



Ingrid Bonde, CFO

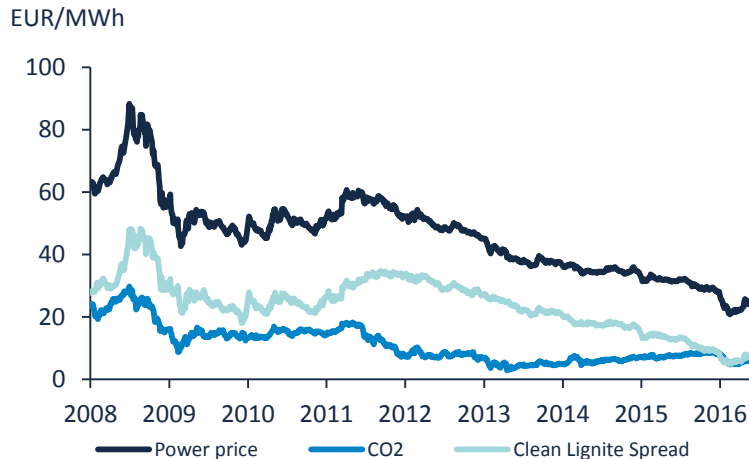
Vattenfall Capital Markets Day, 19 September 2016



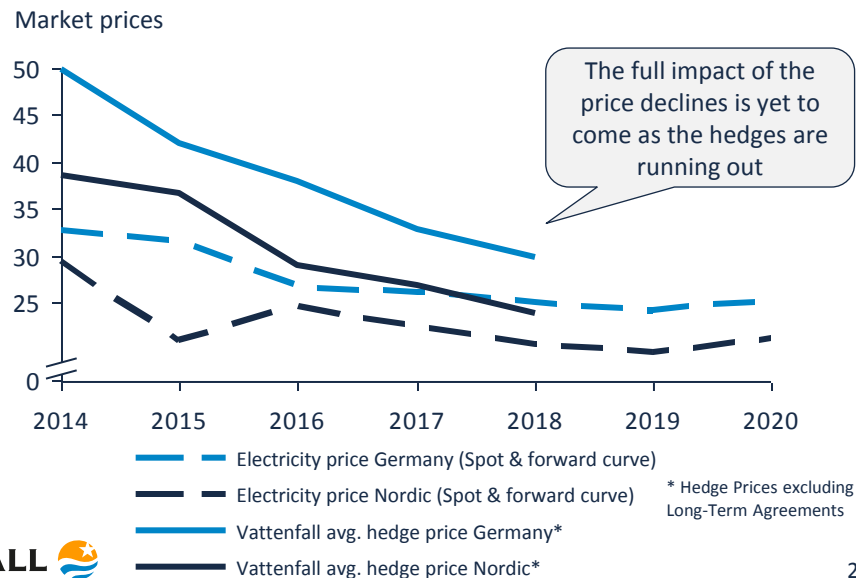
INCREASINGLY DIFFICULT TO LOCK IN ATTRACTIVE PRICES AND SPREADS

Ongoing review of Vattenfall's hedge strategy with the ambition to deliver on operational excellence by reducing cost and complexity to reflect the shrinking portfolio

German power prices and the clean lignite spread have decreased substantially ...

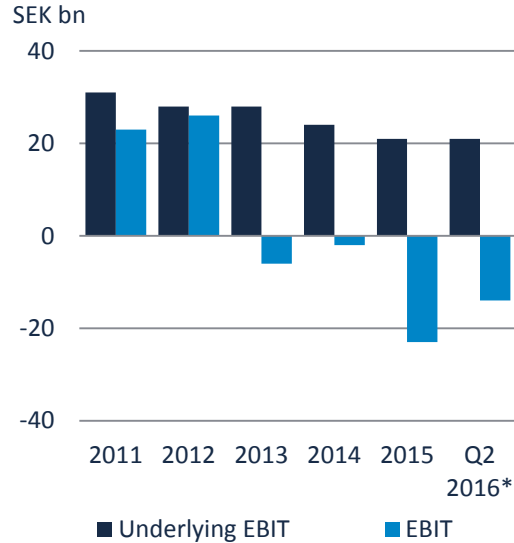


...our hedges have dampened the effect so far....

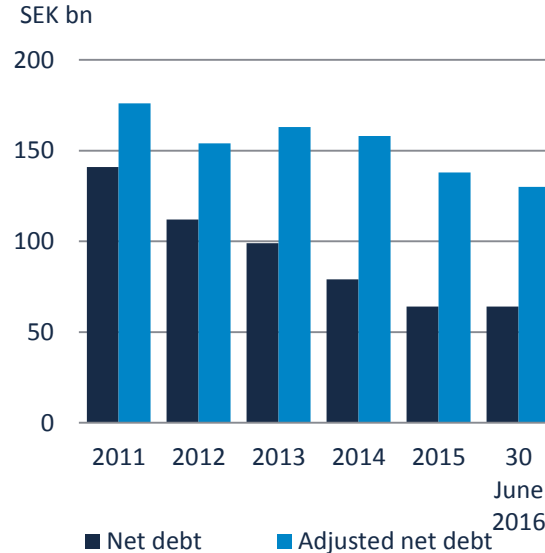


SOLID FINANCIAL RESULTS DESPITE CHALLENGING ENERGY LANDSCAPE

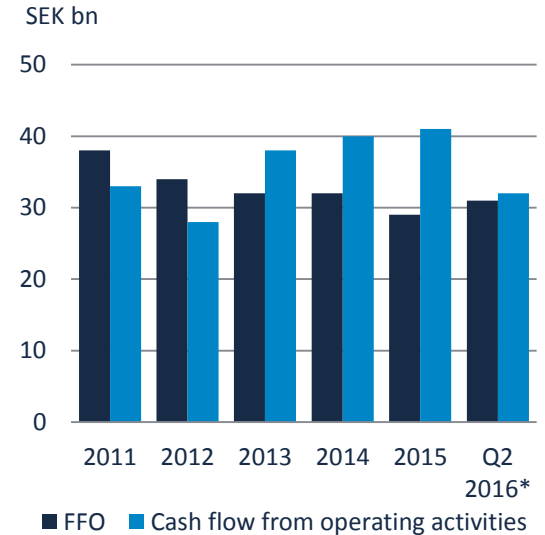
Underlying EBIT development



Debt reduction



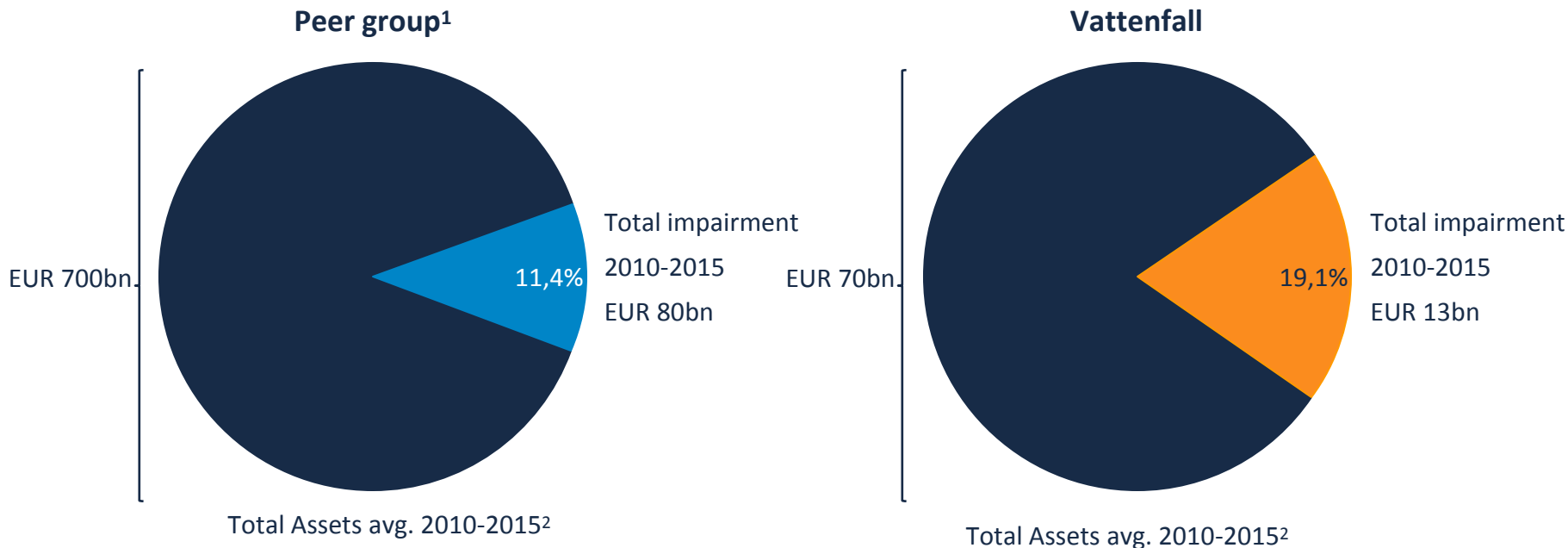
Positive cash flow



* Last twelve months

CUMULATIVE IMPAIRMENTS

With cumulative impairments of approx. EUR 16.6bn between 2009-2016, Vattenfall has been transparent and timely in cleaning up the balance sheet under changing market conditions



1) Selected peer group: Engie, Enel, Eon, RWE, Fortum

2) Source: Bloomberg

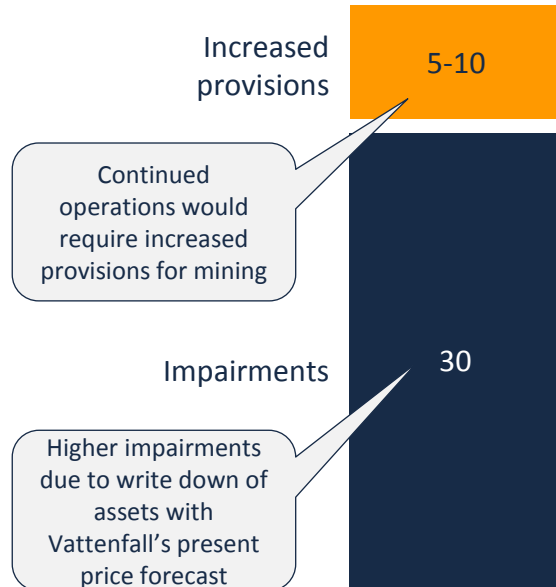
FINANCIAL EFFECTS OF LIGNITE SALE IN COMPARISON WITH HOLD SCENARIO

SEK bn

Sale



Hold scenario

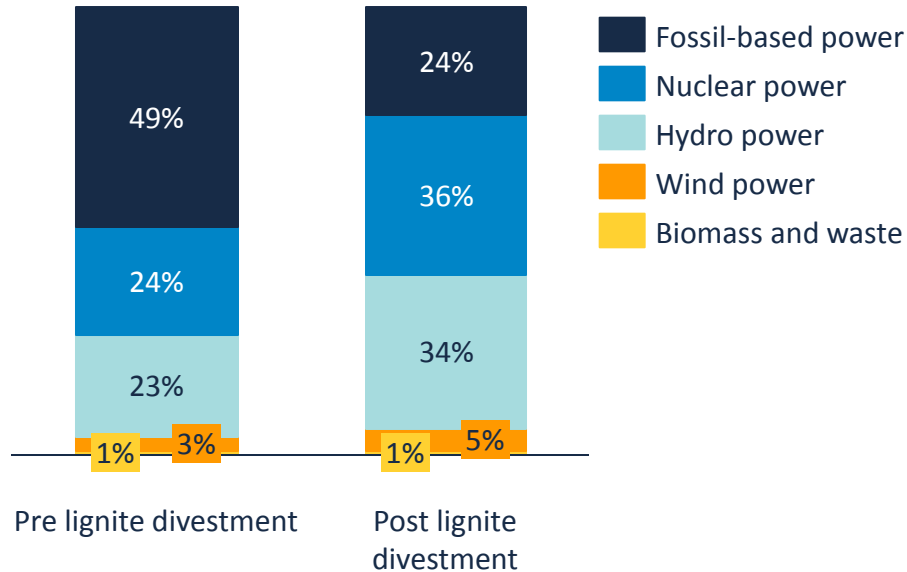


- The total capital loss of the transaction is SEK -21.5bn
- Vattenfall has reviewed the alternatives and has developed certain hold scenarios. It is estimated that in a hold scenario, impairment losses of SEK 30bn would be recognised in addition to provisions in the range of SEK 5-10bn

A MORE SUSTAINABLE PORTFOLIO

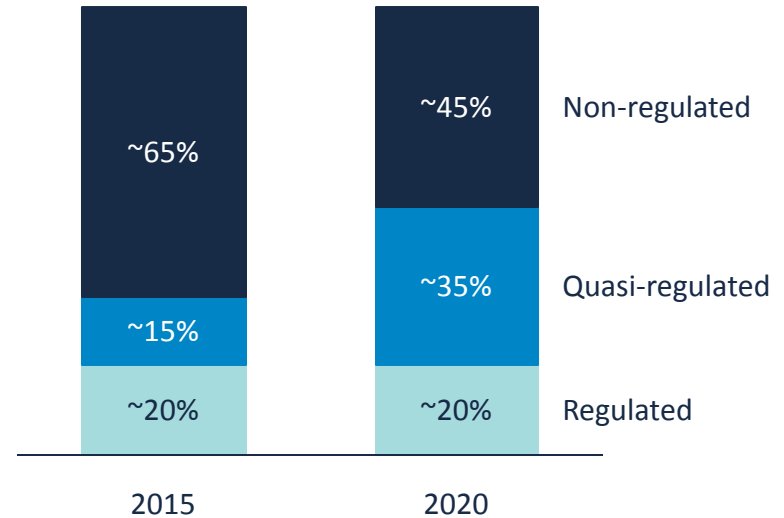
The lignite divestment imply an immediate effect on Vattenfall's production mix in 2015...

Vattenfall production mix 2015



... towards more quasi-regulated business with more limited risk exposure going forward

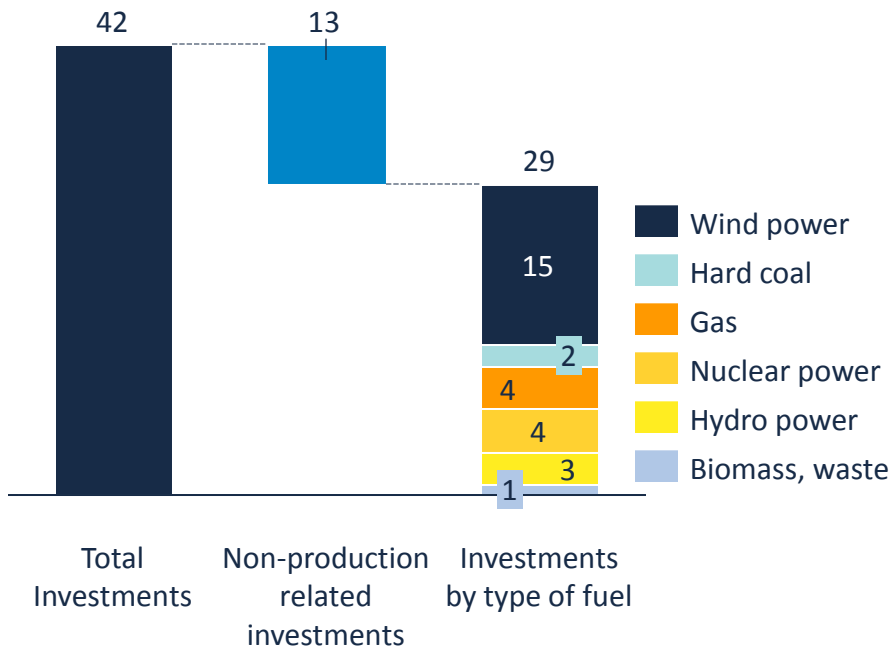
Vattenfall future value pools - FFO



INVESTMENT PLAN 2016-2017

Post lignite divestment, Vattenfall's investment plan 2016-2017 amounted to SEK 42bn. Growth investments of SEK15bn in wind power.

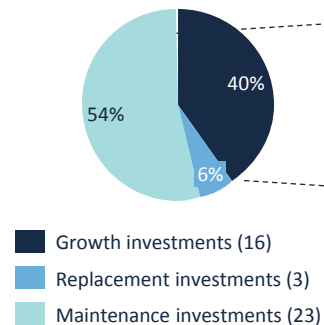
Total investments 2016-2017: SEK 42bn (excl. lignite)



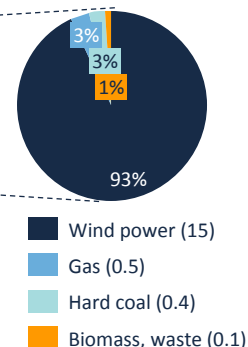
Geographical split (SEK bn)



Investment split by type (SEK bn)

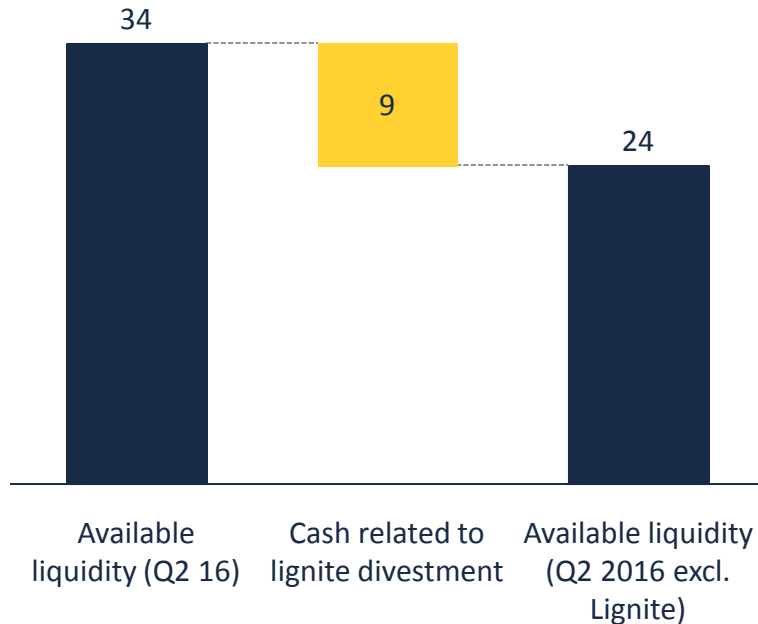


Growth investment by technology (SEK bn)*



CONTINUED STRONG LIQUIDITY POSITION

SEK bn

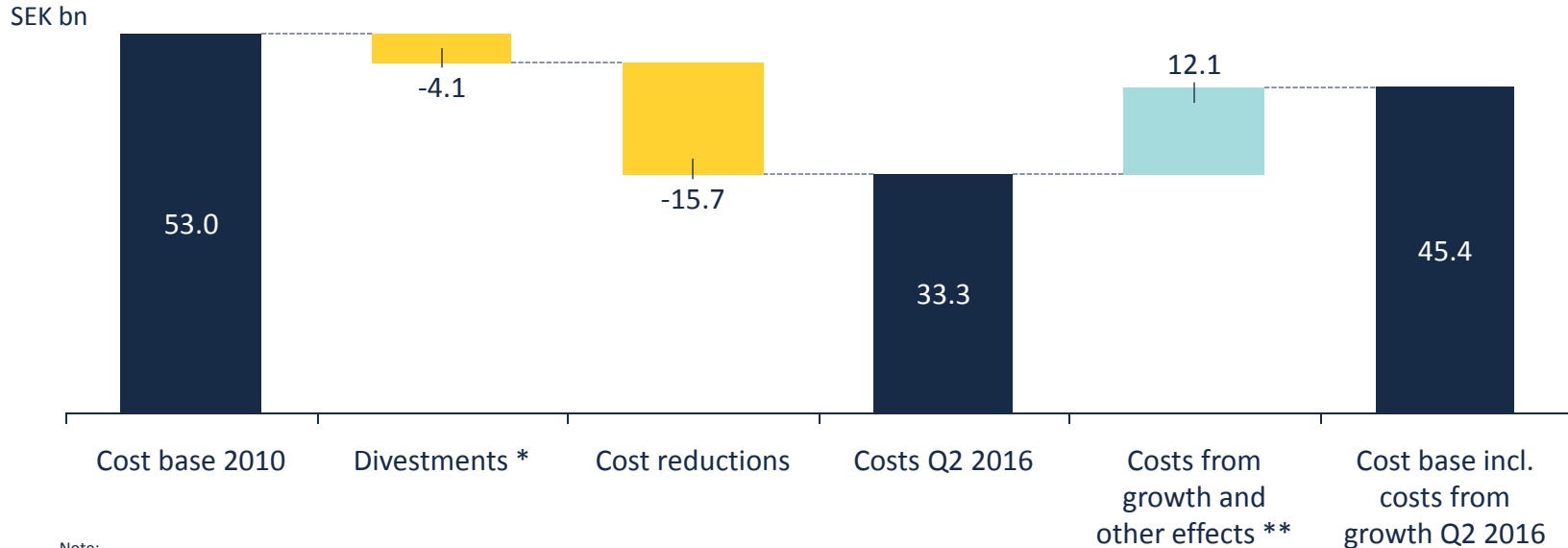


No immediate refinancing need

- Cash outflow related to lignite divestment covered by available liquidity; we foresee no immediate refinancing need
- Potential funding of German nuclear obligations could trigger refinancing; timing dependent on German legislation
- We will continuously monitor our refinancing need
- Current refinancing conditions are very favorable for both hybrid and senior debt

COST REDUCTIONS ON TRACK AND CONTINUE IN H2 2016

Achieved cost reductions of SEK 15.7bn (29%) on a yearly basis since 2010, further cost reduction activities are planned for in 2016



Note:

* Divestments – include divestments in Poland, Finland during 2011, Hamburg distribution in 2014, Fynsvaerket, Utrecht, Nuon Warmte, VERA, East Anglia, Barsebäck in 2015, Distribution Hamburg Net service and Metering, property Bramfeld, 49% share of Ormonde, Nordjyllandsvaerket, Haparanda Värmeverk, Industry parks, Heat pumps by Q2 2016

** Costs due to growth and other effects - include cost due to growth, FX effects, restructuring costs, etc.

CREDIT RATINGS

Standard & Poor's

19 May 2016: Long-term BBB+ rating affirmed. Short term K-1 Nordic regional scale rating and short term A-2 rating also affirmed. The outlook for Vattenfall's rating is negative

Factors that could revise the outlook to stable

- Vattenfall to maintain its FFO to debt above 20%
- No longer foresee market and regulatory risks as presenting immediate downside risks for the company

Moody's

13 May 2016: Long-term A3 rating and Baa2 junior subordinated debt ratings confirmed. The outlook for Vattenfall's rating is negative.

Factors that could lead to an upgrade

- A positive outcome on production taxes
- Vattenfall continues to make progress on its shift toward more regulated and contracted earnings
- The company's financial profile were to stabilise within guidance

Company	S&P		Moody's	
	Rating	Outlook	Rating	Outlook
E.ON	BBB+	negative	Baa1	negative
Fortum	BBB+	stable	--	--
RWE	BBB-	negative	Baa3	stable
Vattenfall	BBB+	negative	A3	negative



DEVELOPMENT OF MAJOR LONG TERM PROVISIONS 2016 (IFRS)

	Balance Q1 2016	Net change	Balance Q2 2016
Mining	14 223	-14 223	--
Nuclear DE	29 451	563	30 014
Nuclear SE	41 323	307	41 630
Pensions DE	28 564	2 826	31 390
Pensions SE	10 355	593	10 948

Provisions included in sale

~40% subject to fund proposal

Changes in discount rates

FINANCIAL TARGETS

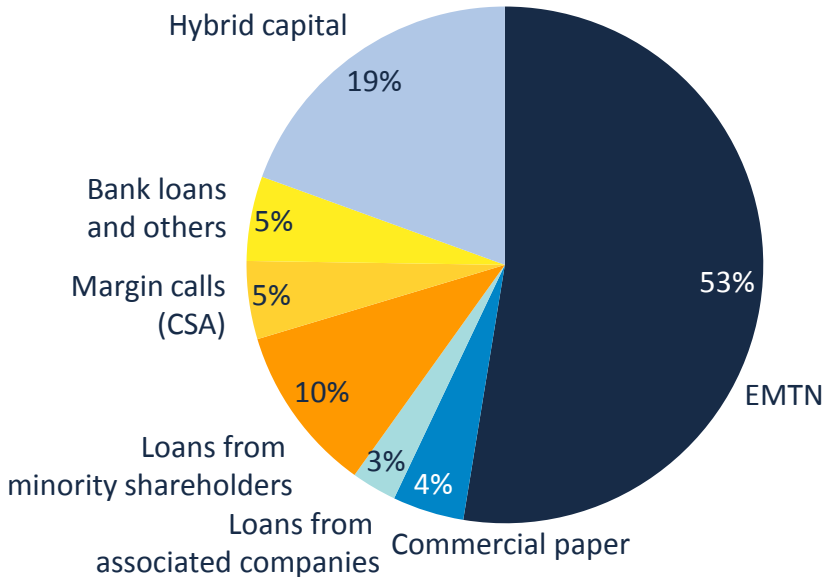
Financial metric	Target	Q2 2016	Q2 2015	FY 2015
Return on Capital Employed (ROCE) – continuing operations * (ROCE excl. items affecting comparability)	9%	3.1 (8.4)		-1.8 (7.3)
Return on Capital Employed – total Vattenfall* (ROCE excl. items affecting comparability)	9%	-5.5 (8.3)	-14.6 (7.5)	-8.2 (7.4)
FFO/Adjusted net debt – continuing operations*	22-30%	22.4		19.5
FFO/Adjusted net debt – total Vattenfall	22-30%	23.7	21.1	21.1
Net debt/Equity	50-90%	72.6	67.3	55.4
Dividend policy (% of profit after tax)	40-60%	-	-	-

* Last twelve months

APPENDIX

BREAKDOWN OF GROSS DEBT

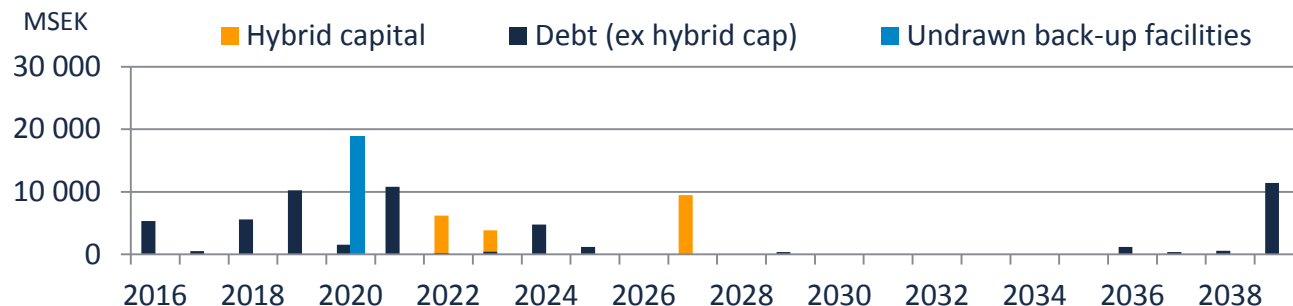
Total debt: SEK 97bn (EUR 10bn)
External market debt: SEK 84bn (EUR 9bn)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	4,672
EUR 2bn Euro CP	2,000	395
SEK 15bn Domestic CP	1,592	64
Total	18,592	5,130

- 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*



	June 30 2016	Dec 31 2015
Duration (years)	6.0	3.9
Average time to maturity (years)	8.8	8.1
Average interest rate (%)	4.0	3.9
Net debt (SEK bn)	63.7	64.2
Available group liquidity (MSEK)	24,088	37,443
Undrawn committed credit facilities (MSEK)	18,848	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)	June 30 2016	Dec 31 2015
Hybrid capital	-18.8	-18.5
Bond issues and commercial papers and liabilities to credit institutions	-58.3	-68.9
Liabilities to associated companies	-2.7	-2.8
Liabilities to minority shareholders	-10.1	-13.0
Other liabilities	-6.7	-7.3
Total interest-bearing liabilities	-96.6	-110.6
Reported cash, cash equivalents & short-term investments	31.0	44.3
Loans to minority owners of foreign subsidiaries	2.0	2.1
Net debt	-63.7	-64.2

* Of which: German nuclear "Solidarvereinbarung" 3.2, Margin calls paid (CSA) 2.4, Insurance "Provisions for claims outstanding" 1.1, Margin accounts Energy trading 0.2

Adjusted net debt (SEK bn)	June 30 2016	Dec 31 2015
Total interest-bearing liabilities	-96.6	-110.6
50% of Hybrid capital	9.4	9.3
Present value of pension obligations	-42.3	-38.9
Mining & environmental provisions	-4.2	-19.1
Provisions for nuclear power (net)	-33.0	-32.9
Margin calls received	4.7	5.3
Liabilities to minority owners due to consortium agreements	9.0	11.9
= Adjusted gross debt	-153.0	-175.0
Reported cash, cash equivalents & short-term investments	31.0	44.3
Unavailable liquidity	-6.9*	-6.8*
= Adjusted cash, cash equivalents & short-term investments	24.1	37.4
= Adjusted net debt	-128.9	-137.6

STABLE CDS SPREAD DEVELOPMENT

CDS spread 5-years

