Vattenfall Capital Markets Day 2009

Presentation by:

Dag Andresen
First Senior Executive Vice President
Group CFO

Amsterdam, 23 September 2009
Contents

• Financial targets and outcome
• Nuon acquisition
• Actions and ongoing initiatives
  – Capex reductions
  – Asset disposals
  – OpEx programme
• Funding & debt management
Vattenfall’s financial targets *

- **Profitability:**
  15% Return on Equity (RoE)

- **Cash flow:**
  Cash flow interest coverage after maintenance investments 3.5-4.5x

- **Financial position:**
  Credit rating in the single-A category

- **Dividend pay-out:**
  40-60%

* These four targets were set by Vattenfall’s owner the Swedish State at the Annual General Meeting in 2006
## Vattenfall’s financial targets – outcome Q2/09

<table>
<thead>
<tr>
<th>Key ratio</th>
<th>Target</th>
<th>Outcome Q2 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Equity (RoE)</td>
<td>15 % on average equity</td>
<td>12.5%*</td>
</tr>
<tr>
<td>Return on Net Assets (RoNA, excl. IAC)</td>
<td>11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)</td>
<td>13.9%*</td>
</tr>
<tr>
<td>Cash flow interest coverage after maintenance investments</td>
<td>3.5 – 4.5 times</td>
<td>4.7*</td>
</tr>
<tr>
<td>Credit Rating</td>
<td>Single A category rating</td>
<td>A2/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Stable outlook</td>
</tr>
<tr>
<td>Dividend pay-out</td>
<td>40-60 %</td>
<td>40.4 %</td>
</tr>
</tbody>
</table>

*Q2 2009 figure = LTM
Development of capital efficiency since 1996

RoNA (%)

Revenues in SEK bn

RoNA = Return on Net Assets

© Vattenfall AB
Vattenfall Capital Markets Day, 23 September 2009
Electricity Generation
- Electricity generation of 163.1 TWh in 2008
- Well diversified generation mix; hydro (24%), nuclear (28%) and fossil (46%). Wind power increasing
- Acquisition of Nuon increases the unregulated part

EBITDA
- 68%

EBIT
- 73%

Electricity Markets
- Total electricity sales of 189.3 TWh in 2008
- Includes Sales and Energy Trading activities

Unregulated business (2008)
- Approximately 5.6 million network customers
- Divestment process of German Transmission
- Heat production of 35.6 TWh in 2008
- 29% of heat sales in Nordic market and remaining 71% in Central Europe

Electricity Networks

Heat

“Regulated” business (2008)
Risk diversification in generation business

Utility credit risk profile (traditional view)

- **Low risk**: Regulated monopoly (e.g. electr. networks).
- **Medium risk**: Integrated utility (all parts of the value chain).
- **High risk**: Pure generators

Risk diversification through well diversified portfolio

- Primarily base load (low cost).
- Well diversified generation mix:
  - Hydro (healthy margins, no CO₂).
  - Nuclear (healthy margins, no CO₂).
  - Fossil (low cost, own lignite mining supply, gas through Nuon).
- CO₂ emissions to be avoided through CCS.
- Balanced geographical markets (Nordic, Germany, Benelux).

Although Vattenfall is moving towards more generation, this should not materially increase the overall risk profile compared to integrated utilities.
Nuon acquisition
Acquisition of Nuon

Facts

- 1 July 2009: Initial purchase of 49% of shares for EUR 4.8 bn; remaining shares to be acquired 2011, 2013 and 2015
- Acquisition does not include Nuon’s grid company Alliander
- 100% of Nuon’s shareholders accepted Vattenfall’s bid. EU competition clearance on condition that Nuon Deutschland be divested.
- Vattenfall has operational control from 1 July and consolidates Nuon as from that date.
- Nuon forms a new regional Business Group; Business Group Benelux
- Transaction was pre-funded in the bond markets. The initial EUR 5.0 bn credit facility was never utilised.

Strategic rationale

- The Netherlands is one of the most attractive regions for Vattenfall’s expansion
  - Growing market, capacity shortage and shift toward renewable energy
  - Proximity, connectivity
- Beneficial risk diversification with new core market
- New gas competence also provides a partial hedge to coal-fired operations
- Annual synergies EUR 100m by 2015
## Combined entity provides leadership in generating clean electricity

### Top position in the European energy market

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heat generation</td>
<td>39.2 TWh</td>
<td>#1 in Europe</td>
</tr>
<tr>
<td>Electricity generation</td>
<td>185 TWh</td>
<td>#5 in Europe</td>
</tr>
<tr>
<td>Trading</td>
<td>Presence in major trading hubs and commodities</td>
<td>Top 3</td>
</tr>
</tbody>
</table>

### Leader in Europe with clean technology platform

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wind capacity</td>
<td>Offshore – 371 MW, Total – 900 MW</td>
</tr>
<tr>
<td>Bio-mass installed capacity*</td>
<td>520 MW</td>
</tr>
<tr>
<td>Clean technology platform</td>
<td>Leaders in developing IGCC, CCS and on- / offshore wind</td>
</tr>
</tbody>
</table>

*Global thought leader*
Actions and ongoing initiatives

- Capex reductions
- Asset disposals
- OpEx programme
Reduced capex limit 2009 - 2013

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

Total capex limit SEK 210 bn including Nuon
Growth in TWh 2009-2013 (already decided investments)

- CCGT Eemshaven
- Nuclear Sweden
- Waste plants (Rostock and Rüdersdorf)
- Wind (Ormonde and Thanet)
- Moorburg
- Boxberg R

as of July 2009
Asset disposals (I)

- Divestment programme including currently a total of ~10 assets in Germany and the Nordic region.
  - Vattenfall's German Transmission is a substantial part of the programme.
- The divestments are estimated to generate >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.
Asset disposals (II)

- 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)
Operational excellence – next steps

Next steps:
Continue to increase operational excellence through further improvements of:

• **Productivity**
  - Progress according to targets for most businesses. However major challenges in nuclear operations.
  - Target SEK 5 bn for 2010 is still valid, and is to be confirmed in the business planning process this autumn.
  - Additional synergies to be extracted from integration of Nuon 100 MEUR by 2015.

• **Cross-border synergies**
  - BG Pan Europe established with the mission to increase cooperation and learning across the Group in key areas.

**Ongoing OpEx programme**

• 11% increase of productivity from 2006 to 2010, corresponding to a cost reduction of SEK 5 bn
• Implementation and delivery ongoing
Debt & liquidity management
On 1 July approx. EUR 4.8 bn was paid for the acquisition of 49% of Nuon. The remaining 51% will be paid in three tranches 2011, 2013 and 2015, and will be accounted for as interest-bearing liabilities.
-> As a result both net and gross debt increases.

*Includes loans to minority owners in German nuclear subsidiaries of SEK 1.5bn (excluded from liquidity calculation – compare slide 19)
### Liquidity position as of 30 June 2009 pre Nuon payment 1 July

<table>
<thead>
<tr>
<th>Group liquidity</th>
<th>SEK million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>82 399</td>
</tr>
<tr>
<td>Short term investments</td>
<td>19 475</td>
</tr>
</tbody>
</table>
| **Total** | **101 874**¹)

¹) Of which SEK 81,875 million was fully available. Not fully available liquidity comprises German nuclear “Solidarvereinbarung” 3,692 million, Minority owners share of German nuclear subsidiaries cash position 4,121, Restricted cash for certain personnel-related provisions 1,324, Credit support Annex (Margin Calls) 9,243 and other not fully available liquidity 1,619.

<table>
<thead>
<tr>
<th>Committed credit facilities</th>
<th>Line size</th>
<th>Amount available (SEK m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCF (maturity February 2013)</td>
<td>EUR 1 000 million</td>
<td>10 846</td>
</tr>
<tr>
<td>Overdraft facility</td>
<td>SEK 100 million</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total undrawn</strong></td>
<td></td>
<td><strong>10 946</strong></td>
</tr>
</tbody>
</table>

Other unutilised credit lines: 10 827 SEK million
**Breakdown of gross debt 30 June 2009**

Total debt at 30 June 2009: SEK166.9 bn\(^1) \text{ (EUR15.4 bn)}

- Subordinated Perpetual Capital Securities: 72%
- EMTN: 11%
- Liabilities to associated companies: 4%
- Liabilities to minority shareholders: 6%
- Bank loans and others: 7%

1) Of which external market debt: SEK 142.0 bn (85%)

### Funding programmes

<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>8 879</td>
</tr>
<tr>
<td>SEK 10 bn Domestic MTN</td>
<td>922</td>
<td>0</td>
</tr>
<tr>
<td>USD 2 bn Euro CP</td>
<td>1 383</td>
<td>0</td>
</tr>
<tr>
<td>SEK 15 bn Domestic CP</td>
<td>1 366</td>
<td>0</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
Several successful benchmark issues

<table>
<thead>
<tr>
<th>Amount</th>
<th>Issue date</th>
<th>Maturity</th>
<th>Coupon</th>
<th>Bookrunners</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 500m</td>
<td>Mar 17 2009</td>
<td>Mar 18 2013</td>
<td>4.125%</td>
<td>BNP, Citi, DB, NOB</td>
</tr>
<tr>
<td>EUR 850m</td>
<td>Dec 5 2008</td>
<td>Dec 5 2013</td>
<td>5.75%</td>
<td>BAR, BNP, RBS, SG</td>
</tr>
<tr>
<td>EUR 1,350m</td>
<td>May 19 2009</td>
<td>May 19 2014</td>
<td>4.25%</td>
<td>JPM, SEB, SG</td>
</tr>
<tr>
<td>EUR 1,100m</td>
<td>Mar 17 2009</td>
<td>Mar 17 2016</td>
<td>5.25%</td>
<td>BNP, Citi, DB, NOB</td>
</tr>
<tr>
<td>EUR 650m</td>
<td>Dec 5 2008</td>
<td>Jan 31 2019</td>
<td>6.75%</td>
<td>BAR, BNP, RBS, SG</td>
</tr>
<tr>
<td>EUR 1,100m</td>
<td>Mar 17 2009</td>
<td>Mar 17 2021</td>
<td>6.25%</td>
<td>BNP, Citi, DB, NOB</td>
</tr>
<tr>
<td>GBP 350m</td>
<td>Apr 15 2009</td>
<td>Dec 16 2019</td>
<td>6.125%</td>
<td>BAR, RBS</td>
</tr>
<tr>
<td>GBP 1,000m</td>
<td>Apr 15 2009</td>
<td>Apr 15 2039</td>
<td>6.875%</td>
<td>BAR, RBS</td>
</tr>
</tbody>
</table>

Previous benchmark issues:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Issue date</th>
<th>Maturity</th>
<th>Coupon</th>
<th>Bookrunners</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR 500m</td>
<td>Mar 31 2000</td>
<td>Mar 31 2010</td>
<td>6.00%</td>
<td>MSDW, Citi</td>
</tr>
<tr>
<td>EUR 500m</td>
<td>Jun 18 2003</td>
<td>Jun 18 2018</td>
<td>5.00%</td>
<td>Citi, SG</td>
</tr>
<tr>
<td>EUR 500m</td>
<td>Apr 29 2004</td>
<td>Apr 29 2024</td>
<td>5.375%</td>
<td>BAR, DRKW, MSDW</td>
</tr>
<tr>
<td>EUR 1,000m (Hybrid)</td>
<td>Jun 29 2005</td>
<td>call 2015</td>
<td>5.25%</td>
<td>Citi, JPM, ML</td>
</tr>
</tbody>
</table>

No further funding needed in 2009 and most likely not in 2010 either
Vattenfall debt maturity profile

SEK million

Excluding loans from associated companies and minority owners

<table>
<thead>
<tr>
<th>Duration (years) 1)</th>
<th>June 30, 2009</th>
<th>June 30, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average time to maturity (years)</td>
<td>4.0 2)</td>
<td>2.4</td>
</tr>
<tr>
<td>Average interest rate (%)</td>
<td>9.2 2)</td>
<td>6.0</td>
</tr>
<tr>
<td>Net debt (SEK bn)</td>
<td>4.7 2)</td>
<td>4.9</td>
</tr>
<tr>
<td>Net debt (SEK bn)</td>
<td>63.5</td>
<td>52.0</td>
</tr>
</tbody>
</table>

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

2) Based on external debt, excluding Capital Securities. Including Capital Securities the duration is 4.1 years, Average time to maturity 8.9 years and Average interest rate 4.8 %.

© Vattenfall AB
Vattenfall Capital Markets Day, 23 September 2009
Yield for Vattenfall 5Y and 12Y EUR benchmark bonds compared with 10Y EUR-Swap
### Adjusted gross and net debt

**SEK million**

<table>
<thead>
<tr>
<th>Description</th>
<th>30 June 2009</th>
<th>31 Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Reported gross debt</strong></td>
<td>-166 903 ¹)</td>
<td>-107 347 ¹)</td>
</tr>
<tr>
<td>Present value of net pension obligations</td>
<td>-21 893</td>
<td>-21 839</td>
</tr>
<tr>
<td>Mining &amp; environmental provisions</td>
<td>-14 318</td>
<td>-14 604</td>
</tr>
<tr>
<td>Nuclear asset retirement obligations</td>
<td>-4 904</td>
<td>-5 154</td>
</tr>
<tr>
<td>50% of Hybrid securities</td>
<td>5 364</td>
<td>5 406</td>
</tr>
<tr>
<td>Cross currency swaps</td>
<td>2 496</td>
<td>3 131</td>
</tr>
<tr>
<td>Hedge of net investments in foreign operations</td>
<td>3 486</td>
<td>3 337</td>
</tr>
<tr>
<td><strong>= Adjusted gross debt</strong></td>
<td>-196 672</td>
<td>-137 070</td>
</tr>
<tr>
<td><strong>Reported cash, cash equivalents &amp; short term investments</strong></td>
<td>101 874 ²)</td>
<td>40 236 ²)</td>
</tr>
<tr>
<td>German nuclear &quot;Solidarvereinbarung&quot;</td>
<td>-3 692</td>
<td>-3 724</td>
</tr>
<tr>
<td>Restricted cash for certain personnel-related provisions</td>
<td>-1 324</td>
<td>-</td>
</tr>
<tr>
<td>Minority owner’s share of German nuclear subsidiaries cash position</td>
<td>-4 121</td>
<td>-3 744</td>
</tr>
<tr>
<td><strong>= Adjusted cash, cash equivalents &amp; short term investments</strong></td>
<td>92 737</td>
<td>32 768</td>
</tr>
<tr>
<td><strong>= Adjusted net debt</strong></td>
<td>-103 935</td>
<td>-104 302</td>
</tr>
</tbody>
</table>

¹) Of which CSA, Credit Support Annex (Margin calls) 2 105 (1 856)

²) Of which CSA, Credit Support Annex (Margin calls) 9 243 (7 439)
Key credit considerations

1. Leader in generation
   - #1 Nordic region
   - #5 in Europe

2. #1 in European district heating

3. Disciplined growth organically and through M&A

4. Well diversified generation and fuel mix

5. Vision to be climate neutral by 2050

6. 100% owned by the Kingdom of Sweden

7. Moody’s: A2 / Stable

8. S&P: A / Stable

9. Committed to maintain a single-A rating

10. Strong liquidity position

11. Prudent and consistent hedging policy

12. Proven track record of integrating acquisitions
Back-up slides
Vattenfall is committed to maintaining credit ratings in the single A category. After the announcement of the Nuon transaction, both Standard & Poor's and Moody’s affirmed all Vattenfall ratings.

**Standard & Poor’s**

- **A- (stable outlook):** Rating affirmed on 25 February 2009
  - Diversification benefits by establishing in the Benelux
  - Meaningful position in Continental gas trading
  - Opportunities for improved portfolio optimization

- **A (stable outlook):** Rating upgraded on 1 July 2009
  - Due to S&Ps new methodology for the rating of government-related entities

**Moody’s**

- **A2 (stable outlook):** Rating affirmed on 23 February 2009
  - Acquisition consistent with Vattenfall’s strategy
  - Potentially improve balance between generation and supply activities
  - Increase the strength of scale of operations

- **A2 (stable outlook):** Rating affirmed on 4 March 2009
  - The outlook is stable.
  - This reflects the company's medium business risk profile and the fact that the company has sufficient financial flexibility to absorb the potential acquisition (=Nuon) and stay within the current ratio guidelines. Moody's believes that the company is comfortably positioned within this rating category.
Cash flow development

(1) Cash flow from operating activities minus reinvestments
Hedging position as of 30 June 2009

Hedging ratios virtually unchanged compared with Q1 2009

% hedged of planned electricity generation, including long-term fixed-price contracts with industrial customers

Nordic

Germany & Poland

* Remaining part of the year