



VATTENFALL Q3 AND 9M RESULTS 2016

Magnus Hall, CEO and Ingrid Bonde, CFO

Press Conference 27 October 2016



HIGHLIGHTS AND KEY FIGURES

Closing of lignite divestment – a new Vattenfall is taking shape

- Lignite sold to EPH and PPF Investments with transaction completed 30 September 2016
- The new Vattenfall is a customer centric company that combines efficient, large-scale production with decentralised solutions and renewable forms of energy

Winning bid for Danish Near Shore

- Vattenfall the winner in a highly competitive auction
- Two offshore wind parks totalling 350 MW

Reducing remaining CO₂ emissions

- Coal fired power plant Klingenberg in Berlin to be converted to gas, lowering CO₂ by 600,000 tonnes
- WIP to classify Moorburg as CHP by using waste heat

Swedish nuclear tax cuts in budget proposition and draft nuclear law presented in Germany

- Swedish nuclear tax to be reduced by 90% by Q2 2017, 100% in 2018
- Vattenfall to transfer a total of EUR 1.75 billion to German nuclear fund according to draft law

SEK bn	Continuing operations 9M	Total Vattenfall 9M
Net Sales	101.4 (101.2)	114.8 (119.0)
Underlying EBIT	14.6 (14.1)	14.8 (14.1)
EBIT	4.2 (-8.7)	-18.2 (-26.7)
Profit after tax	1.8 (-9.7)	-21.9 (-22.2)
ROCE, %*	3.1 (N/A)	-5.8 (-7.1)
ROCE excl. IAC, %*	8.4 (N/A)	8.5 (8.1)
FFO/Adjusted net debt, %*	23.9 (19.5)	24.5 (22.5)

* Last twelve months

STRATEGIC TARGETS



Our strategic focus areas



Strategic targets to 2020

	30 Sept. 2016	30 Sept. 2015	FY 2015
1. Customer engagement, NPS +2 (Net Promoter Score)	+5	-	-
2. Commissioned renewables capacity: ≥2,300 MW	81	-	N/A
3. Absolute CO ₂ emissions: ≤21 Mtonnes	60.2	61.4	83.8
4. ROCE: ≥9% (continued operations)* ROCE: ≥9% (total Vattenfall)*	3.1* -5.8*	- -7.1*	-1.8 -8.2
5. Safety as LTIF (Lost Time Injury Frequency)*: ≤1,25	2.0*	2.5*	2.3
6. Employee Engagement Index: ≥70%	-	-	59

*Last twelve months

OUR CUSTOMER BASE IS GROWING



Customers & Solutions

+ 70,000 customers YTD

- ✓ Strong Net Promoter Score development
- ✓ Lowered Cost to Serve
- ✓ Innovative product launches



Heat

+ 29,000 customers YTD

- ✓ Less than 1% churn
- ✓ Strong political support
- ✓ Attractive growth potential with solutions orientation



Distribution

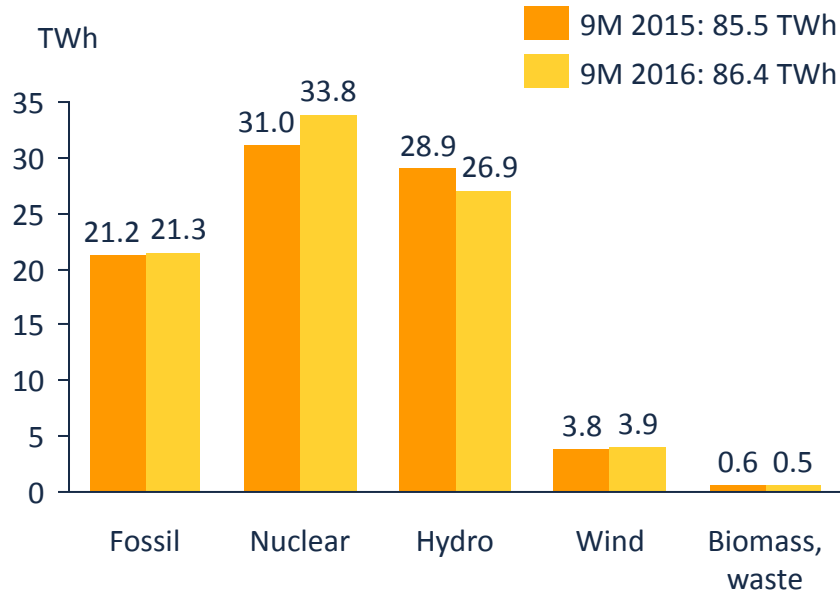
+ 20,000 customers YTD

- ✓ High quality focus
- ✓ Growth driven by urbanization
- ✓ Deployment of digital grid solutions for improved service, quality and more renewables

STABLE ELECTRICITY GENERATION



Electricity generation for continuing operations

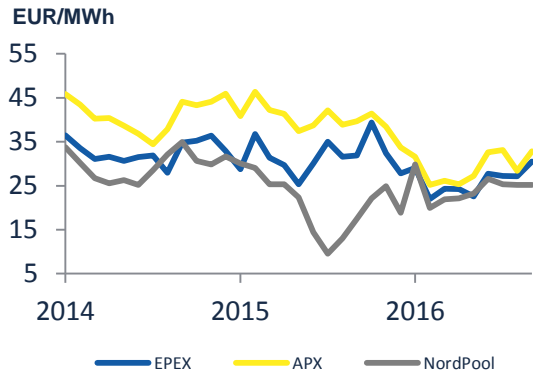


- Stable electricity generation for continuing operations, i.e. excluding lignite operations
- Hydro power generation decreased as a result of lower reservoir levels
- Nuclear power generation increased owing to higher availability
- Electricity generation for Total Vattenfall, including lignite operations, amounted to 127.3 TWh for 9M 2016

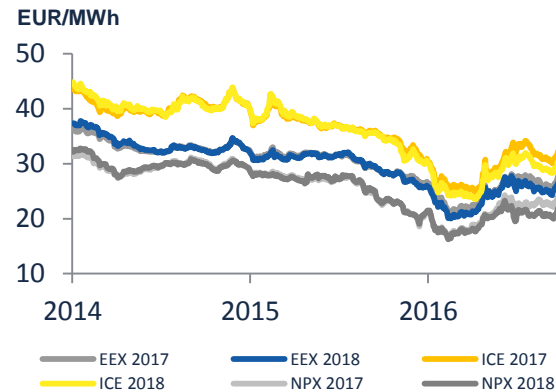
INCREASED NORDIC SPOT PRICES BUT LOWER ELECTRICITY FUTURE PRICES



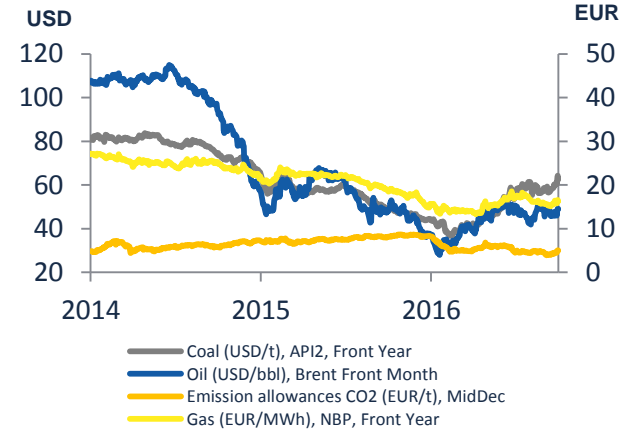
Spot power prices average



Electricity futures



Commodity prices



- Nordic spot prices 90% higher vs. Q3 2015 mainly owing to weaker hydrological balance
- German and Dutch spot prices approx. 14% and 22% lower respectively vs. Q3 2015
- Electricity futures prices lower in all of Vattenfall's markets but trending upwards
- Lower prices on oil (Brent crude), gas and CO₂ allowances but higher coal prices

PROVEN COMPETITIVENESS IN WIND



Danish Near Shore ✓ **Winning bid**

- Highly competitive bid – 0.475 DKK/kWh incl. transmission
- Two offshore wind farms totalling 350 MW
- Pending government approval, finalization of the project will make Vattenfall the largest wind operator in Denmark

Sandbank ✓ **Project excellence**

- Successfully supplied first power with less than 50% of the planned 72 turbines installed
- Joint project with Stadtwerke München totalling 288 MW
- Shortened commissioning time – frontloaded revenues – reduced overall project cost

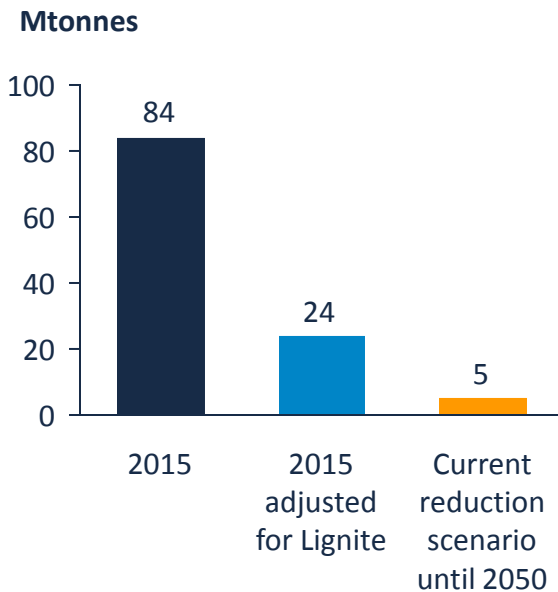
Global Tech II ✓ **Acquisition**

- Wind development project consisting of 79 turbines in the German North Sea
- Project realization depends on obtaining a capacity contract in the tendering process with the first auction in March 2017 and the second auction in March 2018



WE ARE DELIVERING ON OUR TARGETED CO₂ REDUCTION

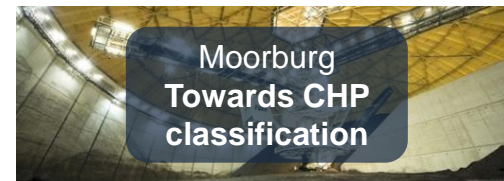
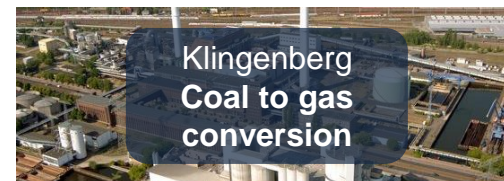
On track to deliver on our vision



Key levers for CO₂ phase out

- **Phase out of coal** by conversion to biomass, divestment or decommissioning
- Supply district heat based on **efficient gas-fired CHPs** with possibility for long term transition to synthetic gas or bio gas
- New **smart energy and heat solutions** with combination of energy sources including industry residual/waste heat, solar thermal heating, heat pumps, power-to-heat combined in a system with heat storage and low-energy buildings

Successful ongoing initiatives



NUCLEAR REGULATORY DEVELOPMENTS



German Cabinet published draft nuclear law



Content of the proposal

- Utilities to put EUR 23.6 bn in a fund
- Vattenfall's share amounts to EUR 1.75 bn incl. a 35% premium
- The draft law still needs to be carefully analysed from a technical, commercial and legal perspective
- Timing of payments not decided by Vattenfall
- Unfavourable interest rate at 4.58 percent
- Parliamentary approval process expected until Q1 2017

Necessary improvement in conditions for Swedish nuclear



Latest status

- Nuclear capacity tax will be abolished in two steps: By 90% from July 1, 2017, reducing the tax from SEK 14,770 per MW/month to SEK 1,500 per MW/month. The remaining tax will be abolished by January 1, 2018
- Extended responsibility for license-holders in case of radiological accidents to 1,200 MEUR
- Swedish Radiation Safety Authority proposes 50 + 6 years as the calculation basis for the Swedish nuclear waste fee
- Swedish Radiation Safety Authority approval for the Ringhals 2 reactor to re-start operations

FINANCIALS

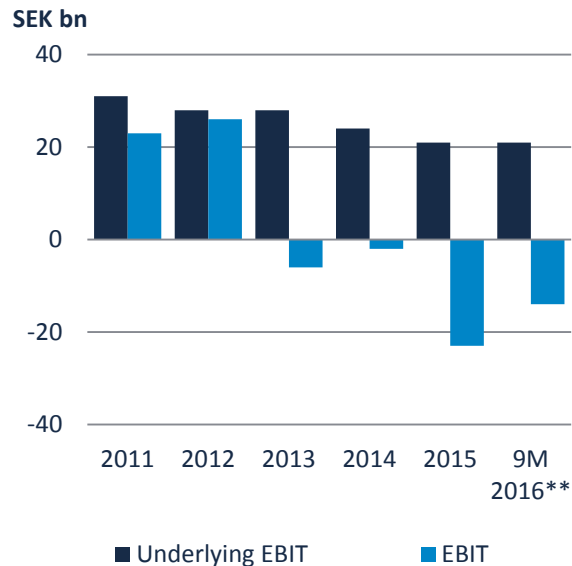
Ingrid Bonde, CFO

9M 2016 MAIN MESSAGE

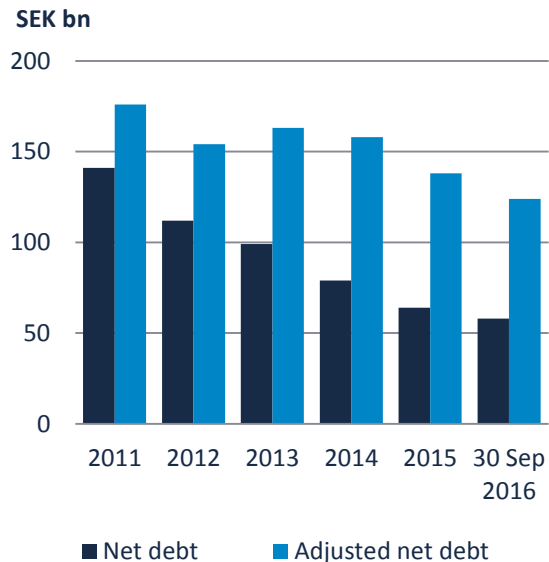
- Solid financial results despite challenging energy landscape
- Continued strong liquidity position after closing of lignite sale – no immediate funding need
- Reduction in Adjusted Net Debt due to positive cash flow after investments and effects related to the sale of lignite operations
- Changed hedge strategy – adapting to changing power price exposure

SOLID FINANCIAL RESULTS DESPITE CHALLENGING ENERGY LANDSCAPE

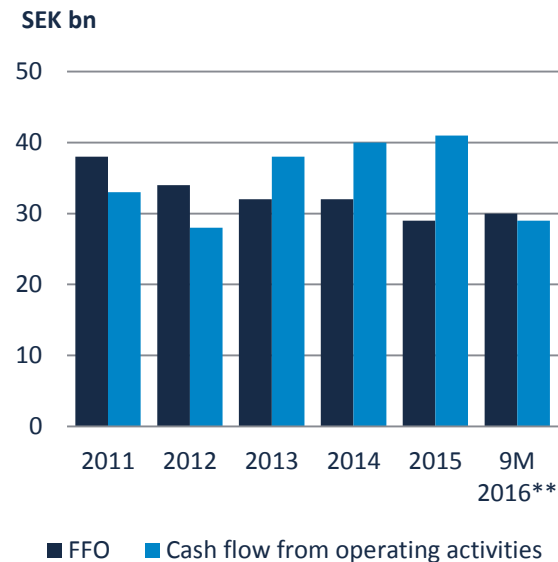
Underlying EBIT development*



Debt reduction



Positive cash flow*



* Pertains to Total Vattenfall

** Last twelve months

9M 2016 FINANCIAL HIGHLIGHTS

SEK bn	Continuing operations 9M 2016	Continuing operations 9M 2015
Net Sales	101.4	101.2
EBITDA	23.9	22.9
Underlying EBIT	14.6	14.1
EBIT	4.2	-8.7
Financial items, net	-4.4	-3.6
Profit after tax	1.8	-9.7
Cash flow (FFO)	19.8	16.9
Cash flow operating activities	17.5	31.8
Net debt	58.0	65.4
Adjusted net debt	124.1	143.1
FFO/Adjusted net debt (%)	23.9*	19.5**
Adjusted net debt/EBITDA (times)	3.9*	4.5**

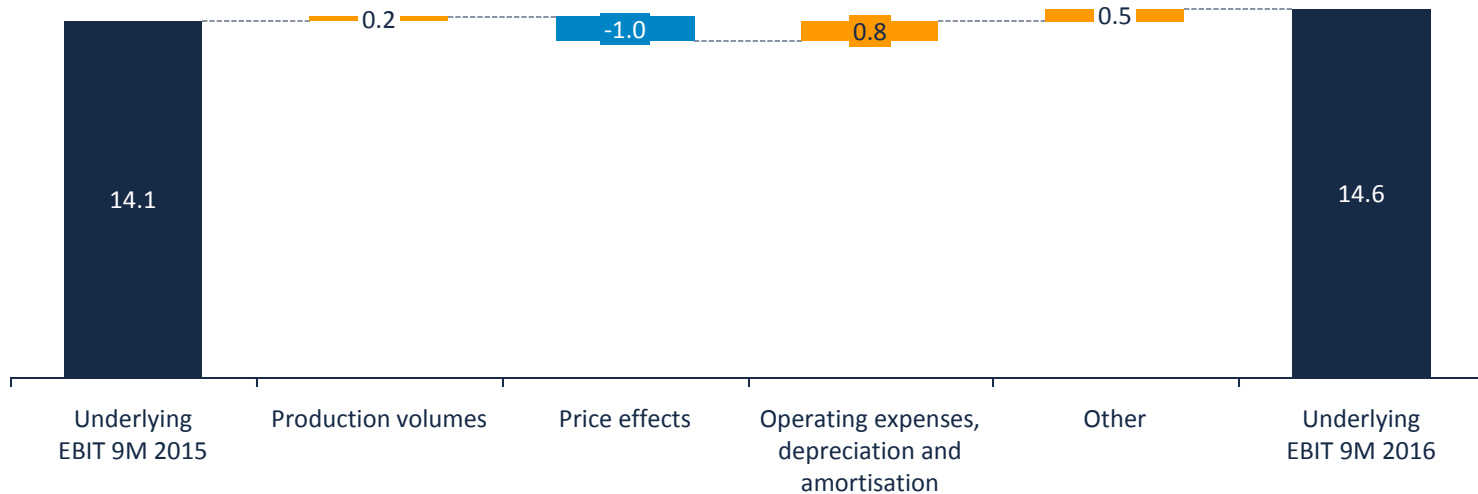
* Last twelve months

** Q1 – Q4 2015

DEVELOPMENT OF UNDERLYING EBIT 9M 2016

Negative price effects are fully offset by increased production volumes and lower operating expenses, and lower depreciation and amortisation

Continuing operations, SEK bn



UNDERLYING EBIT PER OPERATING SEGMENT

Continuing operations SEK bn	9M 2016	9M 2015
Customers & Solutions	1.4	1.3
Power Generation	7.5	8.8
Wind	0.5	0.8
Heat	1.7	1.4
Distribution	3.7	3.8
Other*	-0.1	-1.8
Eliminations	-0.2	-0.2
Total	14.6	14.1

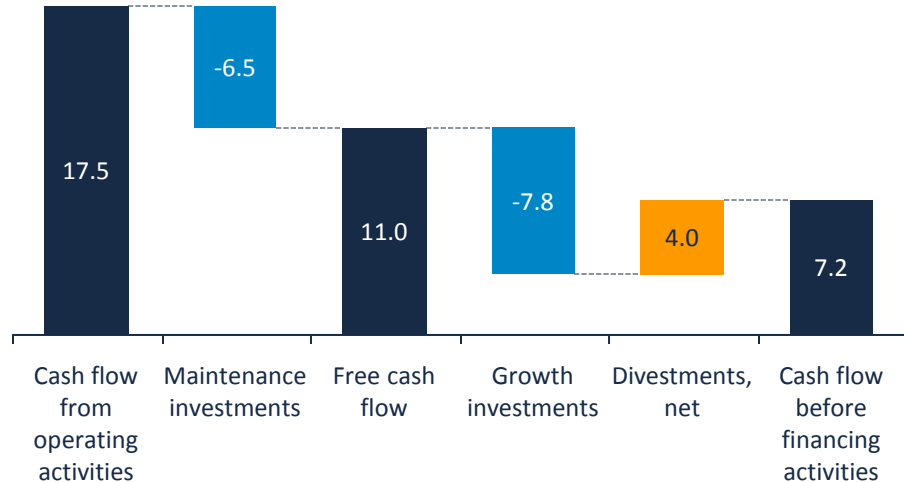
- Lower sales and administration costs in Customers & Solutions
- Lower production margins resulting from average lower prices achieved in Power Generation
- Lower production revenues, higher depreciation and higher project planning and repair costs in Wind
- Higher gross margin in Heat
- Excl. effects of the divested network services operation in Hamburg (SEK 0.2bn), improved underlying EBIT in Distribution

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

CASH FLOW DEVELOPMENT 9M 2016

From continuing operations the cash flow before financing activities is SEK 7.2bn

Continuing operations, SEK bn



- Increased FFO mainly attributable to an income tax refund in Germany related to Moorburg
- Growth investments, mainly attributable to investments within Wind power
- Divestments, mainly attributable to the divestments of network services operation in Hamburg, real estates in Bramfeld and Berlin, and the Nordjylland combined heat and power station in Denmark.

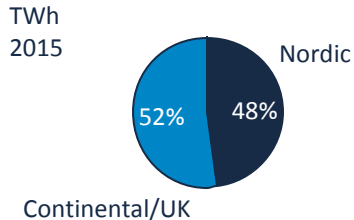
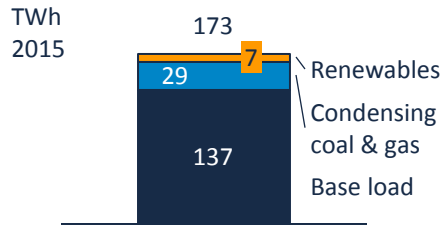
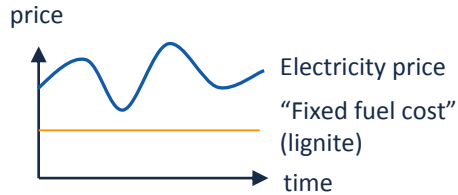
FINANCIAL TARGETS

Financial metric	Target	30 Sept 2016	30 Sept 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%	-5.8 (8.5)	-7.1 (8.1)	-8.2 (7.4)
FFO/Adjusted net debt – continuing operations*	22-30%	23.9		19.5
FFO/Adjusted net debt – total Vattenfall	22-30%	24.5	22.5	21.1
Net debt/Equity	50-90%	66.8	57.2	55.4
Dividend policy (% of profit after tax)	40-60%	-	-	-

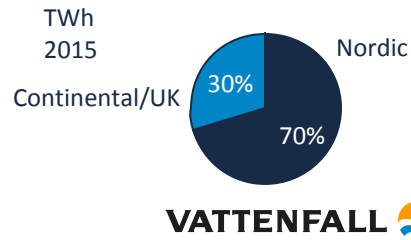
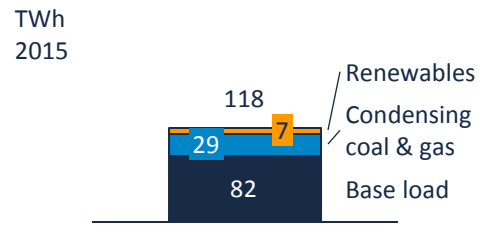
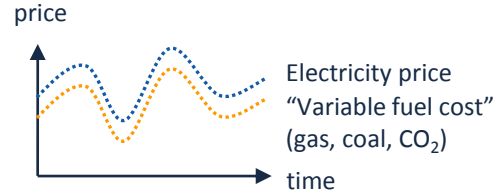
* Last twelve months

ADAPTING THE HEDGE STRATEGY TO CHANGING POWER PRICE EXPOSURE

Before lignite divestment



After lignite divestment



From fixed fuel to variable fuel dominated in Germany

Group base load production hours reduced by ~40%

C/UK power production share reduced from 52% to 30%

- Lower hedge ratio
- Hedging primarily Nordic exposure
- Hedging closer to delivery

APPENDIX

Q3 2016 FINANCIAL HIGHLIGHTS

SEK bn	Continuing operations Q3 2016	Continuing operations Q3 2015
Net Sales	29.7	30.9
EBITDA	5.9	5.8
Underlying EBIT	2.6	2.7
EBIT	2.3	2.3
Financial items, net	-1.9	-1.0
Profit after tax	0.8	0.0
Cash flow (FFO)	5.2	4.3
Cash flow operating activities	8.9	17.4
Net debt	58.0	65.4
Adjusted net debt	124.1	143.1
FFO/Adjusted net debt (%)	23.9*	19.5**
Adjusted net debt/EBITDA (times)	3.9*	4.5**

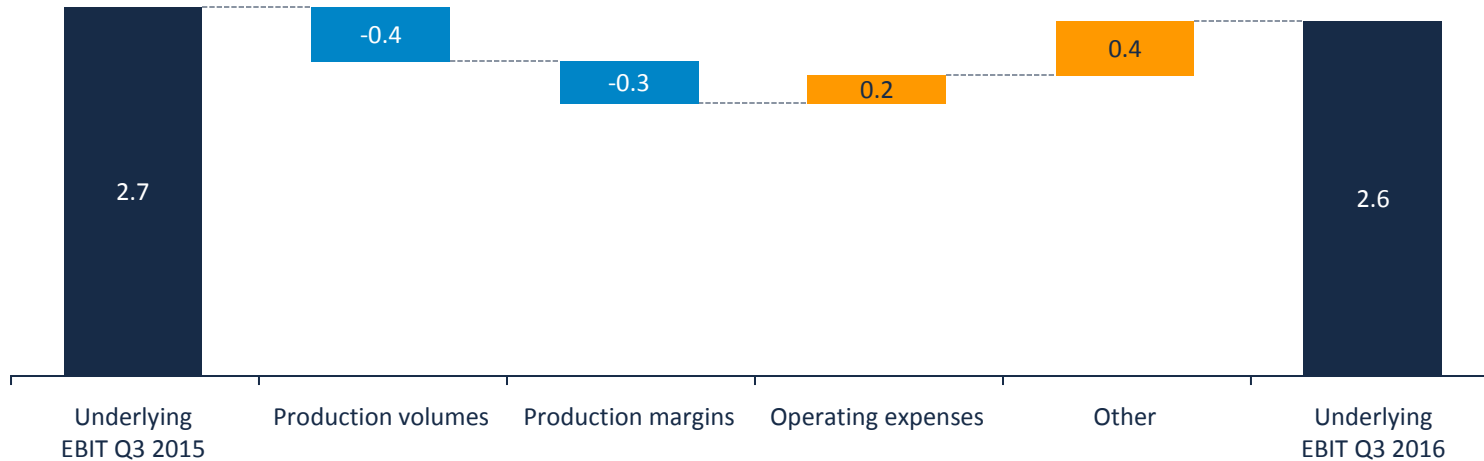
* Last twelve months

** Q1 – Q4 2015

DEVELOPMENT OF UNDERLYING EBIT Q3 2016

Underlying EBIT decreased mainly due to lower production volumes and production margins

Continuing operations, SEK bn

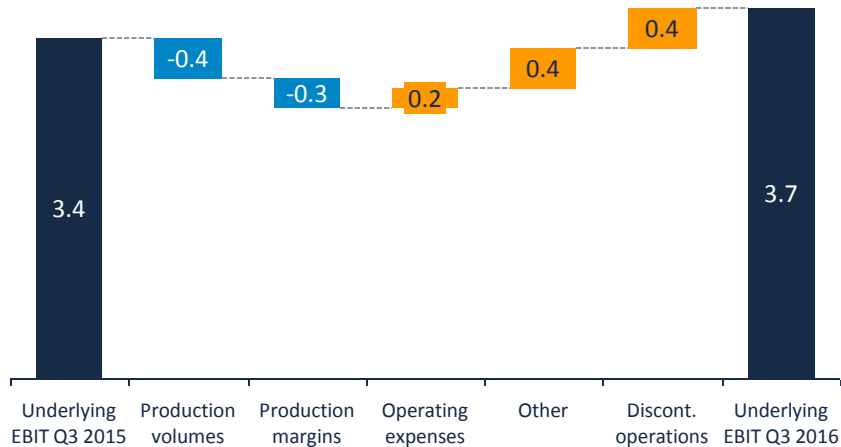


Q3 AND 9M 2016 FINANCIAL HIGHLIGHTS

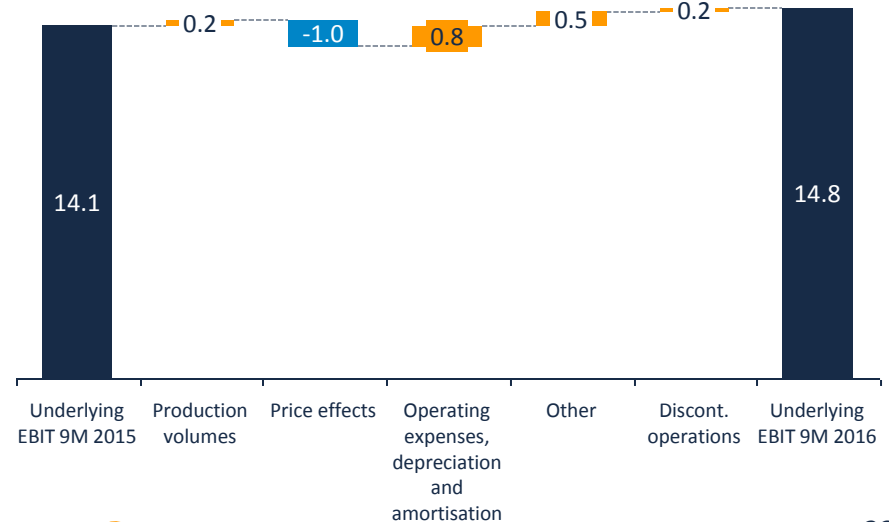
SEK bn	Total Vattenfall Q3 2016	Total Vattenfall Q3 2015	Total Vattenfall 9M 2016	Total Vattenfall 9M 2015
Net Sales	34.3	37.5	114.8	119.0
EBITDA	6.3	7.5	24.8	23.9
Underlying EBIT	3.7	3.4	14.8	14.1
EBIT	2.4	3.0	-18.2	-26.7
Financial items, net	-2.0	-1.1	-4.7	-4.1
Profit after tax	0.2	1.6	-21.9	-22.2
Cash flow (FFO)	5.5	5.7	21.0	19.6
Cash flow operating activities	12.5	14.9	19.7	31.3
Net debt	58.0	65.4	58.0	65.4
Adjusted net debt	124.1	143.1	124.1	143.1
FFO/Adjusted net debt (%)	24.5*	22.5*	24.5*	22.5*
Adjusted net debt/EBITDA (times)	3.7*	4.0*	3.7*	4.0*

DEVELOPMENT OF UNDERLYING EBIT Q3 AND 9M 2016 (TOTAL VF)

Total Vattenfall SEK bn

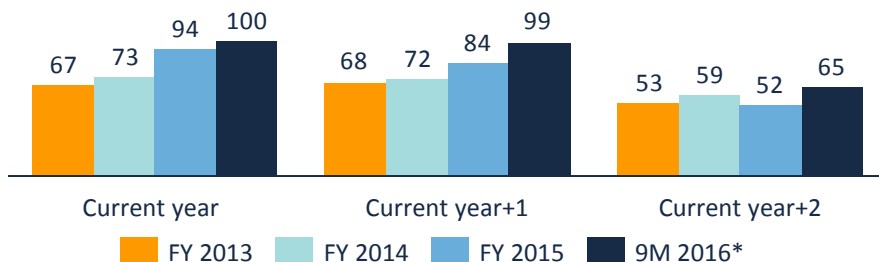


Total Vattenfall SEK bn



DEVELOPMENT OF HEDGES

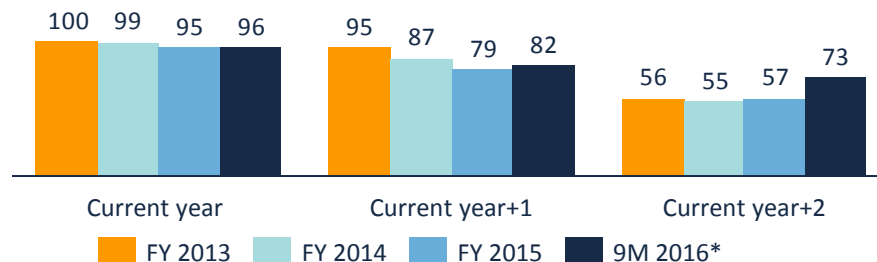
Hedge ratios – Nordic (%)



* 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
9M 2016	100%	31	2016	99%	29	2017	65%	28	2018

Hedge ratios – Continental Europe (%)



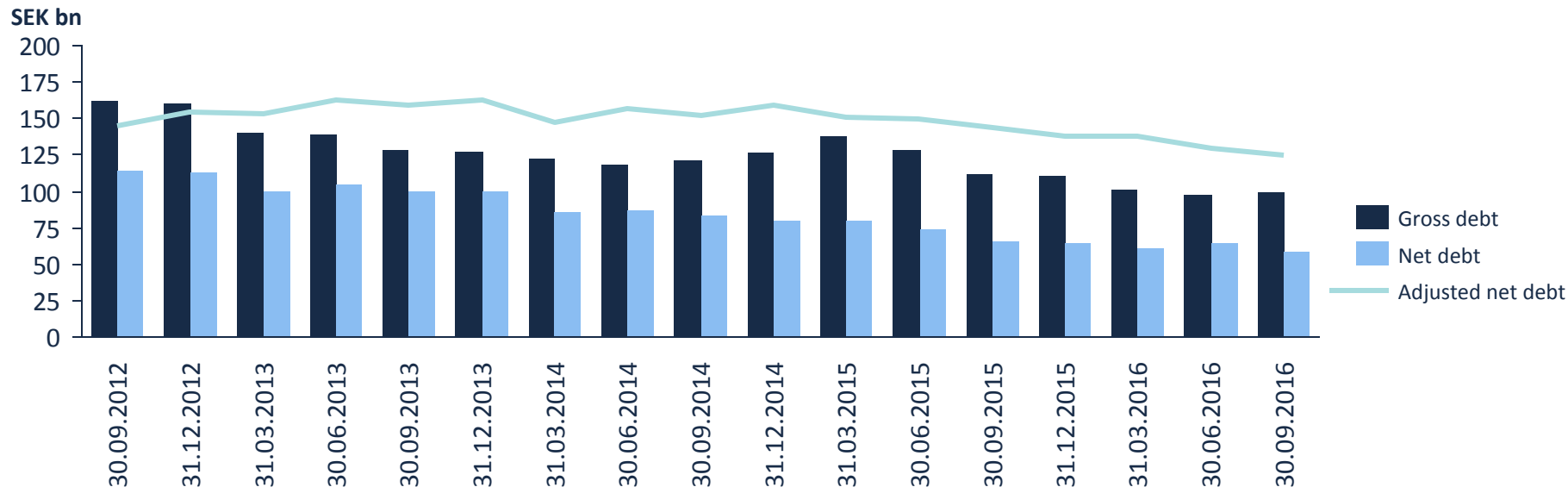
* For continuing operations, excl. lignite operations

	Current year			Current year +1			Current year +2		
	Ratio	Price	Year	Ratio	Price	Year	Ratio	Price	Year
Dec 2013	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
9M 2016	96%	40	2016	82%	45	2017	73%	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.

DEBT DEVELOPMENT

Net debt and adjusted net debt reduction mainly owing to positive cash flow after investments and effects of the sale of the lignite operations



Net debt decreased by SEK 6.2bn compared with 31 Dec 2015. Adjusted net debt decreased by SEK 13.5bn, compared with 31 Dec 2015. For the calculation of adjusted net debt, see slide 30.

CONTINUED STRONG LIQUIDITY POSITION

Group liquidity	MSEK
Cash and cash equivalents	13,108
Short term investments	25,440
Reported cash, cash equivalents & short term investments	38,548
Unavailable liquidity*	-7,264
Available liquidity	31,284

* German nuclear "Solidarvereinbarung" 3,275 MSEK, Margin calls paid (CSA) 2,812 MSEK and Insurance" Provisions for claims outstanding" 1,177 MSEK.

** Excluding loans from minority owners and associated companies.

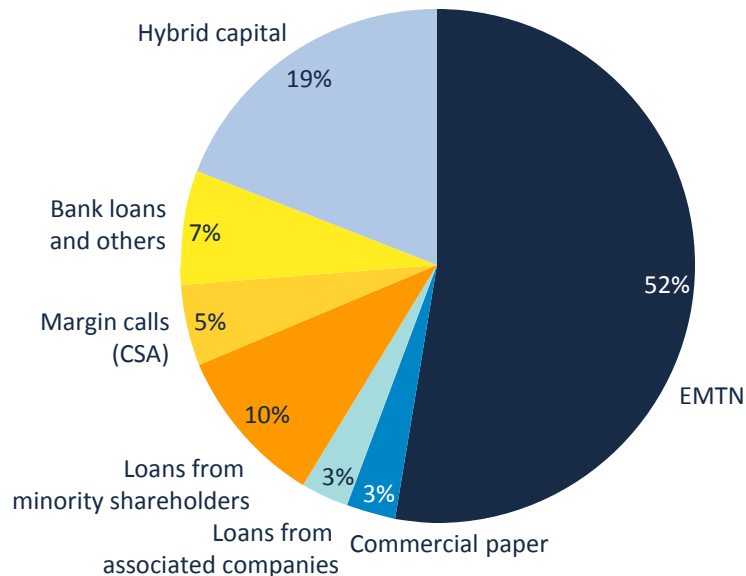
Committed credit facilities	Facility size	MSEK
RCF (maturity Dec 2020)	2,000 MEUR	19,242
Total undrawn		19,242

Debt maturities**	MSEK
Within 90 days	2,358
Within 180 days	3,824

BREAKDOWN OF GROSS DEBT

Total debt: SEK 99bn (EUR 10bn)

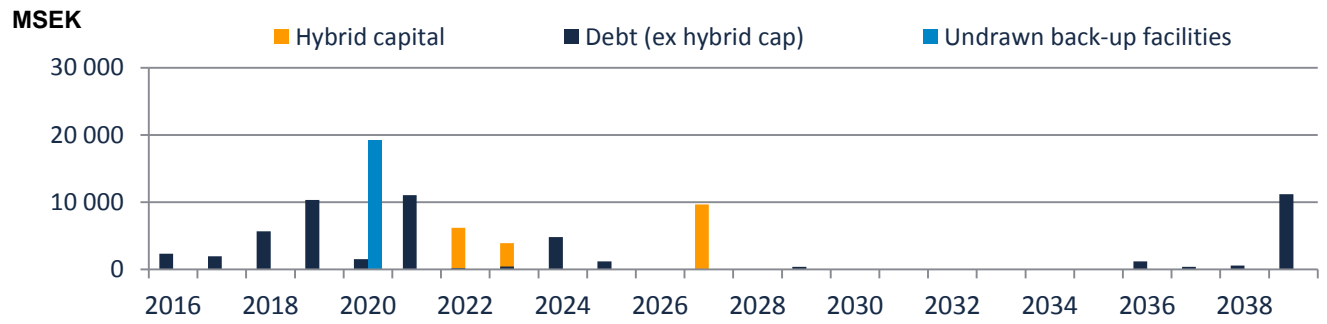
External market debt: SEK 85bn (EUR 9bn)



Debt issuing programmes	Size (MEUR)	Utilization (MEUR)
EUR 15bn Euro MTN	15,000	4,636
EUR 2bn Euro CP	2,000	357
SEK 15bn Domestic CP	1,559	0
Total	18,559	4,993

- 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*



	30 Sept. 2016	31 Dec. 2015
Duration (years)	5.9	3.9
Average time to maturity (years)	8.6	8.1
Average interest rate (%)	4.0	3.9
Net debt (SEK bn)	58.0	64.2
Available group liquidity (MSEK)	31,284	37,443
Undrawn committed credit facilities (MSEK)	19,242	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

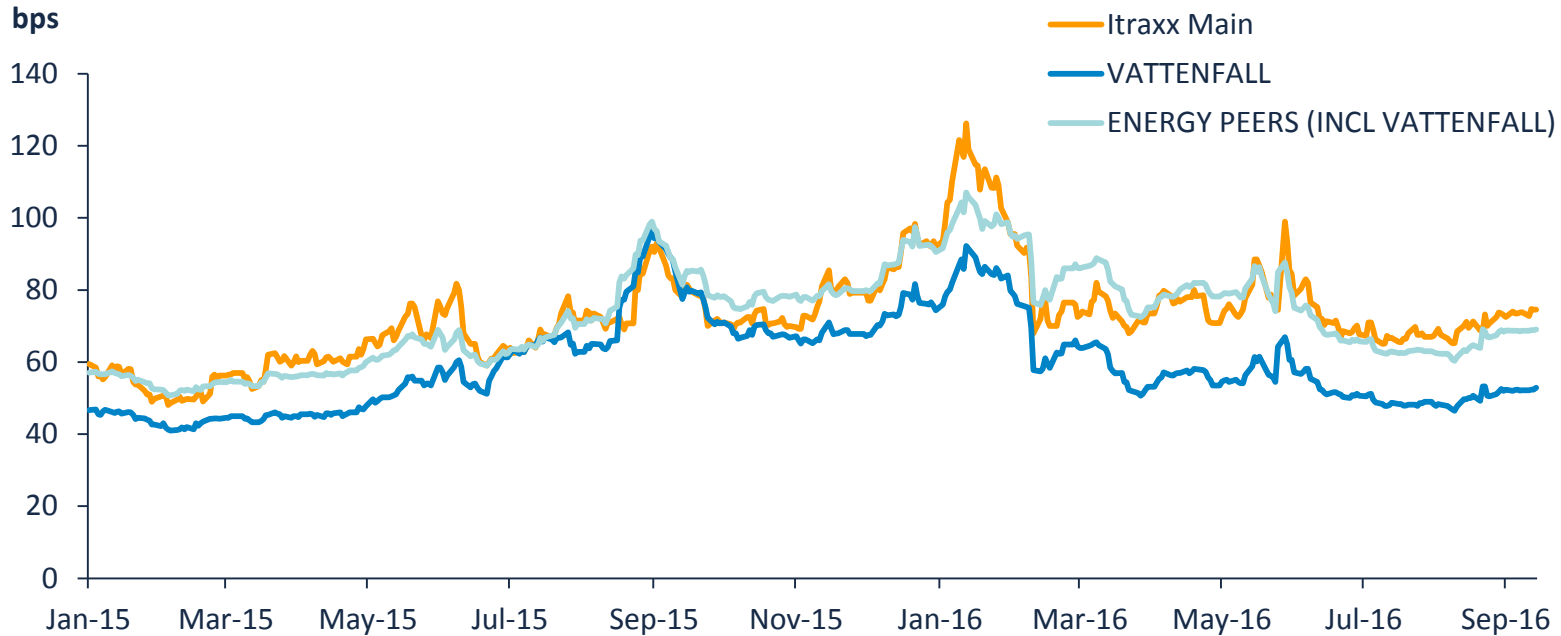
Reported net debt (SEK bn)	30 Sept. 2016	31 Dec. 2015
Hybrid capital	-19.1	-18.5
Bond issues and commercial papers and liabilities to credit institutions	-57.1	-68.9
Liabilities to associated companies	-2.9	-2.8
Liabilities to minority shareholders	-10.3	-13.0
Other liabilities	-9.2	-7.3
Total interest-bearing liabilities	-98.6	-110.6
Reported cash, cash equivalents & short-term investments	38.5	44.3
Loans to minority owners of foreign subsidiaries	2.1	2.1
Net debt	-58.0	-64.2

* Of which: German nuclear "Solidarvereinbarung" 3.3, Margin calls paid (CSA) 2.8, Insurance "Provisions for claims outstanding" 1.2

Adjusted net debt (SEK bn)	30 Sept. 2016	31 Dec. 2015
Total interest-bearing liabilities	-98.6	-110.6
50% of Hybrid capital	9.5	9.3
Present value of pension obligations	-43.0	-38.9
Wind & other environmental provisions	-4.2	-19.1
Provisions for nuclear power (net)	-33.4	-32.9
Margin calls received	5.1	5.3
Liabilities to minority owners due to consortium agreements	9.2	11.9
= Adjusted gross debt	-155.4	-175.0
Reported cash, cash equivalents & short-term investments	38.5	44.3
Unavailable liquidity	-7.3*	-6.8
= Adjusted cash, cash equivalents & short-term investments	31.3	37.4
= Adjusted net debt	-124.1	-137.6

STABLE CDS SPREAD DEVELOPMENT

CDS spread 5-years



NUCLEAR PROVISIONS

Reactor	Net capacity (MW)	Start (year)	Vattenfall share (%)	Vattenfall provisions, MSEK (IFRS accounting)	Vattenfall provisions, MSEK (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: 22,144	Total Ringhals: 22,144¹⁾	
Forsmark 1	984	1980	66.0			
Forsmark 2	1,120	1981	66.0			
Forsmark 3	1,170	1985	66.0	Total Forsmark: 19,640	Total Forsmark: 12,962	
Total Sweden	6,974	-		42,014²⁾	35,336²⁾	29,923³⁾
Brunsbüttel	771	1977	66.7	19,428	12,953	
Brokdorf	1,410	1986	20.0	0	4,533	
Krümmel	1,346	1984	50.0	11,260	11,261	
Stade ⁴⁾	640	1972	33.3	0	2,078	
Total Germany	4,167	-	-	30,688	30,825	
Total SE & DE	11,141			72,702	66,161	

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 35,707 MSEK.

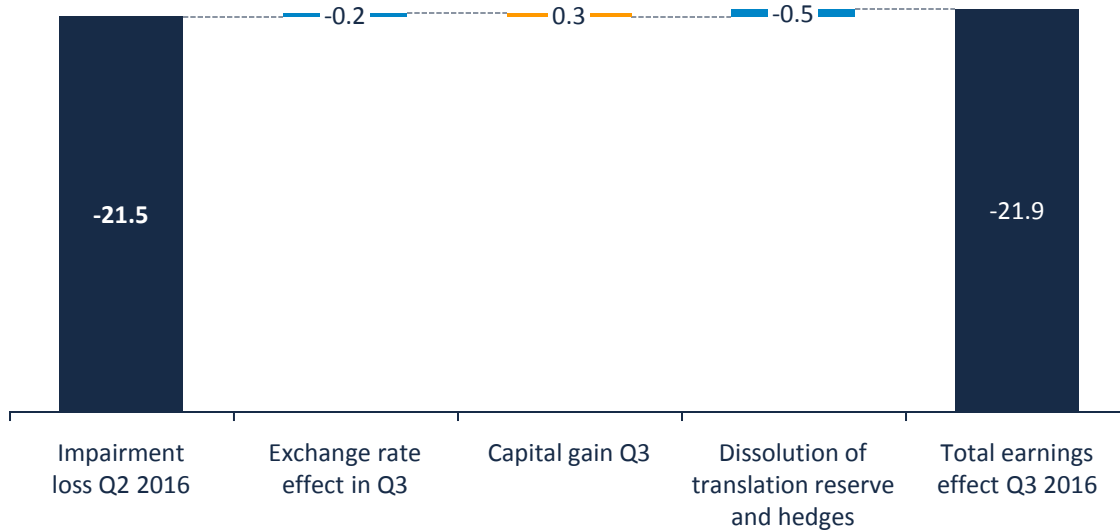
4) Stade is being dismantled.

CAPITAL EXPENDITURES 9M 2016

Continuing operations SEK bn	9M 2016	9M 2015	Change	FY 2015
Electricity generation	9.4	12.0	-22%	16.0
CHP/Heat	1.7	2.0	-18%	3.3
Electricity networks	3.0	2.8	6%	4.7
Other	0.3	1.4	-78%	1.7
Total	14.4	18.2	-21%	25.8
- of which maintenance and replacement	6.5	8.5	-23%	12.3
- of which growth	7.8	9.7	-20%	13.4

TOTAL EARNINGS EFFECT OF SALES OF LIGNITE OPERATIONS

SEK bn



IMPAIRMENT HISTORY 2009- 9M 2016

Impairments in Q3 2016 of 100 MSEK is mainly owing to currency effects

	2009	2010	2011	2012	2013	2014	2015	9M 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							1.1	0.2	0.1	1.4
Not allocated	1.4		0.1						0.5	2.0
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	30.5	154.2	
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	30.5	157.5	

* Impairment of goodwill

** Impairment of assets and goodwill