

Vattenfall Q3 and 9M 2014 results

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Presentation 30 October 2014

Highlights Q3 2014

- Net sales of SEK 34.7bn (37.1)
- Underlying EBIT of SEK 2.8bn (4.1)
- Reported EBIT of SEK -19.4bn (5.0)
 - Affected by impairments of SEK 23.1bn
- Net income of SEK -18.1bn (1.5)
 - Affected by impairments of SEK 19.9bn
- Electricity production 8% lower at 36.8 TWh (40.0)
- Return on capital employed (ROCE) was -1.9% (on a rolling 12 month basis)
 - 8.1% excluding items affecting comparability
- Adjusted net debt decreased by SEK 11.1bn to 151.5bn compared with 31 December 2013

Highlights 9M 2014

- Net sales of SEK 117.2bn (125.1)
- Underlying EBIT of SEK 15.9bn (21.2)
- Reported EBIT of SEK -9.2bn (-10.1)
 - Affected by impairments of SEK 23.8bn and increased provisions for the decommissioning of nuclear power in Germany of SEK 5.5bn
- Net income of SEK -12.2bn (-15.5)
 - Affected by impairments of SEK 20.4bn and increased provisions for the decommissioning of nuclear power in Germany of SEK 4.0bn
- Electricity production was 126.6 TWh (133.8). Decline mainly due to lower fossil-based generation

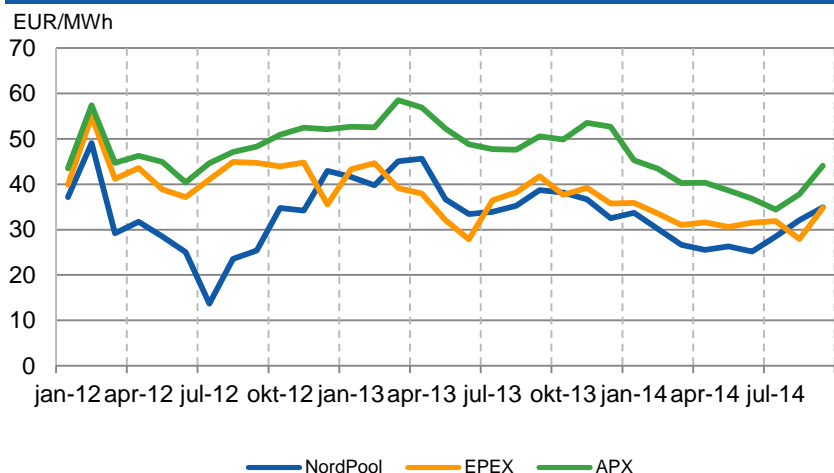
Lower spot and forward prices

Q3 2014 vs Q3 2013:

- Nordic spot prices 11% lower (but 26% higher vs Q2 2014)
- German spot prices 19% lower
- Dutch spot prices 21% lower
- Nordic and German futures prices 5-8% lower, but 2-7% higher vs Q2 2014

EUR/MWh	Nord Pool	EPEX	APX
Q3-14 (Q3-13)	31.8 (35.8)	31.3 (38.8)	38.6 (48.6)
%	-11.3	-19.1	-20.5
Q1-3-14 (Q1-3-13)	29.2 (38.8)	32.1 (37.9)	40.1 (51.9)
%	-24.8	-15.3	-22.8

Monthly spot average

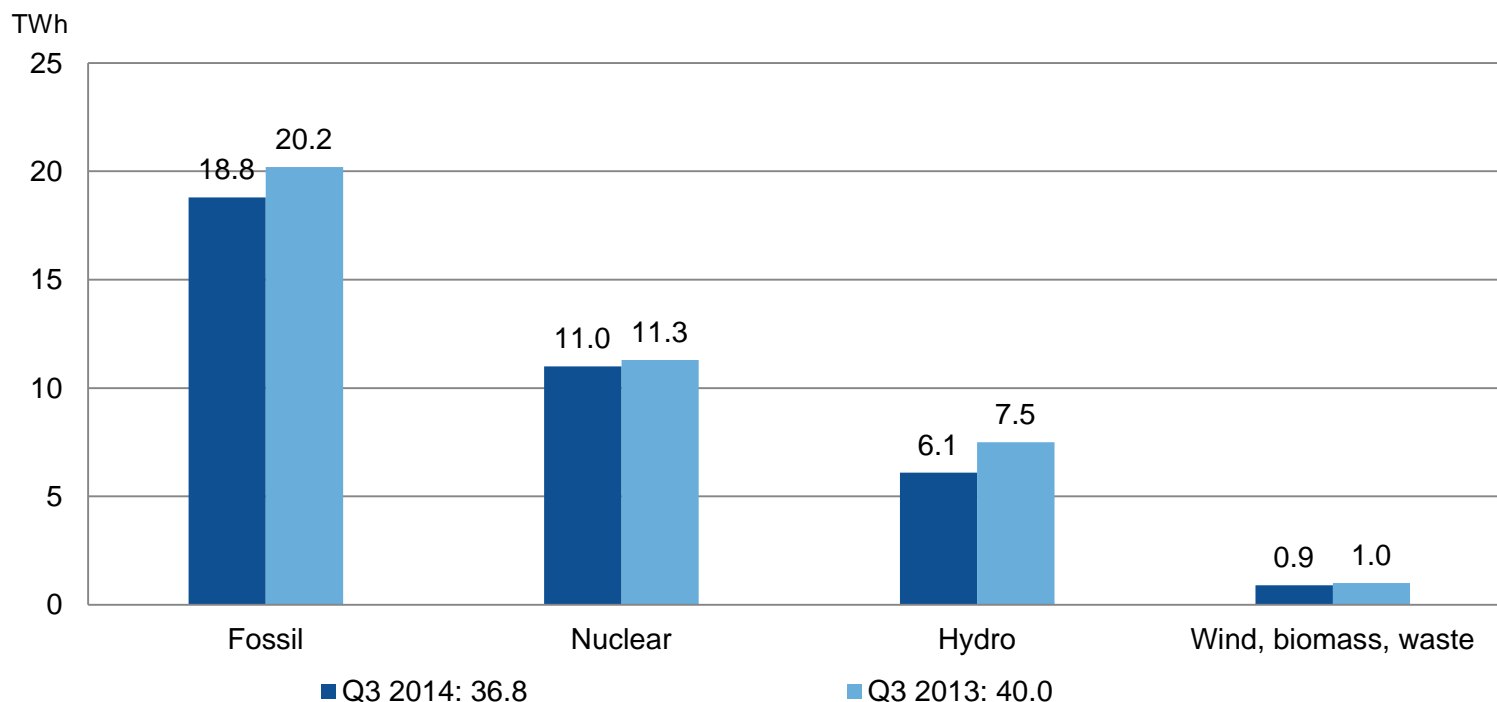


Electricity futures prices



Q3 production volumes decreased 8% to 36.8 TWh

- Lower fossil based production mainly due to divestment of Amager CHP plant in Denmark
- Slightly lower nuclear power production
- Lower hydro power production due to weaker hydrological balance
- Wind power and other renewables almost on par with last year



Important events Q3 2014

- Vattenfall installed its 1,000th wind power turbine during the construction of the German DanTysk 288 MW offshore wind farm in the North Sea
- Vattenfall and Stadtwerke München decided to jointly invest about SEK 11bn in the 288 MW Sandbank offshore wind farm in the German North Sea. Vattenfall's share in the project is 51%
- Decision to build two Swedish onshore wind farms, Juktan, 29 MW and Höge Väg 38 MW
- Nuclear power plant Ringhals celebrated its 40th year of operation and total electricity generation of 775bn kWh
- Divestment of Vattenfall's 85.5% majority share of the waste incineration plant "Müllverwertung Borsigstraße GmbH" in Hamburg for approximately SEK 600mn
- Launch of fast charging network for electric cars, first three fast charging station inaugurated in Stockholm and two fast charging stations in Berlin

Divestment of CHP operations in Netherlands

- On 16 October Vattenfall signed an agreement on the sale of the CHP operations in Utrecht, Netherlands to the Dutch energy company Eneco
- The sale comprises
 - Thermal power plant Lage Weide, 248 MWel, 180 MWth
 - Thermal power plant Merweedekanaal, 103 MWel, 110 MWth
 - 5 auxiliary heating plants, 7 heat transfer stations and a 25 km-long district heating network
- Completion expected on 1 January 2015, subject to approval by the Dutch competition authorities.
- The parties have agreed to not disclose the purchase price

Additional efficiency improvement and cost-cutting

- The cost reduction programme for 2015 worth SEK 2.0 billion is being increased to SEK 3 billion
- The investment programme is being reviewed
 - Investments in renewable energy generation will continue to be prioritised
- We will continue to divest assets that do not belong to our core business or that are judged to be unable to meet our return requirements
- A review of Vattenfall's vision and strategic direction has been initiated

Investigation of future ownership of lignite operations

- The Board of Directors decided on 29 October to investigate strategic options for Vattenfall's lignite mining and generation activities in Germany
- The objective is to create a sustainable new ownership structure
- The process will be conducted in close dialogue with the federal states of Brandenburg and Saxony
- Vattenfall remains committed to its other businesses in Germany, such as district heating, distribution, sales, trading and wind power

Financials

Ingrid Bonde, CFO

Q3 2014 Financial highlights

SEK billion	Q3 2014	Q3 2013
Net Sales	34.7	37.1
EBITDA	8.4	9.6
Underlying EBITDA*	7.5	8.6
EBIT	-19.4	4.9
Underlying EBIT*	2.8	4.1
Financial items, net	-1.4	-1.8
Profit after tax	-18.1	1.5
Cash flow (FFO)	5.0	6.7
Cash flow after change in working capital	10.0	13.7
Net debt	83.4	99.0
Adjusted net debt	151.5	158.0
FFO/Adjusted net debt (% LTM)	17.3	23.4
Adjusted net debt/EBITDA (times)	4.0	3.6

* Excluding Items affecting comparability

Impairments – background and rationale

- Since the previous review of Vattenfall's asset values, wholesale electricity prices have continued to fall and margins have deteriorated further
- Vattenfall sees no signs of a recovery in the foreseeable future
- Business opportunities and earnings capacity in Trading operations have dropped due to decreased liquidity and fewer market players
- Profit calculations for the new Moorburg power plant in Hamburg have worsened considerably, as a result of lower price forecasts and delays due to technical problems

Impairments Q3 2014

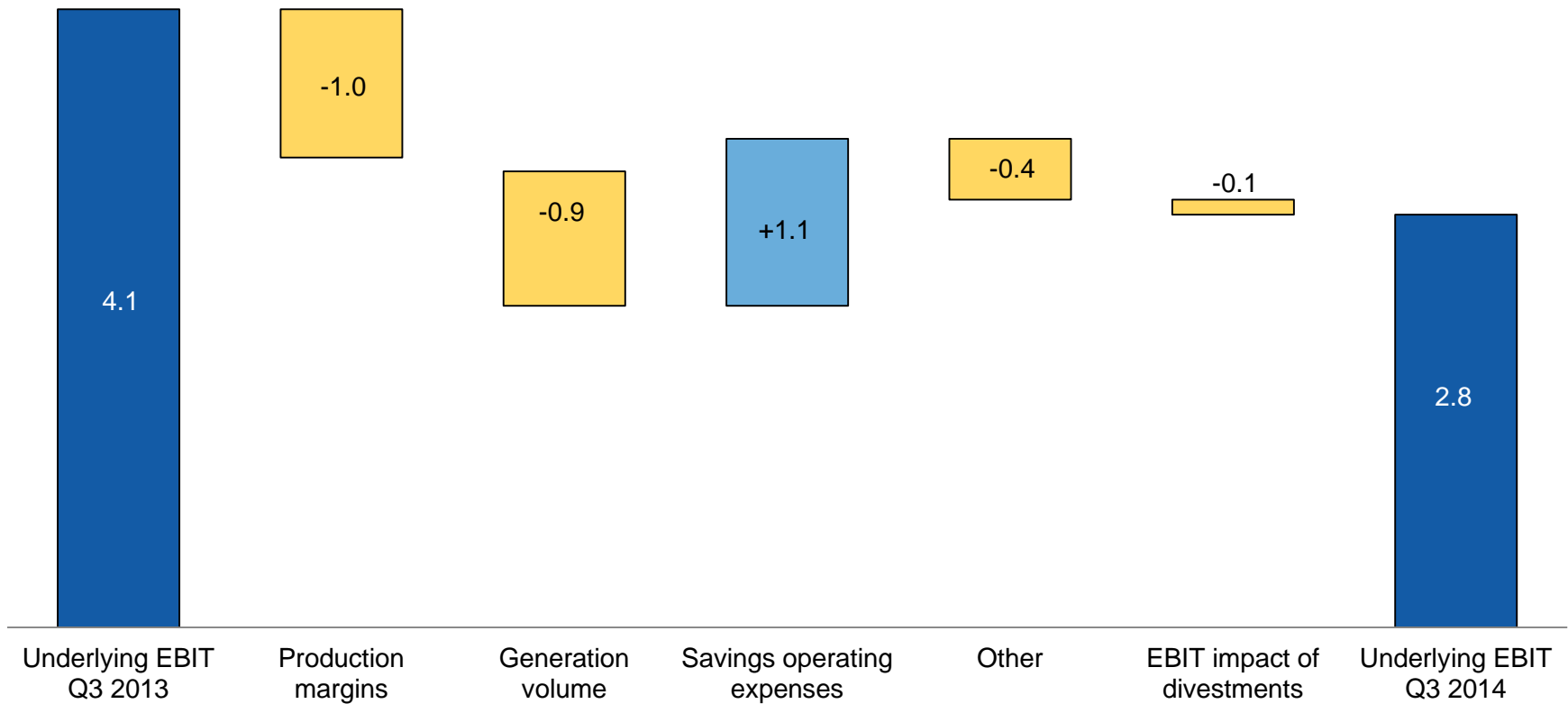
Asset split	SEKbn
Goodwill related to the Trading business	10.0
Fossil-based assets in Germany and the Netherlands	8.2
Other assets	4.9
Total impact on EBIT	23.1
Total impact on net income (after tax)	19.9

Geographical split	SEKbn
Netherlands	13.8
Germany	6.9
Nordic countries	1.4
UK	1.0
Total impact on EBIT	23.1

- No impact on cash flow or debt position

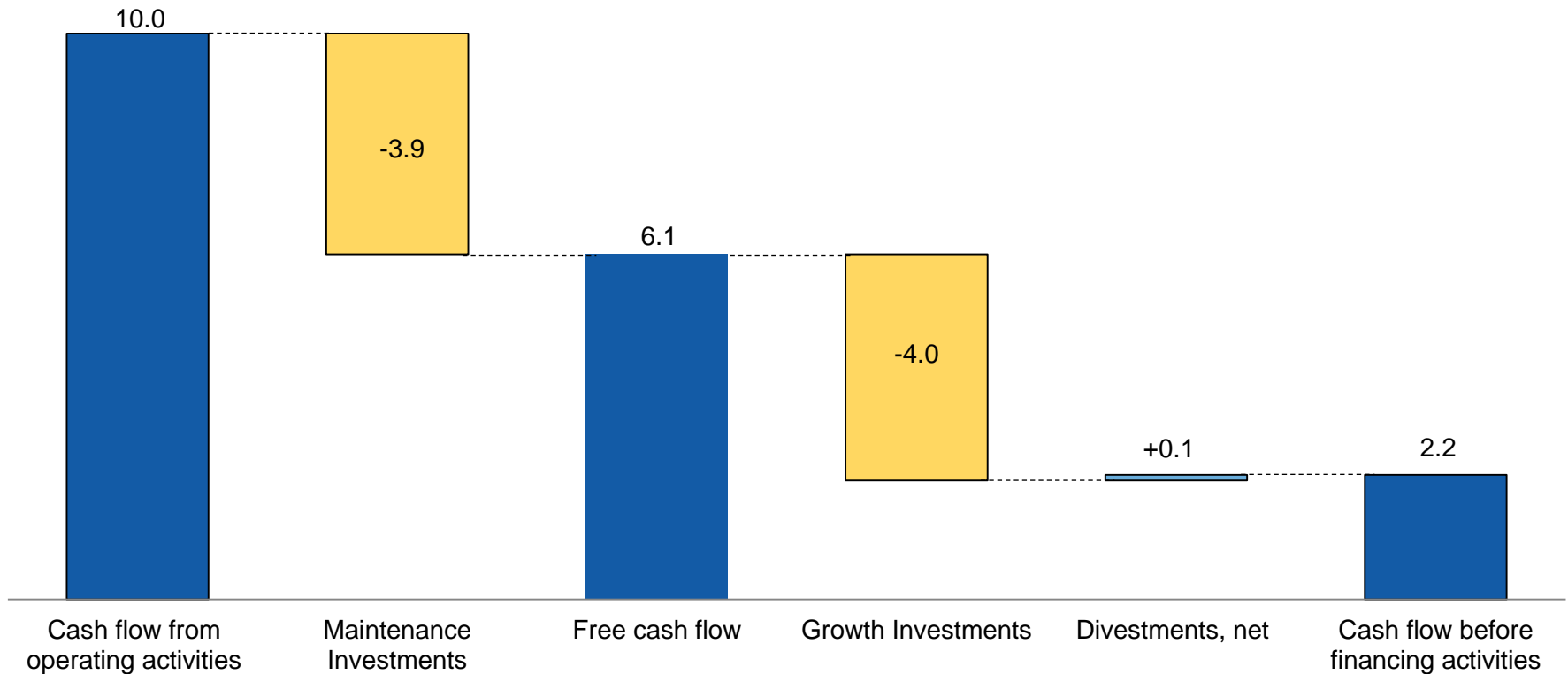
Development of underlying EBIT Q3 2014

SEK billion



Cash flow development in Q3

SEK billion



Breakdown per operating segment Q3 2014

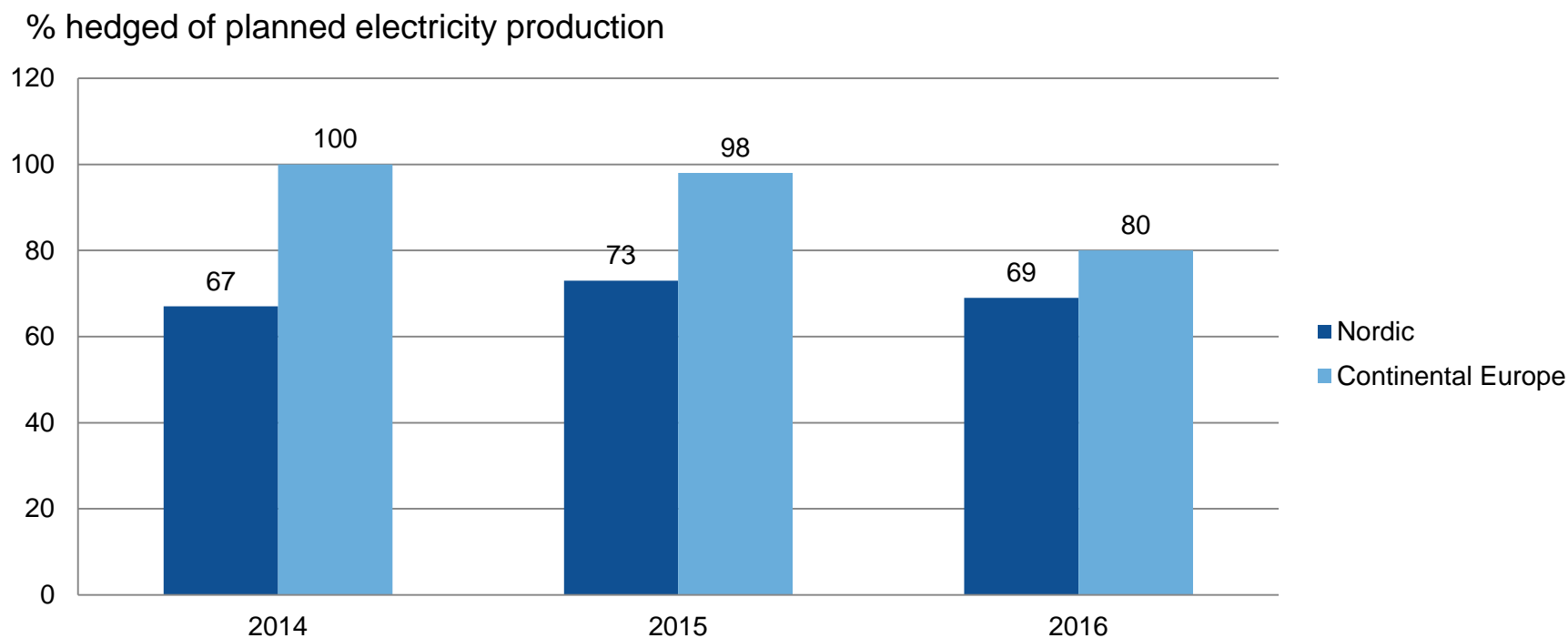
Nordic

SEK billion	Q3 2014	Q3 2013	Change,%	FY 2013
External net sales	10.0	11.0	-9.1	52.3
Underlying EBIT	1.6	2.5	-36.0	15.4
Electricity generation, TWh	16.6	18.5	-10.3	87.0
Number of FTE	8,474	8,461	0.2	8,395

Continental/UK

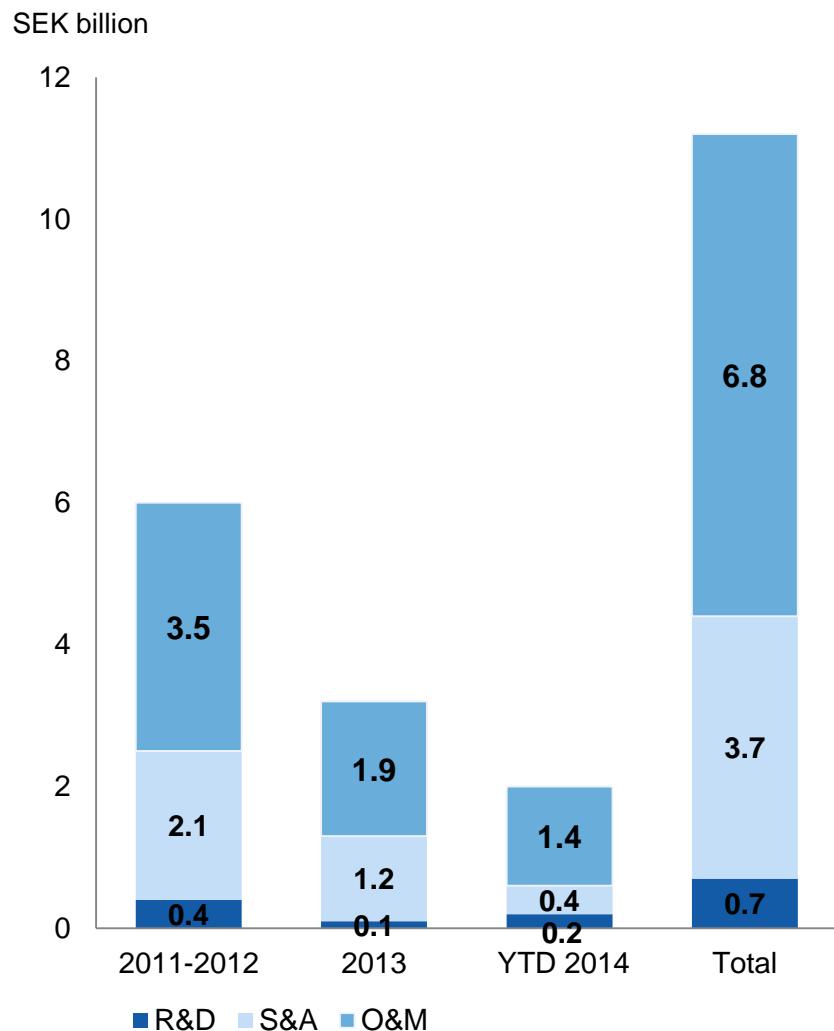
SEK billion	Q3 2014	Q3 2013	Change,%	FY 2013
External net sales	24.7	26.0	-5.0	119.8
Underlying EBIT	1.4	1.7	-17.6	13.7
Electricity generation, TWh	20.2	21.4	-5.6	94.7
Number of FTE	20,144	21,978	-8.3	21,811

Hedge ratios and prices as per 30 September 2014



Hedge prices EUR/MWh	2014	2015	2016
Nordic region	39	37	35
Continental Europe	50	45	39

Cost reduction programmes on track



Cost reduction programmes for 2011-2015: SEK 14.5bn

- 2011-12: SEK 6bn (achieved one year ahead of original plan)
- 2013-14: SEK 5.5bn (Staff reductions, operation & maintenance optimisation, procurement savings)
- 2015: Increased from SEK 2bn to SEK 3bn. (Staff reduction, system and process standardisation and optimisation, selling & administration cost reduction)

Achieved cost reduction from 2011 to Q3 2014: SEK 11.2bn

- 60% from Operation & Maintenance expenses
- 35% from Selling & Administration expenses
- 5% from Research & Development
- Cost reductions of SEK 2.0bn YTD 2014 include growth and cost increase of 0.5bn. Net savings of SEK1.5bn
- At year-end 2014 savings are expected to reach approx. 25% versus 2010 cost base.

Financial targets and outcome

Metric	Target	Outcome Q3 2014	Outcome FY 2013
Return on Capital Employed (ROCE)	9.0%	-1.9% LTM** (8.1% excl.IAC*)	-2.1% (9.3% excl.IAC*)
Net debt/Equity	50-90%	67.3%	75.7%
FFO/Adjusted net debt	22-30%	17.3% LTM**	19.6%

* IAC = Items affecting comparability

** LTM = Last twelve months

Q&A

Appendix

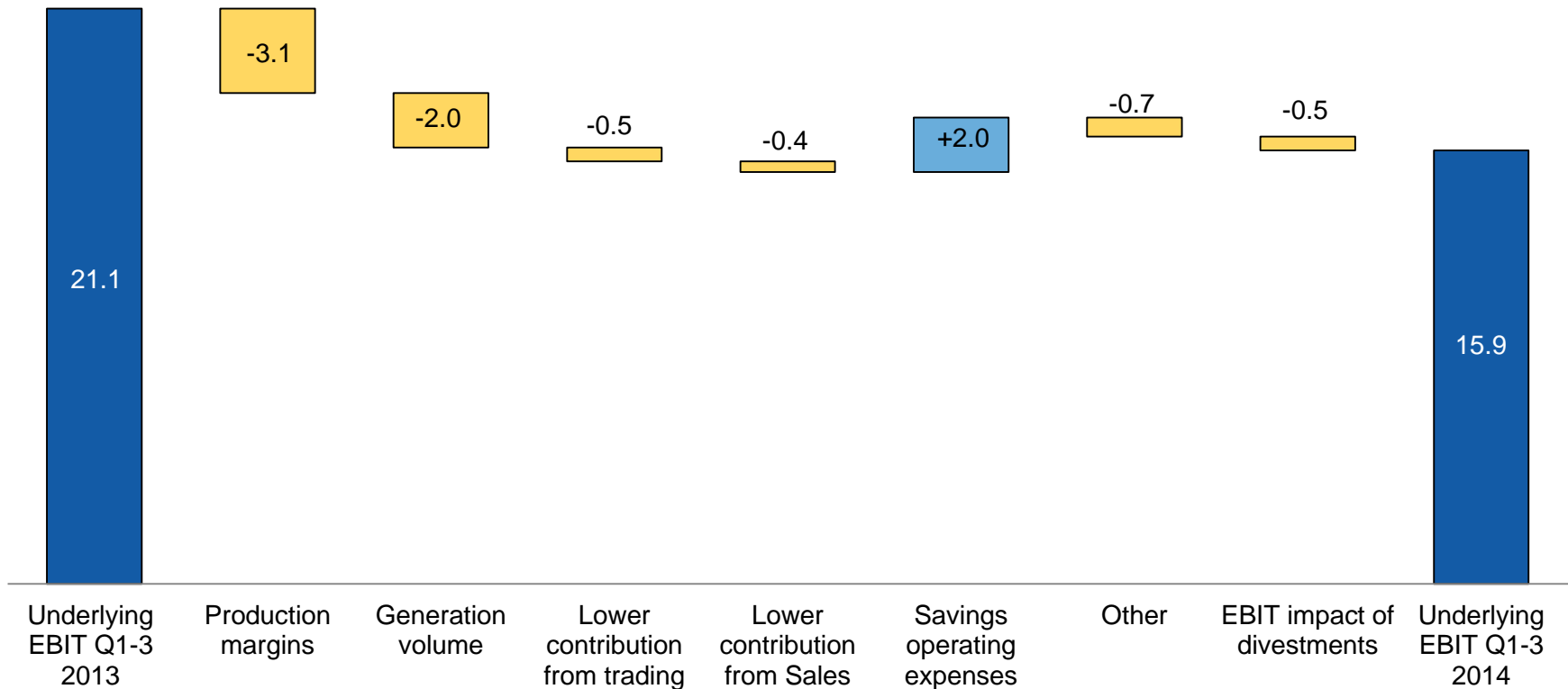
9M 2014 Financial highlights

SEK billion	Q1-Q3 2014	Q1-Q3 2013
Net Sales	117.2	125.1
EBITDA	28.9	34.1
Underlying EBITDA*	30.3	35.5
EBIT	-9.2	-10.1
Underlying EBIT*	15.9	21.1
Financial items, net	-4.5	-6.9
Profit after tax	-12.2	-15.5
Cash flow (FFO)	19.7	25.3
Cash flow after change in working capital	25.8	29.9
Net debt	83.4	99.0
Adjusted net debt	151.5	158.0
FFO/Adjusted net debt (%)	17.3	23.4
Adjusted net debt/EBITDA (times)	3.9	3.6

* Excluding Items affecting comparability

Development of underlying EBIT 9M 2014

SEK billion



Breakdown per operating segment 9M 2014

Nordic

SEK billion	Q1-Q3 2014	Q1-Q3 2013	Change,%	FY 2013
External net sales	35.1	37.9	-7.4	52.3
Underlying EBIT	8.4	11.4	-26.3	15.4
Electricity generation, TWh	61.5	63.7	-3.5	87.0
Number of FTE	8,474	8,461	0.2	8,395

Continental/UK

SEK billion	Q1-Q3 2014	Q1-Q3 2013	Change,%	FY 2013
External net sales	82.1	87.1	-5.7	119.8
Underlying EBIT	17.1	20.0	-14.5	13.7
Electricity generation, TWh	65.2	70.1	-7.0	94.7
Number of FTE	20,144	21,978	-8.3	21,811

Underlying EBIT for comparable units

Underlying EBIT (SEK bn)	Q3 2014	Q3 2013	Change %	Q1-Q3 2014	Q1-Q3 2013	Change %	LTM
Nordic	1.6	2.5	-36.0	8.4	11.4	-26.3	12.5
Divestment impact	-	-	-	-	-	-	-
Nordic underlying EBIT excluding divestments	1.6	2.5	-36.0	8.4	11.4	-26.3	12.5
Continental /UK	1.4	1.7	-17.6	7.9	10.5	-24.8	11.1
Divestment impact	-	-0.1	-	-	-0.5	-	-0.5
Continental /UK underlying EBIT excluding divestments	1.4	1.6	-12.5	7.9	10.0	-21.0	10.6
Other & eliminations	-0.2	-0.1	100.0	-0.4	-0.7	-42.9	-0.6
Group total underlying EBIT excluding divestments	2.8	4.0	-30.0	15.9	20.7	-23.2	22.5

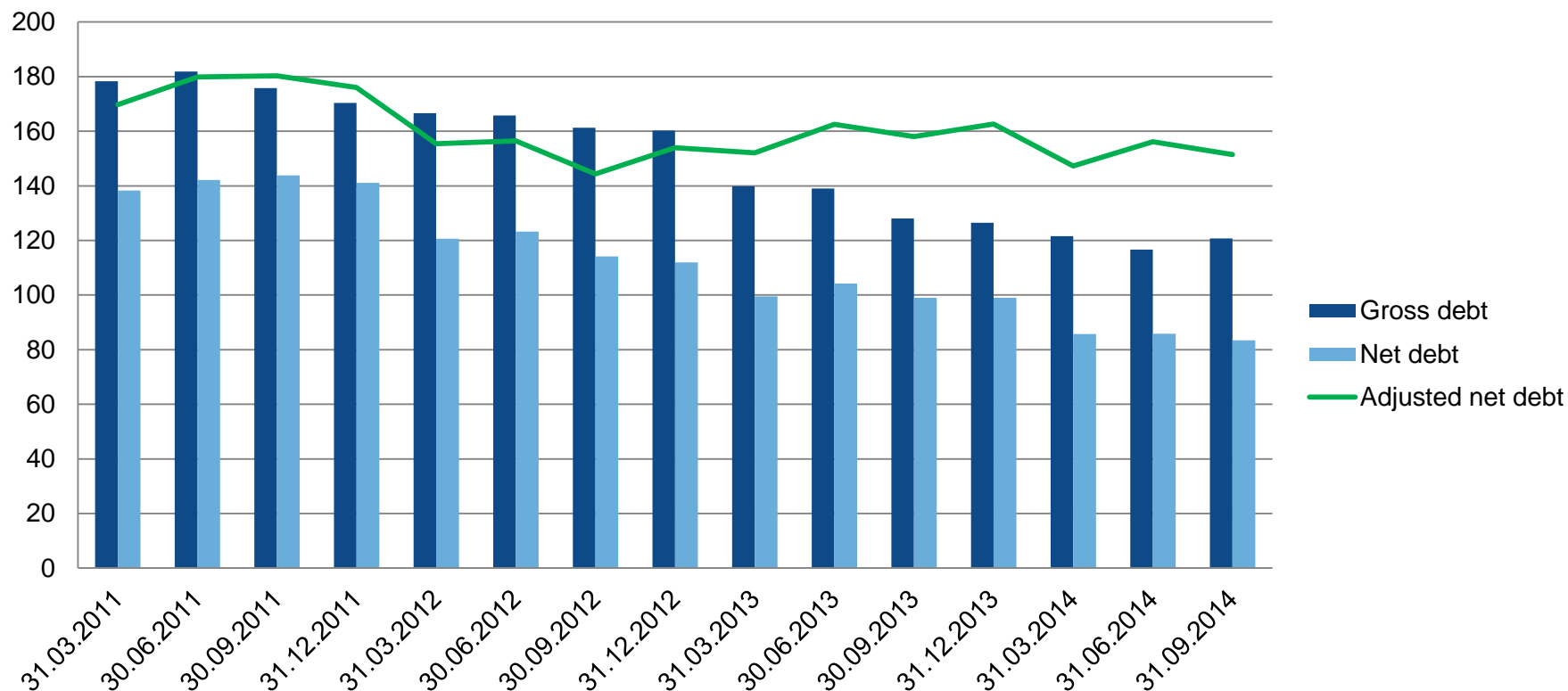
Divestments comprise mainly Hamburg distribution bussiness and Danish CHP plant Amager

Capital expenditures

SEK billion	Q3 2014	Q3 2013	Change %	Q1-Q3 2014	Q1-Q3 2013	Change %	FY 2013
Electricity generation	4.6	4.1	12.2	11.9	11.9	-	15.7
CHP/Heat	0.9	0.9	-	2.1	1.9	10.5	3.1
Electricity networks	1.0	1.0	-	3.0	2.7	11.1	4.6
Other	1.4	0.4	-	2.2	1.8	22.2	4.4
TOTAL	7.9	6.5	21.5	19.2	18.4	4.3	27.8
<i>- of which maintenance and replacement</i>	3.9	3.5	11.4	10.7	8.6	24.4	27.8
<i>- of which growth</i>	4.0	3.0	33.3	8.5	9.8	-13.3	13.5

Debt development

SEK billion



Compared with 31 December 2013, net debt decreased by SEK 15.6bn to SEK 83.4bn mainly due to the sales of the electricity distribution operation in Hamburg, the minority interest in Enea S.A. and the Danish Amager CHP plant (together totalling SEK 9.1 billion). Adjusted net debt decreased by SEK 11.1 billion, compared with 31 December 2013. Compared with 30 June 2014, adjusted net debt decreased by SEK 4.7bn. For the calculation of adjusted net debt, see Appendix slide 31.

Continued strong liquidity position

As of 30 September 2014

Group liquidity	MSEK
Cash and cash equivalents	10,984
Short term investments	24,810
Reported cash, cash equivalents & short term investments	35,794
Unavailable liquidity*	-6,030
Available liquidity	29,764

Committed credit facilities	Line size	MSEK
RCF (maturity Jan 2016)	2,550 MEUR	23,324
Total undrawn		23,324

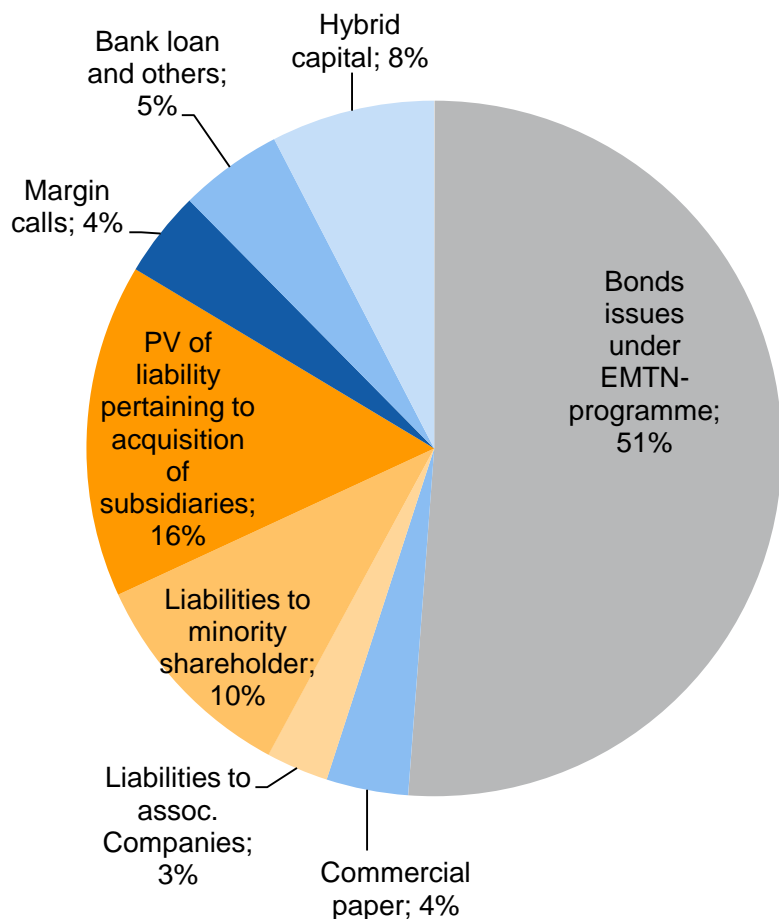
Debt maturities**	MSEK
Within 90 days	4,202
Within 180 days	6,322

* German nuclear "Solidarvereinbarung" 3,114 MSEK, Margin calls paid (CSA) 2,236 MSEK, Insurance "Provisions for claims outstanding" 572 MSEK and Margin accounts 108 MSEK

** Excluding loans from minority owners and associated companies

Breakdown of gross debt

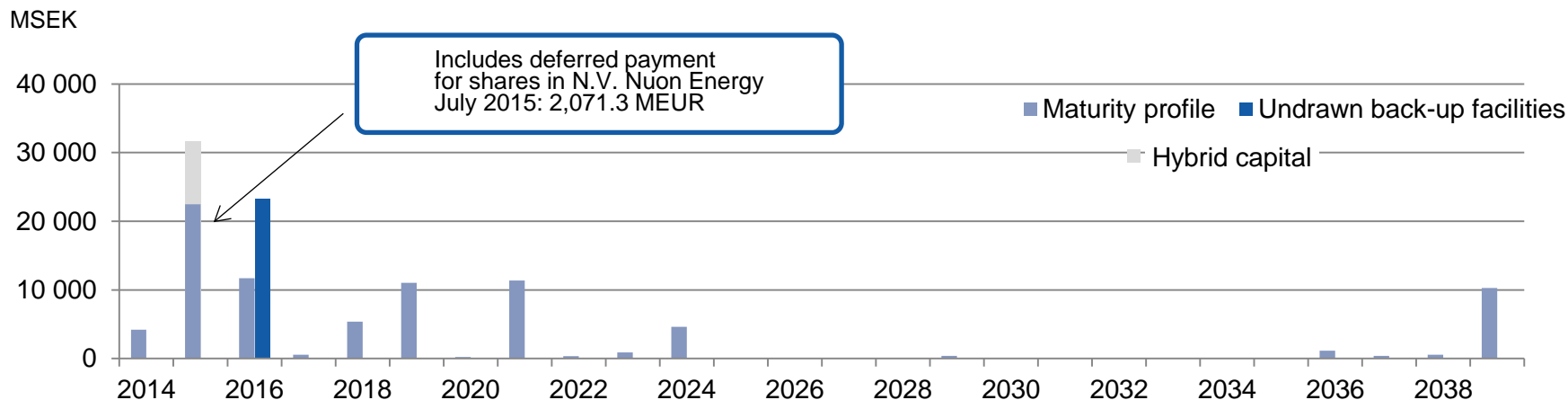
Total debt 30 Sept 2014: SEK 121 bn (EUR 13bn)
External market debt (SEK 86bn)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	6,219
EUR 2bn Euro CP	2,000	503
SEK 15bn Domestic CP	1,635	0
Total	18,635	6,722

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

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 September 2014	31 Dec 2013
Duration (years)	3.0	2.9
Average time to maturity (years)	5.8	5.7
Average interest rate (%)	3.6	3.5
Net debt (SEK bn)	83.4	99.0*

* Restated compared to earlier published information due to new accounting rules from 2014 according to IFRS 11.

Reported and adjusted net debt

Reported net debt (SEK billion)	Sept 30 2014	Dec 31 2013
Hybrid capital	-9.1	-8.8
Bond issues and commercial papers and liabilities to credit institutions	-69.4	-78.1
Present value of liability pertaining to acquisition of subsidiaries	-18.7	-17.9
Liabilities to associated companies	-3.4	-1.7*
Liabilities to minority shareholders	-12.3	-12.4
Other liabilities	-7.7	-7.5
Total interest-bearing liabilities	-120.7	-126.5*
Reported cash, cash equivalents & short-term investments	35.8	27.3
Loans to minority owners of foreign subsidiaries	1.5	0.1
Net debt	-83.4	-99.0*

* Restated compared to earlier published information due to new accounting rules from 2014 according to IFRS 11.

** Of which: German nuclear "Solidarvereinbarung" 3.1, Margin calls paid (CSA) 2.2, Insurance "Provisions for claims outstanding" 0.6, Margin accounts 0.1

Adjusted net debt (SEK billion)	Sept 30 2014	Dec 31 2013
Total interest-bearing liabilities	-120.7	-126.5*
50% of Hybrid capital	4.6	4.4
Present value of pension obligations	-38.8	-35.5
Mining & environmental provisions	-13.4	-11.8
Provisions for nuclear power (net)	-31.2	-28.1*
Cross currency swaps	1.9	1.2
Margin calls received	4.8	2.2
Liabilities to minority owners due to consortium agreements	11.6	10.9
= Adjusted gross debt	-181.2	-183.1
Reported cash, cash equivalents & short-term investments	35.8	27.3
Unavailable liquidity	-6.0**	-6.7
= Adjusted cash, cash equivalents & short-term investments	29.8	20.5
= Adjusted net debt	-151.5	-162.6

Impairment history 2009-Q3 2014 (1)

Impairments	SEK billion
Netherlands	52.2
- Thermal assets	30.6
- Q3 2014 (Assets)	2.6
- H1 2013 (Assets)	14.7
- 2012 (Assets)	5.1
- 2012 (Goodwill)	3.5
- 2011 (Assets, Goodwill)	0.4
- 2010 (Goodwill)	4.3
- Trading	16.5
- Q3 2014 (Goodwill)	10.0
- H1 2013 (Goodwill)	6.5
- Other assets	5.1
- Q3 2014 (Assets, Goodwill, intangible assets)	1.2
- Q2 2014 (Assets)	0.7
- H1 2013 (Assets, Goodwill)	1.5
- 2010 (Assets)	0.6
- 2009, 2010 (Wind power assets)	1.1

Impairment history 2009-Q3 2014 (2)

Impairments	SEK billion
Germany	26,8
- Thermal assets (Q3 2014)	5.6
- Other assets (Q3 2014)	1.3
- Thermal assets (H1 2013)	4.3
- Nuclear assets (2011)	10.5
- Transmission (2010)	5.1
Nordic	8.6
- Renewable assets (Q3 2014)	1.4
- Thermal assets	7.1
- <i>H1 2013 (Assets)</i>	3.0
- <i>2009 (Assets)</i>	4.1
Poland (2011, 2012, 2013; Shares in Enea S.A.) - accounted for as financial expense	2.4
Liberia (2012, biomass project) – of which 0.8 accounted for as financial expense	1.3
Other (mainly UK)	2.5
Total impairments 2009 – Q3 2014 (Netherlands, Germany, Nordic, Poland, Liberia, Other)	93.8