



VATTENFALL Q2 AND H1 RESULTS 2016

Magnus Hall, CEO and Ingrid Bonde, CFO

Press Conference 21 July 2016



HIGHLIGHTS AND KEY FIGURES

The Swedish energy agreement – positive for Vattenfall

- Target of 100 percent renewable electricity production by 2040
- Capacity tax on nuclear abolished over two years beginning 2017
- Property tax on hydro reduced from 2.8 percent to 0.5 percent over four years beginning 2017

Strategic investments in Forsmark secure long term SE nuclear operations

- Decision to invest in independent core cooling in Forsmark 1,2,3
- Prerequisites for similar investments in Ringhals 3 and 4 are now being investigated

Lignite divestment on track – Swedish state confirms the sale

- Positive effect on adjusted net debt amounts to SEK 7.1 billion
- Negative effect on P&L amounts to SEK 21.5 billion

Investment in the innovative Aberdeen offshore wind farm

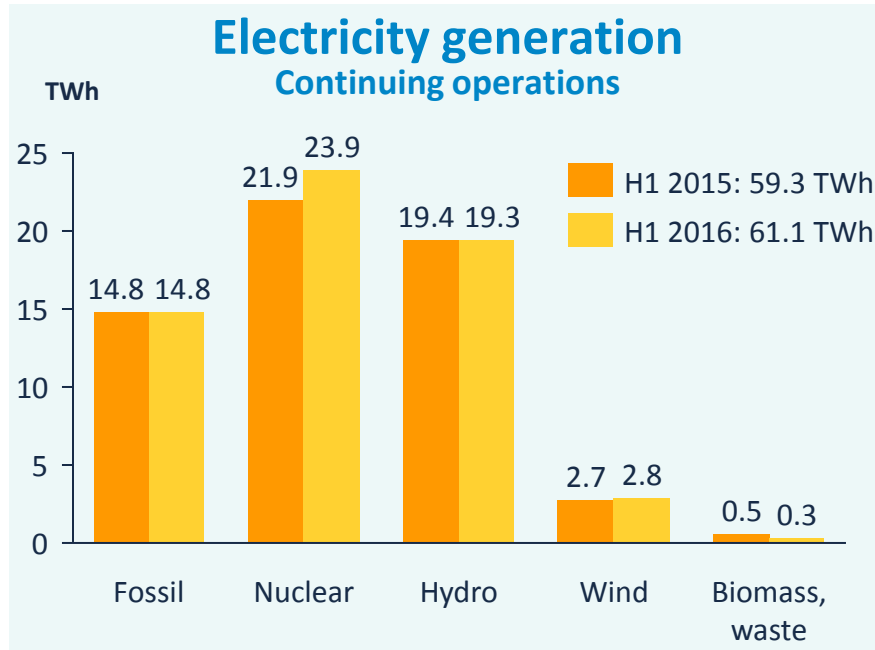
- Total investment of ~GBP 300 million in a 92 MW project using cutting-edge offshore wind technology

SEK bn	Total Vattenfall H1 2016	Total Vattenfall H1 2015
Net Sales	80.4	81.5
Underlying EBIT	11.0	10.7
EBIT	-20.6	-29.7
Profit after tax	-22.0	-23.8
ROCE, %*	-5.5	-14.6
ROCE excl. IAC, %*	8.3	7.5
FFO/Adjusted net debt, %*	23.7	21.1

* Last twelve months

STABLE ELECTRICITY GENERATION

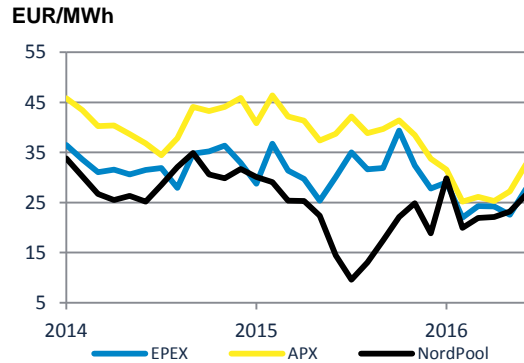
Higher nuclear generation due to higher availability



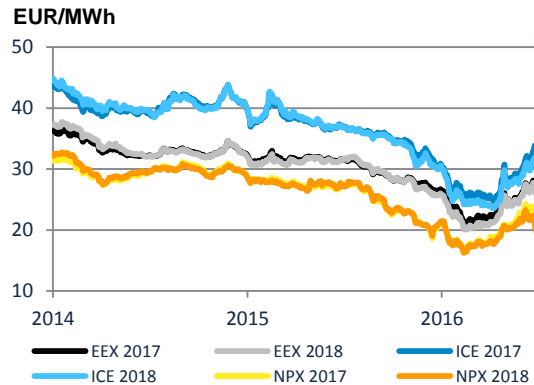
- Stable electricity generation for continuing operations, i.e., excluding lignite operations
- Nuclear power generation increased owing to higher availability
- Electricity generation for Total Vattenfall, including lignite operations, amounted to 88.7 TWh in H1 2016

ENERGY PRICES REMAIN AT LOW LEVELS

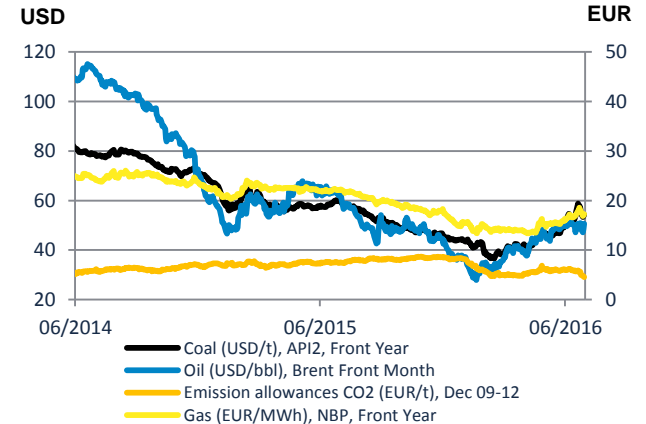
Spot power prices average



Electricity futures



Commodity prices



- Nordic spot prices 15% higher vs. Q2 2015 mainly owing to lower hydrological balance
- German and Dutch spot prices approx. 12% and 28% lower respectively vs. Q2 2015
- Electricity futures prices lower in all of Vattenfall's markets
- Lower prices on oil (Brent crude), coal, gas and CO₂ allowances

THE ENERGY AGREEMENT – POSITIVE FOR VATTENFALL



Targets

- Target of **100% renewable production by 2040** (annual production level corresponding to domestic demand)
- Sweden should **have zero net emission of GHG by 2045**, implying further electrification
- A target for **energy efficiency** for 2020-2030 to be set



Nuclear

- **Capacity tax¹ abolished** over two years beginning 2017
- Adjustments to changes in **Nuclear Waste Fund payments** under investigation
- **No “political phase-out”** of nuclear
- **Permission to replace reactors** at existing sites can be given



Hydro

- **Real estate tax² reduced** to same level as other power plants (from 2.8% to 0.5% over a four year period starting 2017)
- Expansion of hydro power should in first hand occur through **capacity increases in existing plants**. “Nationalälvarna” still protected.



Renewables

- El-certificate system prolonged - **18 TWh added 2020-2030**
- Connection charges for **offshore wind** discontinued
- Facilitation of **small-scale production and services** for energy efficiency, storage and sales of power

The energy agreement enables Vattenfall to take the lead in the transformation to a sustainability energy system in Sweden

1 & 2: Approx. SEK 3 billion respectively for Vattenfall in 2015

STRATEGIC INVESTMENTS IN FORSMARK SECURE LONG TERM OPERATIONS

- Vattenfall's Board of Directors has decided to invest in independent core cooling in Forsmark's three nuclear reactors
- The investment amounts to approx. SEK 1.2 billion
- Following the investment, Forsmark will be able to generate electricity into the 2040s
- Cost and efficiency improvements will be implemented in parallel
- The security upgrade is a requirement from the Swedish Radiation Safety Authority to enable continued operations after 2020
- The prerequisites for similar investments in Ringhals 3 and 4 are now being investigated

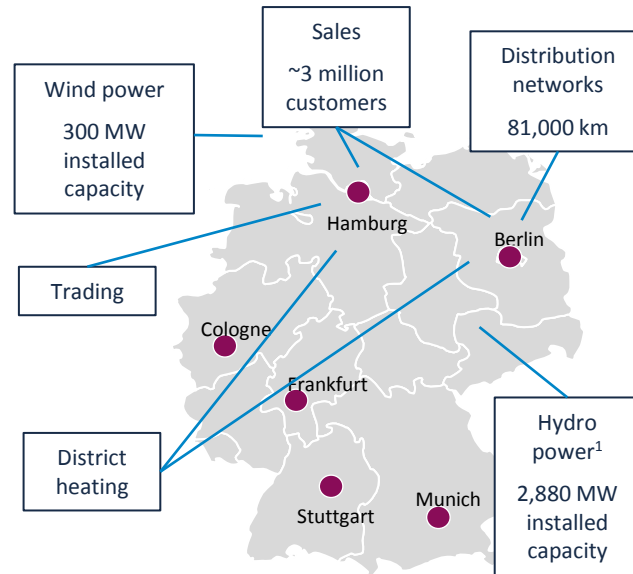


COMMITMENT TO SUPPORT THE GERMAN ENERGY TRANSITION

Lignite divestment on track

- On July 2, 2016 Vattenfall's owner, the Swedish State confirmed that it stands behind the divestment of Vattenfall's lignite divestment
- The deal is expected to be closed during autumn 2016
- Subject to clearance from the European Commission

Vattenfall remains with significant operations in the country



1) Pump storage power plants.

- More than three million customers
- Substantial district heating sales in Berlin and Hamburg
- Strong growth in Berlin distribution as a result of urbanisation and immigration
- Pump storage meets increased flexibility requirements
- Trading platform for Continental Europe with increased focus on solutions and renewables
- Monitoring opportunities for additional wind growth

PROFITABLE GROWTH IN WIND

Securing a leading position by...

- Boosting the project pipeline
- Reducing the Levelized Energy Cost (LEC)
- Next generation O&M
- Partnering

Green light for Aberdeen Bay – an innovative wind farm



Investment cost: ~ 300 MGBP

Commissioning: 2018

Location: East coast of Scotland

Capacity: 92 MW

Vattenfall's investment decision triggers the company to acquire AREG's 25% share and become the 100% owner

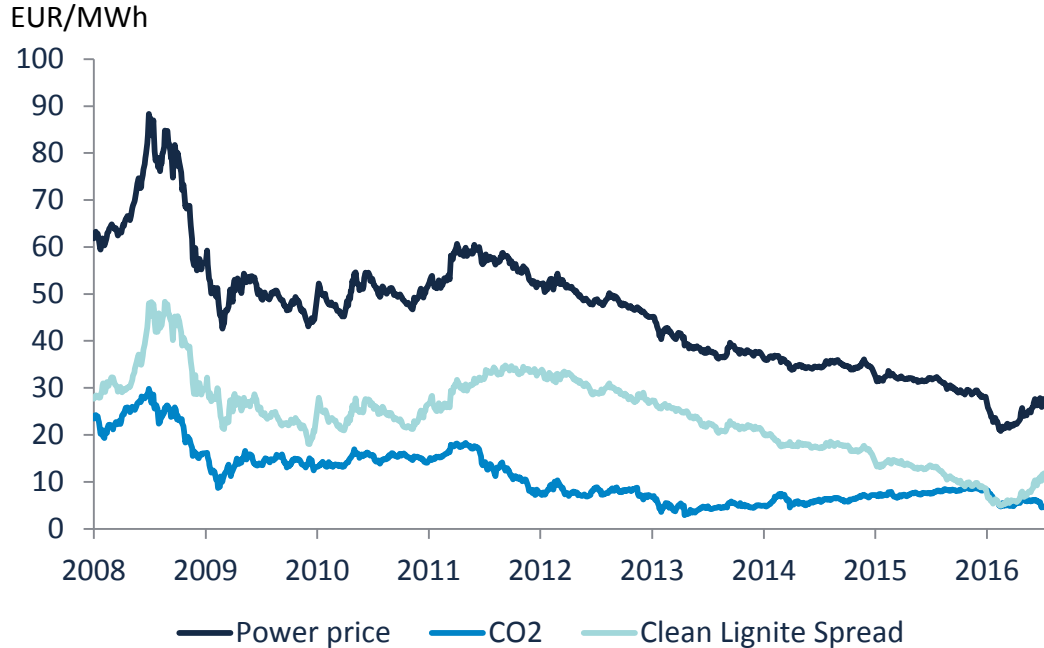
FINANCIALS

Ingrid Bonde, CFO

Q2 2016 MAIN MESSAGE

- Solid financial results despite challenging energy landscape
- Confirmation of lignite divestment by the Swedish state
- Recognition impairments of SEK 30 billion
- Reduction in Adjusted net debt
- Rating agencies affirmed Vattenfall's credit ratings after review

DETERIORATING MARKET CONDITIONS FOR LIGNITE GENERATION



- Over the last couple of years German power prices and the clean lignite spread decreased substantially.
- Against the background of these severe market conditions and in combination with our strategic shift towards a more renewable energy production portfolio Vattenfall decided in 2014 to sell the German lignite mining and generation activities.

FINANCIAL EFFECTS OF LIGNITE SALE IN COMPARISON WITH HOLD SCENARIO

SEK bn

Sale



Hold scenario

35-40

Increased provisions

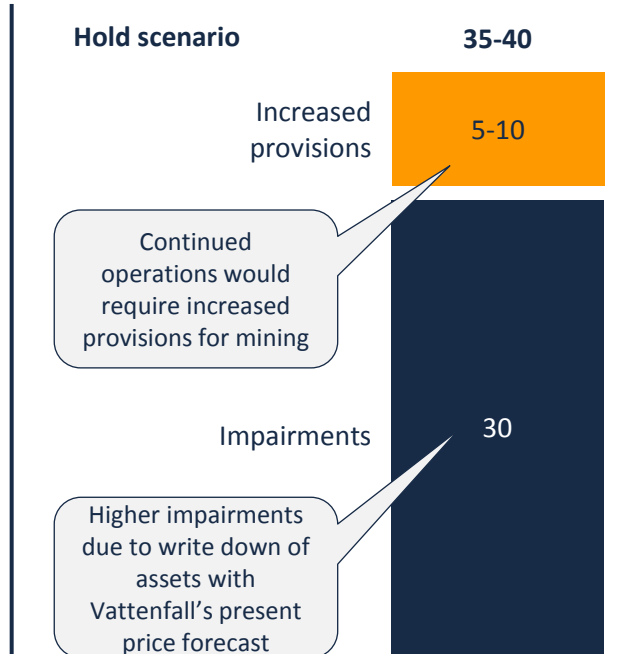
5-10

Continued operations would require increased provisions for mining

Impairments

30

Higher impairments due to write down of assets with Vattenfall's present price forecast



- The total capital loss of the transaction is SEK -21.5 bn.
- Vattenfall has reviewed the alternatives and has developed certain hold scenarios. It is estimated that in a hold scenario, impairment losses of SEK 30 billion would be recognised in addition to provisions in the range of SEK 5-10 billion.

BREAKDOWN IMPAIRMENTS Q2 2016

	Asset	Amount (SEK bn)
	Moorburg power plant Germany	4.6
	Hydro power assets Germany	2.3
	Fossil based assets Netherlands	0.9
	Trading goodwill Netherlands	0.7
	Other	0.5
Continuing operations	Total	9.0
Discontinued operations	Lignite assets Germany	21.0
Total Vattenfall	Total	30.0

- In Q2 last year impairments were recognized for Swedish nuclear reactors Ringhals 1 and 2 (-17.0) and Moorburg power plant (-4.0), and Lignite (15.2)

Q2 AND H1 2016 FINANCIAL HIGHLIGHTS

SEK bn	Total Vattenfall Q2 2016	Total Vattenfall Q2 2015	Total Vattenfall H1 2016	Total Vattenfall H1 2015
Net Sales	34.5	36.1	80.4	81.5
EBITDA	4.0	2.9	18.5	16.4
Underlying EBIT	2.9	3.0	11.0	10.7
EBIT	-30.6	-38.0	-20.6	-29.7
Financial items, net	-1.0	-1.4	-2.7	-2.9
Profit after tax	-28.6	-28.8	-22.0	-23.8
Cash flow (FFO)	6.4	4.2	15.5	14.0
Cash flow operating activities	9.9	9.7	7.2	16.5
Net debt	63.7	72.8	63.7	72.8
Adjusted net debt	128.9	149.1	128.9	149.1
FFO/Adjusted net debt (%)	23.7*	21.1*	23.7*	21.1*
Adjusted net debt/EBITDA (times)	3.7*	4.0*	3.7*	4.0*

* Last twelve months

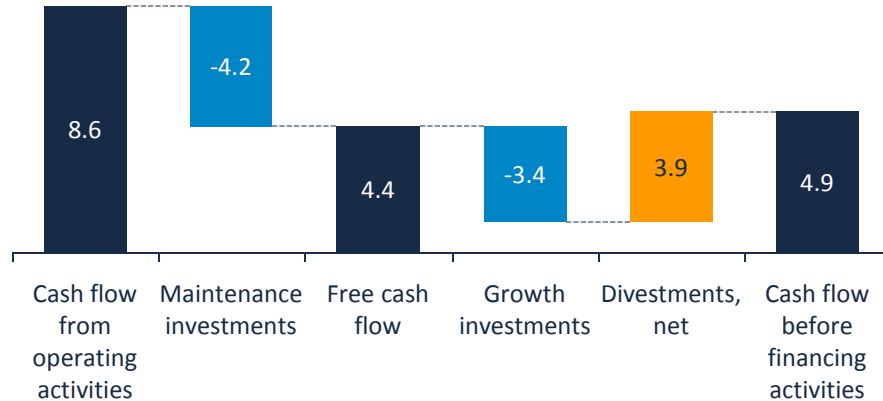
UNDERLYING EBIT PER OPERATING SEGMENT

Continuing operations SEK bn	Q2 2016	Q2 2015	Delta	H1 2016	H1 2015	Delta
Customers & Solutions	0.4	0.4	-13%	1.1	1.2	-2%
Power Generation	2.5	2.9	-15%	5.4	6.6	-18%
Wind	-0.1	0.2	-171%	0.6	0.8	-21%
Heat	0.0	0.1	-64%	2.2	1.9	+14%
Distribution	0.9	1.1	-23%	2.8	2.6	+5%
Other*	0.0	-0.7		0.0	-1.4	
Eliminations	-0.0	-0.1		-0.1	-0.2	
Total	3.7	4.1	-9%	12.0	11.4	+5%

* Other pertains mainly to all Staff functions and Shared Service Centres

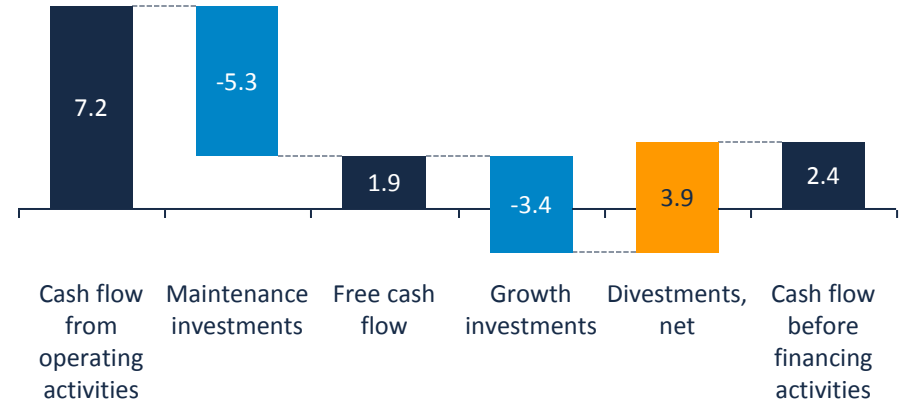
CASH FLOW DEVELOPMENT H1 2016

Continuing operations, SEK bn



- From continuing operations the cash flow after maintenance and growth investments is SEK 4.9 billion positive.

Total Vattenfall, SEK bn



- Positive cash flow of SEK 2.4 billion after maintenance and growth investment cash flows.

FINANCIAL TARGETS

Financial metric	Target	Q2 2016	Q2 2015	FY 2015
Return on Capital Employed (ROCE) – continuing operations * (ROCE excl. items affecting comparability)	9%	3.1 (8.4)		-1.8 (7.3)
Return on Capital Employed – total Vattenfall* (ROCE excl. items affecting comparability)	9%	-5.5 (8.3)	-14.6 (7.5)	-8.2 (7.4)
FFO/Adjusted net debt – continuing operations*	22-30%	22.4		19.5
FFO/Adjusted net debt – total Vattenfall	22-30%	23.7	21.1	21.1
Net debt/Equity	50-90%	72.6	67.3	55.4
Dividend policy (% of profit after tax)	40-60%	-	-	-

* Last twelve months

APPENDIX

Q2 AND H1 2016 FINANCIAL HIGHLIGHTS

SEK bn	Continuing oper. Q2 2016	Continuing oper. Q2 2015	Continuing oper. H1 2016	Continuing oper. H1 2015
Net Sales	30.0	31.0	71.7	70.3
EBITDA	4.3	5.2	18.0	17.1
Underlying EBIT	3.7	4.1	12.0	11.4
EBIT	-8.3	-19.1	1.9	-11.1
Financial items, net	-0.8	-1.3	-2.4	-2.7
Profit after tax	-5.8	-14.6	1.0	-9.8
Cash flow (FFO)	6.0	4.2	14.6	12.6
Cash flow operating activities	12.9	8.8	8.6	14.4
Net debt	63.7	72.8	63.7	72.8
Adjusted net debt	128.9	149.1	128.9	149.1
FFO/Adjusted net debt (%)	22.4*	19.5**	22.4*	19.5**
Adjusted net debt/EBITDA (times)	4.1*	4.5**	4.1*	4.5**

* Last twelve months

** Q1 – Q4 2015

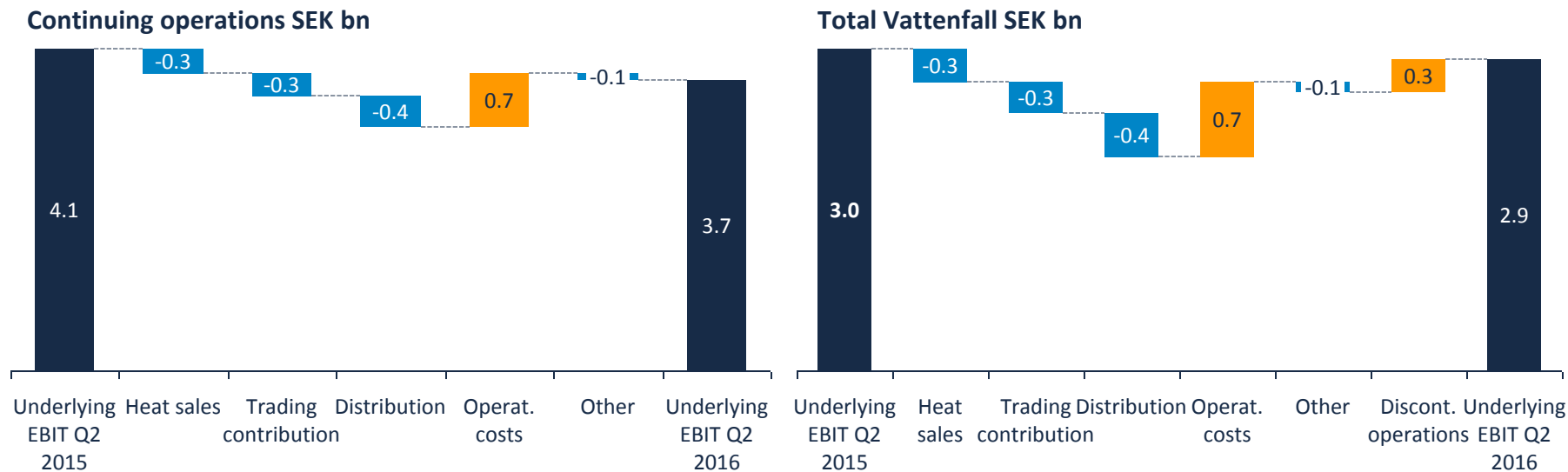
ITEMS AFFECTING COMPARABILITY

Continuing operations SEK bn	Q2 2016	Q2 2015	FY 2015	Last 12m
Capital gains	0.3	0.2	0.2	2.0
Capital losses	-0.0	-0.4	-0.4	-0.1
Impairment losses	-9.0	-21.1	-21.5	-9.3
Reversed impairment losses	-	0.5	0.5	0.0
Provisions	-	-1.3	-3.5	-2.2
Unrealised changes in the fair value of energy derivatives	-3.8	0.2	1.6	-2.7
Unrealised changes in the fair value of inventories	0.4	-0.0	-0.7	-0.0
Restructuring costs	0.0	-0.9	-1.1	-0.5
Other IACs	0.1	-0.5	-0.8	-0.4
Total	-12.0	-23.2	-25.6	-13.2

- Impairment losses pertains mainly due to:
 - Moorburg power plant Hamburg warranted by a decrease in clean dark spreads (-4.6)
 - Hydro power assets Germany (-2.3)
- In Q2 last year impairments were recognized for Ringhals (-17.0) and Moorburg (-4.0).

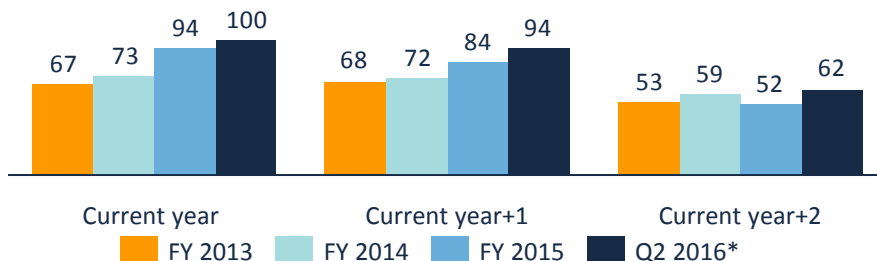
DEVELOPMENT OF UNDERLYING EBIT Q2 2016

Lower Heat sales and lower Trading and Distribution margins are offset by lower operating costs to a great extent.

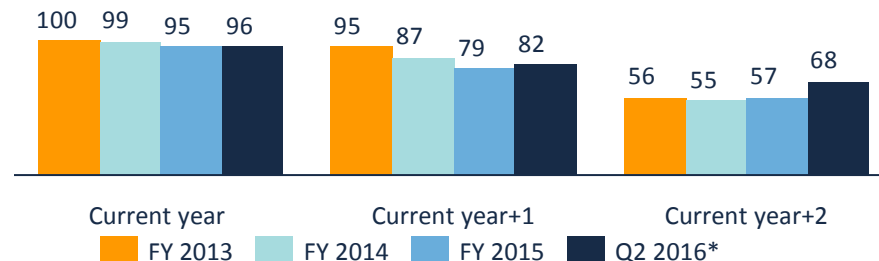


DEVELOPMENT OF HEDGES

Hedge ratios – Nordic (%)



Hedge ratios – Continental Europe (%)



* For continuing operations, excl. lignite operations

	Current year			Current year +1			Current year +2		
	Ratio	Price	Year	Ratio	Price	Year	Ratio	Price	Year
Dec 2013	67%	40	2014	68%	39	2015	53%	37	2016
Dec 2014	73%	36	2015	72%	34	2016	59%	32	2017
Dec 2015	94%	32	2016	84%	31	2017	52%	30	2018
Q2 2016	100%	32	2016	94%	29	2017	62%	29	2018

* For continuing operations, excl. lignite operations

	Current year			Current year +1			Current year +2		
	Ratio	Price	Year	Ratio	Price	Year	Ratio	Price	Year
Dec 2013	100%	50	2014	95%	44	2015	56%	40	2016
Dec 2014	99%	45	2015	87%	39	2016	55%	36	2017
Dec 2015	95%	39	2016	79%	35	2017	57%	33	2018
Q2 2016	96%	40	2016	82%	45	2017	68%	38	2018

Note: hedge ratios in % and hedge prices in EUR/MWh. The hedged levels for the Nordic countries pertain to the system price on Nasdaq. Other price risks, such as price area risk, are not covered to the same extent.

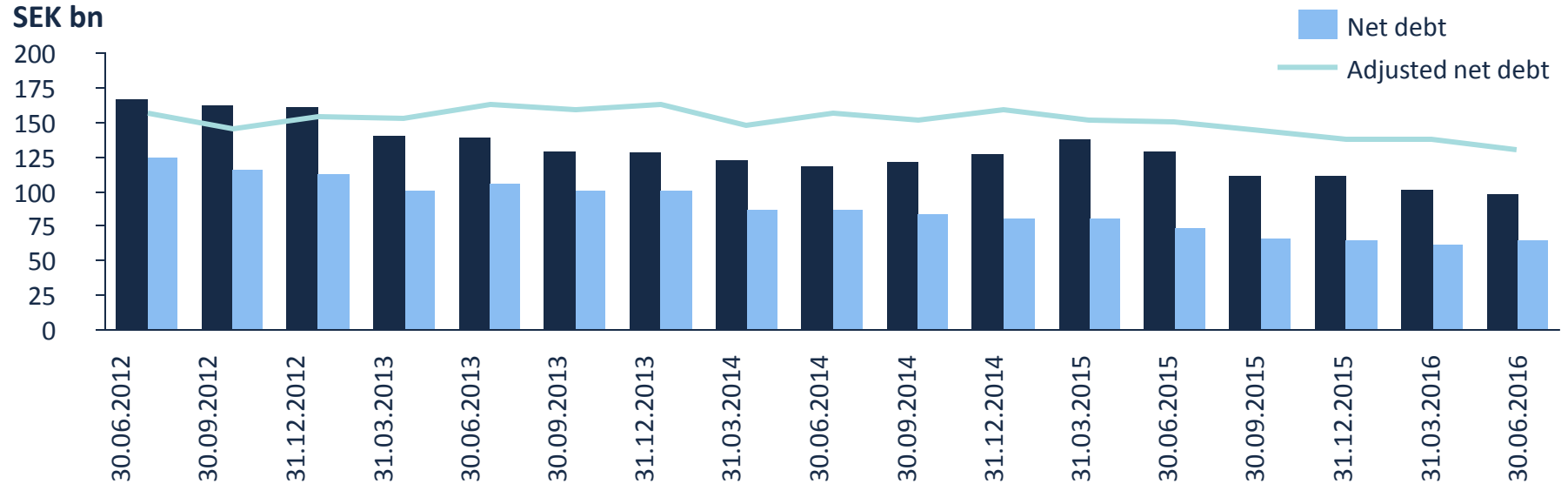
STRATEGIC TARGETS

Strategic objective	Strategic targets to 2020	Q2 2016	Q2 2015	FY 2015
Leading towards Sustainable consumption	1. Customer engagement, NPS (Net Promoter Score)	+6	-	-
Leading towards Sustainable production	2. Commissioned renewables capacity: $\geq 2,300$ MW	76	-	N/A
	3. Absolute CO ₂ emissions: ≤ 21 Mtonnes*	41.3	40.8	83.8
High performing operations	4. ROCE: $\geq 9\%$ (continued operations)	3.1**	-	-1.8
	ROCE: $\geq 9\%$ (total Vattenfall)	-5.5**	-14.6**	-8.2
Empowered and engaged organisation	5. Safety as LTIF (Lost Time Injury Frequency): $\leq 1,25$	2.1**	2.5**	2.3
	6. Employee Engagement Index: $\geq 70\%$	-	-	59

* Contingent on the sale of Vattenfall's lignite operations

** Last twelve months

DEBT DEVELOPMENT



Net debt decreased by SEK 0.5bn compared with 31 Dec 2015. Adjusted net debt decreased by SEK 8.6bn, compared with 31 Dec 2015. For the calculation of adjusted net debt, see slide 28

CONTINUED STRONG LIQUIDITY POSITION

Group liquidity	MSEK
Cash and cash equivalents	5,399
Short term investments	25,559
Reported cash, cash equivalents & short term investments	30,958
Unavailable liquidity*	-6,870
Available liquidity	24,088

* German nuclear "Solidarvereinbarung" 3,208 MSEK, Margin calls paid (CSA) 2,406 MSEK, Insurance "Provisions for claims outstanding" 1,069 MSEK and Margin accounts 186 MSEK

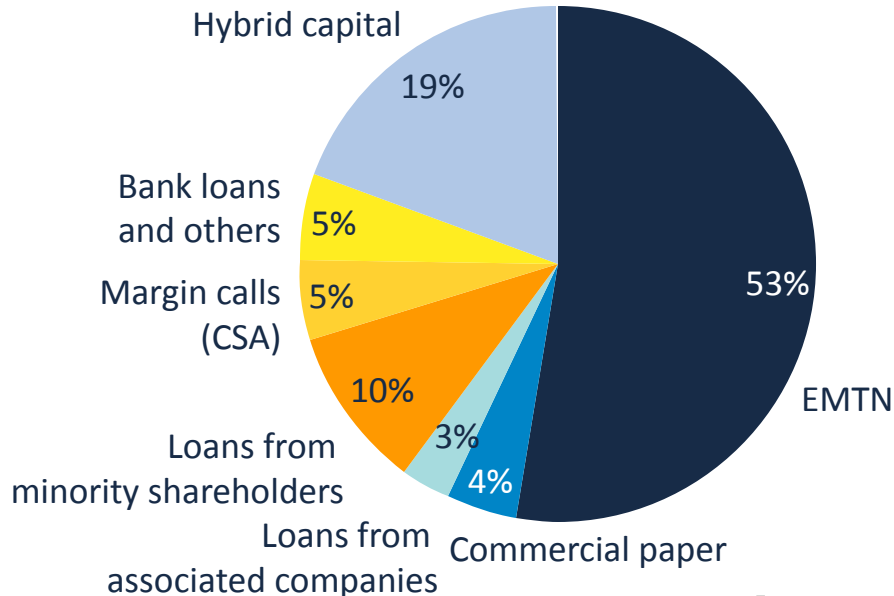
** Excluding loans from minority owners and associated companies.

Committed credit facilities	Facility size	MSEK
RCF (maturity Dec 2020)	2,000 MEUR	18,848
Total undrawn		18,848

Debt maturities**	MSEK
Within 90 days	4,988
Within 180 days	5,320

BREAKDOWN OF GROSS DEBT

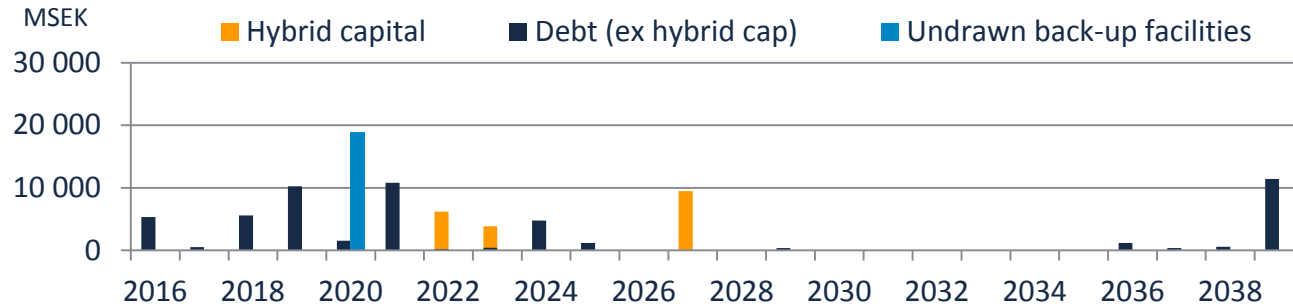
Total debt: SEK 97bn (EUR 10bn)
External market debt: SEK 84bn (EUR 9bn)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	4,672
EUR 2bn Euro CP	2,000	395
SEK 15bn Domestic CP	1,592	64
Total	18,592	5,130

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

DEBT MATURITY PROFILE*



	June 30 2016	Dec 31 2015
Duration (years)	6.0	3.9
Average time to maturity (years)	8.8	8.1
Average interest rate (%)	4.0	3.9
Net debt (SEK bn)	63.7	64.2
Available group liquidity (MSEK)	24,088	37,443
Undrawn committed credit facilities (MSEK)	18,848	18,379

* 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.

REPORTED AND ADJUSTED NET DEBT

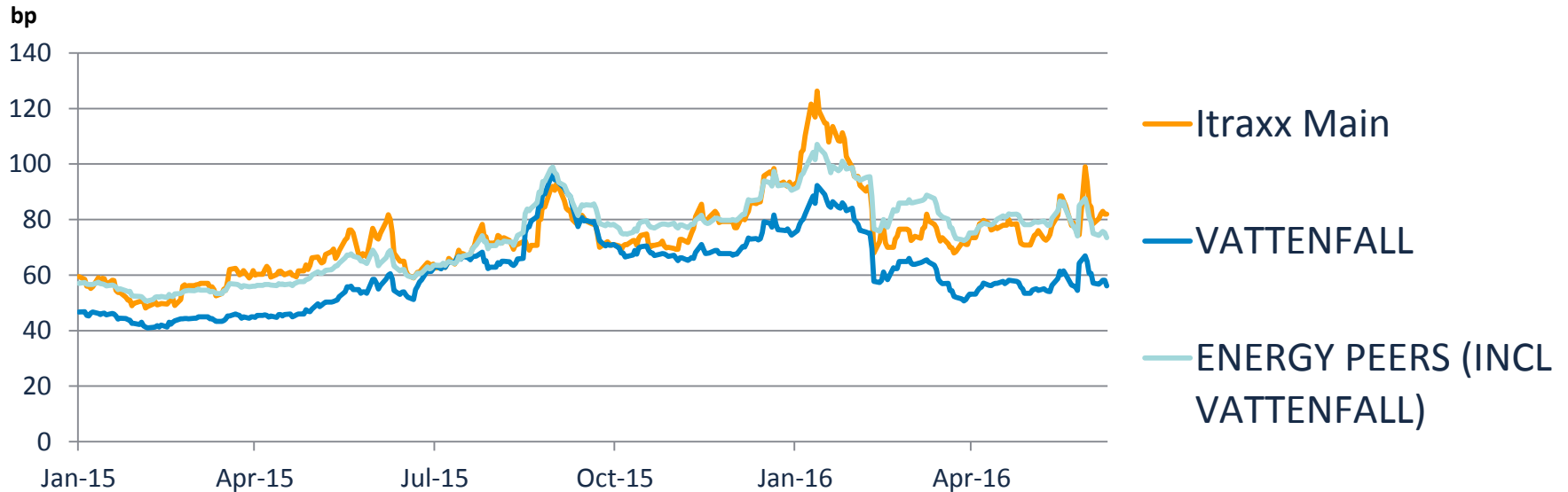
Reported net debt (SEK bn)	June 30 2016	Dec 31 2015
Hybrid capital	-18.8	-18.5
Bond issues and commercial papers and liabilities to credit institutions	-58.3	-68.9
Liabilities to associated companies	-2.7	-2.8
Liabilities to minority shareholders	-10.1	-13.0
Other liabilities	-6.7	-7.3
Total interest-bearing liabilities	-96.6	-110.6
Reported cash, cash equivalents & short-term investments	31.0	44.3
Loans to minority owners of foreign subsidiaries	2.0	2.1
Net debt	-63.7	-64.2

* Of which: German nuclear "Solidarvereinbarung" 3.2, Margin calls paid (CSA) 2.4, Insurance "Provisions for claims outstanding" 1.1, Margin accounts Energy trading 0.2

Adjusted net debt (SEK bn)	June 30 2016	Dec 31 2015
Total interest-bearing liabilities	-96.6	-110.6
50% of Hybrid capital	9.4	9.3
Present value of pension obligations	-42.3	-38.9
Mining & environmental provisions	-4.2	-19.1
Provisions for nuclear power (net)	-33.0	-32.9
Margin calls received	4.7	5.3
Liabilities to minority owners due to consortium agreements	9.0	11.9
= Adjusted gross debt	-153.0	-175.0
Reported cash, cash equivalents & short-term investments	31.0	44.3
Unavailable liquidity	-6.9*	-6.8*
= Adjusted cash, cash equivalents & short-term investments	24.1	37.4
= Adjusted net debt	-128.9	-137.6

STABLE CDS SPREAD DEVELOPMENT

CDS spread 5-years



INCREASED PENSION PROVISIONS

	30 June 2016	31 Dec 2015	Impact (SEK bn)
Sweden	3.00%	3.25%	0.5
Germany	1.75%	2.25%	3.1

- Decrease in discount rates of pension provisions following downward trend market rates
- The increase of provisions (SEK 3.6 bn) is not impacting P&L but recognized directly in equity
- The discount rates for other provisions were left unchanged.

NUCLEAR PROVISIONS

Reactor	Net capacity (MW)	Start (year)	Vattenfall share (%)	Vattenfall provisions, MSEK (IFRS accounting)	Vattenfall provisions, SEKmn (pro rata)	Sw nuclear waste fund MSEK (Vattenfall pro rata share)
Ringhals 1	879	1976	70.4			
Ringhals 2	809	1975	70.4			
Ringhals 3	1,070	1981	70.4			
Ringhals 4	942	1983	70.4	Total Ringhals: 22,059	Total Ringhals: 22,059¹⁾	
Forsmark 1	984	1980	66.0			
Forsmark 2	1,120	1981	66.0			
Forsmark 3	1,170	1985	66.0	Total Forsmark: 19,571	Total Forsmark: 12,917	
Total Sweden	6,974	-		41,860²⁾	35,206²⁾	29,565³⁾
Brunsbüttel	771	1977	66.7	19,007	12,676	
Brokdorf	1,410	1986	20.0	0	4,401	
Krümmel	1,346	1984	50.0	11,007	11,007	
Stade ⁴⁾	640	1972	33.3	0	2,026	
Total Germany	4,167	-	-	30,014	30,103	
Total SE & DE	11,141			71,874	65,309	

1) Vattenfall is 100% liability of Ringhals decommissioning, while owning only 70.4%.

2) Total provisions in Sweden (IFRS accounting) include provisions of 230 MSEK related to Ågesta.

3) Vattenfall's share of the Nuclear Waste Fund (book value). IFRS consolidated value is 34,713 MSEK.

4) Stade is being dismantled.

CAPITAL EXPENDITURES

Continuing operations SEK bn	Q2 2016	Q2 2015	Change	FY 2015
Electricity generation	2.5	4.1	-39%	16.0
CHP/Heat	0.5	0.6	-22%	3.3
Electricity networks	1.2	1.0	23%	4.7
Other	0.1	0.2	-52%	1.7
Total	4.3	5.9	-27%	25.8
- of which maintenance and replacement	2.3	2.7	-16%	13.1
- of which growth	2.0	3.2	-37%	12.7

IMPAIRMENT HISTORY 2009- H1 2016

		2009	2010	2011	2012	2013	2014	2015	H1 2016	Total
The Netherlands	Thermal assets		4.3*	0.4**	8.6**	14.7	2.6		0.9	31.5
	Trading					6.5*	10.0*		0.7	17.2
	Other		1.7			1.5**	1.9			5.1
Germany	Thermal assets			0.3		4.3	5.7	19.2	25.6	55.1
	Nuclear assets			10.5						10.5
	Transmission		5.1							5.1
	Other					0.1	1.1	0.3	2.3	3.8
The Nordic Countries	Renewable assets						1.4		0.1	1.5
	Thermal assets	4.1				3.0		0.1		7.2
	Nuclear assets							17.0		17.0
	Other								0.3	0.3
UK	Renewable assets						1.1	0.2	0.1	1.4
Not allocated		1.4		0.1						1.5
Reversed impairment losses		-1.3	-1.3	-0.4	0.0	0.0	0.0	-0.5		-3.5
Impairments (net)		4.2	9.8	10.9	8.6	30.1	23.8	36.3	30.0	153.7
Impairment Liberia					1.3					1.3
Impairments ;shares in Enea S.A.. Poland					2.4					2.4
Total impairments incl., Liberia, Poland		4.2	9.8	10.9	12.3	30.1	23.8	36.3	30.0	157.4

* Impairment of goodwill

** Impairment of assets and goodwill