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Vattenfall delivers its consolidation strategy

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Solna/Stockholm, 3 December 2012

Today's focus

- Vattenfall delivers its consolidation strategy
- Operational Excellence
- Earnings
- New financial targets
- Funding update
- Vattenfall's key strenghts

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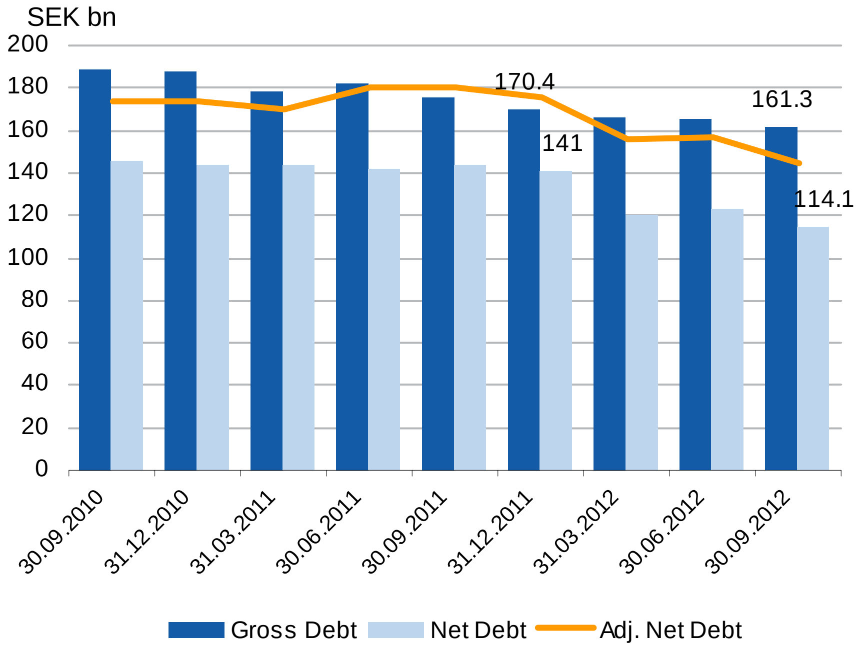
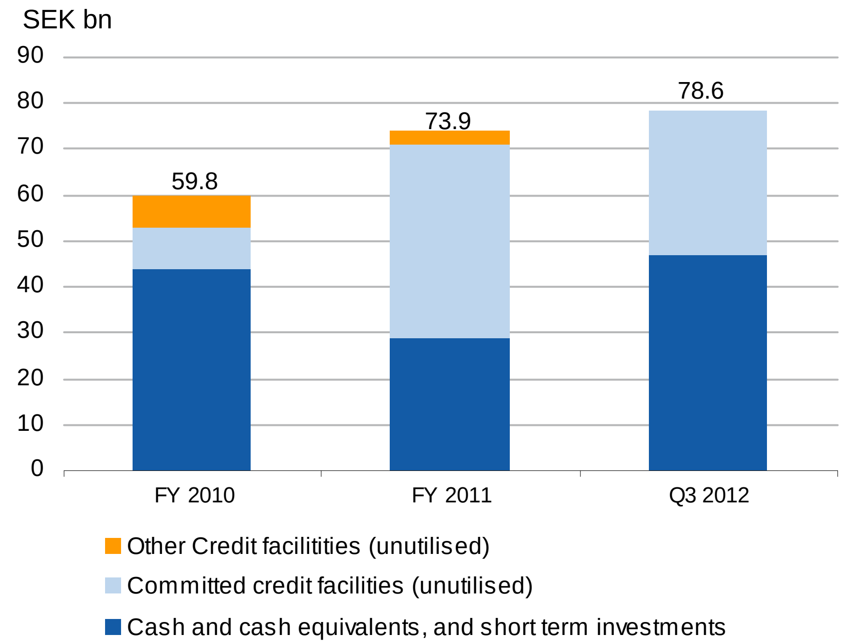
Vattenfall delivers its consolidation strategy

Divestments	Divestments of non-core assets initiated in 2011 completed. Total proceeds of SEK 37 billion.
Strengthening the Balance Sheet	Net debt reduction of SEK 30 billion since 2010. Very strong liquidity position.
Cost Savings	Cost reduction target of SEK 6 billion will be achieved by end of 2012, one year earlier than planned. New, additional savings target of SEK 3 billion to be achieved during 2013.
Reduced Capex	Reduced capex plan for 2012-2016 to SEK 147 billion, down from SEK 201 billion for the period 2010-2014. Intention to reduce further.
Operational Excellence	Improved performance management through “Operational Excellence”.
Structure	New functional, business-led, organisation replaced previous geographical structure. Further refined in November 2012.

Reduced debt and increased liquidity

Debt reduction and increased liquidity is mainly attributable to proceeds from divestments.





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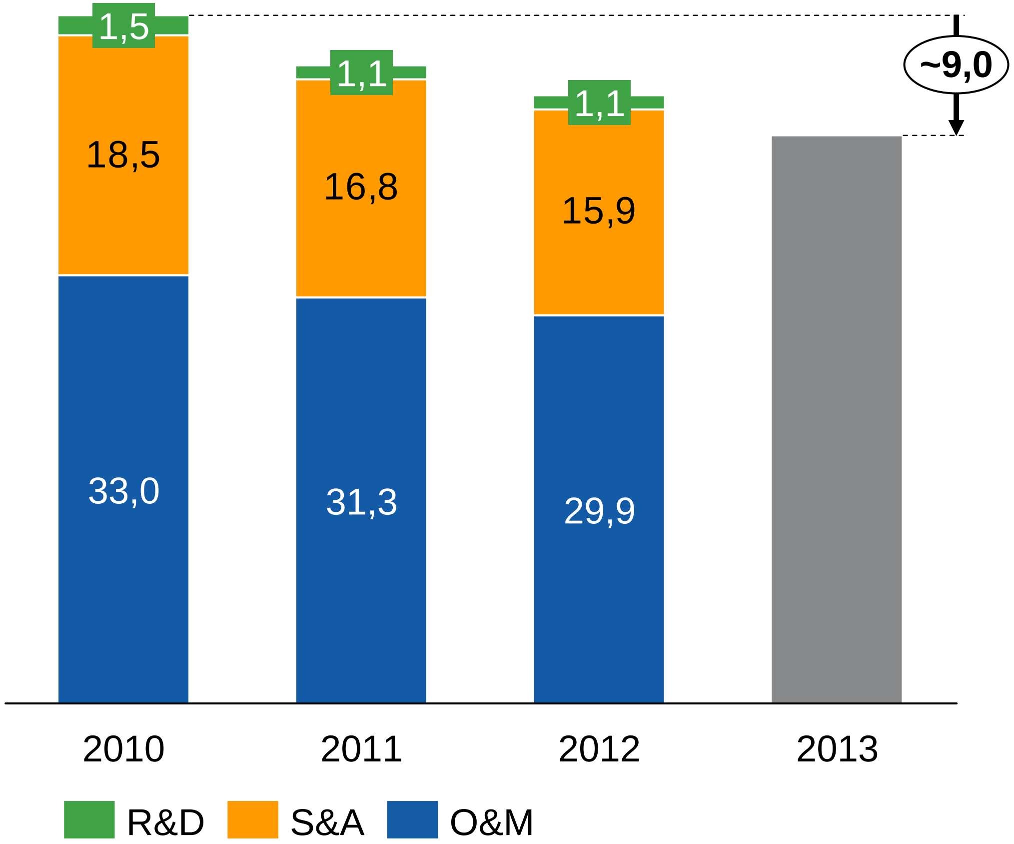
Cost reduction programme

Cost reduction (excluding divestments)

SEK bn



Cost reduction programme(s):
SEK 6 billion + 3 billion

- Initial cost savings programme of SEK 6 bn, running 2011 through 2013, to be completed by 2012, one year earlier than planned
- New cost saving target of SEK 3 bn initiated for 2013

[1]Exposed cost base for OPEX-reduction: O&M, S&A, R&D. Divestments expected to reduce cost base by SEK 3 billion.

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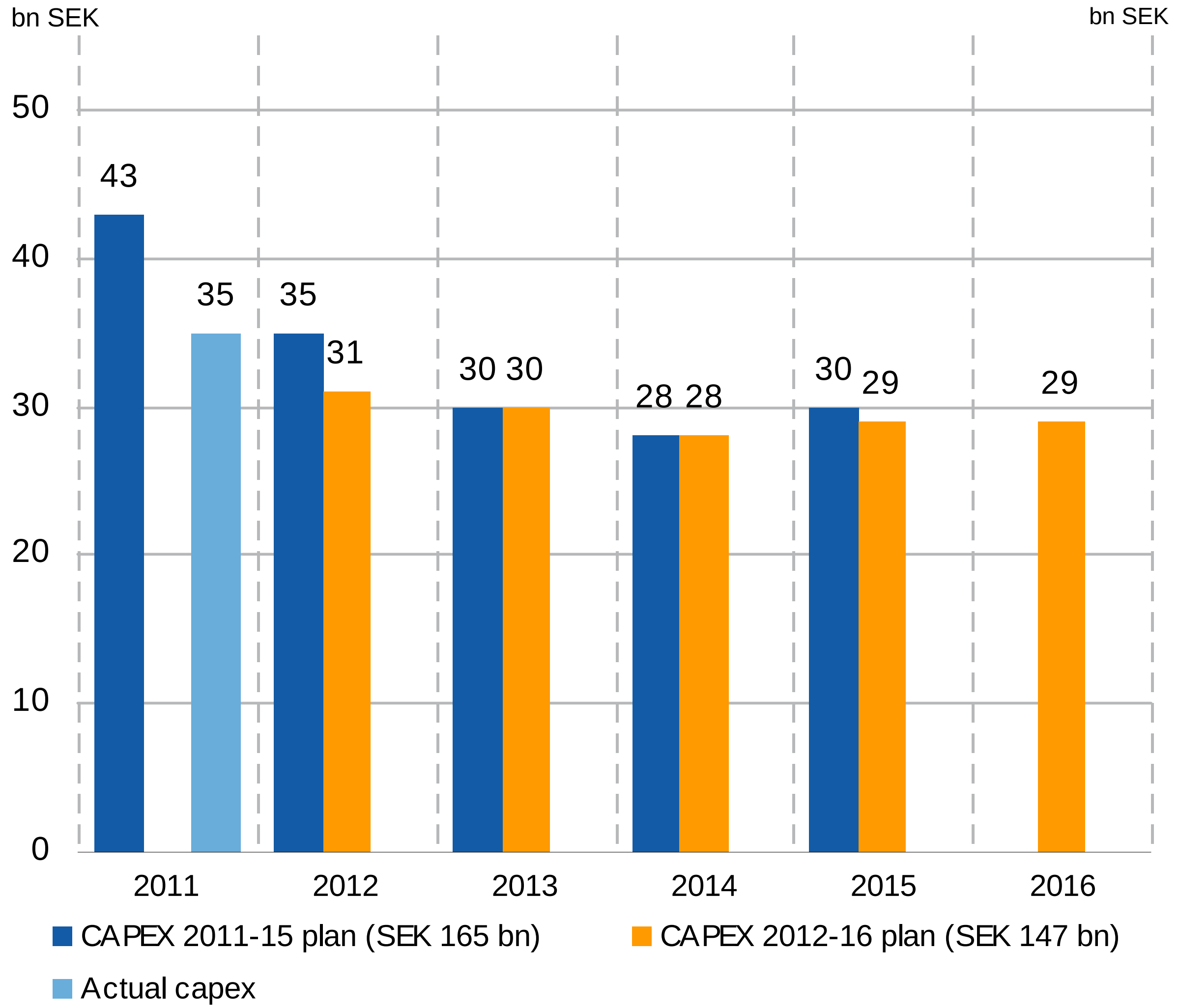
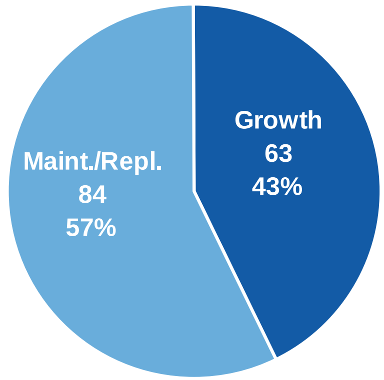
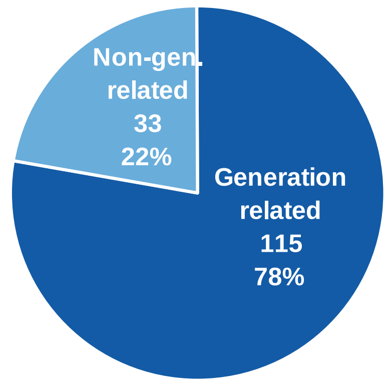
Capex plan for 2012-2016 reduced by SEK 18 bn compared to previous 5 year plan







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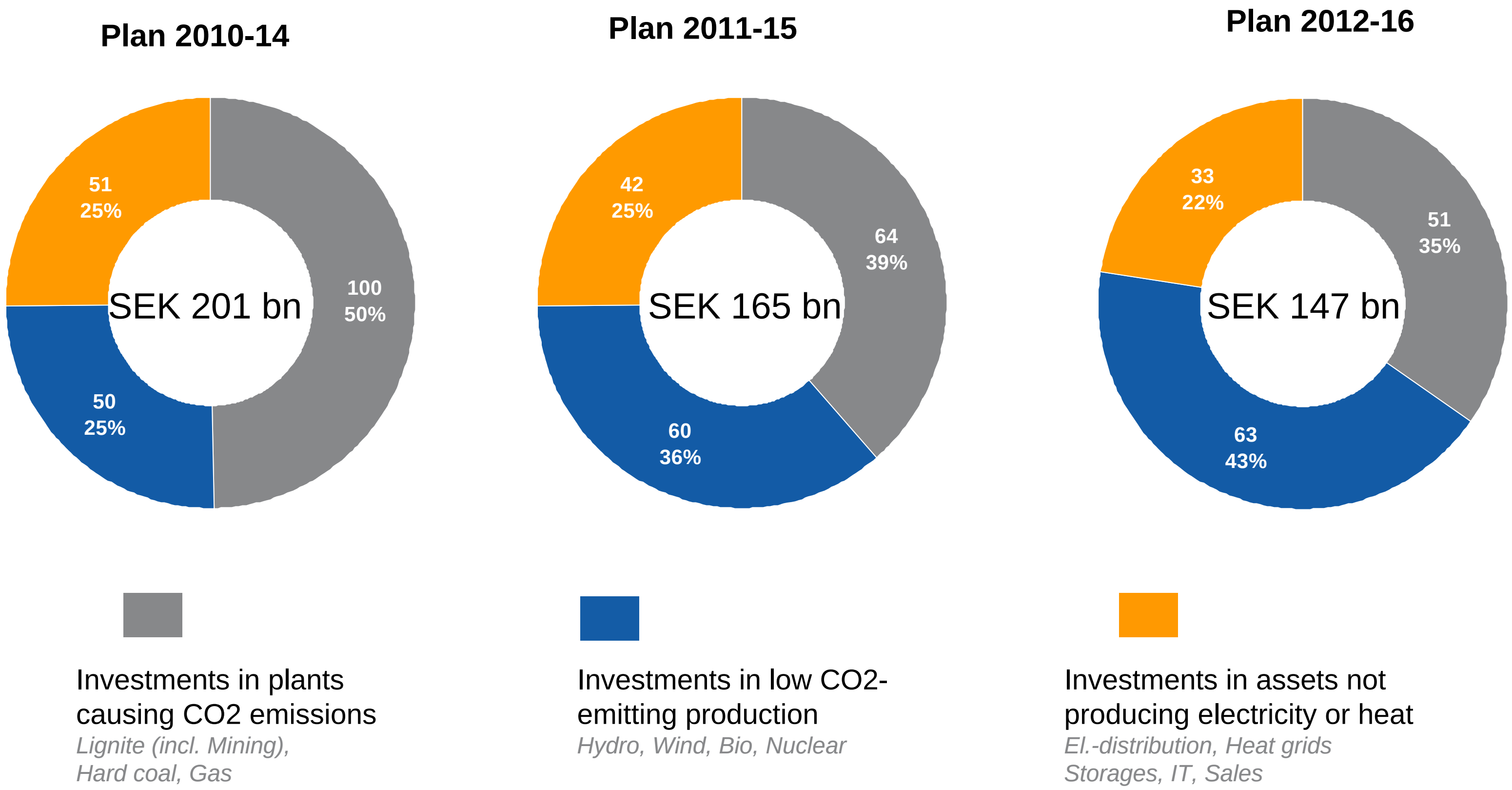
Increasing investments in low CO_2-emitting generation



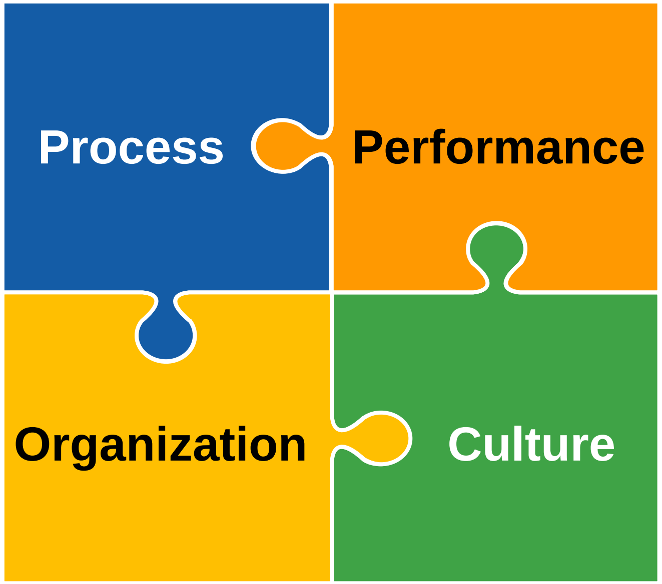
The share of investments in low-CO_2 emitting generation continues to increase

- 43% of total capex; 55% of generation-related investments

Operational Excellence – how we define it

Operational Excellence can be defined as:
optimizing resources to achieve sustainable performance improvement

Vattenfall's ability to reach Operational Excellence is mainly influenced by four components:



By achieving greater maturity in these components, Vattenfall will be positioned to reach Operational Excellence

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Operational excellence – what we do

Current Action's

- Reduce Opex
- Divestment of non-core assets
- Reduce Capex
- Consolidate
- Restructure

Focus areas

Strengthen focus on Operational Excellence	**Ensure continued strong and profitable Nordic position**
Define options to meet 65 Mtonnes CO2 target by 2020	**Selected growth in renewables**

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Operational Excellence – why we do it

- We must adjust to changing market conditions
- Vattenfall has embraced Operational Excellence as the key to making the change
- Many initiatives are ongoing with good results – we can build upon our experience
- There is further potential – we think we can do more, better and faster
- We do it because we can – we want to improve our business

Current state		Desired state
Various interpretations	→	One common definition
Intiatives led in business	→	Initiatives led in business
Best-practice in silos	→	Platform for sharing-best practices
Reach top-down targets	→	Continuous improvement
"We do it because we must"	→	*"We do it because we can"*

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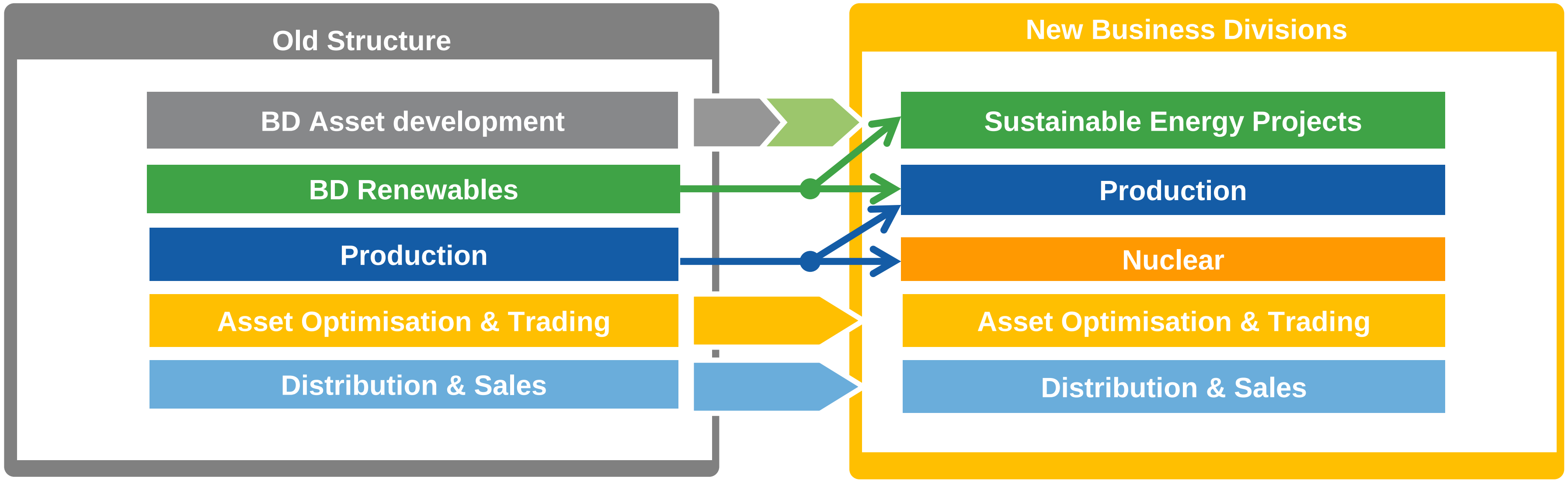
As of 1 Nov 2012 we have further refined our organisational structure

- Refinement of Business Division (BD) structure from 1 November 2012
  - New Business Division Nuclear Power.
  - Business Division Renewables merged into BD Sustainable Energy Projects (renamed from BD Asset Development) and BD Production



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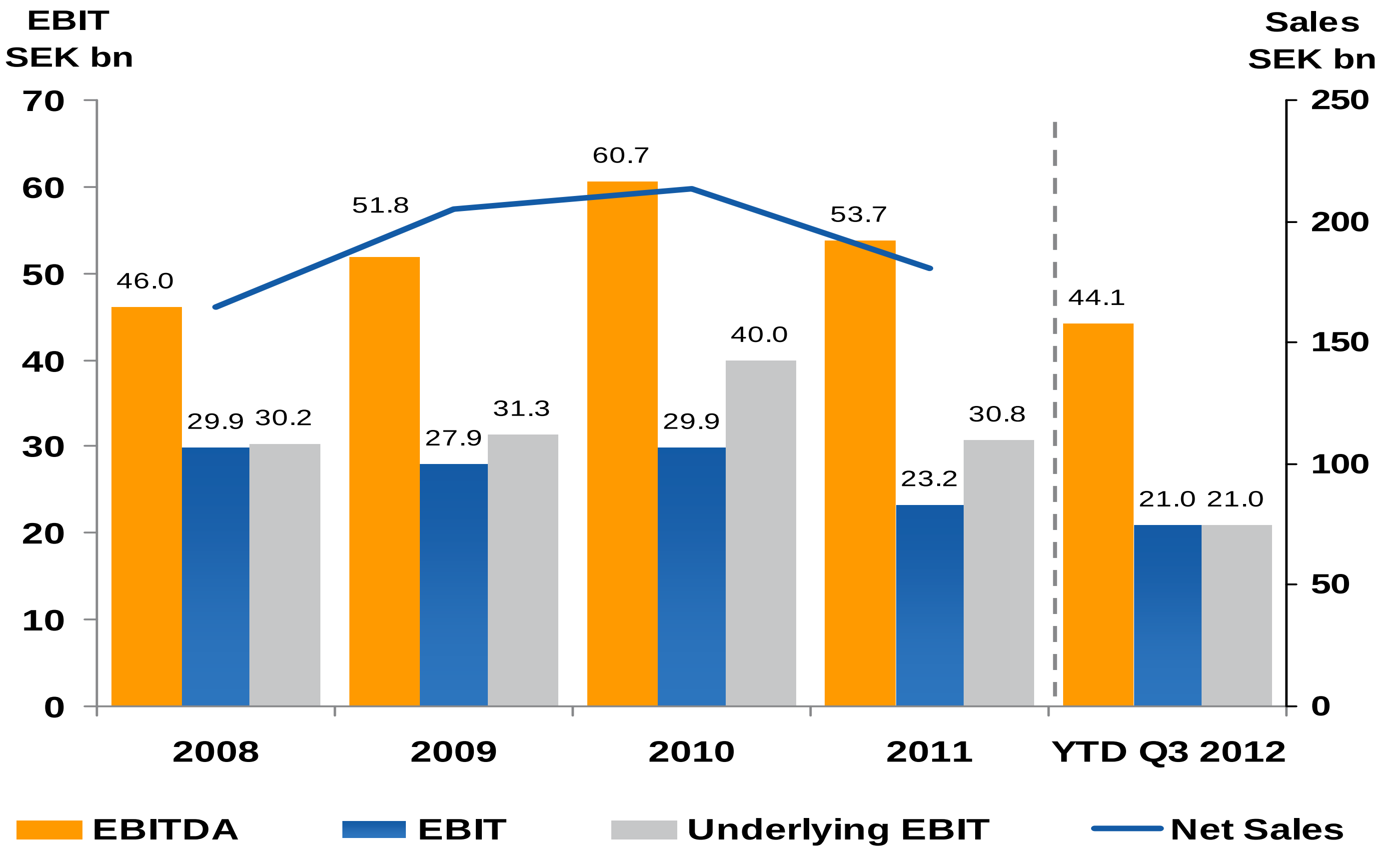
Net sales, EBITDA and EBIT development



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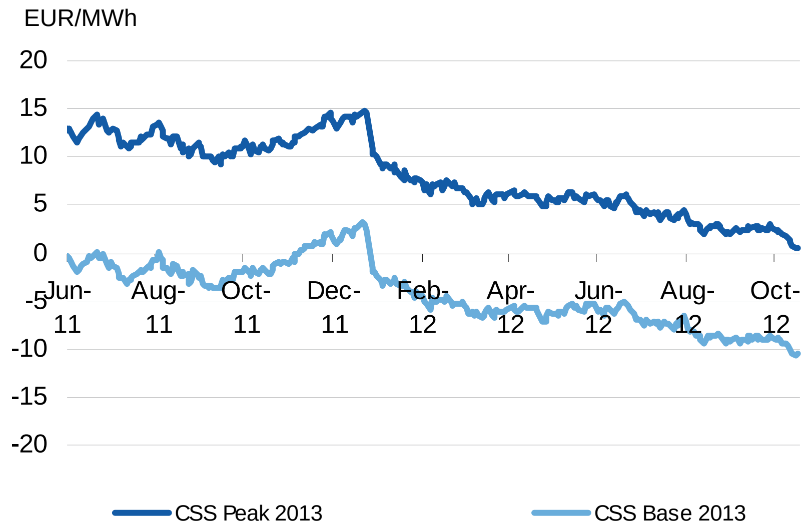
Impairment of Thermal assets and related Goodwill

- 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 CO_2 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)



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Financial targets

Ratio	Previous targets	Outcome 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 paid in 12 May)

Ratio	New targets	Outcome Q3 2012
Return on Capital Employed (ROCE)	9% on average capital employed	6.7%* (reported EBIT adj. for capital gains/losses) 10.2%* (reported EBIT)
Net debt/Equity	50-90%	79.8%
FFO/Adjusted net debt	22-30%	22.8%*
Dividend pay-out	40-60% (unchanged)	40% (SEK 4,4bn paid in 12 May)

Vattenfall remains committed to maintaining financial discipline with an ambition to retain single A category ratings

* Rolling 12 months values

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Funding situation and outlook

- No major refinancing need 2013 thanks to our significant liquidity reserve.
- We continue to see great interest in the Vattenfall name among investors.
- We are monitoring the hybrid market and are reviewing the possibility to replace existing hybrid bond and build up larger hybrid capital.
- Approximately SEK 7bn will gradually be paid out from Vattenfall's Pensionsstiftelse (Vattenfall's Pension Foundation) to Vattenfall AB and its subsidiaries. This will not affect Vattenfall's adjusted net debt.

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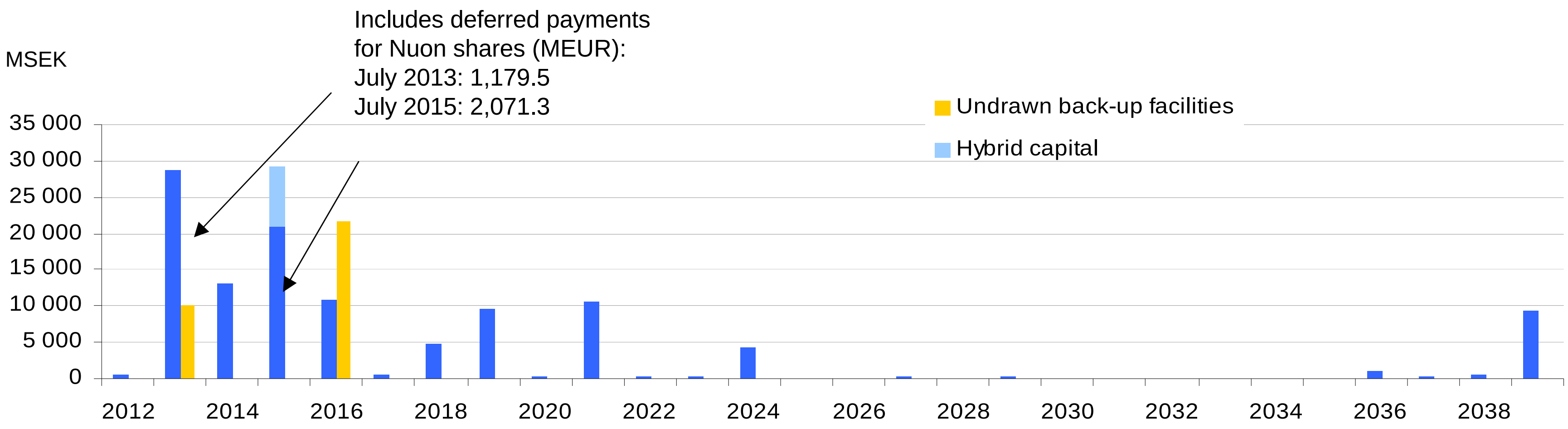
Vattenfall debt maturity profile



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

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Vattenfall's strengths from a credit perspective

Governance & Strategy

- Strong owner (100% owned by the Swedish state)
- Clear operating mandate
- Experienced Board and company management
- Clear, focused corporate strategy
- Commitment to financial discipline
- Currently rated A2 by Moody's and A- by S&P

Markets & Products

- Good geographical base, no exposure in European peripheral countries
- Good product mix; Electricity, Heat, Gas
- Low cost generation portfolio:
  - Low CO_2 and high margin hydro and nuclear in Nordic; Low cost lignite in Germany
- Increasing wind power; leading offshore wind position
- Significant share of cash flow from regulated business
- No exposure to oil-indexed long-term gas procurement contracts

Cash position & Hedging

- Strong liquidity
- Good reputation in bond markets. Strong group of core relationship banks
- No immediate funding need
- Prudent hedging strategy

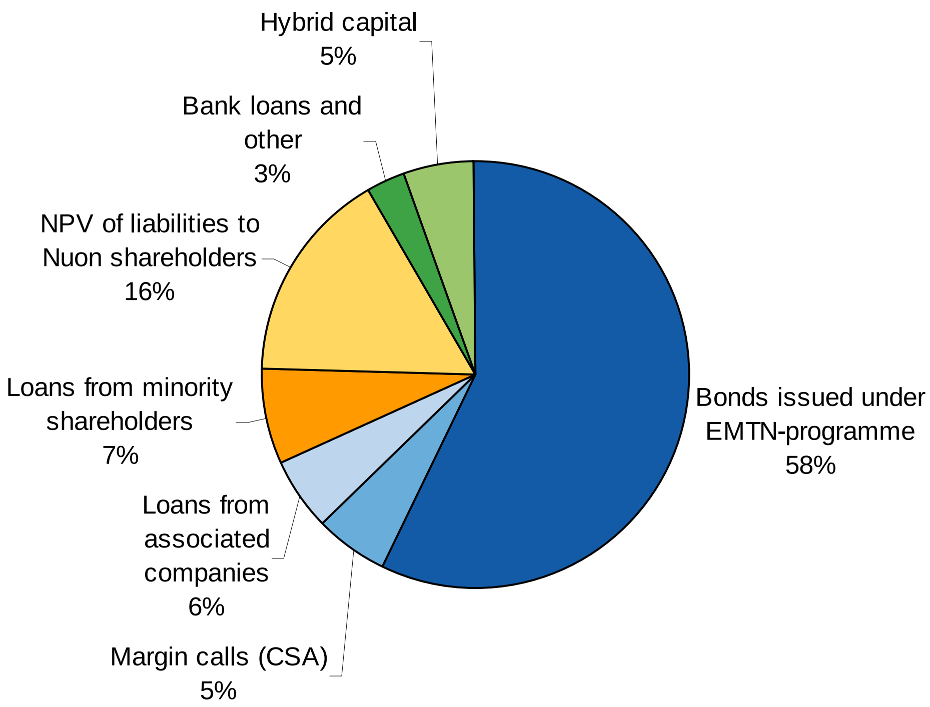
Proven execution ability

- Integration of Nuon completed – synergies captured
- Asset disposals of SEK 37 bn concluded 2011-2012
- SEK 6 bn cost reduction programme to be achieved 1 year ahead of plan
- New business-led Group structure successfully implemented in 2011

Appendix

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**

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Reported and adjusted net debt

Reported net debt (bn SEK)	Sep 30 2012	Dec 31 2011
Capital Securities	-8.4	-8.9
Bond issues and commercial papers and liabilities to credit institutions	-95.5	-102.3
Present value of liability pertaining to acquisition of subsidiaries	-26.6	-30.5
Liabilities to associated companies	-9.3	-10.5
Liabilities to minority shareholders	-11.4	-10.2
Other liabilities	-10.1	-8.0
Total interest-bearing liabilities	**-161.3**	**-170.4**
Cash and cash equivalents	14.9	11.3
Short-term investments	32.1	17.4
Loans to minority owners of foreign subsidiaries	0.2	0.6
Net debt	**-114.1**	**-141.1**

*Of which: German nuclear ”Solidarvereinbarung” 2.9, margin calls paid (CSA) 0.8, others 1.8

Adjusted net debt (bn SEK)	Sep 30 2012	Dec 31 2011
Total interest-bearing liabilities	**-161.3**	**-170.4**
50% of Hybrid capital	4.2	4.4
Present value of pension obligations	-22.2	-22.5
Mining & environmental provisions	-11.8	-12.5
Provisions for nuclear power (net)	-17.5	-18.5
Cross currency swaps	3.7	3.3
Margin calls received	8.6	7.5
Liabilities to minority owners due to consortium agreements	10.5	9.8
= Adjusted gross debt	**-185.8**	**-198.9**
Reported cash, cash equivalents & short-term investments	47.0	28.7
Unavailable liquidity	-5.5*	-5.8*
= Adjusted cash, cash equivalents & short-term investments	**41.5**	**22.9**
= Adjusted net debt	**-144.4**	**-176.0**

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Definition of ROCE (2011 Annual report pages 66,68)

OPERATING PROFIT (EBIT), SEK bn	**23.2**	
AVERAGE CAPITAL EMPLOYED[1], SEK bn	**317.4**	
OPERATING PROFIT (23.2 bn)/ CAPITAL EMPLOYED (317.4 bn)	**7.3%**	
Total assets	**524.6**	
(-) Financial assets	**98.4**	
Investment property		0.5
Other shares and participations		3.2
Shares in the Swedish Nuclear Waste Fund		28.4
Other non-current receivables (interest-bearing) – *Note 27*		0.8
Derivatives with positive fair values		30.1
Margin calls paid, energy trading – *Note 31*		5.8
Available liquidity		22.9
of which, cash and cash equivalents with short-term investments		*28.7*
of which, (-) unavailable liquidity – Page 37		*5.8*
Assets held for sale		6.6
(-) Non-interest bearing debt	**108.7**	
Other interest-bearing provisions (excl. Pension, nuclear and environmental)		10.2
of which, personnel-related provisions for non-pension purposes – Note 39		*4.0*
of which, provisions for tax and legal disputes – Note 39		*3.8*
of which, other provisions – Note 39		*2.4*
Deferred tax liabilities		35.4
Other non-interest bearing liabilities (long-term)		8.2
Trade payable and other liabilities		35.1
Advance payments from customers (Other advance payments) – *Note 42*		0.4
Accrued expenses and deferred income		18.5
Current tax liabilities		0.8

[1]Target calculated based on average capital employed. Year end figures presented here for illustrative purposes

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Credit rating outlook

Standard & Poor's
A- (stable outlook) *Summary: 15 Oct 2012*

Outlook:
"*The stable outlook reflects our expectations that Vattenfall's own efficiency measures and active hedging strategy will mitigate pressure on profitability from falling power prices and, in 2013, increased costs for carbon dioxide emissions.… We anticipate that Vattenfall will be able to maintain credit measures in line with the ratings, including adjusted FFO to debt of about 20%."*

"We could lower the ratings if Vattenfall's operating and/or financial performance significantly weakens from current levels, causing a decline in credit measures, such as a sustained decline in adjusted FFO to debt to below 20%."

"Conversely, We could raise the ratings if we believed that Vattenfall's financial risk profile and credit measures could improve sustainably to a level commensurate with a higher SACP, for example through a sustainable increase in adjusted FFO to debt to about 25% based on the existing business risk profile."

Moody's
A2 (negative outlook) *Credit Opinion: 1 Oct 2012*

Outlook:
"The negative outlook reflects the possibility that Vattenall's performance will not improve to the extent required for the company to maintain its A2 rating."

"Moody's does not expect to upgrade Vattenfall's ratings in the foreseeable future, as the rating agency anticipated that low underlying demand for electricity and relatively weak energy spreads will continue in Vattenfall's geographic are".

"Moody's would consider downgrading Vattenfall's rating if the company's ratios were to remain blow our ratio guidelines for the A2 rating category for an extended period. Current ratio for Vattenfall's rating are: RCF/net debt in the high teens in percentage terms and FFO/net debt trending towards 25% by 2014".

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