

Vattenfall Q1 2015 results

Magnus Hall, CEO and Ingrid Bonde, CFO

Presentation 28 April 2015

Financial highlights

SEK bn	Q1 2015	Q1 2014	Change %	FY 2014
Net Sales	45.4	45.9	-1.1	165.9
Underlying EBIT	7.7	9.1	-15.4	24.1
Profit after tax	5.0	8.2	-39.0	-8.3
Return on capital employed (ROCE), %	-1.9*	-1.7*	—	-0.7%
Return on capital employed (ROCE) excl. items affecting comparability, %	7.6	8.4	—	8.2%

* Last twelve months

Current market backdrop

Continued challenging market environment

- Continued weak demand
- Structural oversupply
- Depressed electricity prices and margins

Energy commission appointed in Sweden

- A parliamentary Swedish Energy Commission has been appointed
- Purpose to achieve a broad political agreement on long-term energy policies
- Vattenfall is looking forward to contributing to the process

Emissions Trading System

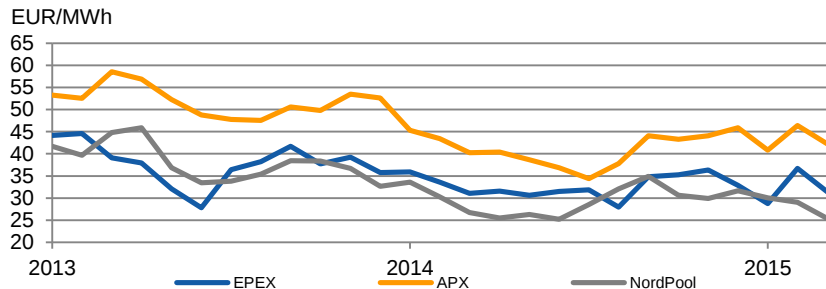
- Reformation of ETS may provide support for CO2 prices

Carbon levy

- The German Ministry of Economic Affairs and Energy has proposed significant levies on older fossil based power plants

Pricing environment

Monthly spot power price average



EUR/MWh

Nord Pool

EPEX

APX

Q1-15 (Q1-14)

28.2 (30.2)

32.3 (33.5)

43.1 (43.0)

%

-6.7

-3.6

0.2

Q1-15 (Q4-14)

28.2 (30.7)

32.3 (34.8)

43.1 (44.4)

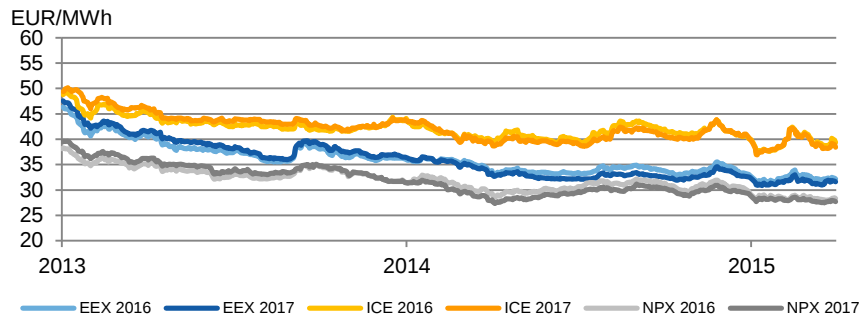
%

-8.4

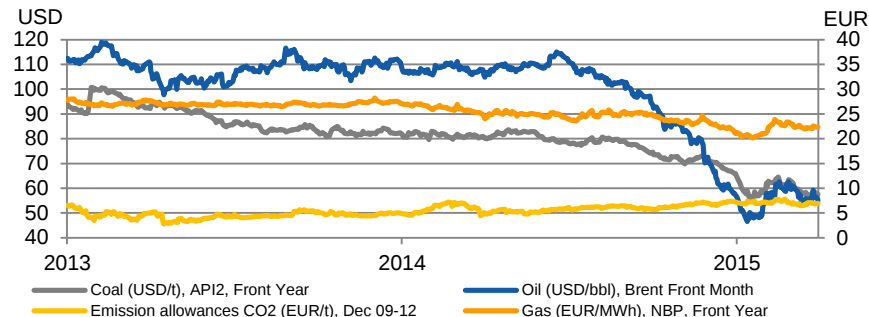
-7.4

-3.1

Electricity futures

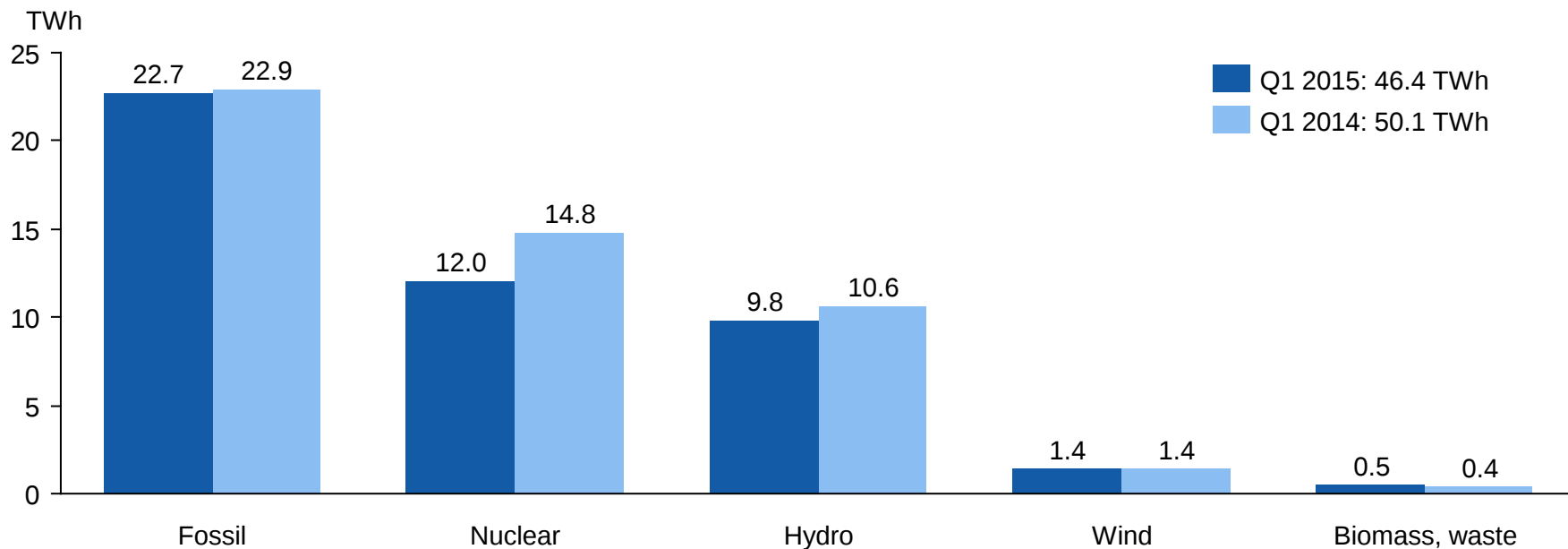


Commodity prices



Electricity generation decreased 7.4% to 46.4 TWh

- Lower nuclear power due to several unplanned outages at Vattenfall's nuclear plants.
- Lower hydro power production due to lower reservoir levels



Continued investments in wind power

- Vattenfall won the concession for the 400 MW Horns Rev 3 offshore wind farm, in Denmark. To be commissioned in 2019
- The 288 MW DanTysk offshore wind farm in Germany in operation since late 2014. Official inauguration on 30 April
- The 37 MW Clashindarroch wind farm in UK has started to deliver power
- German offshore wind farm Sandbank (288 MW) under construction. To be commissioned in 2017



Other important events Q1 2015

- Coal-fired plant Moorburg (827 MW) in Hamburg in commercial operation (unit B)
- New electricity contract signed with mining and metals company Boliden
– supply of 5.5. TWh over a five-year period from 2016
- Successful issue of hybrid bonds, SEK 6 billion and EUR 1 billion
(approx. SEK 15 billion combined)
- E-mobility: Demonstration project with plug-in hybrid buses in regular bus traffic in Stockholm and nation-wide cooperation with airport operator Swedavia on fast-charge stations for taxis

Business areas and reporting segments as from 1 April 2015

Business Areas		Reporting Segment	Share of 2014 Group Revenue*	Share of 2014 Group EBITDA*
	Heat Heat operations incl. thermal (excl. Lignite)	Heat	~10%	~10%
	Customers & Solutions Sales to end customers	Customers & Solutions	~50%	~5%
	Wind All wind power operations	Power Generation **	~40%	~65%
	Generation All hydro and nuclear operations			
	Markets Asset optimisation and trading (energy related commodities)			
	Distribution Electricity distribution in Sweden and Germany	Distribution	~10%	~20%

* Figures exclude "Other" activities such as Treasury, Shared Service Centre operations and eliminations

* Preliminary pro forma figures

** Power Generation also includes Lignite Mining & Generation

Further cost reductions needed

- To mitigate the negative impact of weak demand, oversupply and low electricity prices Vattenfall has during 2011-2014 reduced operating expenses by SEK 13.7bn
- Further cost reductions needed
 - savings target for 2015-2016 of SEK 2.5bn
 - partially to be achieved through employee reductions of 1,000 full-time equivalents, of whom about half will be in staff functions

Vattenfall changes direction for operational lifetimes of Ringhals 1 and 2

- Vattenfall has decided that Ringhals reactors 1 and 2 will be closed down between 2018 and 2020 instead of, as previously announced, around 2025
- The final decision will be made by the Board of Directors of Ringhals AB and requires unanimity between the owners, i.e. Vattenfall and E.ON
- The book value of Ringhals 1 and 2 in the Vattenfall Group consolidated balance sheet amounts to SEK 15.1 billion as of 31 March, 2015, of which Vattenfall's share is 70.4%
- The existing plans of at least 60 years of operation remain unchanged for Vattenfall's five other nuclear reactors Ringhals 3 and 4 and Forsmark 1, 2 and 3

	Ringhals 1	Ringhals 2
Commercial start up (year)	1976	1975
Installed capacity (MW)	881	865
Average annual generation (TWh)	6.3	5.9

Financials

Ingrid Bonde, CFO

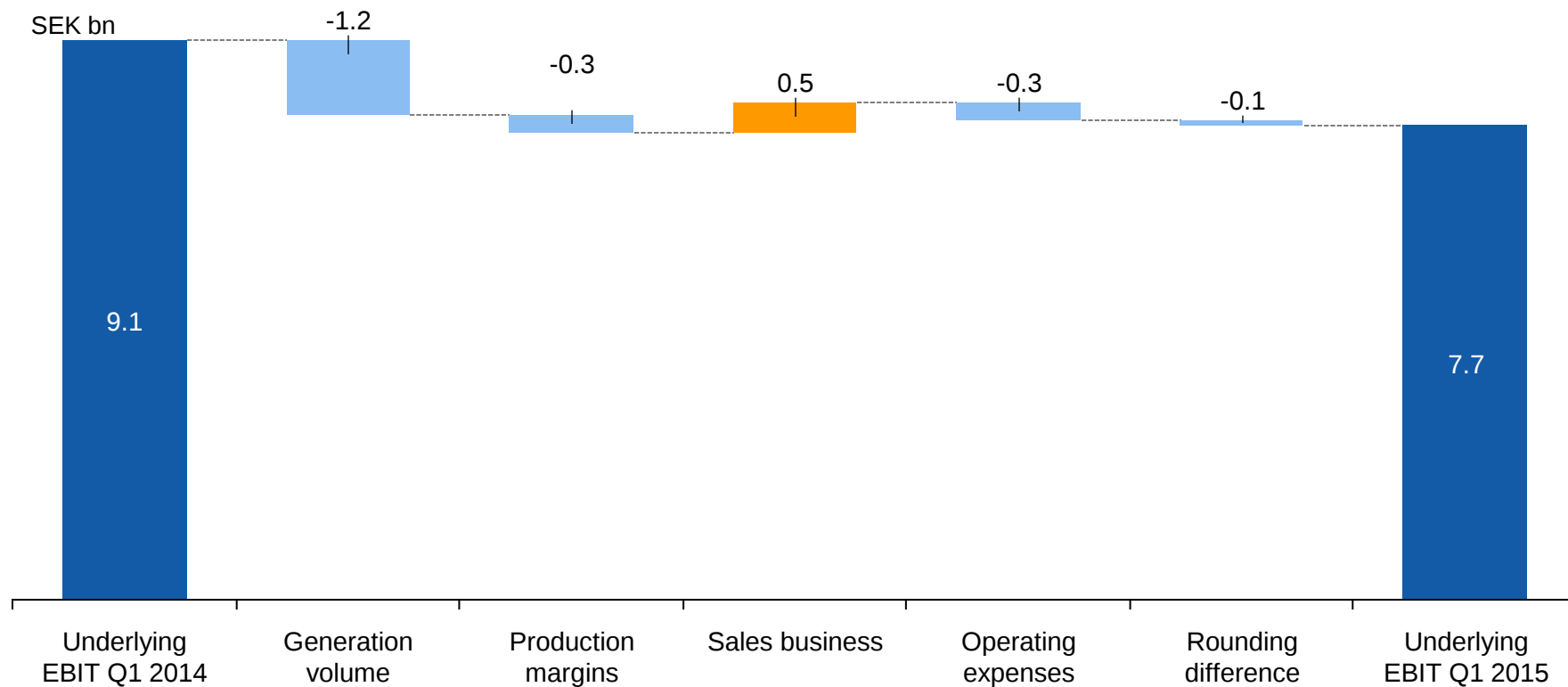
Q1 2015 Financial highlights

SEK bn	Q1 2015	Q1 2014
Net Sales	45.4	45.9
EBITDA	13.5	16.6
Underlying EBITDA excl. items affecting comparabilities	12.8	13.8
EBIT	8.4	11.8
Underlying EBIT excl. items affecting comparabilities	7.7	9.1
Financial items, net	-1.5	-1.7
Profit after tax	5.0	8.2
Cash flow (FFO)	9.8	10.8
Operating cash flow (after change in working capital)	6.8	7.5
Net debt	78.8	79.5*
Adjusted net debt	150.7	158.3*
FFO/Adjusted net debt (%)	20.7*	20.4**
Adjusted net debt/EBITDA (times)	4.0	3.3

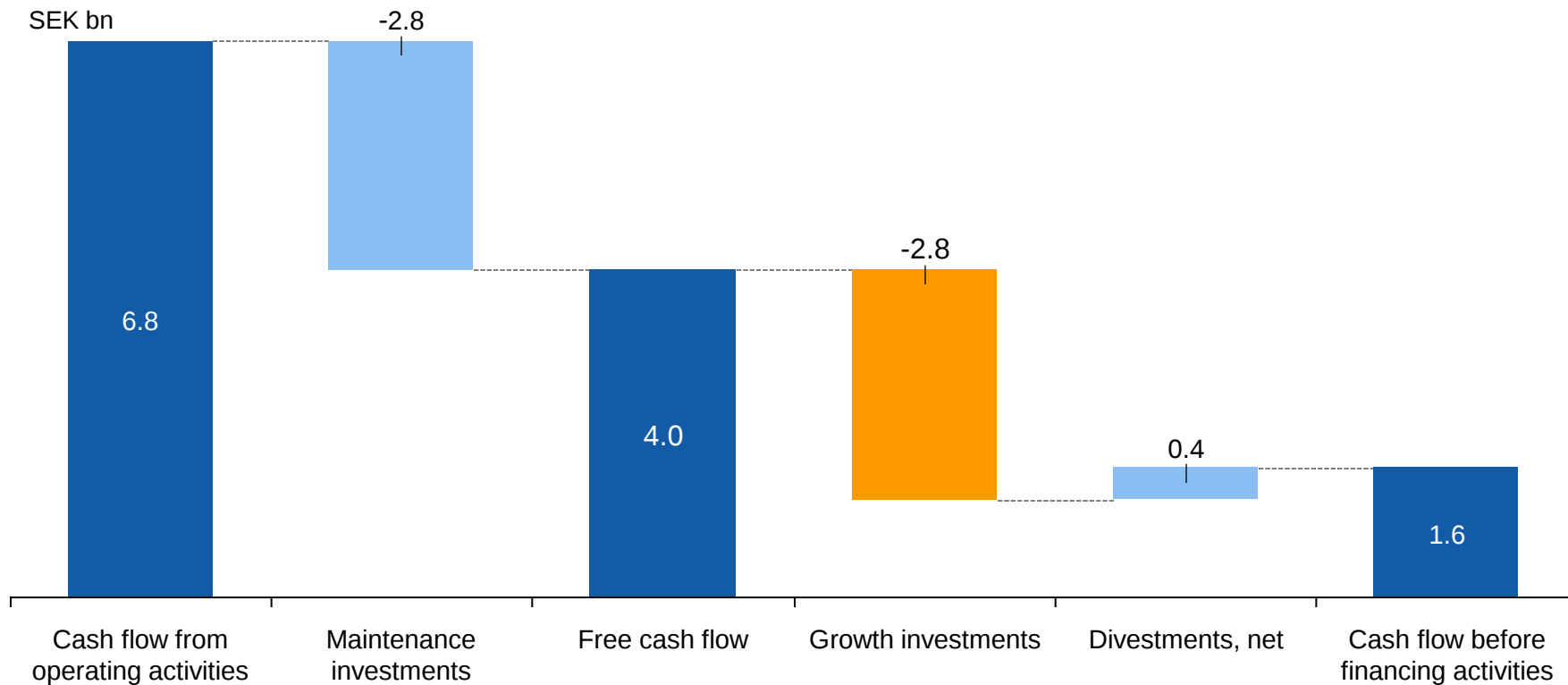
* As of 31 December 2014

** Last twelve months

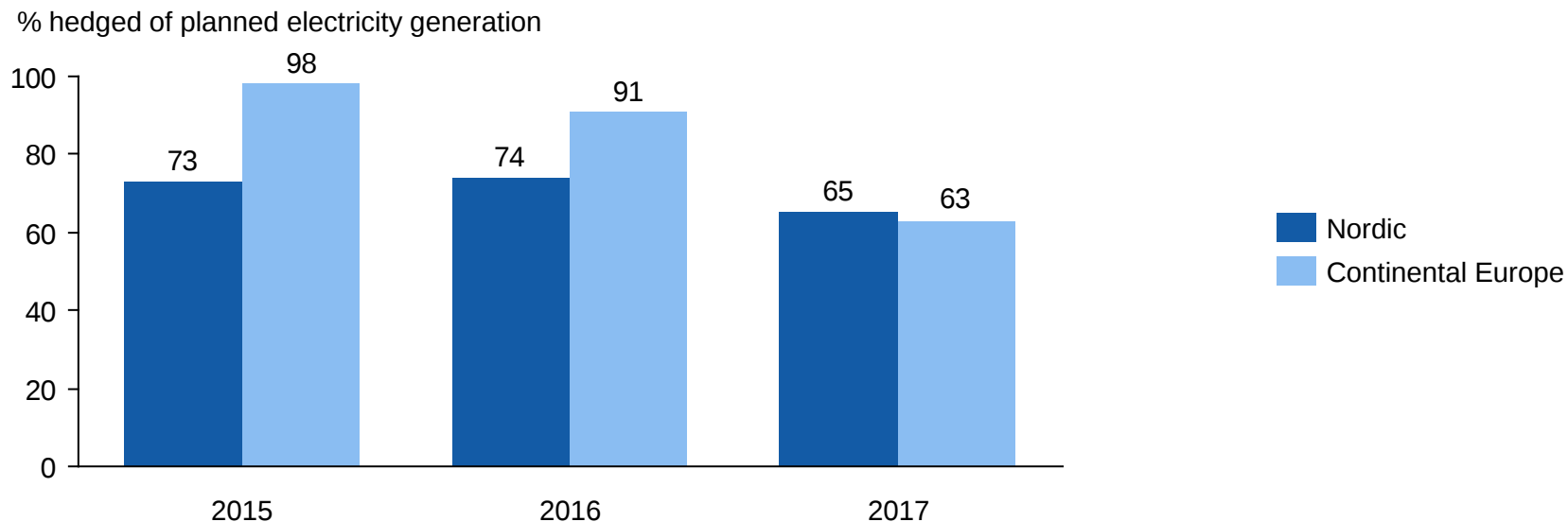
Development of underlying EBIT Q1 2015



Cash flow development Q1 2015



Hedge ratios and prices as per 31 March 2015



Hedge prices EUR/MWh	2015	2016	2017
Nordic region	37	34	32
Continental Europe	45	39	36

Financial targets and outcome

Metric	Target	Outcome Q1 2015	Outcome FY 2014
Return on Capital Employed (ROCE) (Return on capital employed excl. items affecting comparability)	9.0%	-1.9%* (7.6%)	-0.7% (8.2%)
Net debt/Equity	50-90%	58.5%	61.9%
FFO/Adjusted net debt	22-30%	20.7%*	20.3%

* Last twelve months

Successful issue of hybrid bonds

- On 12 March Vattenfall successfully launched a ~EUR1.65bn (equivalent) three-tranche hybrid offering
- The transaction represented the first SEK denominated corporate hybrid capital issue ever
- Alongside of the new issue Vattenfall made a tender offer on the outstanding EUR 1bn hybrid bonds callable in June 2015. The offer was accepted to 49.6%. The remainder of the outstanding hybrid bonds will be redeemed on 29 June 2015.

Currency	Amount	Coupon rate	Interest	Tenor	First call date
SEK	3 billion	3.125 %	7 years, fixed	62 years	After 7 years
SEK	3 billion	3 months Stibor + 2.35 % points	3 months, floating	62 years	After 7 years
EUR	1 billion	3.0 %	12 years, fixed	62 years	After 12 years

Summary and conclusions

Summary and conclusions

- We are mitigating current challenging market environment through continued focus on financial discipline and increased capital efficiency
- We are continuing the transformation toward a more sustainable and flexible generation model
- Wind power is our prioritised growth investment area
- We are strengthening our customer focus and are developing new customer-centric models
- New business-centric organisation in place as of 1 April

Appendix

Breakdown per operating segment

Nordic

SEK bn	Q1 2015	Q1 2014	Change %	FY 2014
External net sales	12.2	13.5	-9.6	49.2
Underlying EBIT	3.6	4.4	-18.2	12.0
Electricity generation, TWh	21.8	25.3	-13.8	83.1
Number of FTE	8,499	8,400	1.2	8,508

Continental/UK

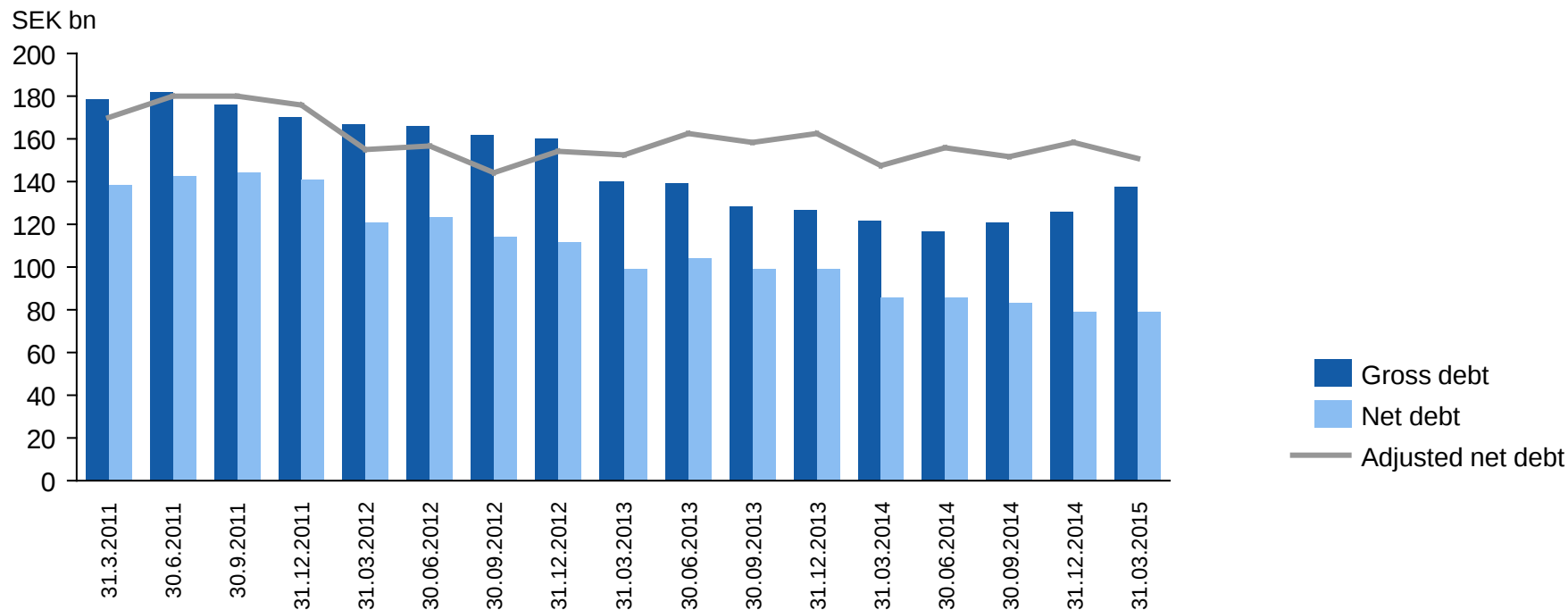
SEK bn	Q1 2015	Q1 2014	Change %	FY 2014
External net sales	33.1	32.3	2.5	116.6
Underlying EBIT	4.5	4.9	-8.2	12.7
Electricity generation, TWh	24.6	24.8	-0.8	89.9
Number of FTE	19,136	21,045	-9.1	19,952

Capital expenditures

SEK bn	Q1 2015	Q1 2014	Change %	FY 2014
Electricity generation	3.5	3.0	20.7	17.9
CHP/Heat	0.5	0.6	-16.7	3.7
Electricity networks	0.8	0.8	–	5.0
Other	0.7	0.9	-22.2	2.4
TOTAL	5.6	5.3	5.7	29.0
- of which maintenance and replacement	2.8	2.8	–	16.9
- of which growth	2.8	2.5	12.0	12.1

- Investments in wind power of SEK 2.0bn in Q1 2015 compared to SEK 1.2bn in Q1 2014

Debt development



Compared with 31 December 2014, net debt was essentially unchanged. Adjusted net debt decreased by SEK 7.6bn, compared with 31 December 2014. For the calculation of adjusted net debt, see Appendix slide 27.

Continued strong liquidity position (as of 31 March 2015)

Group liquidity	MSEK	
Cash and cash equivalents	11,606	
Short term investments	45,634	
Reported cash, cash equivalents & short term investments	57,240	
Unavailable liquidity*	-7,356	
Available liquidity	49,884	
Committed credit facilities	Facility size	MSEK
RCF (maturity Dec 2019)	2,000 MEUR	18,580
Total undrawn		18,580
Debt maturities**	MSEK	
Within 90 days	12,339	
Within 180 days	31,988	

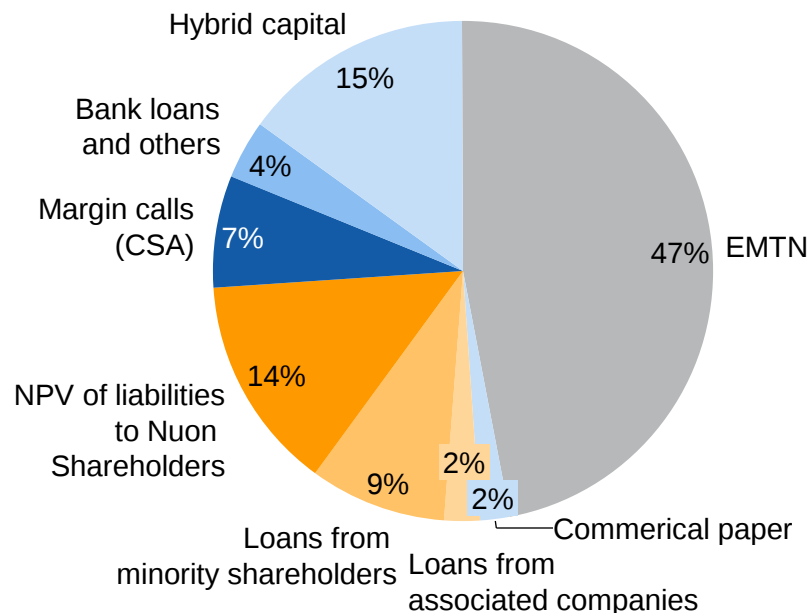
* German nuclear "Solidarvereinbarung" 3,163 MSEK, Margin calls paid (CSA) 3,290 MSEK, Insurance* Provisions for claims outstanding* 876 MSEK and Margin accounts 27 MSEK

** Excluding loans from minority owners and associated companies.

Breakdown of gross debt as of 31 March 2015

Total debt : SEK 137bn (EUR 15bn)

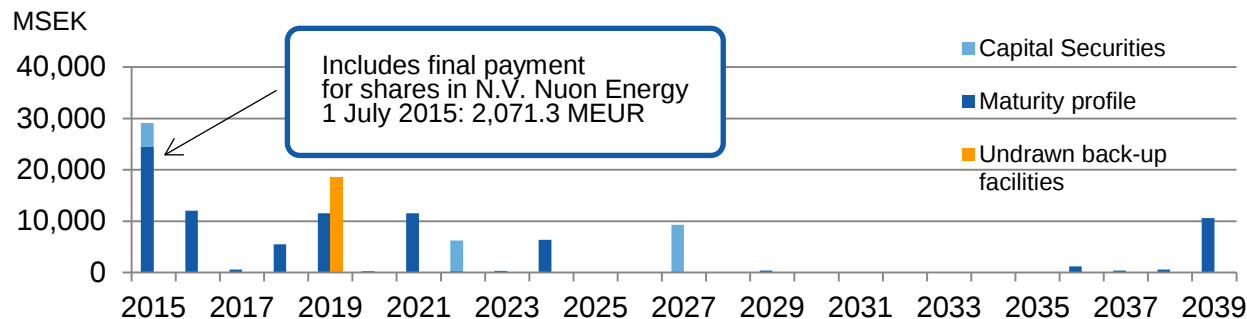
External market debt: SEK 103bn



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	6,095
EUR 2bn Euro CP	2,000	336
SEK 15bn Domestic CP	1,615	0
Total	18,615	6,431

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

Debt maturity profile*



	31 March 2015	31 Dec 2014
Duration (years)	3.6	2.8
Average time to maturity (years)	6.4	5.6
Average interest rate (%)	3.4	3.6
Net debt (SEK bn)	78.8	79.5
Available group liquidity (MSEK)	49,884	37,796
Undrawn committed credit facilities (MSEK)	18,580	18,786

* Loans from associated companies, minority owners, margin calls received (CSA) and valuation at fair value are excluded and currency derivatives for hedging debt in foreign currency are included

** The maturity of the hybrid capital in 2022 and 2027 is reflecting the first call date of the respective issuances.

Reported and adjusted net debt

Reported net debt (SEK bn)	Mar 31 2015	Dec 31 2014
Hybrid capital	-20.0	-9.4
Bond issues and commercial papers and liabilities to credit institutions	-70.8	-72.5
Present value of liability pertaining to acquisition of subsidiaries	-19.2	-19.3
Liabilities to associated companies	-2.7	-2.6
Liabilities to minority shareholders	-12.4	-12.4
Other liabilities	-12.4	-9.8
Total interest-bearing liabilities	-137.4	-125.9
Reported cash, cash equivalents & short-term investments	57.2	45.1
Loans to minority owners of foreign subsidiaries	1.3	1.4
Net debt	-78,8	-79,5

* Of which: German nuclear "Solidarvereinbarung" 3.2, Margin calls paid (CSA) 3.3, Insurance "Provisions for claims outstanding" 0.9

Adjusted net debt (SEK bn)	Mar 31 2015	Dec 31 2014
Total interest-bearing liabilities	-137.4	-125.9
50% of Hybrid capital	7.6	4.7
Present value of pension obligations	-44.8	-45.3
Mining & environmental provisions	-14.3	-14.5
Provisions for nuclear power (net)	-33.0	-33.7
Margin calls received	9.6	7.0
Liabilities to minority owners due to consortium agreements	11.6	11.6
= Adjusted gross debt	-200.6	-196.1
Reported cash, cash equivalents & short-term investments	57.2	45.1
Unavailable liquidity	-7.4*	-7.3*
= Adjusted cash, cash equivalents & short-term investments	49.9	37.8
= Adjusted net debt	-150.7	-158.3