Vattenfall Q3 results 2009

Presentations by
Lars G. Josefsson, CEO and
Dag Andresen, CFO

27 October 2009
**Agenda**

**CEO Lars G. Josefsson:**
- Financial highlights
- Generation volumes
- Electricity price development
- Nuon integration

**CFO Dag Andresen:**
- P&L
- Debt development
- Capex & asset disposals
- Hedge ratios
Financial highlights Q3 2009

Net sales increased by
   22.5% to SEK 45,346 million (37,016)

EBITDA decreased by
   1.6% to SEK 9,123 million (9,272)

EBIT decreased by
   37.0% to SEK 3,524 million (5,591)

Profit after tax decreased by
   74.9% to SEK 622 million (2,481)

Net debt increased by
   SEK 93.8 bn to SEK 157.3 bn compared with 30 July 2009
   (including remaining purchase price of SEK 51 bn to Nuon shareholders)
Financial highlights 9M 2009

Net sales increased by
19.0% to SEK 140,002 million (117,679)

EBITDA increased by
5.4% to SEK 36,417 million (34,553)

EBIT decreased by
4.6% to SEK 22,265 million (23,333)

Profit after tax decreased by
17.3% to SEK 11,338 million (13,708)

Net debt increased by
SEK 91.3 bn to SEK 157.3 bn compared with 31 Dec. 2008
(including remaining purchase price of SEK 51 bn to Nuon shareholders)
Return on Net Assets

11.7% LTM (FY 2008: 15.1%)
- target 11%.

Return on Equity

11.0% LTM (FY 2008: 13.6%)
- long-term target 15%.

LTM = Last Twelve Months
EBIT development

Quarterly figures, SEK million

- Blue bars: Quarterly figures in SEK million, excluding items affecting comparability
- Orange line: Last 12 month figures in SEK million, excluding items affecting comparability
Electricity generation slightly increased

Q3 2009: 35.5 TWh

- Hydro: 19.5 TWh
- Nuclear: 7.5 TWh
- Fossil: 8.0 TWh
- Other: 0.6 TWh

Q3 2008: 35.1 TWh

- Hydro: 17.0 TWh
- Nuclear: 7.9 TWh
- Fossil: 9.8 TWh
- Other: 0.4 TWh

Other = wind, biomass, waste
Heat and gas sales

- Heat sales decreased slightly

Q3 2009: 3.1 TWh
Q3 2008: 3.6 TWh

- Gas sales amounted to 5.3 TWh (Benelux)
Electricity price development

Q3 2009 vs. Q3 2008: Lower spot prices on all markets

Decreasing forward prices during Q3 2009
• N.V. Nuon Energy was consolidated on 1 July 2009. Integration is well underway.
  – Sales, Generation and Exploration operations form the new Business Group Benelux
  – Wind operations are integrated in Business Unit Wind under Business Group Pan Europe
  – Trading operations are integrated into Business Unit Trading
Financials

Dag Andresen, CFO
## Consolidated income statement

<table>
<thead>
<tr>
<th>Amounts in MSEK</th>
<th>Q3 2009 IFRS</th>
<th>Q3 2008 IFRS</th>
<th>Change %</th>
<th>FY2008</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>45,346</td>
<td>37,016</td>
<td>22.5</td>
<td>164,549</td>
<td>186,872</td>
</tr>
<tr>
<td>Cost of products sold</td>
<td>-37,101</td>
<td>-28,542</td>
<td>-30.0</td>
<td>-122,961</td>
<td>-143,966</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>8,245</td>
<td>8,474</td>
<td>2.7</td>
<td>41,588</td>
<td>42,906</td>
</tr>
<tr>
<td><strong>Operating profit (EBIT)</strong></td>
<td>3,524</td>
<td>5,591</td>
<td>-37.0</td>
<td>29,895</td>
<td>28,827</td>
</tr>
<tr>
<td><strong>Operating profit, excl. IAC</strong>*</td>
<td>3,463</td>
<td>5,579</td>
<td>-37.9</td>
<td>29,797</td>
<td>28,682</td>
</tr>
<tr>
<td>Financial income</td>
<td>1,036</td>
<td>341</td>
<td>203.8</td>
<td>3,412</td>
<td>3,755</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>-3,734</td>
<td>-2,389</td>
<td>-56.3</td>
<td>-9,809</td>
<td>-13,115</td>
</tr>
<tr>
<td><strong>Financial net</strong></td>
<td>-2,698</td>
<td>-2,048</td>
<td>-31.7</td>
<td>-6,397</td>
<td>-9,360</td>
</tr>
<tr>
<td><strong>Profit before taxes</strong></td>
<td>826</td>
<td>3,543</td>
<td>-76.7</td>
<td>23,498</td>
<td>19,467</td>
</tr>
<tr>
<td>Taxes</td>
<td>-204</td>
<td>-1,062</td>
<td>-19.2</td>
<td>-5,735</td>
<td>-4,074</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>622</td>
<td>2,481</td>
<td>-74.9</td>
<td>17,763</td>
<td>15,393</td>
</tr>
</tbody>
</table>

* IAC = items affecting comparability
EBIT development, Q3 2009

SEK million

Q3 2008
Electricity price: 5,591
Electricity volume: 1,932
O&M: 1,612
Fuel: 1,661
Depreciation: 145
Other: 524
Nuon (excl. depreciation surplus value): 711
Nuon (depreciation surplus value): 795
Q3 2009: 3,524
Nuon – purchase price allocation and goodwill

- Equity value (based on actual payment): EUR 9,951m (incl transaction costs)
- Enterprise value: EUR 8,796m
- Book value of assets and liabilities: EUR 2,541m

- Surplus value net: EUR 6,255m
  - EUR 3,942m allocated to intangible and tangible assets
    - Surplus value will be depreciated (in line with depreciation rate for the respective asset)
    - Surplus value depreciation during Q3 2009 EUR 77,7m (795 MSEK)
  - EUR 3,574m residual goodwill
    - Consists of assets and/or future cash-flows (e.g. synergies, development projects, future customer relationships). Will be subject to impairment testing in accordance with IFRS rules
  - Deferred tax liability: EUR 1,261m

- Numbers are preliminary as integration process is still ongoing
EBIT development, Q3 2009 – by Product & Services

SEK million

- **Q3 2008**
  - Generation: 5,591
  - Heat: 273
  - Electricity networks: 564
  - Supply & Trading: 8
  - Other: 235

- **Q3 2009**
  - Nuon: 3,524
  - Q3 2009: 84
Debt development 2009

SEK billion

- Net debt 31 Dec, 2008: 66.0
- Cash flow from operating activities: 33.1
- Cash flow from investing activities: 69.5
- Dividend paid: 7.0
- Exchange rate differences: 9.1
- Valuation at fair value: 0.8
- Acquired liabilities: 4.3
- Liabilities to shareholders in Nuon: 54.0
- Change in interest-bearing liabilities from leasing: -0.4
- Net debt 30 Sept, 2009: 157.3
- Cash 30 Sept, 2009: 61.5
- Gross debt 30 Sept, 2009: 218.8

*Includes loans to minority owners in foreign subsidiaries of SEK 1.5bn (excluded from liquidity calculation on slide 36)
Reduced capex limit 2009 - 2013

- Vattenfall (February 2009): 191 bn SEK
- Reduction: -21
- Prel. limit Nuon: +40
- Vattenfall incl. Nuon: 210 bn SEK
Capex allocation 2009 - 2013

Total capex limit SEK 210 bn including Nuon
Asset disposals

• The current divestment programme includes a total of ~10 assets in Germany and the Nordic region.
  – Vattenfall's German Transmission is a substantial part of the programme.
• The proceeds of divestment are estimated at >1,5 bn EUR of cash proceeds.
• The plan is to have signed agreements or closed transactions for a large part of the programme by year-end 2009.
• 3 divestments announced so far:
  – 30% stake in Luleå Energi AB, Sweden for SEK 312 million (~ EUR 30 million) - completed
  – 50% stake in AB PiteEnergi, Sweden for SEK 238 million (~ EUR 23 million) - completed
  – 80.3% stake in the supply and networks company WEMAG, Germany for 170 MEUR to 268 municipalities of Mecklenburg-Western Pomerania and Brandenburg (closing of the transaction will require approval by the government authority supervising the municipalities as well as by the German Cartel Office)
Hedging position as of 30 September 2009

Nordic

Central Europe

Benelux

% hedged of forecasted electricity generation.

Hedge for 2009 is for the remaining part of the year.
Conclusions

• Q3 results below our expectations

• Reviewing and scaling back investment programme…

• Intensifying measures focused on value creation…
  – Divesting low-yielding assets
  – Cost reductions

• … in order to deliver on our financial targets and maintain rating in single-A category (at least A3/A-).
Q &A
Back-up slides
• 4 July 2009 – Krümmel went off-line due to a short circuit in one of the two transformers that connect the plant to the grid. The reactor was shut down (scrammed) completely in accordance with existing routines. The safety system worked properly.

• The event has preliminary been classified as zero (0), which is below the seven degree International Nuclear Event Scale (INES), i.e., deviations with “No safety significance”.

• 7 July 2009 – Vattenfall announced that both transformers will be replaced before the plant goes back online. This will take more than six months and cost about 20 MEUR.
Transmission update

• In July 2008, Vattenfall approached potential investors for the possible sale of our German Transmission operations
• We are optimistic that the sale will be closed in H2 2009
• The investor must fulfill the following criteria:
  • have a long-term focus
  • ensure substantial investments in network extension
  • grant continued free grid access for all power producers
  • promote the flow of electricity across European borders
• Final decision has not yet been made
Oil, coal, gas and CO₂ allowances

- Oil (USD/bbl), Brent Front Month
- Coal (USD/t), API#2, Front Year
- Emission allowances CO₂ (EUR/t), 2009
- Gas (EUR/MWh), NBP, Front Year
Improving Nordic hydrological balance

Nordic countries
Back-up slides

Financial information
EBIT development, Q1 – Q3 2009

SEK million

Q1-Q3 2008
- Electricity price: 9,293
- Electricity volume: 5,249
- O&M: 4,489
- Fuel: 2,093
- Depreciation: 1,538
- Other: 3,092
- Nuon (excl. depreciation surplus value): 711
- Nuon (depreciation surplus value): 795

Q1-Q3 2009: 22,265
EBIT development, Q1 – Q3 2009 – by Product & Services

SEK million

Q1-Q3 2008 | Generation | Heat | Electricity networks | Supply & Trading | Other | Nuon | Q1-Q3 2009
--- | --- | --- | --- | --- | --- | --- | ---
23,333 | 811 | 1,075 | 509 | 45 | 1,274 | 84 | 22,265
## Consolidated balance sheet

<table>
<thead>
<tr>
<th>Amounts in MSEK</th>
<th>30/9/09</th>
<th>30/9/08</th>
<th>Change</th>
<th>31/12/08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td>428,063</td>
<td>277,672</td>
<td>54.2</td>
<td>317,912</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>221,220</td>
<td>83,915</td>
<td>163.6</td>
<td>127,915</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>649,283</td>
<td>361,587</td>
<td>79.6</td>
<td>445,827</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>137,668</td>
<td>124,068</td>
<td>11.0</td>
<td>140,886</td>
</tr>
<tr>
<td><strong>Interest-bearing liabilities</strong></td>
<td>218,815</td>
<td>77,501</td>
<td>182.3</td>
<td>107,347</td>
</tr>
<tr>
<td><strong>Interest-bearing provisions</strong></td>
<td>67,842</td>
<td>57,59</td>
<td>17.9</td>
<td>69,047</td>
</tr>
<tr>
<td><strong>Pension provisions</strong></td>
<td>19,884</td>
<td>18,517</td>
<td>7.4</td>
<td>20,752</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities</strong></td>
<td>40,695</td>
<td>23,890</td>
<td>70.3</td>
<td>26,107</td>
</tr>
<tr>
<td><strong>Other non-interest-bearing liabilities</strong></td>
<td>164,379</td>
<td>60,082</td>
<td>173.6</td>
<td>81,688</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td>649,283</td>
<td>361,587</td>
<td>79.6</td>
<td>445,827</td>
</tr>
</tbody>
</table>
## Consolidated cash flow statement

### Amounts in MSEK

<table>
<thead>
<tr>
<th></th>
<th>Q3 2009 IFRS</th>
<th>Q3 2008 IFRS</th>
<th>Change %</th>
<th>FY 2008</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funds from operations (FFO)</strong></td>
<td>3,997</td>
<td>8,687</td>
<td>-54.0</td>
<td>30,735</td>
<td>36,211</td>
</tr>
<tr>
<td>Change in working capital</td>
<td>7,154</td>
<td>3,526</td>
<td>102.9</td>
<td>5,459</td>
<td>4,463</td>
</tr>
<tr>
<td><strong>Cash Flow from operating activities</strong></td>
<td>11,151</td>
<td>12,213</td>
<td>-8.7</td>
<td>36,194</td>
<td>40,674</td>
</tr>
<tr>
<td>Investments</td>
<td>-68,466</td>
<td>-6,312</td>
<td>984.7</td>
<td>-42,296</td>
<td>-103,597</td>
</tr>
<tr>
<td>Divestments</td>
<td>268</td>
<td>84</td>
<td>219.0</td>
<td>865</td>
<td>1,328</td>
</tr>
<tr>
<td>Cash and cash equivalents in acquired/divested companies</td>
<td>14,904</td>
<td>4</td>
<td>--</td>
<td>158</td>
<td>15,077</td>
</tr>
<tr>
<td><strong>Cash Flow from investing activities</strong></td>
<td>-53,294</td>
<td>-6,224</td>
<td>756.3</td>
<td>-41,273</td>
<td>-87,192</td>
</tr>
<tr>
<td><strong>Cash Flow before financing activities</strong></td>
<td>-42,143</td>
<td>5,989</td>
<td>-803.7</td>
<td>-5,079</td>
<td>-46,158</td>
</tr>
<tr>
<td><strong>Cash Flow from financing activities</strong></td>
<td>-20,809</td>
<td>-4,548</td>
<td>357.5</td>
<td>14,294</td>
<td>50,130</td>
</tr>
<tr>
<td><strong>Cash Flow for the period</strong></td>
<td>-62,952</td>
<td>1,441</td>
<td>--</td>
<td>9,215</td>
<td>3,612</td>
</tr>
<tr>
<td>Net debt at the end of the period</td>
<td>-157,317</td>
<td>-48,476</td>
<td>224.5</td>
<td>-66,000</td>
<td>-157,317</td>
</tr>
</tbody>
</table>
Group provisions (IFRS)

30 September 2009
SEK 128,421 million

30 June 2008
SEK 99,936 million

- Pensions
- Nuclear
- Mining
- Taxes
- Other
- Personnel
- Legal
Net asset development

- Acquisition of Bewag and GZE shares
- Acquisition of Elsam shares
- Consolidation of Danish assets
- Acquisition of N.V. Nuon Energy
- Major wind power investments
# Liquidity position

## 30 September 2009

### Group liquidity

<table>
<thead>
<tr>
<th></th>
<th>SEK million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>18 726</td>
</tr>
<tr>
<td>Short term investments</td>
<td>41 240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59 966</strong></td>
</tr>
</tbody>
</table>

1) Of which SEK 37 803 million is fully available. Not fully available liquidity comprises German nuclear "Solidarvereinbarung" 3 484, Minority owners share of German nuclear subsidiaries cash position 3 889, Margin account 2 241, Credit support Annex (Margin Calls) 11 007 and other not fully available liquidity 1 542.

### Committed credit facilities

<table>
<thead>
<tr>
<th>Committed credit facilities</th>
<th>Line size</th>
<th>Amount available</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCF (maturity February 2013)</td>
<td>EUR 1 000 million</td>
<td>10 235</td>
</tr>
<tr>
<td>Overdraft facility</td>
<td>SEK 100 million</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total undrawn</strong></td>
<td><strong>10 335</strong></td>
<td></td>
</tr>
</tbody>
</table>

Other credit lines unutilised: SEK 10 222 million

### Debt maturities

- within 90 days | 917
- within 180 days | 6 841

2) Excluding loans from minority owners and associated companies
## Financial targets and outcome

<table>
<thead>
<tr>
<th>Key Ratio</th>
<th>Targets</th>
<th>Q3 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Equity (RoE)</td>
<td>15% on average equity</td>
<td>11.0%*</td>
</tr>
<tr>
<td>Return on Net Assets (RoNA, excl. IAC)</td>
<td>11% before tax (=15% RoE recalculated)</td>
<td>11.7%*</td>
</tr>
<tr>
<td>Cash flow interest coverage after maintenance investments</td>
<td>3.5 – 4.5 times</td>
<td>3.8</td>
</tr>
<tr>
<td>Credit Rating</td>
<td>Single A category rating</td>
<td>A2 / A Stable outlook</td>
</tr>
<tr>
<td>Dividend pay-out</td>
<td>40-60%</td>
<td>40.4%</td>
</tr>
</tbody>
</table>

*Q3 2009 figure = LTM*
Breakdown of gross debt

Total debt at 30 September 2009:
SEK 218.8 bn\(^1\) (EUR 21.4 bn)

- Subordinated Perpetual Capital Securitas: 9%
- EMTN: 5%
- Loans from associated companies: 24%
- Loans from shareholders: 3%
- Interest-bearing liabilities to Nuon shareholders: 8%
- Bank loans and others: 51%

<table>
<thead>
<tr>
<th>Funding programmes</th>
<th>Size (EURm)</th>
<th>Utilization (EURm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 15 bn Euro MTN</td>
<td>15 000</td>
<td>11 187</td>
</tr>
<tr>
<td>SEK 10 bn Domestic MTN</td>
<td>977</td>
<td>0</td>
</tr>
<tr>
<td>USD 2 bn Euro CP</td>
<td>1 369</td>
<td>0</td>
</tr>
<tr>
<td>SEK 15 bn Domestic CP</td>
<td>1 466</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18 812</strong></td>
<td><strong>11 187</strong></td>
</tr>
</tbody>
</table>

- All public debt issued by Vattenfall AB or Vattenfall Treasury AB (fully guaranteed by Vattenfall AB)
- No currency exposure in the debt portfolio
- No structural subordination

\(^1\) Of which external market debt: SEK 194.4 bn (89%)
### Adjusted gross and net debt

<table>
<thead>
<tr>
<th>SEK million</th>
<th>30 Sept 2009</th>
<th>31 Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported gross debt</strong></td>
<td>-218 8151)</td>
<td>-107 3471)</td>
</tr>
<tr>
<td>Present value of net pension obligations</td>
<td>-20 941</td>
<td>-21 839</td>
</tr>
<tr>
<td>Mining &amp; environmental provisions</td>
<td>-14 288</td>
<td>-14 604</td>
</tr>
<tr>
<td>Nuclear asset retirement obligations</td>
<td>-3 739</td>
<td>-5 154</td>
</tr>
<tr>
<td>50% of Hybrid securities</td>
<td>5 064</td>
<td>5 406</td>
</tr>
<tr>
<td>Cross currency swaps</td>
<td>1 018</td>
<td>3 131</td>
</tr>
<tr>
<td>Hedge of net investments in foreign operations</td>
<td>-2 855</td>
<td>3 337</td>
</tr>
<tr>
<td><strong>= Adjusted gross debt</strong></td>
<td>-254 556</td>
<td>-137 070</td>
</tr>
<tr>
<td><strong>Reported cash, cash equivalents &amp; short term investments</strong></td>
<td>59 9662)</td>
<td>40 2362)</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>-5 7253)</td>
<td>-3 7243)</td>
</tr>
<tr>
<td>Minority owner´s share of German nuclear subsidiaries cash position</td>
<td>-3 889</td>
<td>-3 744</td>
</tr>
<tr>
<td><strong>= Adjusted cash, cash equivalents &amp; short term investments</strong></td>
<td>50 352</td>
<td>32 768</td>
</tr>
<tr>
<td><strong>= Adjusted net debt</strong></td>
<td>-204 204</td>
<td>-104 302</td>
</tr>
</tbody>
</table>

1) Of which received CSA, Credit Support Annex (Margin calls) 8 710 (1 856)
2) Of which paid CSA, Credit Support Annex (Margin calls) 11 007 (7 439)
3) Of which German nuclear "Solidarvereinbarung" 3 484 (3 724), Margin accounts 2 241 (0)
Vattenfall debt maturity profile

1) The duration in the liability portfolio was prolonged from 2.5 to 4 years in May 2009

2) Based on external debt, excluding Capital Securities. Including Capital Securities the duration is 4.0, Average time to maturity 7.3, and Average interest rate 3.6%
Return on equity

- Rolling 4-quarter IFRS excl IAC
- Rolling 4-quarter Sw GAAP excl IAC
- Average 4-years (16 quarter) Sw. GAAP. IFRS from Q4 2004. Excl. IAC
- Requirement 15%
## Key ratios

<table>
<thead>
<tr>
<th>Key Ratios (unless otherwise stated)</th>
<th>Q3 2009</th>
<th>Q3 2008</th>
<th>LTM</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoNA (^{(1)})</td>
<td>11.7</td>
<td>16.0</td>
<td>11.7</td>
</tr>
<tr>
<td>RoE (^{(1)})</td>
<td>11.0</td>
<td>14.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Operating margin</td>
<td>7.8</td>
<td>15.1</td>
<td>15.4</td>
</tr>
<tr>
<td>Pre-tax profit margin</td>
<td>1.8</td>
<td>9.6</td>
<td>10.4</td>
</tr>
<tr>
<td>Cash-flow interest coverage after maintenance investments, times</td>
<td>3.8</td>
<td>6.3</td>
<td>4.2</td>
</tr>
<tr>
<td>FFO/net debt</td>
<td>23.0</td>
<td>63.4</td>
<td>23.0</td>
</tr>
<tr>
<td>Equity/assets ratio (^{(1)})</td>
<td>21.2</td>
<td>34.3</td>
<td>21.2</td>
</tr>
<tr>
<td>Net Gearing – Net debt/equity (^{(1)})</td>
<td>114.3</td>
<td>39.1</td>
<td>114.3</td>
</tr>
<tr>
<td>Capitalisation – Net debt/net debt + equity (^{(1)})</td>
<td>53.3</td>
<td>28.1</td>
<td>53.3</td>
</tr>
<tr>
<td>Net debt/EBITDA, times (^{(1)})</td>
<td>3.3</td>
<td>1.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Adjusted net debt/EBITDA, times (^{(1)})</td>
<td>4.3</td>
<td>1.7</td>
<td>4.3</td>
</tr>
</tbody>
</table>

1) Q3 values = LTM