

VATTENFALL Q1 2016 RESULTS

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Presentation 28 April 2016

VATTENFALL



HIGHLIGHTS AND KEY FIGURES

Stable results in Q1 due to higher production volumes and lower costs

- Good water supply for hydro, higher capacity at Ringhals 4 and higher availability at Forsmark 1
- Continued negative trend in electricity prices with subsequently lower production margins

Lignite divestment – A significant step in our portfolio transformation

- Agreement post Q1 to sell all lignite power plants and open cast mines to EPH/PPF Investments (pending owner confirmation)

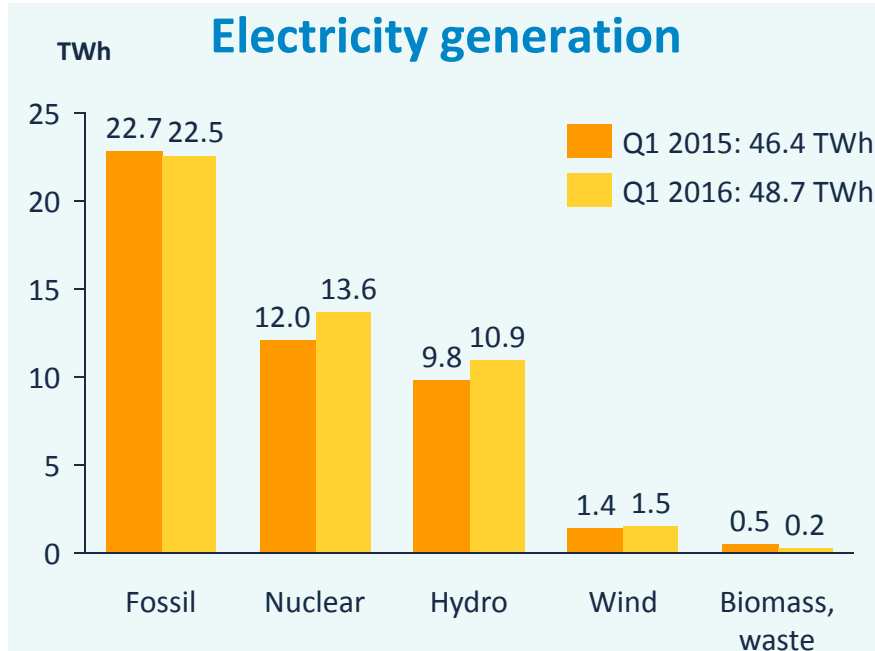
Important development for nuclear, but challenges remain

- Proposal from German Nuclear Commission yesterday on financing the nuclear phase out. The risk premium is disproportionate to the economic strength of utilities. Still need a joint solution.
- Applications to build final repository in Sweden
- Challenges for Sweden remain on account of the nuclear tax

SEK bn	Q1 2016	Q1 2015
Net Sales	45.9	45.4
Underlying EBIT	8.1	7.7
EBIT	10.0	8.4
Profit after tax	6.6	5.0
ROCE, %	-7.5*	-1.9*
ROCE excl. IAC, %	7.4*	7.6*
FFO/adj. net debt %	20.6*	20.7*

* Last twelve months

INCREASED ELECTRICITY GENERATION

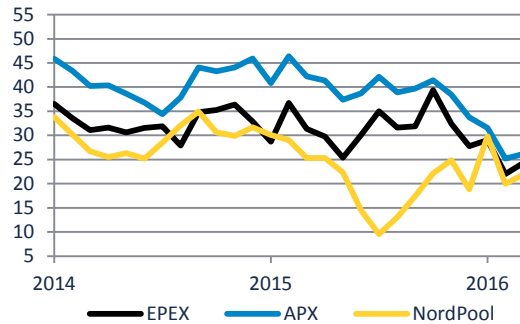


- Total electricity generation increased by 2.3 TWh
- Increase in wind power generation owing to higher generation from the new wind farms DanTysk (DE), Clashindarroch (UK), repowering of Klim (DK) and the extension of Kentish Flats (UK) that were commissioned at the end of 2015
- Flexible hydro power generation increased due to good water supply
- Nuclear generation increased owing to higher capacity at Ringhals 4 and higher availability at Forsmark 1
- Slight decrease in fossil-based generation following the divestment of the Nordjylland combined heat and power plant in Denmark

LOWER PRICES IMPACTING MARGINS

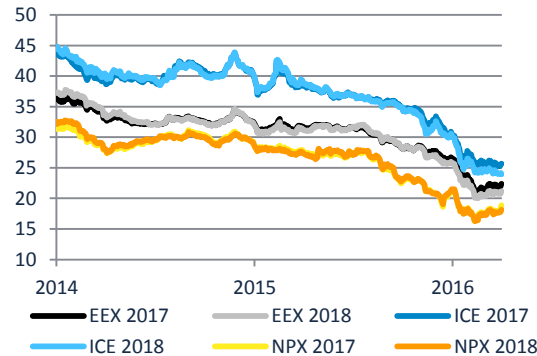
Spot power prices average

EUR/MWh



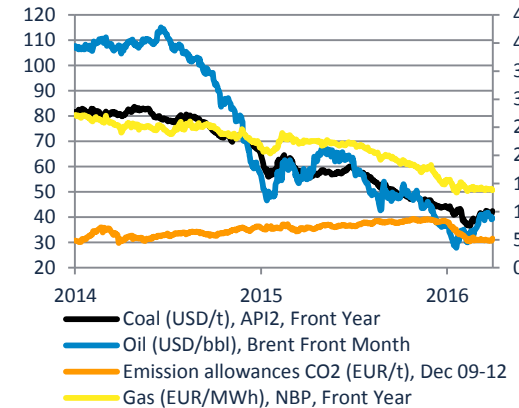
Electricity futures

EUR/MWh



Commodity prices

USD



- Nordic spot prices 15% lower vs. Q1 2015
- German and Dutch spot prices approx. 22% and 36% lower respectively vs. Q1 2015
- Electricity futures prices lower in all of Vattenfall's markets
- Lower prices on oil (Brent crude), coal, gas and CO₂ allowances

NUCLEAR REGULATORY DEVELOPMENTS

Proposal from German Nuclear Commission

Content of the proposal

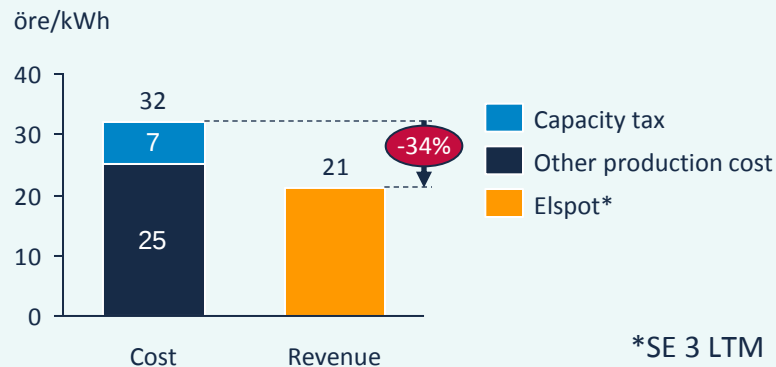
- Utilities to put EUR 23.3bn in a fund
 - EUR 17.2bn to be funded immediately by utilities
 - An extra 35% premium (EUR 6.1bn) to be funded over time through to 2022
- In principle a feasible way to organize and finance the nuclear power phase-out but the risk premium is disproportionate to the economic strength of utilities



Ambition to decide on Swedish nuclear capacity tax

Latest status

- Continued discussions in Swedish Energy Commission
- A proposal is expected before summer

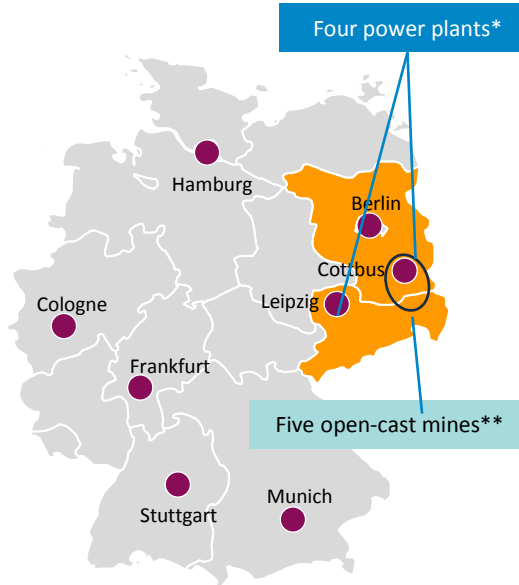


DIVESTMENT OF GERMAN LIGNITE

Key Facts

- Lignite production 60-65 Mtonnes/a
- Installed capacity 8,095 MW gross
- Electricity generation Approx. 55 TWh/a
- CO₂ emissions 60 Mtonnes¹
- Employees 7,500

Asset Overview



Transaction highlights

- Buyer is a consortium consisting of Energetický a Průmyslový Holding a.s. (“EPH”) and PPF Investments Ltd (“PPF”)
- Assets include cash of SEK 15bn
- Liabilities, incl. re-cultivation obligations of SEK 18bn
- Negative impact on Vattenfall’s income statement in Q2 2016 in the range of SEK 22-27bn
- Hedges of SEK 9bn will remain within Vattenfall
- Contains an earn out in the case of a positive price development 2018-2020

1) FY figure 2015

*Jänschwalde, Boxberg, Schwarze Pumpe, Lippendorf R

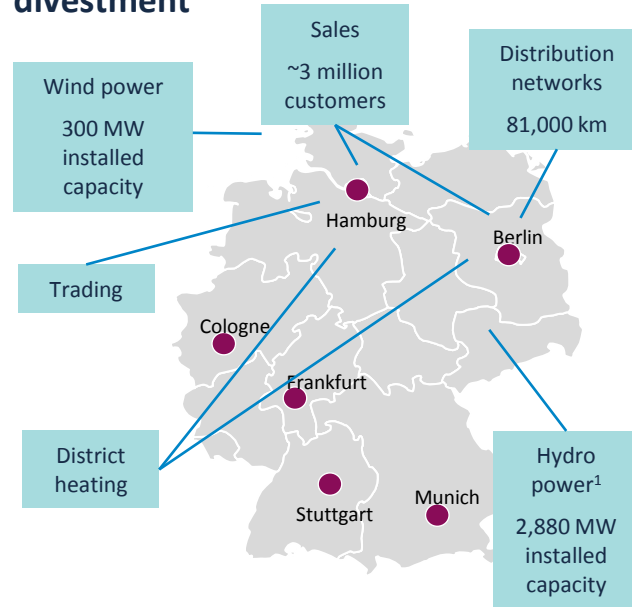
**Reichwalde, Welzow-Süd, Nocthen, Jänschwalde, Cottbus-Nord

THE WAY FORWARD IN GERMANY

Our strategy and transformation



Operations in Germany post lignite divestment



1) Pumped-storage power plants.

- Lignite operations with new owners
 - EPH and PPF have strong local presence and operating expertise
- Germany will remain an important market for Vattenfall
 - More than three million customers
 - Support the energy transition in Germany – by investing in sustainable solutions for our customers and city communities

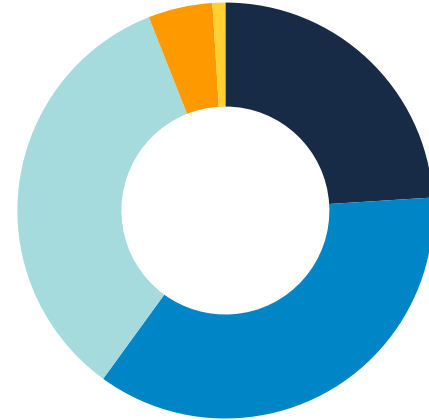
VATTENFALL'S TRANSFORMATION

Vattenfall's production mix in 2015



■ Fossil-based power, 49%
■ Nuclear power, 24%
■ Hydro power, 23%
■ Wind power, 3%
■ Biomass and waste, 1%

Vattenfall's production mix post lignite divestment¹



■ Fossil-based power, 24%
■ Nuclear power, 36%
■ Hydro power, 34%
■ Wind power, 5%
■ Biomass and waste, 1%

1) Based on total generated electricity in 2015

FINANCIALS

Ingrid Bonde, CFO

Q1 2016 MAIN MESSAGE

- Solid financial results despite challenging energy landscape
- Divestments network service operations in Hamburg and Nordjylland combined heat and power plant in Denmark finalized
- Transfer of 49% of the Ormonde shares to our partner AMF
- Continued strong liquidity position

Q1 2016 FINANCIAL HIGHLIGHTS

SEK bn	Q1 2016	Q1 2015
Net Sales	45.9	45.4
EBITDA	14.5	13.5
Underlying EBIT (excl. items affecting comparability)	8.1	7.7
EBIT	10.0	8.4
Financial items, net	-1.7	-1.5
Profit after tax	6.6	5.0

SEK bn	Q1 2016	Q1 2015
Cash flow (FFO)	9.1	9.8
Cash flow from operating activities	-2.7	6.8
Net debt	60.7	78.8
Adjusted net debt	137.4	150.7
FFO/Adjusted net debt (%)	20.6*	20.7*
Adjusted net debt/EBITDA (times)	4.1*	4.0*

* Last twelve months

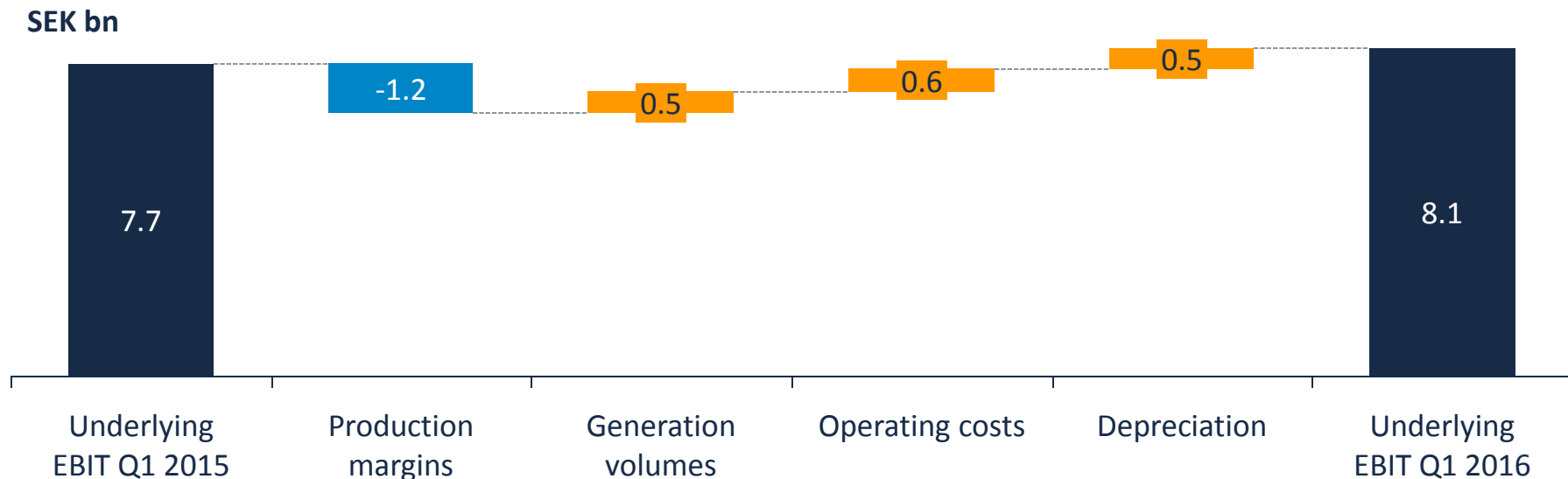
ITEMS AFFECTING COMPARABILITY

SEK bn	Q1 2016	Q1 2015	FY 2015	Last 12m
Capital gains	1.8	0.1	0.3	1.9
Capital losses	-0.1	-0.0	-0.4	-0.4
Impairment losses	-0.0	-0.1	-36.8	-36.7
Reversed impairment losses	-	-	0.5	0.5
Provisions	-	-	-6.0	-6.0
Unrealised changes in the fair value of energy derivatives	0.4	0.7	1.5	1.2
Unrealised changes in the fair value of inventories	0.2	-0.0	-0.7	-0.4
Restructuring costs	-0.3	-0.0	-1.2	-1.5
Other IACs	-0.1	-	-0.8	-0.9
Total	1.9	0.7	-43.5	-42.3

- Capital gains of SEK 1.8bn in Q1 2016 mainly relate to:
 - Sale of Netzservice/Metering in Hamburg (SEK 1.2bn)
 - Sale of real estate (SEK 0.5bn)
- Restructuring costs of SEK 0.3bn are attributable to the trading operations

DEVELOPMENT OF UNDERLYING EBIT Q1 2016

Higher production volumes and lower operating costs increased the underlying EBIT by SEK 0.4bn

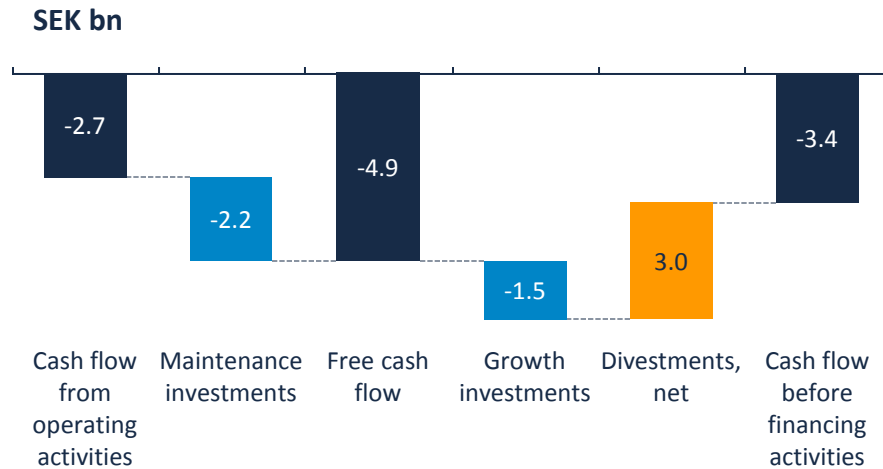


UNDERLYING EBIT PER OPERATING SEGMENT

SEK bn	Q1 2016	Q1 2015	Delta	FY 2015
Customers & Solutions	0.8	0.7	+14%	1.4
Power Generation	2.8	4.0	-30%	12.4
Wind	0.7	0.6	+17%	1.5
Heat	2.1	1.8	+17%	1.7
Distribution	1.9	1.5	+27%	5.5
Other*	0.0	-0.7		-1.9
Eliminations	-0.1	-0.1		-0.0
Total	8.1	7.7	+5%	20.5

* Other pertains mainly to all Staff functions and Shared Service Centres

CASH FLOW DEVELOPMENT Q1 2016



- Lower cash flow from operating activities due to increase in working capital, attributable to higher receivables of which some temporary effects relate to CO₂ emission allowances in Power Generation and seasonality effects in Customers and Solutions
- The cash flow from divestments offset the maintenance and growth investments to a large extent

FINANCIAL TARGETS

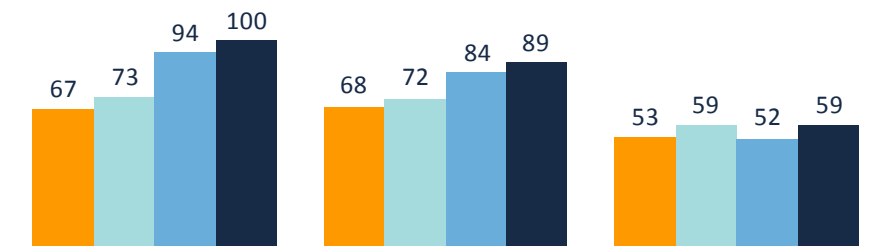
Financial metric	Target	Q1 2016	Q1 2015	FY 2015
Return on Capital Employed – ROCE* (Return on capital employed excl. items affecting comparability)	9%	-7.5 (7.4)	-1.9 (7.6)	-8.2 (7.4)
FFO/Adjusted net debt*	22-30%	20.6	20.7	21.1
Net debt/Equity	50-90%	48.8	58.8	55.4
Dividend policy (% of profit after tax)	40-60%	-	-	-

* Last twelve months

APPENDIX

DEVELOPMENT OF HEDGES

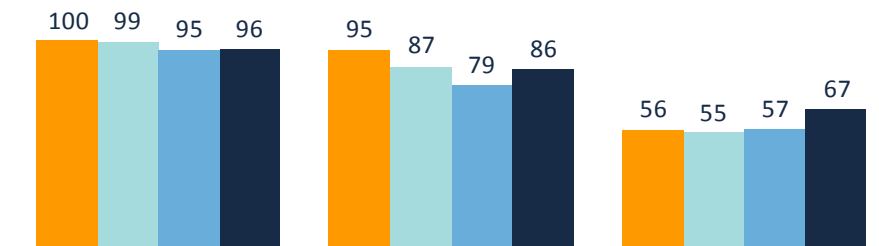
Hedge ratios – Nordic (%)



Current year Current year+1 Current year+2
 FY 2013 FY 2014 FY 2015 Q1 2016

	Current year			Current year +1			Current year +2		
	Ratio	Price	Year	Ratio	Price	Year	Ratio	Price	Year
Dec 2013	67%	40	2014	68%	39	2015	53%	37	2016
Dec 2014	73%	36	2015	72%	34	2016	59%	32	2017
Dec 2015	94%	32	2016	84%	31	2017	52%	30	2018
Q1 2016	100%	32	2016	89%	30	2017	59%	29	2018

Hedge ratios – Continental Europe (%)



Current year Current year+1 Current year+2
 FY 2013 FY 2014 FY 2015 Q1 2016

	Current year			Current year +1			Current year +2		
	Ratio	Price	Year	Ratio	Price	Year	Ratio	Price	Year
Dec 2013	100%	50	2014	95%	44	2015	56%	40	2016
Dec 2014	99%	45	2015	87%	39	2016	55%	36	2017
Dec 2015	95%	39	2016	79%	35	2017	57%	33	2018
Q1 2016	96%	38	2016	86%	34	2017	67%	31	2018

Note: hedge ratios in % and hedge prices in EUR/MWh

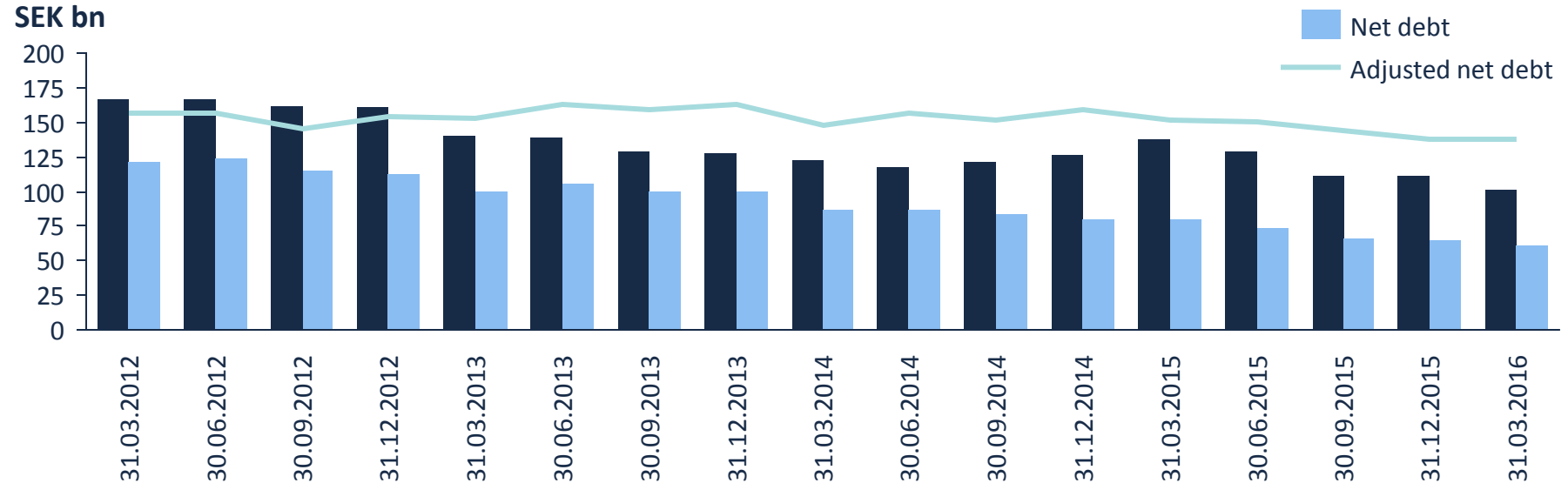
STRATEGIC TARGETS

Strategic objective	Strategic targets to 2020	Q1 2016	Q1 2015	FY 2015
Leading towards Sustainable consumption	1. Customer engagement, NPS (Net Promoter Score): +2 NPS relative	3	-	-
Leading towards Sustainable production	2. Commissioned renewables capacity: $\geq 2,300$ MW	38	-	375
	3. Absolute CO ₂ emissions: ≤ 21 Mtonnes*	21.9	20.3	83.8
High performing operations	4. ROCE: $\geq 9\%$	-7.5**	-1.9**	-8.2
Empowered and engaged organisation	5. Safety as LTIF (Lost Time Injury Frequency): $\leq 1,25$	2.2**	2.6**	2.3
	6. Employee Engagement Index: $\geq 70\%$	-	-	59

* Assumes significant structural changes

** Last twelve months

DEBT DEVELOPMENT



Net debt decreased by SEK 3.4bn compared with 31 December 2015. Adjusted net debt decreased by SEK 0.2bn, compared with 31 December 2015. For the calculation of adjusted net debt, see slide 25.

CONTINUED STRONG LIQUIDITY POSITION

Group liquidity	MSEK
Cash and cash equivalents	15,254
Short term investments	22,171
Reported cash, cash equivalents & short term investments	37,425
Unavailable liquidity*	-7,335
Available liquidity	30,089

* German nuclear "Solidarvereinbarung" 3,141 MSEK, Margin calls paid (CSA) 3,045 MSEK, Insurance Provisions for claims outstanding" 1,078 MSEK and Margin accounts 72 MSEK

** Excluding loans from minority owners and associated companies.

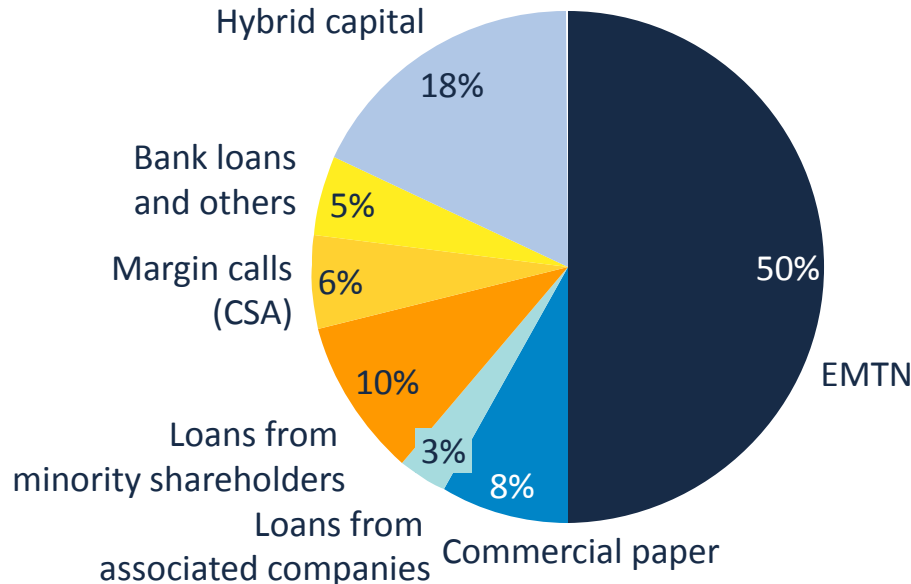
Committed credit facilities	Facility size	MSEK
RCF (maturity Dec 2020)	2,000 MEUR	18,451
Total undrawn		18,451

Debt maturities**	MSEK
Within 90 days	5,771
Within 180 days	9,196

BREAKDOWN OF GROSS DEBT

Total debt: SEK 100bn (EUR 11bn)

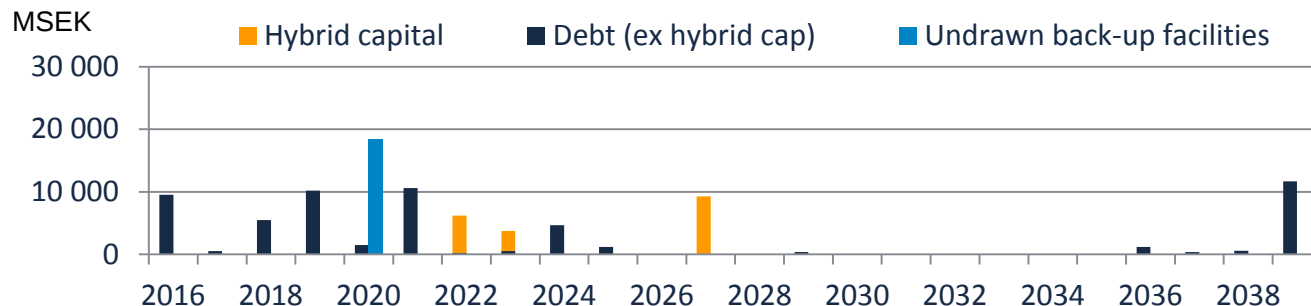
External market debt: SEK 88bn (EUR 10bn)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	4,729
EUR 2bn Euro CP	2,000	803
SEK 15bn Domestic CP	1,626	65
Total	18,626	5,597

- All public debt is issued by Vattenfall AB
- The main part of 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 2016	31 Dec 2015
Duration (years)	4.7	3.9
Average time to maturity (years)	9.0	8.1
Average interest rate (%)	4.0	3.9
Net debt (SEK bn)	60.7	64.2
Available group liquidity (MSEK)	30,089	37,443
Undrawn committed credit facilities (MSEK)	18,451	18,379

* 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.

REPORTED AND ADJUSTED NET DEBT

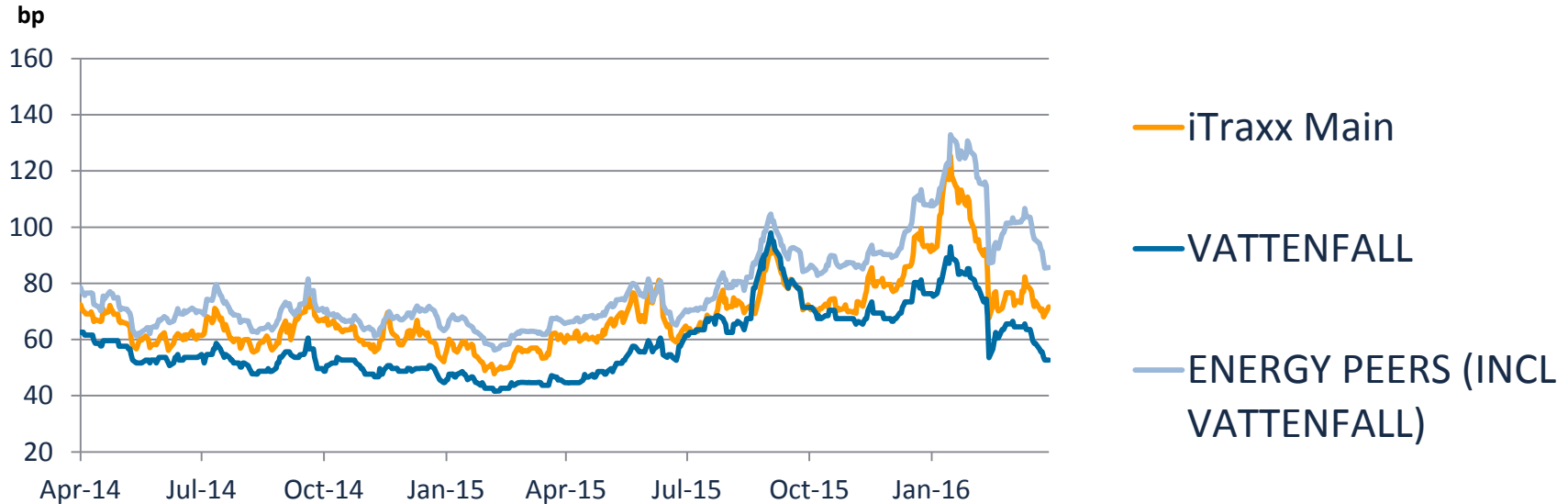
Reported net debt (SEK bn)	March 31 2016	Dec 31 2015
Hybrid capital	-18.4	-18.5
Bond issues and commercial papers and liabilities to credit institutions	-61.4	-68.9
Liabilities to associated companies	-2.5	-2.8
Liabilities to minority shareholders	-10.0	-13.0
Other liabilities	-7.8	-7.3
Total interest-bearing liabilities	-100.2	-110.6
Reported cash, cash equivalents & short-term investments	37.4	44.3
Loans to minority owners of foreign subsidiaries	2.0	2.1
Net debt	-60.7	-64.2

* Of which: German nuclear "Solidarvereinbarung" 3.1, Margin calls paid (CSA) 3.0, Insurance "Provisions for claims outstanding" 1.1, Margin accounts Energy trading 0.1

Adjusted net debt (SEK bn)	March 31 2016	Dec 31 2015
Total interest-bearing liabilities	-100.2	-110.6
50% of Hybrid capital	9.2	9.3
Present value of pension obligations	-38.9	-38.9
Mining & environmental provisions	-19.3	-19.1
Provisions for nuclear power (net)	-33.1	-32.9
Margin calls received	5.8	5.3
Liabilities to minority owners due to consortium agreements	8.8	11.9
= Adjusted gross debt	-167.5	-175.0
Reported cash, cash equivalents & short-term investments	37.4	44.3
Unavailable liquidity	-7.3*	-6.8*
= Adjusted cash, cash equivalents & short-term investments	30.1	37.4
= Adjusted net debt	-137.4	-137.6

STABLE CDS SPREAD DEVELOPMENT

CDS spread 5-years



Source: Barclays

NUCLEAR PROVISIONS

Reactor	Net capacity (MW)	Start (year)	Vattenfall share (%)	Vattenfall provisions, MSEK (IFRS accounting)	Vattenfall provisions, SEKmn (pro rata)	Sw nuclear waste fund MSEK (Vattenfall pro rata share)
Ringhals 1	879	1976	70.4			
Ringhals 2	809	1975	70.4			
Ringhals 3	1,070	1981	70.4			
Ringhals 4	942	1983	70.4	Total Ringhals: 21,977	Total Ringhals: 21,977¹⁾	
Forsmark 1	984	1980	66.0			
Forsmark 2	1,120	1981	66.0			
Forsmark 3	1,170	1985	66.0	Total Forsmark: 19,471	Total Forsmark: 12,851	
Total Sweden	6,974	-		41,678²⁾	35,058²⁾	29,106³⁾
Brunsbüttel	771	1977	66.7	18,775	12,500	
Brokdorf	1,410	1986	20.0	0	4,299	
Krümmel	1,346	1984	50.0	10,867	10,867	
Stade ⁴⁾	640	1972	33.3	0	1,965	
Total Germany	4,167	-	-	29,625	29,639	
Total SE & DE	11,141			71,303	64,697	

1) Vattenfall is 100% liability of Ringhals decommissioning, while owning only 70.4%.

2) Total provisions in Sweden (IFRS accounting) include provisions of 230 MSEK related to Ågesta.

3) Vattenfall's share of the Nuclear Waste Fund (book value). IFRS consolidated value is 34,713 MSEK.

4) Stade is being dismantled.

CAPITAL EXPENDITURES

Strong commitment to growth investments primarily in wind power

SEK bn	Q1 2016	Q1 2015	Change %	FY 2015
Electricity generation	2.0	3.5	-44.1	16.7
CHP/Heat	0.5	0.5	5.7	3.3
Electricity networks	0.8	0.8	-9.8	4.7
Other	0.5	0.7	-25.7	4.0
Total	3.8	5.6	-32.4	28.7
- of which maintenance and replacement	2.2	2.6	-13.4	15.7
- of which growth	1.3	2.8	-52.3	12.1

EXPECTED TIMETABLE FOR LIGNITE DIVESTMENT

