

Vattenfall Q1 2013 results

Øystein Løseth, CEO and Ingrid Bonde, CFO

Conference call for analysts and investors, 3 May 2013

Stable underlying operating profit despite challenging market conditions

- Stable underlying EBIT (SEK 11.6 billion, level with Q1/12)
- Profit after tax was SEK 6.2 billion (13.8).
 - Q1 2012 was impacted by capital gain of SEK 8.2 billion on the sale of electricity distribution and heating business in Finland
- Electricity generation increased by 7.9% to 52.2 TWh (48.4) due to higher availability in both Forsmark and Ringhals (97.1%), and higher fossil production
- Vattenfall is studying possible divestments
 - 50% stake in Lippendorf lignite power plant (50% of 1,840 MW)
 - Danish CHP plants (total 1,388 MW)
- Cost reductions
 - SEK 3 billion cost reduction programme for 2013 is on track.
 - Further reductions of SEK 1.5 billion are targeted for 2014.
 - Expected reduction of 2,500 employees

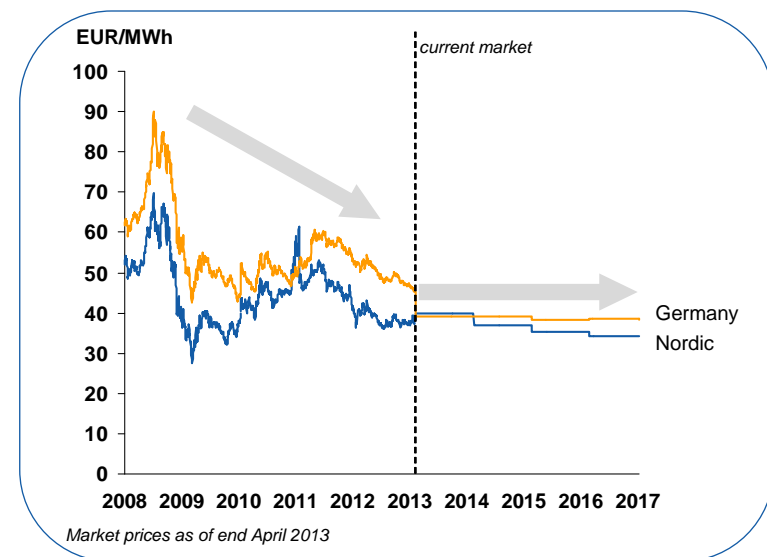
A weak and oversupplied electricity market

Loss of electricity demand
which is only slowly recovering
in the Nordics and Netherlands

Lower industrial activity leading to
oversupply of CO₂ allowances
and low price levels

**Overcapacity due to strong
generation growth**
(mainly in renewables but also
conventional generation)

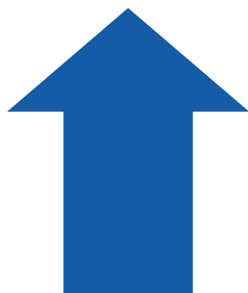
Electricity Forward Prices



**Electricity prices have
decreased significantly**
and are expected to remain
flat in the medium term

What could change the market situation?

Electricity price



Demand

Growth in the economy

CO₂ price

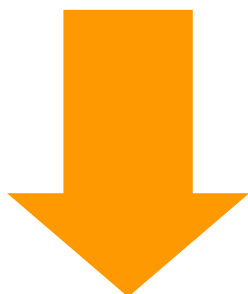
Political intervention to push up CO₂ prices

Capacity

Significant decommissioning (more than announced so far)

Gas price

Gas price increase



Recession

Collapse of EU ETS

Stronger renewables growth

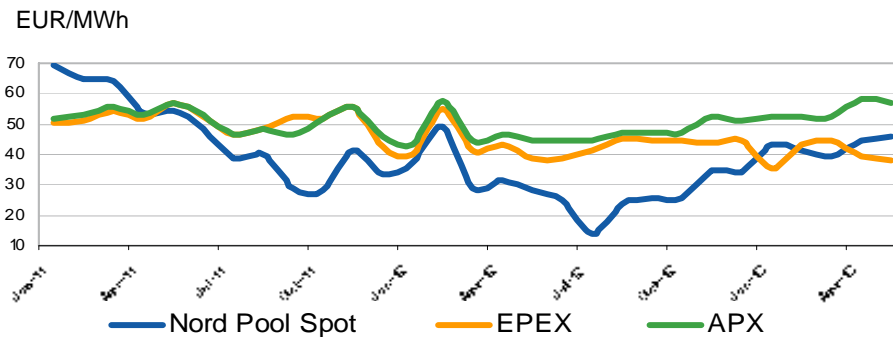
Gas price decrease

Mixed price development on spot market and lower futures prices in Q1/13

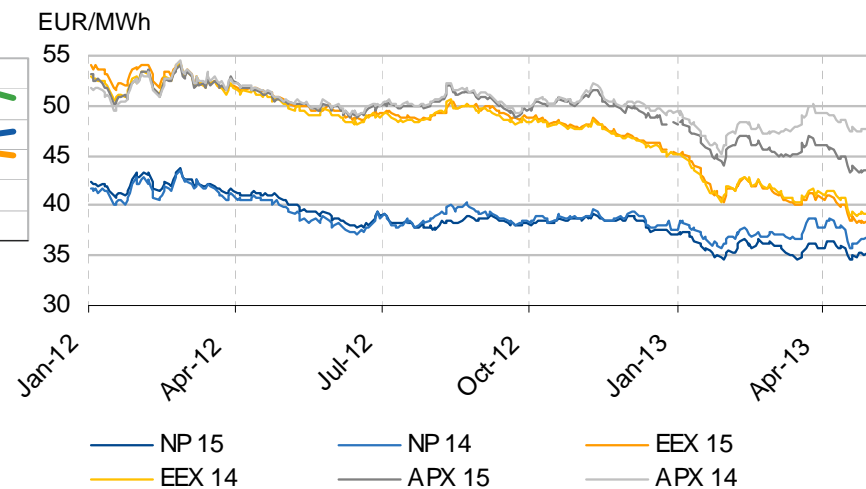
- Nordic spot prices increased due to low temperatures and low precipitation
- German spot prices declined on the back of lower commodity prices
- Electricity futures prices lower on all Vattenfall markets compared with Q1/-12.

EUR/MWh	Nord Pool	EPEX	APX
Q1-13 (Q1-12)	41.9 (38.4)	42.3 (45.3)	54.5 (48.5)
%	9.1	-6.6	12.4

Monthly Spot Average



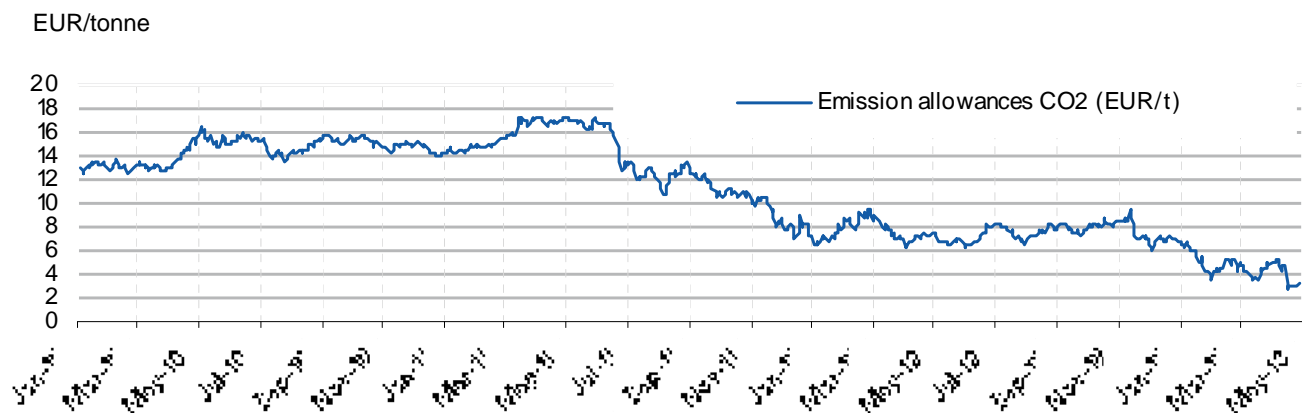
Electricity futures prices



CO2 prices historically low due to EU parliament vote against back-loading

- CO2 prices plummeted after EU parliament on 16 April voted against the proposed back-loading of 900 million emission allowances
- Risk that national governments will implement other less cost efficient measures to curb CO2 emissions

EU emissions allowances



Vattenfall's standpoints regarding EU ETS

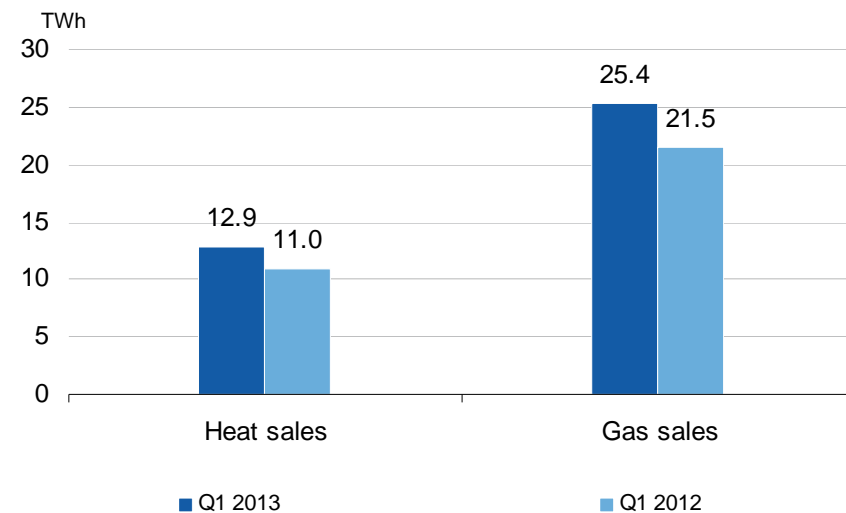
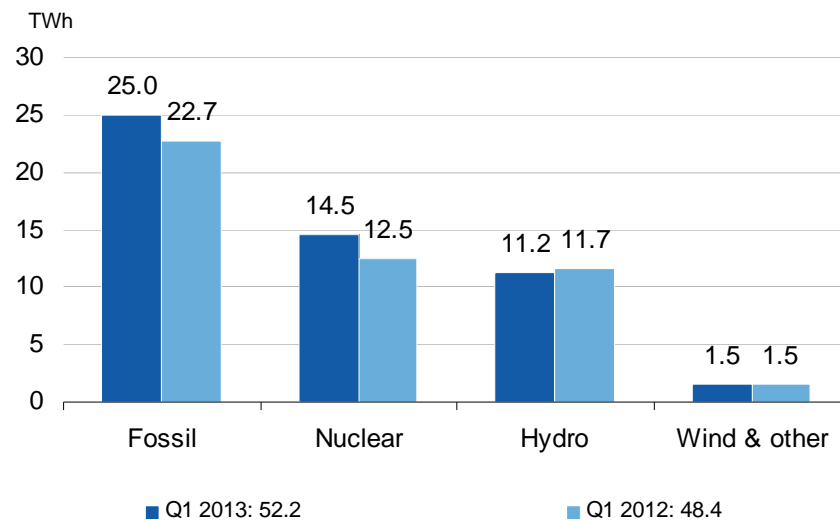
- It is Vattenfall's firm opinion that the EU ETS trading system is the best means of control to tackle the climate issue
- Power companies need adequate price signals to be able to make accurate investment decisions
- We need more long-term and permanent measures to reinforce the system
- The current large accumulated surplus of allowances should be reduced through a distinct one-off set-aside

Facts about the ETS trading system and Vattenfall's CO2 exposure:

- The EU ETS system today encompasses approx 50% of all CO2 emissions within the EU
- The 3rd phase of EU ETS started 1 January 2013 ending the free-of-charge allocation of CO2 emission allowances for utilities
- In 2012 Vattenfall emitted 83.5 million tonnes of CO2 of which 54.9 was covered by free of charge allowances received
- Vattenfall's CO2 costs for coming years are to a large extent already hedged

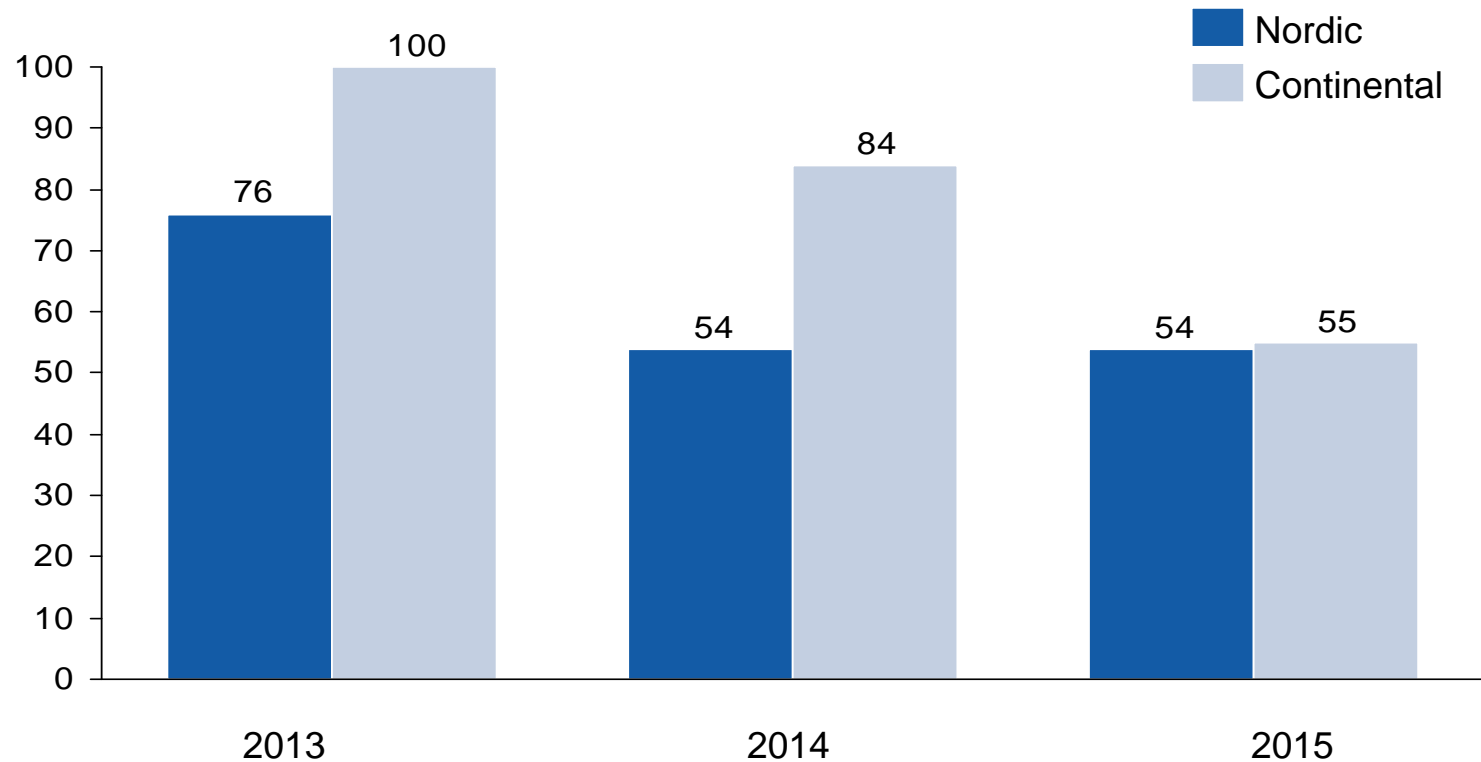
Increased fossil and nuclear generation due to higher availability

- 8% higher electricity generation output (52.2 TWh in Q1/13 vs 48.4 TWh in Q1/12)
 - Fossil generation increased by 10% due to higher availability and start up of the German Boxberg R unit
 - Nuclear generation increased by 16% due to higher availability
 - Forsmark reached an availability of 99.2% (98.6)
 - Ringhals reached an availability of 95.3% (69.9)
 - Hydro power generation decreased by 4%
 - Higher heat and gas sales due to colder weather



Large part of generation for next three years already hedged

% hedged of planned electricity production (remaining part of the year)



Hedge prices EUR/MWh	2013	2014	2015
Nordic region	46	43	42
Continental Europe	55	51	49

Financials

Ingrid Bonde, CFO

Q1 2013 Financial highlights

MSEK	Q1 2013	Q1 2012	Change (%)
Net Sales	49,659	48,994	+1.4
EBITDA	15,752	23,780	-33.8
EBIT	10,806	18,910	-42.9
Underlying EBIT*	11,625	11,629	-
Financial items, net	-2,406	-2,445	+1.6
Profit after tax	6,195	13,828	-55.2
Cash flow (FFO)	11,402	12,717	-10.3
Net debt	107,379	111,907**	-4.2
Adjusted net debt	152,106	153,943**	-1.2
FFO/Adjusted net debt (%)	21.8	25.0***	
Adjusted net debt/EBTIDA (%)	3.3	2.5***	

* Underlying profit: EBIT excluding Items affecting comparability

** As of 31 December 2012

*** rolling 12 months

Underlying EBIT Q1 2013 per operating segment

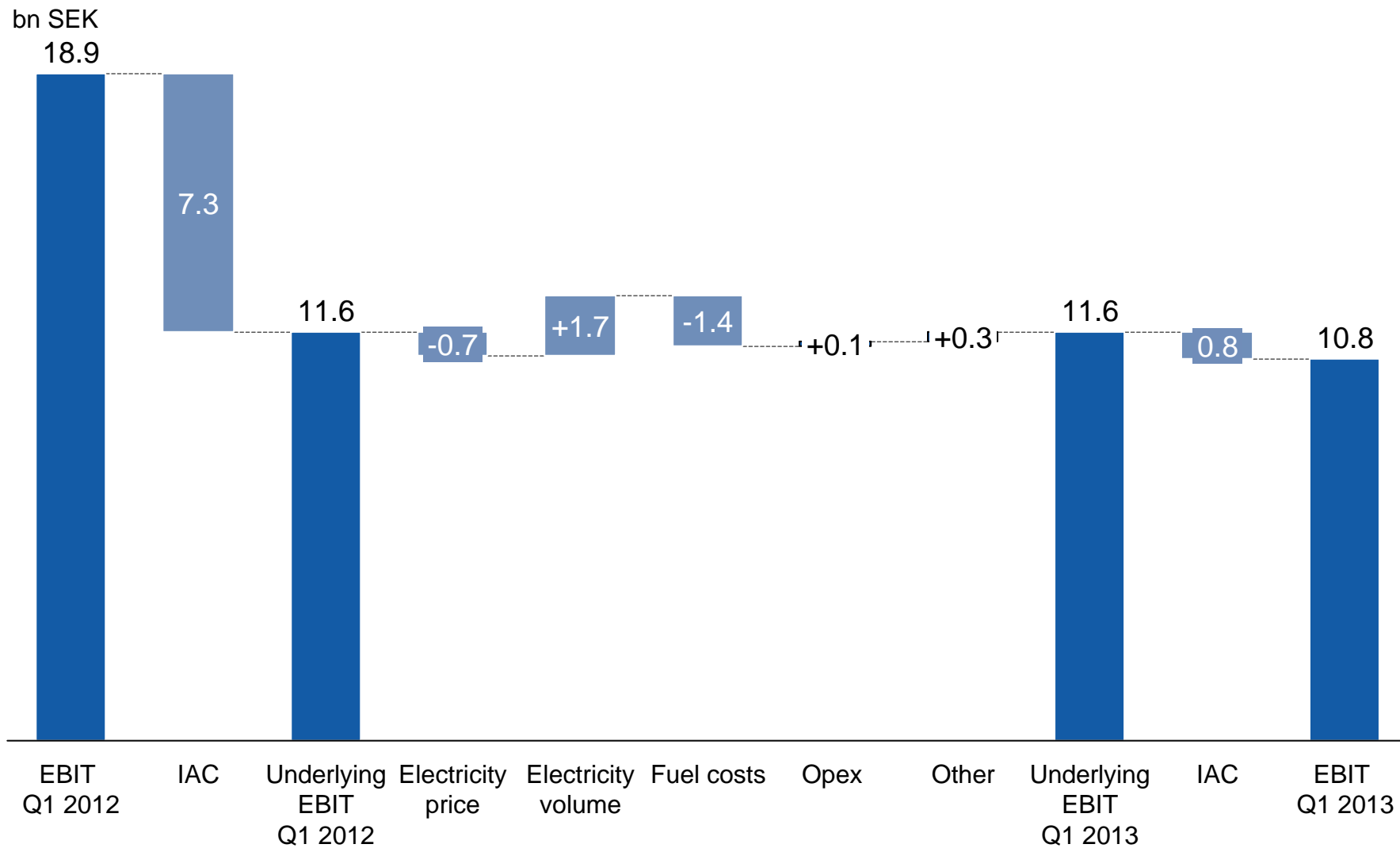
MSEK	Q1 2013	Q1 2012
Generation	8,066	8,450

- Underlying EBIT decreased by SEK 0.4 bn
 - Higher production volumes, lower O&M costs
 - Lower achieved prices and higher fuel costs

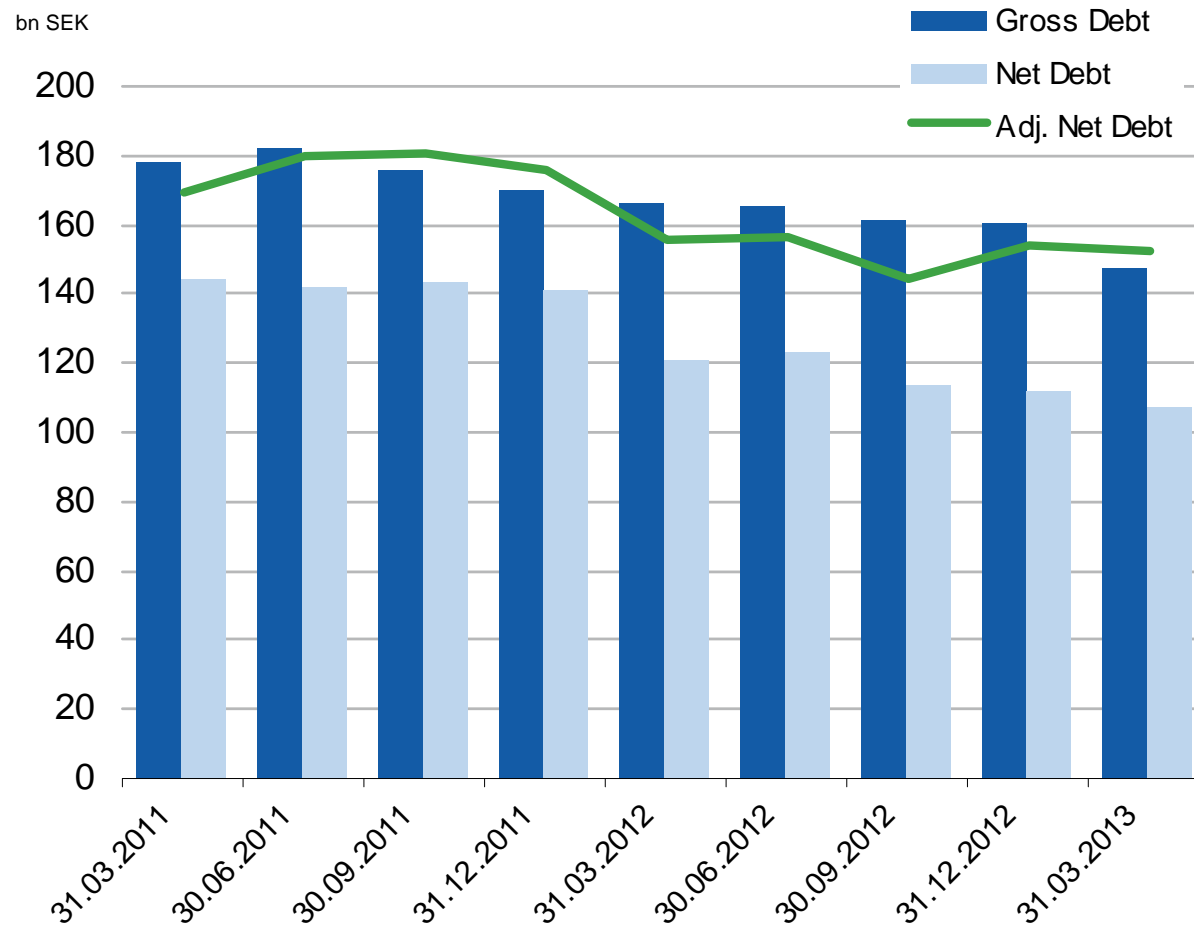
MSEK	Q1 2013	Q1 2012
Distribution and Sales	4,499	3,591

- Underlying EBIT increased by SEK 0.9 bn
 - Higher gross margin (increased gas sales)
 - Lower S&A costs

Positive effect on underlying EBIT from higher production volumes, negative effect from lower achieved prices and higher fuel costs



Gross and net debt have decreased compared with 31 Dec. 2012



- **Gross debt** decreased by SEK 12.7 bn to SEK 147.6 bn
- **Net debt** decreased by SEK 4.5 bn to SEK 107.4 bn
- **Adjusted net debt** decreased by SEK 1.8 bn to SEK 152.1 bn

Compared with 31 December 2012

For calculation of adjusted net debt, see Appendix slide 21

Financial targets

Financial targets	Target	Q1 2013	FY 2012
Return on Capital Employed (ROCE) *	9%	5.7% 8.8% excl IAC**	8.3% 8.8% excl IAC
Net debt/Equity	50-90%	70.4%	74.9%
FFO/Adjusted net debt *	22-30%	21.8%	22.4%
Dividend pay-out	40-60%		40% (SEK 6.8 bn)

* Last 12 months

** IAC = Items affecting comparability

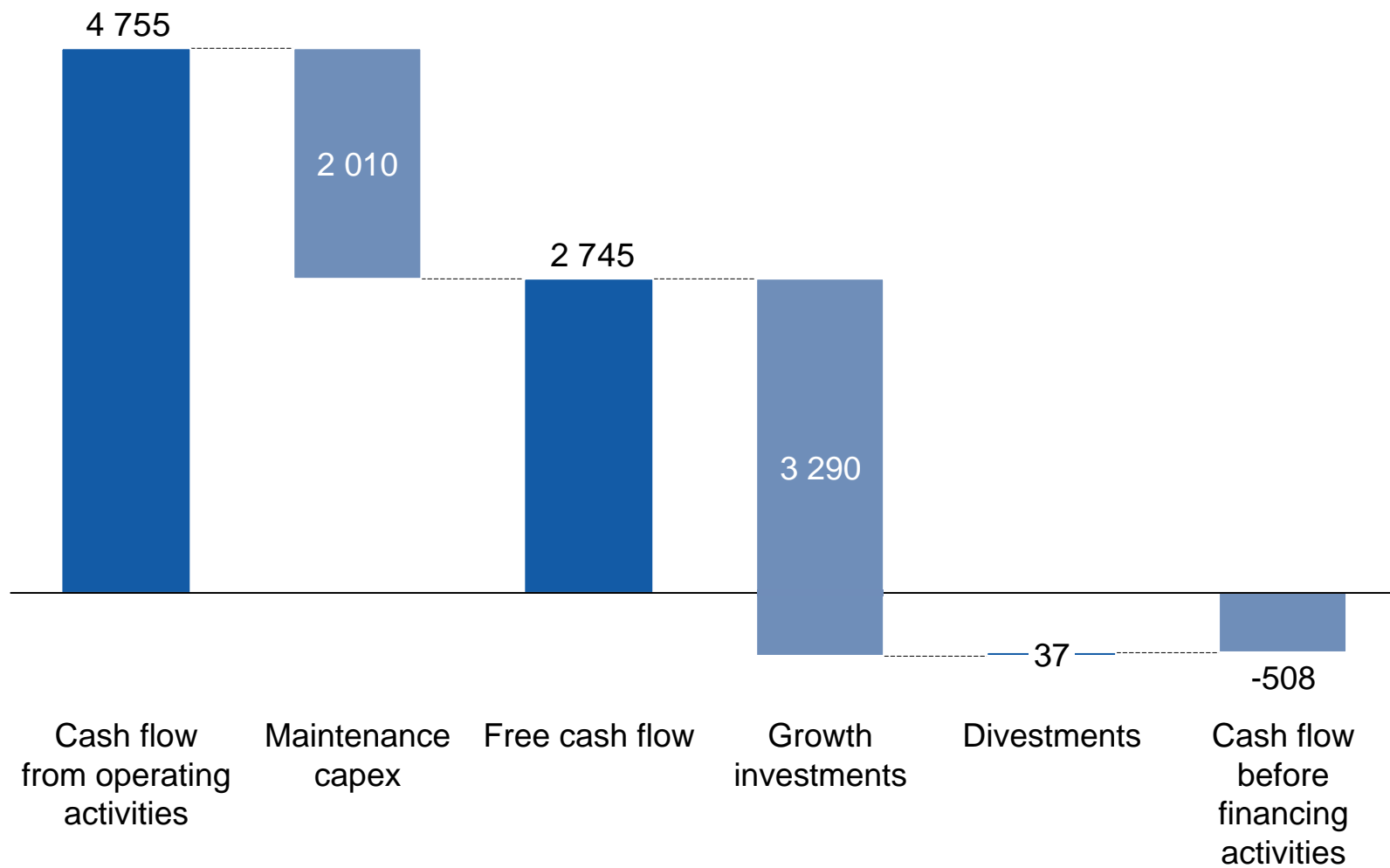
Vattenfall remains committed to maintaining financial discipline with an ambition to retain single A category ratings

Q&A

Appendix

Cash flow development Q1 2013

MSEK



Strong liquidity position

As of 31 March 2013

Group Liquidity	SEK million
Cash and cash equivalents	17,156
Short term investments	21,820
Reported cash, cash equivalents & short term investments	38,976
Unavailable liquidity*	-5,455
Available liquidity	33,521

Committed credit facilities	Line size	SEK million - Amount available
RCF (maturity Jan 2016)	EUR 2 550 million	21,306
Multi option Facility (12-month rolling)	EUR 1 300 million	8,757
Total undrawn		30,063

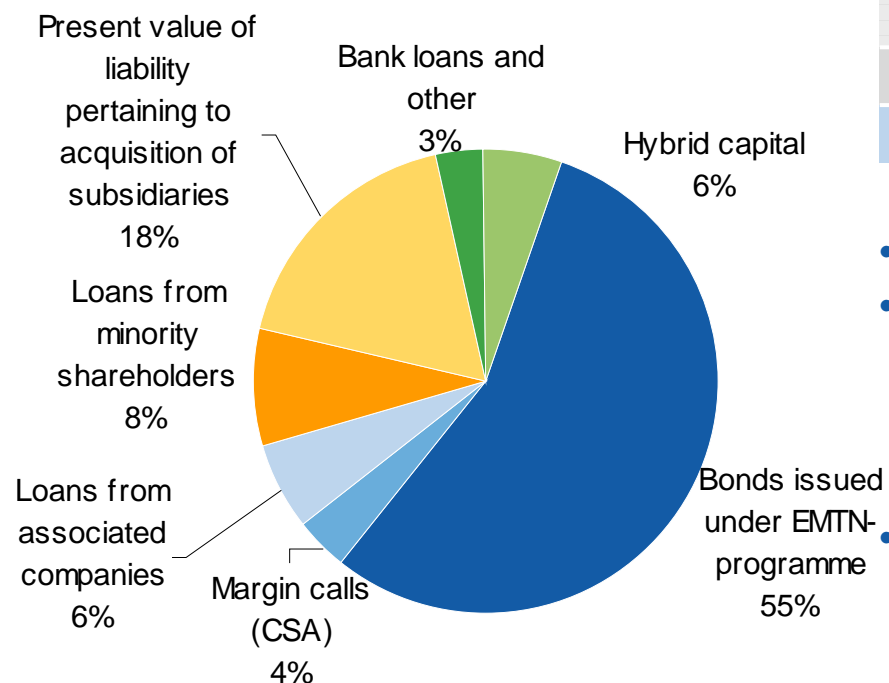
Debt maturities**	SEK million
Within 90 days	3,066
Within 180 days	13,676

*German nuclear "Solidarvereinbarung" 2,844, Margin calls paid (CSA) 0,728 and others 1,883

**Excluding loans from minority owners and associated companies

Breakdown of gross debt

Total debt 31 Mar 2013: SEK 148 bn (EUR 18 bn)
External market debt SEK 100 bn



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15 bn Euro MTN	15,000	9,070
EUR 2 bn Euro CP	2,000	0
SEK 15 bn Domestic CP	1,795	0
Total	18,795	9,070

- 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

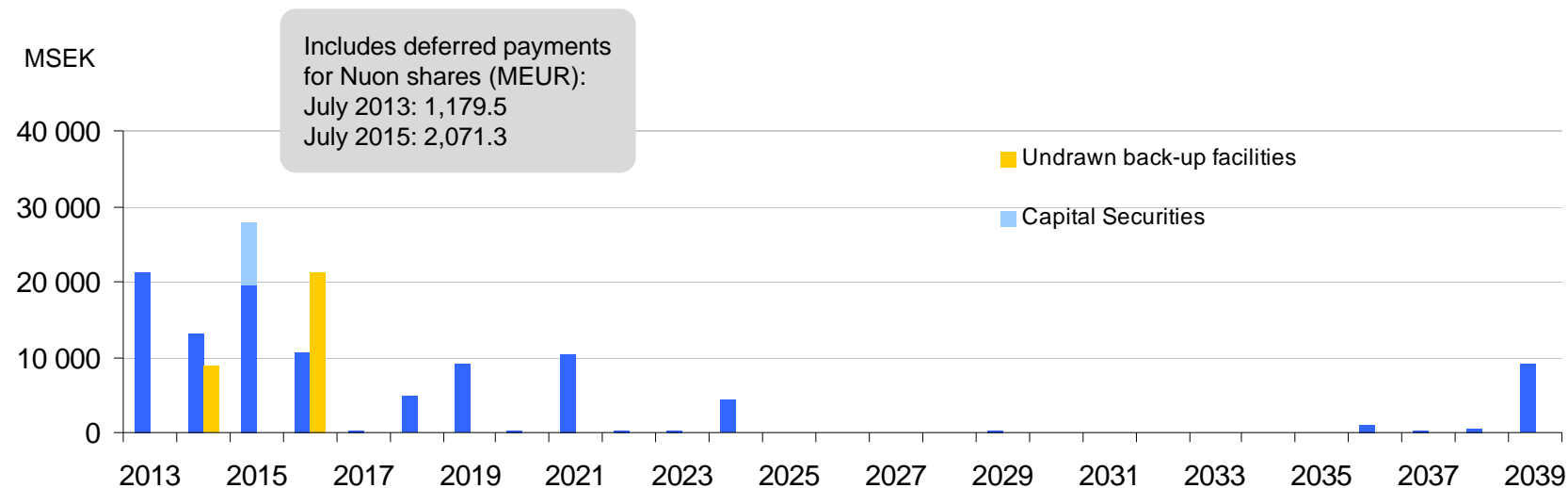
Reported and adjusted net debt

Reported net debt (bn SEK)	Mar 31 2013	Dec 31 2012
Capital Securities	-8.3	-8.5
Bond issues and commercial papers and liabilities to credit institutions	-84.1	-94.3
Present value of liability pertaining to acquisition of subsidiaries	-26.5	-27.1
Liabilities to associated companies	-9.2	-9.3
Liabilities to minority shareholders	-12.3	-11.9
Other liabilities	-7.3	-9.2
Total interest-bearing liabilities	-147.6	-160.3
Reported cash, cash equivalents & short-term investments	39.0	46.5
Receivable Swedish pension foundation	1.2	1.8
Loans to minority owners of foreign subsidiaries	0.0	0.1
Net debt	-107.4	-111.9

*Of which: German nuclear "Solidarvereinbarung" 2.8,
margin calls paid (CSA) 0.7, others 1.9

Adjusted net debt (bn SEK)	Mar 31 2013	Dec 31 2012
Total interest-bearing liabilities	-147.6	-160.3
50% of Hybrid capital	4.2	4.3
Present value of pension obligations	-31.0	-30.2
Mining & environmental provisions	-12.0	-12.2
Provisions for nuclear power (net)	-18.2	-18.4
Cross currency swaps	1.8	3.0
Margin calls received	5.2	7.2
Liabilities to minority owners due to consortium agreements	10.9	10.5
= Adjusted gross debt	-186.8	-196.2
Reported cash, cash equivalents & short-term investments	39.0	46.5
Receivable Swedish pension foundation	1.2	1.8
Unavailable liquidity	-5.5*	-6.0
= Adjusted cash, cash equivalents & short-term investments	34.7	42.2
= Adjusted net debt	-152.1	-153.9

Vattenfall debt maturity profile



These figures differ from the reported interest bearing liabilities as 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.

	31 Mar 2013	31 Dec 2012
Duration (years)	3.1	3.3
Average time to maturity (years)	5.2	5.3
Average interest rate (%)	3.3	3.4
Net debt (SEK bn)	107.4	111.9

Including Hybrid capital

Lower capex plan for 2013 – 2017: SEK 123 bn

- Capex plan 2013-2017 totals SEK 123 bn, SEK 24 bn lower than previous capex plan for 2012-2016
- Growth investments amount to SEK 35 bn (28%). Maintenance and replacement amount to SEK 88 bn (72%)
- Low-emitting fuel projects account for 62% of growth investments

