

Vattenfall Full Year 2011 results

Øystein Løseth, CEO and Peter Smink, acting CFO

Conference Call, 9 February 2012

Delivering according to strategy during a demanding year

Cost-reduction programme

- Ahead of plan
- Achievement 2011: SEK 4.0 bn

Divestment of non core businesses

- Divestments contracted in 2011: SEK 37 bn
- Cash proceeds in 2011: SEK 16 bn

Revised capex plan

- Reduced capex plan for 2012-2016 to SEK 147 bn
- Down SEK 18 bn from SEK 165 bn for the period 2011-2015

New organisation

- New business-led organisational structure successfully implemented 1 January 2011

Financial highlights 2011

- Net sales: SEK 181 bn (214)
- EBITDA: SEK 54.5 bn (60.7)
- EBIT: SEK 23.2 bn (29.9)
 - Negative impact of German nuclear decision: SEK 10.5 bn
- Underlying EBIT: SEK 30.8 bn (36.8)
 - Lower volumes, lower electricity prices, lower gas sales
- Cash flow (FFO): SEK 38.3 bn (40.1)
- Net debt: SEK 141 bn (144)
- FFO/adj. net debt: 21.7%
- Return on equity (RoE): 8.6% (excl. IAC: 12.2%)
- Proposed dividend for 2011: SEK 4.4 bn (payout ratio 40%)
 - 2010: SEK 6.5 bn (payout ratio 50%)

Important events Q4

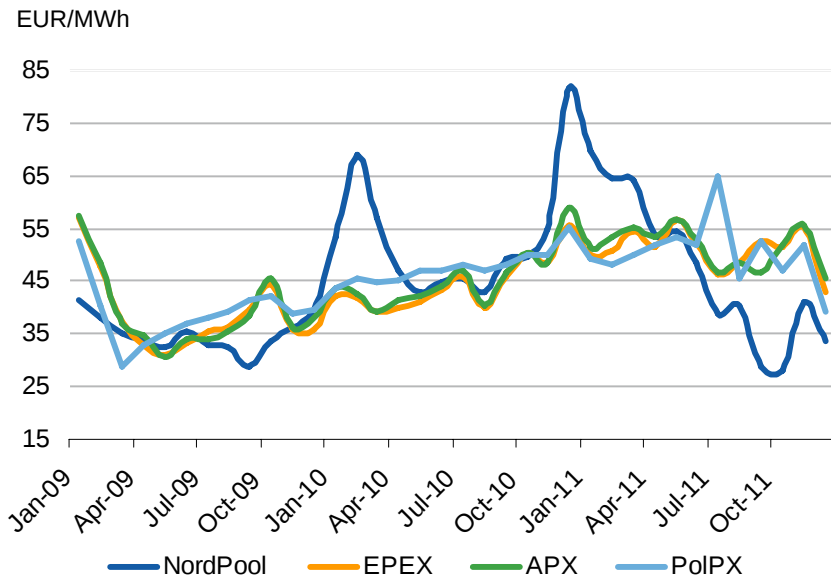
- Completion of Polish and Belgian divestments
 - Cash proceeds in Q4 2011: SEK 9.5 bn
 - Payment in January 2012: SEK 7.6 bn
- Agreement to divest Finnish distribution and heat business
 - Divestment of Finnish electricity distribution network and heat business to Lakeside Network Investments. Enterprise value ~EUR 1.5 bn (~SEK 14 bn). The transaction will be accounted for in Q1 2012.
- Energy concept with City of Hamburg
 - City of Hamburg to acquire 25.1% of electricity distribution and district heating networks. Enterprise value: 463.1 MEUR (~SEK 4.2 bn)
- Sandbank wind farm
 - License for new wind farm in North Sea acquired. Permits in place for 96 turbines with total capacity of 576 MW.
- CCS demo project in Jämschwalde on hold
 - Uncertainties with CCS law in Germany leads to termination of CCS project

Decline in Nordic spot prices / Improved hydro balance

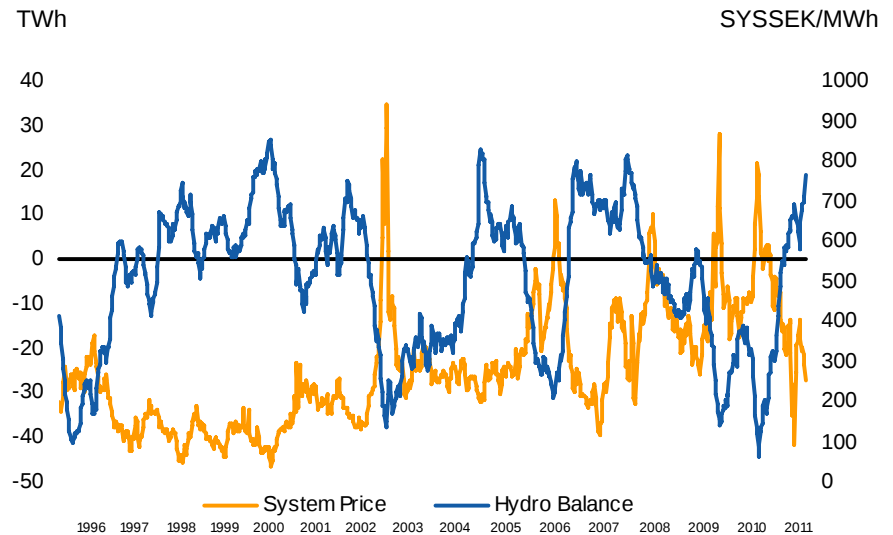
- Sharp decline in Nordic spot prices Q4-11 vs. Q4-10 (-45%); -11% for the year
- Nordic hydrological balance improved to +15.5 TWh at the end of 2011 (increase of 60 TWh during 2011)
- 15% higher average spot prices in Germany and the Netherlands

EUR/MWh	NordPool	EPEX	APX
Q4-11 (Q4-10)	34.3 (62.0)	49.9 (51.5)	51.1 (52.6)
%	-44.7	-2.9	-2.9
2011 (2010)	47.2 (53.1)	51.1 (44.5)	52.3 (45.4)
%	-11.3	15.0	15.4

Monthly Spot Average



Hydrological balance

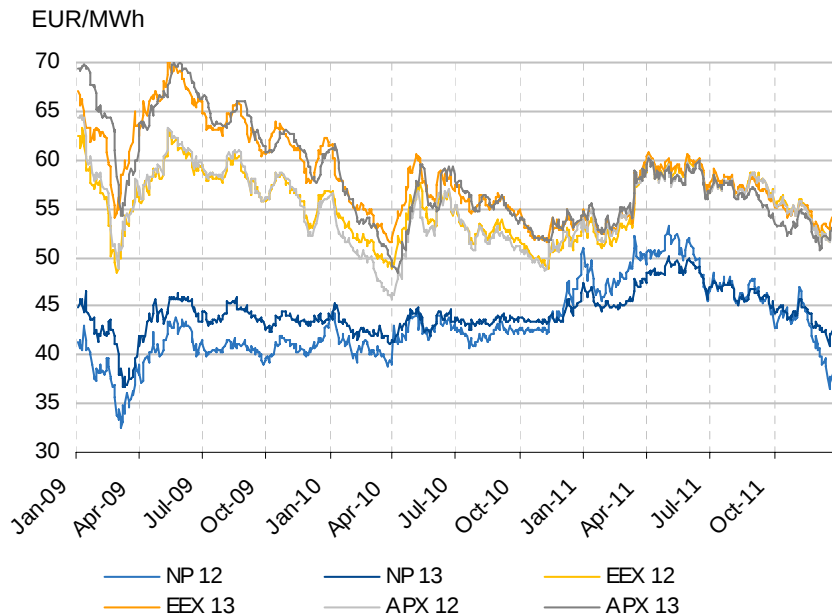


Market price development

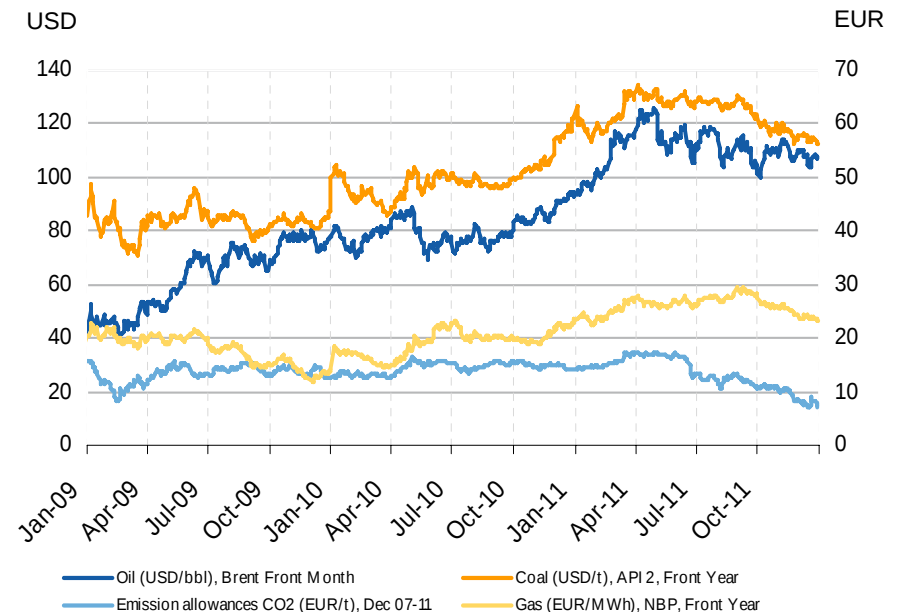
- Electricity futures prices decreased Q4-11 vs Q4-10 in Nordic but increased slightly on the continent.
- Electricity futures prices increased on all Vattenfall markets during 2011
 - Nordic prices 6-10% higher
 - Continental prices 2-8% higher

- Fuel prices increased
 - Q4-11 vs Q4-10: Oil +24%, Coal +8%, Gas +22%
 - 2011 vs 2010: Oil +37%, Coal +24%, Gas +35%
- CO2 prices decreased
 - Q4-11 vs Q4-10: -36%
 - 2011 vs 2010: -8%

Electricity future prices

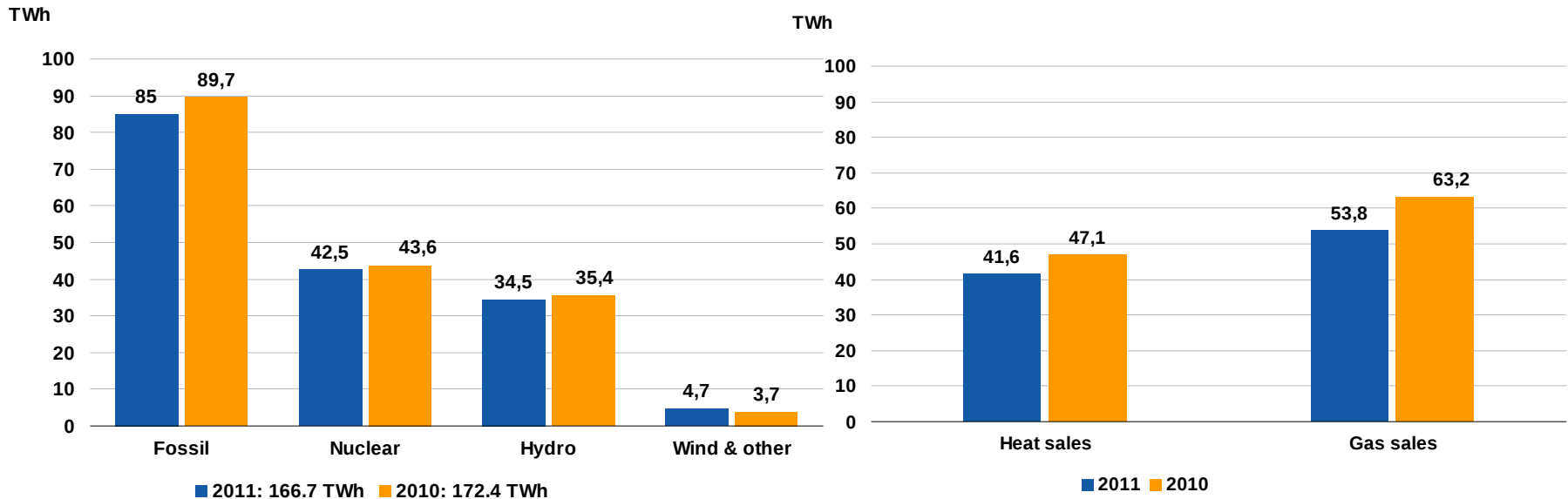


Commodity prices



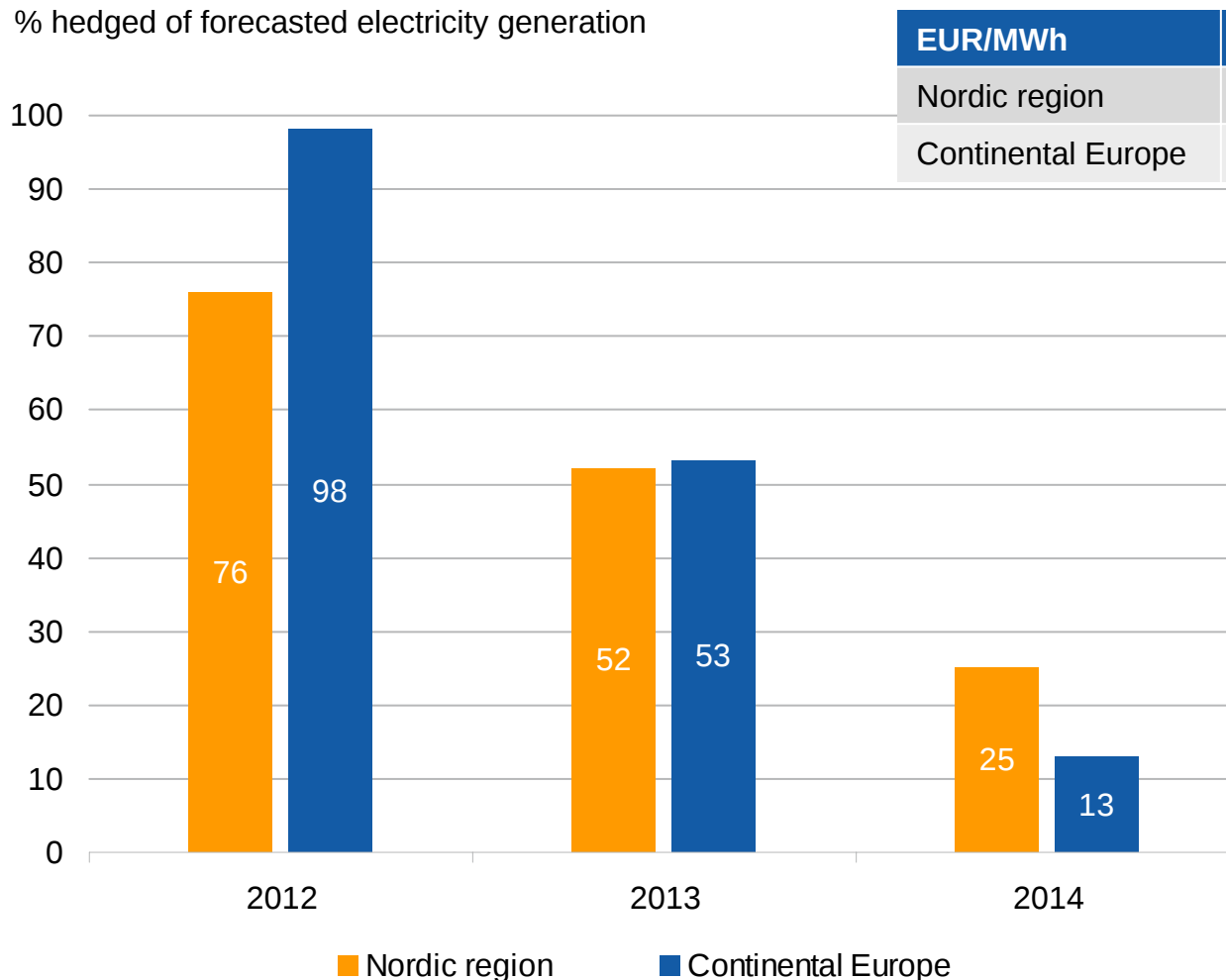
Lower generation output, lower heat and gas sales

- Lower generation output
 - Lower fossil generation mainly due to lower generation in Danish power plants
 - Lower nuclear generation due to unplanned outages at Ringhals
 - Wind generation increased significantly to 3.4 TWh (2.2)
- Lower heat and gas sales
 - mainly due due to warmer weather



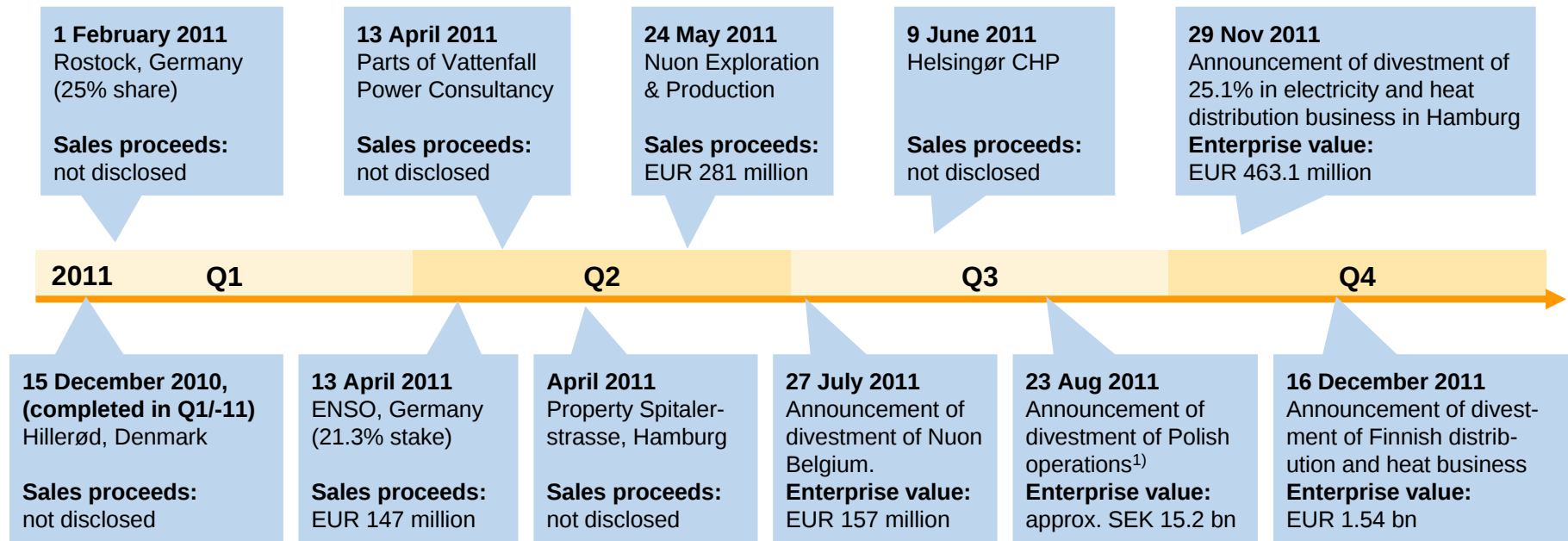
Large part of generation already hedged

% hedged of forecasted electricity generation



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

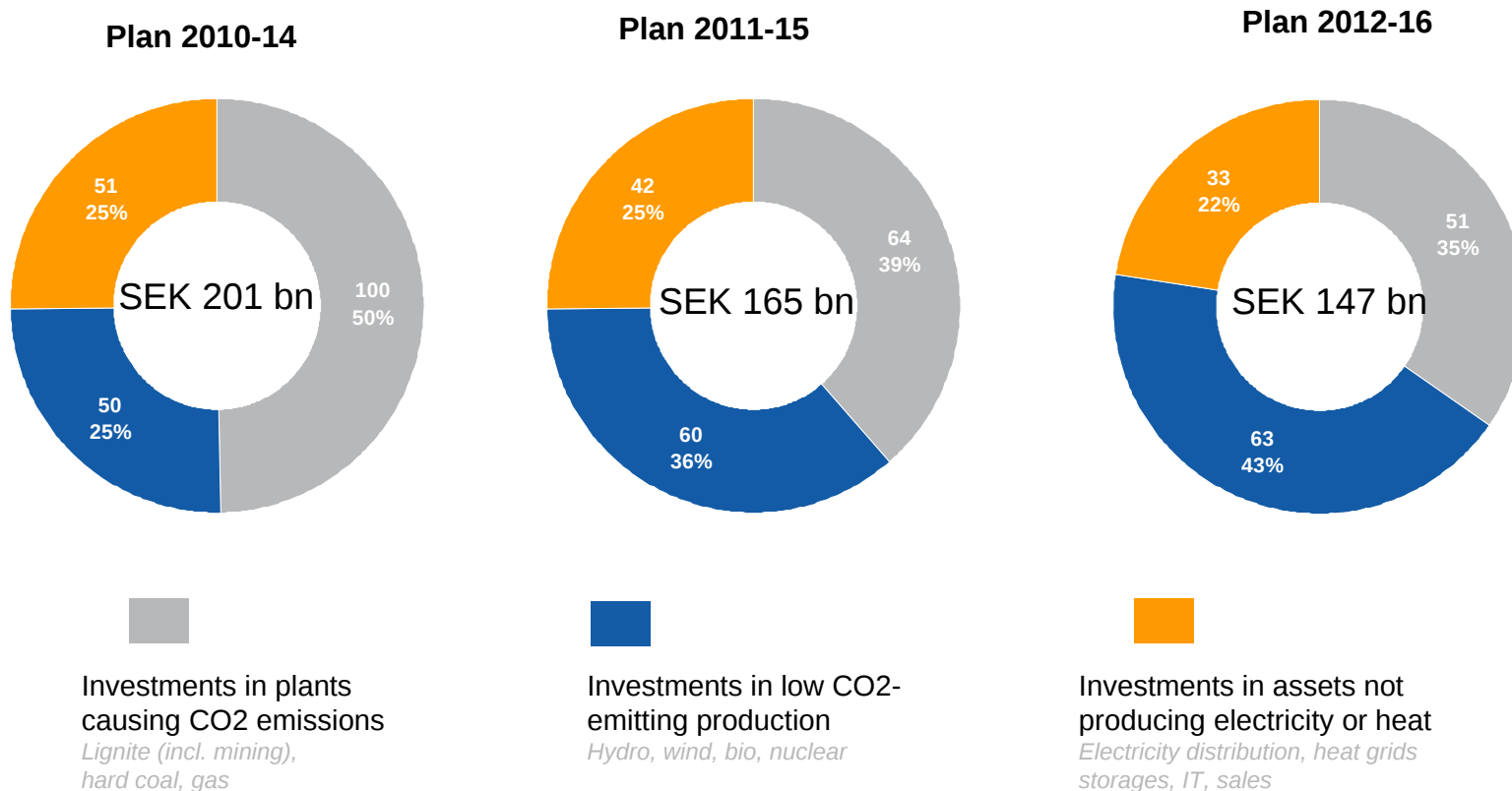
Major part of divestment programme achieved in 2011



- Total SEK 37 bn of divestments contracted in 2011
- Divested businesses accounted for in 2011 amount to SEK 23 bn of which SEK 16 bn paid in 2011
- ~ SEK 7.6 bn regarding of Polish and Belgian divestments was paid in January 2012
- Divestment of Finnish business (SEK 14 bn) was completed and paid in January 2012

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

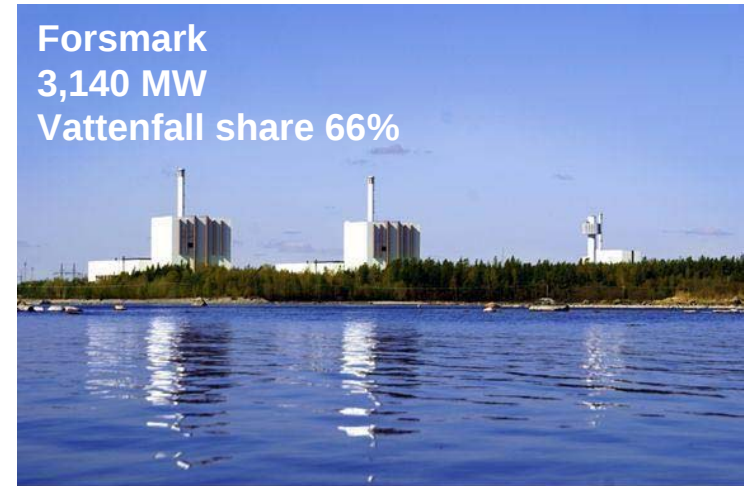
Increasing investments in low CO₂-emitting generation



- The share of investments in low-CO₂ emitting generation continues to increase
 - 43% of total capex; 55% of generation-related investments
 - In total SEK 63 bn SEK, of which SEK 38 bn relates to wind power

Nuclear update 2011 - Sweden

- Swedish nuclear generation during 2011:
 - Forsmark: up 20% to 23.6 TWh (19.6)
 - Availability: 86%
 - Ringhals down 21% to 18.9 TWh (24.0)
 - Availability: 60%
- Status final depository for spent nuclear fuel:
 - Company SKB (59% owned by Vattenfall) submitted an application in March 2011 to build a final depository in Forsmark.



Financials

Peter Smink, acting CFO

Q4 2011 Financial highlights

MSEK	Q4 2011	Q4 2010	Change (%)
Net Sales	50,453	55,537	-9.2
EBITDA	15,447	15,355	0.6
EBIT	10,159	4,946	105.4
Underlying EBIT	7,343	9,109	-19.4
Financial items, net	-2,628	-138	--
Profit after tax	5,103	2,464	107.1
FFO	10,120	11,670	-13.3
Cash flow from operating activities	3,279	9,894	-201.7

FY 2011 Financial highlights

MSEK	2011	2010	Change (%)
Net Sales	181,040	213,572	-15.2
EBITDA	54,538	60,706	-10.2
EBIT	23,209	29,853	-22.3
Underlying EBIT	30,793	36,838	-16.4
Financial items, net	-8,911	-8,430	-5.7
Profit after tax	10,416	13,185	-21.0
FFO	38,256	40,108	-4.6
Cash flow from operating activities	33,468	41,231	-18.8

Lower underlying profit

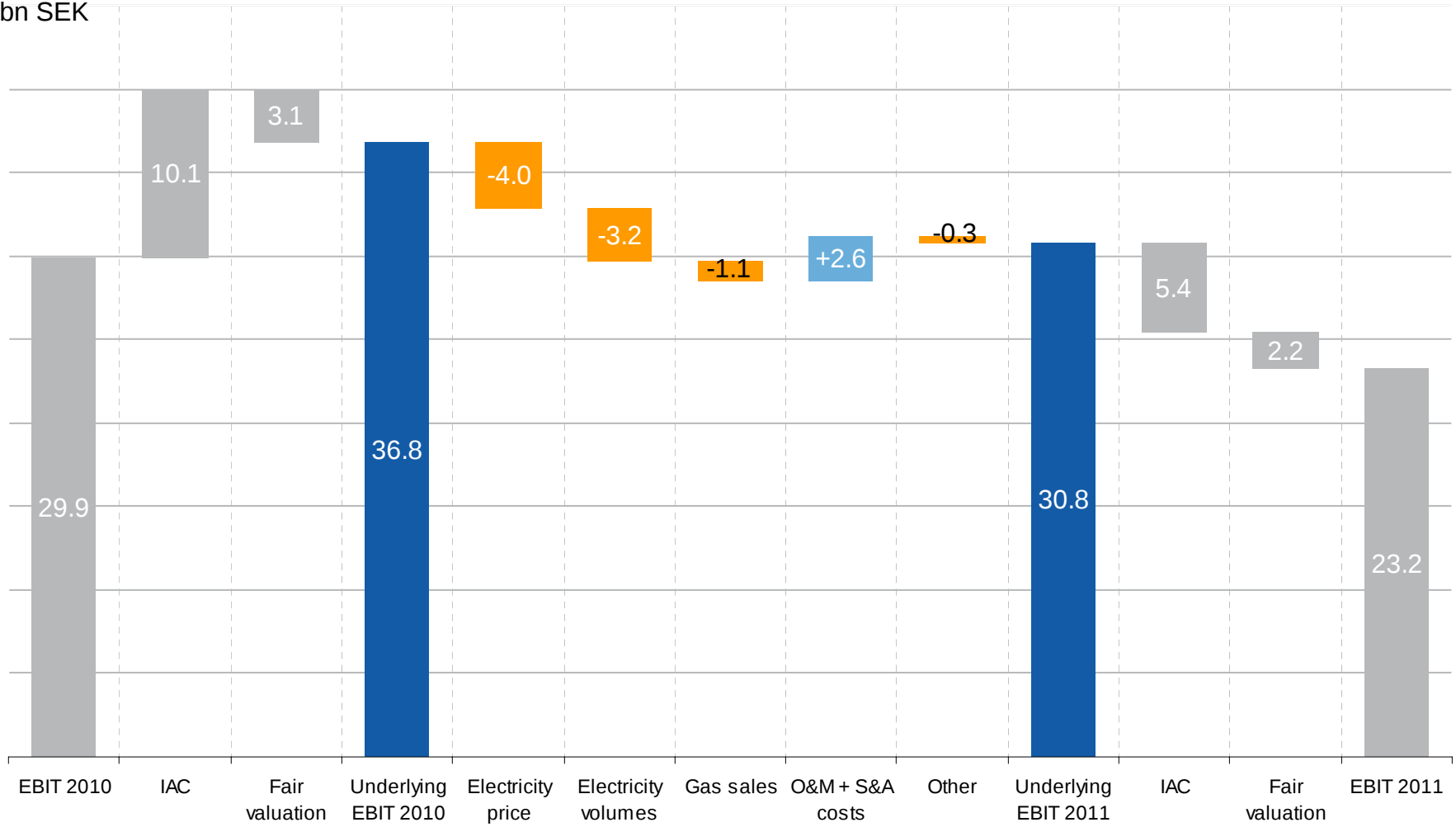
- New measure in order to show underlying result of Vattenfall
- Fair value of derivatives and inventories and IAC are deducted from operating profit (EBIT)

Underlying profit (MSEK)	2011	2010	Change (%)
Operating profit (EBIT)	23,209	29,853	-22.3
- Items affecting comparability	-5,353	-10,099	-47.0
- Fair valuation*	-2,231	3,114	--
Underlying profit	30,793	36,838	-16.4

* Fair valuation of derivatives that can not be classified as hedge accounting according to IAS 39 and fair valuation of inventories.

EBIT development FY 2011

bn SEK



Underlying EBIT per segment (1)

MSEK	2011	2010	Change (%)
Generation	22,118	31,088	-28.9

The Generation segment is Vattenfall's interface towards the wholesale market and includes development and building of production assets, generation of electricity and heat, and sales of electricity on the wholesale energy market. The Generation segment consists of three Business Divisions: Asset Development, Production and Asset Optimisation and Trading.

- Underlying EBIT decreased by SEK 9.0 bn
 - Lower achieved prices
 - Lower volumes
 - Increased depreciation
- Reported EBIT strongly influenced by German nuclear decision (SEK 10.5 bn)

Underlying EBIT per segment (2)

MSEK	2011	2010	Change (%)
Distribution & Sales	10,496	8,426	24.6

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

- Underlying EBIT increased by SEK 2.0 bn
 - Improved profitability
 - Lower sales and administration costs

MSEK	2011	2010	Change (%)
Renewables	460	-601	--

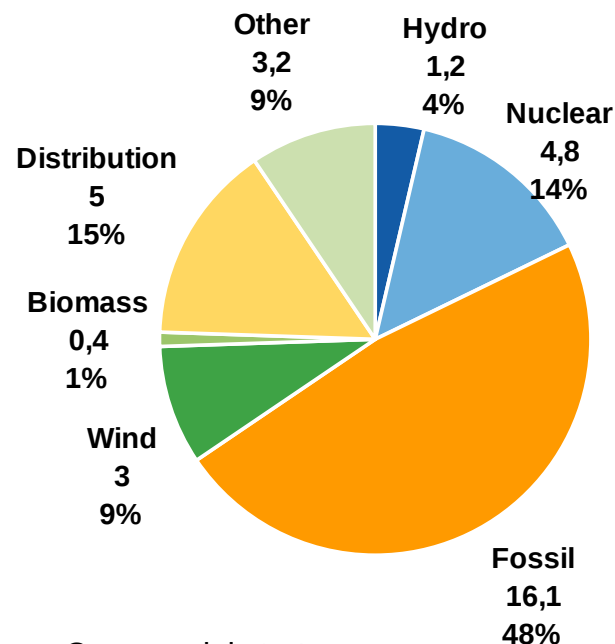
The Renewables segment is responsible for asset development, operation and maintenance of Vattenfall's renewable energy operations (except for hydro power).

- Underlying EBIT increased by SEK 1.1 bn
 - Higher wind generation

Major ongoing investment projects

- Total investments in 2011: SEK 36 bn.
- Largest ongoing projects:
 - Moorburg (hard coal)
 - Boxberg (lignite)
 - Diemen and Hemweg (gas)
 - Magnum (gas)
- Wind power investments will increase significantly in the coming years.

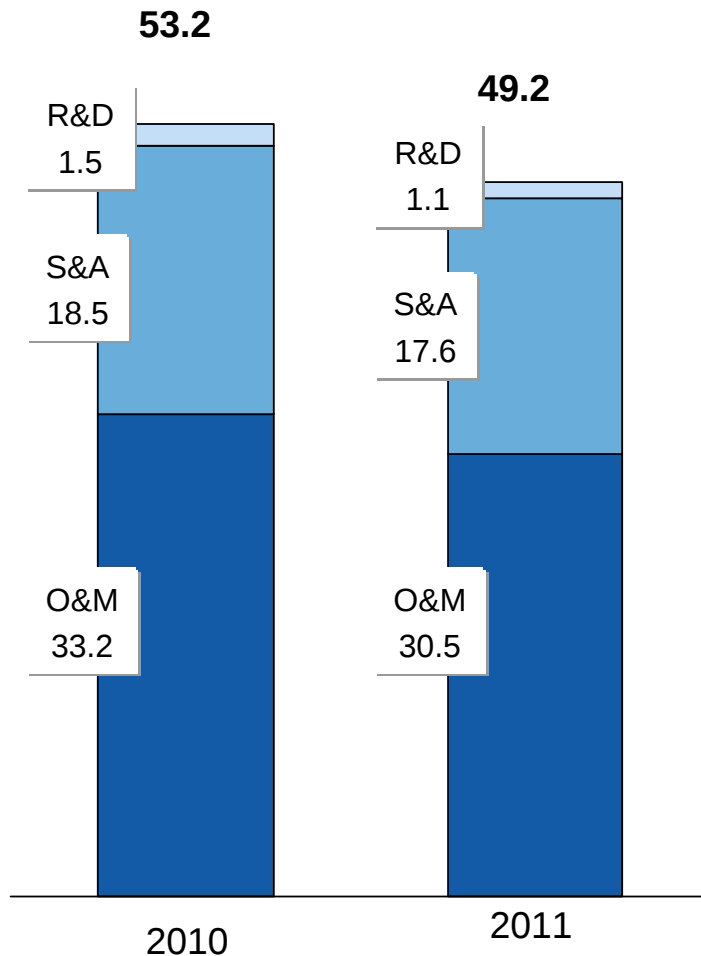
bn SEK



Project	Scope	Commercial start-up
Akkats, SE	150 MW hydro power plant	2012 (Q1) and 2015
Diemen 34, NL	435 MW el, 200 MW heat, CCGT	2012
Hemweg 9, NL	435 MW CCGT	2012
Magnum, NL	1,312 MW CCGT	2012
Moorburg, DE	1,654 MW el, hard coal fired CHP	2014
Boxberg, DE	675 MW lignite fired power plant	2012

Cost-reductions of SEK 4 bn achieved

bn SEK



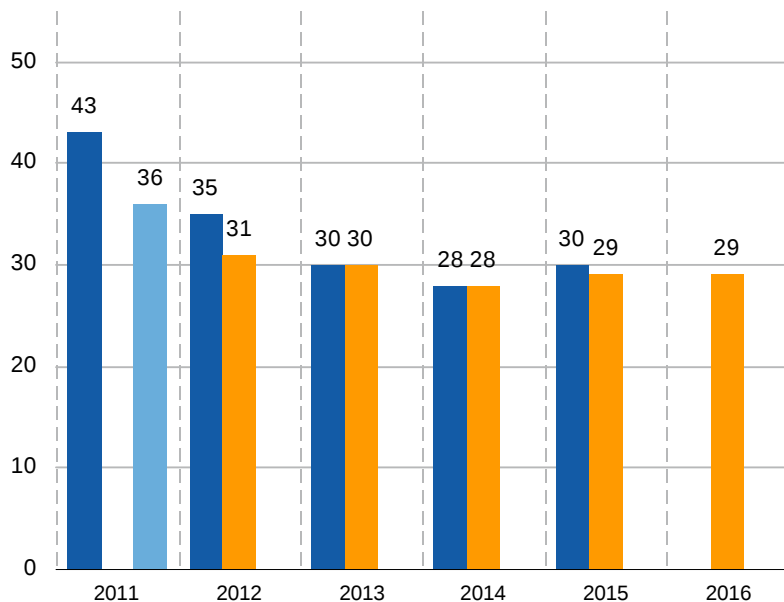
- Gross cost base reduction, excluding divestments and currency effects*
- Levers for cost reductions
 - Strict focus and prioritisation of activities
 - Savings in:
 - Procurement
 - IT
 - R&D
 - FTE

* Exposed cost base for OPEX-reduction: O&M, S&A, R&D. Growth, IAC's and restructuring costs have been excluded 2011.

Overview Capex plan 2012 – 2016: SEK 147 bn

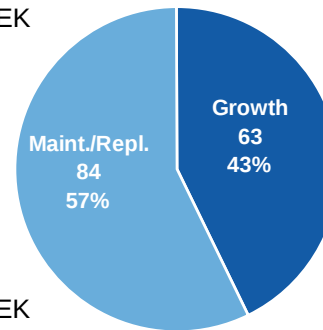
- Capex around SEK 30 bn p.a.
- Growth/Maintenance relation 60/40
- Low-emitting fuel types 43%
- Investments in wind power accounts for 33% of generation related part (SEK 38 bn)

bn SEK

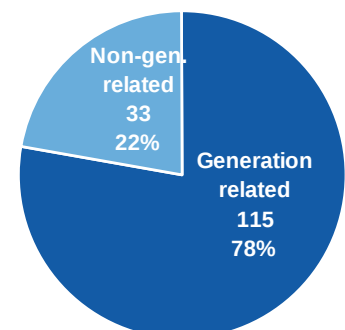


■ CAPEX 2011-14 plan ■ CAPEX 2012-16 plan ■ Actual capex 2011

bn SEK

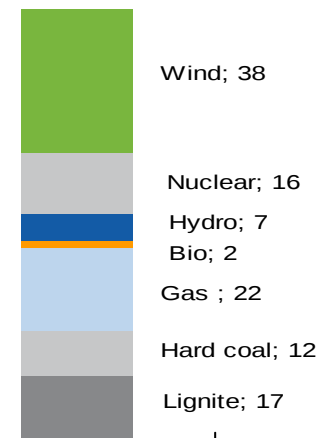


bn SEK
147



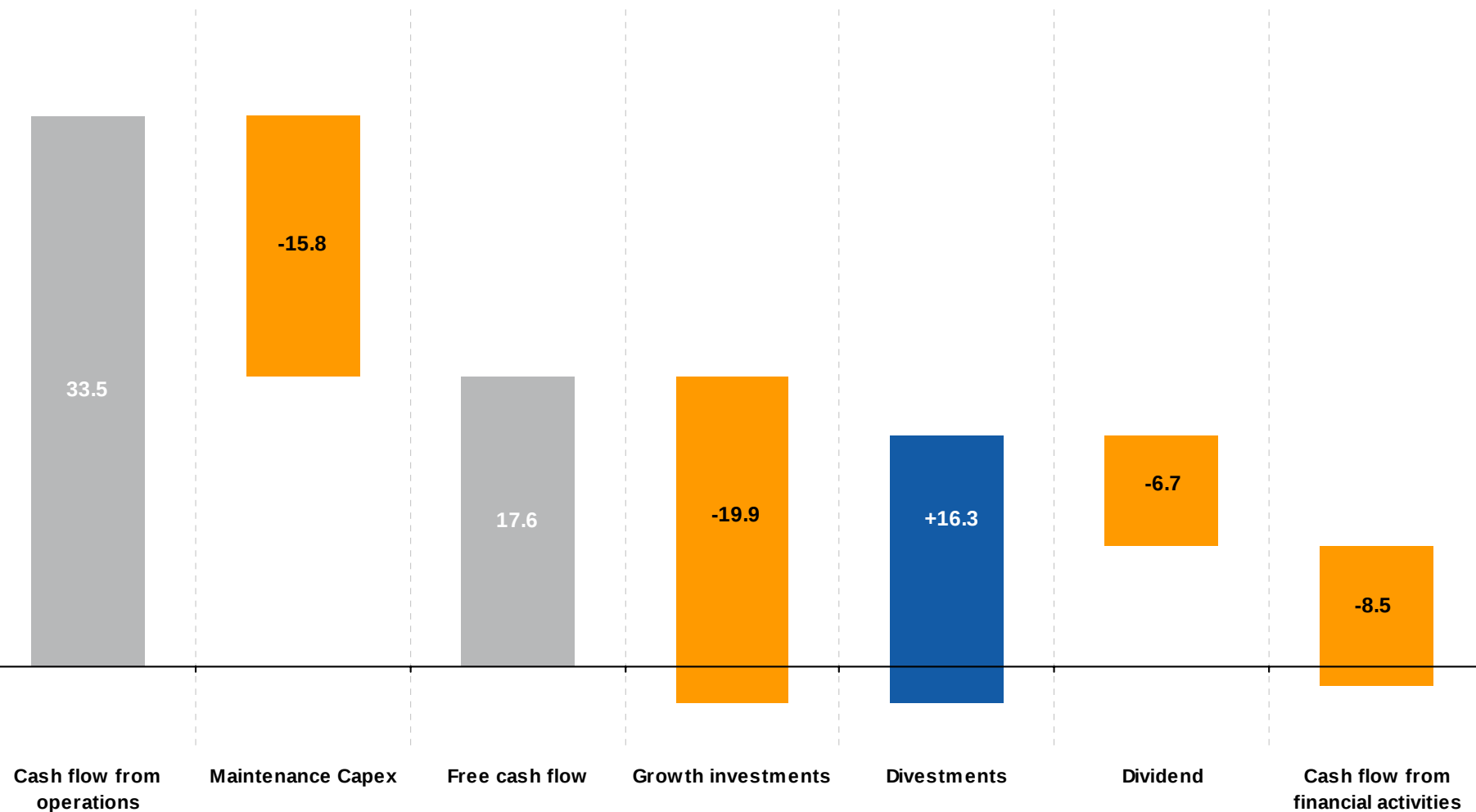
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Total capex plan Non-generation related Generation related

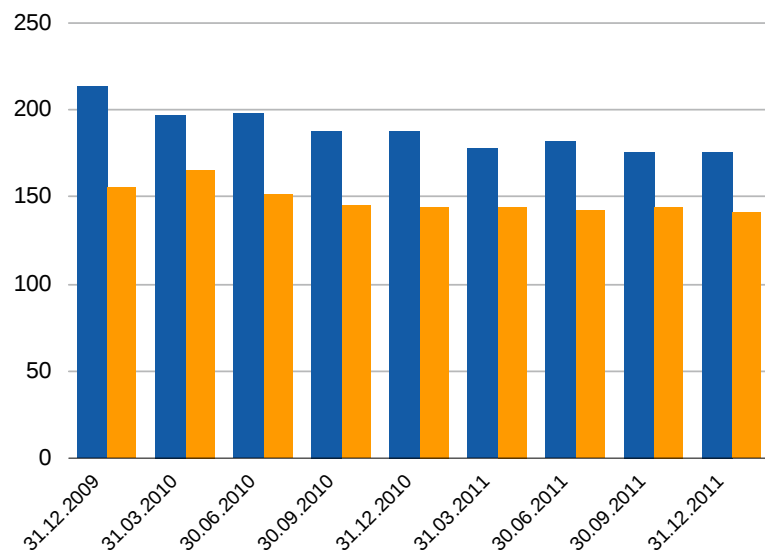


Cash flow for the year: SEK -1.2 bn

in SEK bn



Debt development and key credit metrics



- **Gross debt** decreased by SEK 17.8 bn to SEK 170.4 bn compared with 31 Dec. 2010
- **Net debt** decreased by SEK 3 bn to SEK 141 bn compared with 31 Dec. 2010
- **Adjusted net debt** increased by SEK 2.6 bn to SEK 176 bn compared with 31 Dec. 2010
 - mainly due to increased provisions related to German nuclear

Key credit metrics	2011	2010
FFO Interest cover (x)	4.8	6.2
FFO/net debt (%)	27.1	27.8
FFO/adj. net debt (%)	21.7	23.1
Adj.net debt/ EBITDA (x)	3.2	2.9

- **FFO/adjusted net debt** decreased to 21.7%
 - above S&P hurdle rate for A- rating
- **Adjusted net debt/EBITDA** slightly higher vs. 2010

For calculation of adjusted net debt, see page 33

Financial targets and outcome

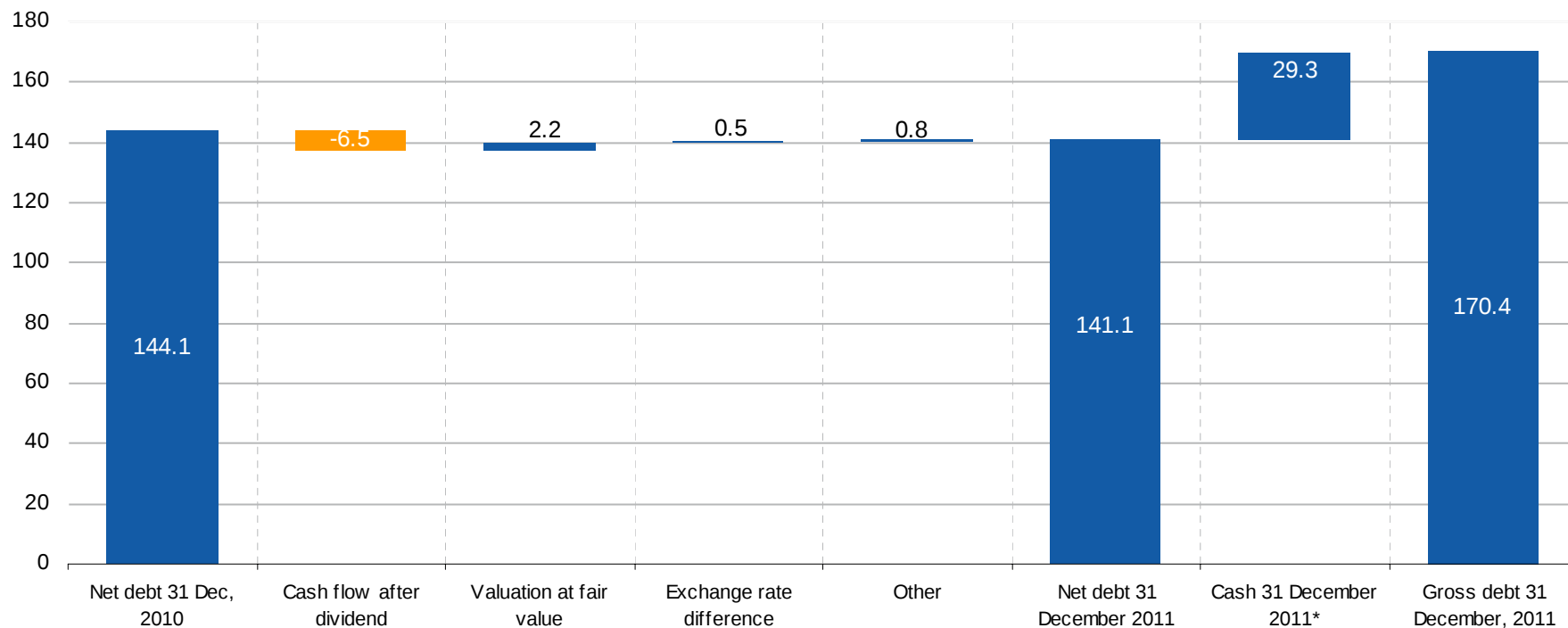
Key Ratio	Targets	FY 2011
Return on Equity (RoE)	15% on average equity	8.6% 12.2% excl. IAC
Cash flow interest coverage after maintenance investments	3.5-4.5 times	3.0 times
Credit rating	Single A category rating	Moody's: A2, stable outlook S&P: A-, stable outlook
Dividend pay-out	40-60%	40% (SEK 4.4 bn)

Q&A

Appendix

Slightly decreased net debt during 2011

bn SEK



*Includes loans to minority owners in foreign subsidiaries of SEK 0.7 billion (not included in Reported cash, cash equivalents and short term investments)

Ex-ante regulation

- The ex-post regulation in Sweden has been changed into ex-ante regulation as from 2012 with four-year tariff periods
- The tariffs shall cover reasonable costs to run the network business during the supervisory period (4 years) and allow a reasonable return on the assets that are needed in the network business. The quality of delivery (network performance) shall influence the tariffs.
- On 31 October 2012 the Regulator (Energimarknadsinspektionen) published its decision regarding the tariffs for the period 2012-2015.
- The Regulator has in principle approved Vattenfalls application according to its method - but after a transition period of eighteen years. This means that for the period 2012-2015 Vattenfall is only allowed to increase tariffs by a third of the difference between 2006-2009 tariffs and the 2024-2027 tariffs (Vattenfalls applied tariffs).
- Vattenfall and about half of all DSOs in Sweden have appealed the Regulators decision. The industry believes that the transition rule are not compliant with the Electricity Act. A judgement from the first level is expected in H1 2013

German nuclear phase-out

- German parliament decided in June 2011 on a total nuclear phase out.
- All German nuclear plants to be phased out by end of 2022.
- Estimated dismantling periods for Vattenfalls plants:
 - Brunsbüttel: 2019-2032
 - Krümmel: 2019-2036
- The German nuclear decision negatively impacted Vattenfall's 2011 result due to impairment charges and increased provisions (SEK -10.5 bn)
- The early phase out of Krümmel and Brunsbüttel decreases Vattenfalls generation capacity by ~1.200 MW
- Vattenfall expects compensation for its financial losses



Liquidity position

As of 31 December 2011

Group Liquidity	SEK million
Cash and cash equivalents	11,268
Short term investments	17,417
Reported cash, cash equivalents & short term investments	28,685
Unavailable liquidity*	-5,757
Available liquidity	22,928

Debt maturities**	SEK million
Within 90 days	1,604
Within 180 days	2,336

*German nuclear "Solidarvereinbarung" 3,043, Margin calls paid 1,381 and others 1,333

**Excluding loans from minority owners and associated companies

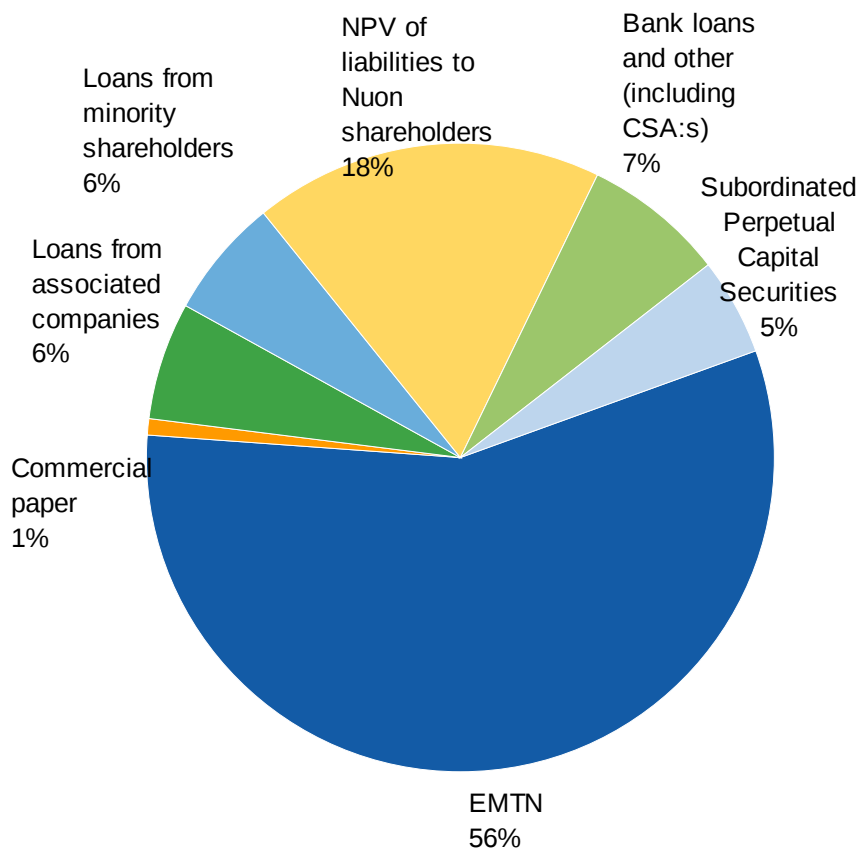
Liquidity position

As of 31 December 2011

Committed credit facilities	Line size	Amount available SEK million
RCF (maturity Feb 2013)	EUR 1 000 million	8,940
RCF (maturity Jan 2016)	EUR 2 550 million	22,797
Multi option Facility (12-month rolling)	EUR 1 300 million	10,460
Overdraft facility	SEK 100 million	100
Total undrawn		42,297

Breakdown of gross debt

Total debt 31 December 2011*:
(SEK 170.4 bn / EUR 19.1 bn)



Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15,000	9,941
EUR 2 bn Euro CP	2,000	0
SEK 15 bn Domestic CP	1,618	176
Total	18,618	10,117

- 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

*Of which external market debt: SEK 123.3 bn (70,1%)

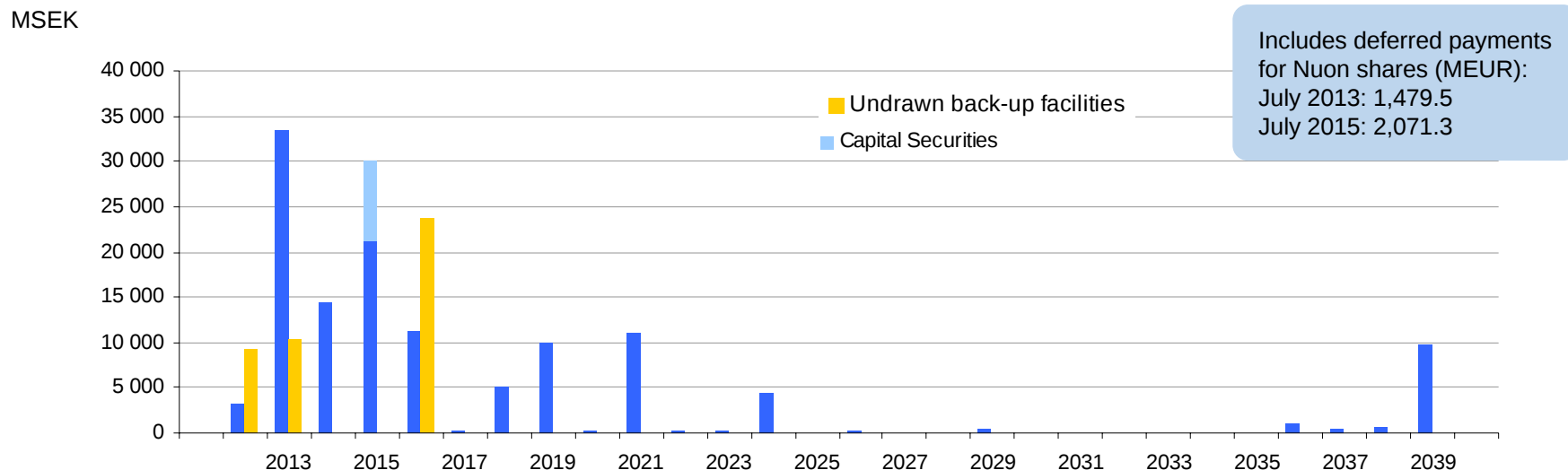
Development of reported and adjusted net debt

Net debt (bn SEK)	Dec 31 2011	Dec 31 2010
Capital Securities	-8.9	-8.9
Bond issues and commercial papers and liabilities to credit institutions	-102.3	-110.0
Present value of liability pertaining to acquisition of subsidiaries	-30.5	-43.3
Liabilities to associated companies	-10.5	-10.5
Liabilities to minority shareholders	-10.2	-9.3
Other liabilities	-8.0	-6.1
Total interest-bearing liabilities	-170.4	-188.3
Cash and cash equivalents	11.3	12.6
Short-term investments	17.4	31.3
Loans to minority owners of foreign subsidiaries	0.6	0.3
Net debt	-141.1	-144.1

*Of which: German nuclear "Solidarvereinbarung" 3.0,
margin calls paid 1,4 and others 1,4

Adjusted net debt (bn SEK)	Dec 31 2011	Dec 31 2010
Total interest-bearing liabilities	-170.4	-188.3
50% of Capital securities	4.4	4.5
Present value of pension obligations	-22.5	-20.0
Mining & environmental provisions	-12.5	-12.8
Provisions for nuclear power (net)	18.5	-12.8
Cross currency swaps	3.3	2.7
Margin calls recieved	7.4	5.2
Liabilities to minority owners due to consortium agreements	9.8	8.9
= Adjusted gross debt	-198.9	-212.6
Reported cash, cash equivalents & short-term investments	28.7	43.9
Unavailable liquidity	-5.8*	-4.7*
= Adjusted cash, cash equivalents & short-term investments	22.9	39.2
= Adjusted net debt	-176.0	-173.4

Vattenfall debt maturity profile



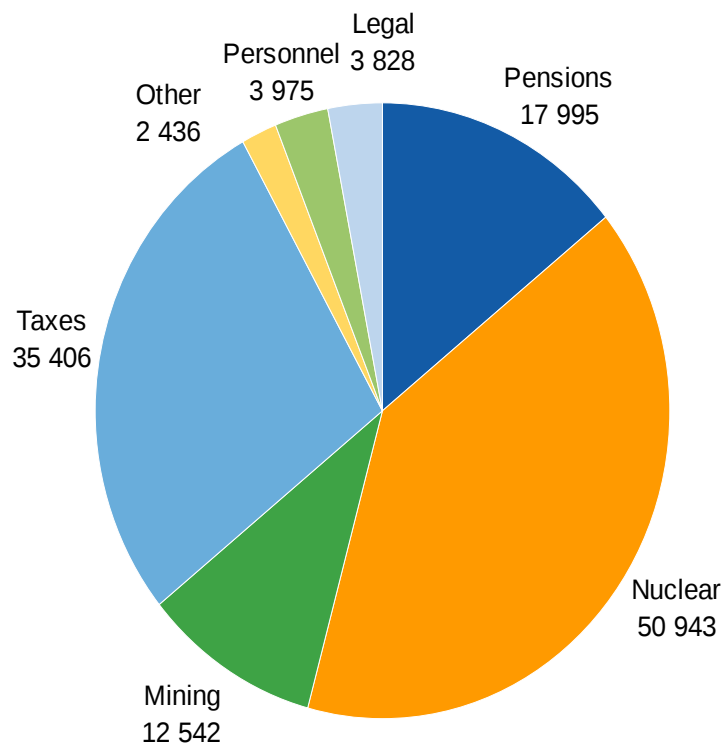
These figures differ from the reported interest bearing liabilities as loans from associated companies, minority owners, CSA liabilities (Credit Support Annex) and valuation at fair value are excluded and currency derivatives for hedging debt in foreign currency are included.

	2011-12-31	2010-12-31
Duration (years)	4.3	3.9
Average time to maturity (years)	5.5	6.1
Average interest rate (%)	3.9	3.5
Net debt (SEK bn)	141.1	144.1

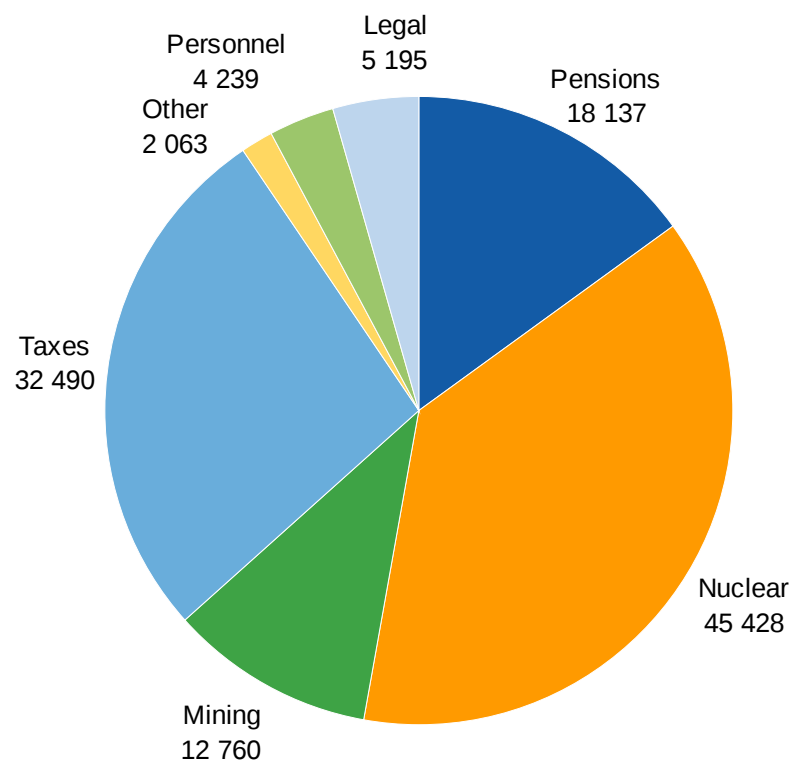
Including Capital Securities

Group provisions (IFRS)

31 December 2011
SEK 127,125 million



31 December 2010
SEK 120,312 million



Credit ratings

Standard & Poor's

A- (stable outlook). Research update: 9 December 2011

Outlook:

"The stable outlook reflects our expectations that Vattenfall's own efficiency measures will mitigate pressure on profitability from falling power prices. It further reflects [...] that Vattenfall's investments will decrease in the near term and average about SEK30 billion annually over the next few years. Based on these factors, combined with proceeds from asset disposals, which we believe Vattenfall will use to reduce adjusted debt, we anticipate that Vattenfall should be able to maintain credit measures in line with the ratings, including adjusted FFO to debt of about 20%.

We could lower the ratings if Vattenfall's operating and/or financial performance significantly weakens from current levels, leading to a negative impact on credit measures, such as a sustained decline in adjusted FFO to debt below 20%. [...]

We could also lower the ratings if we see evidence of government support weakening. This would most likely be as a result of a privatization of a significant part of the government's shareholding in Vattenfall. Nevertheless, we currently deem this unlikely over the near to medium term.

We could raise the ratings if we believed that Vattenfall's financial risk profile and credit measures could improve sustainably to a level commensurate with a one notch higher SACP, for example through an sustainable increase in adjusted FFO to debt to about 25%, based on the existing business risk profile. [...]

We could also raise the ratings by one notch if we saw evidence of strengthened government support, leading us to revise upward our assessment of the likelihood of government support for Vattenfall."

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."