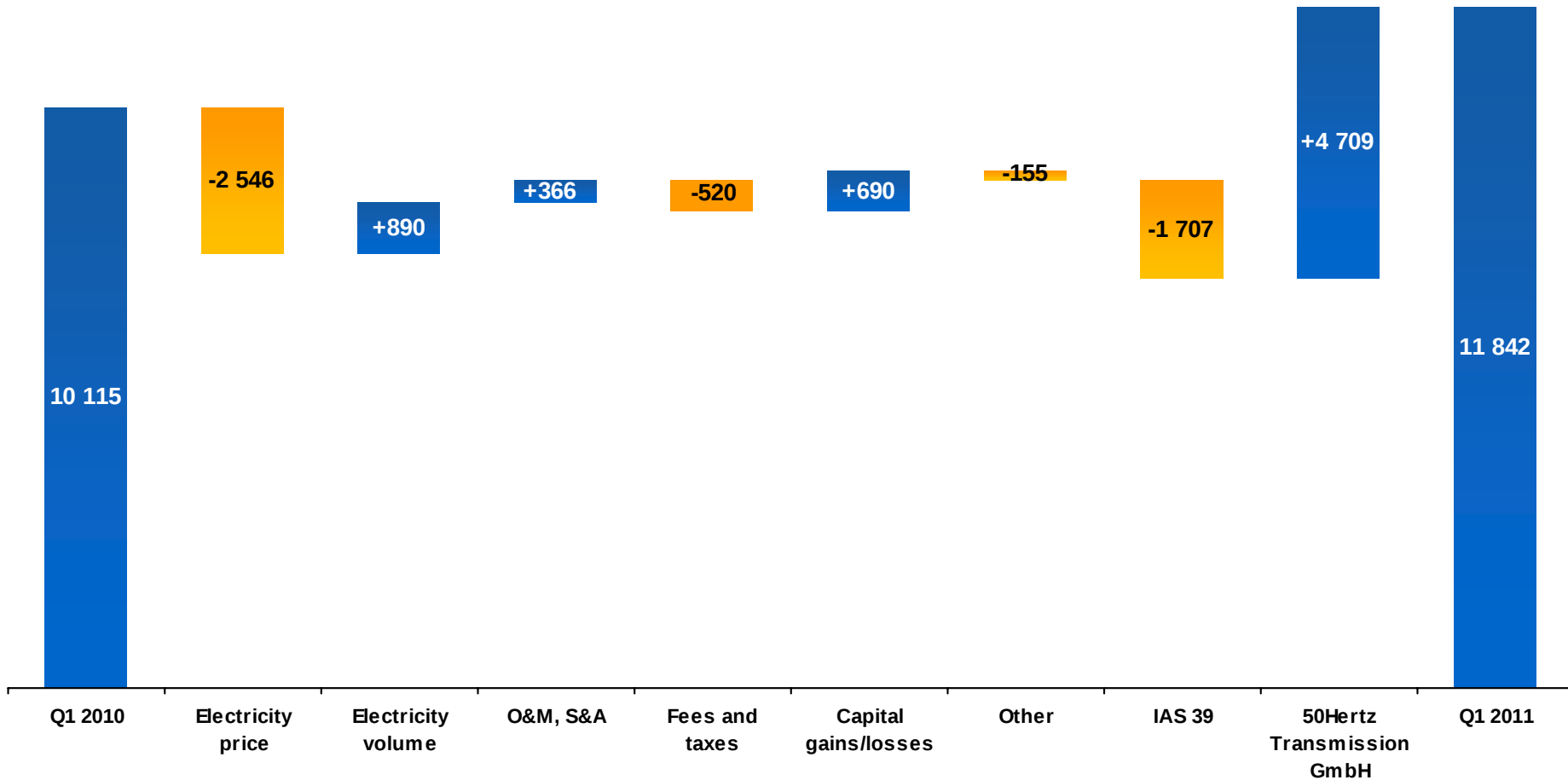
Return on Equity (RoE)

- Incl. IAC: 12.6% (FY 2010: 10.0%)
- Excl. IAC: 15.9% (FY 2010: 17.7%)
- Long-term target 15%

*Last 12 months

EBIT development Q1 2011

In SEK billion



EBIT, Q1 2011 - by Operating Segment

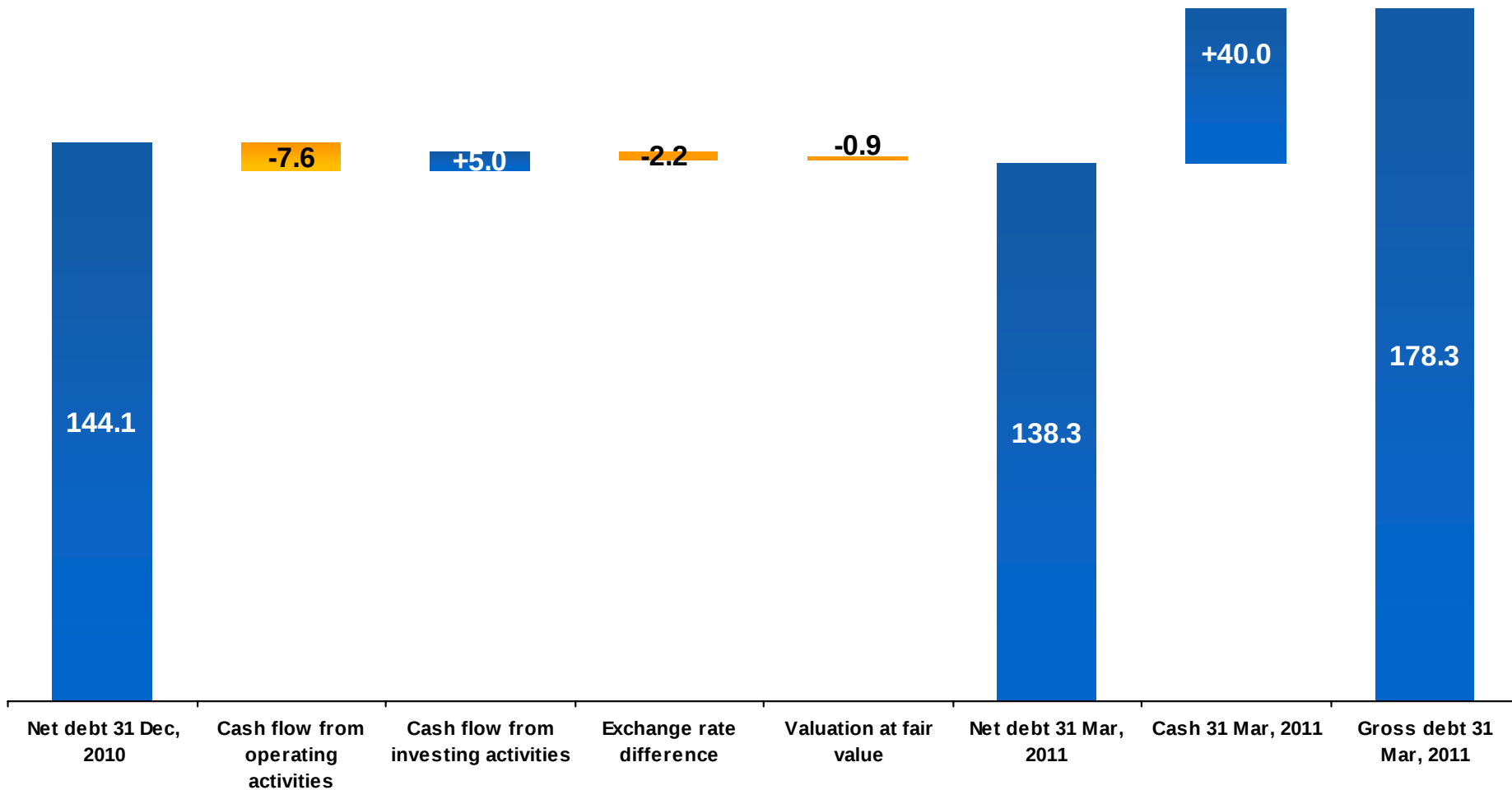
in SEK million

	Q1 2011	Q1 2010	Change	FY 2010
Generation	7,510	12,024	-4,514	30,388
Distribution and Sales	4,791	3,780	1,011	8,340
Renewables	180	-132	312	-1,620
Other ¹	-639	-5,557	4,918	-7,255
Total	11,842	10,115	1,727	29,853

1) Includes Staff functions including Treasury activities, Shared Service Centres and the Gas Exploration & Production business.

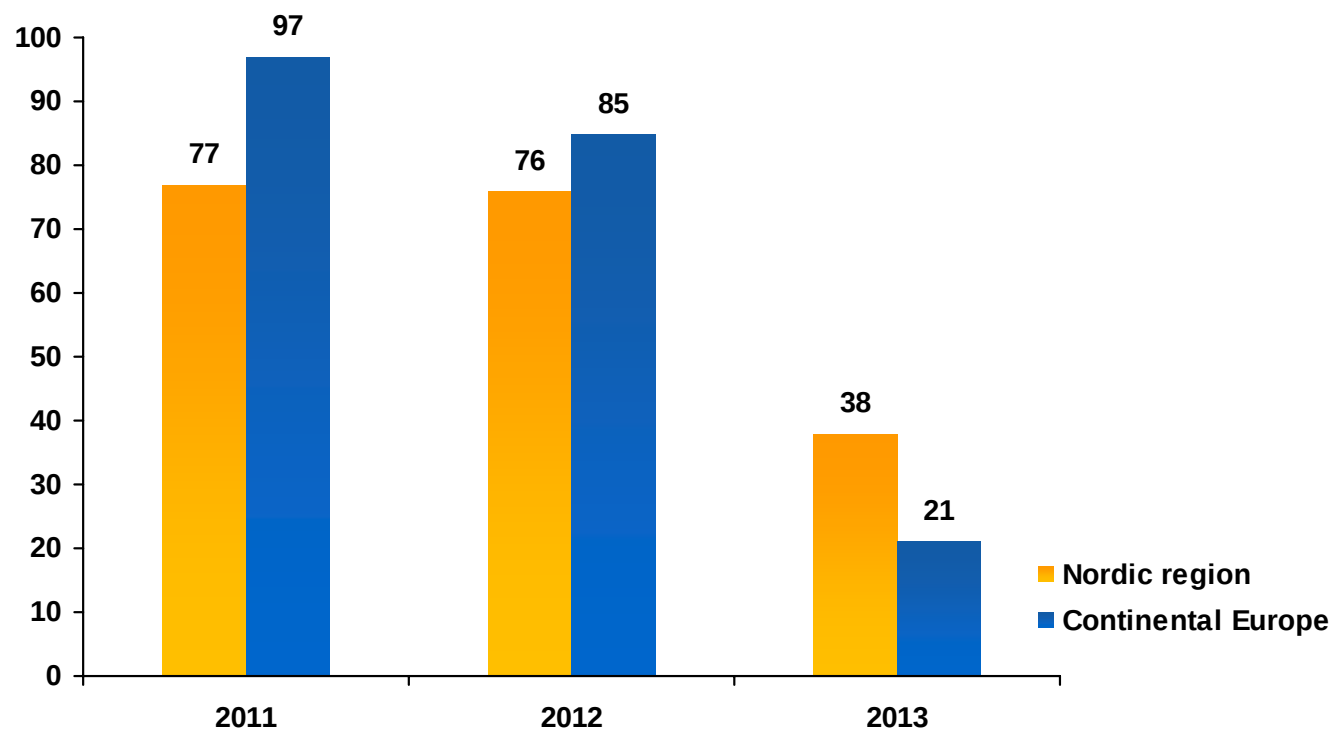
Debt development Q1 2011

In SEK billion



Hedging position and prices as of 31 March 2011

% hedged of forecasted electricity generation



EUR/MWh	2011	2012	2013
Nordic region	45	44	44
Continental Europe	55	54	59

Financial targets and outcome

Key Ratio	Targets	Q1 2011
Return on Equity (RoE)	15% on average equity	12.6% ¹ 15.9% excl. IAC ¹
Cash flow interest coverage after maintenance investments	3.5-4.5 times	6.1 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

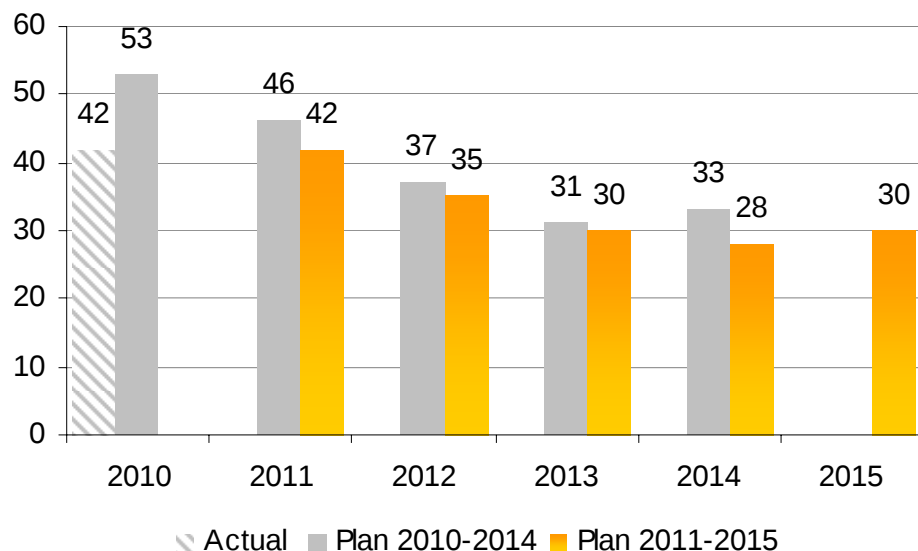
Asset disposals - update

- Divestments completed so far in 2011:
 - CHP plant, natural gas based Hillerød, Denmark (77 MW)
 - 25% stake in hard coal-fired power plant Rostock, Germany (553 MW)
 - 21.3% stake in Energieversorgung Sachsen Ost AG (ENSO), Germany for 147 MEUR
 - Parts of Swedish consultancy business sold to Pöyry PLC
- In addition to this, work continues on evaluating opportunities to divest non-core assets, but no further decisions have been made.

CAPEX reduction to strengthen the balance sheet

18% CAPEX reduction on a rolling 5-yr basis

SEK bn



Major on-going investment projects

- Hard-coal fired CHP plant; Hamburg Moorburg, Germany, 1 640 MW (project delayed)
- New lignite power plant unit in Boxberg, Germany, 675 MW (project delayed)
- Gas-fired power plants Diemen 34, 440 MW, and Hemweg 9, 433 MW, in the Netherlands (expected startup in 2013)
- Gas-fired power plant Magnum in the Netherlands, 1 311 MW (expected startup in 2012)
- Ormonde offshore wind farm, the UK, 150 MW (expected startup in 2011)
- DanTysk offshore wind farm, Germany, 288 MW¹ (expected startup in 2013/2014)
- Nuclear upgrades in Forsmark and Ringhals, Sweden

1) Vattenfall's share 51% = 147 MW

VATTENFALL



Q & A

Appendix

Consolidated income statement

SEK million	Q1 2011	Q1 2010	FY 2010
Net sales	51,868	70,657	213,572
Cost of products sold	-36,808	-50,872	-159,098
Gross profit	15,060	19,785	54,474
Operating profit	11,842	10,115	29,853
Operating profit, excl. IAC*	11,153	15,376	39,952
Financial income	792	566	2,514
Financial expenses	-2,685	-3,465	-10,944
<i>Financial net</i>	<i>-1,893</i>	<i>-2,899</i>	<i>-8,430</i>
Profit before taxes	9,949	7,216	21,423
Taxes	-2,746	-3,429	-8,238
Profit after tax	7,203	3,787	13,185

* IAC = Items affecting comparability

Taxes paid – Q1 2011 vs. Q1 2010

SEK 2.9 billion lower taxes paid in Q1, 2011 compared to Q1, 2010	SEK bn
Q1 2010 Taxes paid	6.2
Q1 2011 Taxes paid	3.3
Difference 2011 vs. 2010	2.9
<i>Breakdown:</i>	
<i>Feb 2011 Vattenfall AB made a supplementary preliminary tax payment</i>	-1.2
<i>Q1 2010 WHT paid due to dividend from Vattenfall Europe AG*</i>	3.5
<i>Change prel and other tax payments in DE, NL and SE compared to 2010</i>	0.6
Difference 2011 vs 2010	2.9

* WHT (withholding tax) of 350 MEUR paid in Q1 2010, was refunded in Q4, 2010

Consolidated cash flow statement

SEK million	Q1 2011	Q1 2010	FY 2010
Funds from operations (FFO)	15,053	9,820	40,108
Change in working capital	-7,446	-7,561	1,123
Cash flow from operating activities	7,607	2,259	41,231
Investments	6,199	8,935	41,794
Divestments	1,248	179	7,197
Cash and cash equivalents in acquired/divested companies	-	-	-186
Cash flow from investing activities	-4,951	-8,756	-34,783
Free cash flow	5,063	-1,057	23,846
Cash flow before financing activities	2,656	-6,497	6,448
Cash flow from financing activities	-4,328	3,633	-5,147
Cash flow for the period	-1,672	-2,864	1,301
Net debt at the end of the period	-138,282	-165,581	-144,109

Liquidity position

As of 31 March 2011

Group liquidity SEK million

Cash and equivalents	10 908
Short term investments	28 648
Reported cash, cash equivalents & short term investments	39 556
Unavailable liquidity ¹⁾	-4 069
Available liquidity	35 487

1) German nuclear "Solidarvereinbarung" 3 043, Margin calls paid and others 1 026

Committed credit facilities	Line size	Amount available SEK million
RCF (maturity Feb 2013)	EUR 1 000 million	8 938
RCF (maturity Jan 2016)	EUR 2550 million	22 792
Overdraft facility	SEK 100 million	100
Total undrawn		31 830
<i>Other credit lines unutilised</i>		<i>6 811</i>

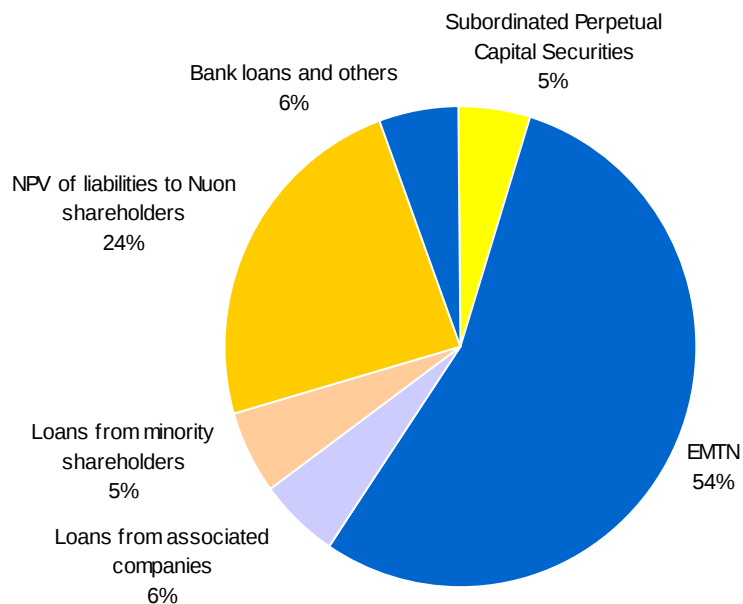
Debt maturities ²⁾ SEK million

- within 90 days	1 130
- within 180 days	14 689

2) Excluding loans from minority owners and associated companies

Breakdown of gross debt

Total debt 31 March 2011 ¹⁾ :
(SEK 178.3 bn / EUR 20.0 bn)



1) Of which external market debt: SEK 115.3 bn (65%)

Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	10 470
EUR 2 bn Euro CP	2 000	0
SEK 15 bn Domestic CP	1 678	0
Total	18 678	10 470

- All public debt issued by Vattenfall AB
- No currency exposure in the debt portfolio: exchange rate differences have no impact on income statement, since the largest share is reported as translation differences in equity and the rest is swapped to SEK.
- No structural subordination

Development of reported and adjusted net debt

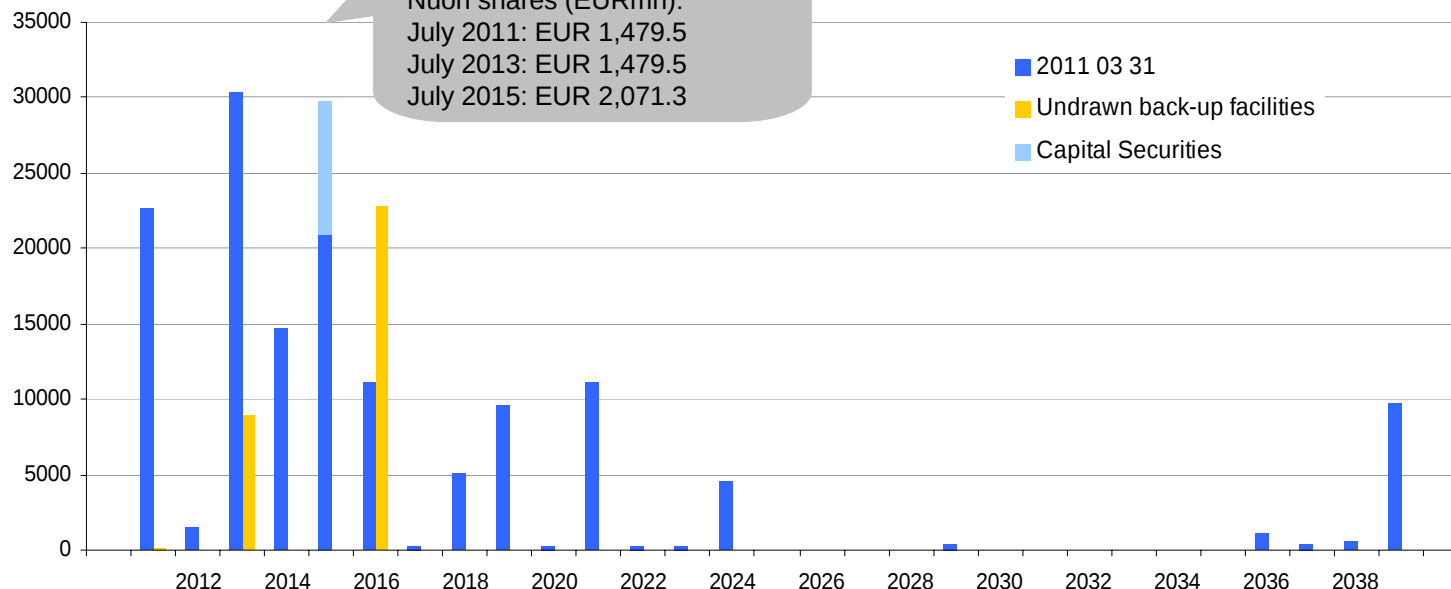
Net debt (SEK bn)	Mar 31 2011	Dec 31 2010
Capital Securities	-8,9	-8,9
Bond issues, commercial papers and liabilities to credit institutions	-101.6	-109.6
Present value of liability pertaining to acquisition of subsidiaries	-43.3	-43.3
Liabilities to associated companies	-10.2	-10.5
Liabilities to minority shareholders	-9.6	-9.3
Other liabilities	-4.7	-6.7
Total interest-bearing liabilities	-178.3	-188.3
Cash and cash equivalents	10.9	12.6
Short-term investments	28.6	31.3
Loans to minority owners of foreign subsidiaries	0.5	0.3
Net debt	-138.3	-144.1

Adjusted net debt (SEK bn)	Mar 31 2011	Dec 31 2010
Total interest-bearing liabilities	-178.3	-188.3
50% of Capital securities	4.4	4.5
Present value of pension obligations	-20.1	-20.0
Mining & environmental provisions	-12.8	-12.8
Provisions for nuclear power (net)	-13.1	-12.8
Cross currency swaps	1.7	2.7
Margin calls received	3.9	5.2
Liabilities to minority owners due to consortium agreements	9.1	8.9
= Adjusted gross debt	-205.2	-212.6
Reported cash, cash equivalents & short-term investments	39.6	43.9
Unavailable liquidity	-4.1 ¹⁾	-4.7 ¹⁾
= Adjusted cash, cash equivalents & short-term investments	35.5	39.2
= Adjusted net debt	-169.7	-173.4

1) Of which: German nuclear "Solidarvereinbarung" 3.1, Margin calls paid and others 1.0

Vattenfall debt maturity profile

In SEK million



Excluding loans from associated companies and minority owners

	2011-03-31	2010-03-31
Duration (years)	4.1 ¹⁾	4.3
Average time to maturity (years)	6.2 ¹⁾	7.1
Average interest rate (%)	3.6 ¹⁾	3.5
Net debt (SEK bn)	138.3	165.6

1) Based on external debt, excluding Capital Securities. Including Capital Securities the Duration is 4.1, Average time to maturity 6.1, and Average interest rate 3.7.

New RCF for EUR 2.55 bn signed 20 January 2011

Type	Revolving Credit Facility
Borrower	Vattenfall AB (publ)
Purpose	General corporate purposes (back-up facility)
Amount	EUR 2.55 bn RCF, (existing facility of EUR 1.0 bn will stay in place)
Tenor	5 years from date of signing, 20 January 2011
Margin	40 bps
Covenants	In line with Vattenfall's existing EUR 1.0 bn facility No ownership clause, no rating trigger General MAC on financial performance of group of signing, <i>Pari Passu</i> ranking
Syndication approach	Self-arranged transaction with 20 relationship banks. One coordinator (Société Général Corporate & Investment Banking)
Participating Banks	Bookrunners (EUR 150 million) Bank of America Merrill Lynch, Barclays Capital, BNP Paribas, Citi, Commerzbank, Deutsche Bank, Goldman Sachs, ING Bank, J.P. Morgan, SEB, Nordea, Société Générale, Svenska Handelsbanken, The Royal Bank of Scotland Mandated Lead Arrangers (EUR 75 million) Danske Bank, HSBC, Helaba, LBBW, Morgan Stanley, Swedbank

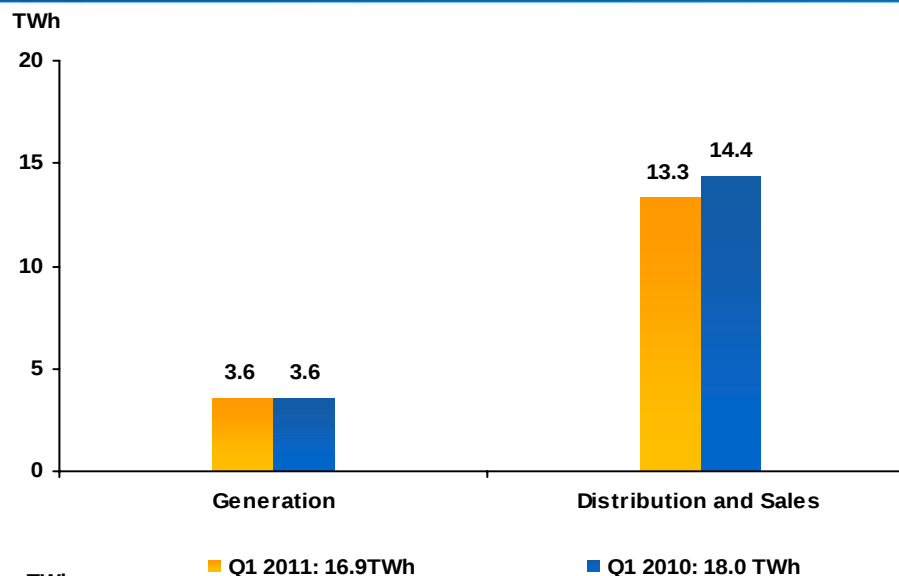
Oil, coal, gas and CO₂ allowances



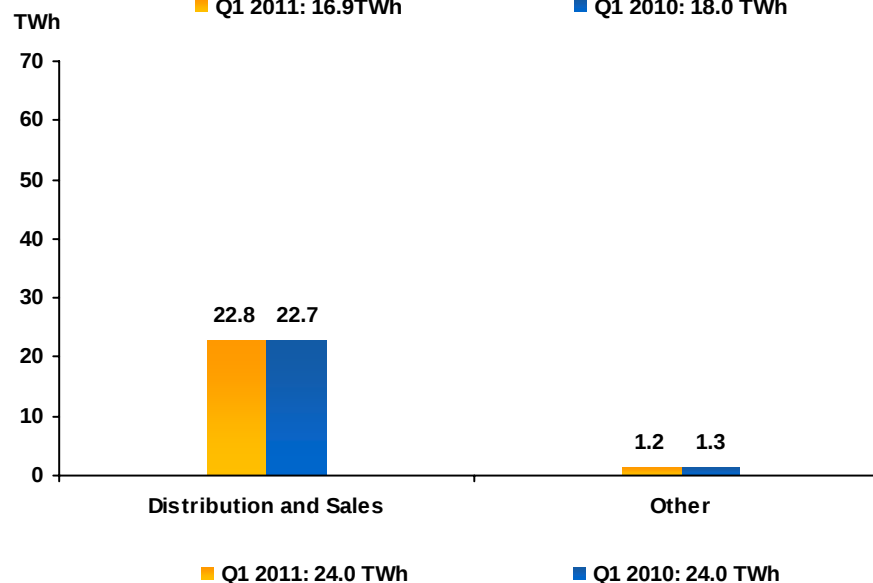
Heat and gas sales

Heat sales decreased 6.1% to 16.9 TWh

- Warmer weather compared with Q1 2010

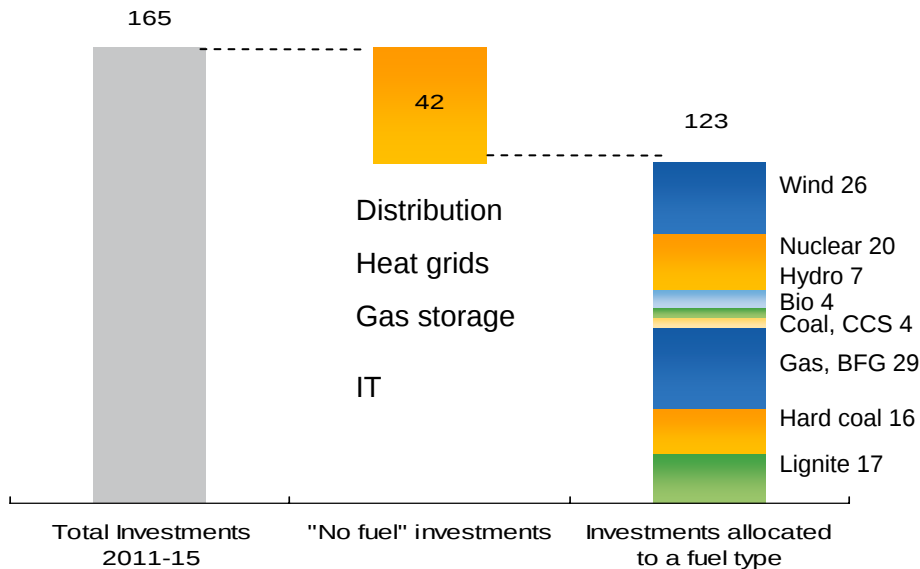


Gas sales 24 TWh, unchanged



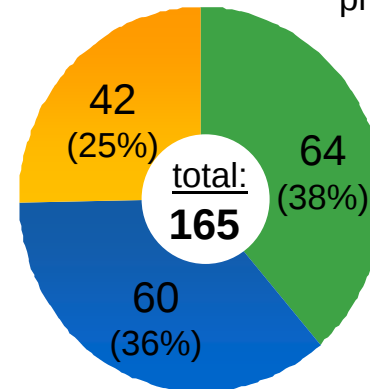
Updated Capex plan 2011-2015 - fuel split

Well diversified fuel split 2011-2015



Trisection of the investments

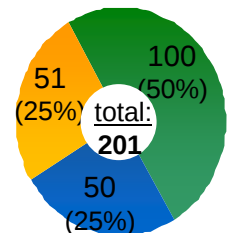
"No fuel" investments
El.-distribution
Heat grids
Storages
IT
Sales



Investments allocated to electricity and heat production causing CO₂ emissions
Lignite
Hard coal
Gas
Mining

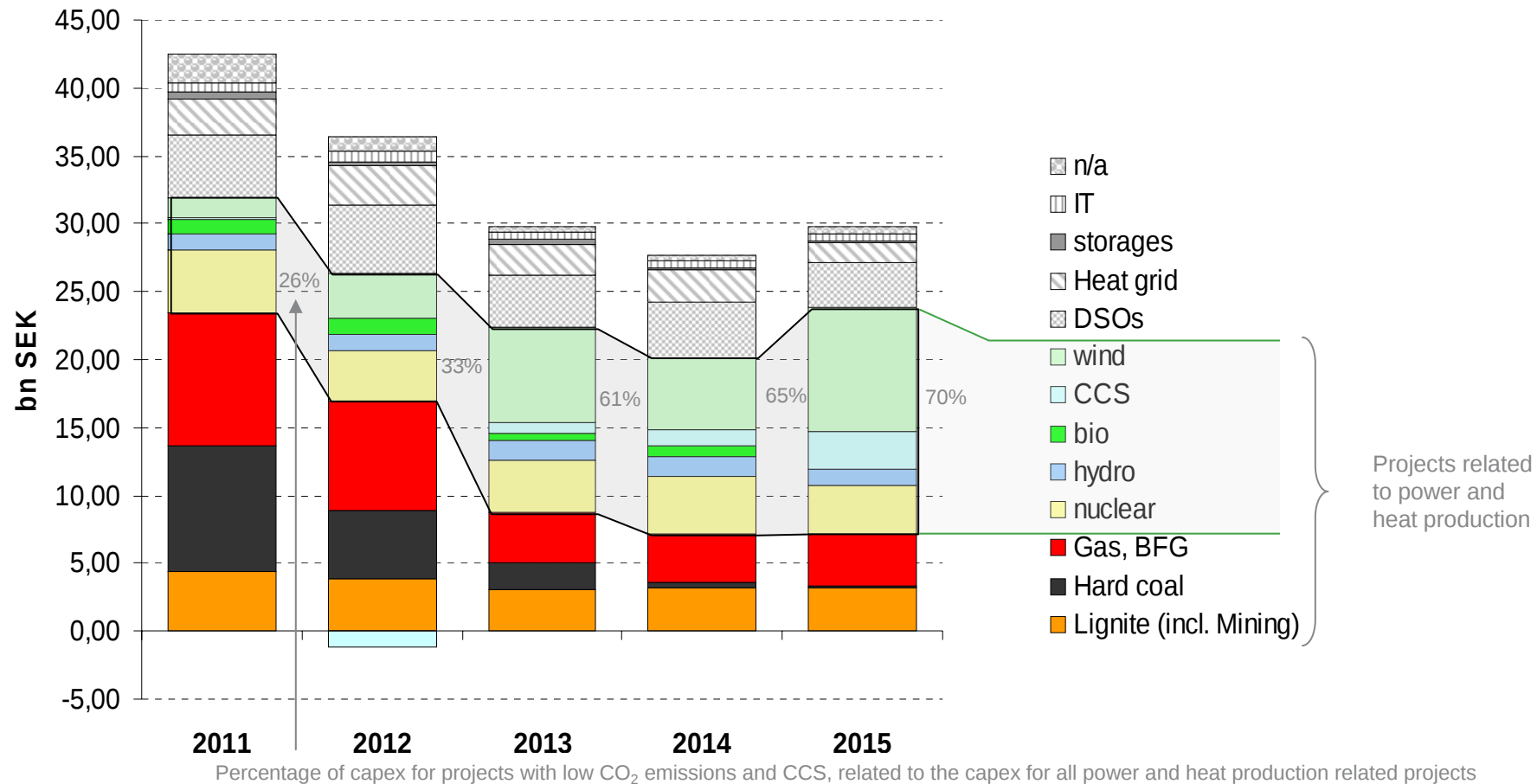
Investments allocated to electricity and heat in production with low CO₂ emissions
Hydro
Wind
Bio
Nuclear
CCS-demo

For comparison:
Plan 2010-14



The capex portion for production with low CO₂ emissions is rising compared to the previous plan.

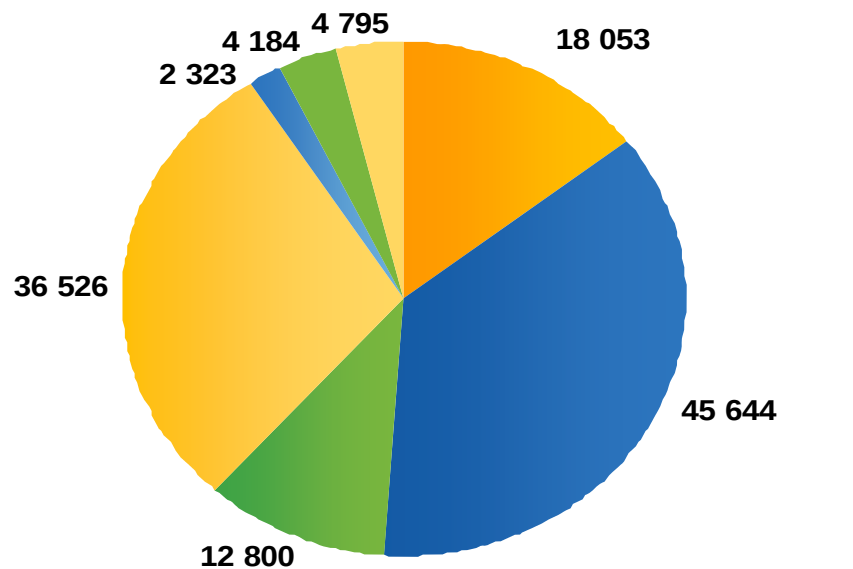
Capex plan 2010 – fuel split over years



Group provisions (IFRS)

31 March 2011

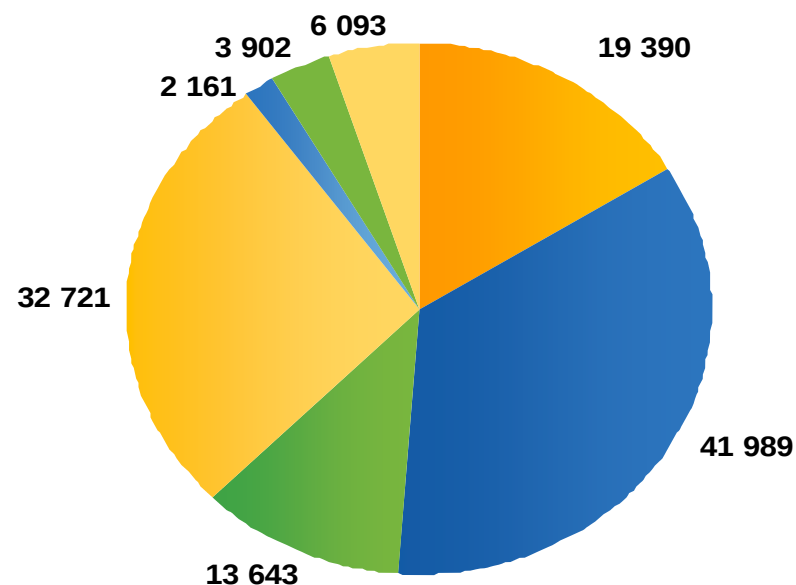
SEK 124 325 million



■ Pensions ■ Nuclear ■ Mining ■ Taxes ■ Other ■ Personnel ■ Legal

31 March 2010

SEK 119 899 million



■ Pensions ■ Nuclear ■ Mining ■ Taxes ■ Other ■ Personnel ■ Legal

Credit ratings

Standard & Poor's **A (negative outlook)**

Summary: 10 November 2010

Outlook:

"The negative outlook reflects Vattenfall's key credit measures, which are currently below our expectations for the ratings, and also our concern that the company could struggle to restore cash flow credit metrics over the near term".

"We could lower the rating by one notch if we believe Vattenfall is unlikely to make sufficient progress in 2011 toward a ratio of FFO to debt (adjusted) of more than 20%, and if it is unable to maintain that level on a sustainable basis afterwards."

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

Moody's **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."