

Financial review

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CFO

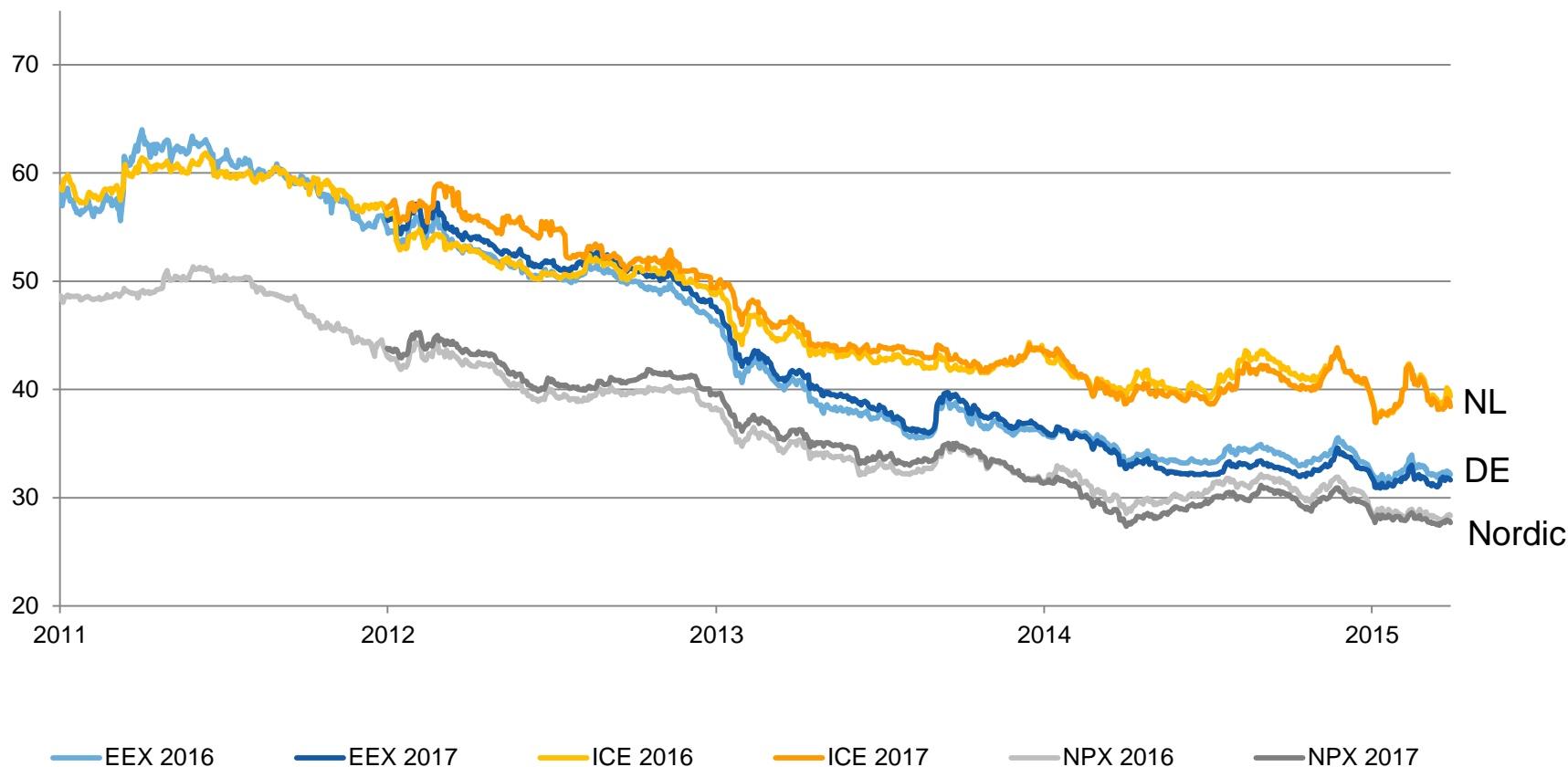
Vattenfall Capital Markets Day, Solna, 27 May 2015

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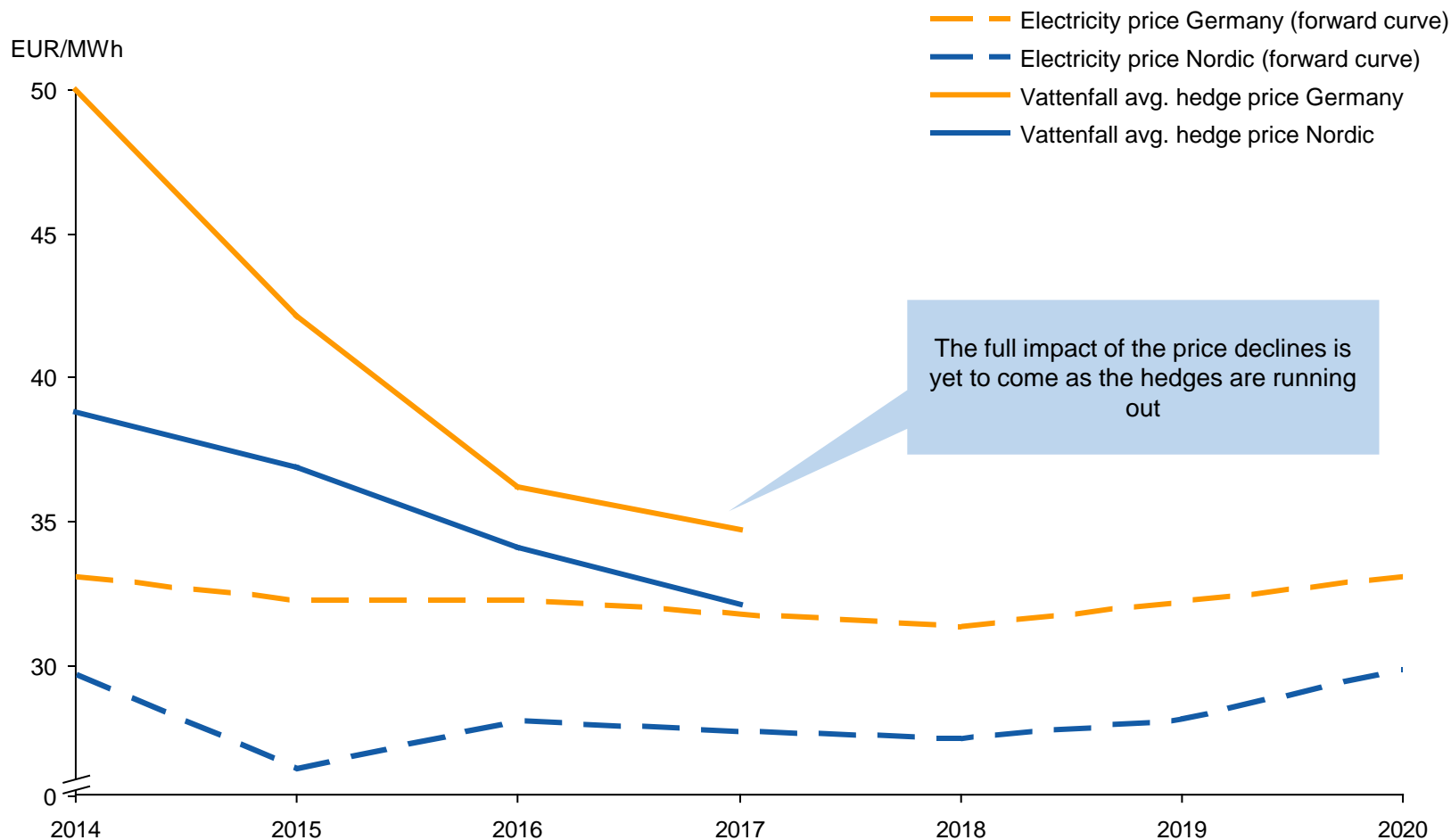
Price development – electricity futures

EUR/MWh



Hedges have dampened the effect so far

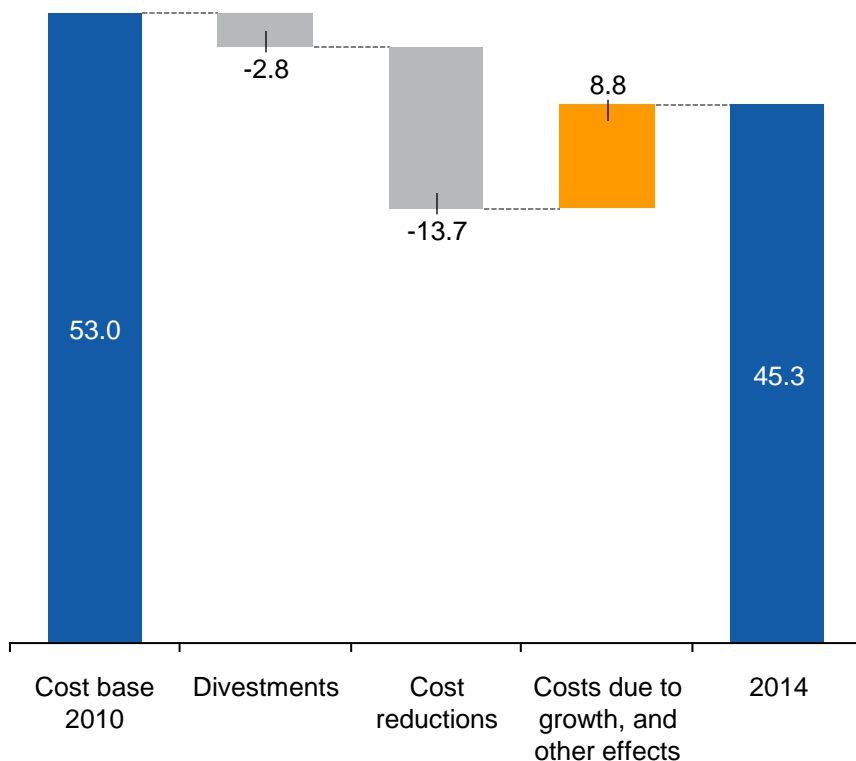
Market prices



Vattenfall has taken a number of mitigating actions

Achieved cost reductions of SEK 13.7bn (26%) on a yearly basis since 2010

In SEK billion

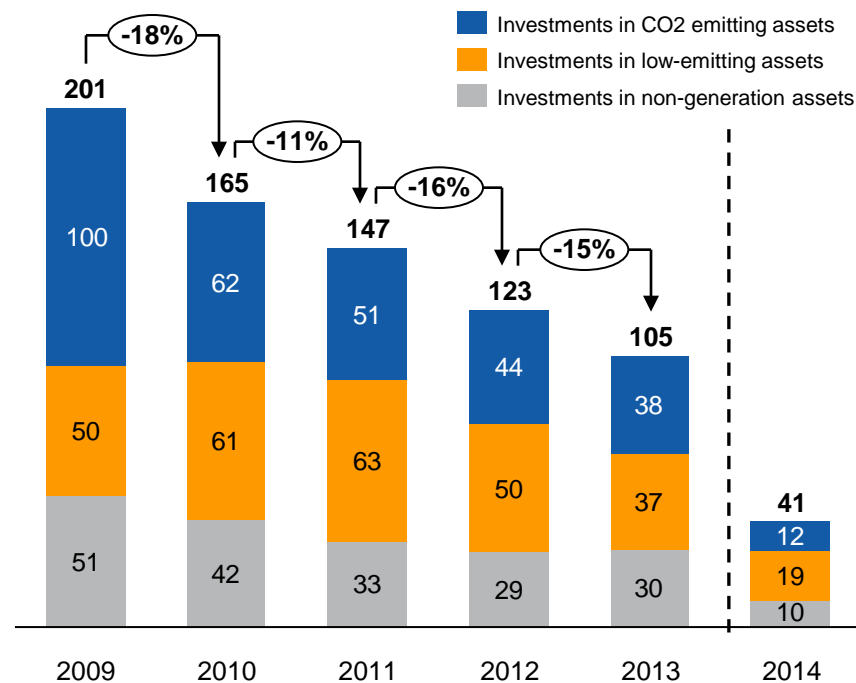


Note:

- * Divestments – include divestments in Poland, Finland during 2011, Hamburg distribution and other minor divestments in 2014
- ** Costs due to growth and other effects - include cost due to growth, FX effects, restructuring costs, etc.

Reduction of capex plans 2009-2014

In SEK billion

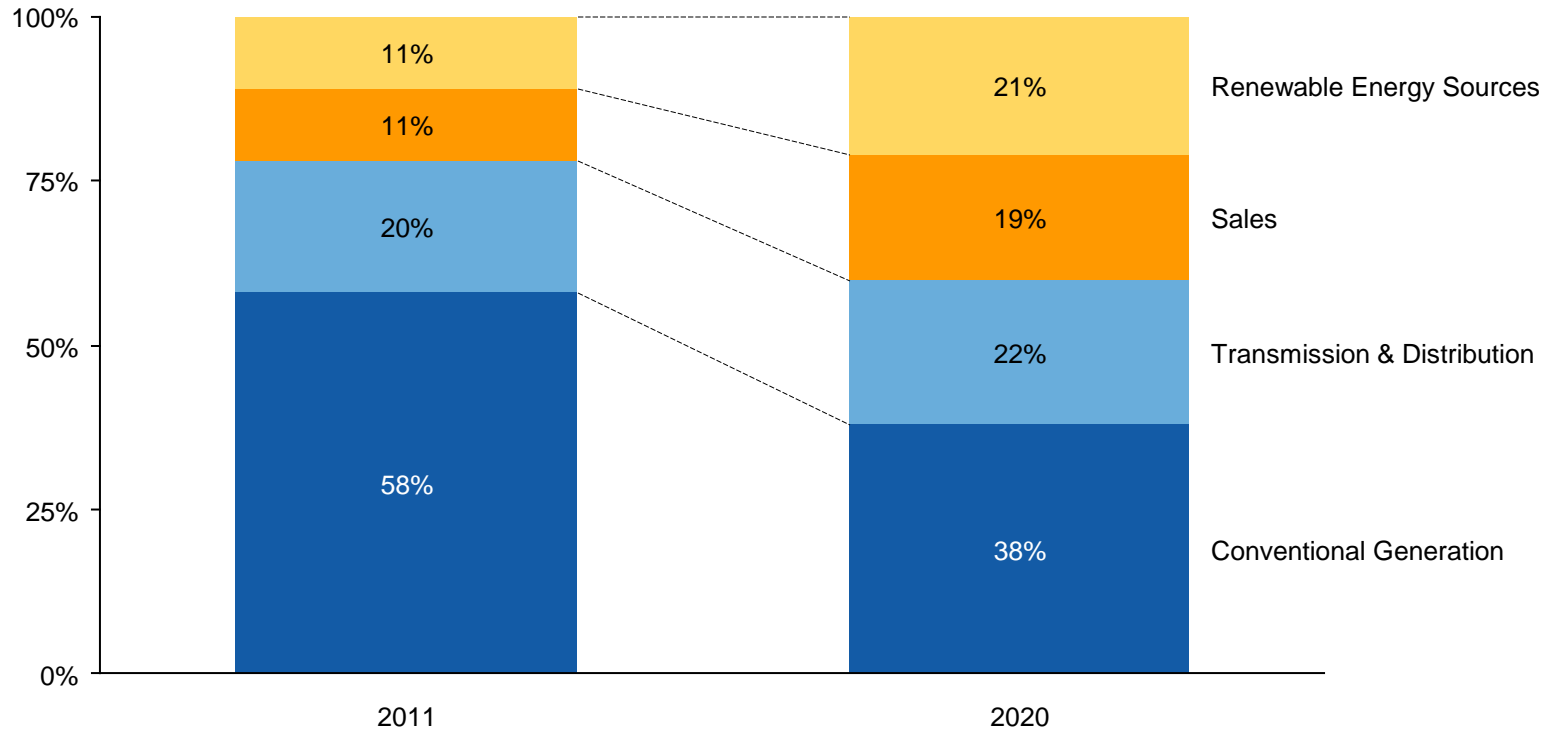


Note:

- * While capex plans 2009-2013 comprise rolling five-year periods, capex plan 2014 comprises only the next two years 2015-2016.

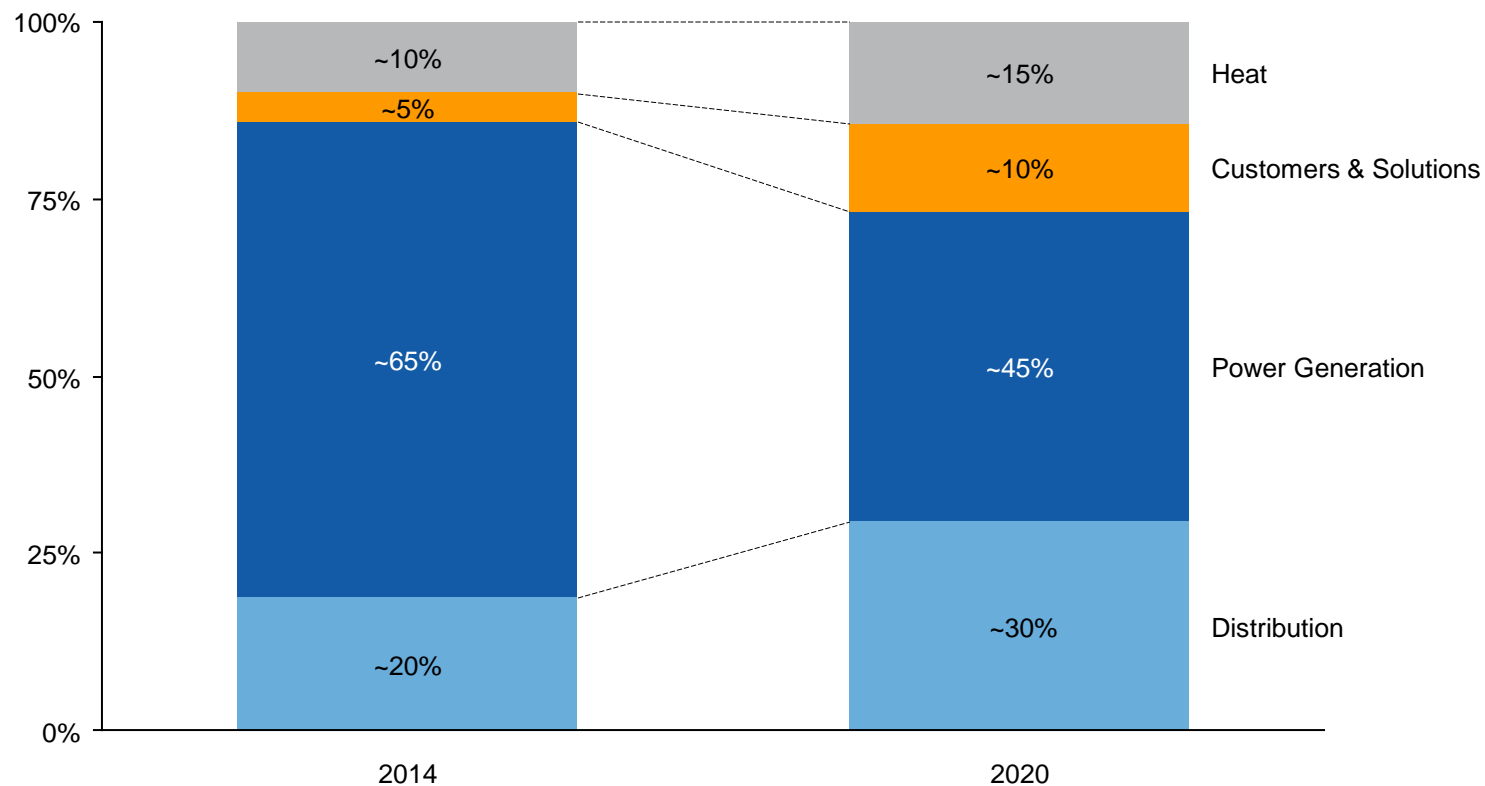
Illustrative European energy industry EBIT development

Value pools shifting in favour of regulated and quasi regulated businesses, and new sales opportunities



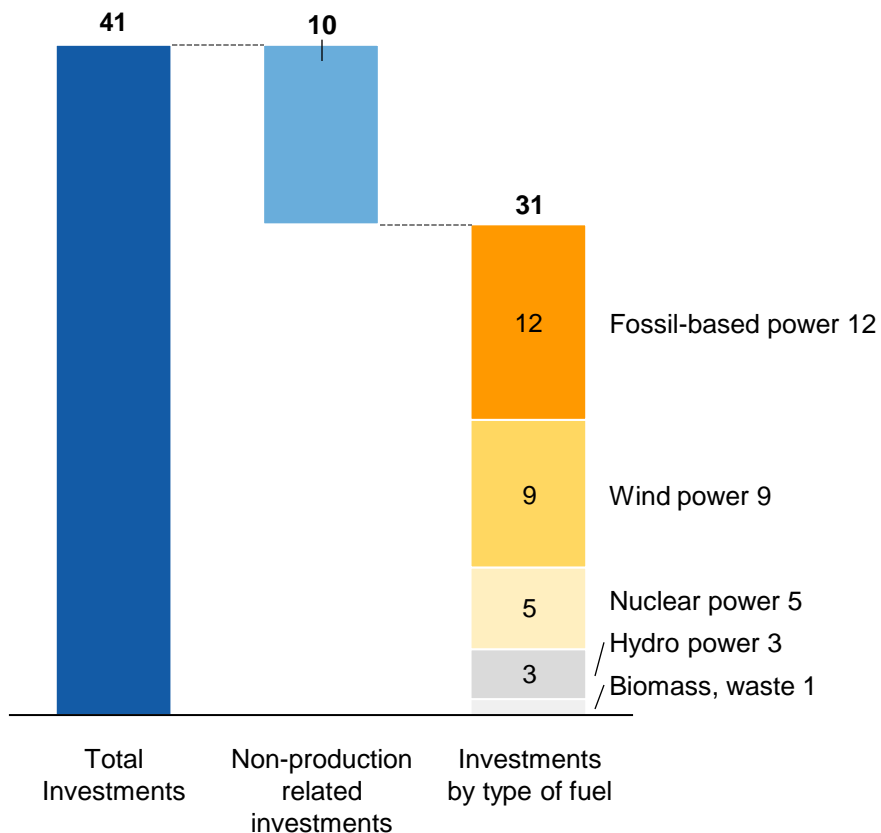
Source: Eurelectric report May 2013 - Utilities: Powerhouses of Innovation, and Vattenfall research

Vattenfall's future value pools - underlying EBIT

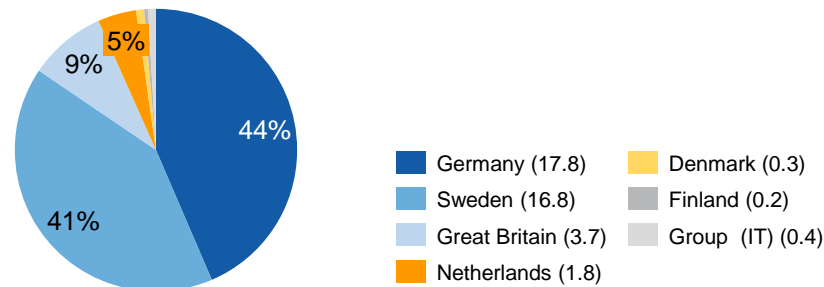


Investment plan 2015-2016

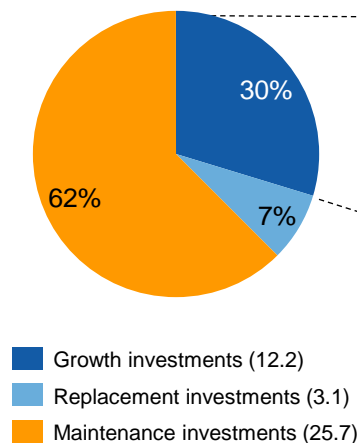
Total Investments 2015-2016: SEK 41bn



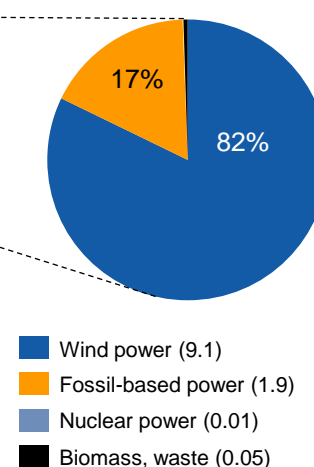
Geographical split (SEK bn)



Investment split by type (SEK bn)



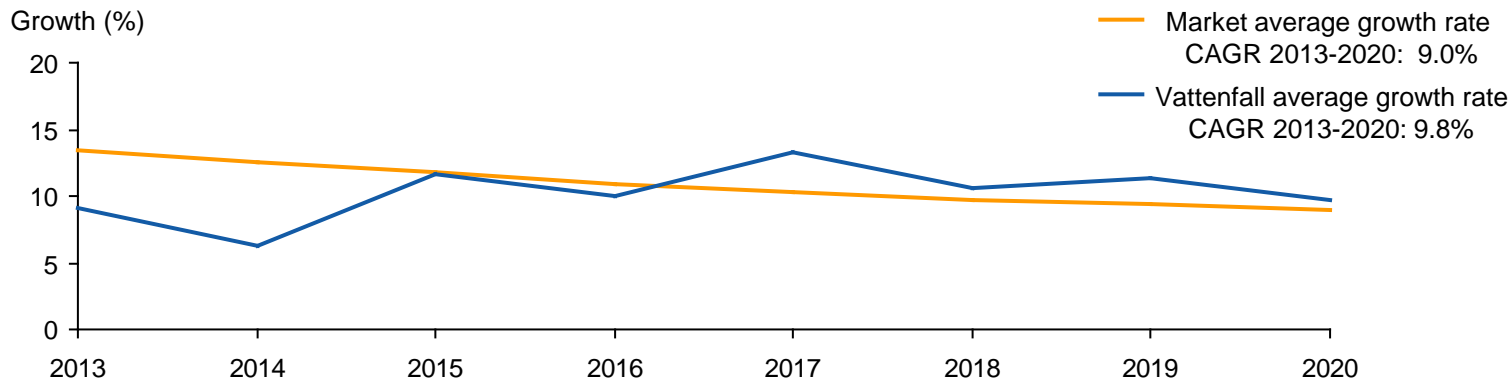
Growth investments by technology (SEK bn)*



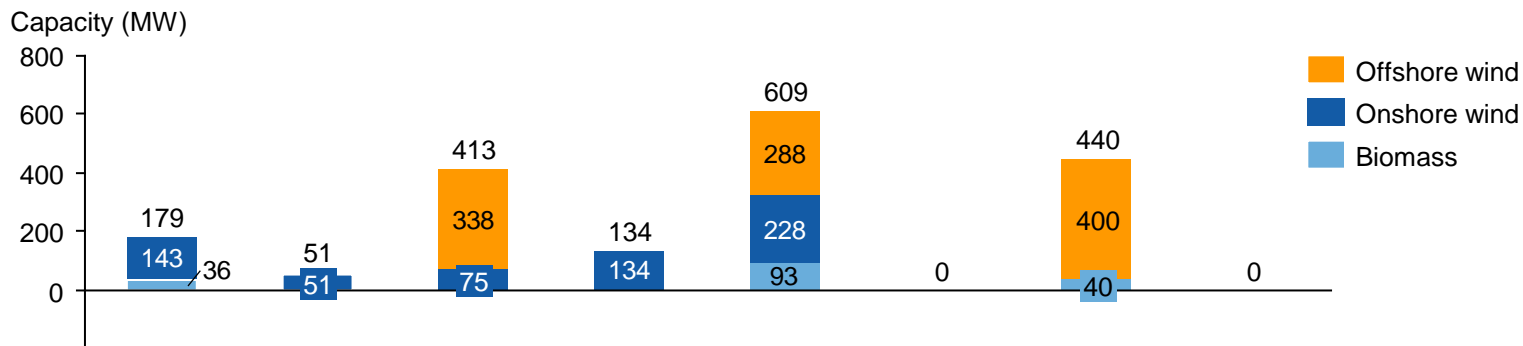
* Growth investments in this pie chart relate to electricity and heat generation amounting to SEK 11.1bn

Renewable energy growth target: Vattenfall to exceed reference market growth in 2020 by 169 MW

Vattenfall growth versus market



Vattenfall capacity increase versus market



Projects (MW consolidated)

Zuidlob (121)		Dan Tysk (288)			
Swinford (22)		KF ext (50)	Klim (67)	Sandbank (288)	
Moabit co-firing (29)	Hjuleberg (36)	Höge Väg (38)	Juktan (29)	Pen y Cymoedd (228)	Uppsala CHP (40)
Märkisches Viertel (7)	Bajlum (15)	Clashindaroch (37)	Högabjär (38)	HW8 co-firing (93)	HRIII (400)

Divestments (MW)

Fynsværket (59)
Amagerværket (69)

Financial highlights and key credit metrics

Financial highlights (SEK bn)	Q1 2015	Q1 2014	% Change	FY 2014	FY 2013	% change
Net Sales	45.4	45.9	-1.1	165.9	172.3	-3.7
Underlying EBIT ¹	7.7	9.1	-15.4	24.1	28.1	-14.2
Cash flow (FFO)	9.8	10.8	-9.3	32.1	31.9	0.8
Operating cash flow (after changes in WC)	6.8	7.5	-9.3	40.1	37.8	6.1

1. EBIT excluding items affecting comparability

- Lower net sales in Q1 2015 mainly due to lower production volumes. Lower net sales in 2014 due to divestments, lower electricity achieved and lower volumes, partly as a result of warmer weather
- Underlying EBIT decreased in Q1 2015 due to lower production margins and lower electricity volumes. In 2014 underlying EBIT decreased mainly due to lower production margins and lower electricity, heat and gas volumes, partly compensated by cost reductions
- Lower FFO in Q1 2015 mainly due to lower production volumes. Improved operating cash flow in 2014

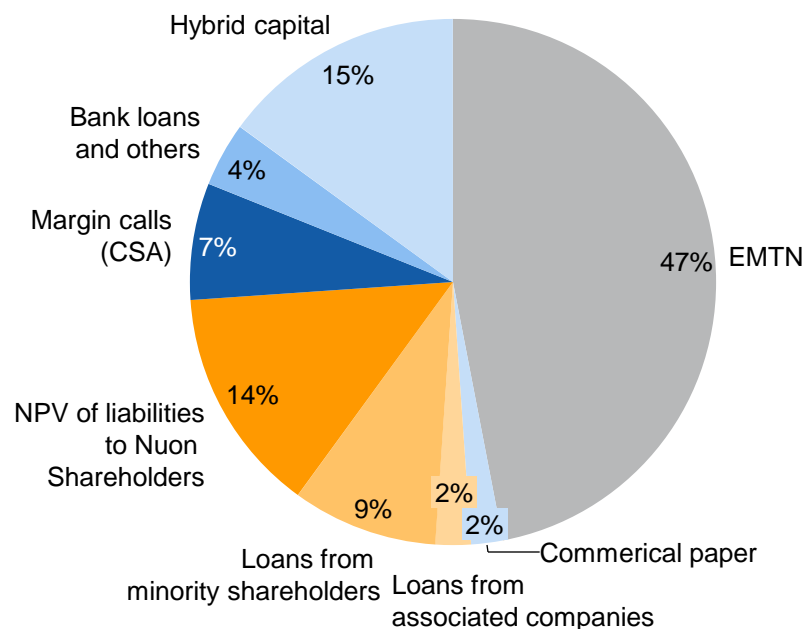
Key credit metrics	Q1 2015	Q1 2014	FY 2014	FY 2013
FFO Interest cover, net (x)	10.0*	6.2 ¹	10.1	6.2
FFO/Adjusted net debt (%)	20.7*	20.4 ¹	20.3	19.6
Adjusted net debt/ EBITDA (x)	4.0*	3.3 ¹	3.9	3.7
Net debt/equity (%)	58.5	58.8	61.9	75.7

1. Last twelve months

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

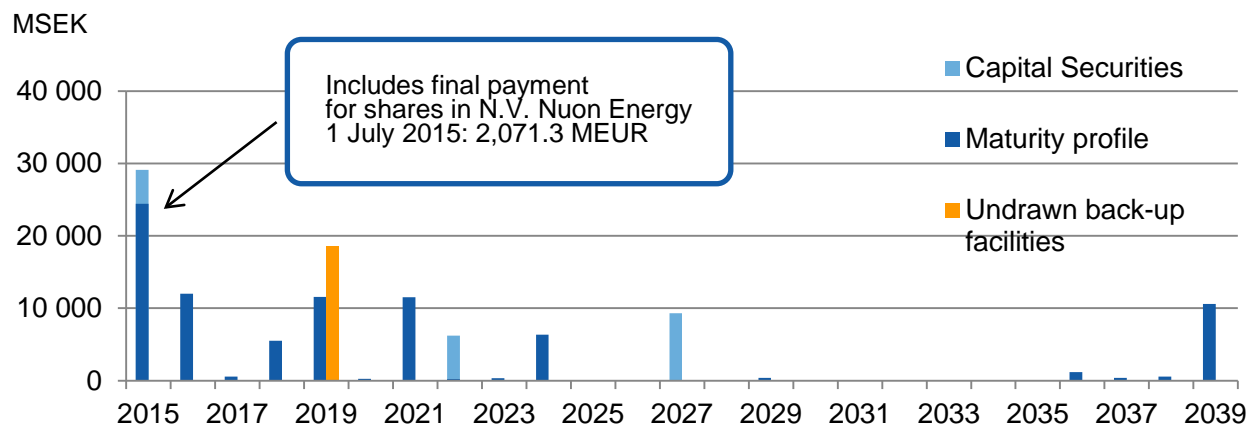
- All public debt issued by Vattenfall AB
- Debt portfolio has no currency exposure that has an impact on the income statement. Debt in foreign currency is either swapped to SEK or booked as hedge against net foreign investments
- No structural subordination

Successful issue of hybrid bonds

- On 12 March Vattenfall successfully launched a ~EUR 1.65bn (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

Debt maturity profile*

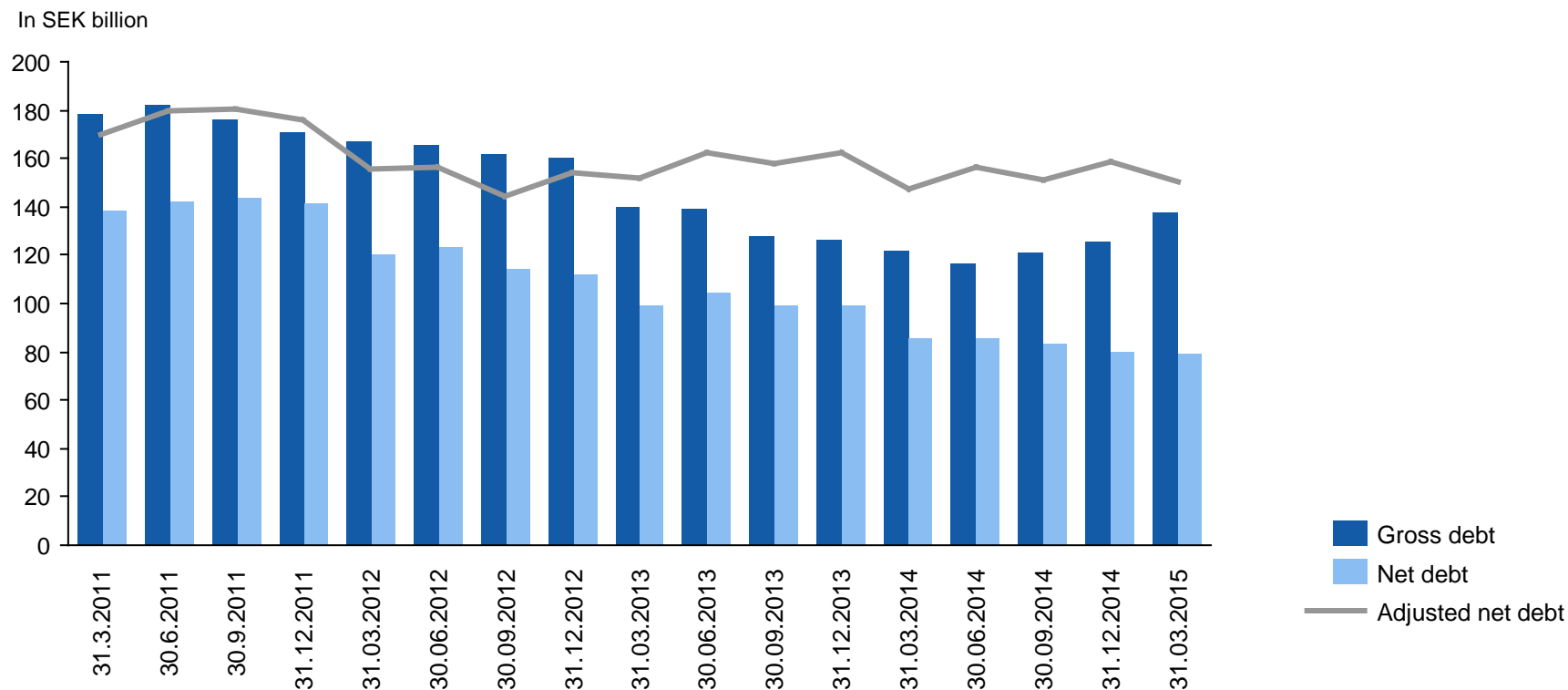


	31 March 2015	31 Dec 2014
Duration (years)	3.6	2.8
Average time to maturity (years)	6.4	5.6
Average interest rate (%)	3.4	3.6
Net debt (SEK bn)	78.8	79.5
Available group liquidity (MSEK)	49,884	37,796
Undrawn committed credit facilities (MSEK)	18,580	18,786

* 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

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.







Financial and sustainability targets

Financial metric targets (set by the owner)	Outcome Q1 2015	Outcome FY 2014	Outcome FY 2013
Return on Capital Employed (ROCE) of 9.0%	-1.9% ¹ (7.6% excl. IAC ²)	-0.7% (8.2% excl. IAC ²)	-2.1% (9.3% excl. IAC ²)
Net debt/Equity of 50-90%	58.5%	61.9%	75.7%
FFO/Adjusted net debt of 22-30%	20.7% ¹	20.3%	19.6%
Dividend policy at 40-60% of reported profit after tax	n.a.	Zero	Zero

Sustainability targets (set by Vattenfall)	Outcome FY 2014	Outcome FY 2013
Reduce CO₂ exposure to 65mn tonnes by 2020 (93.7mn tonnes in 2010)	82.3mn tonnes	88.4mn tonnes
Growth in renewable electricity generation capacity to be higher than the average rate of growth for ten reference countries	Growth rate of 3.1%. Growth rate figure for reference countries not yet available	Growth rate of 9.1%. Growth rate for reference countries 12.3% ³
Energy efficiency 2014 target to save 365 GWh	435 GWh	n.a

1. Last twelve months
2. IAC = Items affecting comparability
3. Source: ENTSO-E

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

Conclusions

- After the sale of lignite operations we will have a sustainable asset portfolio with a balanced price exposure
- We will continue our mitigating actions with focus on future cash flow
- Stable balance sheet and undrawn credit reserves

Appendix

Production related taxes

- The general trend within Vattenfall's core markets continues towards decreased corporate income tax rates and increased cost for operational taxes due to higher tax rate/ tax base or introduction of new taxes, such as:
 - Increased tax (+16,8 %) on installed nuclear (thermal) capacity in Sweden as of 1 August 2015
 - Proposal in Germany to introduce a so-called climate levy for fossil-fuelled power plants (under discussion).
- Production related taxes within Vattenfall consist mainly of real estate/property tax, nuclear tax, and energy taxes related to production

All production related taxes affect EBIT and are accounted for in the consolidated income statement as "Cost of products sold"

Production related taxes within Vattenfall 2014 (MSEK)	Real Estate Tax ¹	Nuclear Tax total (pro rata)	Coal Tax	Other production related taxes
Germany	59	- ²	-	80
Sweden	2,897	3,054 (2,087)	-	85
Netherlands	23	-	105	22
Other countries	31	-	-	7
Total	3,010	3,054 (2,087)	105	194

1. Mainly hydro power

2. Not included here is Vattenfall's part of the nuclear fuel tax for its 20% share of the Brokdorf nuclear power plan (annual amount approx EUR 34.7 million)

Swedish nuclear capacity tax

- Tax on the reactor's installed thermal generating capacity
- Introduced on 1 July 2000 (previously a tax on generated electricity)
- Current tax rate: SEK 12,648 per installed MW
- If non-operating for a period >90 days, a deduction of SEK 415 per MW is allowed for days exceeding 90 days
- Current tax level corresponds to approx. 55 SEK per generated MWh
- Effective 1 August 2015 the tax will be increased by 16.8% to SEK 14,770 per MW
 - Corresponds to approx. 65 SEK per generated MWh

History	Tax SEK/MW	Deduction, if non-operating
1 July 2000	5,514	181
1 Jan 2006	10,200	335
1 Jan 2008	12,648	415
1 Aug 2015	14,770	485

Reported and adjusted net debt, 31 March 2015

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

In 2014 increased provisions due to lower interest rates had an adverse affect on adjusted net debt

Type of provision	New discount rate % ¹	Change % points	EBIT impact SEK bn ²	Adj. net debt impact SEK bn ⁴
Pensions, Sweden	2.5	-1.5	-	1.9
Pensions, Germany	2.0	-1.5	-	7.2
Nuclear, Germany	4.0	-0.75	-4.9	5.0 ³
Mining related and other, Germany	4.0	-0.75	-0.6	0.9
Total Group			-5.5	15.0

1. Discount rates for pensions were lowered in both Q2 and Q4 2014
2. The increased provisions are treated as items affecting comparability and therefore have no impact on underlying EBIT
3. Calculated pro rata based on Vattenfall's ownership in respective plant
4. Figures only represent changes as a result of the changed interest rate and other actuarial assumptions, not change of total provisions

Due to continued falling market interest rates Vattenfall lowered the discount rates it uses for calculating pension provisions in Sweden and Germany as well as other provisions in Germany, mainly nuclear provisions.

Calculation of nuclear provisions (net)

31 March 2015

MSEK	IFRS consolidation			Pro rata		
	Sweden	Germany	Total	Sweden ²	Germany ³	Total
Provisions	-41 335	-28 019	-69 354	-34 677	-28 280	-69 957
Nuclear waste fund (Sweden) ¹	31 985	-	31 985	27 228	-	27 228
Loans from assoc. companies (Germany)	-	2 680	2 680	-	2 680	2 680
Underfunding	-9 350	-25 339	-34 689	-7 449	-25 600	-33 049

1. Book value
2. 66% Forsmark, 100 % Ringhals
3. 66.7% Brunsbüttel, 50% Krümmel, 33,3% Stade, 20% Brokdorf

Treated as debt when calculating Vattenfall's adjusted net debt

Calculation of capital employed

In MSEK	31 March 2015	31 March 2014	31 Dec. 2014
Calculation of capital employed			
Intangible assets: current and non-current	24 208	39 142	24 471
Property, plant and equipment	271 402	266 090	271 306
Participations in associated companies and joint arrangements	8 019	8 474	7 765
Deferred and current tax assets	9 894	7 411	11 700
Non-current noninterest-bearing receivables	7 124	6 045	7 226
Inventories	16 396	17 425	18 502
Trade receivables and other receivables	33 658	32 210	31 217
Prepaid expenses and accrued income	10 840	10 364	6 398
Unavailable liquidity	7 356	5 959	7 272
Other	915	1 295	1 071
Total assets excl. financial assets	389 812	394 415	386 928
Deferred and current tax liabilities	- 28 708	- 33 454	- 28 730
Other noninterest-bearing liabilities	- 5 733	- 5 383	- 5 756
Trade payable and other liabilities	- 26 771	- 25 104	- 30 641
Accrued expenses and deferred income	- 20 865	- 23 651	- 18 182
Other	—	367	- 91
Total noninterest-bearing liabilities	- 82 077	- 87 225	- 83 400
Other interest-bearing provisions not related to adjusted net debt ²	- 9 106	- 8 213	- 9 250
Capital employed	298 629	298 977	294 278
Capital employed, average	298 803	303 207	293 992

Assets disposals 2011-

Divested asset	Closing	Amount
Hillerød, CHP, DK	Jan 2011	Not disclosed
Rostock, hard coal plant, DE	Feb 2011	Not disclosed
Power consultancy business	Apr 2011	Not disclosed
ENSO, DE	Apr 2011	EUR 147mn
Real Estate, Hamburg, DE	Apr 2011	Not disclosed
Nuon Exploration & Production, NL	May 2011	EUR 281mn
Helsingør, CHP, DK	Jun 2011	Not disclosed
Polish Distribution and sales business, PL	Dec 2011	PLN 3.5bn
Polish Heat business, PL	Jan 2012	PLN 3.7bn
Belgian sales business, BE	Jan 2012	EUR 157mn
Electricity Distribution, FI	Jan 2012	EUR 1.54bn
Amager, CHP, DK	Jan 2014	DKK 2bn
Distribution Hamburg , DE (74.9% of electricity network business)	Feb 2014	EUR 371mn* + EUR 243mn (repaid shareholders loan)
ENEA S.A, PL (18.67% of the shares)	Feb 2014	SEK 2.2bn
Vattenfall Europe Consultant GmbH, DE	Q1 2014	--
Kalix Värmeverk, SE	Q2 2014	Not disclosed
Müllverwertung Borsigstrasse GmbH, waste incineration plant, DE	Q3 2014	EUR 67mn
Thanet cable, transmission cable, UK	Dec 2014	SEK 2bn
Utrecht cluster, CHP operations, NL	Jan 2015	Not disclosed
VSG GmbH/TEGEMA GmbH, facility services**, DE	Jan 2015	Not disclosed
Fynsverket, CHP, DK	Apr 2015	DKK 1.1bn (EV)

* EUR 371mn relate to 74.9% of agreed minium price of EUR 495mn for 100%

** Approx. 500 employees

Optimisation of working capital

- Vattenfall has the ambition to improve its net working capital by > SEK 6bn between 2015 and 2018
 - Approximately 1/4 in Nordic region and 3/4 in Continental/UK region
- 5 projects were started in Q2 2014
 - Main focus areas:
 - Procure-to-Pay process (accounts payable)
 - Order-to-Cash process (accounts receivable)
 - Inventory
- Net working capital targets will be embedded in management steering to ensure sustained improvements

Credit ratings

Standard & Poor's

A- (stable outlook): Analysis 9 October 2014

Outlook:

“The stable outlook on Swedish state-owned multi-utility Vattenfall AB reflects Standard & Poor's Ratings Services' expectation that Vattenfall's efficiency measures and active hedging strategy will mitigate pressure on profitability from falling power prices. It also reflects our expectation that growth investments will be covered by internally generated funds. In addition, we anticipate that Vattenfall will be able to maintain credit measures in line with the ratings, including adjusted funds from operations (FFO) to debt of at least 20% over our forecast horizon 2014-2016.”

Moody's

A3 (stable outlook): Rating action, 19 March 2015
(In connection with Vattenfall's issue of hybrid bonds)

Outlook:

“The stable rating outlook reflects our expectation that Vattenfall will continue to manage its strategic priorities and take measures to support its financial profile, such that it can achieve and maintain ratios in line with the guidance for the current business profile and A3 rating of RCF/net debt of at least 15% and FFO/net debt of more than 20%.”