

Vattenfall Q2 2012 results

Øystein Løseth, CEO and Ingrid Bonde, CFO

Conference Call, 31 July 2012

Q2 Highlights

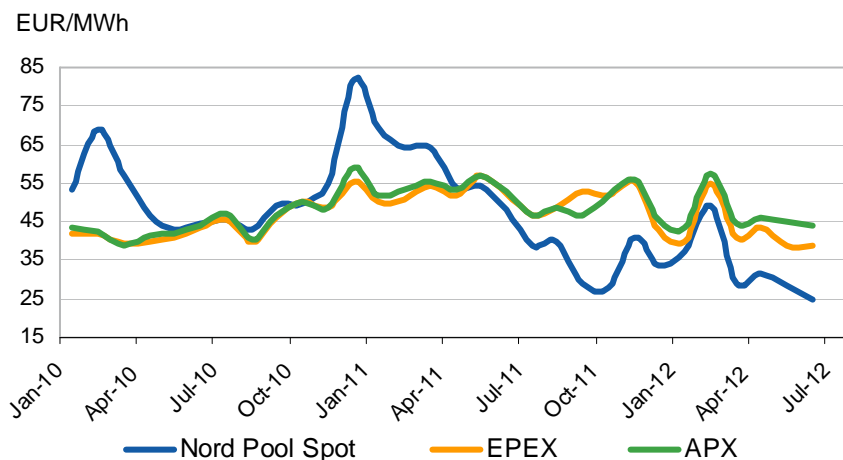
- Stable net sales from continuing operations
- Operating profit in Q2 2012 significantly higher than the negative result in Q2 2011
 - 2011 result influenced by the large negative effect of the write-down of German nuclear assets
- Underlying operating profit from continuing operations was almost on par with Q2 2011
 - Lower prices were compensated by 9% higher production volumes (hydro and nuclear) and lower costs
- Cost reduction programme ahead of plan
 - As of 30 June, SEK 5 billion achieved
- Compensation for closure of German nuclear power plants
 - Request for the institution of arbitrage proceedings filed at ICSID, Washington, and constitutional complaint to German Federal Constitutional Court
- Application to Swedish Radiation Safety Authority (SSM) to specify terms for new nuclear reactors

Decline in Nordic spot prices / Improved hydro balance

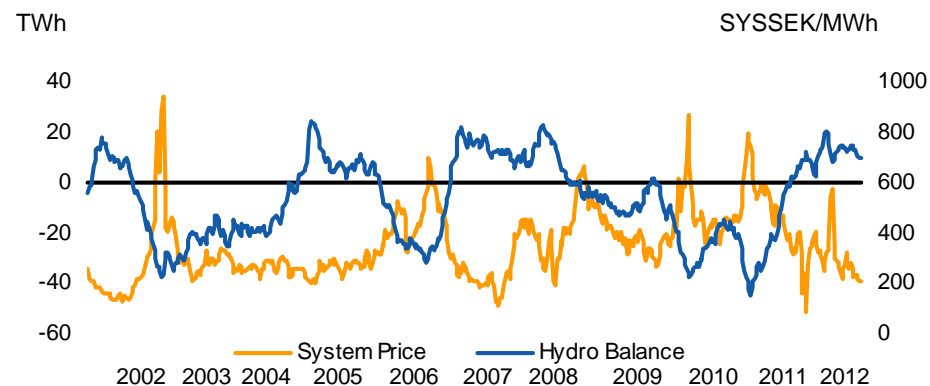
- Sharp decline in Nordic spot prices Q2-12 vs. Q2-11
- Nordic hydrological balance still strong (+9.6 TWh at the end of Q2)
- German and Dutch spot prices declined but to a lesser extent

EUR/MWh	Nord Pool	EPEX	APX
Q2-12 (Q2-11)	28.4 (52.2)	40.4 (53.6)	45.1 (54.4)
%	-45.6	-24.6	-17.0

Monthly Spot Average



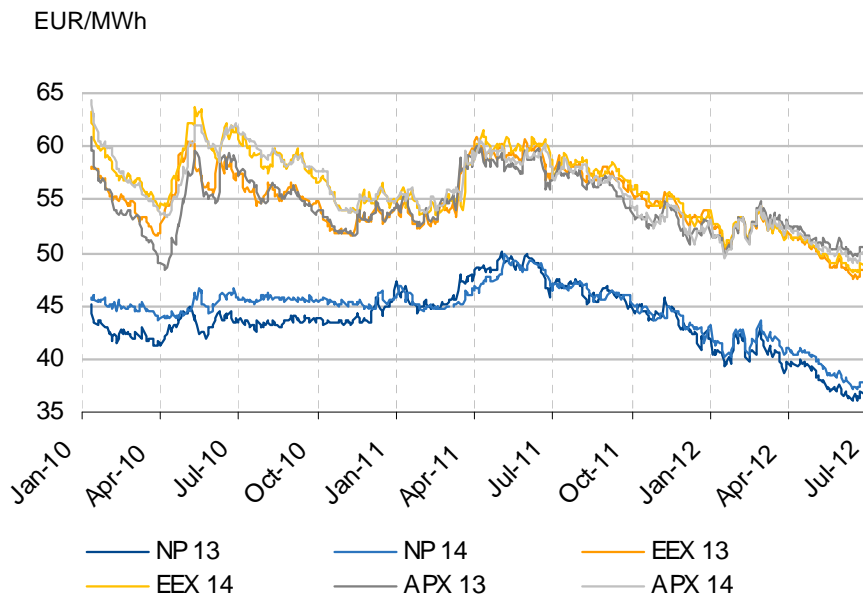
Hydrological balance



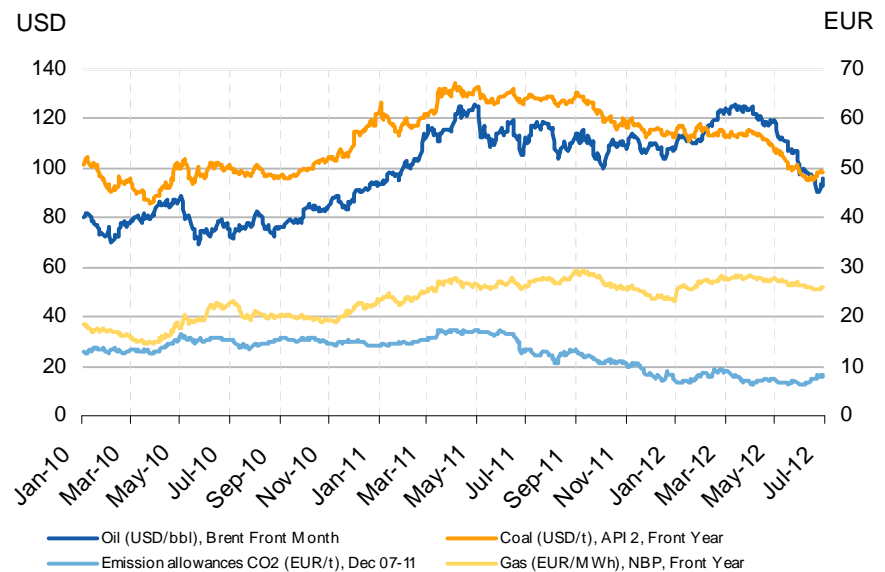
Lower electricity futures prices

- Electricity futures prices decreased Q2-12 vs Q1-12 on all Vattenfall markets
 - Mainly due to lower spot and commodity prices and lower economic sentiment in Europe
- Lower coal and oil prices Q2-12 vs. Q1-12
- Fairly stable gas prices
- CO2 prices still below 10€/ton

Electricity futures prices

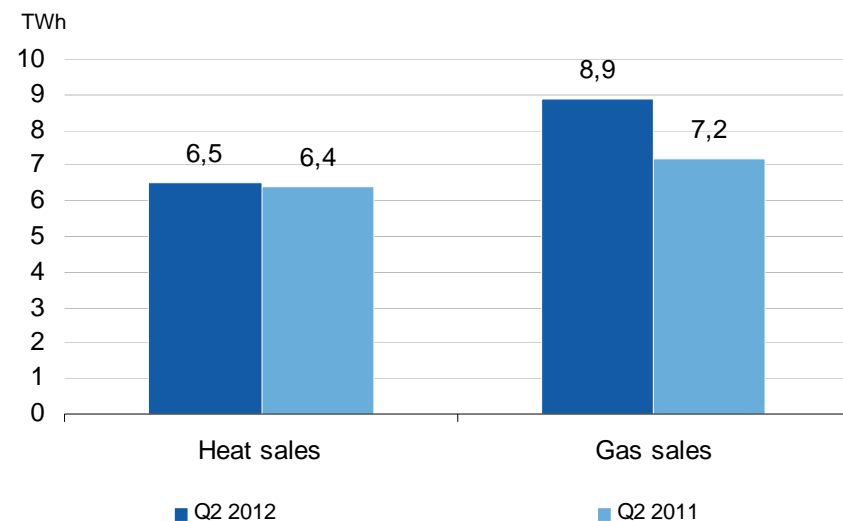
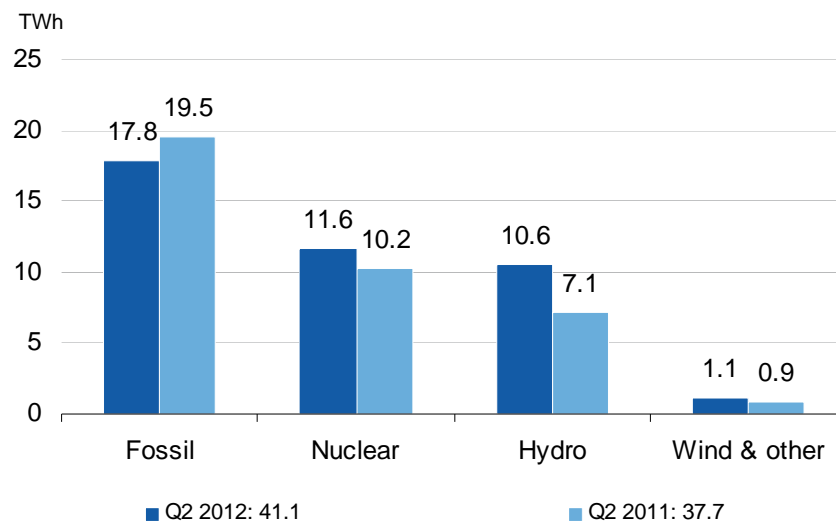


Commodity prices



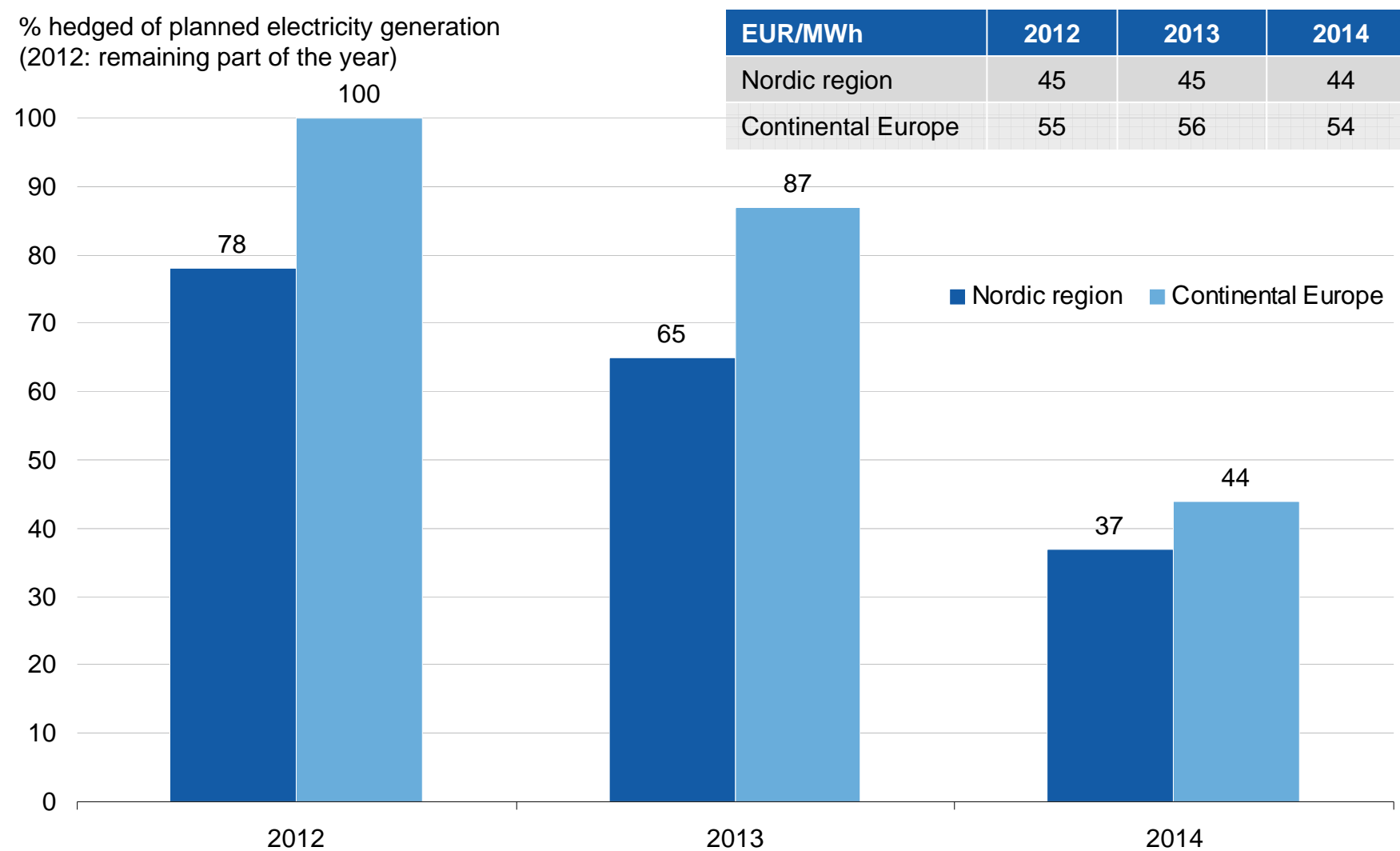
Higher generation output, higher heat and gas sales

- 9% higher electricity generation output (41.1 TWh in Q2/12 vs 37.7 TWh in Q2/11)
 - Hydro power generation increased due to high reservoir levels
 - Nuclear generation increased due to timing of audits and shorter unplanned outages in Q2 2012
- Higher heat and gas sales due to colder weather



Large part of generation already hedged

% hedged of planned electricity generation
(2012: remaining part of the year)

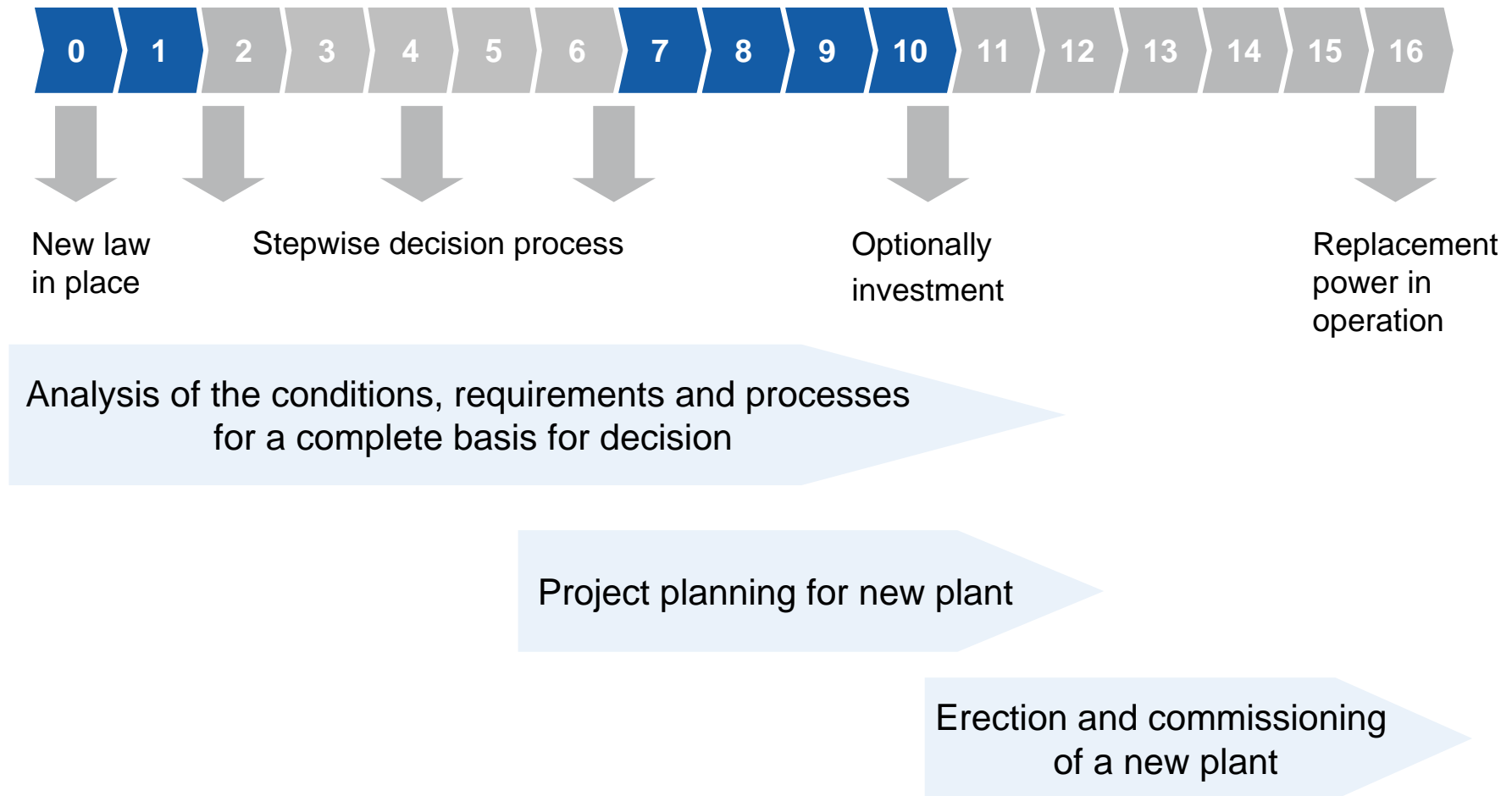


Application to Swedish Radiation Safety Authority

- Vattenfall has made an application to Swedish Radiation Safety Authority, SSM, to specify terms for new nuclear reactors
- Vattenfall wants to ensure continuous production of base-load energy, with low CO₂-emissions, when existing nuclear reactors are to be phased out (2025-2035)
- The application is necessary for Vattenfall to investigate conditions set by SSM. It is a multi-step process which takes several years to complete
- No decision has been made within Vattenfall to replace old reactors with new reactors
- Any potential future investment will be decided on a cost versus revenue basis. If profitable, Vattenfall wants to have the option to replace reactors

Assessment starts now in order to have the option for replacement power

Year



Financials

Ingrid Bonde, CFO

Q2 2012 Financial highlights

MSEK	Q2 2012	Q2 2011	Change (%)
Net Sales	36,703	40,443	-9.2
EBITDA	9,730	12,566	-22.6
EBIT	4,775	-3,239	-
Underlying EBIT*	4,818	5,382	-10.5
Financial items, net	-3,204	-1,590	-101.5
Profit after tax	877	-3,235	-
Cash flow (FFO)	3,947	6,125	-35.6
Net debt	123,207	141,089**	-12.7

* Underlying profit: EBIT excluding Items affecting comparability

** As of 31 December 2011

Underlying EBIT per operating segment

MSEK	Q2 2012	Q2 2011	Change (%)
Generation	3,616	3,905	-7.4

- Underlying EBIT decreased by 289 MSEK
 - Lower achieved prices
 - Higher volumes
 - Lower O&M costs

MSEK	Q2 2012	Q2 2011	Change (%)
Distribution and Sales	1,222	1,607	-24.0

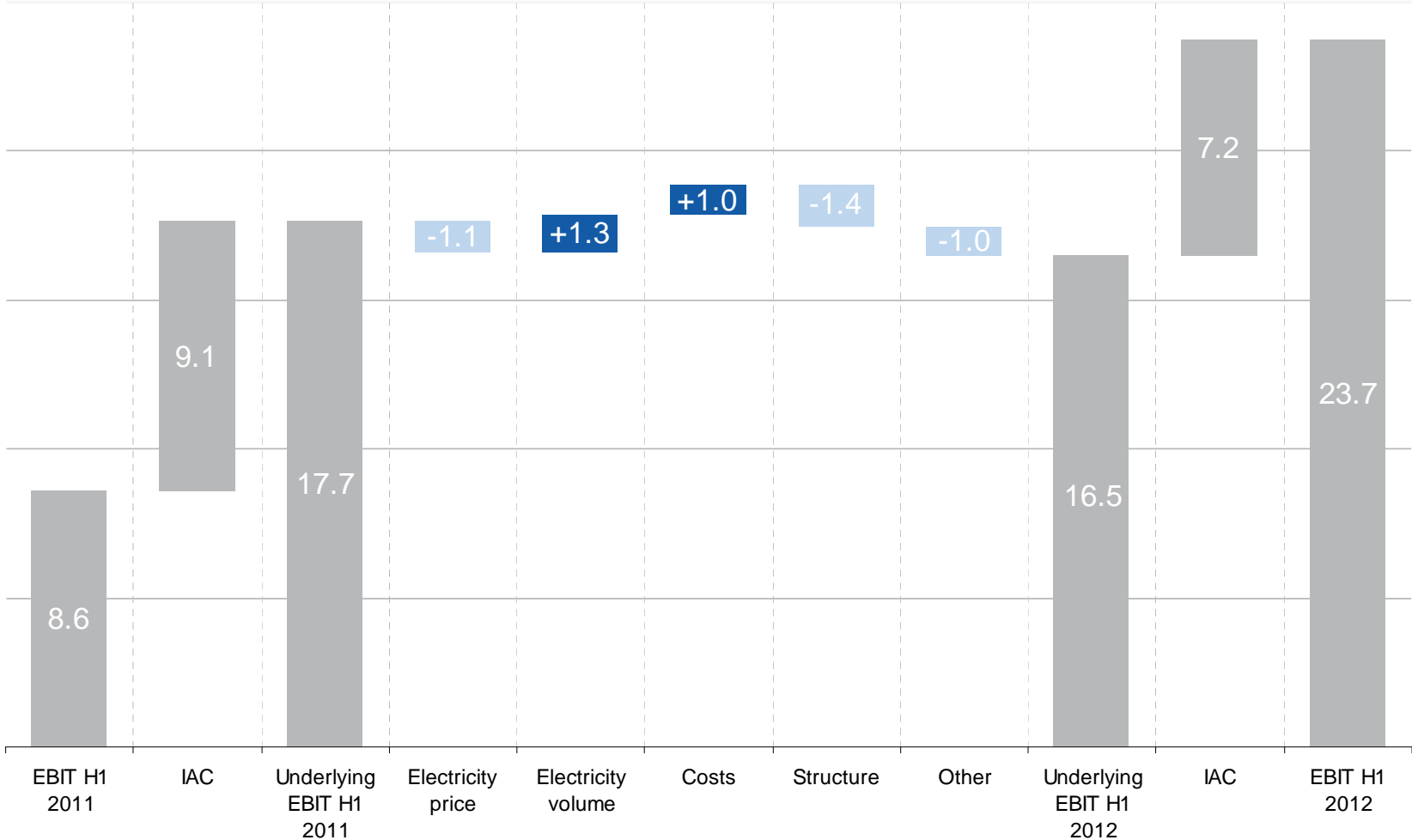
- Underlying EBIT decreased by 385 MSEK
 - Divestment of Polish, Finnish and Belgian operations
 - Improved profitability within B2C

MSEK	Q2 2012	Q2 2011	Change (%)
Renewables	-24	61	--

- Underlying EBIT decreased by 85 MSEK
 - Lower achieved prices
 - Poorer wind conditions in the UK

Development of underlying EBIT H1 2012

bn SEK



H1 2012 Financial highlights

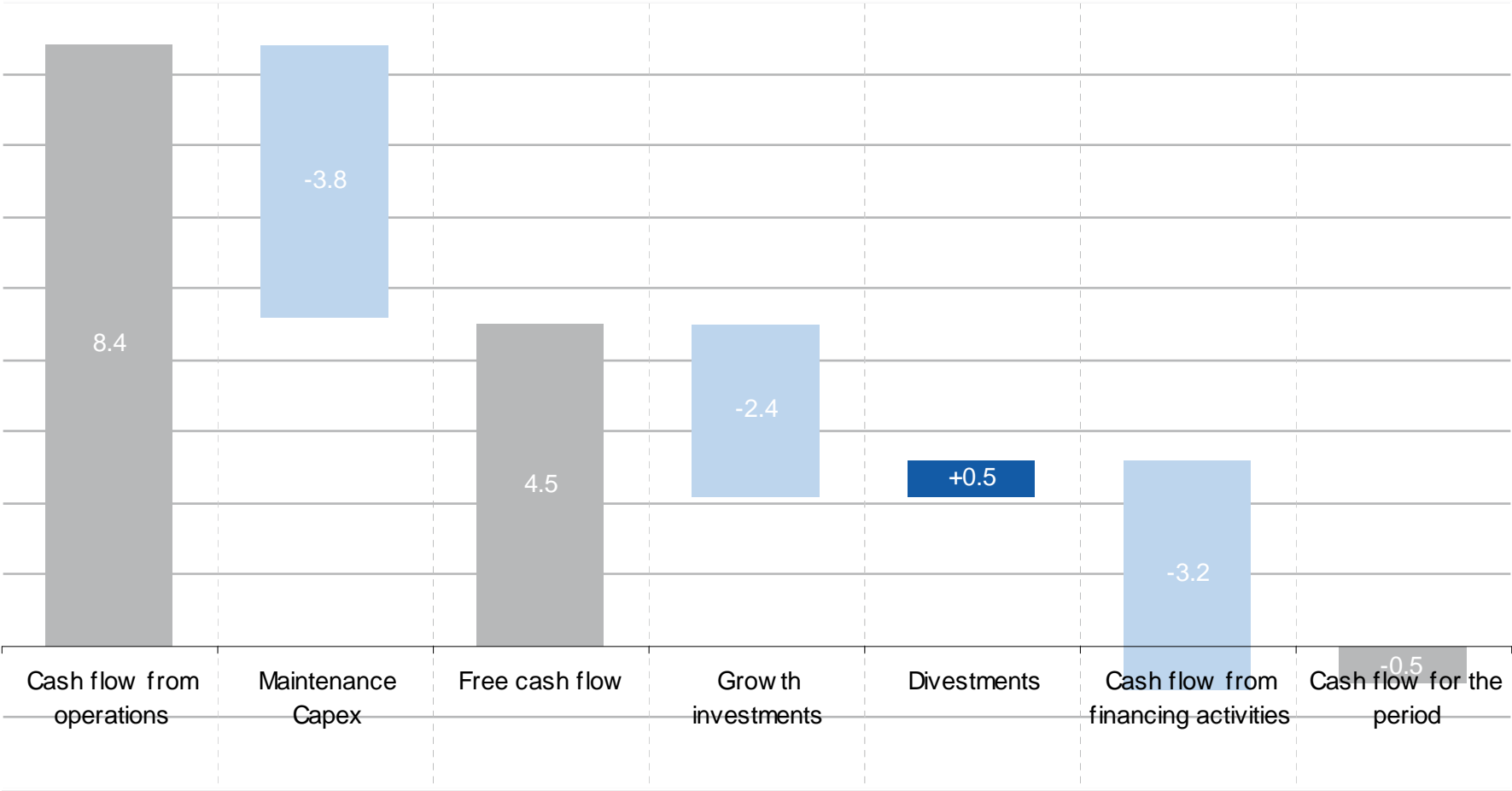
MSEK	H1 2012	H1 2011	Change (%)
Net Sales	85,697	92,311	-7.2
EBITDA	33,556	29,498	13.8
EBIT	23,731	8,603	175.8
Underlying EBIT*	16,493	17,676	-6.7
Financial items, net	-5,658	-3,483	-62.4
Profit after tax	14,732	3,968	271.3
Cash flow (FFO)	16,664	18,281	-8.8
Net debt	123,207	141,089**	-12.7

* Underlying profit: EBIT excluding Items affecting comparability

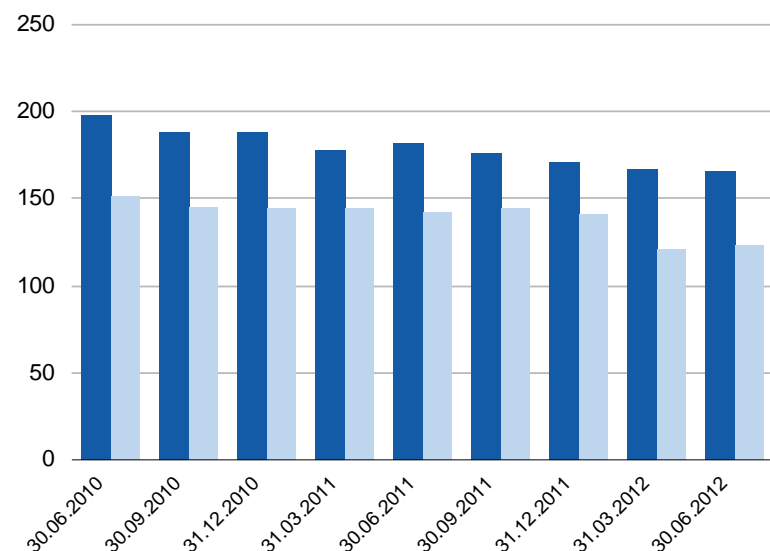
** As of 31 December 2011

Cash flow development Q2 2012

bn SEK



Key credit metrics



- **Gross debt**

decreased by SEK 4.6 bn to SEK 165.7 bn

- **Net debt**

decreased by SEK 17.9 bn to SEK 123.2 bn

- **Adjusted net debt**

decreased by SEK 19.5 bn to SEK 156.5 bn

Comparison with 31 December 2011

For calculation of adjusted net debt, see Appendix page 23

Key credit metrics	Q2 2012	FY 2011
FFO Interest cover (x)	4.3	4.8
FFO/net debt (%)	32.2	27.1
FFO/adj. net debt (%)	23.4	21.7
Adj.net debt/ EBITDA (x)	2.7	3.2

Rolling 12 months values

- **FFO Interest cover** decreased to 4.3 (x)
- **FFO/adjusted net debt** increased to 23.4%
- **Adjusted net debt/EBITDA** decreased to 2.7 (x)

Concluding remarks

Vattenfall's key strengths:

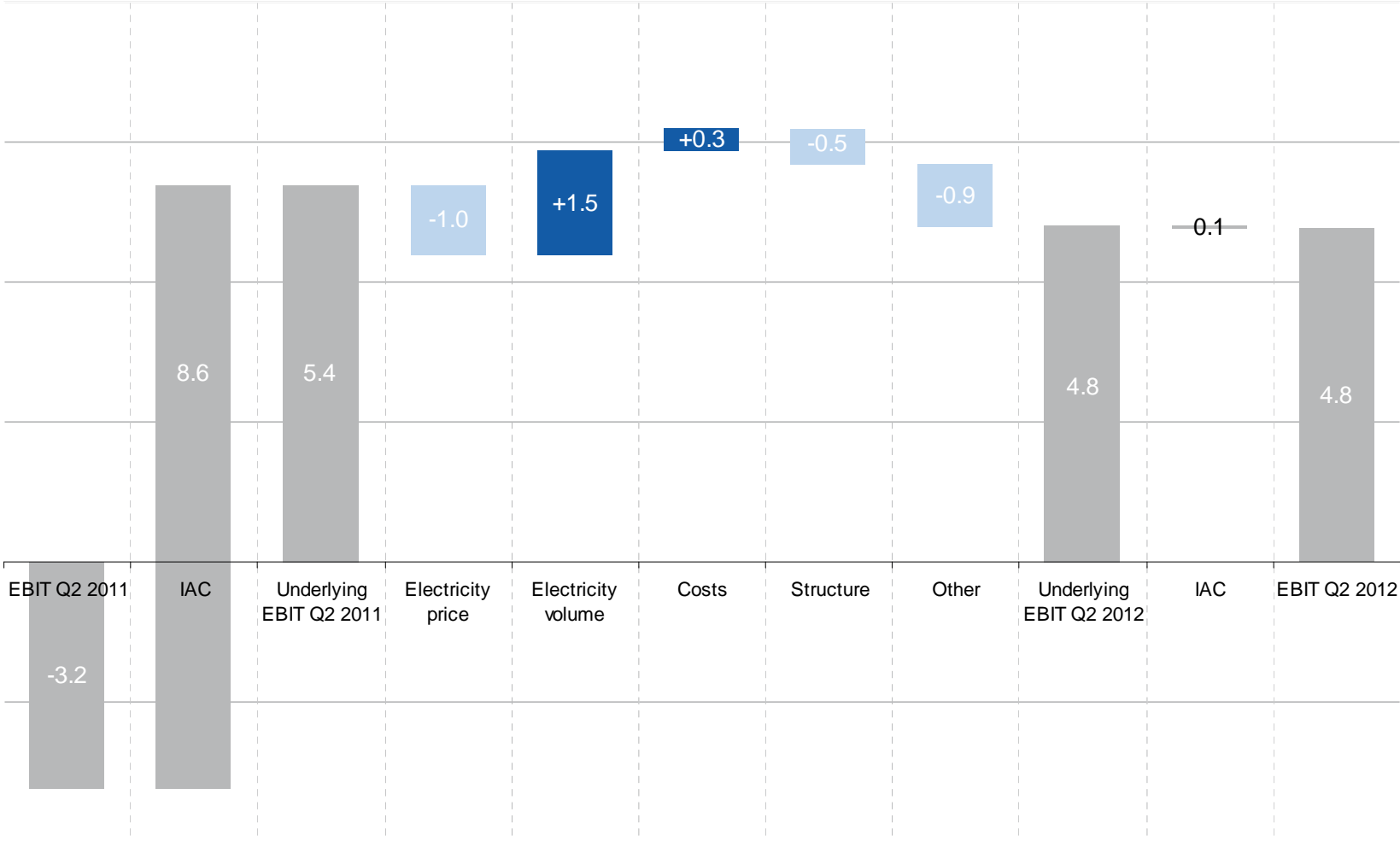
- Strong owner, clear operating mandate
- Diversified production portfolio, competitive low cost production assets (hydro, nuclear, lignite). Low CO₂ exposure in the Nordic market.
- Good geographical base and strong market positions (Northwestern Europe)
- Strong liquidity position
- Prudent hedging policy
- Large end-customer base
- Significant share of regulated business
- Proven execution ability (divestments, cost reduction, re-organization)

Q&A

Appendix

Development of underlying EBIT Q2

bn SEK



Strong liquidity position

As of 30 June 2012

Group Liquidity	SEK million
Cash and cash equivalents	16,547
Short term investments	25,767
Reported cash, cash equivalents & short term investments	42,314
Unavailable liquidity*	-5,923
Available liquidity	36,391

Debt maturities**	SEK million
Within 90 days	334
Within 180 days	918

*German nuclear "Solidarvereinbarung" 2,987, Margin calls paid (CSA) 1,088 and others 1,848

**Excluding loans from minority owners and associated companies

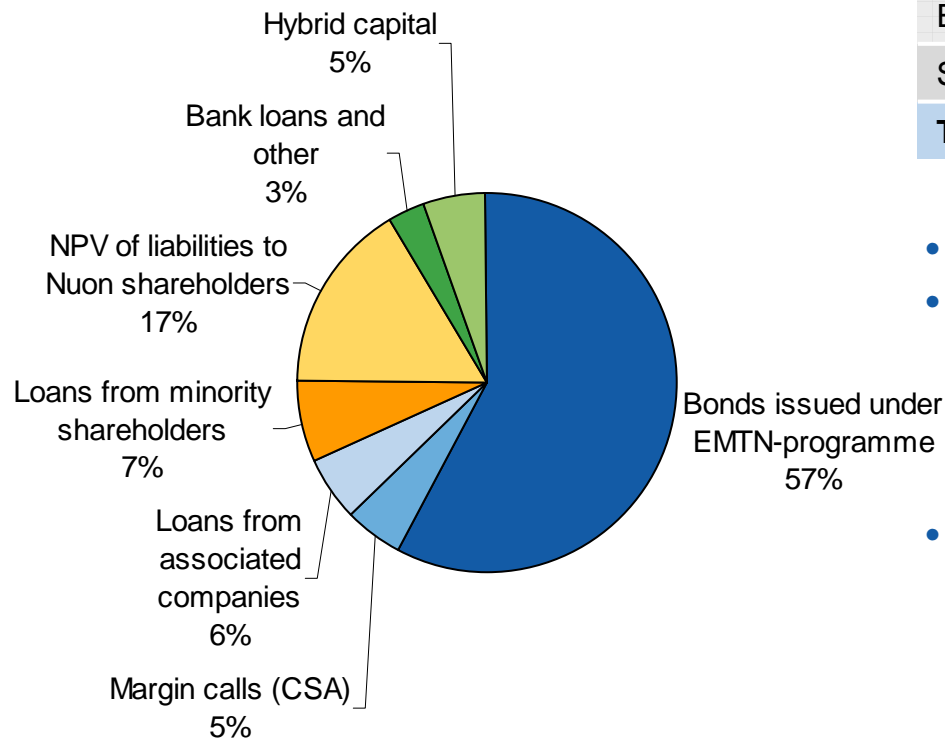
Committed credit facilities

As of 30 June 2012

Committed credit facilities	Line size	Amount available SEK million
RCF (maturity Jan 2016)	EUR 2 550 million	22,371
Multi option Facility (12-month rolling)	EUR 1 300 million	10,709
Total undrawn		33,080

Breakdown of gross debt

Total debt 30 June 2012: SEK 165.7 billion
(EUR 18.9 billion)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15 bn Euro MTN	15,000	9,921
EUR 2 bn Euro CP	2,000	0
SEK 15 bn Domestic CP	1,710	0
Total	18,710	9,921

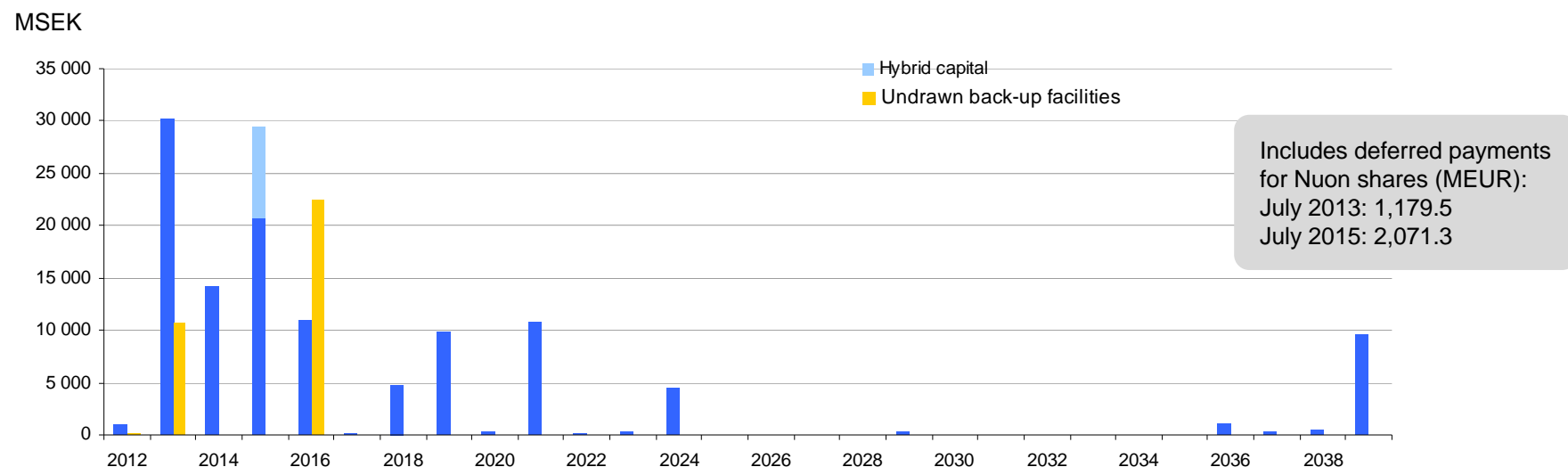
- All public debt issued by Vattenfall AB
- The debt portfolio has no currency exposure that has an impact on the income statement. The debt in foreign currency is either swapped to SEK or booked as a hedge against net foreign investments.
- No structural subordination

Development of reported and adjusted net debt

Net debt (bn SEK)	June 30 2012	Dec 31 2011	Adjusted net debt (bn SEK)	June 30 2012	Dec 31 2011
Capital Securities	-8.8	-8.9	Total interest-bearing liabilities	-165.7	-170.4
Bond issues and commercial papers and liabilities to credit institutions	-99.2	-102.3	50% of Hybrid capital	4.4	4.4
Present value of liability pertaining to acquisition of subsidiaries	-27.4	-30.5	Present value of pension obligations	-23.0	-22.5
Liabilities to associated companies	-9.6	-10.5	Mining & environmental provisions	-12.3	-12.5
Liabilities to minority shareholders	-11.2	-10.2	Provisions for nuclear power (net)	-18.4	-18.5
Other liabilities	-9.5	-8.0	Cross currency swaps	3.7	3.3
Total interest-bearing liabilities	-165.7	-170.4	Margin calls received	8.0	7.5
Cash and cash equivalents	16.5	11.3	Liabilities to minority owners due to consortium agreements	10.4	9.8
Short-term investments	25.8	17.4	= Adjusted gross debt	-192.9	-198.9
Loans to minority owners of foreign subsidiaries	0.2	0.6	Reported cash, cash equivalents & short-term investments	42.3	28.7
Net debt	-123.2	-141.1	Unavailable liquidity	-5.9*	-5.8*
			= Adjusted cash, cash equivalents & short-term investments	36.4	22.9
			= Adjusted net debt	-156.5	-176.0

*Of which: German nuclear "Solidarvereinbarung" 3.0,
margin calls paid (CSA) 1.1 and others 1.8

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.

	30 June 2012	31 Dec 2011
Duration (years)	3.9	4.3
Average time to maturity (years)	5.8	5.5
Average interest rate (%)	3.6	3.9
Net debt (SEK bn)	123.2	141.1

Including Hybrid capital

Financial targets and outcome Q2 2012

Key Ratio	Target	Q2 2012
Return on Equity (RoE)	15% on average equity	15.7%*
Cash flow interest coverage after maintenance investments	3.5-4.5 times	2.1 times
Credit rating	Single A category rating	Moody's: A2, negative outlook S&P: A-, stable outlook
Dividend pay-out	40-60%	40% (SEK 4.4 bn)

* Rolling 12 months values