

Vattenfall Q3 and 9M 2012 results

Øystein Løseth, CEO and Ingrid Bonde, CFO

Conference Call, 30 October 2012

Q3 Highlights (1)

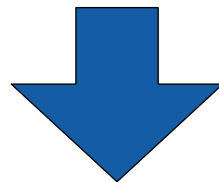
- Underlying operating profit SEK 1.3 bn below last year
 - 12% higher production volumes and lower OPEX only partially compensated lower prices, lower trading and sourcing results and lost EBIT due to divestments in 2011
- Reported operating profit heavily impacted by SEK 8.6 bn write-down of Thermal assets
 - Mainly due to lower clean spark spreads
- New organization as of 1 November 2012
 - New Business Division Nuclear Power. Business Division Renewables merges into BD Sustainable Energy Projects (renamed from BD Asset Development) and BD Production
 - Two operating segments: Generation and Distribution and Sales

Q3 Highlights (2)

- New capacity added
 - Diemen 34 in NL connected to grid (gas, 435 MWeI, 260 MWth)
 - Boxberg R unit in Germany inaugurated (lignite, 675 MWeI)
- New cost reduction target for 2013
 - Target to cut costs by a further SEK 3 billion compared with 2012
 - Great progress on current SEK 6 billion cost reduction programme:
 - SEK 5.5 billion achieved as per 30 September 2012
- Vattenfall's owner, the Swedish state, will decide on new financial targets at an Extraordinary General Meeting on 28 November

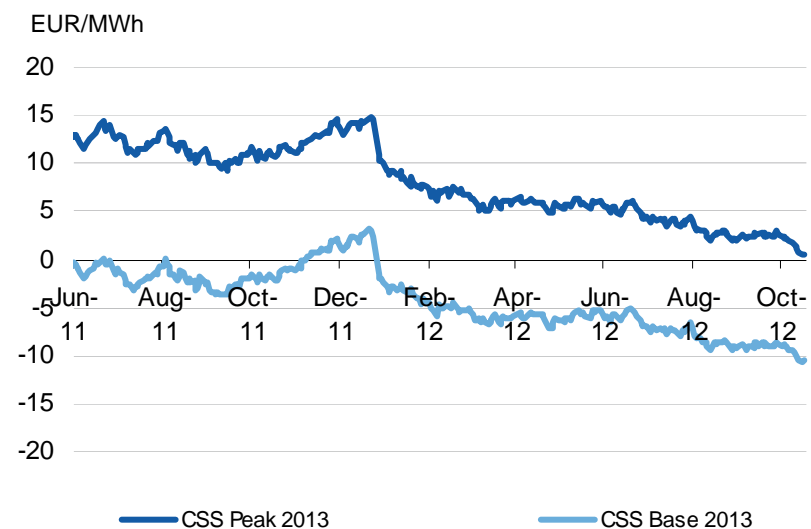
Impairment of Thermal assets and related Goodwill

- Decrease in electricity market prices and in particular the sharp decrease in clean spark spreads lead to lower profitability of gas-fired power plants (both existing and new build)
 - Higher gas/oil prices, lower CO₂ prices, increase of subsidized renewable electricity production
 - Shrinking margins and less production (plants are increasingly out of the money)



- Impairment charges Q3 2012:
 - SEK 8.6 billion Thermal assets (mainly in the Netherlands) of which SEK 3.6 billion goodwill

German Clean Spark Spreads (50% efficiency)

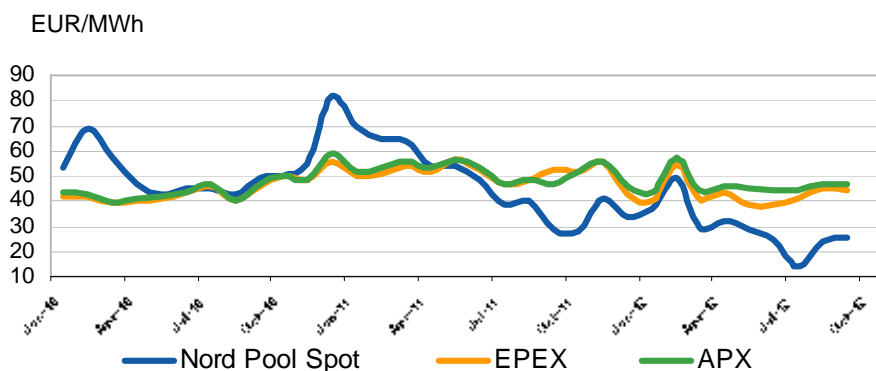


Decline in Nordic spot prices / Improved hydro balance

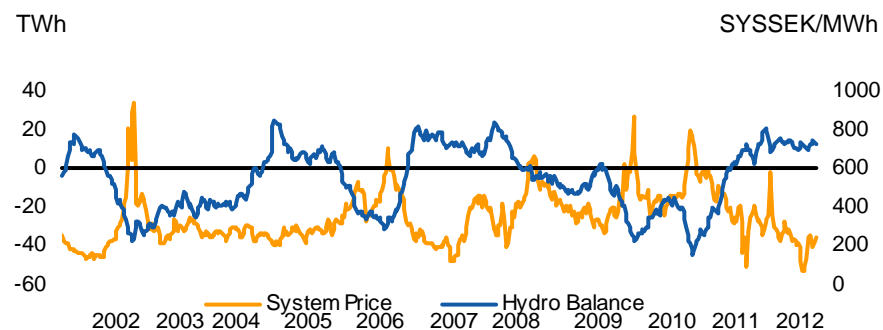
- Sharp decline in Nordic spot prices Q3-12 vs. Q3-11
- Continued strong Nordic hydrological balance (+12.6 TWh at the end of Q3)
- German and Dutch spot prices declined but to a lesser extent

EUR/MWh	Nord Pool	EPEX	APX
Q3-12 (Q3-11)	20.9 (35.9)	43.5 (49.2)	46.3 (50.4)
%	-41.9	-11.5	-8.2

Monthly Spot Average



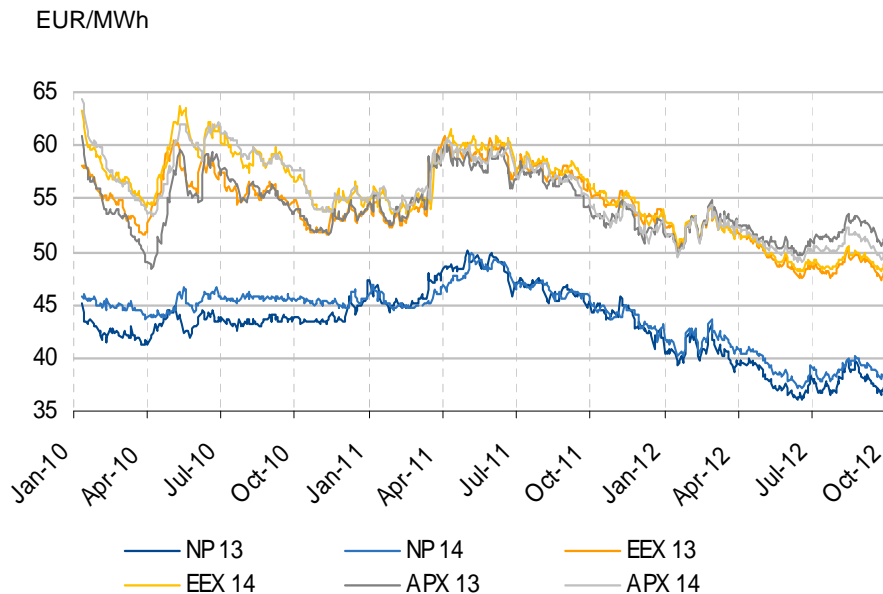
Hydrological balance



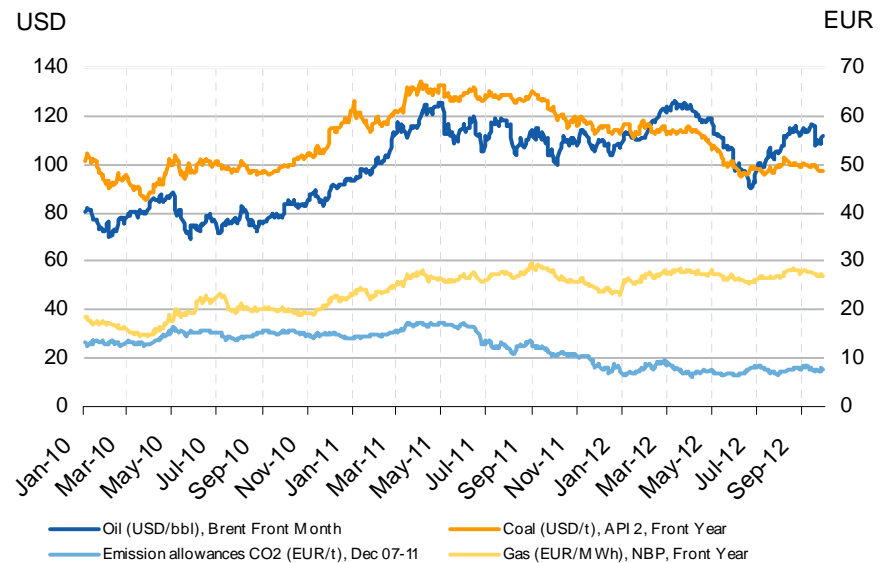
Stable electricity futures and commodity prices

- Electricity futures prices almost unchanged Q3-12 vs. Q2-12 on all Vattenfall markets but lower compared with 2011.
- Fairly stable coal and gas prices Q3-12 vs. Q2-12
- CO2 prices on average 7.6€/ton

Electricity futures prices

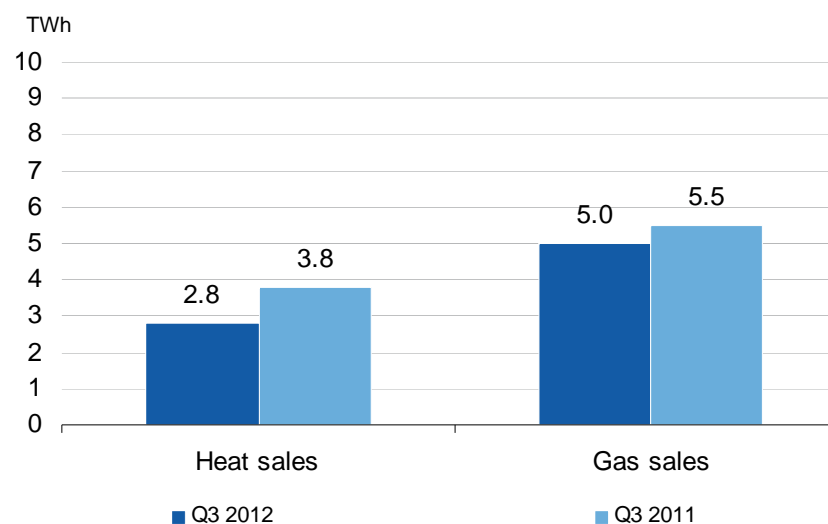
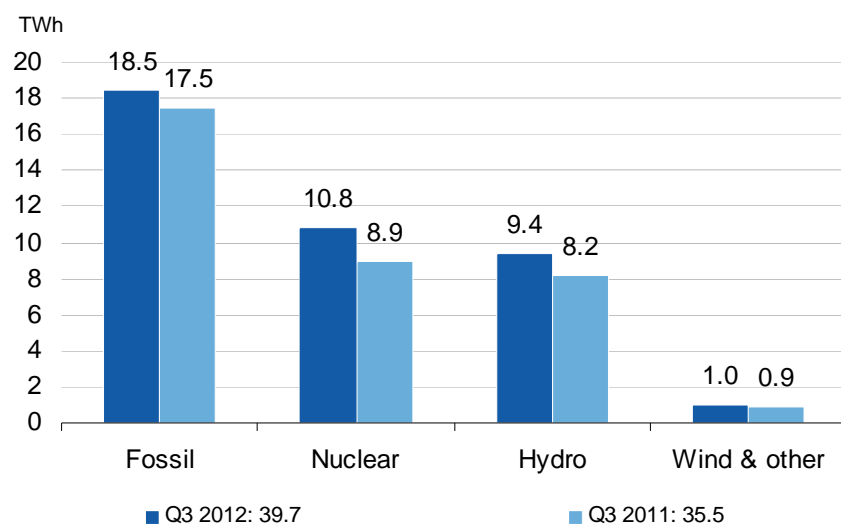


Commodity prices



Higher generation output, higher heat and gas sales

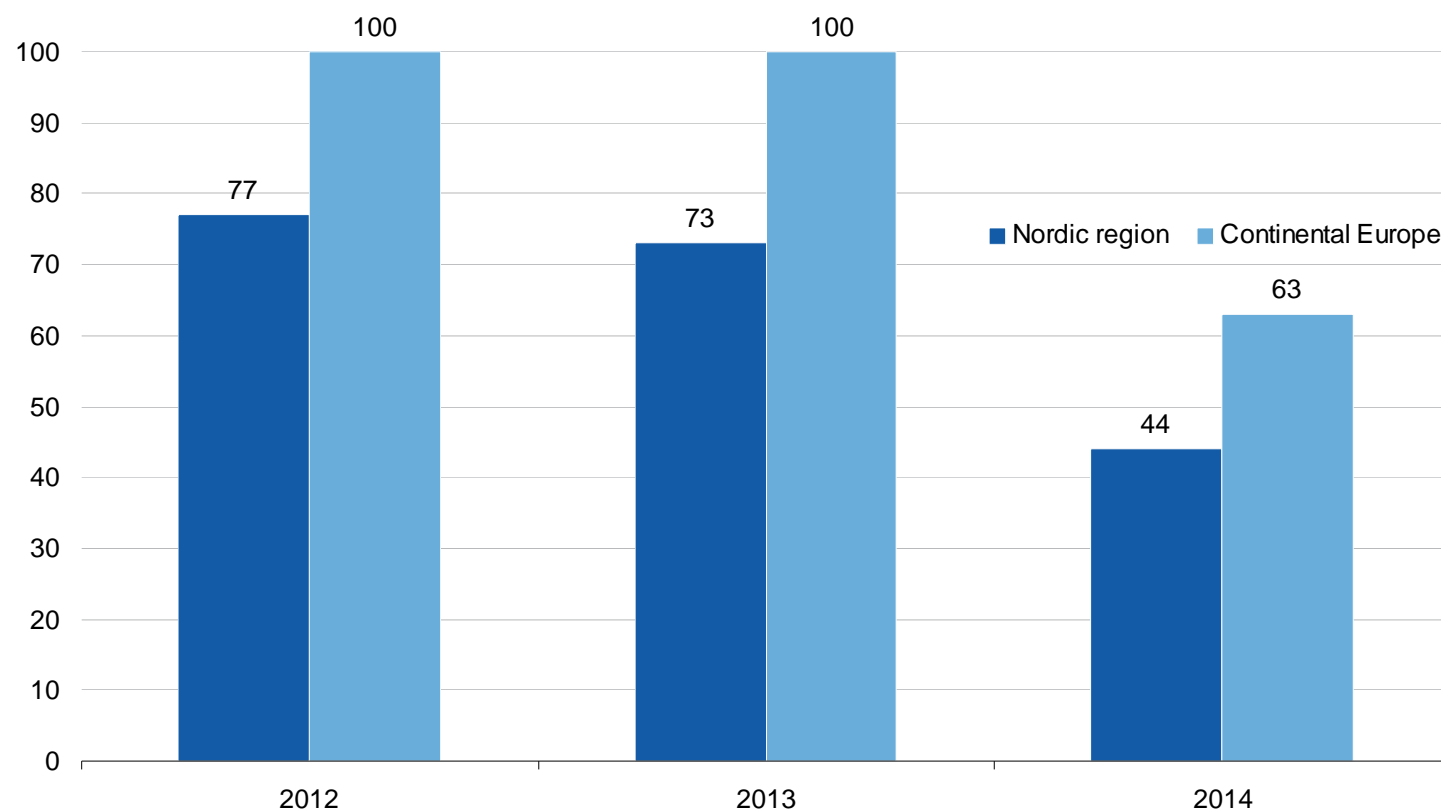
- 12% higher electricity generation output (39.7 TWh in Q3-12 vs 35.5 TWh in Q3-11)
 - Fossil generation increased due to higher availability
 - Nuclear generation increased due to higher availability of Ringhals and timing of planned outages
 - Hydro power generation increased due to high reservoir levels
- Lower heat and gas sales due to warmer weather



Large part of generation already hedged

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

EUR/MWh	2012	2013	2014
Nordic region	47	46	44
Continental Europe	55	55	53



Nuclear update

- **EU stress tests**

- Swedish nuclear power plants generally came out very strongly in the country peer-review process of ENSREG (European Nuclear Safety Regulator Group)
- Swedish Radiation Safety Authority (SSM) will provide a national action plan by year-end for continued international review. This is based on action plans provided to SSM by the license holders on 15 September
- It is not possible to determine any potential additional investments needed until SSM has concluded its work with the stress tests

- **Greenpeace activists broke in at Ringhals and Forsmark**

- On 9 October activists from Greenpeace scaled the outermost fence of the Ringhals and Forsmark nuclear plants. They, however, only reached the premises with a lower security level. Security measures at both plants worked as they are intended to.

- **Reactor vessel at Ringhals 2 without defects**

- extended testing showed no damage or shortcomings in the reactor vessel compared to the defects found in the Belgian reactor Doel 3

Financials

Ingrid Bonde, CFO

Q3 2012 Financial highlights

MSEK	Q3 2012	Q3 2011	Change (%)
Net Sales	33,679	38,276	-12.0
EBITDA	10,564	9,593	10.1
EBIT	-2,735	4,447	-
Underlying EBIT*	4,517	5,774	-21.8
Financial items, net	-835	-2,800	-
Profit after tax	-3,951	1,345	-
Cash flow (FFO)	6,172	9,855	-37.4
Net debt	114,143	141,089**	-19.9

* Underlying profit: EBIT excluding Items affecting comparability

** As of 31 December 2011

Underlying EBIT Q3 per operating segment

MSEK	Q3 2012	Q3 2011
Generation	4,431	5,351

- Underlying EBIT decreased by 920 MSEK
 - Lower achieved prices – mainly in the Nordic market
 - Higher production volumes
 - Lower trading result (exceptionally good results in 2011)

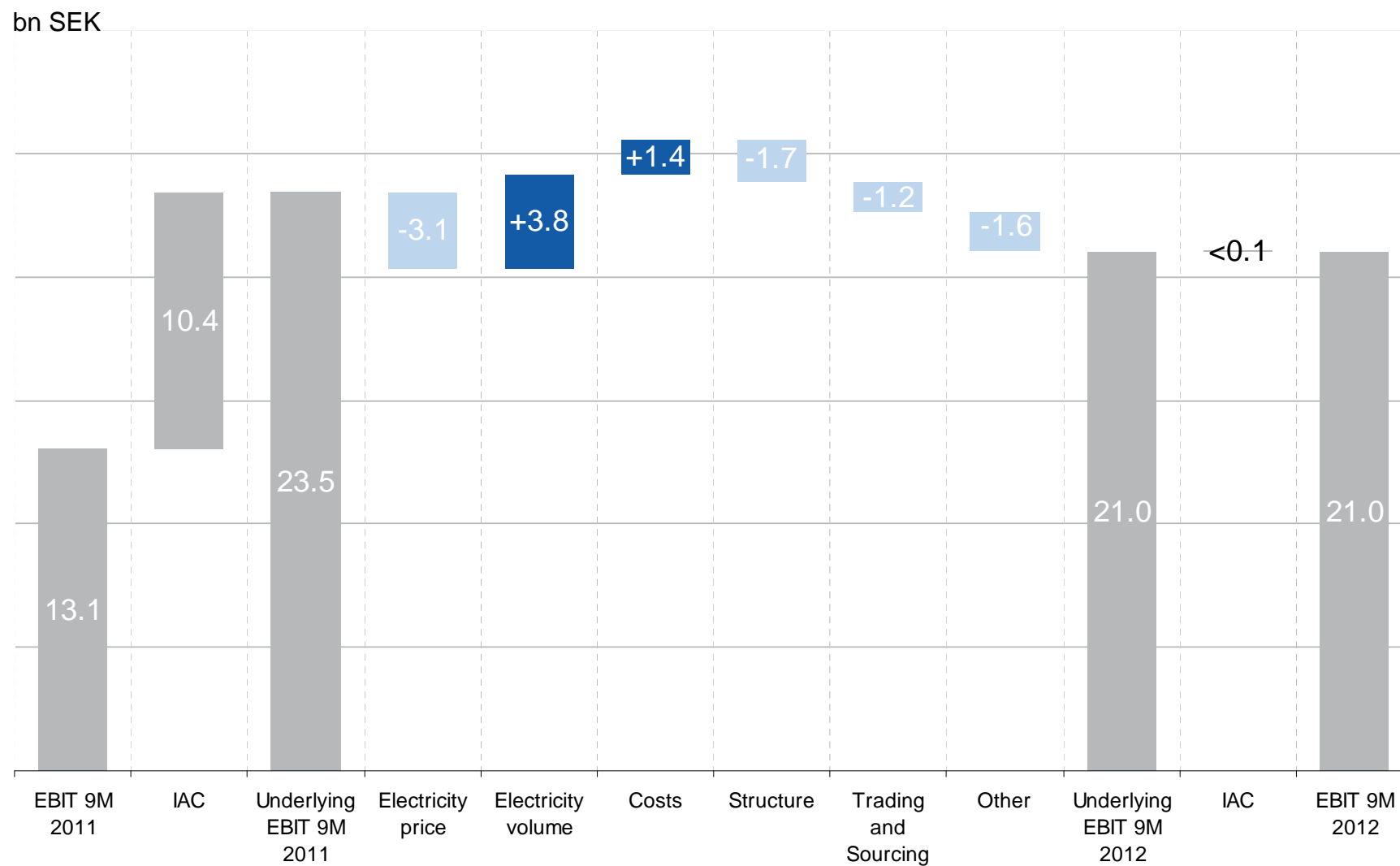
MSEK	Q3 2012	Q3 2011
Distribution and Sales	516	1,012

- Underlying EBIT decreased by 496 MSEK
 - Lost earnings contribution from divested operations in Belgium, Poland and Finland
 - Improved profitability within B2C

MSEK	Q3 2012	Q3 2011
Renewables	-394	-75

- Underlying EBIT decreased by 469 MSEK
 - Poorer wind conditions in the UK and Sweden
 - Repair costs pertaining to Thanet cable in the UK

Development of underlying EBIT 9M 2012



9M 2012 Financial highlights

MSEK	9M 2012	9M 2011	Change (%)
Net Sales	119,376	130,587	-8.6
EBITDA	44,120	39,091	12.9
EBIT	20,996	13,050	60.9
Underlying EBIT*	21,010	23,450	-10.4
Financial items, net	-6,493	-6,283	-3.3
Profit after tax	10,781	5,313	102.9
Cash flow (FFO)	22,836	28,136	-18.8
Net debt	114,143	141,089**	-19.9

* Underlying profit: EBIT excluding Items affecting comparability

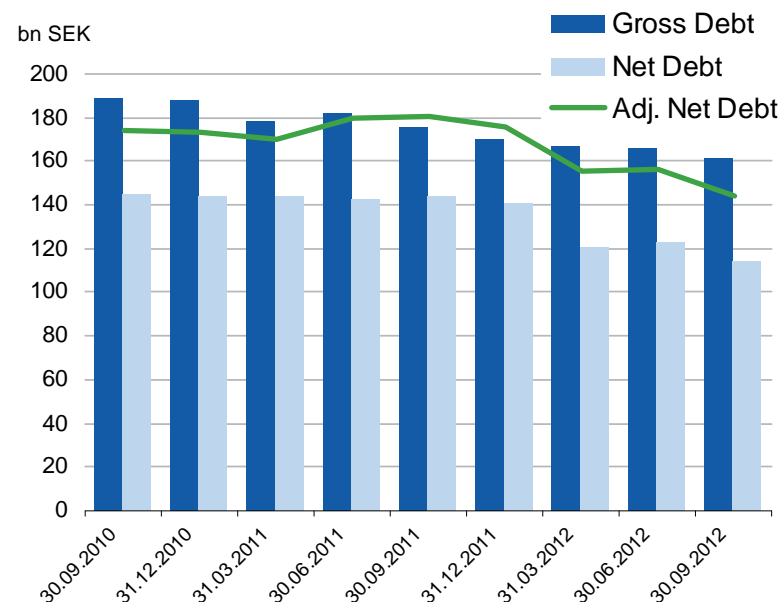
** As of 31 December 2011

Cash flow development Q3 2012

bn SEK



Key credit metrics



- **Gross debt**
decreased by SEK 9 bn to SEK 161.3 bn
- **Net debt**
decreased by SEK 27 bn to SEK 114.1 bn
- **Adjusted net debt**
decreased by SEK 31.6 bn to SEK 144.4 bn

Comparison with 31 December 2011

For calculation of adjusted net debt, see Appendix page 26

Key credit metrics	Q3 2012	FY 2011
FFO Interest cover (x)	4.7	4.8
FFO/net debt (%)	28.9	27.1
FFO/adj. net debt (%)	22.8	21.7
Adj.net debt/ EBITDA (x)	2.4	3.2

Rolling 12 months values

Concluding remarks

Vattenfall's key strengths:

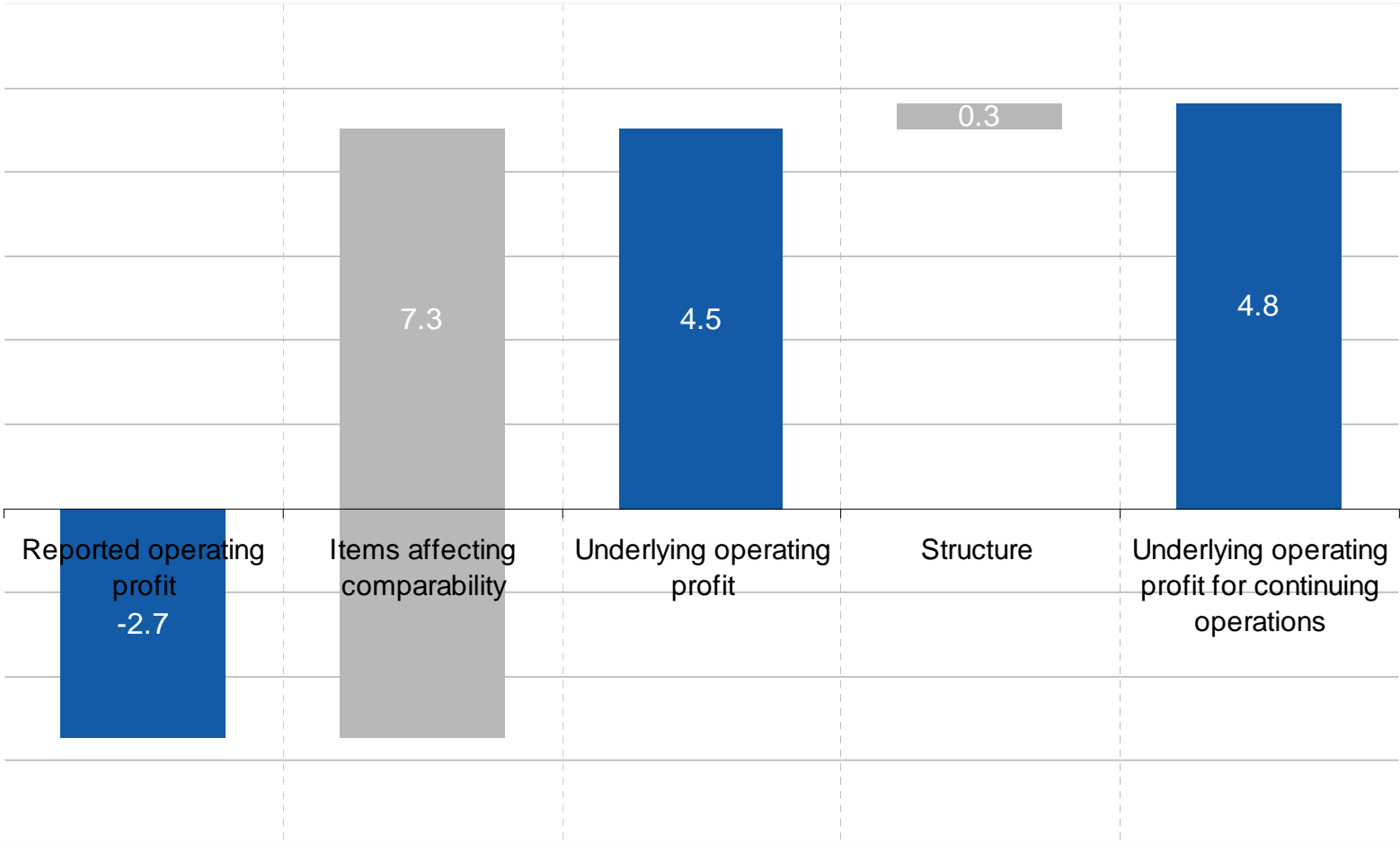
- Strong owner, clear operating mandate
- Commitment to financial stability
- Diversified production portfolio, competitive low cost production assets (hydro, nuclear, lignite). Low CO₂ exposure in the Nordic market.
- Good geographical base and strong market positions (Northwestern Europe)
- Strong 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

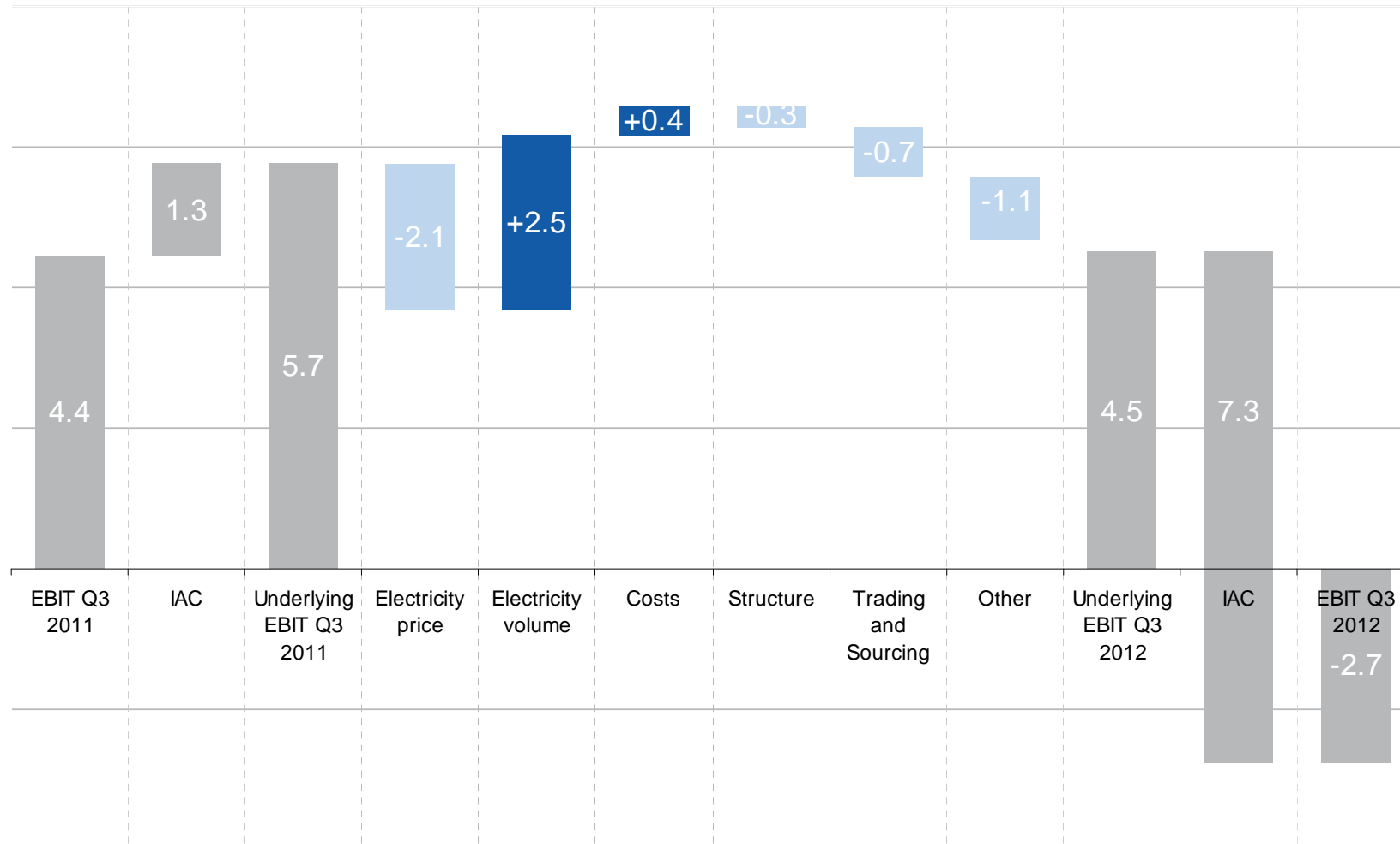
Operating profit and underlying EBIT Q3

bn SEK



Development of underlying EBIT Q3

bn SEK



Taxation changes

- Higher hydro power tax through increased tax assessment values for hydro power plants as of 1 January 2013
 - Impact on Vattenfall: decreased FFO by 780 MSEK/p.a.
- Swedish government bill (subject to Parliament approval in December)
 - Proposal to lower the Swedish corporate income tax rate to 22% from 26.3%
 - Impact on Vattenfall: increased FFO by approx. 360 MSEK/p.a.
 - In addition, estimated SEK 3.4 billion one-off increase in net profit Q4 2012 due to revaluation of net deferred tax liability position
- Coal tax Netherlands
 - Abolishment of tax exemption for the use of coal in electricity production (EUR 13.76/ton) as of 1 January 2013
 - Impact on Vattenfall: decreased FFO by approx. 25 MEUR/p.a.

Strong liquidity position

As of 30 September 2012

Group Liquidity	SEK million
Cash and cash equivalents	14,863
Short term investments	32,103
Reported cash, cash equivalents & short term investments	46,966
Unavailable liquidity*	-5,541
Available liquidity	41,425

Debt maturities**	SEK million
Within 90 days	464
Within 180 days	8,463

*German nuclear "Solidarvereinbarung" 2,877, Margin calls paid (CSA) 860 and others 1,804

**Excluding loans from minority owners and associated companies

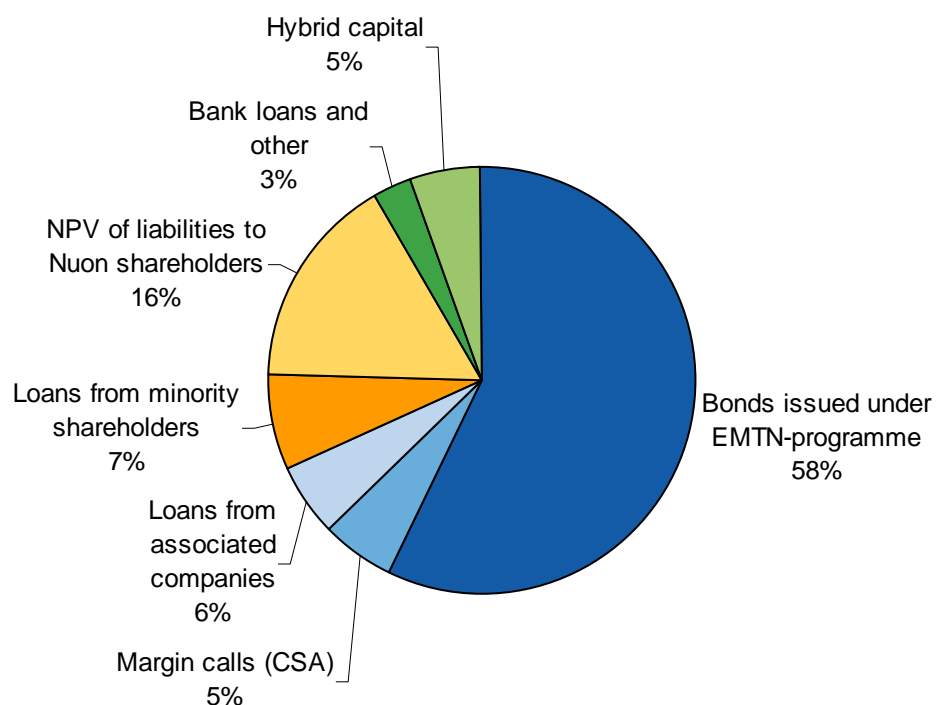
Committed credit facilities

As of 30 September 2012

Committed credit facilities	Line size	Amount available SEK million
RCF (maturity Jan 2016)	EUR 2 550 million	21,547
Multi option Facility (12-month rolling)	EUR 1 300 million	10,050
Total undrawn		31,597

Breakdown of gross debt

Total debt 30 Sep 2012: SEK 161 billion (EUR 19 billion). External market debt SEK 114 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	1,775	0
Total	18,775	9,921

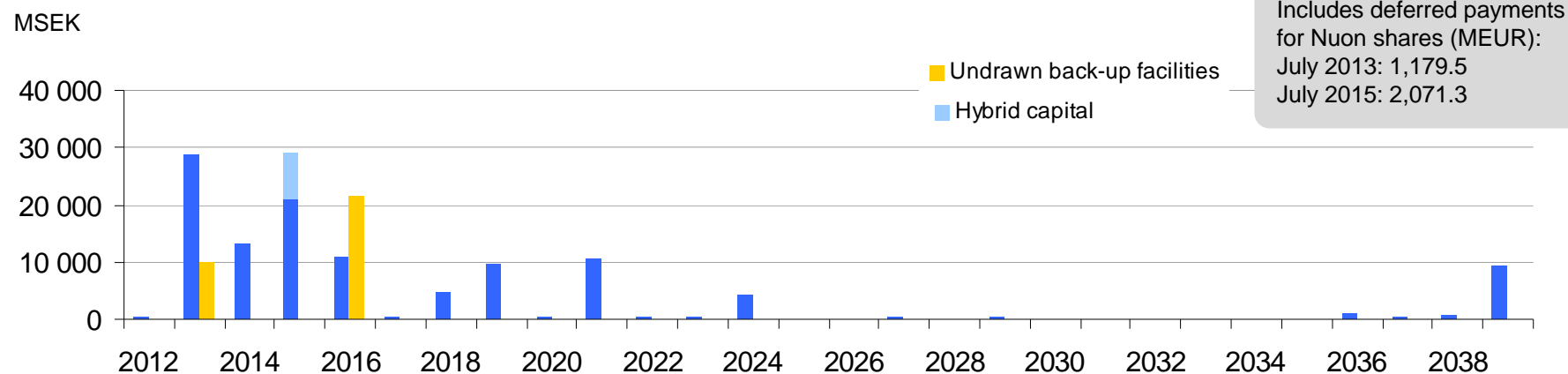
- All public debt issued by Vattenfall AB
- The debt portfolio has no currency exposure that has an impact on the income statement. The debt in foreign currency is either swapped to SEK or booked as a hedge against net foreign investments.
- No structural subordination

Development of reported and adjusted net debt

Net debt (bn SEK)	Sep 30 2012	Dec 31 2011	Adjusted net debt (bn SEK)	Sep 30 2012	Dec 31 2011
Capital Securities	-8.4	-8.9	Total interest-bearing liabilities	-161.3	-170.4
Bond issues and commercial papers and liabilities to credit institutions	-95.5	-102.3	50% of Hybrid capital	4.2	4.4
Present value of liability pertaining to acquisition of subsidiaries	-26.6	-30.5	Present value of pension obligations	-22.2	-22.5
Liabilities to associated companies	-9.3	-10.5	Mining & environmental provisions	-11.8	-12.5
Liabilities to minority shareholders	-11.4	-10.2	Provisions for nuclear power (net)	-17.5	-18.5
Other liabilities	-10.1	-8.0	Cross currency swaps	3.7	3.3
Total interest-bearing liabilities	-161.3	-170.4	Margin calls received	8.6	7.5
Cash and cash equivalents	14.9	11.3	Liabilities to minority owners due to consortium agreements	10.5	9.8
Short-term investments	32.1	17.4	= Adjusted gross debt	-185.8	-198.9
Loans to minority owners of foreign subsidiaries	0.2	0.6	Reported cash, cash equivalents & short-term investments	47.0	28.7
Net debt	-114.1	-141.1	Unavailable liquidity	-5.5*	-5.8*
			= Adjusted cash, cash equivalents & short-term investments	41.5	22.9
			= Adjusted net debt	-144.4	-176.0

*Of which: German nuclear "Solidarvereinbarung" 2.9,
margin calls paid (CSA) 0.8, 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 Sep 2012	31 Dec 2011
Duration (years)	3.6	4.3
Average time to maturity (years)	5.6	5.5
Average interest rate (%)	3.4	3.9
Net debt (SEK bn)	114.1	141.1

Including Hybrid capital

Financial targets and outcome Q3 2012

Key Ratio	Target	Q3 2012
Return on Equity (RoE)	15% on average equity	11.7%*
Cash flow interest coverage after maintenance investments	3.5-4.5 times	2.5 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