A NEW VATTENFALL IS TAKING SHAPE
The transformation towards a mixed central decentral system is ongoing...

...and these are the facts

- Significantly increased ambition level within politics and climate change and well aligned stakeholder interest
- Customer centricity is key
- Smaller-scale, decentral and renewable energy production technologies are rapidly gaining market share
- Increasingly competitive environment and lower perceived risk level
REGULATORY DEVELOPMENTS SUPPORT THE ENERGY TRANSITION

The Swedish energy agreement – an important foundation for our future operations in the country

Germany anchors support to renewables and CHP while approaching financial solution for nuclear phase-out

Dutch energy transition in acceleration mode

The UK government commits to renewables support and climate policy despite Brexit

Abolished capacity tax
Reduced real estate tax
Prolonged certificate system

Revised EEG adopted
CHP law approved by EC
Nuclear commission’s proposal:

Decommission & dismantle
Interim storage
Final storage

Utility
Gov.

Phase out coal fired power plants
Accelerate energy savings of end consumers
Auction of 3500 MW offshore wind in the period from 2016-2019

Fifth carbon budget
Target emissions cuts of 57% by 2030
STRATEGIC INVESTMENTS IN NUCLEAR IN PARALLEL WITH SHUTDOWNS

Germany

- Krümmel (50%) ~1.3GW
- Stade (33.3%) ~0.6GW
- Brunsbüttel (66.7%) ~0.8GW
- Brokdorf (20%) ~1.4GW
- All reactors to be closed by 2022 (only Brokdorf currently in operation, Stade is being dismantled)

Sweden

- Forsmark (66%) ~3.3GW
- Ringhals (70.4%) ~4GW
- F1, F2, F3 – planned operations until the 2040s following recent investment decision in independent core cooling
- R1, R2 – planned shutdown in 2020 and 2019
- R3, R4 – prospects for investments in independent core cooling under review

Financing

- SEK 0.04/kWh to the Nuclear Waste Fund (co-owned by Vattenfall). The Swedish radiation authority is reviewing operating lifetimes in the Nuclear Waste Fund.
- Provisions on nuclear owners’ balance sheets (c. SEK 30 billion for Vattenfall as of Q2 2016)
- Proposal from nuclear commission to create an external funding solution

Final storage

- Construction forecasted to start 2019 (location Forsmark)
- A suitable location for final storage shall be approved by 2031 at the latest
IMPORTANT PROGRESS TO DATE TOWARDS OUR STRATEGIC OBJECTIVES

 réussissons de DanTysk en Allemagne, 2014
- E-mobility – Bus services and fast charging in Sweden, 2014
- Installation of Diemen heat storage in the Netherlands, 2015
- Acquiring 12 000 customers per month in Germany, 2016

- Continuation of modernisation program in Hydro, 2013-
- Successful dialogue on Swedish nuclear and hydro tax, 2016
- Strategic investment decision in Forsmark, 2016

- Divestment of ENEA Poland, 2014
- Divestment of Danish coal assets, 2015
- Divestment of Lignite, 2016

Capturing business opportunities in the transformation

- Securing current operations

- Leaving the “traditional utility”
FOUR STRATEGIC CRITERIA TO ASSESS THE PORTFOLIO

1. Start with the customer in mind and enable Vattenfall to be among the leaders in developing sustainable energy solutions.

2. Focus only on businesses where Vattenfall has or can build a competitive advantage and where.

3. Attractive returns (versus risk) can be made.

A diversified portfolio provides a hedge against fluctuating markets, policy changes and technology development, and a future portfolio will from a risk mitigation perspective benefit from access to (but not necessarily 100% ownership of) power plants, demand units, and storage or other technologies that provide flexibility.
WE ARE RESHAPING OUR ASSET BASE TO MEET NEW MARKET REQUIREMENTS

<table>
<thead>
<tr>
<th>Grow</th>
<th>Customer attractiveness</th>
<th>Long term viability</th>
<th>Strong Vattenfall capabilities</th>
<th>Attractive returns</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wind</td>
<td>Solar</td>
<td>District heating</td>
<td></td>
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<tr>
<td></td>
<td>Regulated</td>
<td>Non-regulated</td>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Keep</td>
<td>Hydro</td>
<td>Nuclear</td>
<td>Gas condensing</td>
<td></td>
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<tr>
<td></td>
<td>Hard coal</td>
<td>Lignite</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non core</td>
<td>Limited long term viability</td>
<td>Not supporting the transition</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gas retail</td>
<td>E.g. aggregation services, heat pumps and solar panels</td>
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</tr>
</tbody>
</table>

Central Production

- Wind
- Solar
- District heating

Grids

- Regulated
- Non-regulated
- Services

Wholesale markets

- Trading
- Aggregation Optimization Marketing

Commodity sales and decentralized solutions

- Electricity retail
- Decentralized solutions*
WE ARE COMMITTED TO BE CLIMATE NEUTRAL BY 2050

On track to deliver on our CO$_2$ vision

Additional measures post lignite divestment

- Fuel switching to gas/biomass
- Exit coal through divestments/decommissioning
- Integrate waste to heat
- Integrate heat storages and power to heat

Vattenfall Capital Markets Day, 19 September 2016
OUR STRATEGY AND PRIORITIZED AREAS

Increase customer centricity and build a sizable position in decentralized energy

Grow in renewables and implement our CO₂ roadmap

Develop culture, competence and brand

Reduce costs and improve operational efficiency

Vattenfall Capital Markets Day, 19 September 2016
## STRATEGIC TARGETS

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>Strategic targets to 2020</th>
<th>Q2 2016</th>
<th>Q2 2015</th>
<th>FY 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading towards Sustainable consumption</td>
<td>1. Customer engagement, NPS +2 (Net Promoter Score)</td>
<td>+6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Leading towards Sustainable production</td>
<td>2. Commissioned renewables capacity: ≥2,300 MW</td>
<td>76</td>
<td>-</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>3. Absolute CO₂ emissions: ≤21 Mtonnes*</td>
<td>41.3</td>
<td>40.8</td>
<td>83.8</td>
</tr>
<tr>
<td>High performing operations</td>
<td>4. ROCE: ≥9% (continued operations)</td>
<td>3.1**</td>
<td>-</td>
<td>-1.8</td>
</tr>
<tr>
<td></td>
<td>ROCE: ≥9% (total Vattenfall)</td>
<td>-5.5**</td>
<td>-14.6**</td>
<td>-8.2</td>
</tr>
<tr>
<td>Empowered and engaged organisation</td>
<td>5. Safety as LTIF (Lost Time Injury Frequency): ≤1,25</td>
<td>2.1**</td>
<td>2.5**</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>6. Employee Engagement Index: ≥70%</td>
<td>-</td>
<td>-</td>
<td>59</td>
</tr>
</tbody>
</table>

* Contingent on the sale of Vattenfall’s lignite operations
**Last twelve months