Vattenfall Full Year 2013 results

Øystein Løseth, CEO and Ingrid Bonde, CFO

Conference call for analysts and investors, 4 February 2014

2013 Highlights

- Net sales increased 2.6% to SEK 172bn (167)
- Underlying EBIT increased 1.3% to SEK 27.9bn (27.5)
  - Higher production volumes, hedging, and lower opex compensated negative effect of lower German electricity wholesale prices and higher CO2-costs
- Net income SEK -13.5bn (+17.0)
  - Due to large impairments reported in Q2 2013
- Return on capital employed (ROCE) was -2.1%
  - +9.2% excluding items affecting comparability
- Cost savings target for 2013 of SEK 3.0bn over-achieved
- Total electricity production increased 1.6% to 181.7 TWh (178.9).
  - For the nuclear power operations, with generation of 51.9 TWh, 2013 was the second-best year since the start of generation nearly 40 years ago.
- The Board proposes that no dividend be paid for 2013

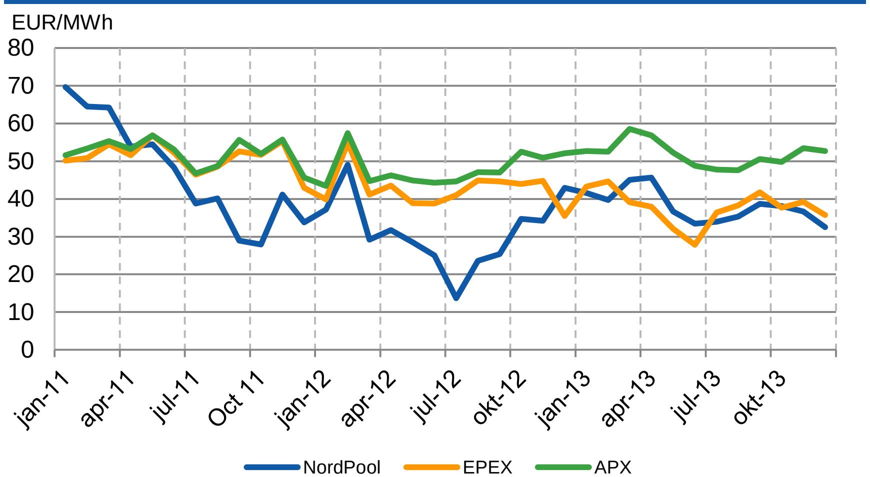
Electricity price development

- Nordic spot prices 22% higher y-o-y
- German spot prices 11% lower y-o-y
- Dutch spot prices 8% higher y-o-y

- Futures prices declined on all Vattenfall's markets y-o-y

EUR/MWh	Nord Pool	EPEX	APX
Q4-13 (Q4-12)	36.0 (37.3)	37.6 (41.4)	52.0 (51.9)
%	-4.1	-9.3	0.3
2013 (2012)	38.1 (31.3)	37.8 (42.7)	52.0 (47.9)
%	21.9	-11.4	8.4

Monthly spot average



Electricity futures prices

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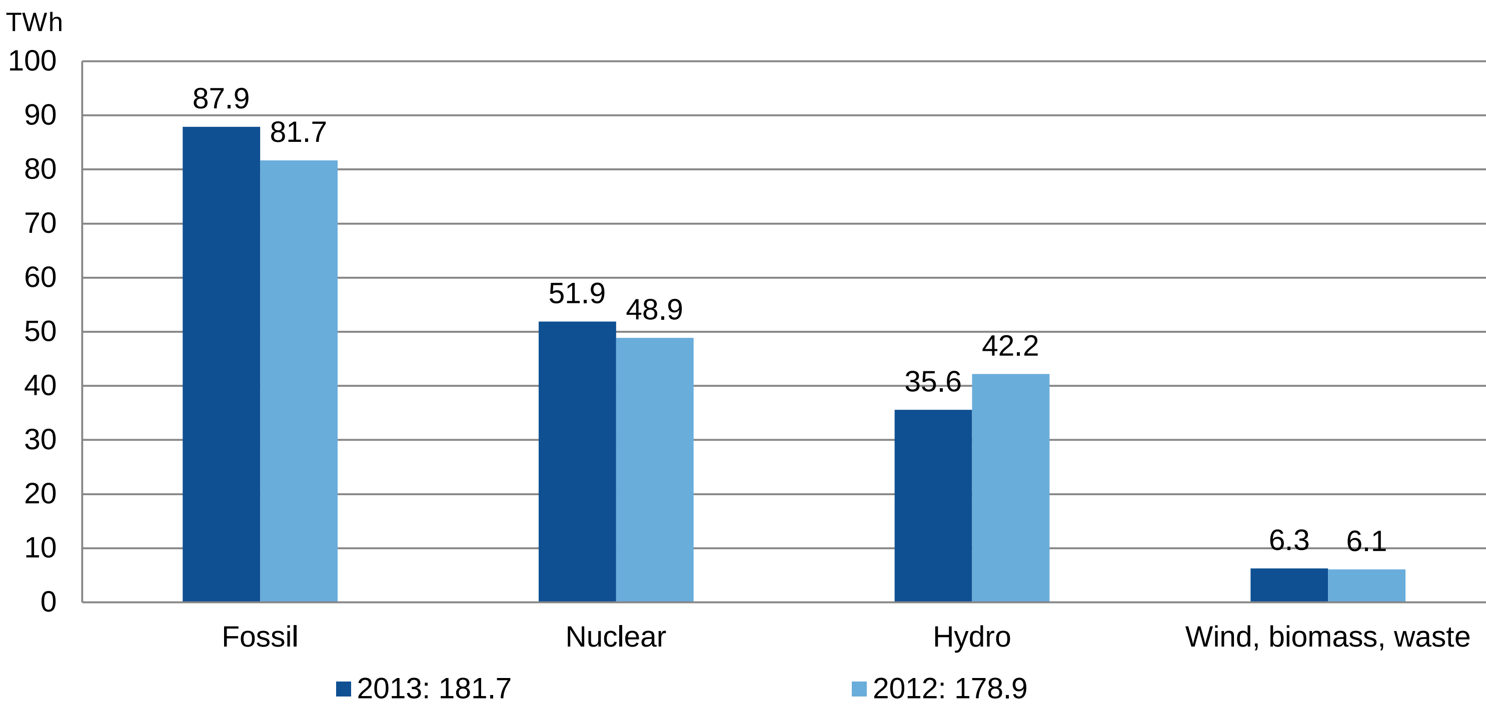
Generation volumes increased 1.6% to 181.7 TWh

- Fossil production increased due to high availability and new capacity added
  - Boxberg, Germany, and gas fired plants in the Netherlands
- Second-best nuclear power production year since the start of generation 40 years ago
- Lower hydro power production. Hydro volumes were exceptionally high in 2012
- Higher wind power



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Major transactions after the balance sheet date

14 January

- Vattenfall sold its18.7% non-strategic minority stake in Polish energy company Enea S.A.
  - Total sales price corresponds to approx. SEK 2.2bn
  - 82,395,573 shares at PLN 12.50 per share
  - The shares have continously been marked to market, hence there will not be any material P/L effect in the Q1 2014 accounts

15 January

- A referendum held on 22 September in Hamburg resulted in a narrow majority in favour of regaining municipal ownership of the energy grids in Hamburg. Following the outcome of the referendum Vattenfall on 15 January signed an agreement with the City of Hamburg.
  - Vattenfall sells its 74.9% share of electricity grid company ”Stromnetz Hamburg GmbH” and related service companies to the City
  - Vattenfall will continue to operate the district heating network in Hamburg and keep its 74.9% share of ”Vattenfall Wärme Hamburg GmbH” at least through 2018. But the City has been granted an option to buy Vattenfall’s share during 2019.

Agreement with City of Hamburg – electricity grid

Equity value	Equity value for 100% : Preliminary 550 MEUR (~SEK 4.8bn). Final value to be determined by an independent auditor, however the floor value is 495 MEUR (~SEK 3.6bn)
Enterprise value	Enterprise value for 100%: Preliminary 874 MEUR (~SEK 7.7bn) Floor value: 819 MEUR (~SEK 7.2bn)
Shareholder loan	The City will repay a shareholder loan to Vattenfall of 243 MEUR (~SEK 2.1bn)
Closing date	No later than 14 February 2014
Capital gain	At least 300 MEUR (to be booked in Q1 2014)
EBITDA	Approx. 100 MEUR FY 2012 (~880 MSEK)
Previous sale of 25.1%	Vattenfall sold 25.1% of the grid company to the City in 2012 for ~138 MEUR

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Agreement with City of Hamburg – district heating grid

Equity value	Final equity value to be determined by an independent auditor during 2018. However ,the agreed floor equity value for 100% is: • 1,150 MEUR (~SEK 10.1bn) <u>or</u> • 950 MEUR (~SEK 8.4bn) if Vattenfall decides not to build a new CHP plant in the Hamburg/Wedel area
Previous sale of 25.1%	Vattenfall sold 25.1% of the district heating company to the City of Hamburg in 2012 for approx. 325 MEUR.
Capital gain	Should the City of Hamburg exercise its option to buy the district heating grid in 2019, Vattenfall expects to make a significant capital gain

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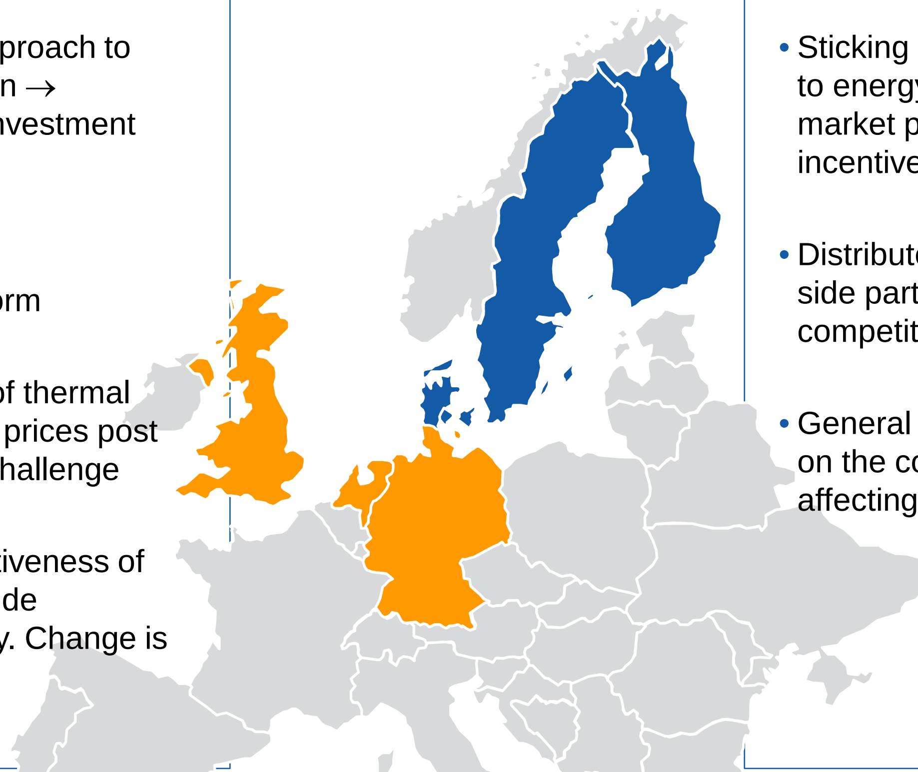
Vattenfall has reorganized the Group into two regions - Differences in market trends are becoming significant

Continental /UK

- Increasingly national approach to energy market regulation → regulator provides the investment incentives
  - Energiewende
  - New Energy Deal
  - Energy Market Reform
- Decreased profitability of thermal power under rising CO_2 prices post 2020 – transformation challenge
- Increased cost competitiveness of solar PV and demand side participation in Germany. Change is faster than expected



Nordic

- Sticking to harmonized EU approach to energy market regulation → market provides the investment incentives
- Distributed generation and demand side participation less cost competitive in the Nordics
- General oversupply and low prices on the continent increasingly affecting Nordic market

- Two regions effective 1 January 2014: Nordic and Continental/UK
- The new structure enables the regions to focus on their respective topics and opens up for opportunities for risk-sharing in the Continental operations over time

European Commission‘s proposal on Climate & Energy Framework for 2030

- **Key features of proposal announced 22 January 2014:**
  - EU-wide binding CO_2-reduction target of 40%
  - EU-wide binding renewables target of 27%
  - Reform of the EU-ETS-system
  - No new energy efficiency targets at this point

- **Vattenfall especially welcomes the proposal for a binding European CO_2-reduction target of 40 %**

Other highlights

- **Wind power investments**
  - Baljum (15 MW) DK, Hjuleberg (33 MW), Sw – expected commissioning mid 2014
  - Pen Y Cymoedd (228 MW) UK – expected to come on stream end 2016
  - Clashindaroch (36.9 MW), UK – expected to be completed in early 2015
  - Princess Alexia Wind Farm (150 MW), NL – commissioned in Q2 2013
  - Dan Tysk (288 MW), Germany – plan for final installation of all turbines in autumn 2014
  - Kentish Flats (expansion of 49.5 MW) ,UK – expected commissioning in Q3 2015

- **Investigation regarding potential replacement of nuclear power at Ringhals nuclear power plant**
  - Consultation with key stakeholders commenced on 16 January 2014

Financials
Ingrid Bonde, CFO

FY 2013 Financial highlights

MSEK	FY 2013	FY 2012
Net Sales	171,684	167,313
EBITDA	42,842	54,271
EBIT	-6,453	25,958
Underlying EBIT*	27,900	27,530
Financial items, net	-8,758	-7,840
Profit after tax	-13,543	17,047
Cash flow (FFO)	31,888	34,419
Net debt	106,912	111,907
Adjusted net debt	162,597	153,943
FFO/Adjusted net debt (%)	19.6	22.4
Adjusted net debt/EBITDA (%)	3.8	2.8

* Underlying profit: EBIT excluding Items affecting comparability

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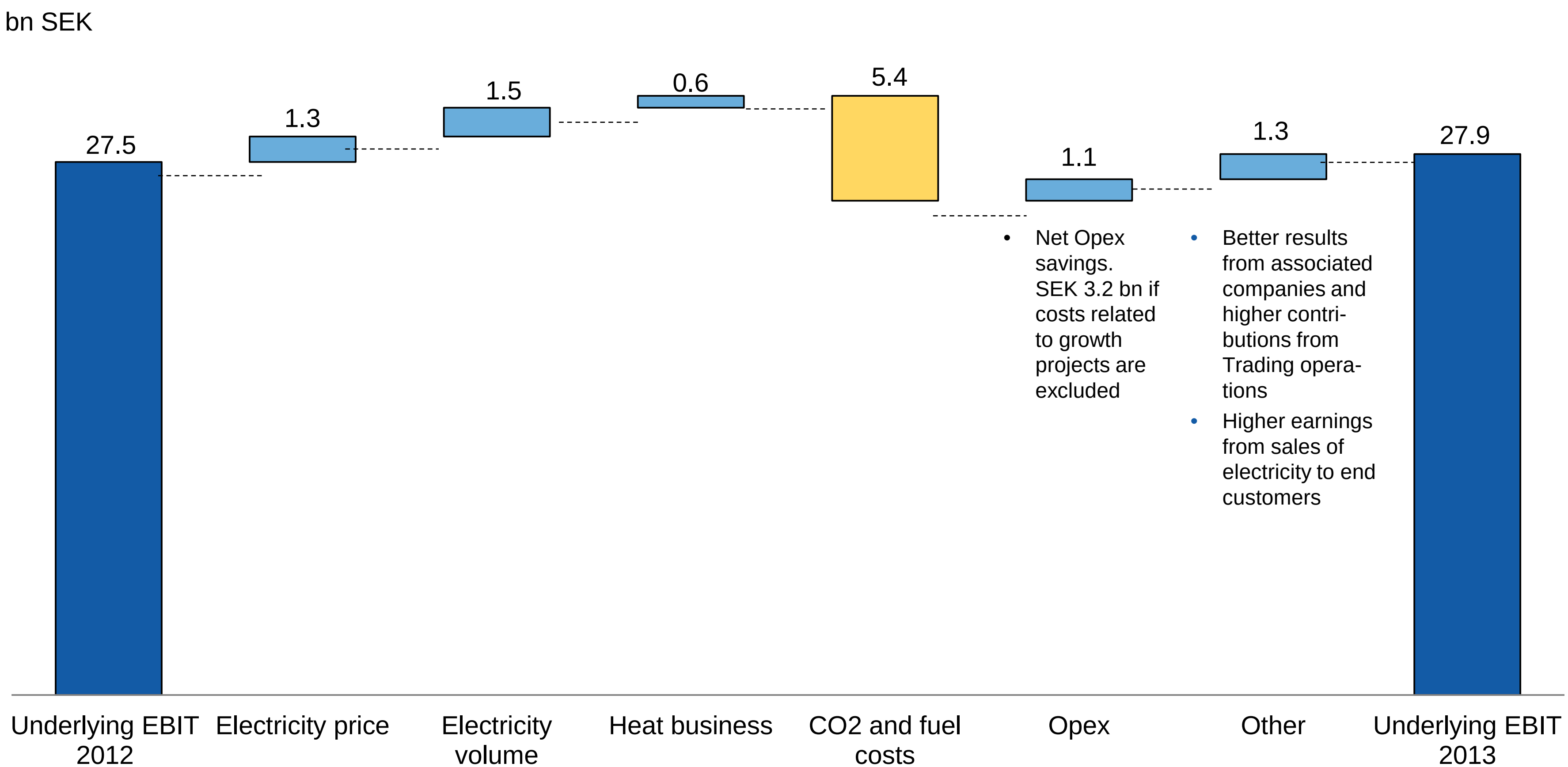
Development of underlying EBIT FY 2013



- Net Opex savings. SEK 3.2 bn if costs related to growth projects are excluded

- Better results from associated companies and higher contributions from Trading operations
- Higher earnings from sales of electricity to end customers

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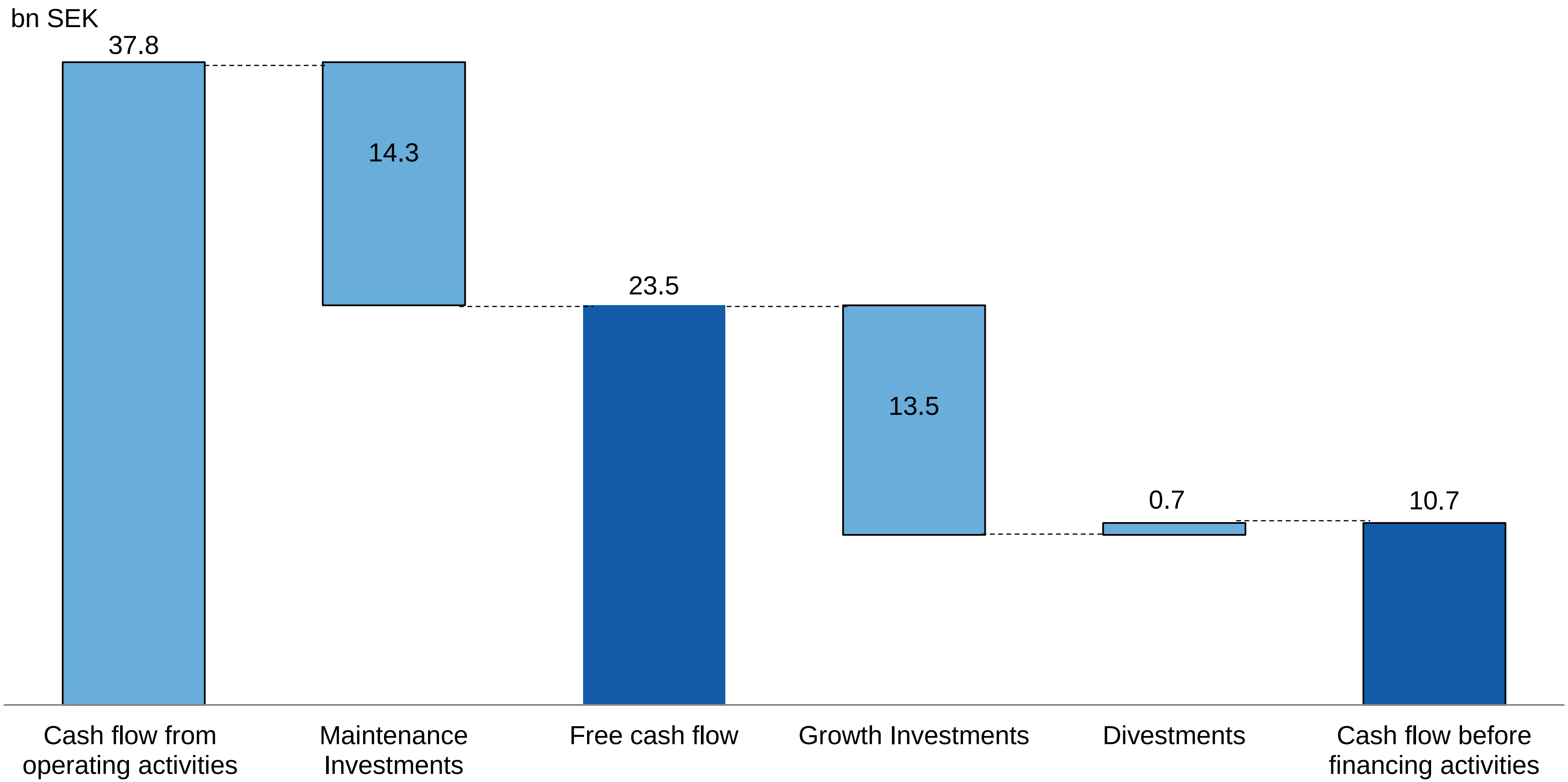
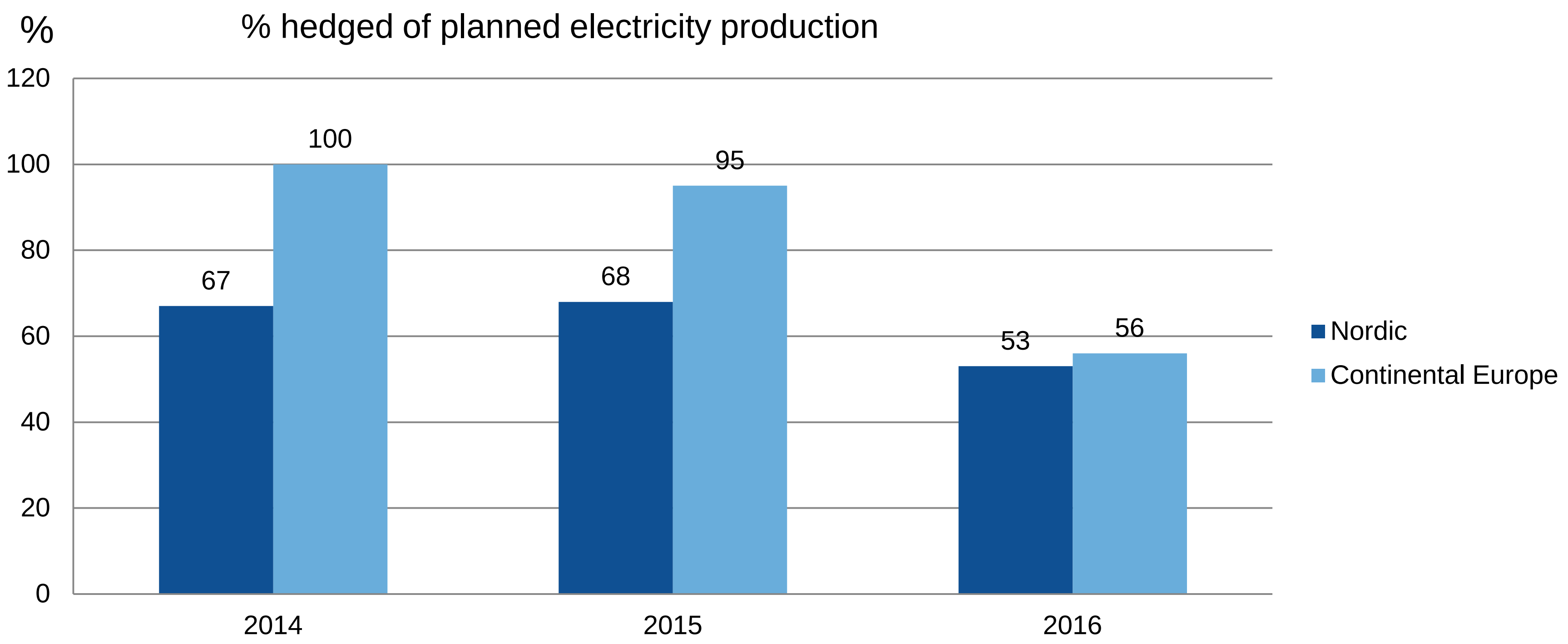
Strong cash flow after investments FY 2013



Hedge ratios and prices



Hedge prices EUR/MWh	2014	2015	2016
Nordic region	40	39	37
Continental Europe	50	44	40

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Financial targets and outcome

Metric	Target	Outcome FY 2013
Return on Capital Employed (ROCE)	9%	-2.1% (9.2% excl. IAC*)
Net debt/Equity	50-90%	81.8%
FFO/Adjusted net debt	22-30%	19.6% **
Dividend pay-out	40-60%	The Board proposes a zero dividend pay-out

* IAC = items affecting comparability

** Had the divestments of Hamburg grid and ENEA shares been executed in 2013, FFO/Adjusted net debt would have amounted to 21,1%.

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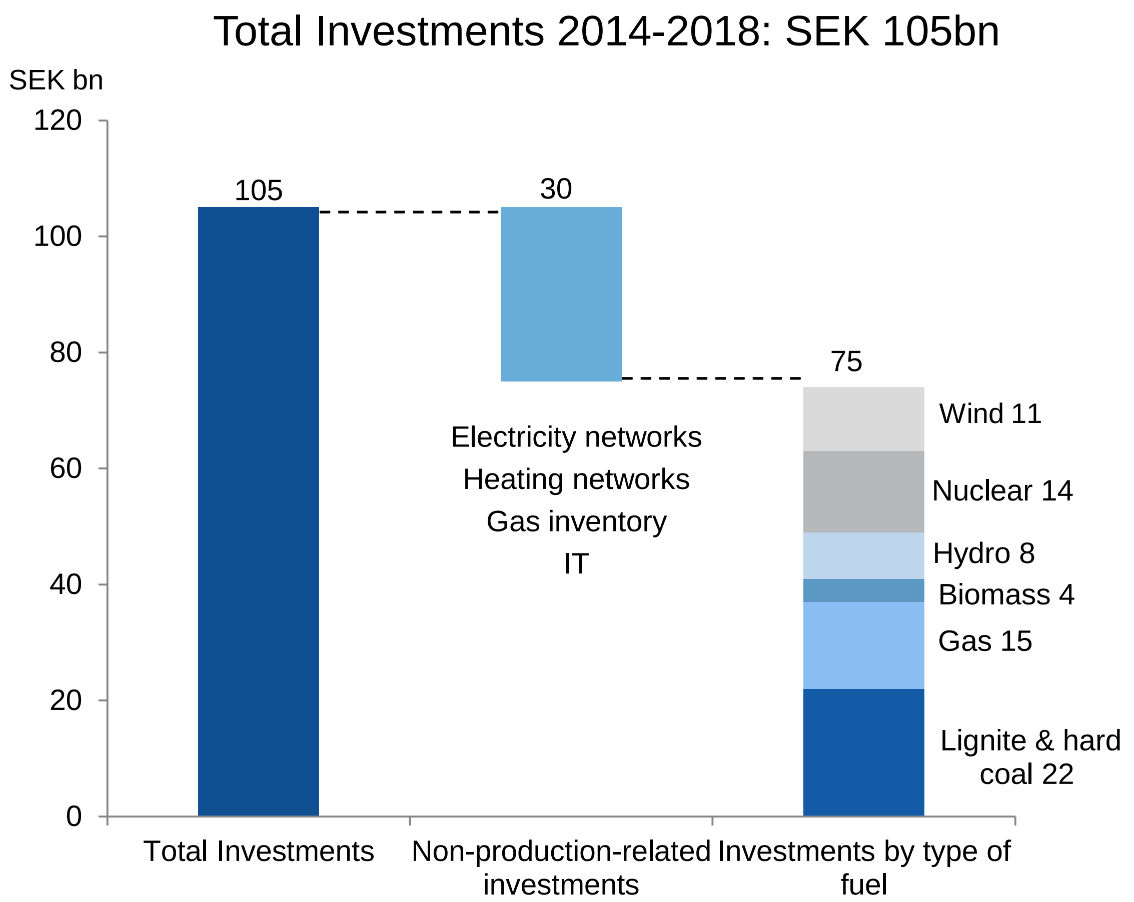
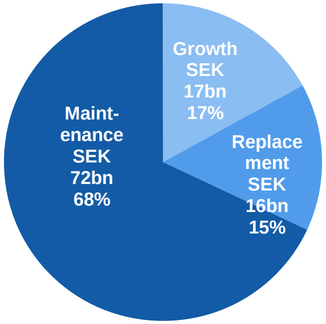
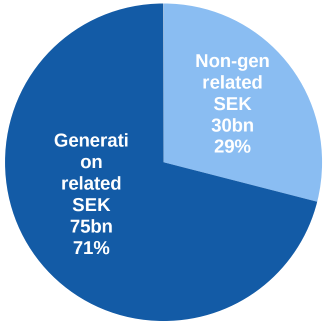
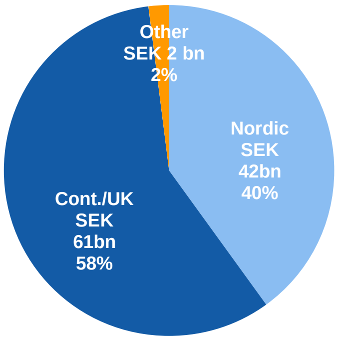
Capex plan for 2014-2018 reduced by SEK 18bn compared with previous 5 year plan









Q&A

Appendix

Q4 2013 Financial highlights

MSEK	Q4 2013	Q4 2012
Net Sales	47,762	47,937
EBITDA	9,368	10,286
EBIT	3,839	5,097
Underlying EBIT[1]	6,951	6,655
Financial items, net	-2,080	-1,373
Profit after tax	1,983	6,342
Cash flow (FFO)	6,548	11,583
Net debt	106,912	111,907
Adjusted net debt	162,597	153,943
FFO/Adjusted net debt (%)[2]	19.6	22.4
Adjusted net debt/EBITDA (%)[2]	3.8	2.8

1) Underlying profit: EBIT excluding Items affecting comparability
2) Last 12 months

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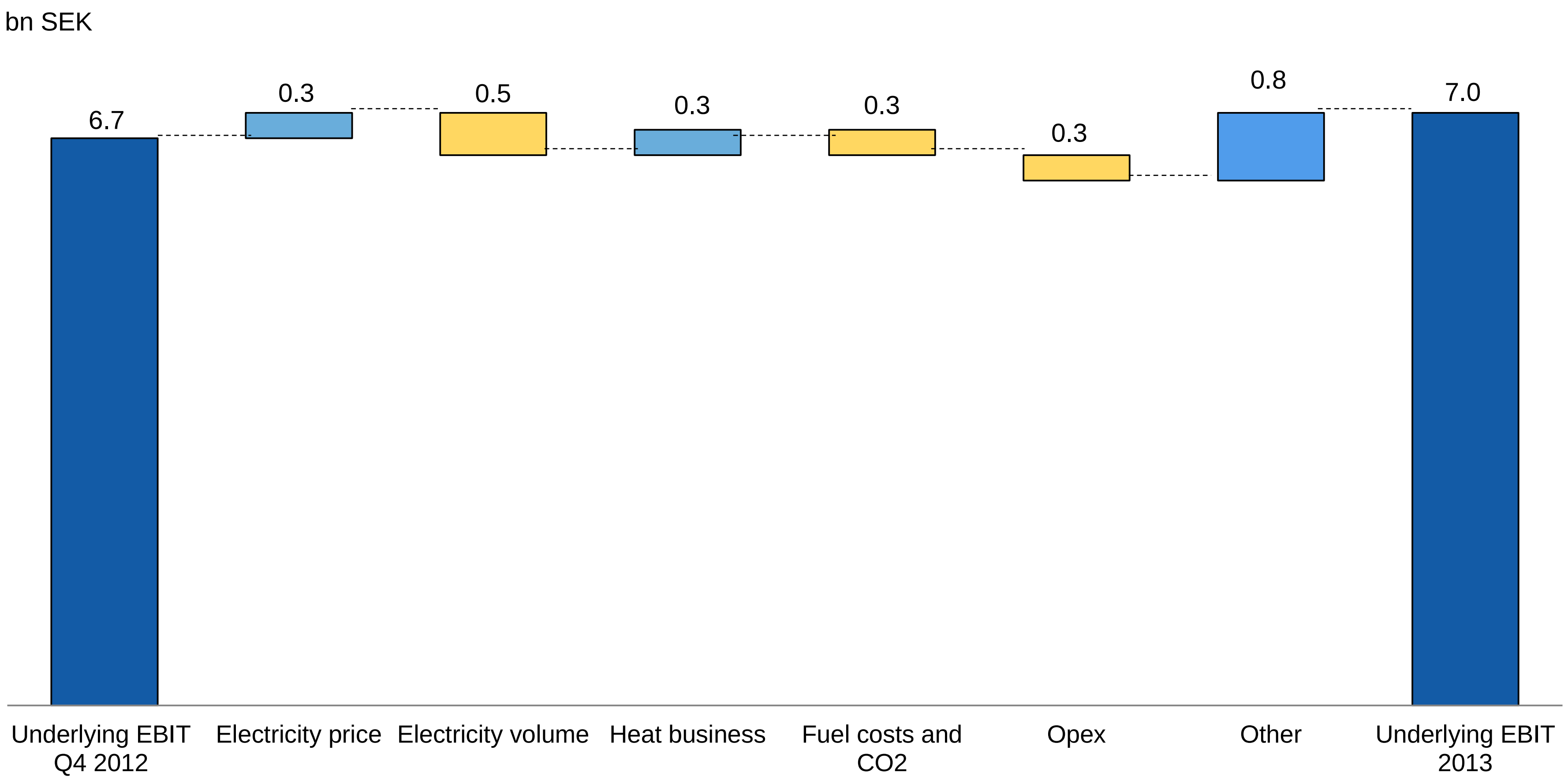
Development of underlying EBIT Q4 2013



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Underlying EBIT per operating segment

MSEK	Q4 2013	Q4 2012	FY 2013	FY 2012
Generation	5,403	4,406	22,048	20,484

MSEK	Q4 2013	Q4 2012	FY 2013	FY 2012
Distribution and Sales	2,216	2,526	8,667	7,855

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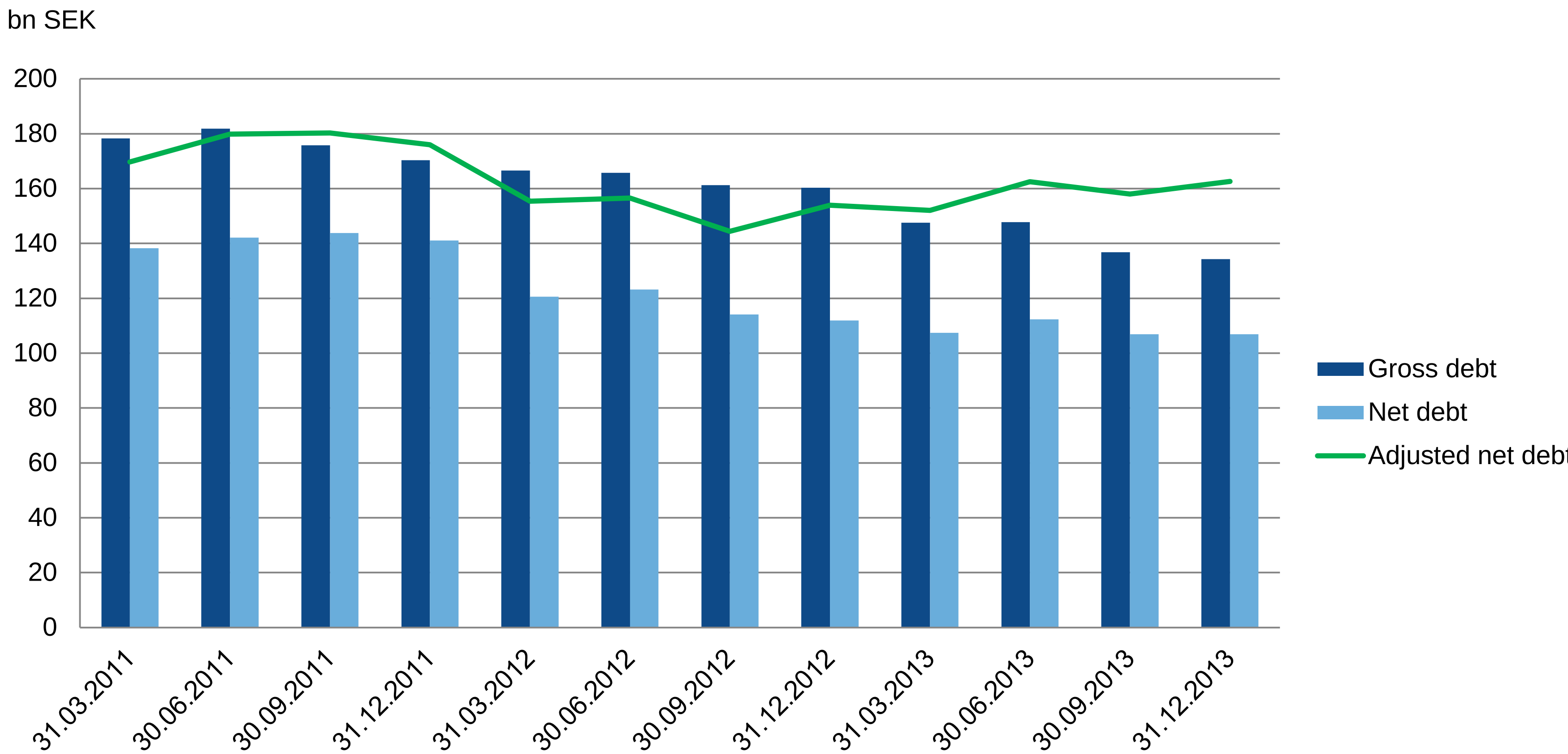
Lower gross debt but increased adjusted net debt



Compared with 31 December 2012, adjusted net debt increased by SEK 8.7bn to SEK 162.6 bn mainly due to increased pension liabilities and less received margin calls. Compared with 30 September 2013, adjusted net debt increased by SEK 4.6bn. For calculation of adjusted net debt, see Appendix slide 27.

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Continued strong liquidity position

As of 31 Dec 2013

Group liquidity	MSEK
Cash and cash equivalents	15,794
Short term investments	11,459
Reported cash, cash equivalents & short term investments	**27,254**
Unavailable liquidity*	-6,743
Available liquidity	**20,511**

Committed credit facilities	Line size	MSEK
RCF (maturity Jan 2016)	2,550 MEUR	22,591
Total undrawn		**22,591**

Debt maturities**	MSEK
Within 90 days	6,175
Within 180 days	18,827

* German nuclear "Solidarvereinbarung" 3,016 MSEK, Margin calls paid (CSA) 1,685 MSEK and Others 2,042 MSEK

** Excluding loans from minority owners and associated companies

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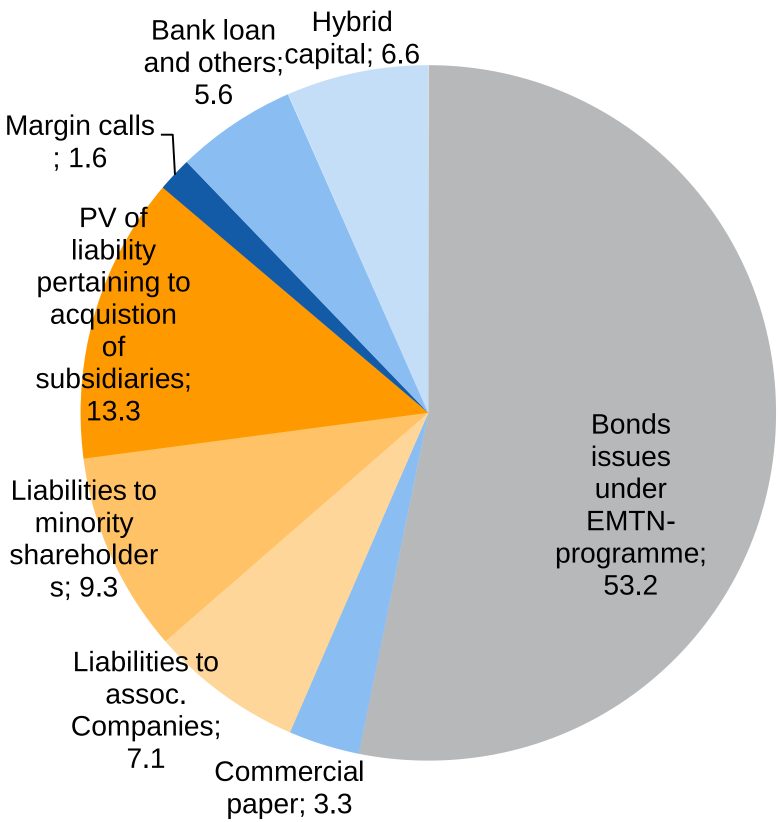
Breakdown of gross debt

Total debt 31 Dec 2013: SEK 134bn (EUR 15bn)
External market debt (SEK 94bn)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	7,778
EUR 2bn Euro CP	2,000	0,166
SEK 15bn Domestic CP	1,693	0,339
Total	**18,693**	**8,283**

- 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 hedge against net foreign investments
- No structural subordination

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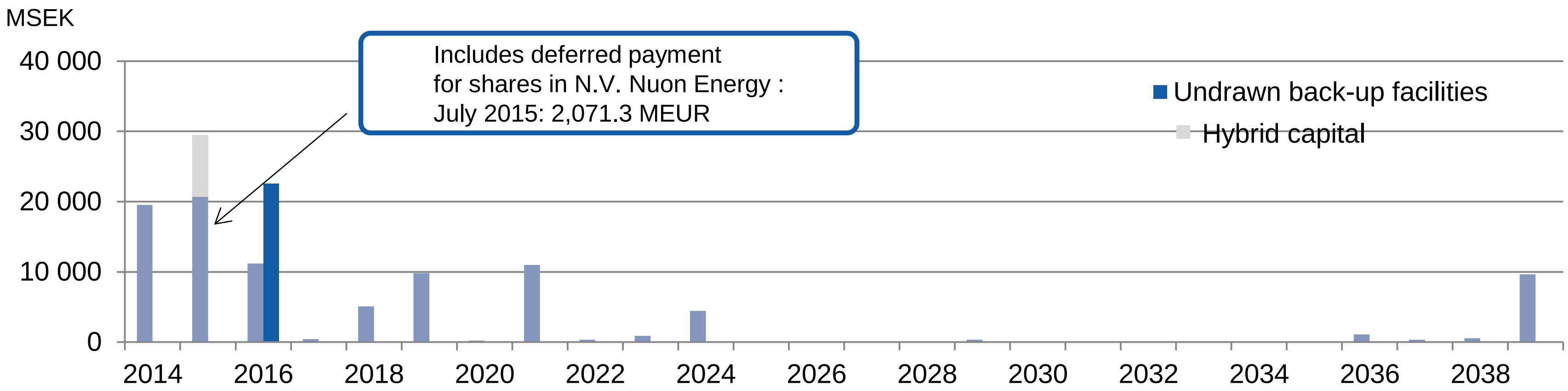
Vattenfall debt maturity profile



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.

	31 Dec 2013	31 Dec 2012
Duration (years)	2.9	3.3
Average time to maturity (years)	5.7	5.3
Average interest rate (%)	3.5	3.4
Net debt (SEK bn)	106.9	111.9

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Reported and adjusted net debt

Reported net debt (SEK bn)	Dec 31 2013	Dec 31 2012
Hybrid capital	-8.8	-8.5
Bond issues and commercial papers and liabilities to credit institutions	-78.1	-94.3
Present value of liability pertaining to acquisition of subsidiaries	-17.9	-27.1
Liabilities to associated companies	-9.5	-9.3
Liabilities to minority shareholders	-12.4	-11.9
Other liabilities	-7.5	-9.2
Total interest-bearing liabilities	**-134.3**	**-160.3**
Reported cash, cash equivalents & short-term investments	27.3	46.5
Receivable Swedish pension foundation	0.0	1.8
Loans to minority owners of foreign subsidiaries	0.1	0.1
Net debt	**-106.9**	**-111.9**

*Of which: German nuclear ”Solidarvereinbarung” 3.0, Margin calls paid (CSA) 1.7, Others 2.0

Adjusted net debt (SEK bn)	Dec 31 2013	Dec 31 2012
Total interest-bearing liabilities	**-134.3**	**-160.3**
50% of Hybrid capital	4.4	4.3
Present value of pension obligations	-35.5	-30.2
Mining & environmental provisions	-11.8	-12.2
Provisions for nuclear power (net)	-20.2	-18.4
Cross currency swaps	1.2	3.0
Margin calls received	2.2	7.2
Liabilities to minority owners due to consortium agreements	10.9	10.5
= Adjusted gross debt	**-183.1**	**-196.2**
Reported cash, cash equivalents & short-term investments	27.3	46.5
Receivable Swedish pension foundation	0.0	1.8
Unavailable liquidity	-6.7*	-6.0
= Adjusted cash, cash equivalents & short-term investments	**20.5**	**42.2**
= Adjusted net debt	**-162.6**	**-153.9**

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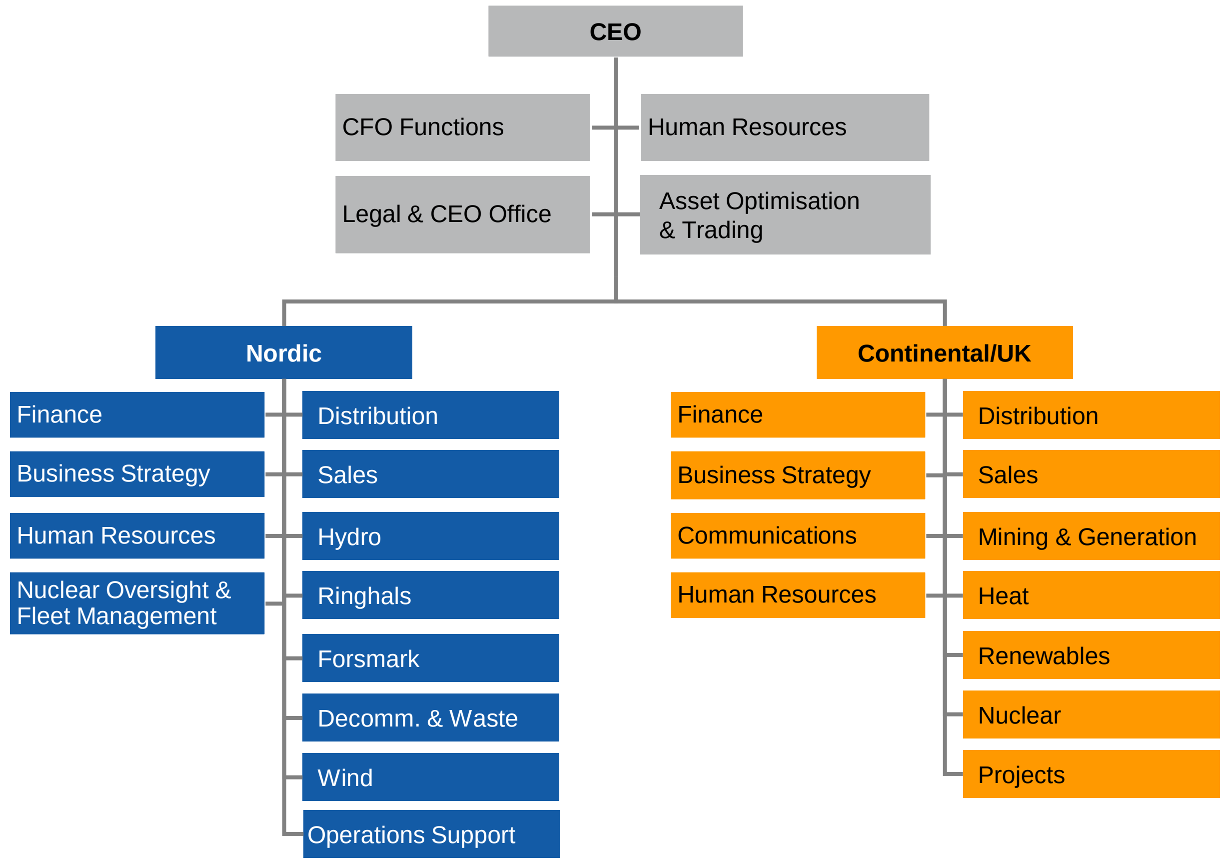
Two regions – One company

Integrated governance framework

- Common decision making principles stated by corporate
- Integrated strategic planning owned by corporate
- Top down target setting and follow up
- Common internal control framework, e.g. corporate risk management and internal audit



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Pro forma figures 2013 new regional organisation