

Vattenfall Full Year 2014 results

Magnus Hall, CEO and Ingrid Bonde, CFO

Presentation 5 February 2015

Financial highlights

SEK billion	FY 2014	FY 2013	% Change	Q4 2014	Q4 2013	% Change
Net Sales	165.9	172.3	-3.7	48.7	47.2	+3.2
Underlying EBIT	24.1	28.1	-14.2	8.2	7.0	+17.1
Profit after tax	-8.3	-13.5	-	3.9	2.0	+95.0
ROCE, %	-0.7%	-2.1%	-	-	-	-
ROCE excl IAC, %	8.2%	9.3%	-	-	-	-

- The Board proposes a zero dividend for 2014

ROCE = Return on capital employed

IAC = Items affecting comparability

Summary 2014

- Slightly lower electricity production volumes at 172.9 TWh (181.7)
- Lower heat and gas sales, mainly due to warmer weather
- Successful cost reductions
- Several asset disposals
- Impairments and interest rate driven increase of pension and nuclear provisions
- Decision to find new owners for German lignite business
- Increased investments in wind power. Several new wind projects started
- New partnership financing for Swedish wind projects
- Strategic review initiated
- New organisational structure and new management team from 1 April 2015

Market conditions

- Continued challenging market environment:
 - Structural oversupply, despite mothballing and closures of conventional power plants
 - Depressed electricity prices and margins
 - Surge in renewables has led to less peak demand
 - Most gas fired plants (CCGTs) have become loss-making
 - Sharply lower oil and coal prices
- Warmer weather reduced demand for electricity, gas and heat
- Regulatory uncertainty
- Reformation of ETS (EU emissions trading system) may provide upside for CO2 prices

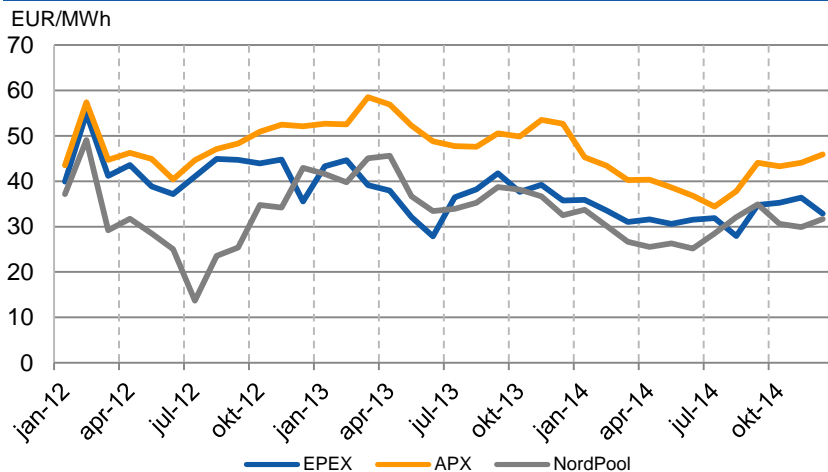
Lower spot and forward prices

FY 2014 vs FY 2013:

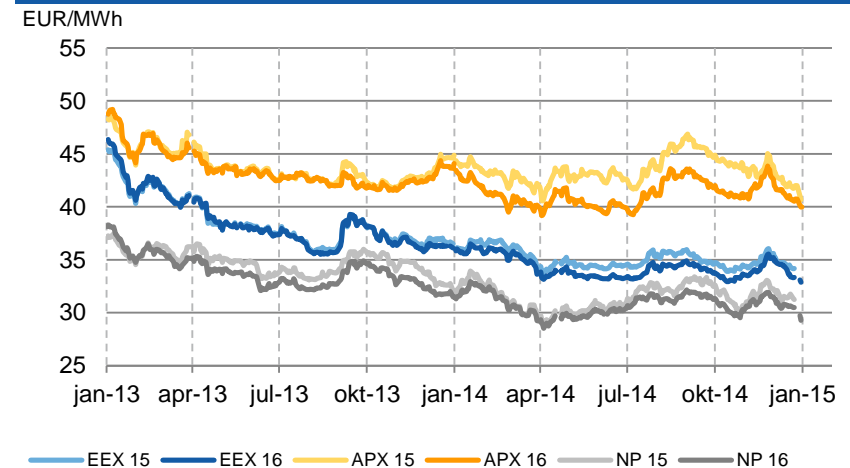
- Nordic spot prices 22% lower
- German spot prices 13% lower
- Dutch spot prices 21% lower
- Nordic and German futures prices 9%-11% lower, Dutch futures prices 1%-5% lower

EUR/MWh	Nord Pool	EPEX	APX
2014 (2013)	29.6 (38.1)	32.8 (37.8)	41.2 (51.9)
%	-22.3	-13.3	-20.7
Q4-14 (Q4-13)	30.7 (36.0)	34.8 (37.6)	44.4 (52.1)
%	-14.5	-7.5	-14.7

Monthly spot average

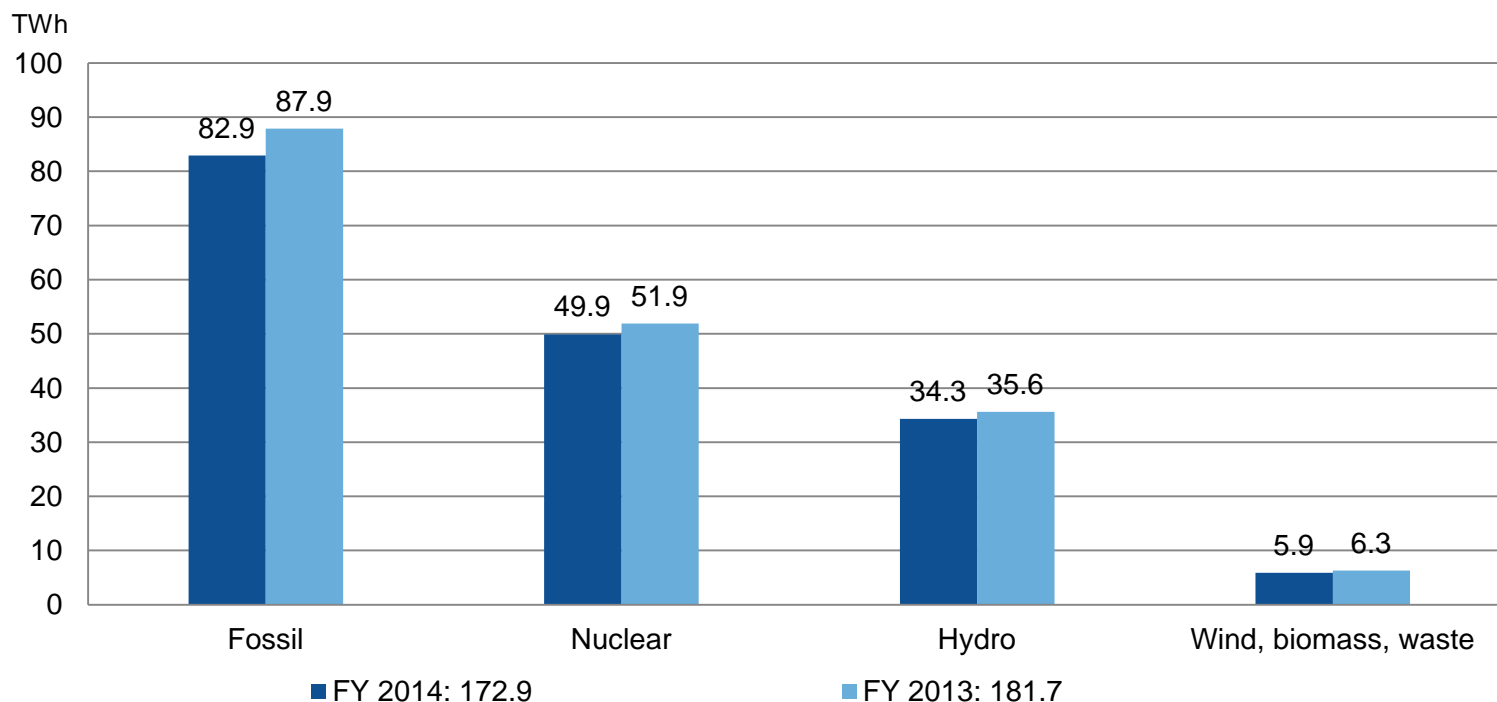


Electricity futures prices



Electricity generation decreased 5% to 172,9 TWh

- Lower fossil based production mainly due to divestment of Amager CHP plant in Denmark
- Slightly lower nuclear power and hydro power production
- Slightly lower wind power and other renewables



Assets disposals 2014

Asset	Type	Price	Country	Closing
Amager	CHP plant	DKK 2bn (EV)	Denmark	Jan 2014
Distribution Hamburg	74.9% of electricity network business	EUR 412mn* + EUR 243mn (repaid shareholders loan)	Germany	Feb 2014
ENEA S.A.	18.67% of the shares	SEK 2.2bn	Poland	Feb 2014
Vattenfall Europe Consultant GmbH	Engineering business	-	Germany	Q1 2014
Kalix Värmeverk	Heat plant	Not disclosed	Sweden	Q2 2014
Müllverwertung Borsigstrasse GmbH	Waste incineration plant	EUR 67mn	Germany	Q3 2014
Utrecht cluster	CPH operations	Not disclosed	Netherlands	Jan 2015
VSG GmbH / TEGEMA GmbH	Facility services**	Not disclosed	Germany	Jan 2015
Fynsverket	CHP plant	DKK 1.1bn (EV)	Denmark	Q1 2015
Thanet cable	Transmission cables	SEK 2bn	UK	Dec 2014

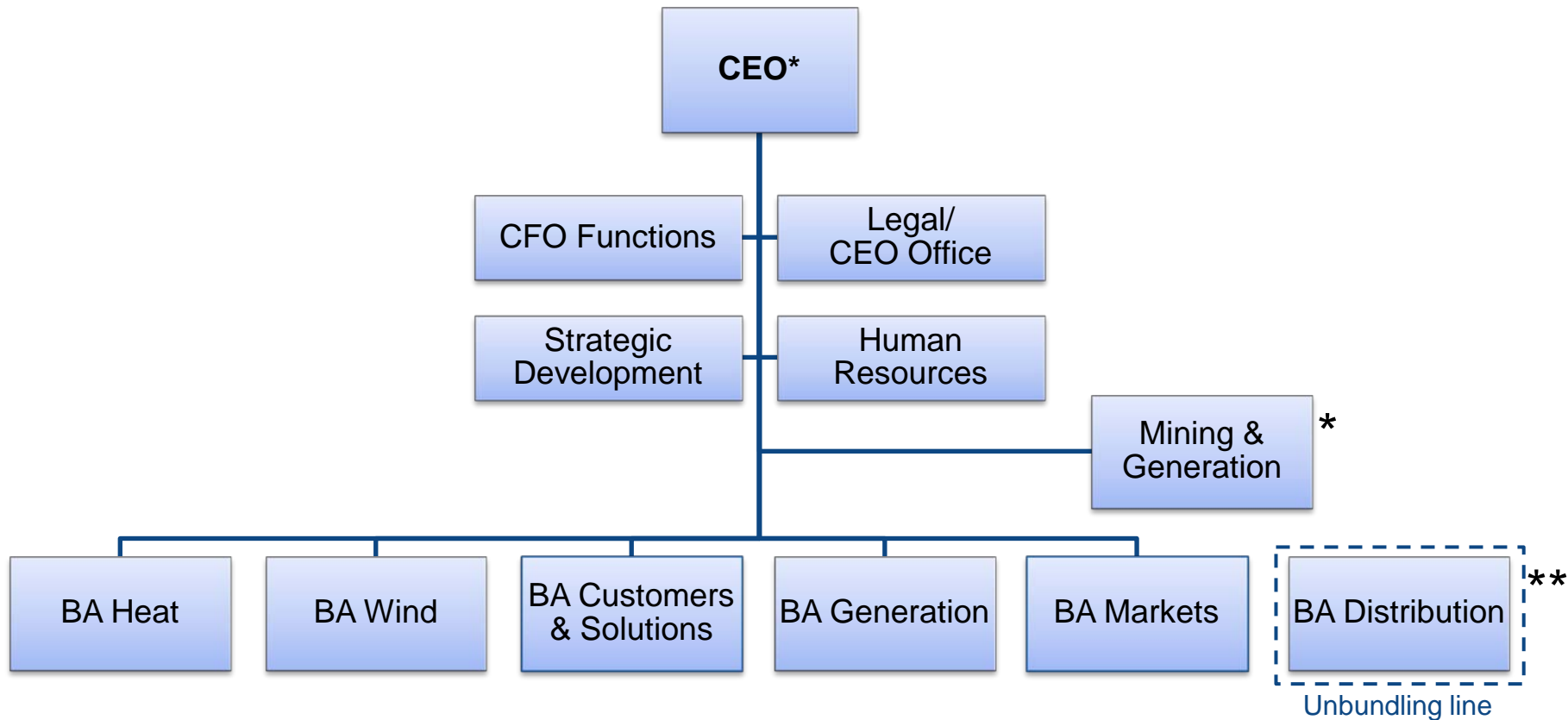
* Final price fixing still pending.
(Minimum agreed price is EUR495mn for 100%)

** Approx 500 employees

Major wind power projects

Project	MW	Type	Country	Start up
Pen y Cymoedd	228	Onshore	UK	Aug 2017
Clashindarroch	37	Onshore	UK	March 2015
Kentish Flats (<i>extension</i>)	50	Offshore	UK	Aug 2015
DanTysk (<i>Vattenfall 51%</i>)	288	Offshore	Germany	Dec 2014
Sandbank (<i>Vattenfall 51%</i>)	288	Offshore	Germany	Jan 2017
Klim (<i>repowering</i>)	67	Onshore	Denmark	Jan 2016
Höge Väg	38	Onshore	Sweden	End of 2015
Juktan	29	Onshore	Sweden	End of 2015
Högabjär-Kärsås	38.4	Onshore	Sweden	End of 2015

New organisational structure as of 1 April 2015



* German lignite operations will be governed in a separate unit, Mining & Generation

** The distribution business is legally and functionally separated from Vattenfall's other operations.

Six cross-border business areas replace regional structure

Heat	All heat operations including all thermal operations except for the lignite operations
Wind	All wind power operations
Customers & Solutions	Sales to end customers
Generation	All hydro and nuclear power operations
Markets	Corresponds to the current Business Division Asset Optimisation and Trading
Distribution*	Electricity distribution operations in Sweden and Germany

German lignite operations will be governed in a separate unit, Mining & Generation

* The distribution business is legally and functionally separated from Vattenfall's other operations.

Four reporting segments

Business Areas

Heat	Customers & Solutions	Power Generation	Distribution
<ul style="list-style-type: none">• Heat	<ul style="list-style-type: none">• Customers & Solutions	<ul style="list-style-type: none">• Wind• Generation• Markets <p><i>and</i></p> <ul style="list-style-type: none">• Mining & Generation	<ul style="list-style-type: none">• Distribution

Staff functions including treasury activities and Shared Service Centres will be reported in the unit "Other"

Financials

Ingrid Bonde, CFO

FY 2014 Financial highlights

SEK billion	FY 2014	FY 2013
Net Sales	165.9	172.3
EBITDA	41.0	43.6
Underlying EBITDA*	43.6	47.8
EBIT	-2.2	-6.2
Underlying EBIT*	24.1	28.1
Financial items, net	-6.0	-9.0
Profit after tax	-8.2	-13.5
Cash flow (FFO)	32.1	31.9
Operating cash flow (after change in working capital)	40.1	37.8
Net debt	79.5	99.0
Adjusted net debt	158.3	162.6
FFO/Adjusted net debt (% LTM)	20.3	19.6
Adjusted net debt/EBITDA (times)	3.9	3.7

* Excluding Items affecting comparability

Q4 2014 Financial highlights

SEK billion	Q4 2014	Q4 2013
Net Sales	48.7	47.2
EBITDA	12.1	9.4
Underlying EBITDA*	13.2	12.2
EBIT	7.0	3.9
Underlying EBIT*	8.2	7.0
Financial items, net	-1.6	-2.1
Profit after tax	3.9	2.0
Cash flow (FFO)	12.5	6.5
Operating cash flow (after change in working capital)	14.3	7.9

* Excluding Items affecting comparability

Items affecting comparability

SEK billion	Q4 2014	Q4 2013	FY 2014	FY 2013
Capital gains	0.1	0.2	3.2	0.2
Capital losses	-0.2	-0.1	-0.2	-0.1
Impairment losses	-0.1	-0.3	-23.8	-30.1
Unrealised changes in the fair value of energy derivatives	-0.7	-1.0	0.8	-1.0
Unrealised changes in the fair value of inventories	-	0.4	0.1	0.3
Restructuring costs	-0.2	-0.8	-0.8	-1.6
Other IACs	-0.1	-1.6	-5.7	-2.0
Total	-1.2	-3.1	-26.3	-34.3

Increased provisions due to lower interest rates

Type of provision	New discount rate % ¹⁾	Change % points	EBIT impact SEK bn ²⁾	Adj. net debt impact SEK bn ⁴⁾
Pensions, Sweden	2.5	-1.5	-	1.9
Pensions, Germany	2.0	-1.5	-	7.2
Nuclear, Germany	4.0	-0.75	-4.9	5.0 ³⁾
Mining related and other, Germany	4.0	-0.75	-0.6	0.9
Total Group			-5.5	15.0

1) Discount rates for pensions were lowered in both Q2 and Q4.

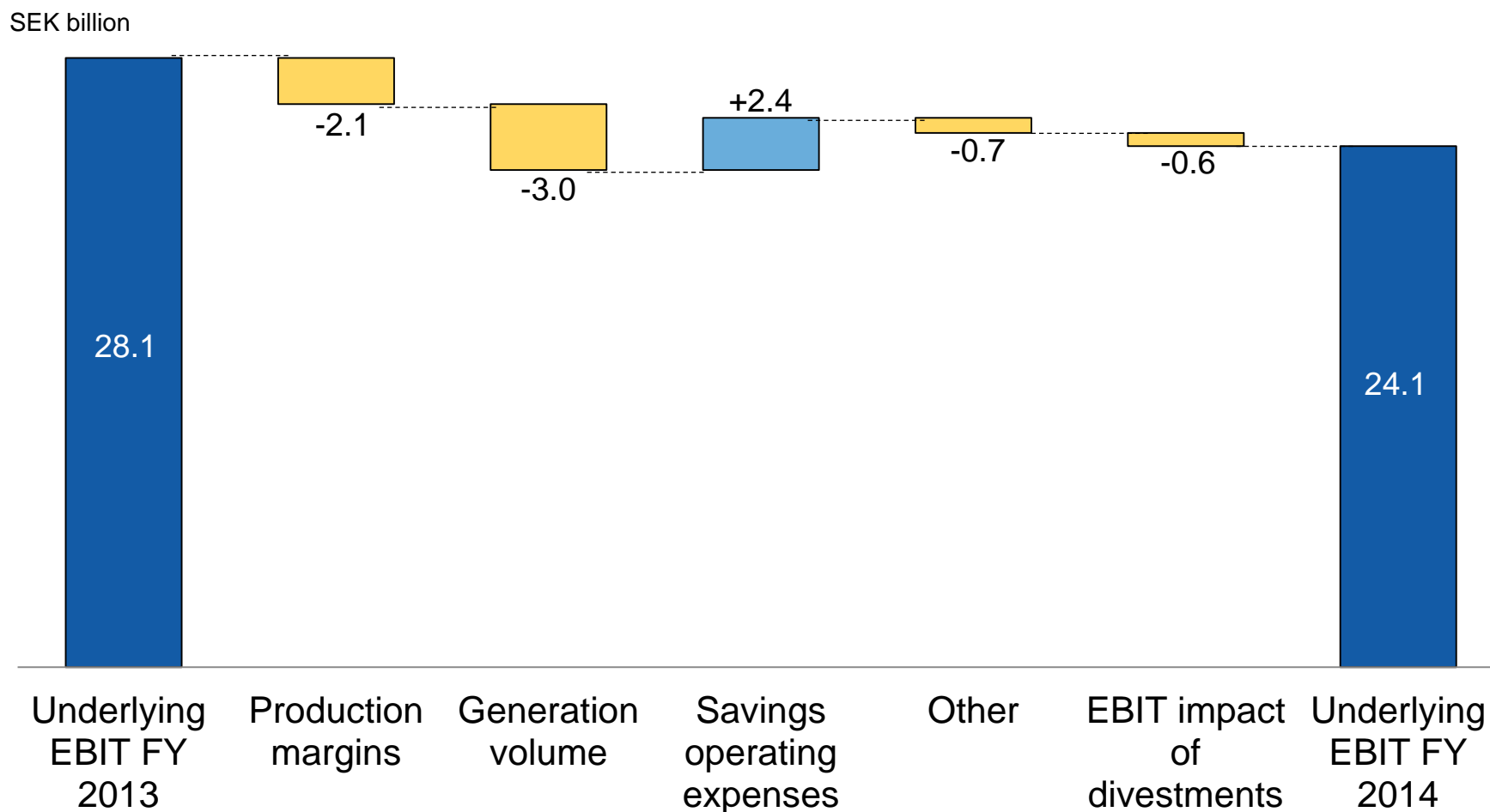
2) The increased provisions are treated as items affecting comparability and therefore have no impact on underlying EBIT

3) Calculated pro rata based on Vattenfall's ownership in respective plant

4) Figures only represent changes as a result of the changed interest rate and other actuarial assumptions, not change of total provisions

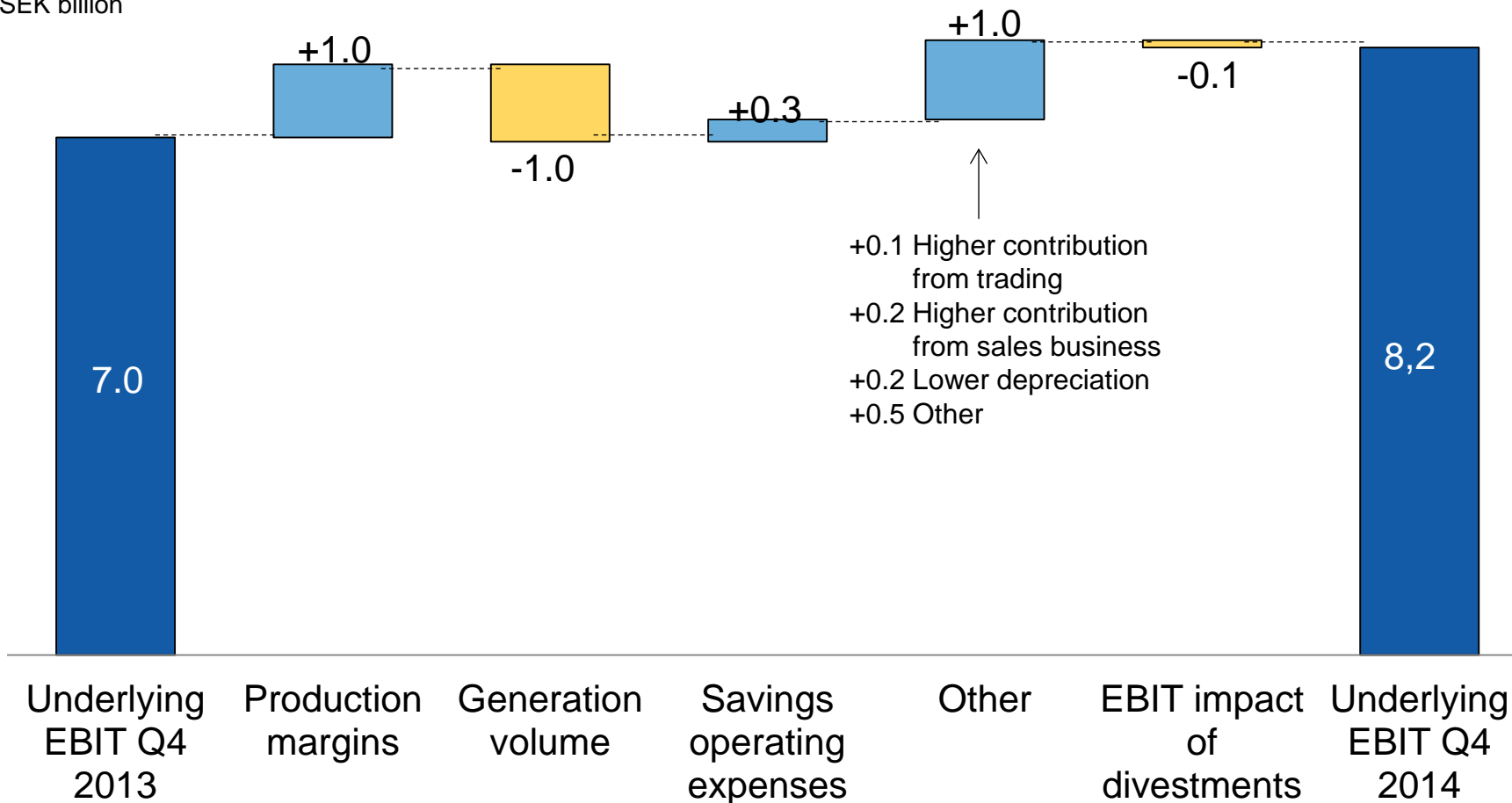
Due to continued falling market interest rates Vattenfall has lowered the discount rates it uses for calculating pension provisions in Sweden and Germany as well as other provisions in Germany, mainly nuclear provisions.

Development of underlying EBIT Full Year 2014



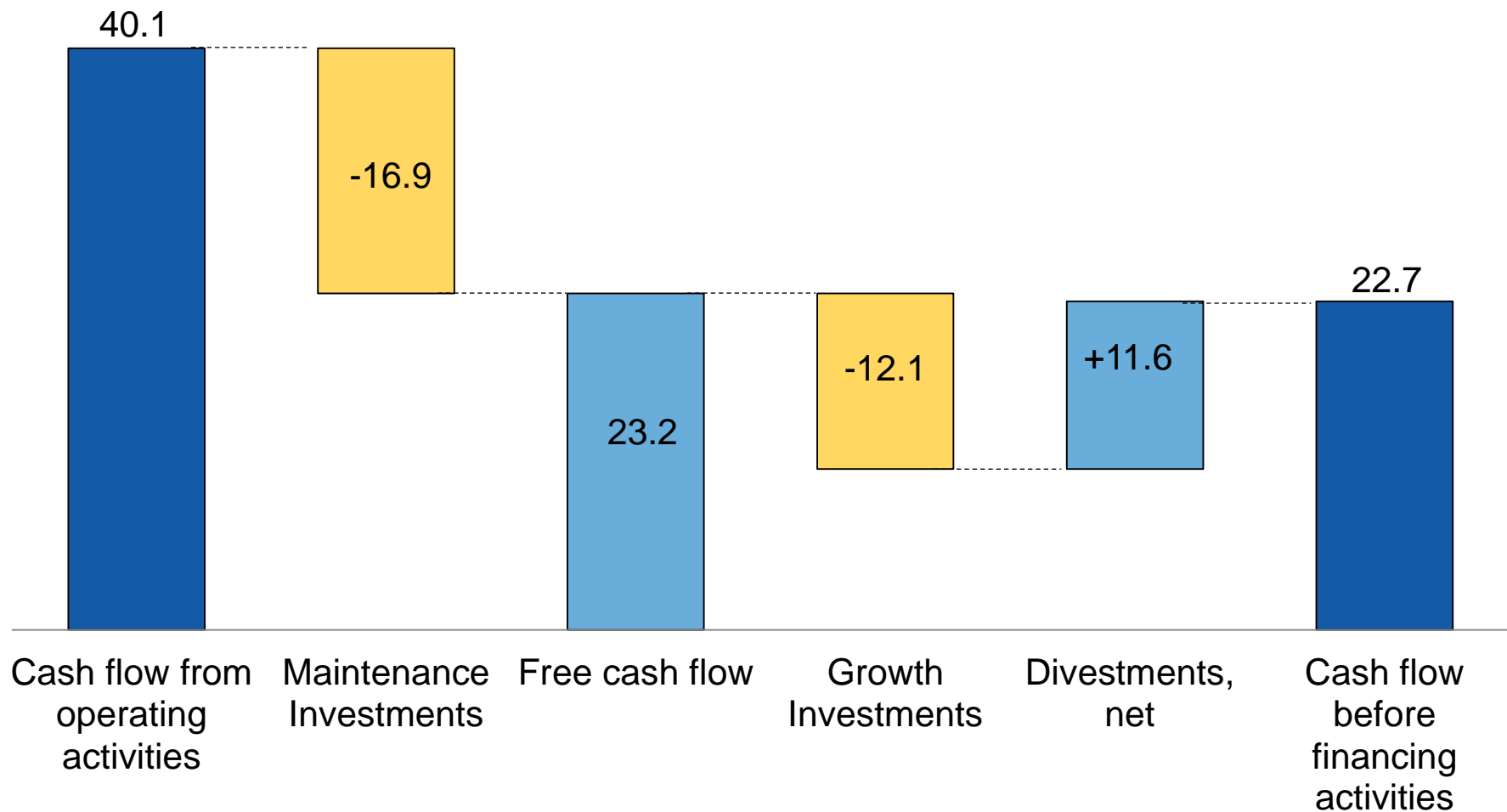
Development of underlying EBIT Q4 2014

SEK billion



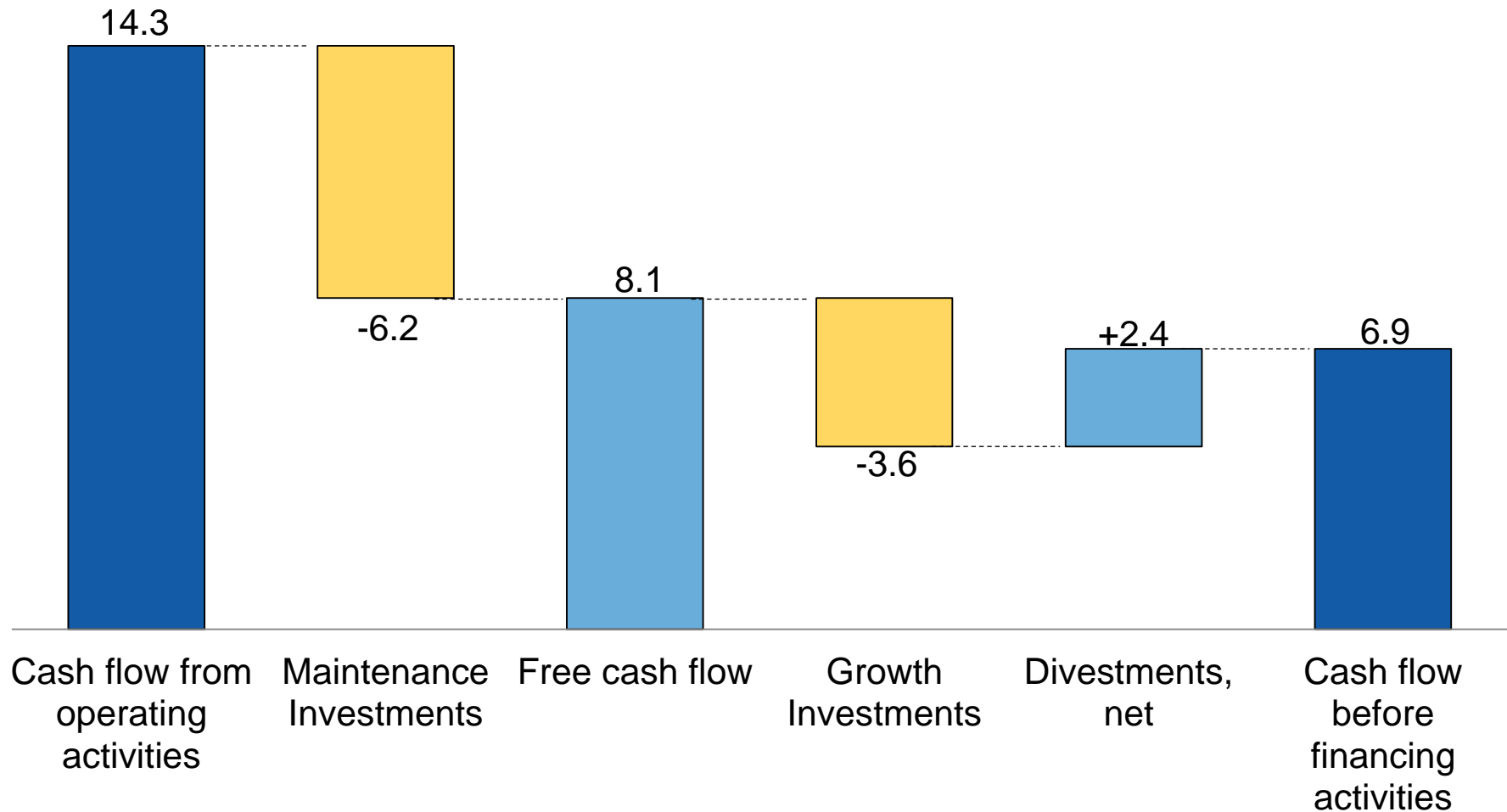
Cash flow development FY 2014

SEK billion



Cash flow development in Q4

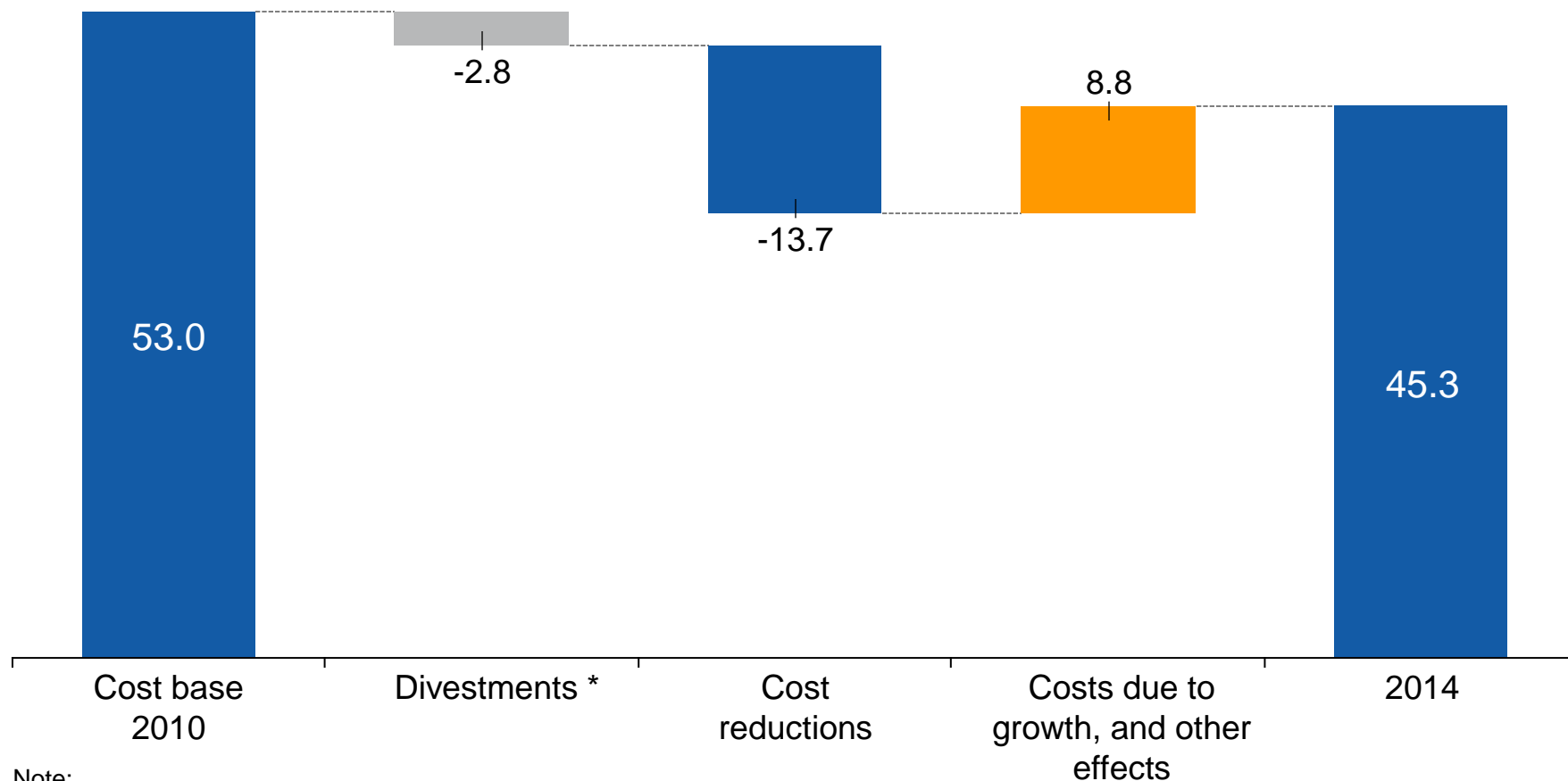
SEK billion



Significant cost reductions during 2011–2014

Cost reductions of SEK 13.7bn on a yearly basis.
Corresponds to 26% compared with the cost base in 2010

In SEK billion

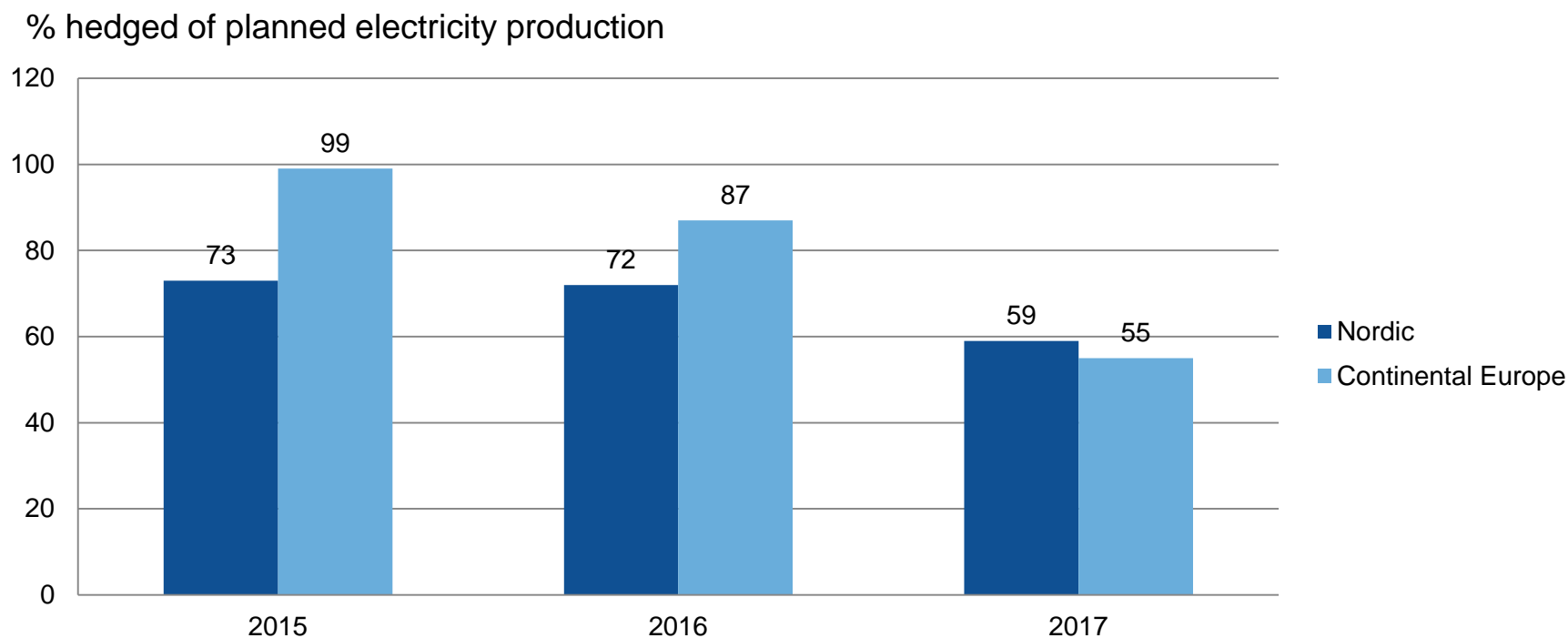


Note:

* Divestments – include divestments in Poland, Finland during 2011, Hamburg distribution and other minor divestments in 2014

** Cost from growth and other effects - include cost due to growth, FX effects, Restructuring costs, etc.

Hedge ratios and prices as per 31 December 2014



Hedge prices EUR/MWh	2015	2016	2017
Nordic region	36	34	32
Continental Europe	45	39	36

Financial targets and outcome

Metric	Target	Outcome FY 2014	Outcome FY 2013
Return on Capital Employed (ROCE)	9.0%	-0.7% (8.2% excl.IAC*)	-2.1% (9.3% excl.IAC*)
Net debt/Equity	50-90%	61.9%	75.7%
FFO/Adjusted net debt	22-30%	20.3%	19.6%

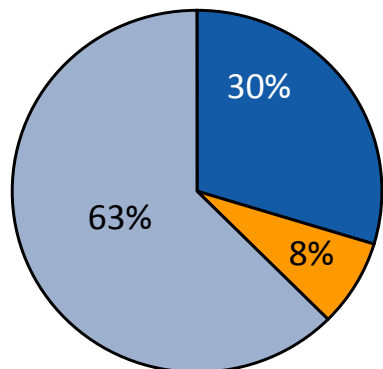
* IAC = Items affecting comparability

** LTM = Last twelve months

Investment plan 2015-2016 (1)

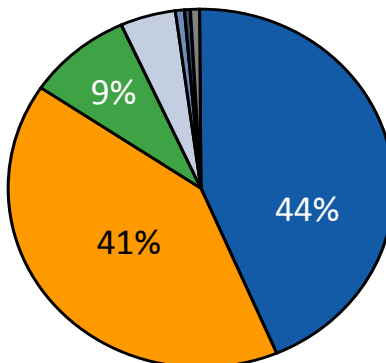
- Total investments of SEK 41bn
 - of which SEK12.2bn relates to growth investments
 - of which SEK 30.8bn relates to electricity and heat production

Total investments SEK 41bn



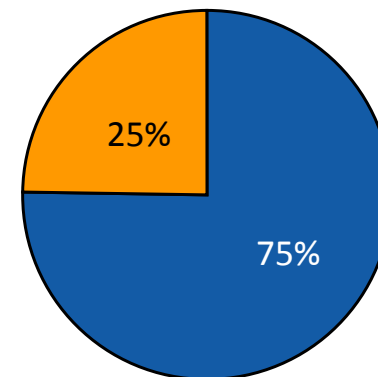
- Growth investments (12.2)
- Replacement investments(3.1)
- Maintenance investments (25.7)

Total Investments geographical split



- Germany (7.8)
- Sweden (16.8)
- Great Britain (3.7)
- Denmark (0.3)
- Finland (0.2)
- Generiskt (IT) (0.4)
- Netherlands (1.8)

Total investments SEK 41bn

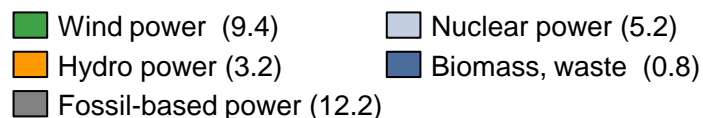
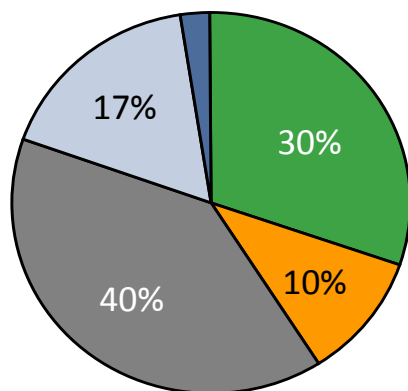


- Production related investments (30.8)
- Non-production related investments (10.2)

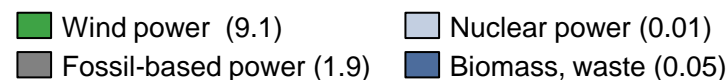
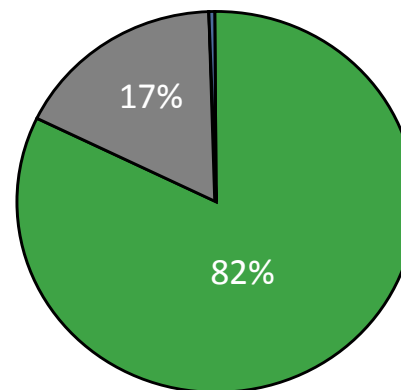
Investment plan 2015-2016 (2)

- Investments in low CO2 emitting technologies account for 60% of total investments in electricity and heat production
- Wind power investments account for 82% of total investments in electricity and heat production

Production related investments SEK 30.8bn



Production related growth investments



Q&A

Appendix

Breakdown per operating segment

Nordic

SEK billion	Q4 2014	Q4 2013	Change,%	FY 2014	FY 2013	Change,%
External net sales	14.1	14.4	-2.1	49.2	52.3	-5.9
Underlying EBIT	3.6	4.0	-10.0	12.0	15.4	-22.1
Electricity generation, TWh	21.5	22.6	-4.9	83.1	87.0	-4.5
Number of FTE	8,508	8,395	1.3	8,508	8,395	1.3

Continental/UK

SEK billion	Q4 2014	Q4 2013	Change,%	FY 2014	FY 2013	Change,%
External net sales	34.5	32.7	5.5	116.6	119.8	-2.7
Underlying EBIT	4.8	3.2	50.0	12.7	13.7	-7.3
Electricity generation, TWh	24.7	25.1	-1.6	89.9	94.7	-5.1
Number of FTE	19,952	21,811	-8.5	19,952	21,811	-8.5

Underlying EBIT for comparable units

Underlying EBIT (SEK billion)	Q4 2014	Q4 2013	Change %	FY 2014	FY 2013	Change %
Nordic	3.6	4.0	-10.0	12.0	15.4	-22.1
Divestment impact	-	-	-	-	-	-
Nordic underlying EBIT excluding divestments	3.6	4.0	-10.0	12.0	15.4	-22.1
Continental /UK	4.8	3.2	50.0	12.7	13.7	-7.3
Divestment impact	-	-0.1	-	-	-0.6	-
Continental /UK underlying EBIT excluding divestments	4.8	3.1	54.8	12.7	13.1	-3.1
Other & eliminations	-0.1	-0.2	50.0	-0.6	-0.9	33.3
Group total underlying EBIT excluding divestments	4.7	2.9	62.1	12.1	14.6	-17.1

Divestments comprise mainly Hamburg distribution bussiness and Danish CHP plant Amager

Capital expenditures

SEK billion	Q4 2014	Q4 2013	Change %	FY 2014	FY 2013	Change %
Electricity generation *	6.0	3.8	60.1	17.9	15.7	14.1
CHP/Heat	1.5	1.1	29.3	3.7	3.1	20.0
Electricity networks	2.1	1.9	12.3	5.0	4.6	10.6
Other	0.2	2.6	-92.3	2.4	4.4	-45.5
TOTAL	9.8	9.6	4.6	29.0	27.8	4.6
<i>- of which maintenance and replacement</i>	6.2	5.7	8.8	16.9	14.3	18.2
<i>- of which growth</i>	3.6	3.7	-2.7	12.1	13.5	-10.4

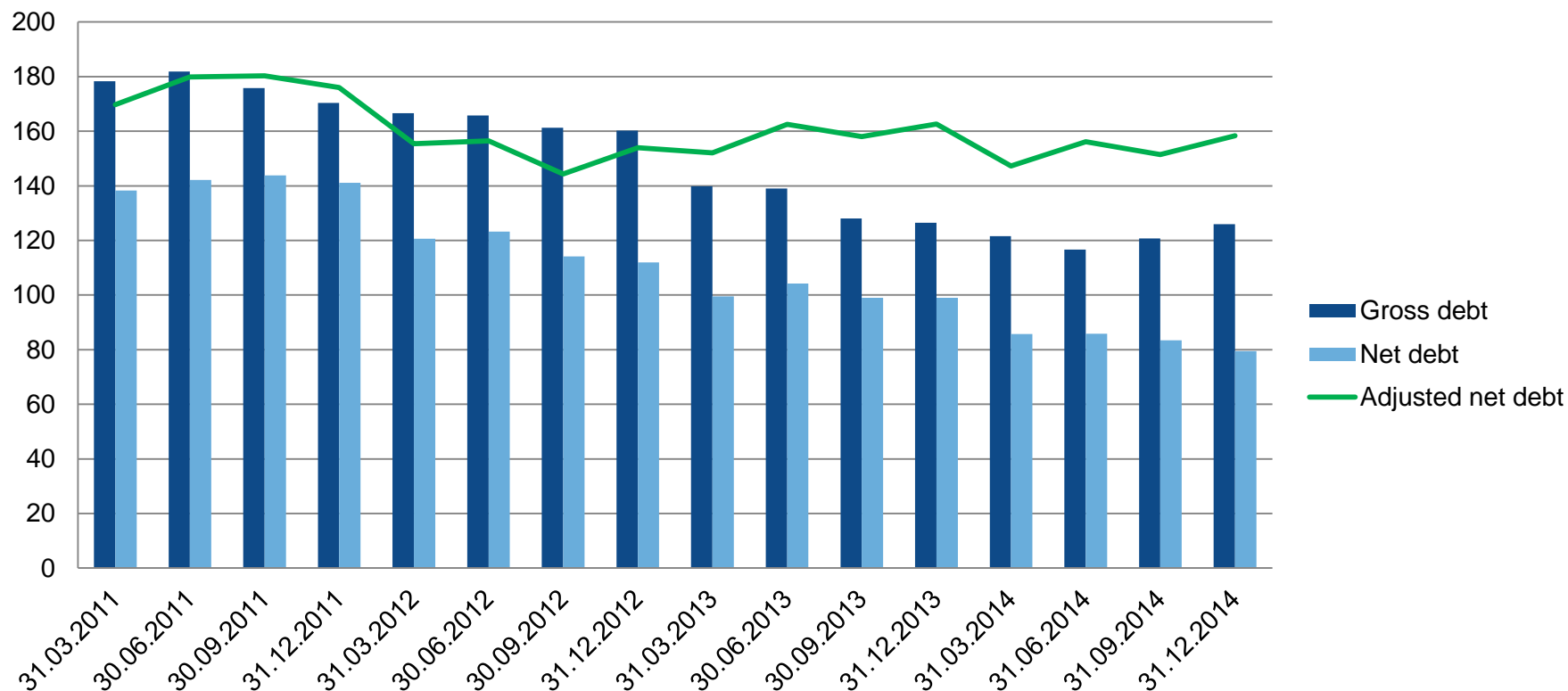
* Of which investments in wind power

FY 2014: SEK 6.5bn

Q4 2014: SEK 2.1bn

Debt development

SEK billion



Compared with 31 December 2013, net debt decreased by SEK 19.5bn to SEK 79.5bn mainly due to the sales of the electricity distribution operation in Hamburg, the minority interest in Enea S.A., the Danish Amager CHP plant and MVB in Hamburg (together totalling SEK 12.1 billion). Adjusted net debt decreased by SEK 4.3 billion, compared with 31 December 2013. For the calculation of adjusted net debt, see Appendix slide 35.

Continued strong liquidity position

As of 31 December 2014

Group liquidity	MSEK
Cash and cash equivalents	12,283
Short term investments	32,785
Reported cash, cash equivalents & short term investments	45,068
Unavailable liquidity*	-7,272
Available liquidity	37,796

Committed credit facilities	Line size	MSEK
RCF (maturity Dec 2019)	2,000 MEUR	18,786
Total undrawn		18,786

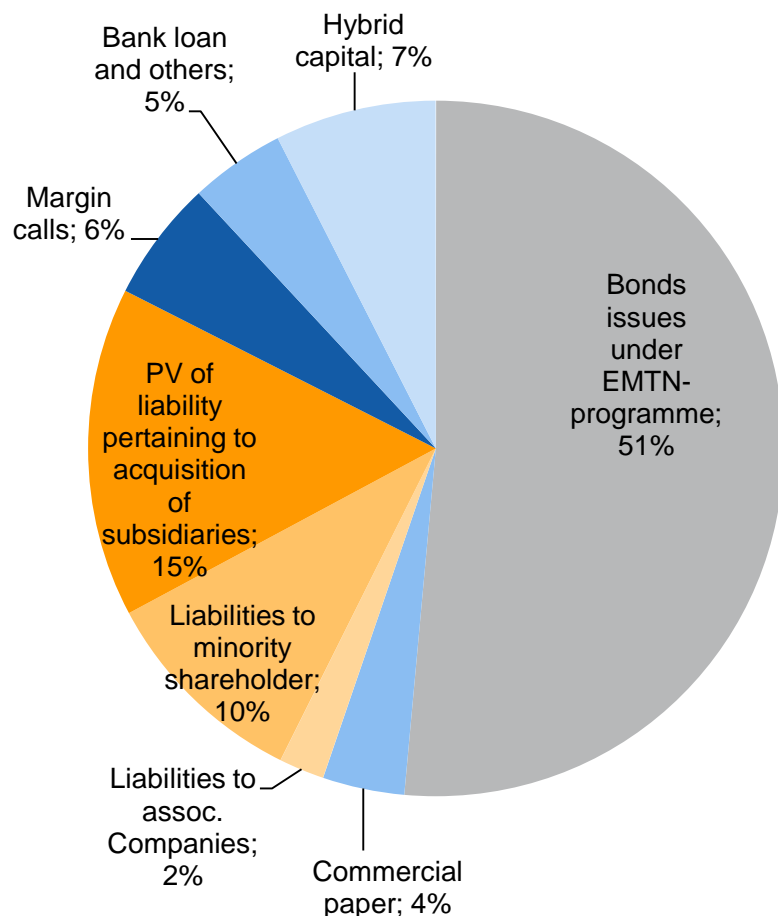
Debt maturities**	MSEK
Within 90 days	5,998
Within 180 days	16,805

* German nuclear "Solidarvereinbarung" 3,198 MSEK, Margin calls paid (CSA) 3,050 MSEK, Insurance" Provisions for claims outstanding" 802 MSEK and Margin accounts 222 MSEK

** Excluding loans from minority owners and associated companies.

Breakdown of gross debt

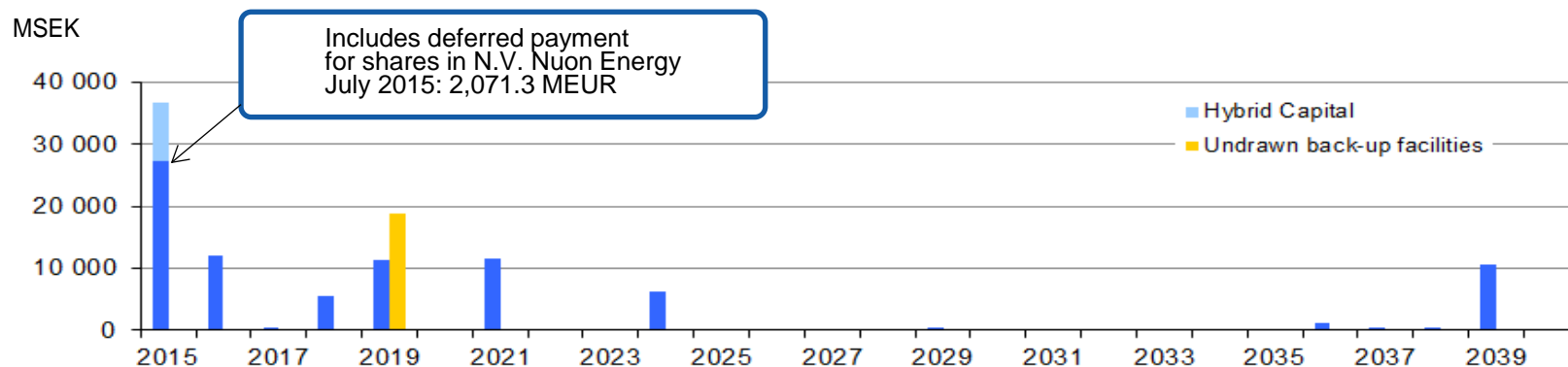
Total debt 31 Dec 2014: SEK 126bn (EUR 13bn)
External market debt (SEK 92bn)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	6,219
EUR 2bn Euro CP	2,000	258
SEK 15bn Domestic CP	1,597	253
Total	18,597	6,729

- 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.

	31 Dec 2014	31 Dec 2013
Duration (years)	2.8	2.9
Average time to maturity (years)	5.6	5.7
Average interest rate (%)	3.6	3.5
Net debt (SEK bn)	79.5	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)	Dec 31 2014	Dec 31 2013
Hybrid capital	-9.4	-8.8
Bond issues and commercial papers and liabilities to credit institutions	-72.5	-78.1
Present value of liability pertaining to acquisition of subsidiaries	-19.3	-17.9
Liabilities to associated companies	-2.6	-1.7*
Liabilities to minority shareholders	-12.4	-12.4
Other liabilities	-9.8	-7.5
Total interest-bearing liabilities	-125.9	-126.5*
Reported cash, cash equivalents & short-term investments	45.1	27.3
Loans to minority owners of foreign subsidiaries	1.4	0.1
Net debt	-79.5	-99.0*

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

** Of which: German nuclear "Solidarvereinbarung" 3.2, Margin calls paid (CSA) 3.1, Insurance "Provisions for claims outstanding" 0.8, Margin accounts 0.2

Adjusted net debt (SEK billion)	Dec 31 2014	Dec 31 2013
Total interest-bearing liabilities	-125.9	-126.5*
50% of Hybrid capital	4.7	4.4
Present value of pension obligations	-45.3	-35.5
Mining & environmental provisions	-14.5	-11.8
Provisions for nuclear power (net)	-33.7	-28.1*
Cross currency swaps	0	1.2
Margin calls received	7.0	2.2
Liabilities to minority owners due to consortium agreements	11.6	10.9
= Adjusted gross debt	-196.1	-183.1
Reported cash, cash equivalents & short-term investments	45.1	27.3
Unavailable liquidity	-7.3**	-6.7
= Adjusted cash, cash equivalents & short-term investments	37.8	20.5
= Adjusted net debt	-158.3	-162.6