

Vattenfall Q3 results 2011

Øystein Løseth, CEO and Dag Andresen, CFO

Conference Call, 27 October 2011

Financial highlights Q3 2011

- Slightly higher net sales
- EBIT decreased by SEK 1.4 bn to SEK 4.4 bn (5.8)
- Underlying EBIT improved by SEK 0.4 bn to SEK 6.0 bn (5.6)
- Cash flow (FFO) increased by SEK 2.9 bn to SEK 9.8 bn (6.9)
- Stable net debt
- Key credit metric FFO/adj. net debt increased to 22.1% (Q2/11: 21.3%)
- Return on equity (RoE) was 6.3% (LTM)
- Excluding IAC, RoE was 13.8% (LTM)
- Consolidation on track

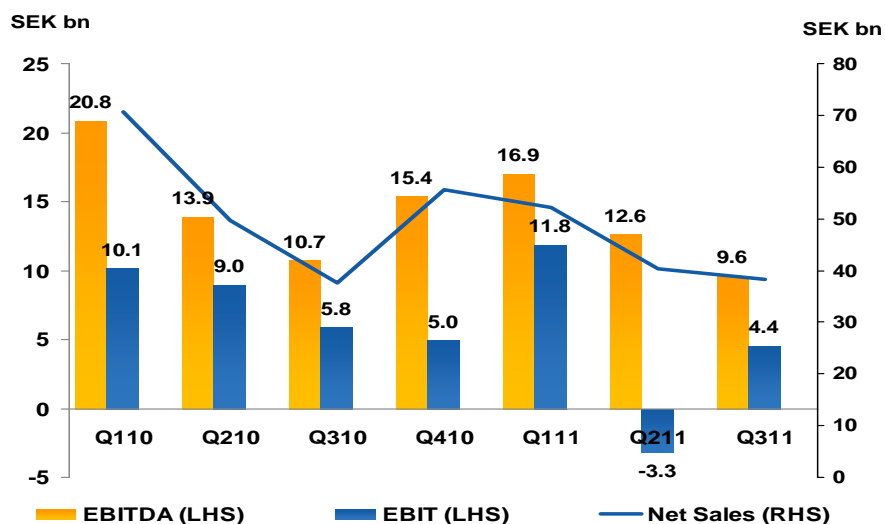
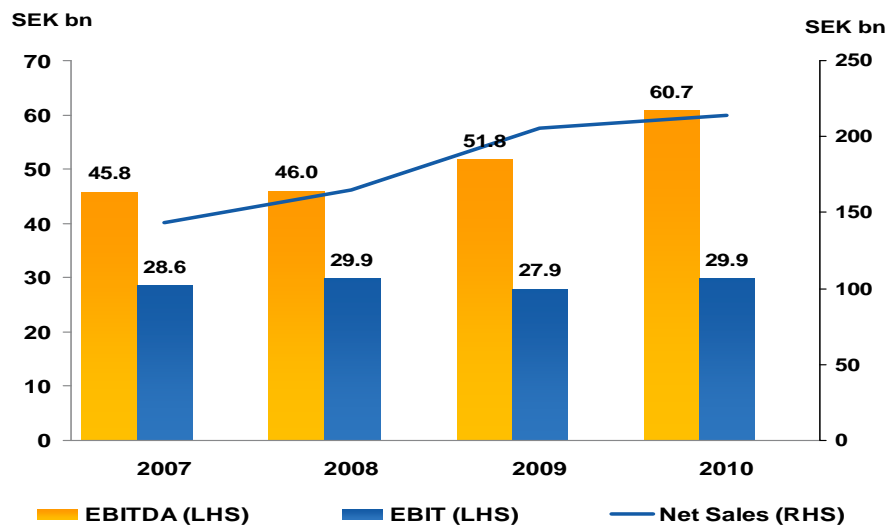
Delivering on our consolidation strategy

- Cost-cutting programme on track:
 - Cost reductions YTD: SEK 1.5 billion
 - Target to achieve SEK 6 billion by the end of 2013.
- Divestments of non-core assets for almost SEK 17 billion during Q3 2011:

Nuon Belgium operations sold to Eni	Enterprise value EUR 157 million (SEK 1.4 billion)
Vattenfall Heat Poland S.A. sold to PGNiG S.A.	Enterprise value PLN 3.7 billion (SEK 7.8 billion)
Vattenfall GZE (distribution and network services) sold to Tauron S.A.	Enterprise value PLN 3.5 billion (SEK 7.4 billion)

- All three transactions are estimated to close this year.
- CAPEX programme:
 - Intention to further reduce CAPEX programme.
Current indication SEK 150-155 bn for 2012-2016.
 - Actual CAPEX YTD: SEK 23 bn (Plan FY 2011: SEK 43 bn)

EBIT development

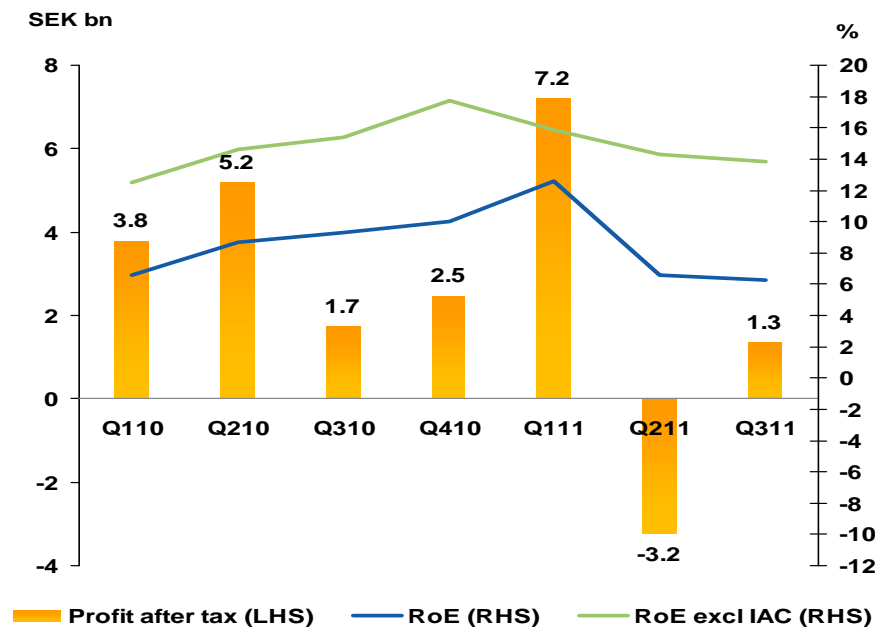
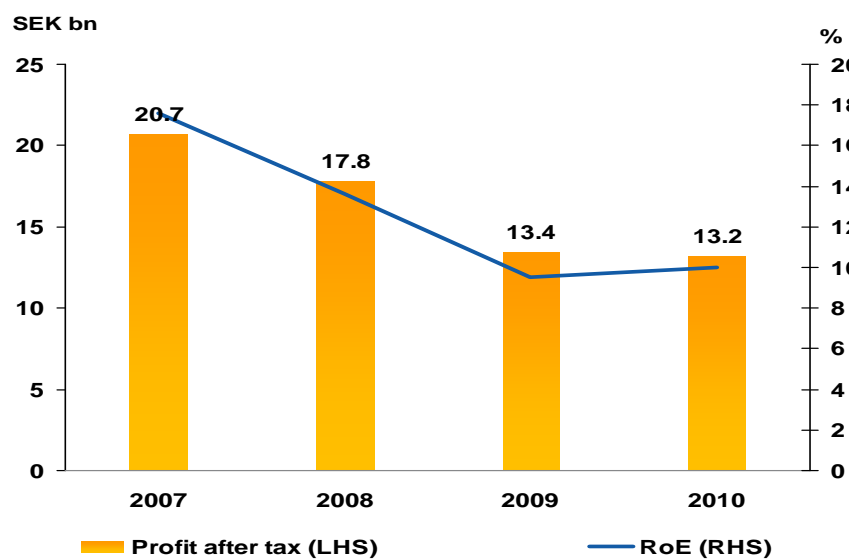


Q3 2011 vs. Q3 2010

- Net sales increased 1.6% to SEK 38.3 bn
- EBITDA decreased by SEK 1.1 bn to SEK 9.6 bn
- Operating profit (EBIT) decreased by SEK 1.4 bn to SEK 4.4 bn
 - Underlying EBIT* increased by SEK 0.4 bn to SEK 6.0 bn

* EBIT excl. IAC and excl. fair value adjustments of energy derivatives and inventories

Profit after tax and Return on Equity



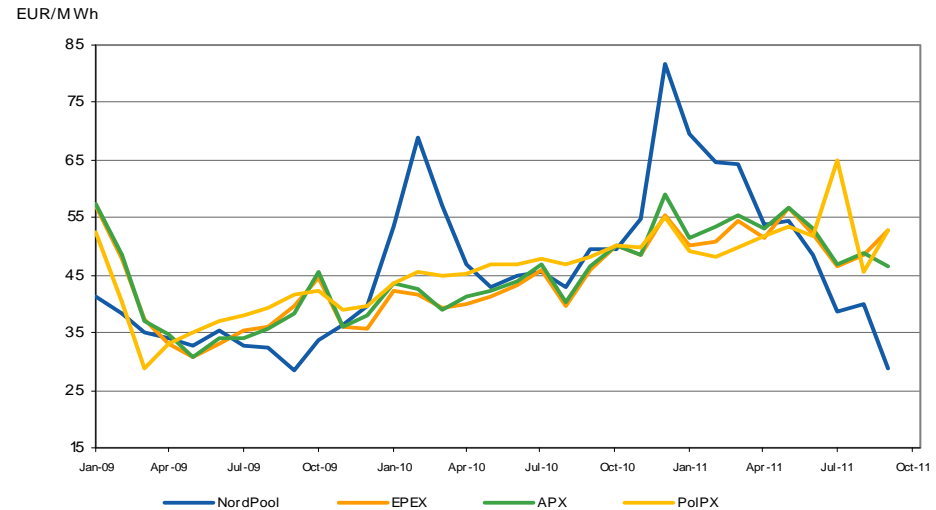
- Profit after tax decreased by SEK 0.4 bn to SEK 1.3 bn (Q3/11 vs. Q3/10)
- Return on equity (RoE):
 - Incl. IAC 6.3% (LTM) – Long-term target 15%
 - Excl. IAC 13.8% (LTM)

Decline in Nordic spot prices / Improved hydro balance

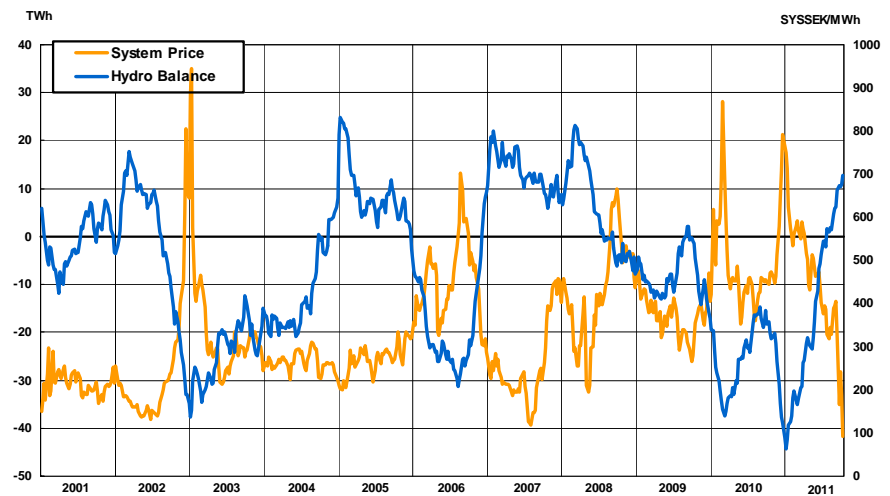
- Sharp decline in Nordic spot prices (-22% Q3-11 vs. Q3-10)
- Nordic hydrological balance improved to +10.9 TWh at the end of September
- 12% higher average spot prices in Germany and 6% higher average spot prices in the Netherlands.

As Vattenfall continuously hedges its forecasted generation, spot prices have a limited impact on the financial earnings in the actual period.

Monthly Spot Average



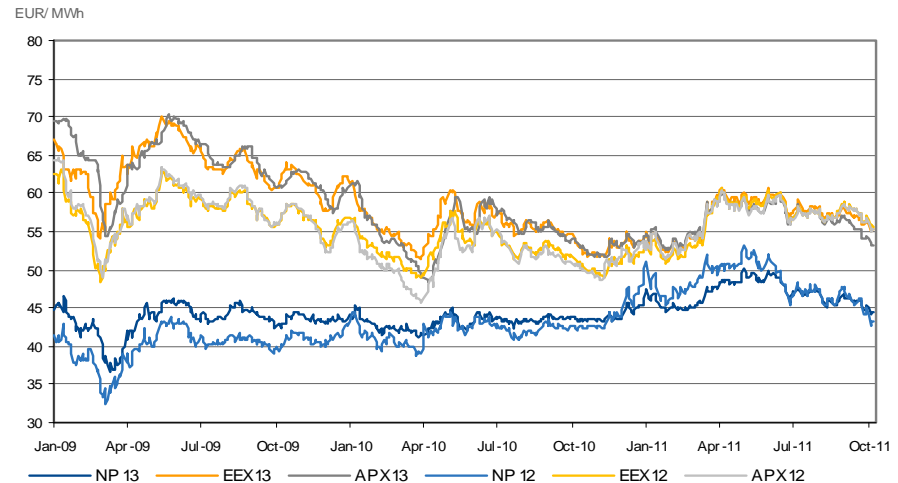
Hydrological balance



Market price development

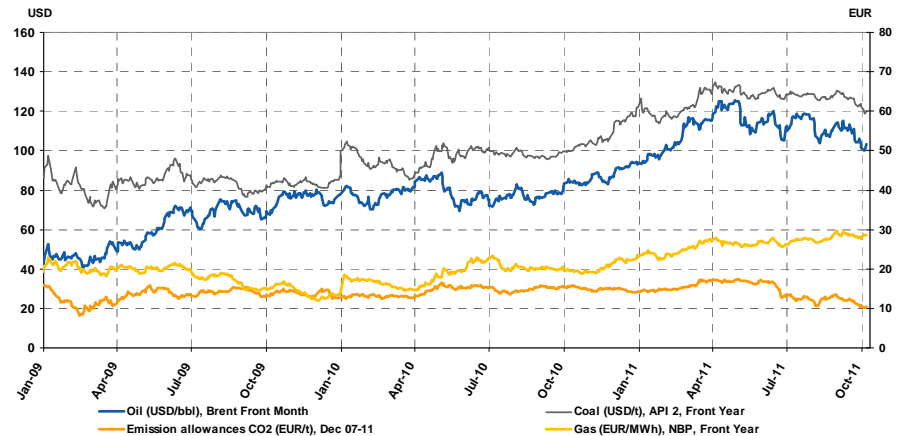
- Electricity futures prices decreased on all Vattenfall markets during Q3
 - Nordic future prices 5-8% lower than Q3/10
 - German and Dutch future prices 2-3% lower than Q3/10

Electricity future prices



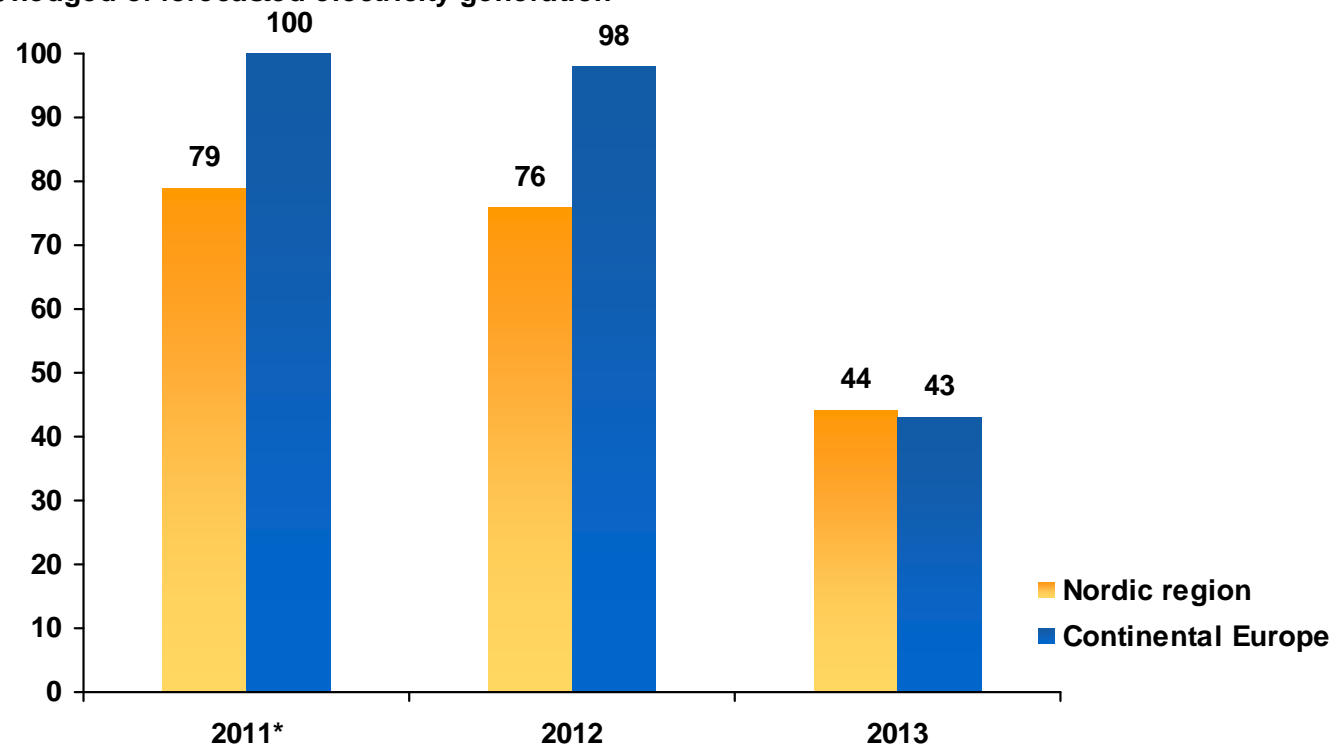
- Coal, gas and oil prices increased compared with Q3/10 in the range 30-40%
- CO₂ prices decreased by 18% vs. Q3/10 and 25% vs. Q2/11

Commodity prices



Large part of generation already hedged

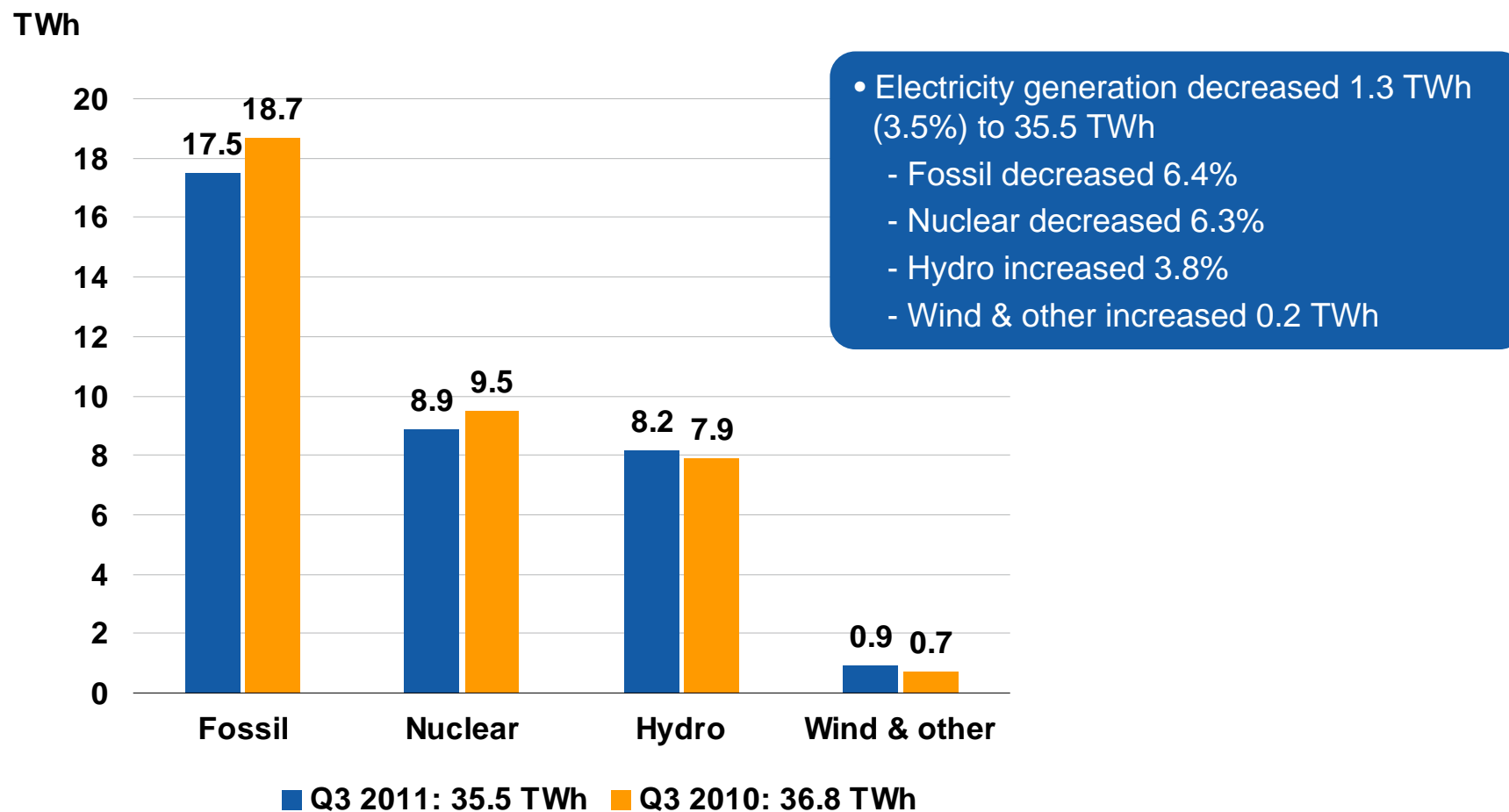
% hedged of forecasted electricity generation



EUR/MWh	2011*	2012	2013
Nordic region	45	43	44
Continental Europe	56	55	59

* remaining part of the year

Fairly stable generation output



Nuclear update

- Krümmel and Brunsbüttel will not restart according to the new German nuclear law (effective as of 6 August).
- Swedish nuclear generation during Q3 2011 was 8.9 TWh (-6.3% compared with Q3 2010)
 - Higher generation in Forsmark (+41%).
 - Lower generation in Ringhals (-39%) due to several unplanned and prolonged outages.



Improvement in Sales Business

- Increased profitability within B2C (Business to Consumers), on all core markets
- Stable market shares
- Several new B2B agreements:
 - 2-year agreement with Stora Enso in Germany, 1 TWh. Earlier this year Stora Enso in Sweden signed a 11-year agreement (7 TWh)
 - 4-year agreement with DB Energie (Deutsche Bahn), 439 GWh with “Guarantee of Origin” from hydro plant Harsprånget in northern Sweden
 - 2-year agreement with Faurecia (automotive industry), 210 GWh
 - 3-year agreement with Coca-Cola Enterprises Sweden, 25 GWh

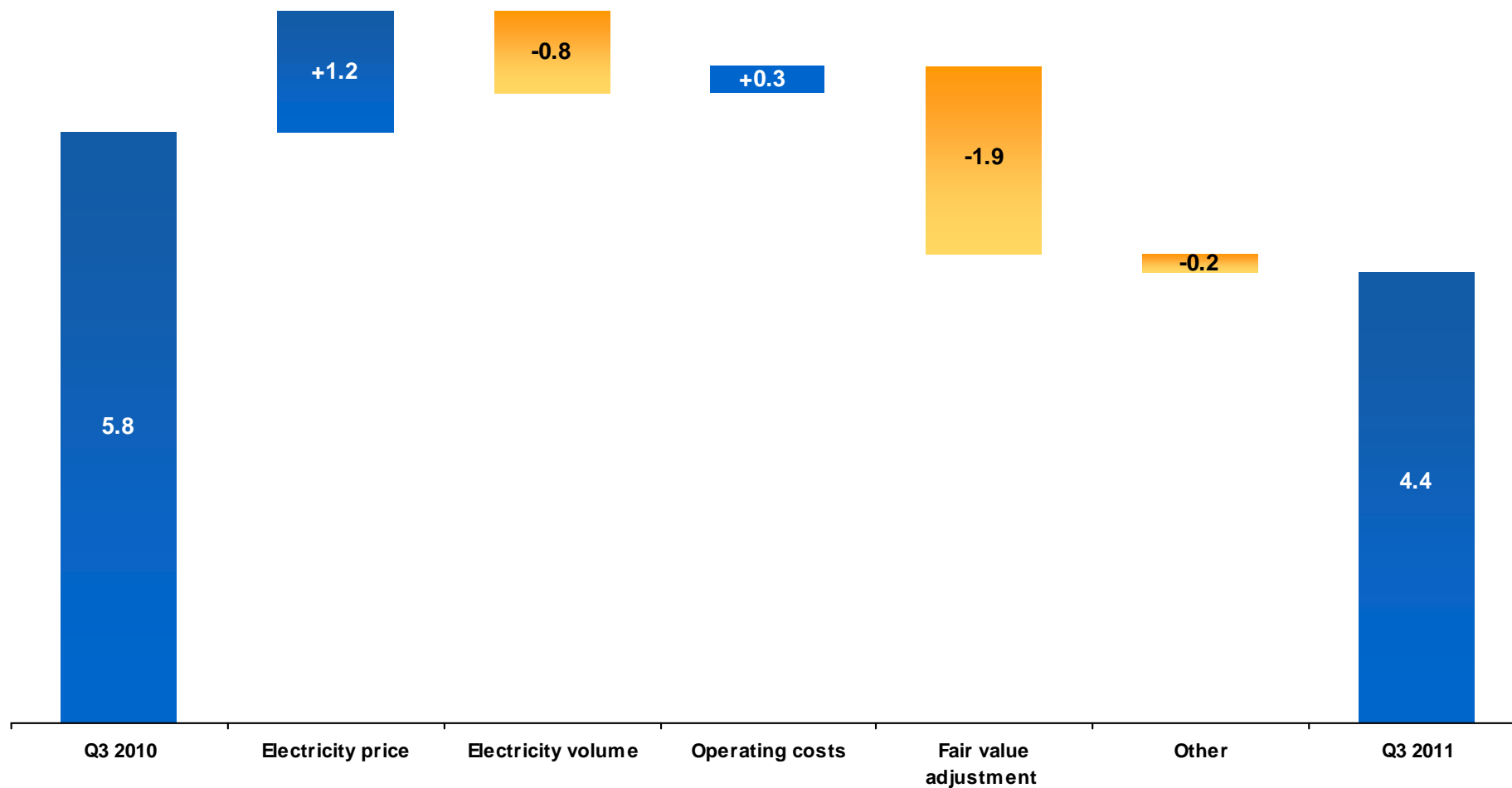


Financials

Dag Andresen, CFO

EBIT development Q3 2011

SEK billion



Q3 2011 Financial highlights

SEK million	Q3 2011	Q3 2010	Change (%)
Net Sales	38,276	37,665	1.6
EBITDA	9,593	10,685	-10.2
EBIT	4,447	5,829	-23.7
EBIT excl. IAC*	4,418	5,908	-25.2
Profit after tax	1,345	1,749	-23.1
Profit after tax excl. IAC*	1,257	1,782	-29.5
FFO	9,855	6,939	42.0
Cash flow from operating activities	10,787	11,771	-0.1
Cash flow before financing activities	-9,896	754	--

*IAC = Items affecting comparability

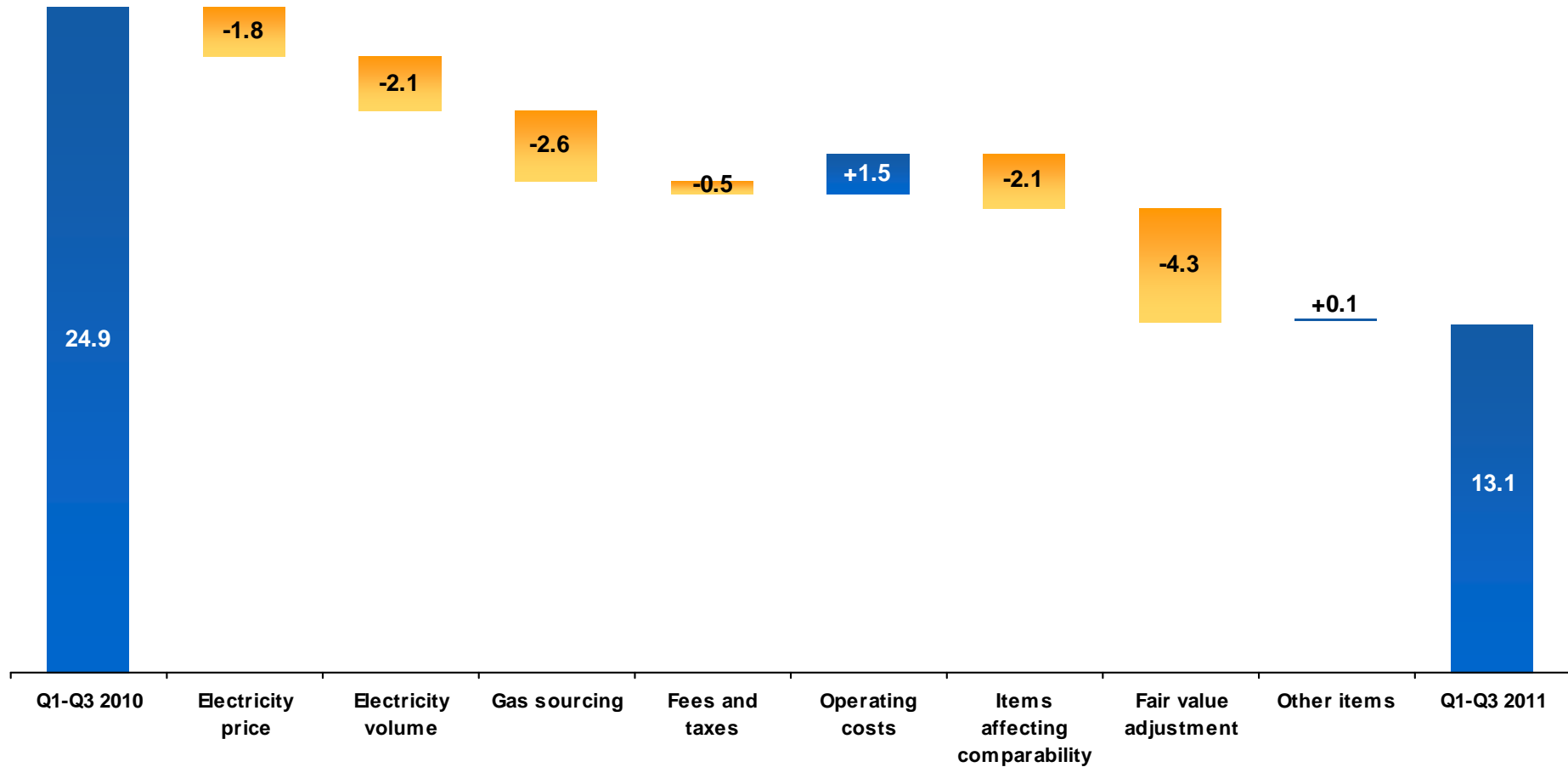
EBIT, Q3 2011 - by Operating Segment

SEK million	Q3 2011	Q3 2010	Change (%)	FY 2010
Generation	3,986	6,185	-35.6	30,388
Distribution and Sales	1,027	388	164.7	8,340
Renewables	-60	-319	--	-1,620
Other ¹	-506	-425	--	-7,255
Total	4,447	5,829	-23.7	29,853

1) Mainly includes Treasury activities and other Staff functions

EBIT development Q1-Q3 2011

SEK billion

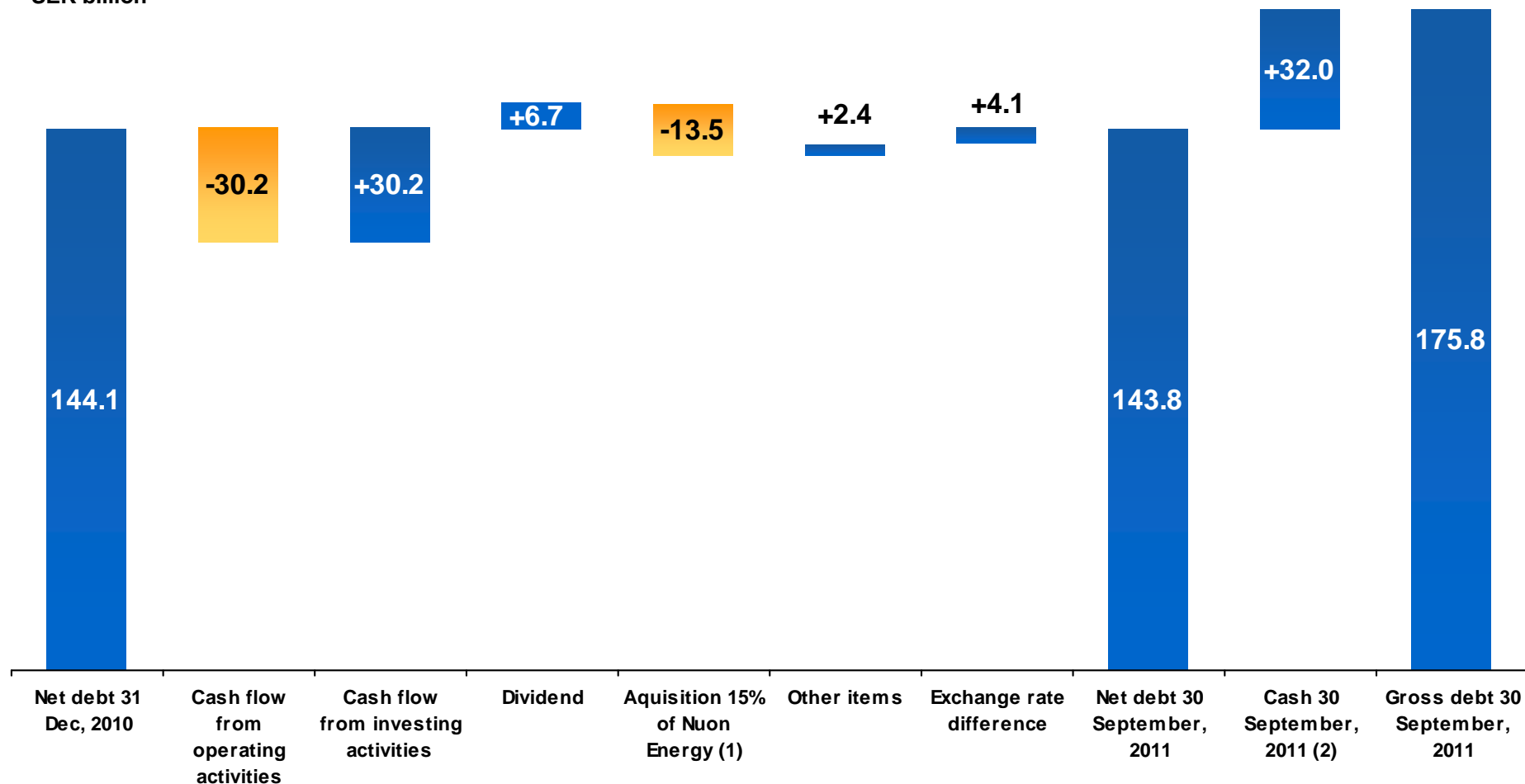


Q1-Q3 2011 Financial highlights

SEK million	Q1-Q3 2011	Q1-Q3 2010	Change (%)
Net Sales	130,587	158,035	-17.4
EBITDA	39,091	45,351	-13.8
EBIT	13,050	24,907	-47.6
EBIT excl. IAC*	20,478	30,220	-32.2
Profit after tax	5,313	10,721	-50.4
Profit after tax excl. IAC*	10,239	15,986	-35.9
FFO	28,136	28,438	-1.1
Cash flow from operating activities	30,189	31,337	-3.7
Cash flow before financing activities	22	8,085	--

Slightly decreased net debt during Q1-Q3 2011

SEK billion

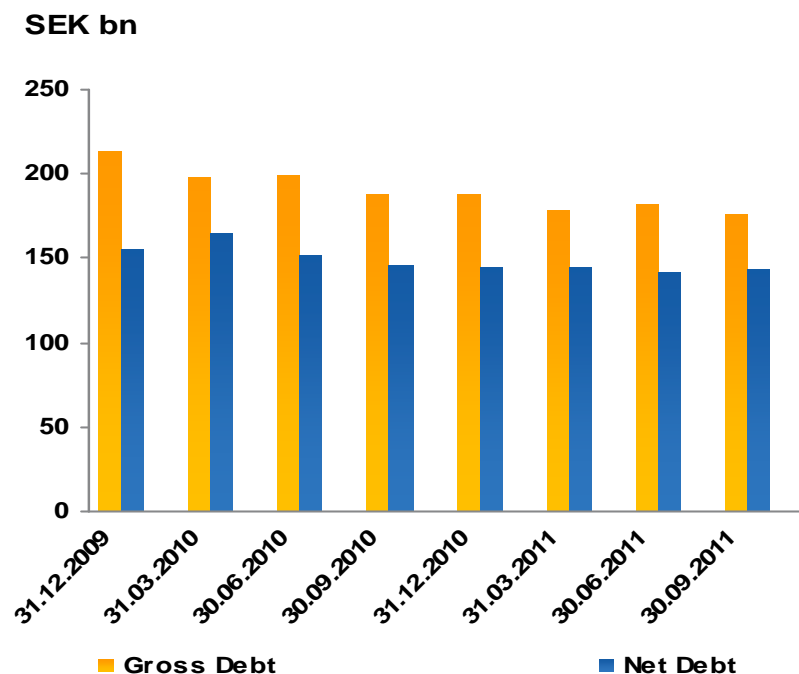


(1) The acquisition amount here taken out as it is included in "Cash flow from investing activities"

(2) Includes loans to minority owners in foreign subsidiaries of SEK 0.7 billion (not included in Reported cash, cash equivalents and short term investments)

Development of key financial figures

Debt development



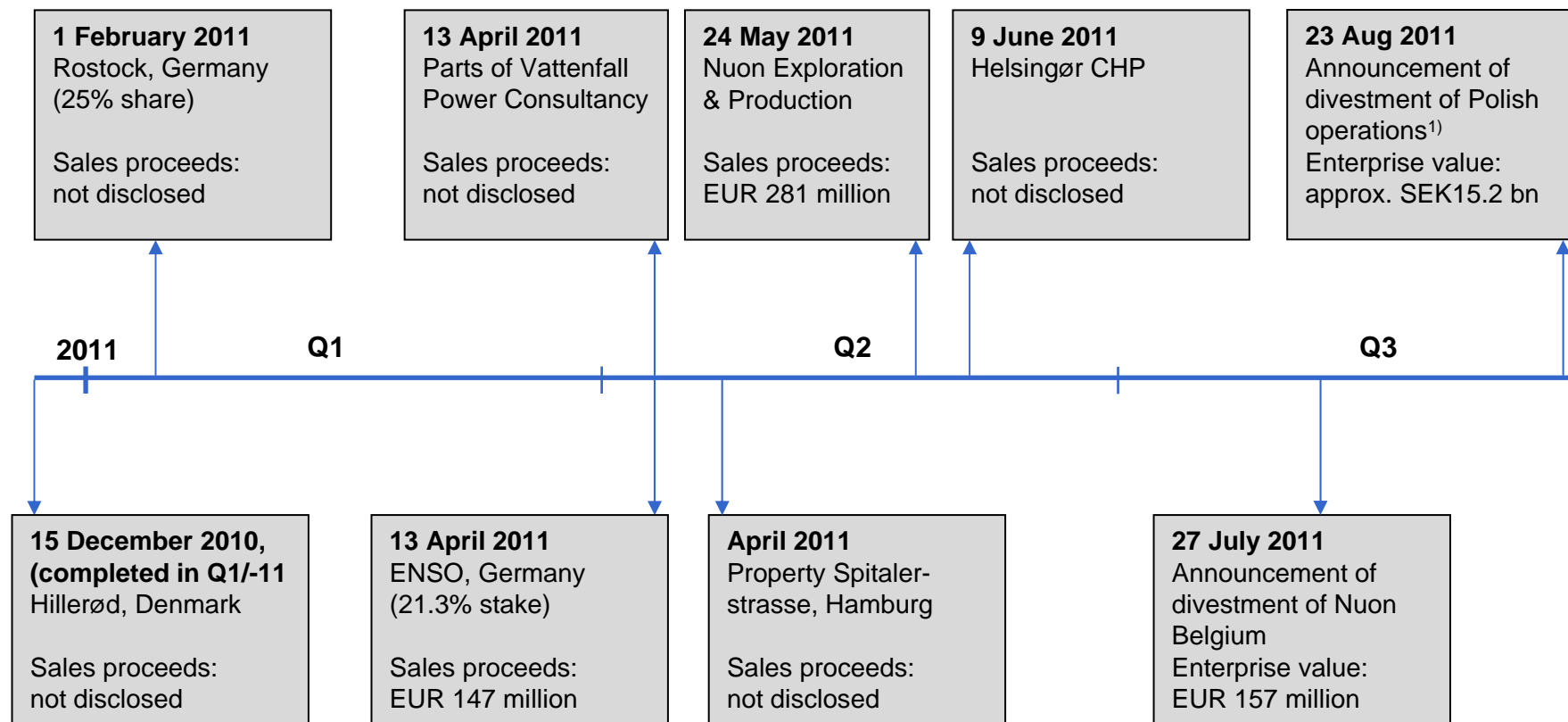
- **Gross debt** decreased by SEK 12.5 bn to SEK 175.8 bn compared with 31 Dec. 2010
- **Net debt** decreased by SEK 0.3 bn to SEK 143.8 bn compared with 31 Dec. 2010
- **Adjusted net debt** increased by SEK 6.9 bn to SEK 183 bn compared with 31 Dec. 2010 (due to increased German nuclear provisions)

Key credit metrics

	FY 2010	Q2 2011 (LTM)	Q3 2011 (LTM)
FFO Interest cover (x)	6.2	6.2	6.9
FFO/net debt (%)	27.8	26.0	27.7
FFO/adj. net debt (%)	23.1	21.3	22.1
Adj.net debt/ EBITDA (x)	2.9	3.2	3.3

- **FFO/adj. net debt** improved slightly vs. Q2 2011
- **Adj. net debt/EBITDA** slightly higher vs. Q2 2011

Divestments of non-core assets continue according to plan



- **Total estimated proceeds in 2011: ~SEK 23 billion**

¹⁾ Existing Polish operations of Vattenfall Energy Trading and IT are not included in the divestment, and will remain (~100 FTE)

Financial targets and outcome

Key Ratio	Targets	Q3 2011
Return on Equity (RoE)	15% on average equity	6.3% ¹ 13.8% excl. IAC ¹
Cash flow interest coverage after maintenance investments	3.5-4.5 times	5.1 times ¹
Credit rating	Single A category rating	Moody's: A2, stable outlook S&P: A, negative outlook
Dividend pay-out	40-60%	50% (SEK 6.5 bn paid out 3 May 2011)

1) Last twelve months

Q&A

Appendix

Major ongoing investment projects

Project	Scope	Status
Akkats, SE (reconstruction)	150 MW hydro power plant	● On track
Dan Tysk, DE	300 MW offshore wind park	● On track
EPE gas storage, NL	210 million m ³ under ground storage	● Operational April 2011, below budget and ahead of schedule
Diemen 34, NL	435 MW electricity, 200 MW heat, CCGT	● On track. Turn-key. Traditional design
Hemweg 9, NL	435 MW CCGT	● On track. Turn-key. Traditional design
Magnum, NL	1,312 MW CCGT	● Some investments moved from 2011 to 2012. Expected commissioning of third (and last) unit January 2013
Moorburg, DE	1,654 MW electricity, 450 MW thermal, hard coal fired CHP	● Delays due to T-24 steel material challenges and delayed heat pipe
Boxberg, DE	675 MW lignite fired power plant	● Delays due to T-24 steel material challenges. Expected commissioning End 2012

German nuclear phase-out



- German parliament decided to reverse last year's lifetime extension decision on German nuclear plants. New legislation became effective beginning of August 2011.
- Remaining 9 German nuclear plants to be phased out step by step by end of 2022.
- All pre-1980 nuclear plants, including Krümmel, (in total 8 plants) not permitted to restart.
 - Consequence: Vattenfall's nuclear plants Brunsbüttel (66.7%) and Krümmel (50%) will not restart.
- The German nuclear decision negatively impacted Vattenfall's Q2 result due to impairment charges and increased provisions (SEK -10.2 bn)
- Dismantling of both plants is estimated to start 2019.
 - Estimated dismantling periods:
 - Brunsbüttel: 2019-2032
 - Krümmel: 2019-2036
- Vattenfall expects compensation for its financial losses

Liquidity position

As of 30 September 2011

Group liquidity	SEK million
Cash and cash equivalents	11 848
Short term investments	19 498
Reported cash, cash equivalents & short term investments	31 346
Unavailable liquidity ¹⁾	-5 060
Available liquidity	26 285

1) German nuclear "Solidarvereinbarung" 3 156, Margin calls paid and others 1 905

Debt maturities ²⁾	SEK million
- within 90 days	7 613
- within 180 days	8 408

2) Excluding loans from minority owners and associated companies

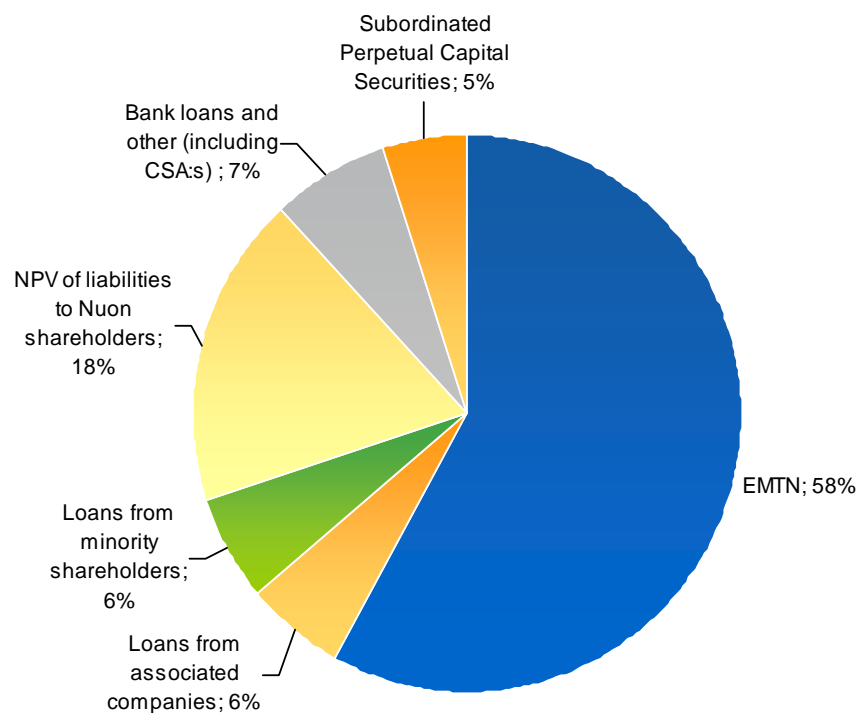
Liquidity position

As of 30 September 2011

Committed credit facilities	Line size	Amount available SEK million
RCF (maturity Feb 2013)	EUR 1 000 million	9 270
RCF (maturity Jan 2016)	EUR 2 550 million	23 639
Multi Option Facility (12-month rolling)	EUR 1 300 million	9 270
Overdraft facility	SEK 100 million	100
Total undrawn		42 279

Breakdown of gross debt

**Total debt 30 Sep 2011 ¹⁾ :
(SEK 175.8 bn / EUR 19.0 bn)**



Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	10 385
EUR 2 bn Euro CP	2 000	0
SEK 15 bn Domestic CP	1 618	0
Total	18 618	10 385

- 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

1) Of which external market debt: SEK 123.3 bn (70,1%)

Development of reported and adjusted net debt

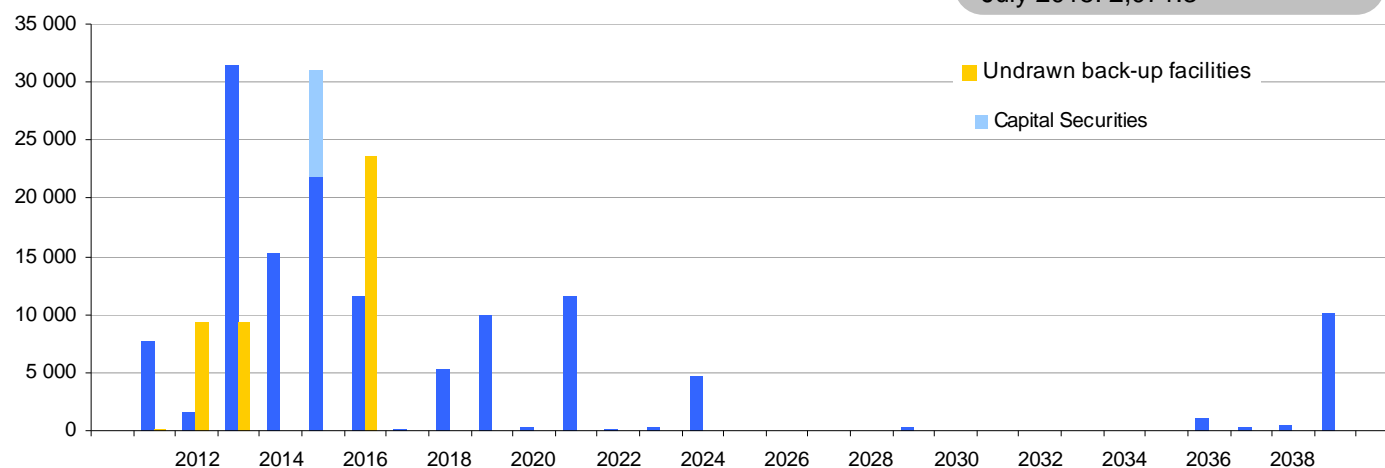
Net debt (SEK bn)	Sep 30 2011	Dec 31 2010
Capital Securities	-9.2	-8,9
Bond issues and commercial papers and liabilities to credit institutions	-107.7	-109.6
Present value of liability pertaining to acquisition of subsidiaries	-31.5	-43.3
Liabilities to associated companies	-10.7	-10.5
Liabilities to minority shareholders	-10.3	-9.3
Other liabilities	-6.4	-6.7
Total interest-bearing liabilities	-175.8	-188.3
Cash and cash equivalents	11.8	12.6
Short-term investments	19.5	31.3
Loans to minority owners of foreign subsidiaries	0.7	0.3
Net debt	-143.8	-144.1

Adjusted net debt (SEK bn)	Sep 30 2011	Dec 31 2010
Total interest-bearing liabilities	-175.8	-188.3
50% of Capital securities	4.6	4.5
Present value of pension obligations	-21.8	-20.0
Mining & environmental provisions	-12.9	-12.8
Provisions for nuclear power (net)	-19.2	-12.8
Cross currency swaps	3.0	2.7
Margin calls received	6.1	5.2
Liabilities to minority owners due to consortium agreements	9.4	8.9
= Adjusted gross debt	-206.6	-212.6
Reported cash, cash equivalents & short-term investments	31.3	43.9
Unavailable liquidity	-5.0 ¹⁾	-4.7 ¹⁾
= Adjusted cash, cash equivalents & short-term investments	26.3	39.2
= Adjusted net debt	-180.3	-173.4

1) Of which: German nuclear "Solidarvereinbarung" 3.1, Margin calls paid and others 1.9

Vattenfall debt maturity profile

SEK million



Includes deferred payments for Nuon shares (MEUR):
 July 2013: 1,479.5
 July 2015: 2,071.3

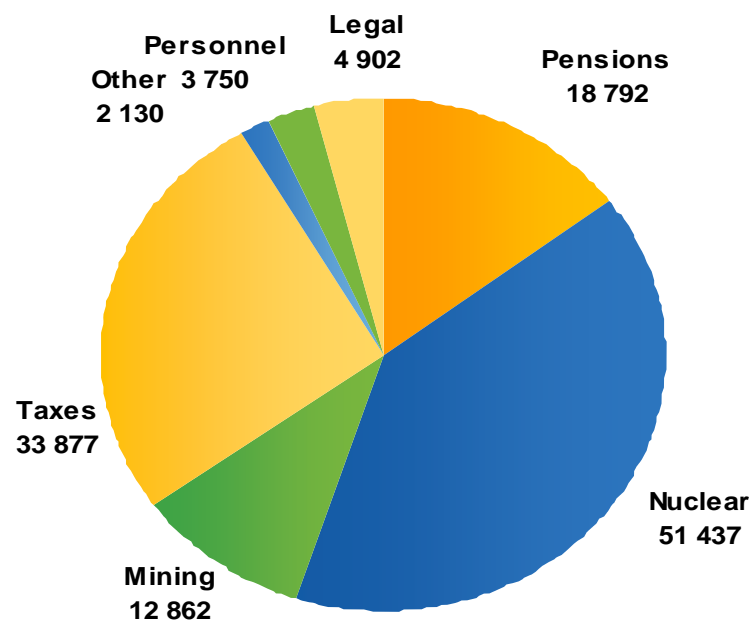
These figures differ from the reported interest bearing liabilities as loans from associated companies, minority owners, CSA liabilities (Credit Support Annex) and valuation at fair value are excluded and currency derivatives for hedging debt in foreign currency are included.

	2011-09-30	2010-09-30
Duration (years)	4.3	4.5
Average time to maturity (years)	6.3	6.6
Average interest rate (%)	3.9	3.5
Net debt (SEK bn)	143.8	145.2

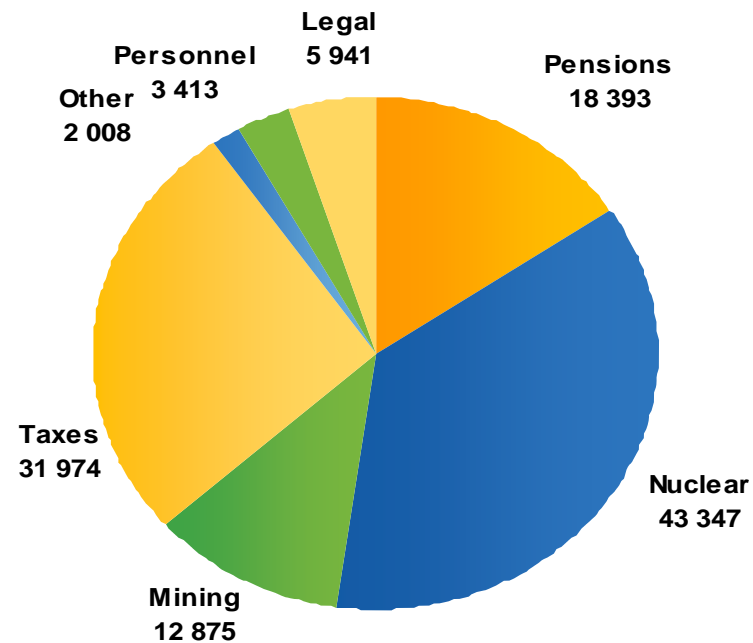
Including Capital Securities

Group provisions (IFRS)

30 September 2011
SEK 127,750 million



30 September 2010
SEK 117,951 million



Credit ratings

Standard & Poor's

A (negative outlook)

Summary: 24 May 2011

Outlook:

"The negative outlook reflects our concern that Vattenfall could struggle to maintain cash flow credit metrics in line with our rating expectations on a sustainable basis... We currently expect FFO to debt to remain at about 20% over the near term and that Vattenfall manages to reduce debt levels."

"We could lower the rating by one notch if we believe Vattenfall is unlikely to maintain a ratio of FFO to debt (adjusted) of more than 20% on a sustainable basis."

"Conversely, we could revise the outlook to stable if Vattenfall were to successfully implement measures to maintain a financial profile at a level we consider commensurate with an "a-" stand-alone credit profile."

Moody's

A2 (stable outlook)

Credit Opinion: 22 December 2010

Outlook:

"The outlook is stable. Moody's believes that the company is taking measures to bolster its financial profile in the near to medium term. However, Moody's notes that the company is likely to be positioned at the low end of the rating category level in the near term."

New business led structure – three operating segments

