

Vattenfall Q1 2012 results

Øystein Løseth, CEO and Peter Smink, acting CFO

Press Conference, 3 May 2012

Successful first quarter – continued consolidation

- Vattenfall continues to deliver on its strategy:
 - asset disposal programme successfully completed by sale of Finnish distribution and heat operations in January 2012
 - total cash proceeds during Q1 2012 from divestments: SEK 21 billion, reducing net debt substantially
 - cost reductions ahead of plan. Cost-cutting programme (SEK 6 billion) planned to be completed by end of 2012 (one year ahead of previous target)
- Solid underlying EBIT despite significantly lower Nordic electricity spot prices.

Financial highlights Q1 2012

- Net sales: SEK 49 billion (51.9)
- EBITDA: SEK 23.8 billion (16.9)
- EBIT: SEK 19.0 billion (11.8)
- Underlying EBIT: SEK 11.7 billion (12.3)
- Cash flow (FFO): SEK 12.7 billion (12.2)
- Net debt: SEK 120.6 billion (138.3)
- FFO/adj. net debt: 25%
- Return on equity (RoE): 13.4%

Important events Q1 2012 (I)

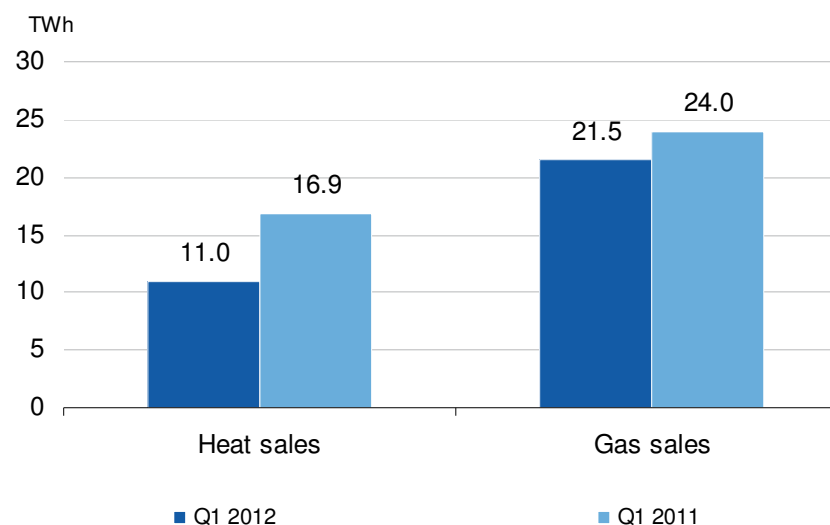
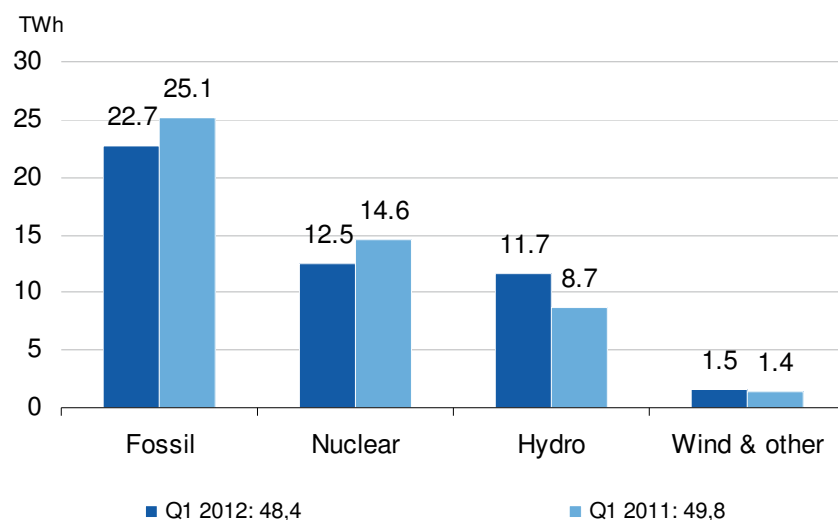
- Divestment of non-core assets completed
 - Q1 2012: Divestment proceeds of SEK 21 billion
 - Finland (SEK 13.2 billion), Vattenfall Heat Poland (SEK 5.8 billion), Vattenfall Belgian operations (SEK 1.9 billion)
 - Decision to keep Danish CHP plants
- Vattenfall enters partnership on French hydro power
 - Consortium agreement under the name Force Hydro with three strong partners (ArcelorMittal, Rhodia, SNCF)
- Impairment charges and provisions posted for biomass project in Liberia
 - In total SEK 1,341 million, of which EBIT-impact SEK 512 million

Important events Q1 2012 (II)

- Moorburg power plant: A solution regarding the problems with the T24 steel has been found with the supplier. The plant is planned to be commissioned at the beginning of 2014 (unit B) and during summer (unit A).
- Swedish nuclear:
 - Availability at Forsmark (3 reactors) 98.6%
 - Availability at Ringhals (4 reactors) 71.0%.
 - Ringhals 2 online since 2 April after nearly one year standstill
 - Ringhals 1 and 2 run with reduced capacity (83% and 94%)
- Status as of 3 May: all 7 reactors in Sweden are delivering electricity

Lower generation output, lower heat and gas sales

- Lower electricity generation output (48.4 TWh in Q1/12 vs 49.8 TWh in Q1/11)
 - Divestments account for 2.1 TWh in Q1/11 (fossil generation)
 - Lower nuclear power generation due to outages at Ringhals 2 and reduced capacity at Ringhals 1
 - Hydro power generation increased due to high reservoir levels
- Lower heat and gas sales
 - Divestment of Polish assets (Heat), Belgian operations and Nuon E&P (Gas), warmer weather

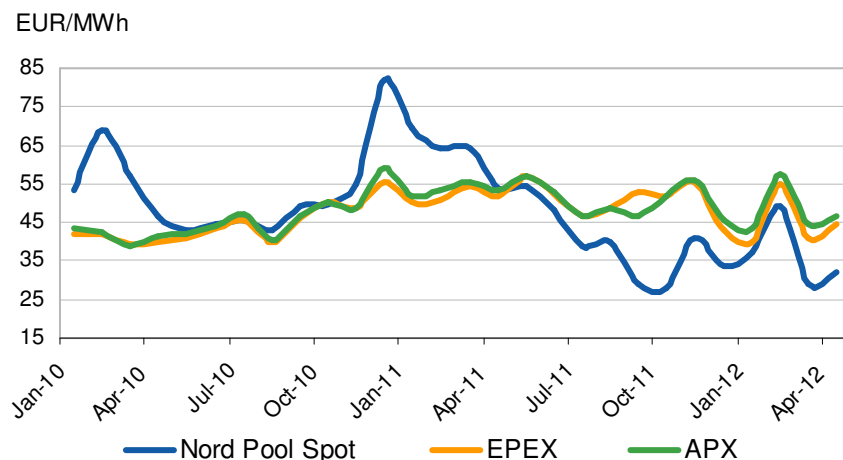


Decline in Nordic spot prices / Improved hydro balance

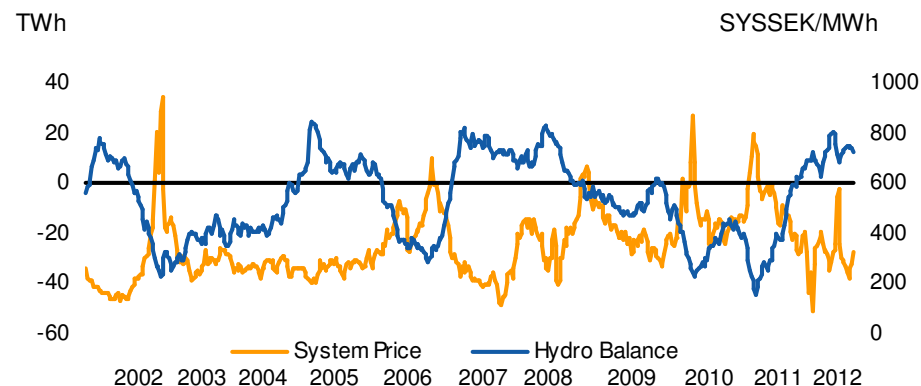
- Sharp decline in Nordic spot prices Q1-12 vs. Q1-11
- Nordic hydrological balance still strong (+15.1 TWh at the end of Q1)
- Spot prices declined to a lesser extent in Germany and the Netherlands

EUR/MWh	Nord Pool	EPEX	APX
Q1-12 (Q1-11)	38.5 (66.1)	45.3 (51.8)	48.5 (53.4)
%	-41.8	-12.6	-9.1

Monthly Spot Average



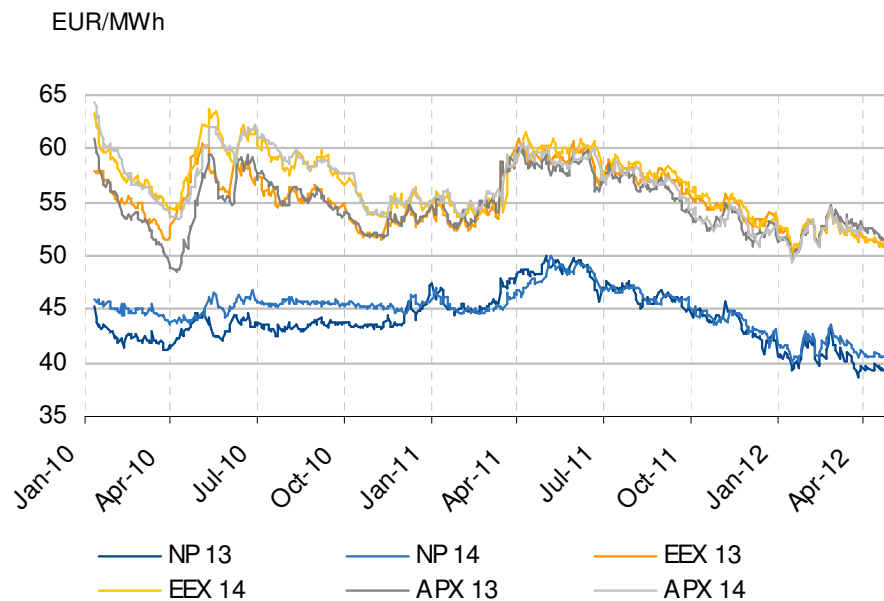
Hydrological balance



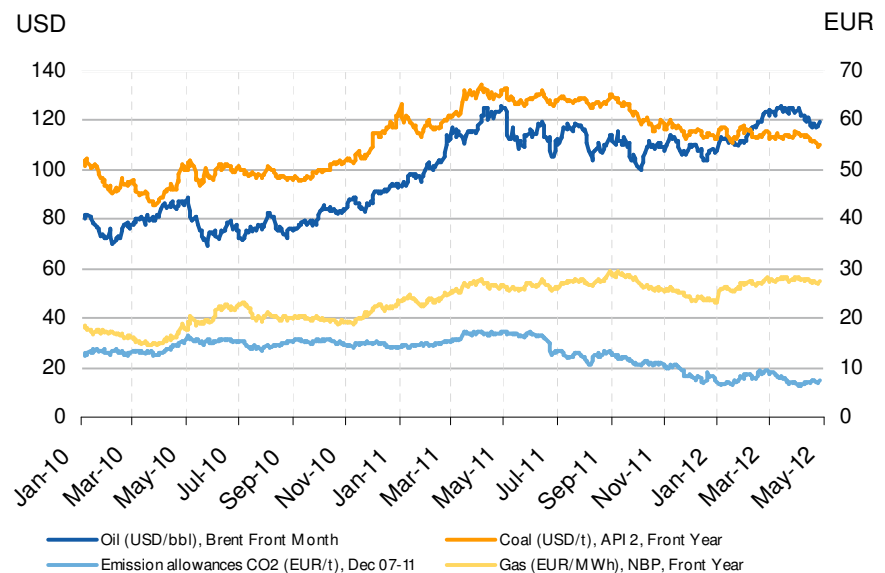
Lower electricity future prices

- Electricity futures prices decreased Q1-12 vs Q4-11 on all Vattenfall markets.
 - Mainly due to lower coal and CO2 prices, and warmer weather
- Gas and oil prices increased slightly during Q1-12 vs. Q4-11.
 - Coal prices and CO2 prices decreased.
 - CO2 price decreased by 50% Q1-12 vs. Q1-11.

Electricity future prices



Commodity prices



Other notable events in Q1

- Volvo V60 Plug in hybrid – developed in a joint venture with Vattenfall – has been launched and is on a European roadshow that started in March.
- Vattenfall launched it's new sponsorship program for Olympic Talents together with the National Olympic Committees in Sweden, Germany and the Netherlands.
- New Ocean Energy venture in the UK
 - Agreement for new test site outside Orkney



The Pelamis wave energy converter



Volvo V60 Plug-In Hybrid with Vattenfall charging box

Financials

Peter Smink, acting CFO

Q1 2012 Financial highlights

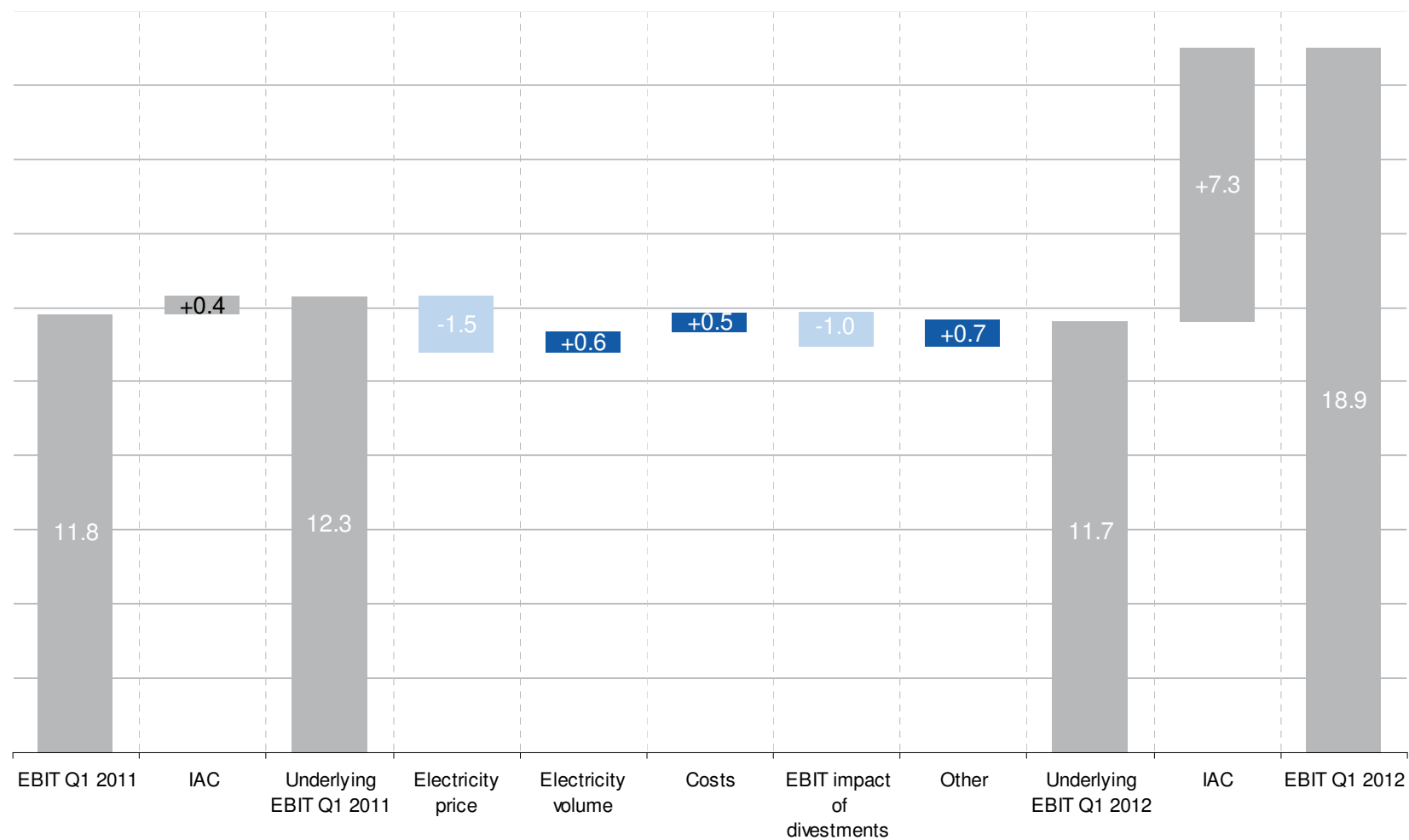
MSEK	Q1 2012	Q1 2011	Change (%)
Net Sales	48,994	51,868	-5.5
EBITDA	23,826	16,932	40.7
EBIT	18,956	11,842	60.1
Underlying EBIT*	11,675	12,294	-5.0
Financial items, net	-2,454	-1,893	-29.6
Profit after tax	13,855	7,203	92.4
Cash flow (FFO)	12,717	12,156	4.6
Net debt	120,597	141,089**	14.5

* Underlying profit: EBIT excluding Items affecting comparability

** As of 31 December 2011

Development of underlying EBIT

bn SEK



Underlying EBIT per segment

MSEK	Q1 2012	Q1 2011	Change (%)
Generation	8,346	7,982	5.2

- Underlying EBIT increased by 364 MSEK
 - Lower O&M costs
 - Increased result within BD AOT
 - Lower achieved prices

MSEK	Q1 2012	Q1 2011	Change (%)
Distribution and Sales	3,591	4,790	-25.0

- Underlying EBIT decreased by 1,199 MSEK
 - Divestment of Polish, Finnish and Belgian operations
 - Improved profitability within B2C

MSEK	Q1 2012	Q1 2011	Change (%)
Renewables	104	166	-36.7

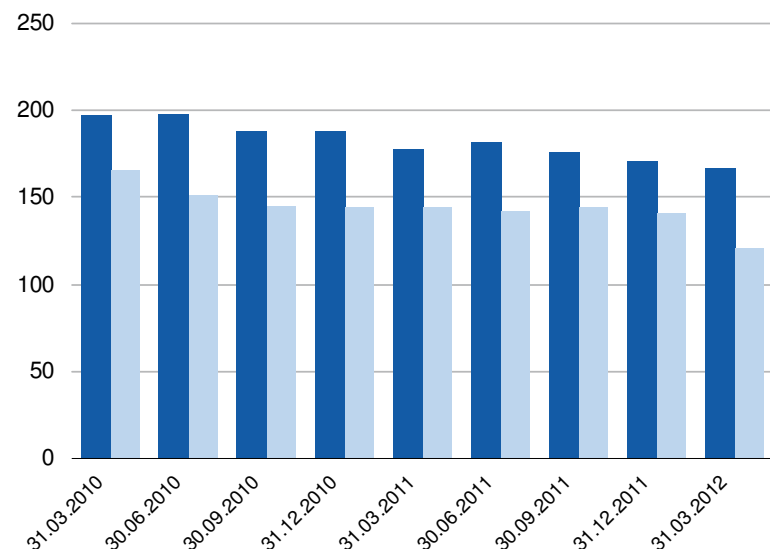
- Underlying EBIT decreased by 62 MSEK
 - Lower revenues due to poorer wind conditions and technical problems with cable at the Thanet offshore wind farm

Major investment projects go online during 2012

- Boxberg connected to grid. Commissioning scheduled for October.
- Magnum: Commissioning scheduled for end of 2012.
- Hemweg and Diemen: Commercial start-up scheduled for end of 2012.
- Moorburg is planned to be commissioned at the beginning of 2014 (unit B) and during summer (unit A). Solution with the supplier of T24 steel has been found.

Project	Scope	Commercial start-up
Akkats, SE	150 MW hydro power plant	2012 and 2015
Diemen 34, NL	435 MW el, 260 MW heat, CCGT	2012
Hemweg 9, NL	435 MW CCGT	2012
Magnum, NL	1,311 MW CCGT	2012
Moorburg, DE	1,640 MW, hard coal fired CHP	2014
Boxberg, DE	675 MW lignite fired power plant	2012

Lower debt and improved key credit metrics



- **Gross debt**

decreased by SEK 3.9 bn to SEK 166.5 bn

- **Net debt**

decreased by SEK 20.5 bn to SEK 120.6 bn

- **Adjusted net debt**

decreased by SEK 20.6 bn to SEK 155.4 bn

Comparison with 31 December 2011

For calculation of adjusted net debt, see page 27

Key credit metrics	Q1 2012	FY 2011
FFO Interest cover (x)	4.8	4.8
FFO/net debt (%)	32.2	27.1
FFO/adj. net debt (%)	25.0	21.7
Adj.net debt/ EBITDA (x)	2.5	3.2

Rolling 12 months values

- **FFO/adjusted net debt** increased to 25.0%
- **Adjusted net debt/EBITDA** decreased to 2.5 (x)

Q&A

Appendix

Underlying EBIT – Operating profit excl. IAC

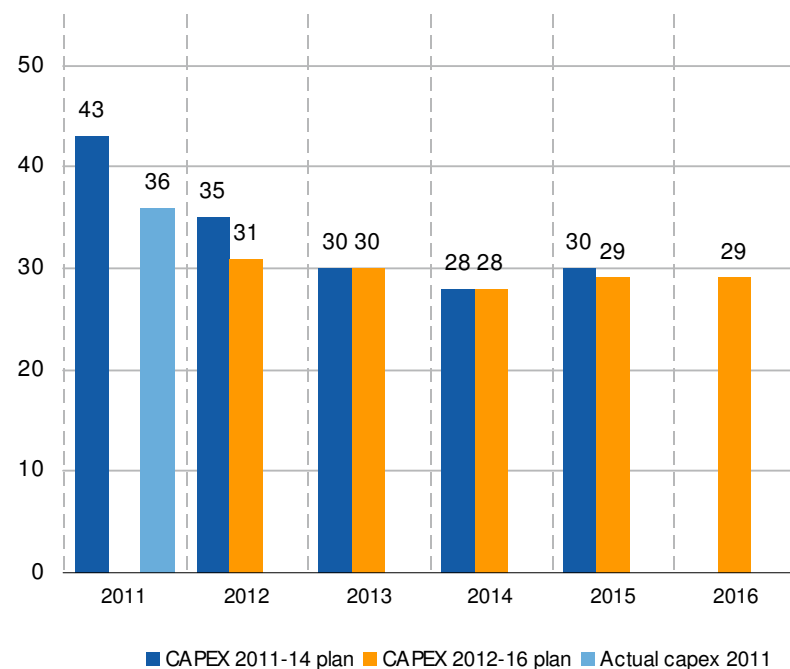
- Underlying EBIT = Operating profit (EBIT) excluding items affecting comparability (IAC)
- IAC consist of:
 - Capital gains and losses
 - Impairment losses and reversed impairments losses
 - Unrealised changes in the fair value of energy derivatives (which according to IAS 39 may not be reported using hedge accounting) and changes in the fair value of inventories
 - Other IAC items

(MSEK)	Q1 2012	Q1 2011	FY 2011
Underlying profit (EBIT excl. IAC)	11,675	12,294	30,793
Items affecting comparability	7,251	-452	-7,584
- <i>Capital gains</i>	8,089	717	4,780
- <i>Capital losses</i>	-13	-27	-58
- <i>Impairment losses</i>	-35	-5	-11,301
- <i>Reversed impairment losses</i>	--	4	386
- <i>Unrealised fair value of energy derivatives</i>	-349	-1,357	-1,690
- <i>Unrealised fair value of inventories</i>	108	216	-541
- <i>Restructuring costs</i>	-32	--	--
- <i>Other items affecting comparability</i>	-487	--	840
Operating profit (EBIT)	18,956	11,842	23,209

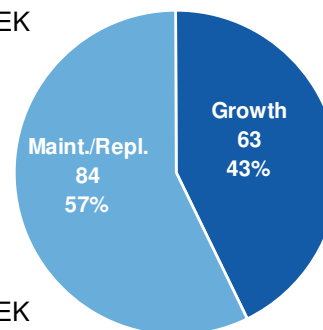
Overview Capex plan 2012 – 2016: SEK 147 bn

- Capex around SEK 30 bn p.a.
- Growth/Maintenance split: 60/40
- Low-emitting fuel types 43%
- Investments in wind power account for 33% of generation related part (SEK 38 bn)
- In 2016 low emitting part reaches 66%

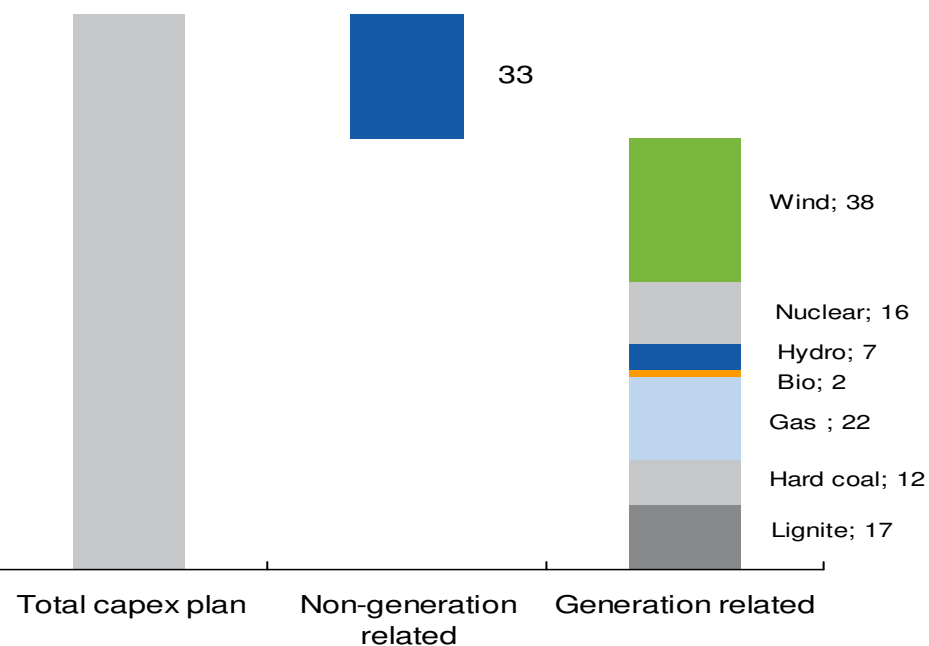
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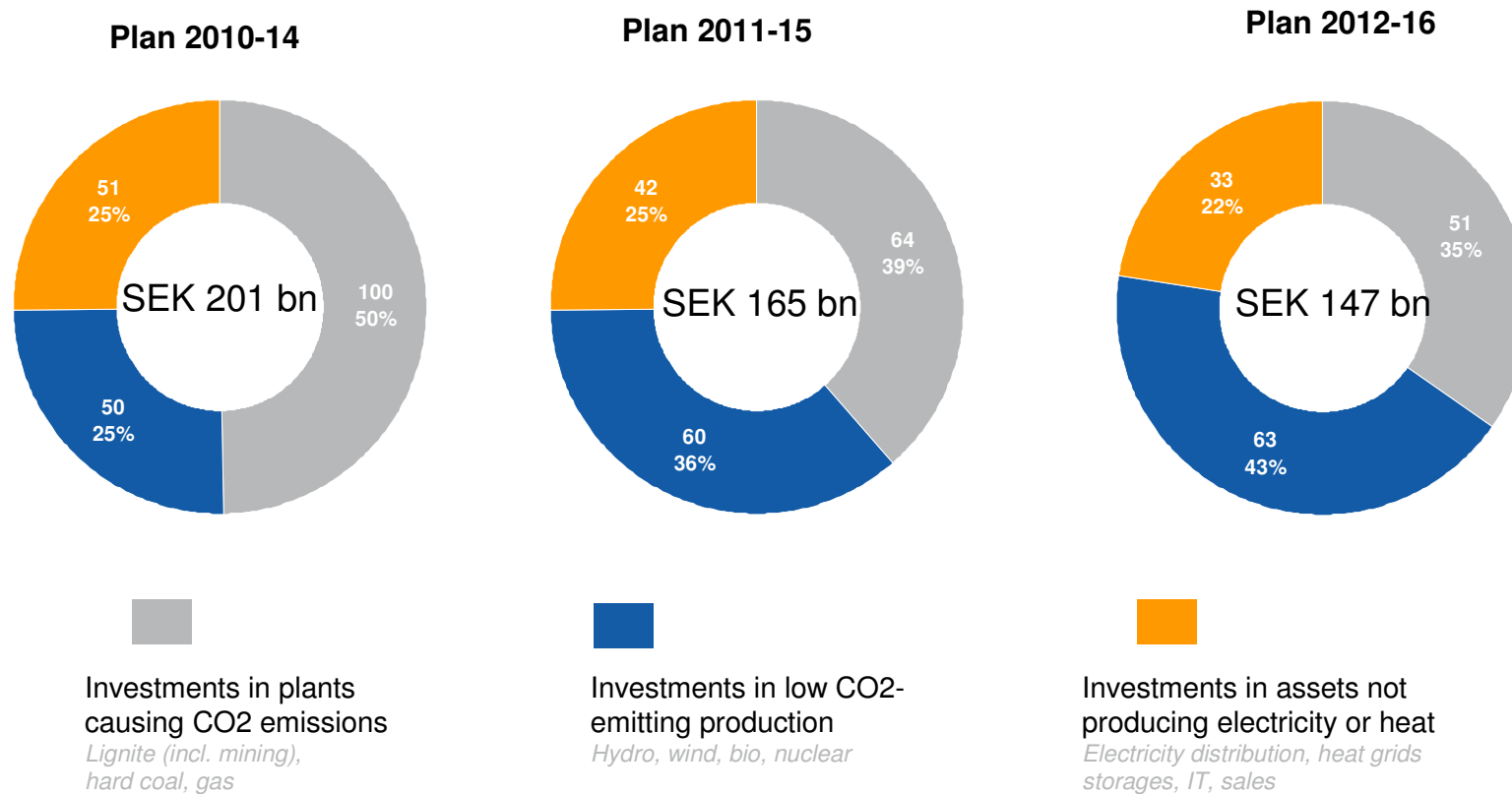
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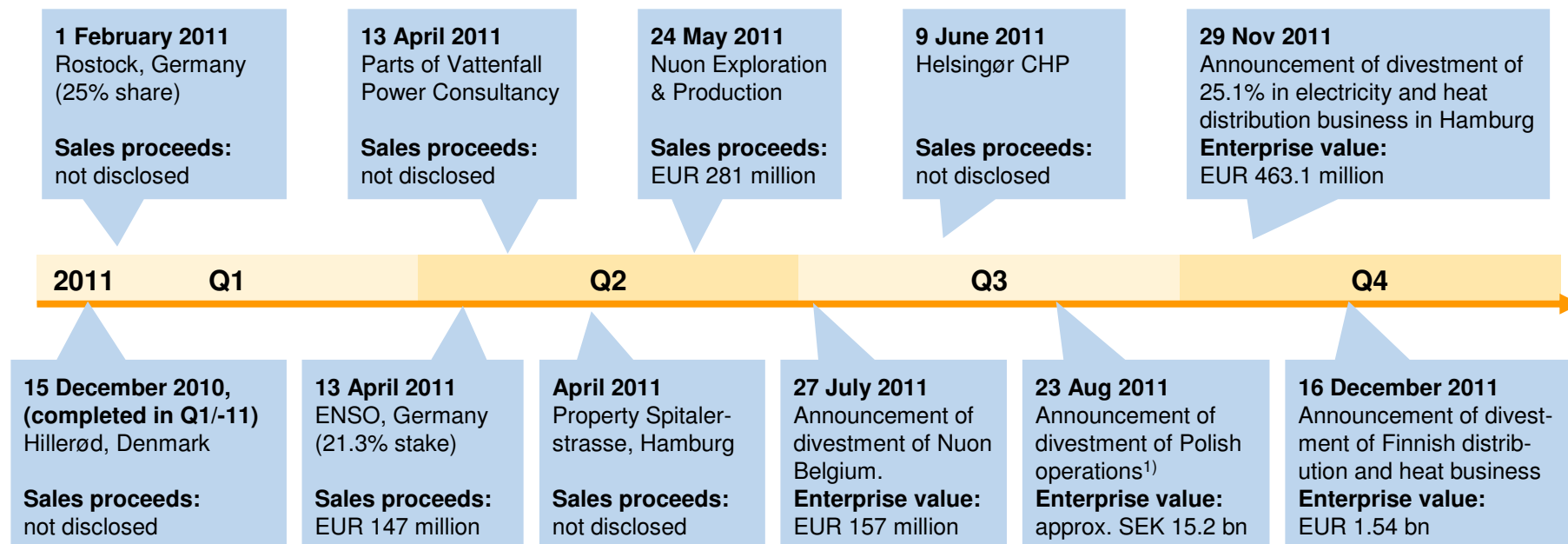


Increasing investments in low CO₂-emitting generation



- 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

Divestment programme completed



- 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 7.7 bn regarding of Polish and Belgian divestments was paid in January 2012
- Divestment of Finnish business (SEK 13.2 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)

Financial targets and outcome Q1 2012

Key Ratio	Target	Q1 2012
Return on Equity (RoE)	15% on average equity	13.4%*
Cash flow interest coverage after maintenance investments	3.5-4.5 times	2.6 times
Credit rating	Single A category rating	Moody's: A2, negative outlook S&P: A-, stable outlook
Dividend pay-out	40-60%	40% (SEK 4.4 bn)

Rolling 12 months values

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 Swedish Electricity Act. A judgment from the first court level is expected in H1 2013

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. [...]

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 a 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 (negative outlook). *Announcement: 21 February 2012, A2 rating affirmed but outlook changed from stable to negative.*

Outlook:

"The negative outlook reflects the possibility that Vattenfall's performance will not improve to the extent required for the company to maintain its A2 rating. The continued challenging macroeconomic conditions in Sweden, combined with the country's strong hydro reservoir levels, could result in sustained downward pressure on both demand and electricity price levels, thereby reducing available revenues from Vattenfall's generating fleet well into 2012. Moody's expects that spreads on thermal generation will also remain relatively weak during 2012. A further credit negative is the modest deterioration in Vattenfall's business risk profile resulting from the company's sale of its heat and electricity distribution business which will result in lower quality cash flow for 2012.