

Vattenfall Full Year Results 2008

Conference call, 12 February 2009

Presentations by

Lars G. Josefsson, CEO and
Dag Andresen, CFO

CEO Lars G. Josefsson:

- Sales & earnings
- Generation volumes
- Important events during 2008
- New Group structure

CFO Dag Andresen:

- Prices & hedge position
- P&L and Cash Flow
- Debt & liquidity position
- Capex programme

Financial highlights - Full year 2008

3

Net sales increased

14.6% to SEK 164.5 million (143.6)

EBITDA increased

0.3% to SEK 46,0 bn (45.8)

EBIT increased

4.6% to SEK 29.9 bn (28.6)

Profit after tax decreased

14.1% to SEK 17.8 bn (20.7)

Net debt increased

by SEK 22,3 bn to SEK 66.0 bn compared with 31 December 2007

Return on Net Assets

was 15.1% (FY 2007: 16.6%)
- target is 11%

Return on Equity

was 13.6% (FY 2007: 17,6 %)
- target is 15%

Dividend

The Board proposes a dividend of SEK 6.9 bn
corresponding to a pay-out ratio of 40.4%

Financial highlights - Q4 2008

5

Net sales increased

22.3% to SEK 46.9 bn (38.3)

EBITDA decreased

8.8% to SEK 11.4 bn (12.5)

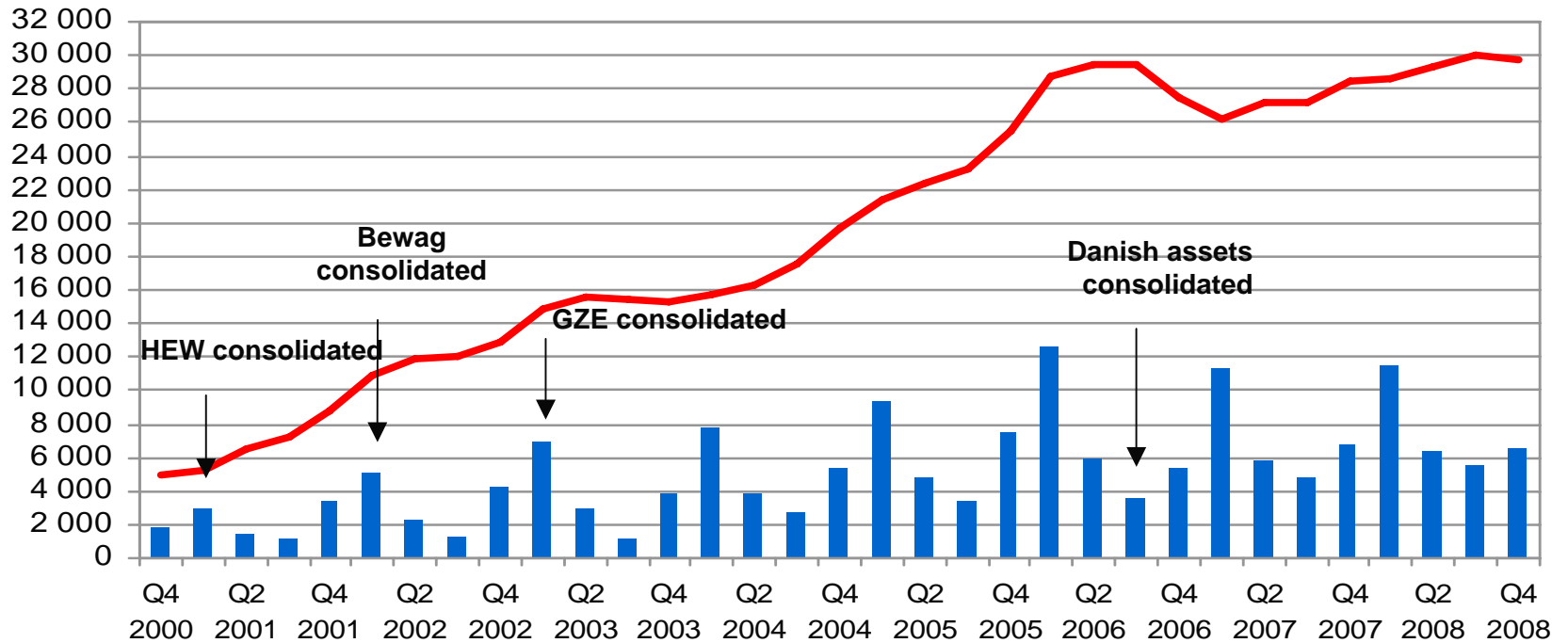
EBIT decreased

2.8% to SEK 6.6 bn (6.8)

Profit after tax increased

10.3% to SEK 4.1 bn (3.7)

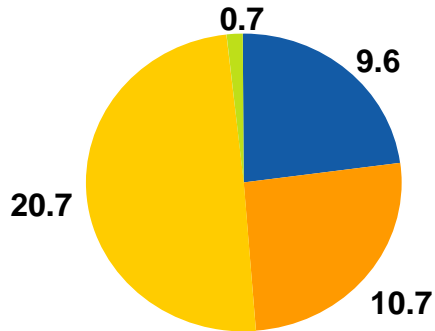
Quarterly figures, SEK million



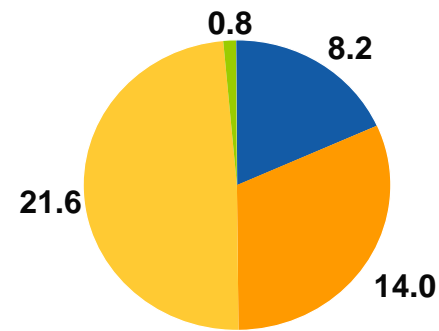
- Quarterly figures in SEK million, excluding items affecting comparability
- Last 12 months figures in SEK million, excluding items affecting comparability

Lower electricity generation output

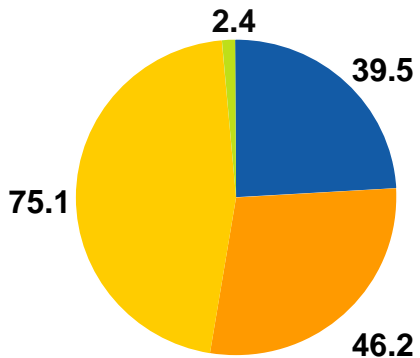
Q4 2008 total: 41.6 TWh



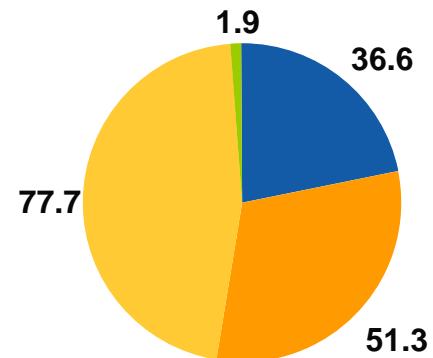
Q4 2007 total: 44.7 TWh



FY 2008 total: 163.1 TWh



FY 2007 total: 167.6 TWh



Hydro

Nuclear

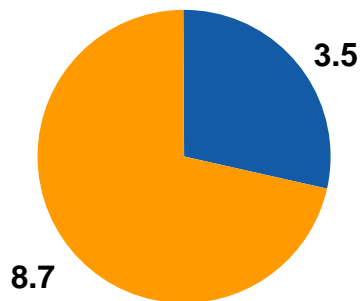
Fossil

Other

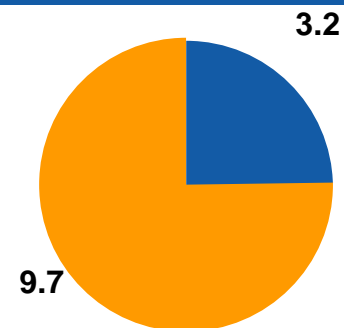
Other = wind, biomassfuel, waste

Slightly lower heat sales

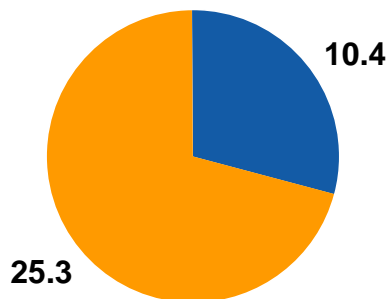
Q4 2008 total: 12.2 TWh



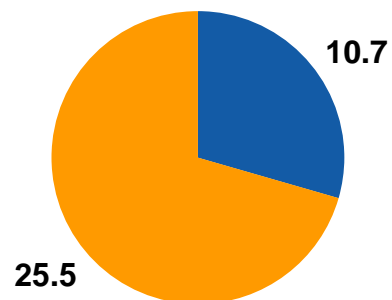
Q4 2007 total: 12.8 TWh



FY 2008 total: 35.6 TWh



FY 2007 total: 36.2 TWh

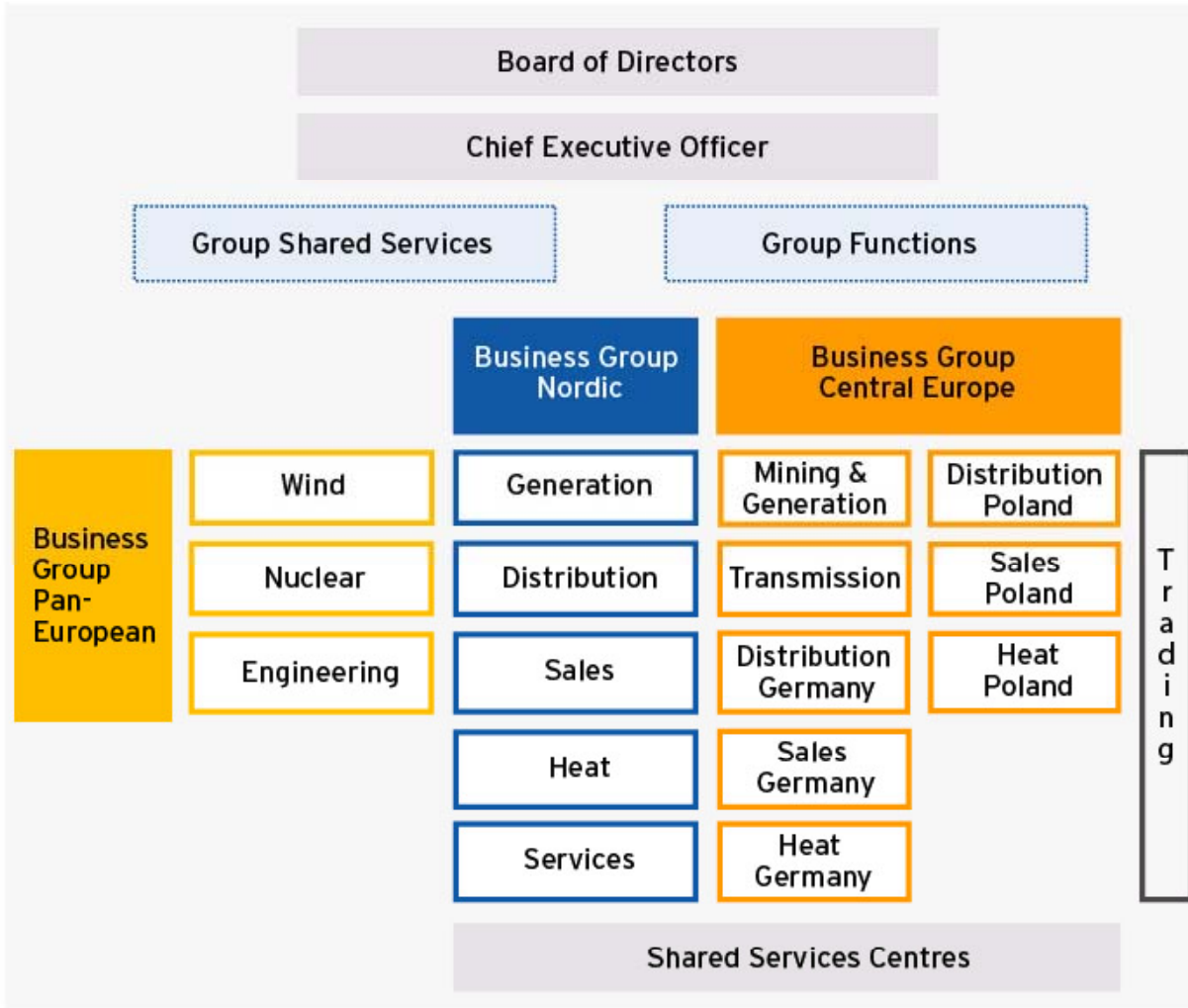


Nordic

Central Europe

- CCS pilot oxy-fuel plant "Schwarze Pumpe" inaugurated
- Launch of climate vision - climate neutral by 2050
- Major wind power acquisitions in the UK
- Purchase of 18.7% in Polish ENEA
- Building permit for Moorburg CHP, Hamburg, Germany
- Increased retail market shares in the Nordic market and net gain of customers in Germany
- Divestment process of German Transmission network initiated

New Group structure as of 2009

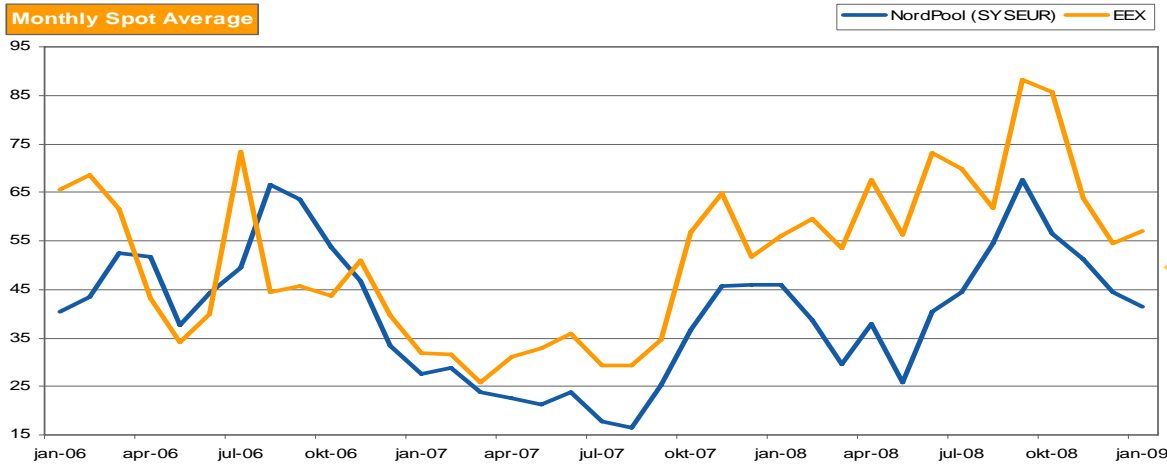


Financials

Dag Andresen, CFO

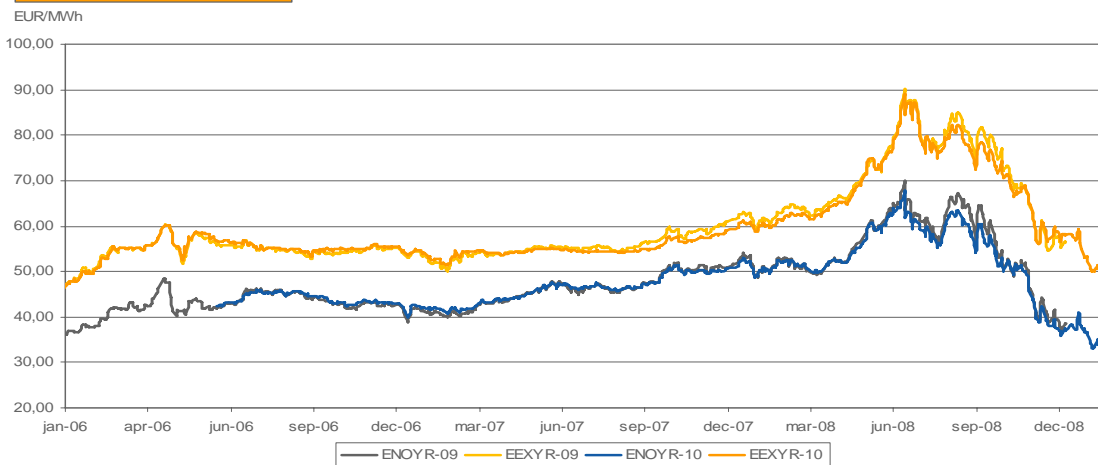
Electricity price development

Monthly Spot Average



Sharp drop in spot prices in 2nd half of 2008 but higher avg. FY prices vs. FY 2007 Nord Pool +60%, EEX +72%

Daily Forward Closing Prices

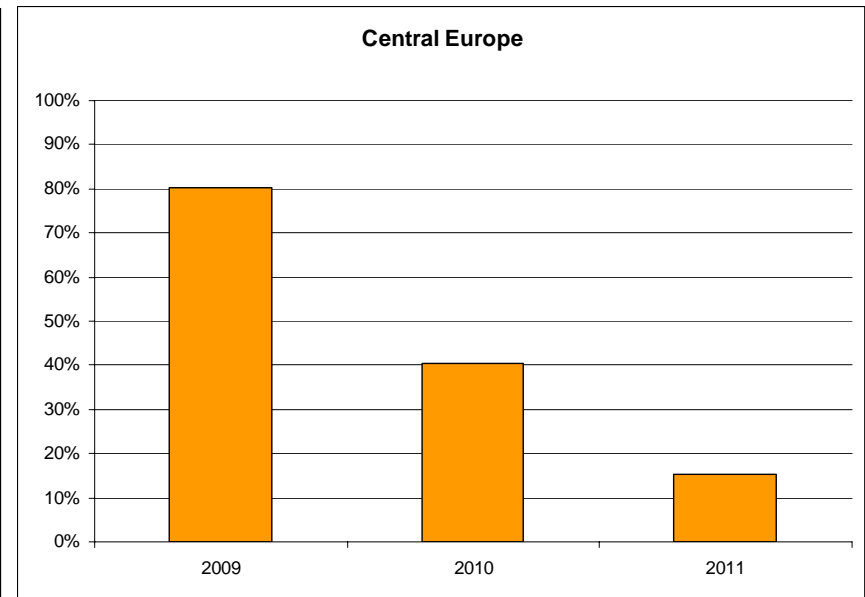
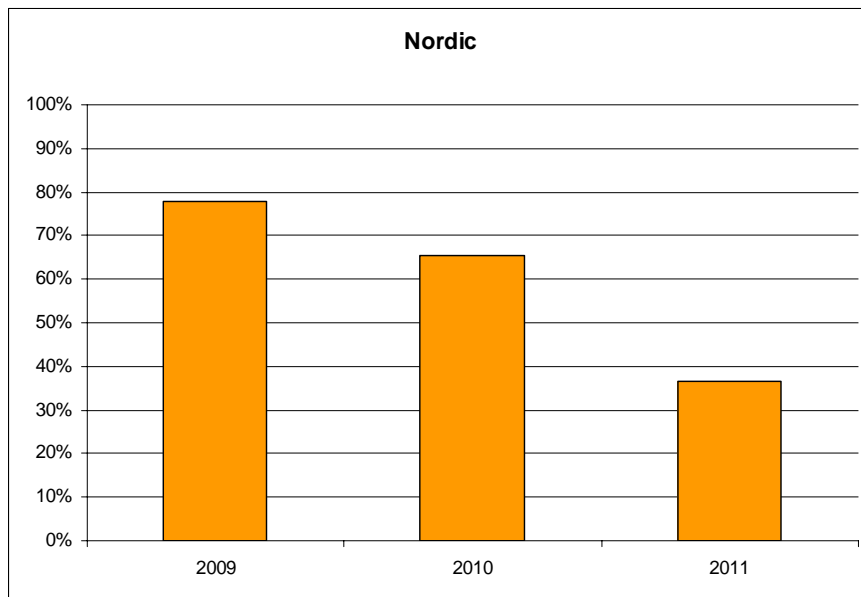


Sharp drop in forward prices during 2nd half of 2008

Hedging position as of 31 December 2008

Virtually no changes for 2009-2010 compared with 30 September 2008

% hedged of planned electricity generation (rounded values)



Consolidated income statement FY 2008

14

Amounts in MSEK	FY 2008 IFRS	FY 2007 IFRS	Change %
Net Sales	164 549	143 639	14.6
Cost of products sold	-122 961	-103 404	18.9
Gross Profit	41 588	40 235	3.4
Operating profit (EBIT)	29 895	28 583	4.6
Operating profit, excl. IAC*	29 797	28 497	3.8
Financial income	3 412	2 276	49.9
Financial expenses	-9 809	-6 926	41.6
<i>Financial net</i>	<i>-6 397</i>	<i>-4 650</i>	37.6
Profit before taxes	23 498	23 933	-1.8
Taxes	-5 735	-3 247	
Profit for the period	17 763	20 686	-14.1

* IAC = items affecting comparability

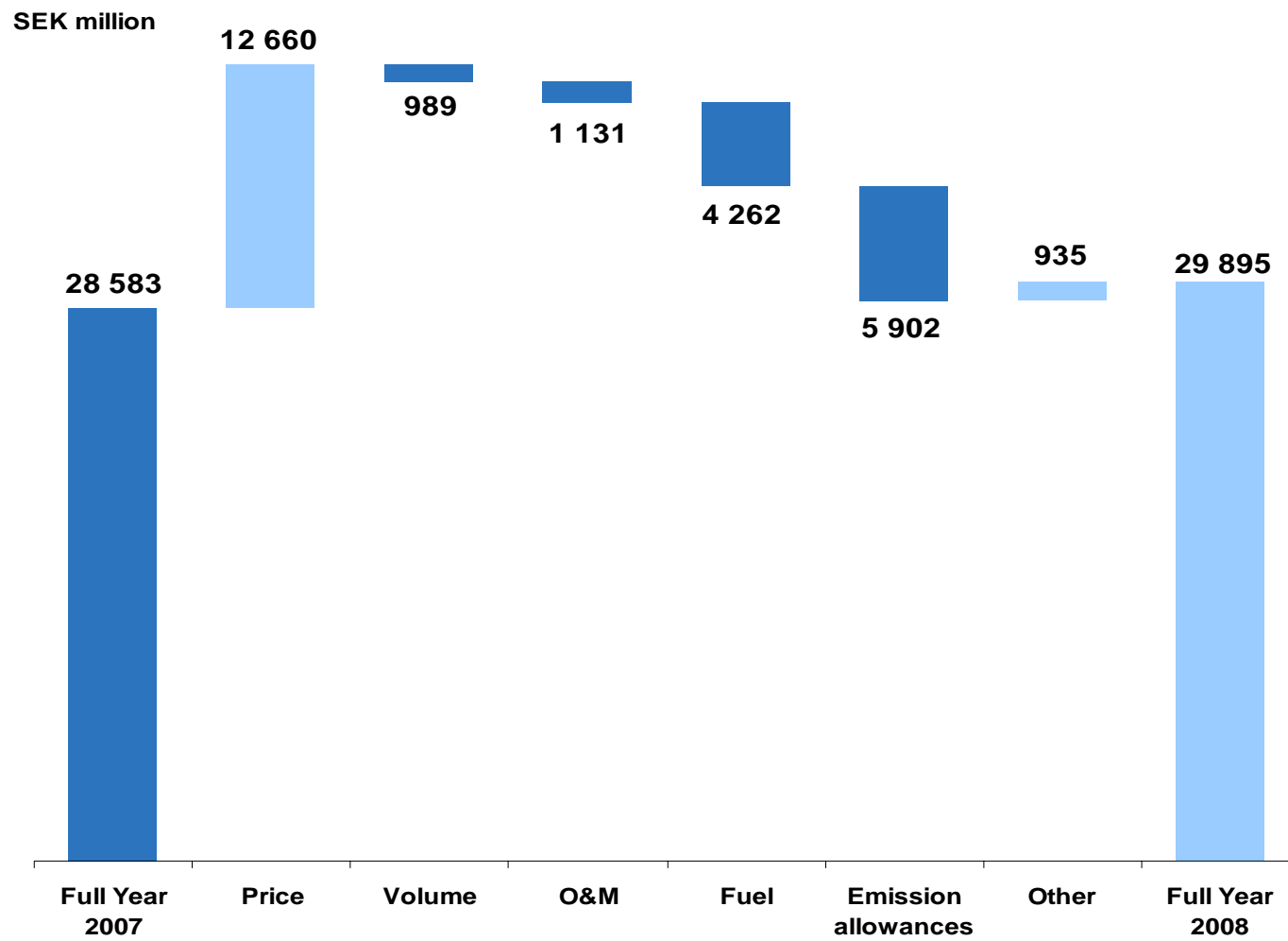
Consolidated income statement Q4 2008

15

Amounts in MSEK	Q4 2008	Q4 2007	Change %
Net Sales	46 870	38 329	22.3
Cost of products sold	-37 395	-27 791	34.6
Gross Profit	9 475	10 538	-10.1
Operating profit (EBIT)	6 562	6 752	-2.8
Operating profit, excl. IAC*	6 561	6 776	-3.2
Financial income	1 617	173	834.7
Financial expenses	-3 768	-2 225	69.3
<i>Financial net</i>	<i>-2 151</i>	<i>-2 052</i>	4.8
Profit before taxes	4 411	4 700	-6.1
Taxes	-356	-1 024	
Profit for the period	4 055	3 676	10.3

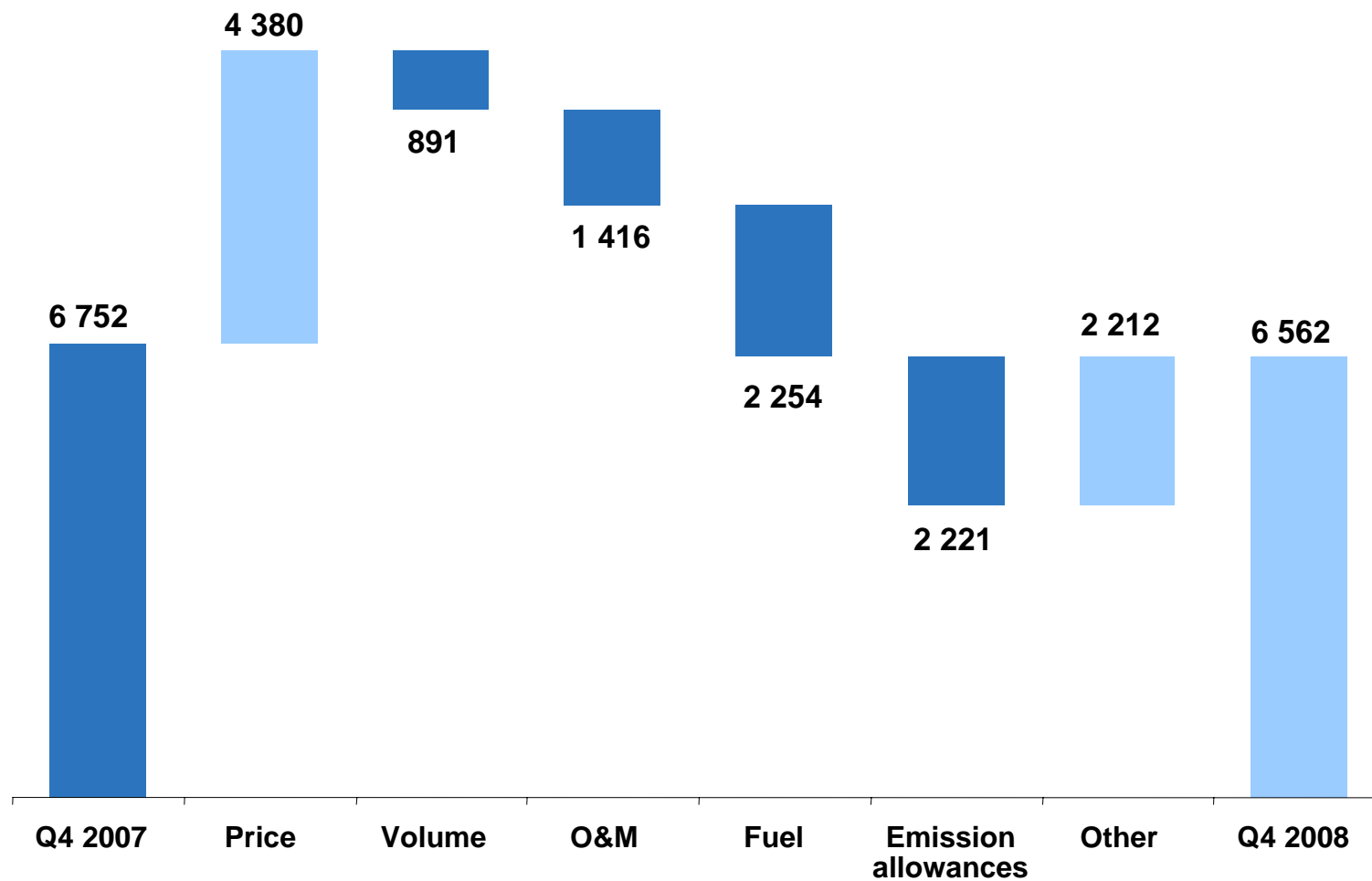
* IAC = items affecting comparability

EBIT development, FY 2008



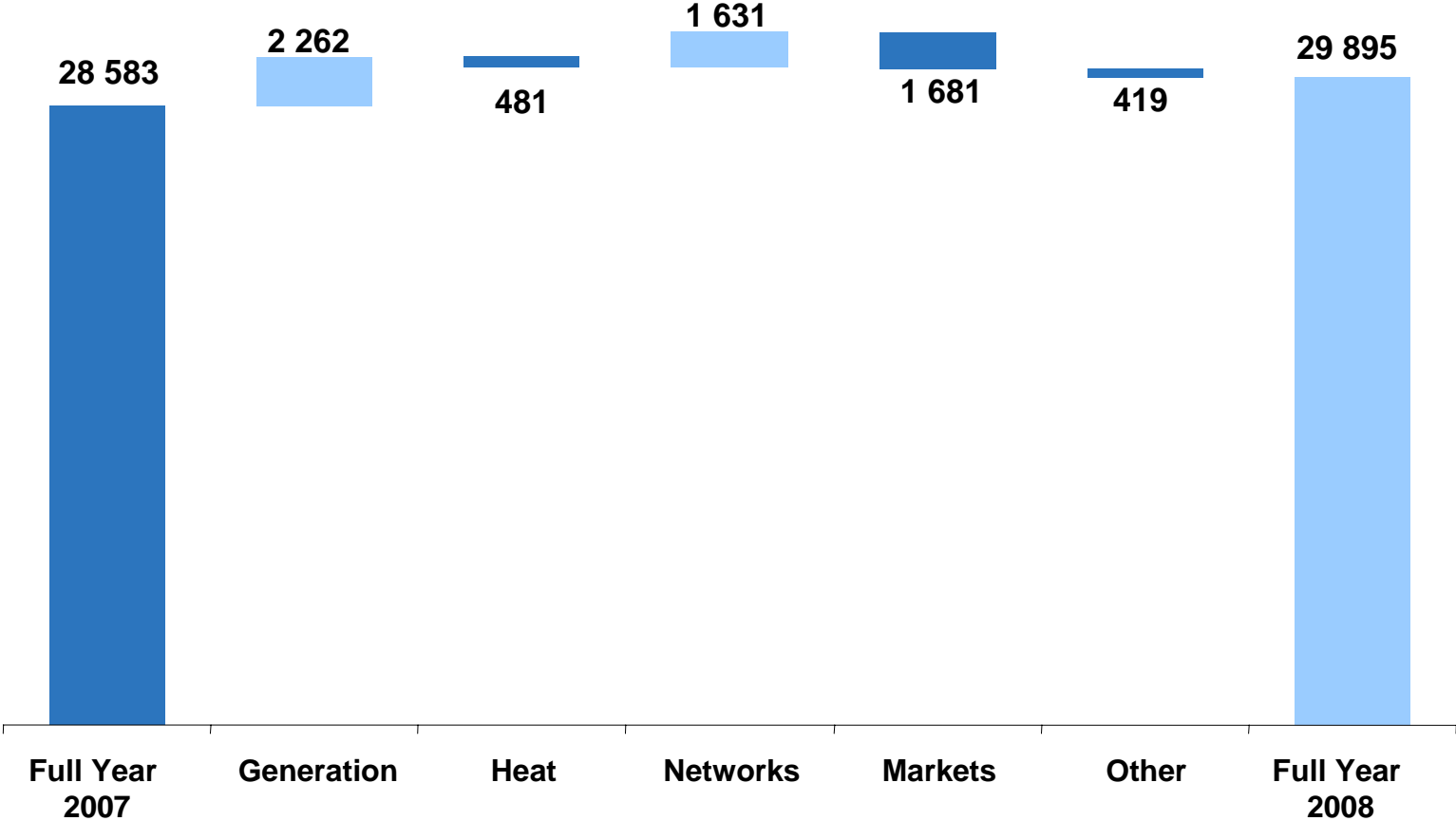
EBIT development Q4 2008

SEK million



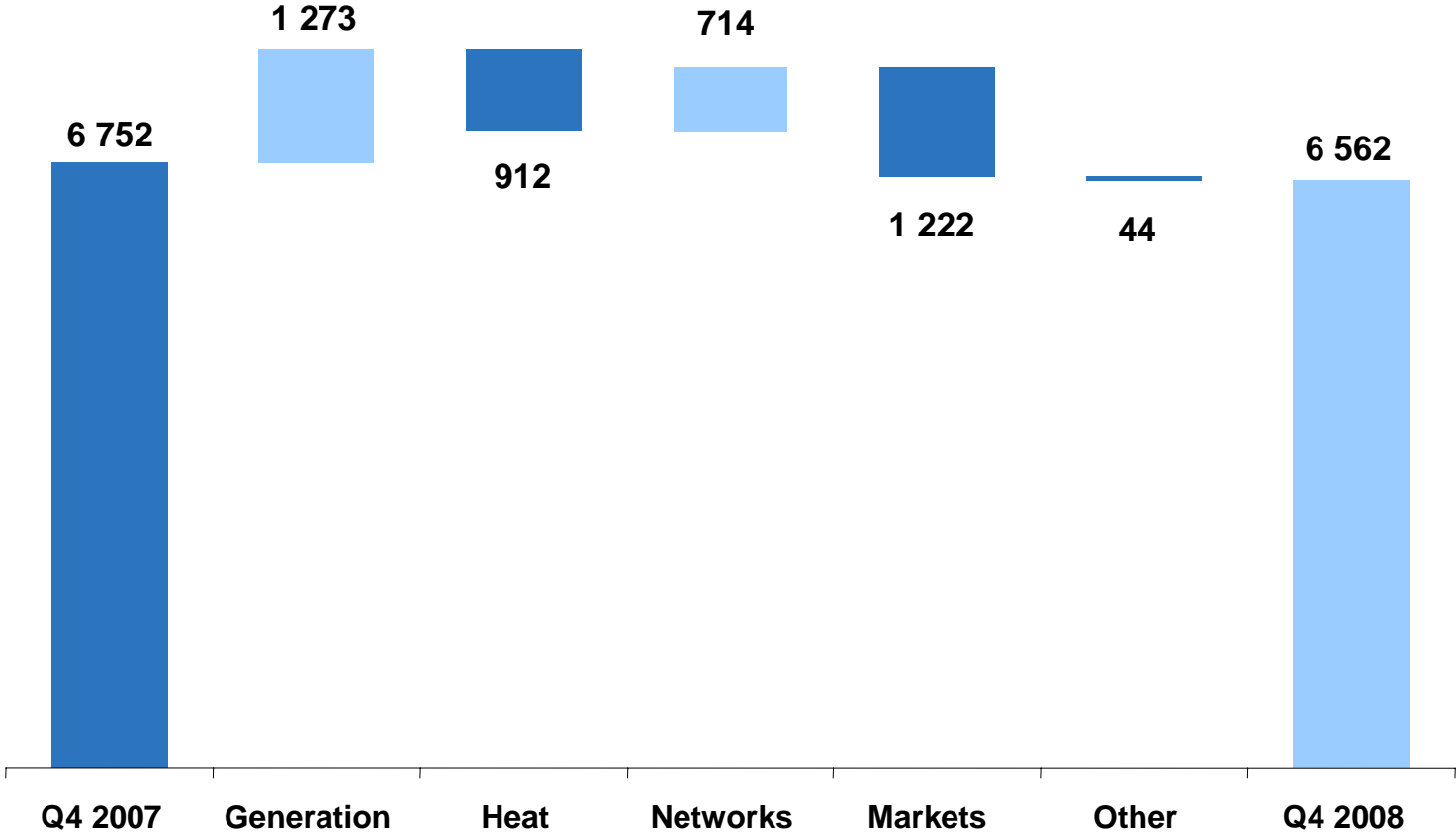
EBIT development FY 2008 – secondary segments

SEK million



EBIT development Q4 2008 – secondary segments

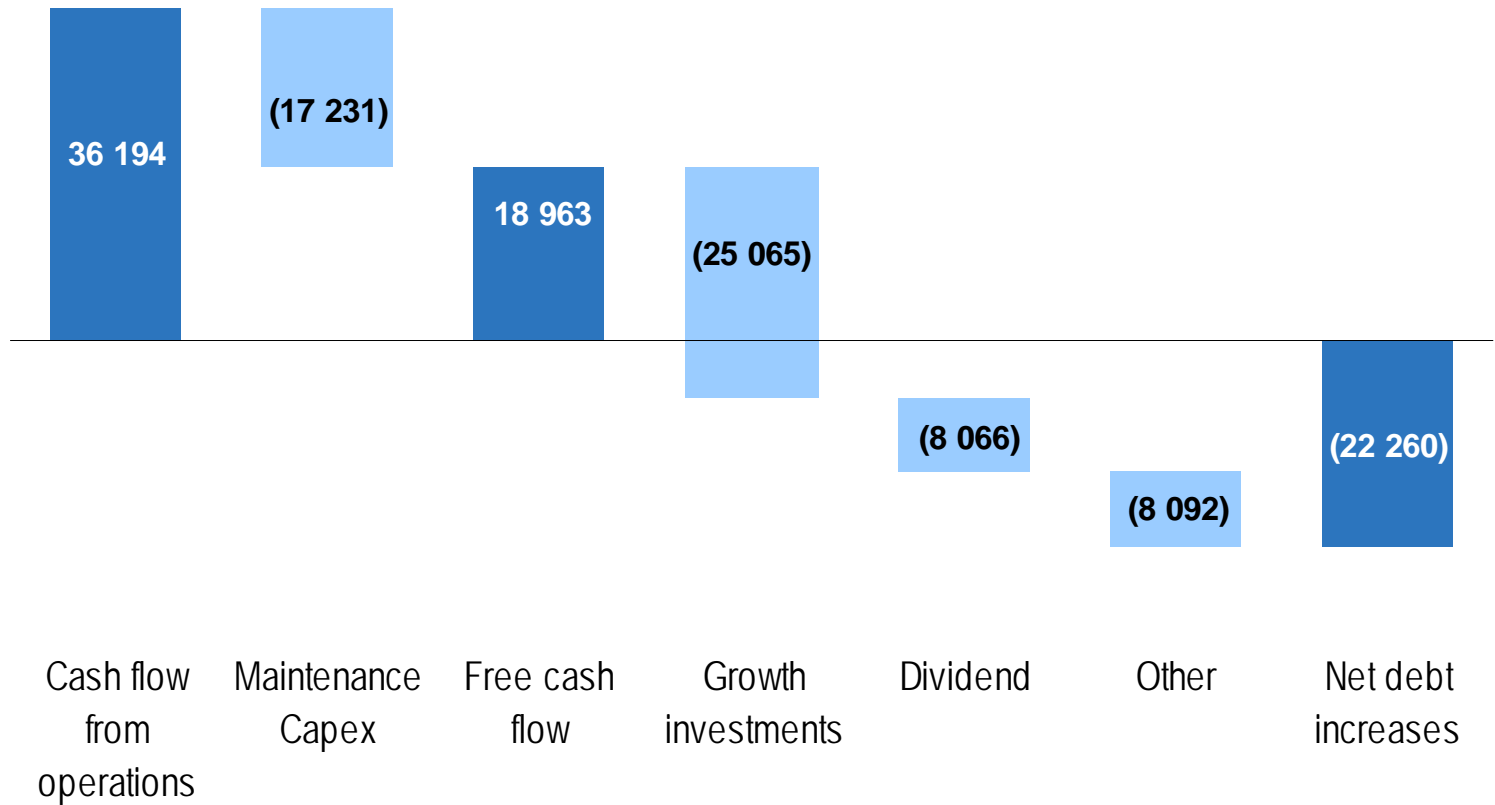
SEK million



Cash flow

20

SEK million



Gross debt development 2008

21

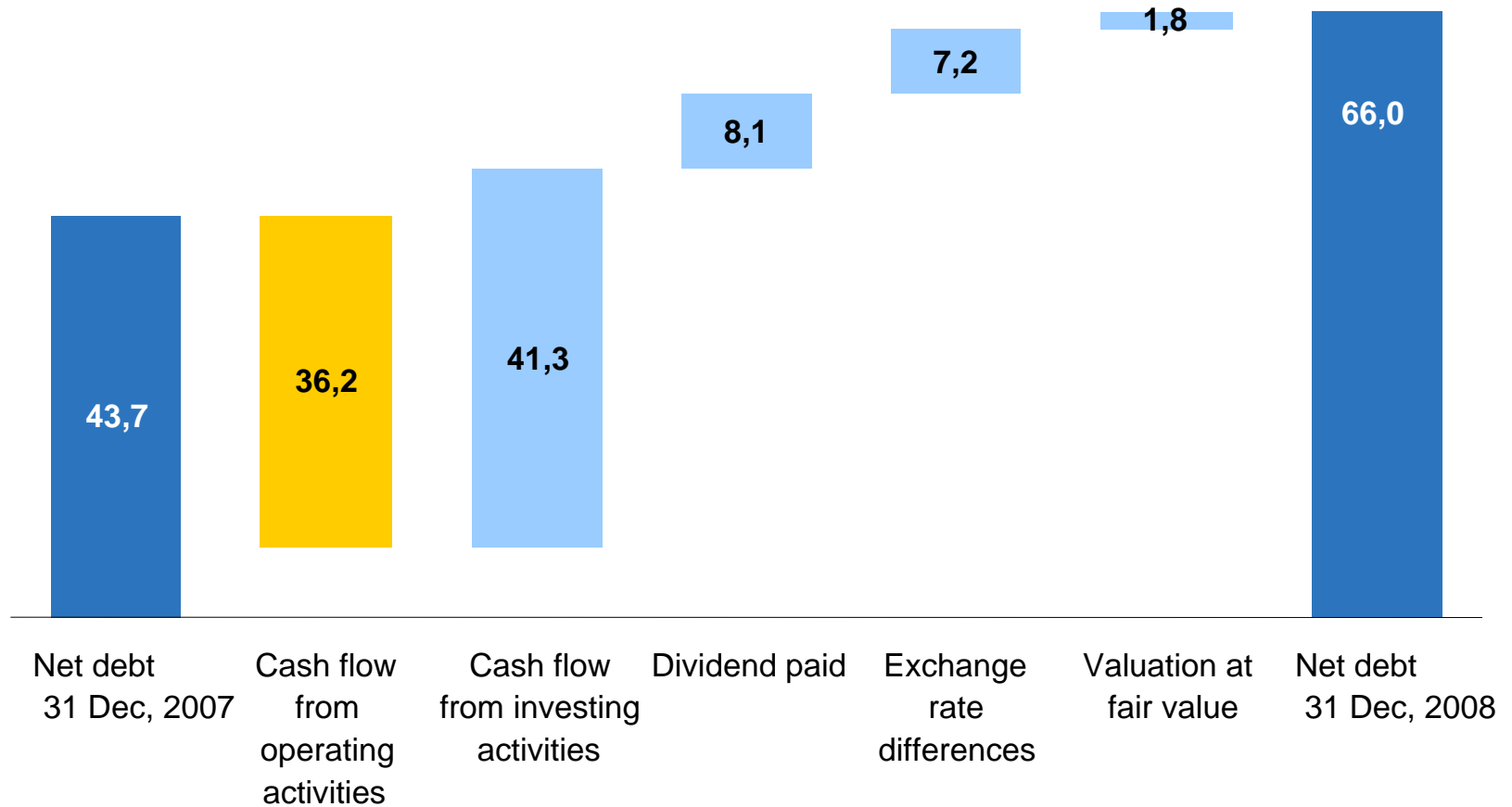
SEK billion



Net debt development 2008

22

SEK billion



Break down of group liquidity and credit lines

23

31 Dec. 2008

Group liquidity

SEK million

Cash and cash equivalents	20,904
Short term investments	19,332
Total	40,236¹⁾

1) Of which 23,432 million is available. Non-available liquidity consist of German nuclear "Solidarvereinbarung" 3,724 million, minority owners share of German nuclear subsidiaries cash position 3,744, Credit support Annex (Margin Calls); 7,439, and other non available liquidity 1,897

Committed credit facilities

RCF (Feb. 2013)	EUR 1,000 million	10,940
Bilateral (Apr. 2009)	EUR 400 million	4,376
Overdraft facility (Dec. 2009)	SEK 100 million	100
Total undrawn		15,416

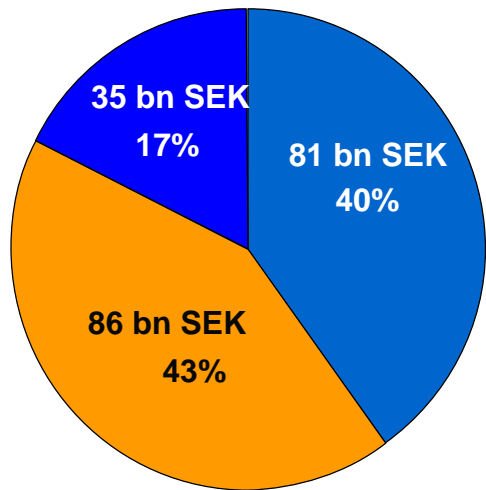
Debt maturities ²⁾

-within 90 days	902
-within 180 days	6,892

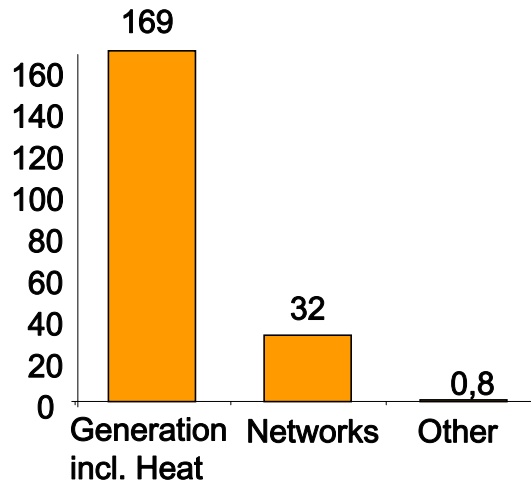
2) Excluding loans from minority owners and associated companies

Increased capex programme

SEK 202 billion 2009-2013 (2008-2012 was SEK 173 billion)



■ Nordic ■ Germany ■ Poland



Decided projects (>SEK 2 bn)

<u>Germany</u>	<u>Commissioning</u>
Moorburg 1,640 MW (hard coal)	end 2012
Boxberg 675 MW (lignite)	end 2010
Reichwalde mine	end 2010
<u>U.K</u>	
Offshore wind Thanet 300 MW	2011
Offshore wind Ormonde 150 MW	2011/12
<u>Denmark</u>	
Amager I (coal/biomass) 71MWe/250 MW heat	2009
<u>Sweden</u>	
Onshore wind programme 200 MW	2010/2011

- Good results despite challenging conditions
- Financial crisis had limited impact on earnings but price and credit risks have increased
- Vattenfall's geographic and fuel diversification has paid off
- Breakthrough of wind investments in the UK
- Increased debt but still very strong credit metrics
- Electricity generation for 2009 already 80% hedged
- Major progress for our CCS projects
- Further enhanced climate strategy

Our vision: A Leading European Energy Company

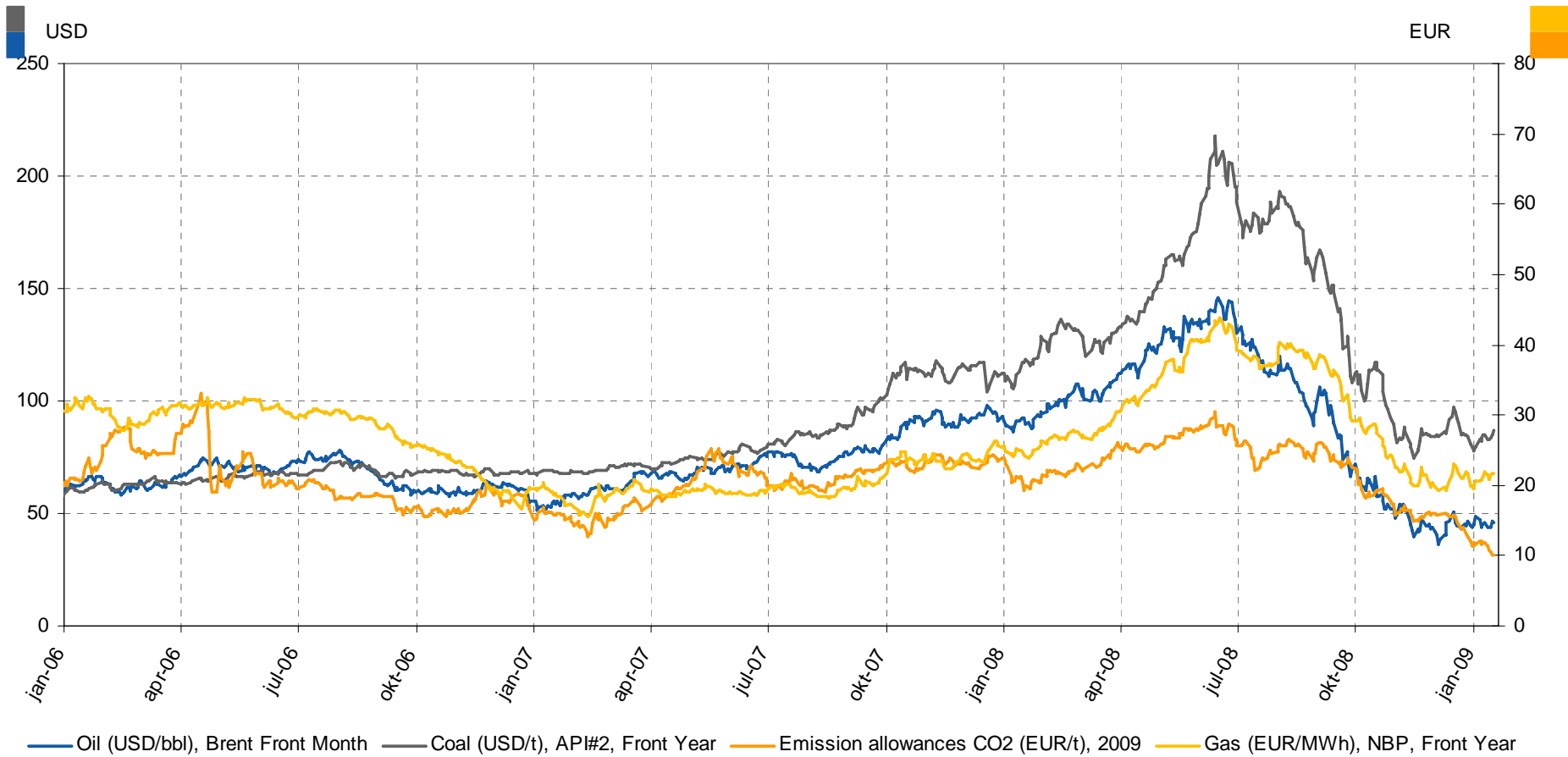
Questions & Answers



Kentish flats offshore wind farm, UK

Back-up slides

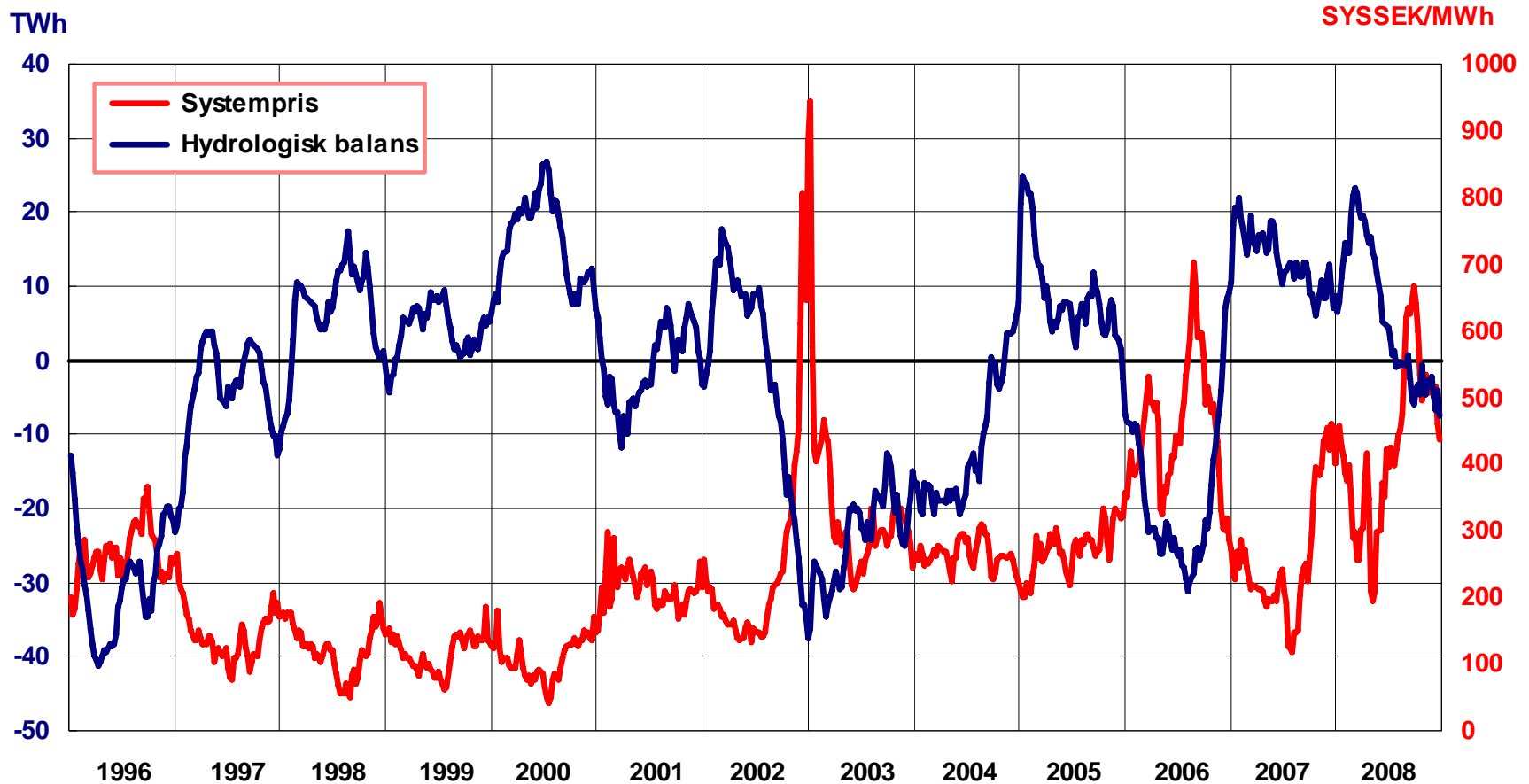
Oil, coal, gas and CO₂ allowances



Declining hydrological balance during Q4

29

Nordic countries



Consolidated balance sheet

30

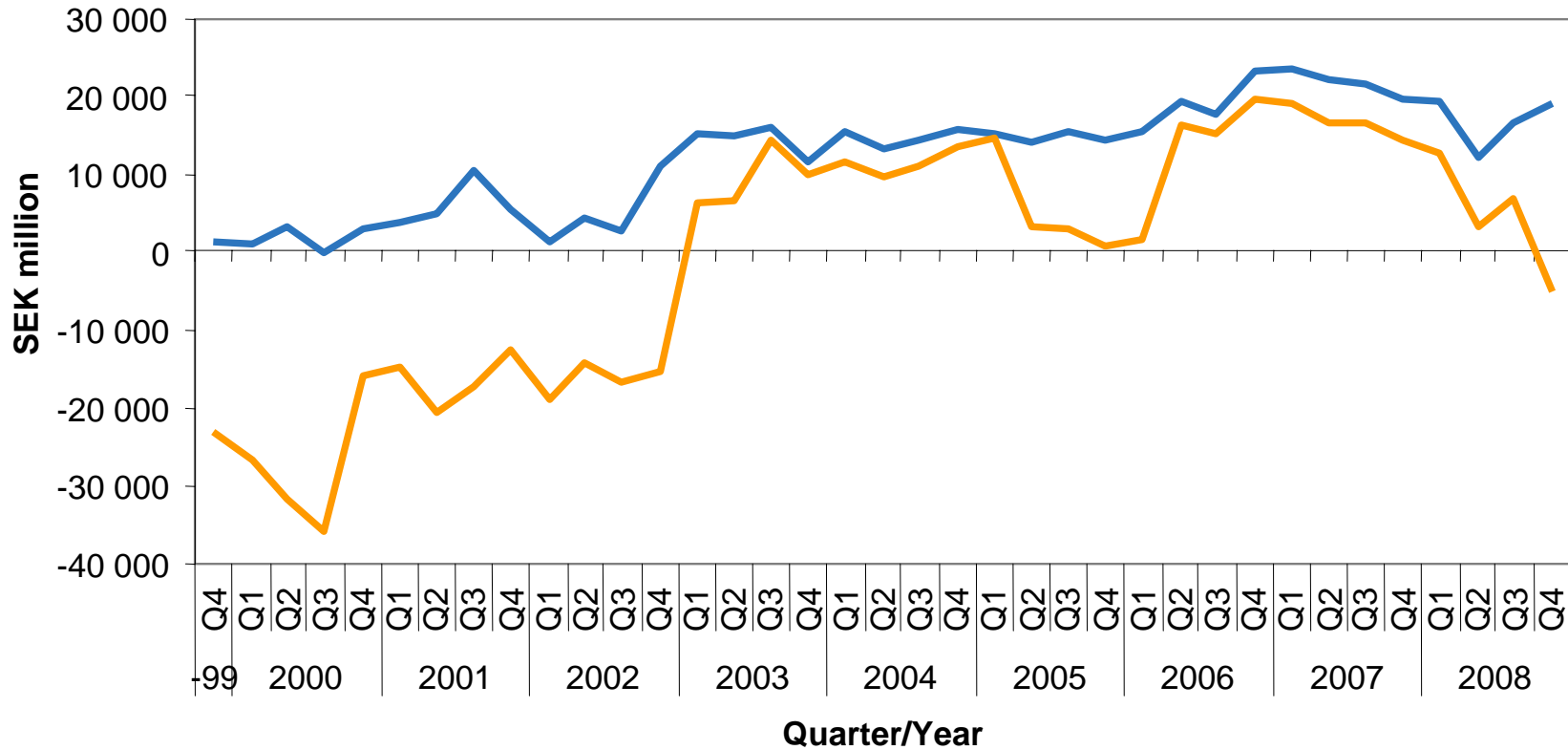
Amounts in MSEK	31/12/08 IFRS	31/12/07 IFRS	Change %
Non-current assets	317 912	264 864	20,0
Current assets	127 915	73 372	74.3
Total assets	445 827	338 236	31.8
Equity	140 886	124 132	13.5
Interest-bearing liabilities	107 347	67 189	59.8
Interest-bearing provisions	69 047	56 250	22.8
Pension provisions	20 752	17 735	17.0
Deferred tax liabilities	28 602	26 632	7.4
Other non-interest-bearing liabilities	79 193	46 298	71.1
Total equity and liabilities	445 827	338 236	31.8

Consolidated cash flow statement

31

Amounts in MSEK	Q4 2008 IFRS	Q4 2007 IFRS	Change %	FY2008	FY2007
Funds from operations (FFO)	10 886	10 909	-0.2	30 735	34 049
Change in working capital	-3 328	-2 527	31.7	5 459	-1 718
Cash Flow from operating activities	7 558	8 382	-9.8	36 194	32 331
Investments	-18 184	-6 753	169.3	-42 296	-18 964
Divestments	323	291	11.0	865	925
Cash and cash equivalents in aquired/divested companies	146	-1	-14700.0	158	2
Cash Flow from investing activities	-17 715	-6 463	174.1	-41 273	-18 037
Cash Flow before financing activities	-10 157	1 919	-629.3	-5 079	14 294
Cash Flow from financing activities	15 380	2 024	659.9	14 294	-18 662
Cash Flow for the period	5 223	3 943	32.5	9 215	-4 368
Net debt at the end of the period	-66 000	-43 740	50.9	-66 000	-43 740

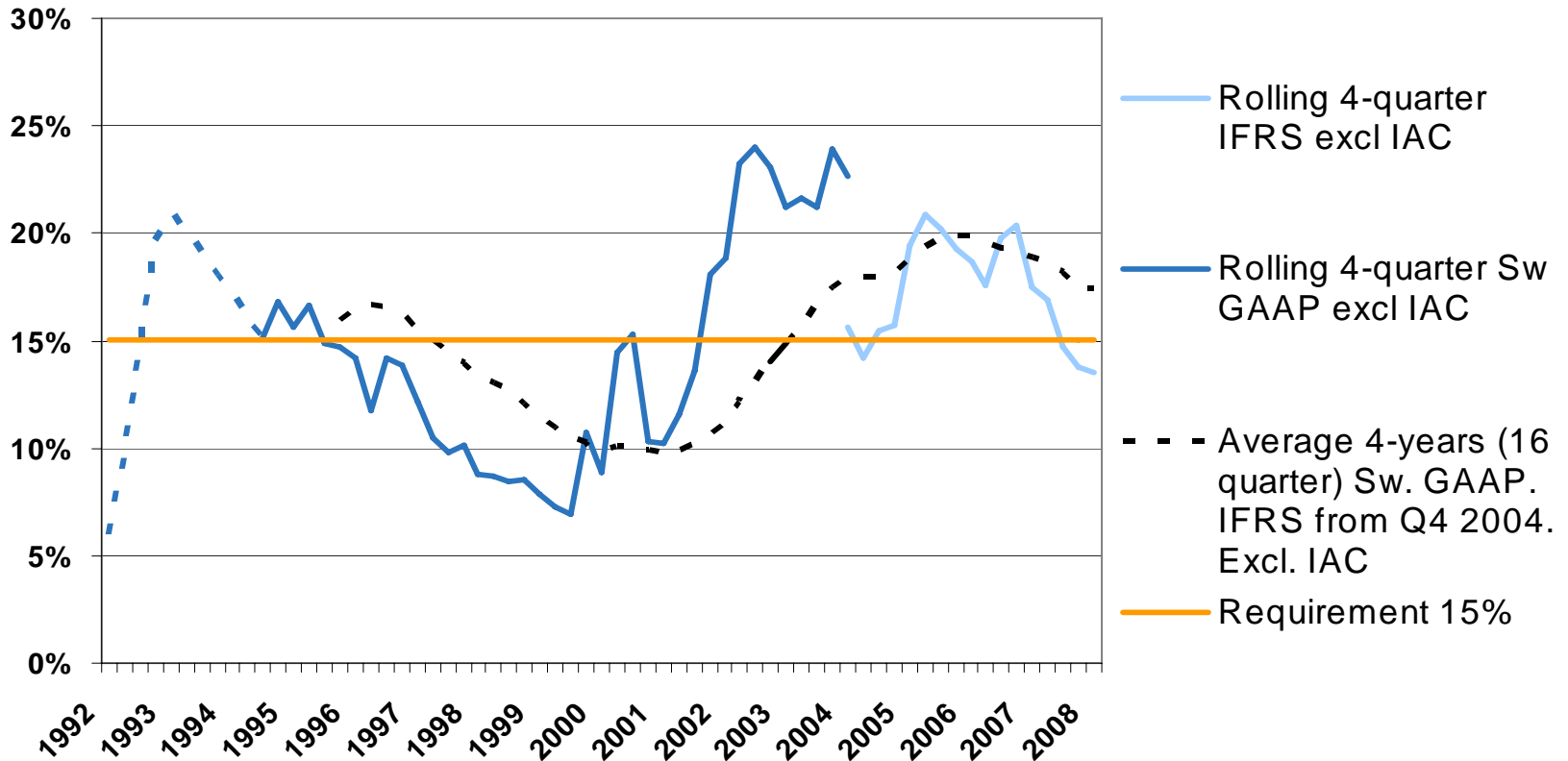
Cash flow development



— Free cash flow from operations - Rolling 4 quarter
— Cash flow before financing activities - Rolling 4 quarter

Figures according to Sw GAAP until Q4 2004 and according to IFRS from Q1 2005

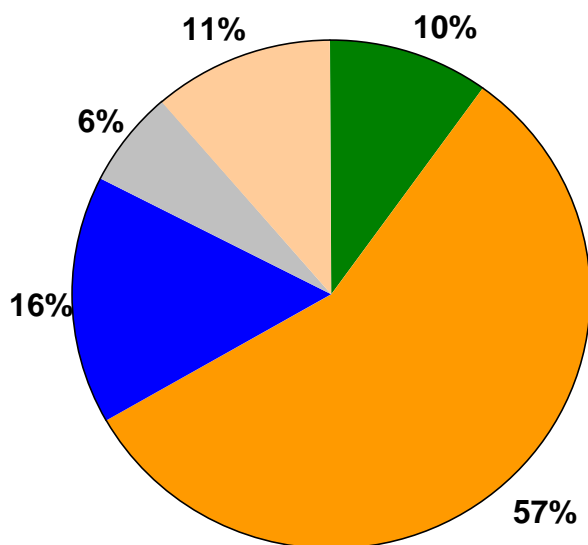
Return on equity



Breakdown of gross debt

34

Total debt:
SEK 107.3 bn¹⁾ (EUR 9.8 bn)



- Subordinated Perpetual Capital Securities
- EMTN
- Liabilities to associated companies
- Liabilities to minority shareholders
- Bank loans and others

1) Of which external market debt: SEK 83,8 bn (78%)

Funding programmes	Size (EUR)	Utilization (EUR)
EUR 6 bn Euro MTN	6,000 m	5,526 m
SEK 10 bn Domestic MTN	914 m	0
USD 2 bn Euro CP	1,417 m	0 ²⁾
SEK 15 bn Domestic CP	1,371 m	0

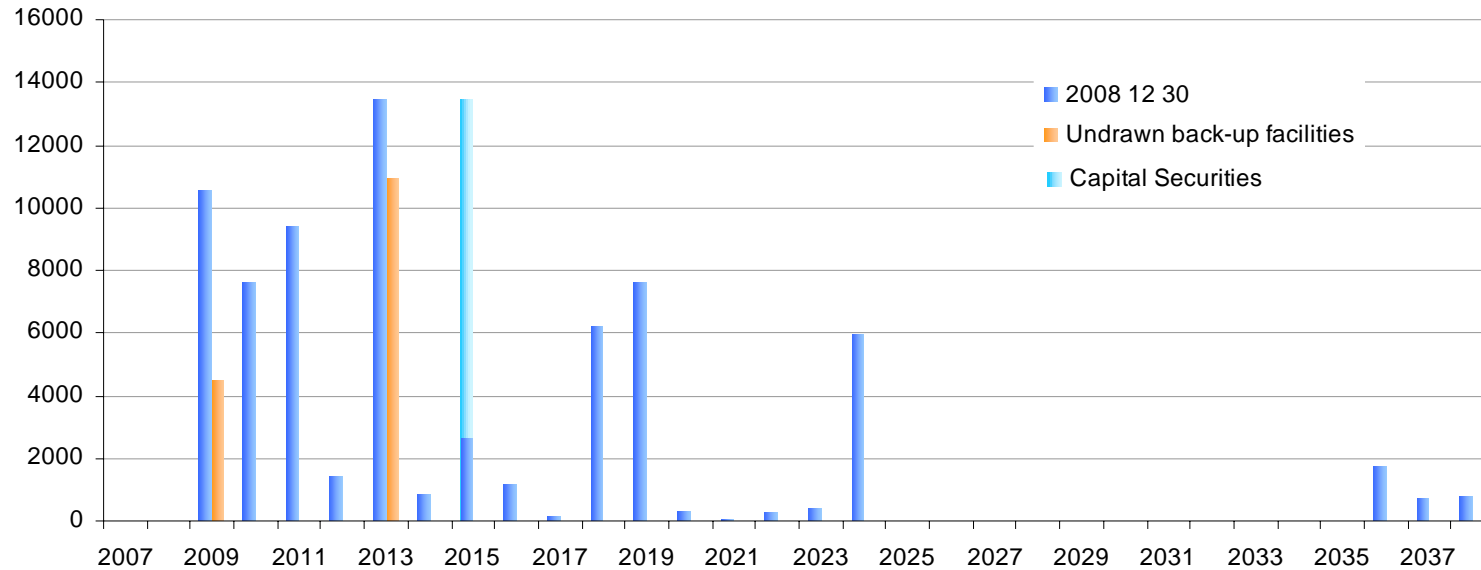
2) USD 958 mn used for Group internal purposes
 (upstreaming of cash from Vattenfall Poland)

- All public debt is issued by Vattenfall Treasury AB, fully guaranteed by Vattenfall AB
- Virtually no currency risk in the debt portfolio
- No structural subordination

Vattenfall debt maturity profile

35

SEK million



Excluding loans from associated companies and minority owners

	Dec 31, 2008	Dec 31, 2007
Duration (years)	2,9 ¹⁾	3,3
Average time to maturity (years)	6,5 ¹⁾	6,7
Net debt (SEK bn)	66,0	43,7

1) Based on external debt. Excluding Capital Securities the duration is 2,4 years and average time to maturity 6,5 years.

Adjusted gross and net debt

36

SEK million

	31 Dec 2008	31 Dec 2007
Reported gross debt	-107 347 ¹⁾	-67 189
Present value of net pension obligations (incl actuarial gains/losses)	-21 867	-17 073
Mining & environmental provisions	-14 604	-11 975
50% of Hybrid securities	5 406	4 671
Cross currency swaps	3 131	-574
Hedge of net investments in foreign operations	3 337	438
= Adjusted gross debt	-131 944	-91 702
Reported cash, cash equivalents & short term investments	40 236 ²⁾	22 659
German nuclear "Solidarvereinbarung"	-3 724	-3 224
Minority owner´s share of German nuclear subsidiaries cash position	-3 744	-3 531
= Adjusted cash, cash equivalents & short term investments	32 768	15 904
= Adjusted net debt	-99 176	-75 798

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

2) Of which CSA, Credit Support Annex (Margin calls) 7 439

Financial targets and outcome

37

Key Ratio	Targets	2008
Return on Equity (RoE)	15 % on average equity	13.6%
Return on Net Assets (RoNA, excl. IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	15.1%
Cash flow interest coverage after maintenance investments	3.5 – 4.5 times	4.1
Credit Rating	Single A category rating	A2/A- Stable outlook
Dividend pay-out	40-60 %	40.4 % *

*) Proposed dividend

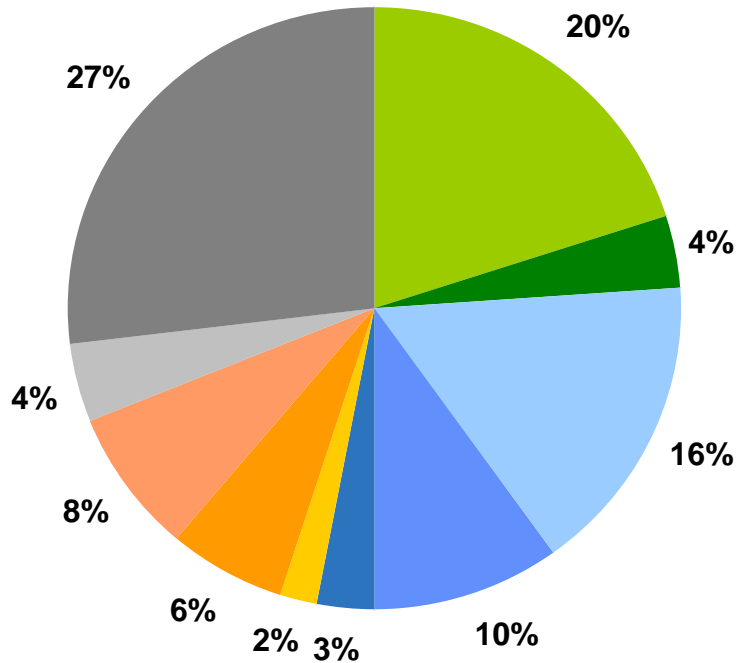
Key ratios

38

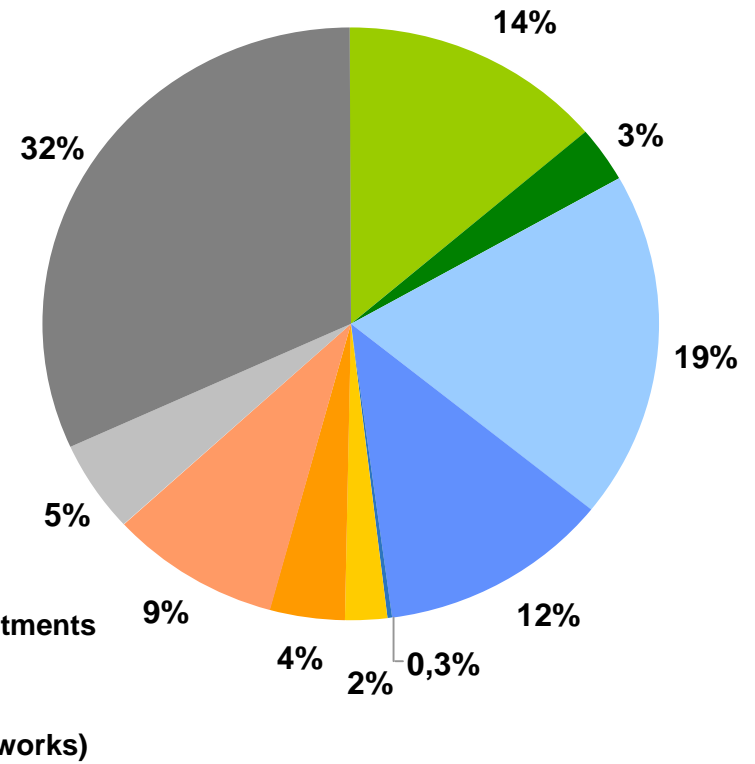
Key Ratios (% unless otherwise stated)	2008	2007
RoNA	15.1	16.6
RoE	13.6	17.6
Operating margin	18.2	19.9
Pre-tax profit margin	14.3	16.7
Cash Flow interest coverage after maintenance investments, (x)	4.1	6.4
FFO/net debt	46.6	77.8
Equity/assets ratio	31.6	36.7
Net Gearing - Net debt/equity	46.8	35.2
Capitalisation - Net debt/net debt + equity	31.9	26.1
Net debt / EBITDA, (x)	1.4	1.0

Capex programme – breakdown by type

SEK 202 billion 2009-2013



SEK 173 billion 2008-2012

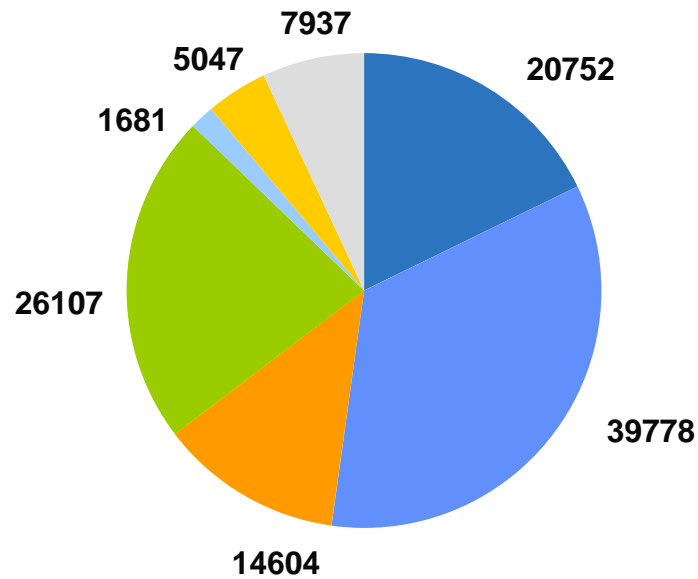


- Wind
- Biomass
- Hard coal
- Lignite
- Gas
- Waste
- CO2 related investments
- Nuclear
- Hydro
- Other (mainly networks)

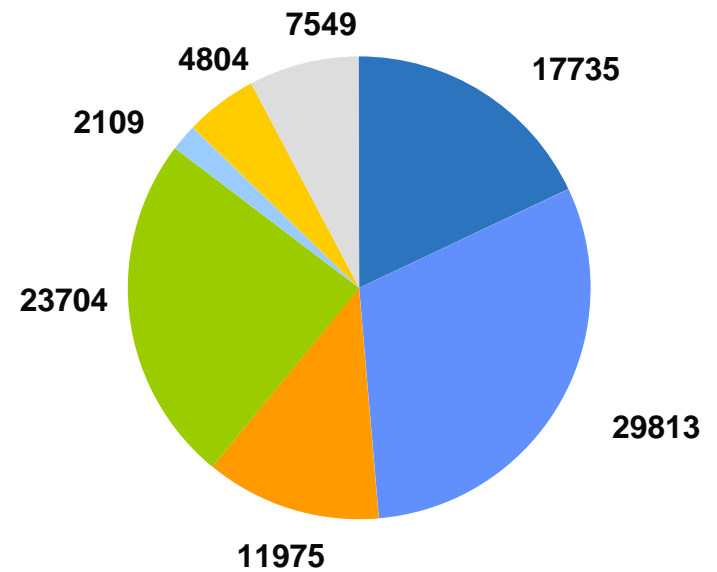
Group provisions (IFRS)

30 December 2008
SEK 115,906 million

30 December 2007
SEK 97,689 million



- Pensions
- Nuclear
- Mining
- Taxes
- Other
- Personnel
- Legal



Key data – BG Nordic

41

<i>Amounts in SEK million</i>	Q4 2008	Q4 2007	% Change	FY 2008	FY 2007
Net sales	13 794	12 928	6.7	48 851	46 713
External net sales *	15 942	14 052	13.5	54 732	44 429
EBIT **	3 649	3 915	-6.8	16 760	12 418
Net assets ***	111 263	91 122	22.1	111 263	91 122
Electr. generation, TWh	22.2	24.1	-7.9	90.7	91.1
Heat generation, TWh	3.5	3.2	9.4	10.4	10.7
Employees ****	9 992	9 993	0.0	9 507	9 489

* Excl. intra group transactions

** Excl. items affecting comparability (IAC)

*** At the end of the period

**** Full time equivalents (FTE)

Key data – BG Central Europe

42

<i>Amounts in SEK million</i>	Q4 2008	Q4 2007	% Change	FY 2008	FY 2007
Net sales	40 503	32 622	24.2	142 260	122 256
External net sales *	27 973	23 291	20.1	99 182	86 736
EBIT **	3 850	3 174	21.3	15 042	16 517
Net assets ***	92 344	78 714	17.3	92 344	78 714
Electr. generation, TWh	19.4	20.5	-5.4	72.4	76.6
Heat generation, TWh	8.7	9.7	-10.3	25.3	25.5
Employees ****	20 914	20 934	-0.1	19 692	19 656

* Excl. intra group transactions

** Excl. items affecting comparability (IAC)

*** At the end of the period

**** Full time equivalents (FTE)

Nuclear update - Germany

- The German Krümmel and Brunsbüttel nuclear power plants are still off-line due to technical problems detected during the inspection and testing programmes:
- The plants will remain shut down until all necessary renovation work is fully completed. Re-start date is still open.
- Financial impact (EBIT):

Q4 2008: EUR -169 million (SEK -1,727 million).
FY 2008: EUR -573 million (SEK -5,537 million)



Krümmel (1,346 MW)
50% ownership



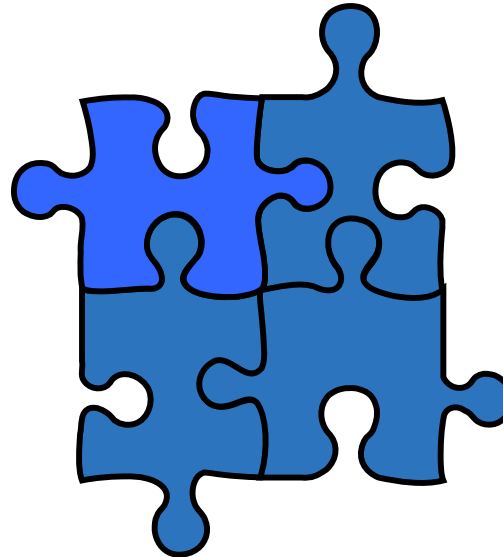
Brunsbüttel (771 MW)
67% ownership

Partnership between Vattenfall and ScottishPower Renewables

- Alliance for joint bids in the UK Round 3 offshore wind
 - Vattenfall's offshore experience combined with Iberdrola's track record and local presence
 - Ambition 6,000 MW (3,000 MW each) until 2020

Thanet Offshore Wind Ltd

- 300 MW, ~ 1 TWh
- Commissioning in 2010



AMEC Wind

- Pipeline ~ 500-750 MW, ~ 1.5-2 TWh onshore in Scotland
- Alliance for future wind power expertise in the UK

Eclipse Wind Energy

- Pipeline
 - 150 MW offshore
 - 60 MW onshore
 - 90 MW gas
- ~ 1 TWh

**Investments until ~2018: ~ EUR 2,500 million (if 100% hit rate) excl. Round 3.
Alliance on Round 3 expected to fill post 2018 UK investment pipeline**

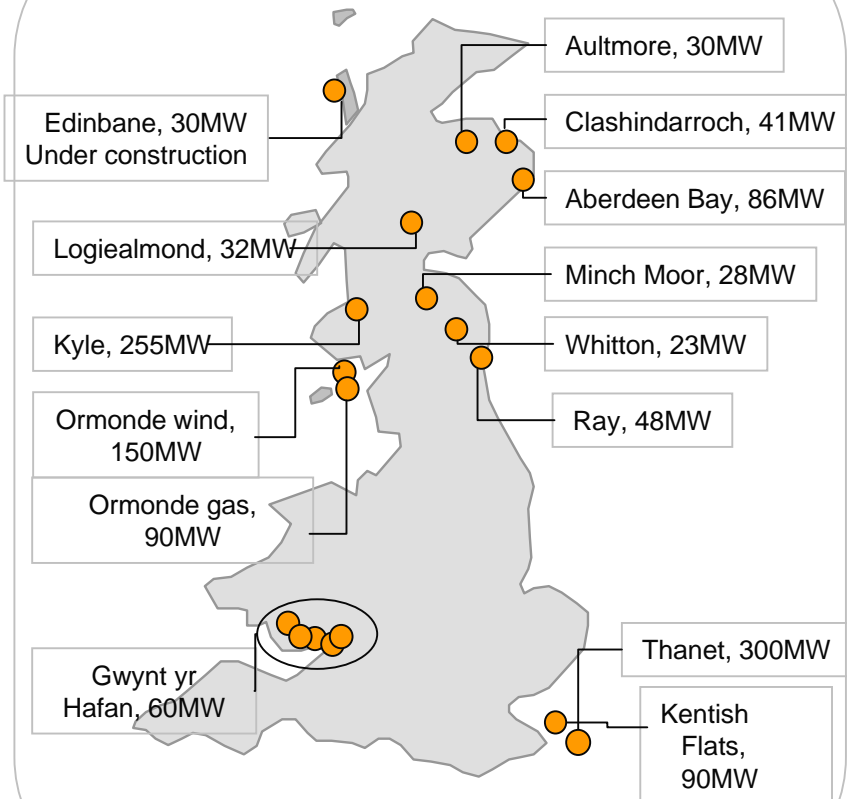
Vattenfall development in the UK

45

Investment highlights

- AMEC Wind – now Vattenfall Wind Power Ltd
 - Total pipeline ~ 500-750 MW incl. extensions
 - Acquired for GBP 126.7 million
- Eclipse Energy UK PLC
 - Total pipeline 300 MW, of which 150 MW are fully consented offshore
 - Acquired for GBP 51.5 million
- Thanet
 - 300 MW
 - Acquired for GBP 35 million

UK pipeline



Total pipeline of ~1,000 MW + 360 MW (extensions)

Acquisition of 18.7% in Polish ENEA

46



Vattenfall has acquired
18.7% of ENEA for
SEK 4.5 billion

ENEA S.A. (Parent company)

8% share at domestic generation	
16% share at distribution and electricity sale market	
Electricity sales	16.8 TWh
Sales customers	2.3 million

ENEA Operator Ltd. (Distribution company)

Distribution area	58,192 km ²
Power lines length	107,035 km
Technical status of the network – similar to VDP assets	
Distribution and sales at well developed regions	

Elektrownia Kozienice S.A.

<i>(Generation company – 2nd biggest Polish Power Station)</i>	
Electricity generation (2007)	12.7 TWh
Installed capacity	2,880 MW
New 1,000 MW unit CCS ready is planned till 2015	

22 smaller subsidiaries

Small hydro-power stations: around 60 MW and 140 GWh/a
Wind power: about 300 MW under development

- At the end of July 2008, Vattenfall approached potential investors for the possible sale of our German Transmission operations (Vattenfall Europe Transmission GmbH)
- Indicative bids were received in October – high level of interest
- The intent to finalize a sale within the first half of 2009 is still valid – within this timeframe we remain flexible regarding single process steps and may adapt to external developments (e.g. regulation)
- Important criteria to be applied on investors. They must:
 - 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