Vattenfall Capital Markets Day 2007

Presentation by

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- Market positions in Germany
- Key issues and challenges
- Investments
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## Germany: market positions (1)

<table>
<thead>
<tr>
<th>Installed capacity (MW)</th>
<th>Electricity generation (TWh)</th>
<th>Transmission grid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RWE</strong> 33,264** 23.8%</td>
<td>Total Germany*** 596</td>
<td>RWE 32.3% (11,343 km)</td>
</tr>
<tr>
<td><strong>E.ON</strong> 26,003** 18.6%</td>
<td>Public Supply*** 504 (84.6%)</td>
<td>E.ON 30.1% (10,570 km)</td>
</tr>
<tr>
<td><strong>Vattenf</strong> 15,855 * 11.4%</td>
<td>Industry*** 47 (7.8%)</td>
<td>Vattenf 27.2% (9,540 km)</td>
</tr>
<tr>
<td><strong>EnBW</strong> 14,811** 10.6%</td>
<td>Private*** 45 (7.6%)</td>
<td>EnBW 10.4% (3,647 km)</td>
</tr>
<tr>
<td>Others 49,606 35.5%</td>
<td></td>
<td>Source: Publication of TSO</td>
</tr>
</tbody>
</table>

**Total** 139,539***

Vattenfall is no. 3 in Germany with 81.5 TWh* (13.7%)

*) pro rata share, source Vattenfall Annual Report 2006  
**) publication of utilities  
***) VDEW, Der deutsche Strom- und Energiemarkt auf einen Blick, 2007
Germany: market positions (2)

Vattenfall’s market shares in Berlin and Hamburg, June 2007

- **Private Customers and Commercial Enterprise**
  - Berlin: 84%
  - Hamburg: 89%

- **C&I Customers**
  - Berlin: 45%
  - Hamburg: 22%
## Key data

<table>
<thead>
<tr>
<th>IFRS</th>
<th>H1 2007</th>
<th>H1 2006</th>
<th>% Change</th>
<th>LTM</th>
<th>FY 2006</th>
<th>FY 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>56.6</td>
<td>51.0</td>
<td>+11.1</td>
<td>107.2</td>
<td>101.5</td>
<td>105.0</td>
</tr>
<tr>
<td>EBIT *</td>
<td>8.8</td>
<td>9.3</td>
<td>-5.8</td>
<td>12.3</td>
<td>12.9</td>
<td>10.3</td>
</tr>
<tr>
<td>Net assets **</td>
<td>65.7</td>
<td>66.1</td>
<td>-0.6</td>
<td>n.a.</td>
<td>61.8</td>
<td>68.7</td>
</tr>
<tr>
<td>Electr. generation, TWh</td>
<td>35.8</td>
<td>38.9</td>
<td>-8.0</td>
<td>73.2</td>
<td>76.2</td>
<td>75.9</td>
</tr>
<tr>
<td>Heat generation, TWh</td>
<td>7.4</td>
<td>9.9</td>
<td>-25.3</td>
<td>13.1</td>
<td>15.5</td>
<td>15.4</td>
</tr>
<tr>
<td>Employees ***</td>
<td>19 590</td>
<td>19 654</td>
<td>-0.3</td>
<td>n.a.</td>
<td>19 821</td>
<td>20 096</td>
</tr>
</tbody>
</table>

* Excl. items affecting comparability (IAC)
** At the end of the period
*** Full time equivalents (FTE)
LTM = last twelve months
EBIT within five years almost three times as high as a result of cost savings and higher wholesale electricity prices.
June 28 2007: outages at nuclear power plants

Brunsbüttel

- Short circuit in a switchyard outside the plant

Krümmel

- Fire in a transformer outside of the reactor building

- Extensive and very critical media coverage
- Significant loss of public trust
- Both plants are still off line
- Both events classified as zero (0) on the international INES-scale
Restoring trust

Restoring lost credibility and trust is a prerequisite for future success in Germany

Strategy:
Long-range action plan for resetting of communicative channels

- Phase 1: Assess the crisis accomplished
- Phase 2: Take the initiative ongoing
- Phase 3: Restore trust medium to long-term objective
Trust initiative

1. Communication
   • „Open book policy“ with stakeholders
   • Active dialogue: public/media/politics

2. Nuclear power plants
   • Clarify technical circumstances
   • Optimize communications / structures

3. Customers
   • Active strategy to regain customer trust and satisfaction
   • Objective: to increase market shares
   • Launch Vattenfall’s product campaign throughout Germany
Challenge I: nuclear power plant optimization

- Assessment of technical shortcomings
- Improve incident management
- Improve communication control room
- Further development of staff qualification
- Improve communication channels
Challenge II: customer development

- Examination of products, prices and market positioning
- Establishment of external expert group for sales and marketing
- Establishment of customer advisory council
- New marketing campaign launched today
Investments I: generation

**Hamburg Tiefstack**
130 MW gas-steam-CHP-power plant operational in 2007/2008
capital expenditure € 100 million

**Hamburg-Moorburg**
1,640 MW hard coal-CHP-power plant operational in 2012
capital expenditure € 1.7 billion

**Rüdersdorf**
30 MW waste power plant operational before 2008
capital expenditure € 111 million

**Boxberg**
675 MW lignite power plant operational in 2011
capital expenditure € 800 million

**Berlin**
CHP- power plant operational post 2012
Investments II: transmission grid

Extensive grid investment program

1. Southwest re-enforcement: Southern part completed in 2006. Investment: **EUR 34.5 million**


   Total investment: **EUR 258 million**

3. 380 kV re-enforcement of South-Uckermark. Investment: **EUR 129.3 million**
Investments III: renewable energy / R&D

Renewable energy / R&D projects

- Offshore-wind (Borkum West, Borkum Riffgrund, Dan Tysk)
- Geothermal Energy (Groß-Schönebeck)
- CO₂-free power plant
- Hydro power (Geesthacht)
- Fuel cell (HafenCity Hamburg)
- Waste combustion plant (Rostock)

All investments (except Geesthacht) are decided or are ongoing projects
R&D: cornerstone in building of CO2-free power plant

• **20 Sept 20, 2007:**
  Boiler Assembly in construction process of the world’s first pilot CO2-free power plant

• **Core element** in oxyfuel process, weight: 230 t, height: 25 meters

• **The project’s total investment sum:**
  EUR 70 million to build 30 MW pilot plant due to start operations in 2008 after three-year research phase

• **Second step in the project:**
  Planning and building of one or more demonstration plants in Germany’s Lusatia area (capacity of ca. 300 MW)
Summary

+ Continued strong financial development
+ Substantial investment programme ahead
- Loss of public trust following nuclear incidents

Challenges

• Restore trust in Vattenfall
• Secure and develop our market position
• Enhance public acceptance for our investment strategy and our projects
Back up slides
Offshore I: wind farm “alpha ventus” (DOTI)

- Vattenfall Europe, E.ON Energie and EWE have signed a contract for delivery and construction of 6 windpower mills (5 MW/mill)
- **Location**: The wind mills will be built 45 km off the coast of Borkum in 30 m depth of water
- **Total investment**: approx. EUR 180 million
- **June 2007**: Start of realisation phase of first German offshore windfarm „alpha ventus“(North Sea)
- **Late Summer 2008**: Start of connecting windpower mills to network (current planning)
Offshore II: windfarm Borkum/Riffgrund

- **Location**: approx. 38 km north of Borkum, approx. 35 sq km areal, 25 m depth of water
- **Pilote phase**: 77 plants/5 MW, 360 MW total Feed-in to E.ON grid
- **Vattenfall’s share**: 24.5% (extendable up to 50%)
- **Further development costs**: EUR 3.1 million
- **Realisation**: 2010/2011