

# Vattenfall

## Company overview and recent developments

Investor Conference Call, 5 March 2009

Hosted by:

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# Vattenfall Group overview and key figures

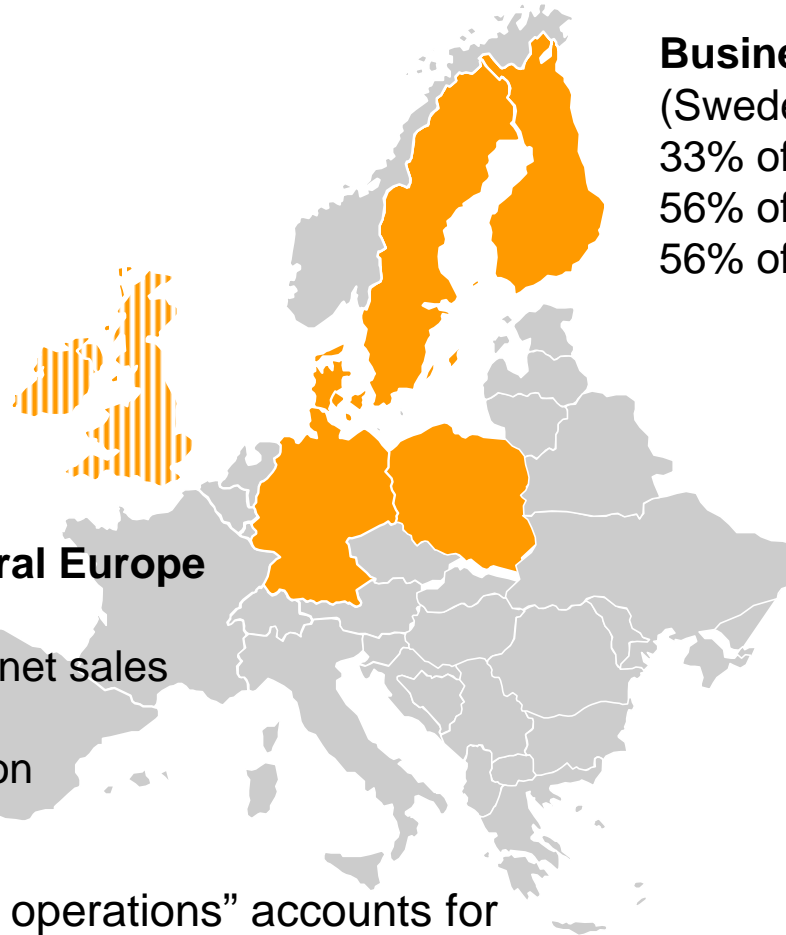
- **100% owned by the Kingdom of Sweden (Aaa/AAA)**
- **Core products are electricity and heat**
- **Europe's 5<sup>th</sup> largest electricity generator;**  
**- total installed capacity of > 35,000 MW**
  - # 1 in the Nordic market, with 23% market share in generation
  - # 3 in Germany, with 13% market share in generation
  - # 1 in Europe in district heating
- **Well diversified generation mix; hydro (24%), nuclear (28%) and fossil (46%). Increasing wind power.**
- **Committed to maintaining a single A category rating**

Key figures SEK million	FY 2008	FY 2007	FY 2006	FY * 2000
Net sales	164,549	143,639	135,802	31,695
EBITDA	45,960	45,821	43,938	11,670
EBIT	29,895	28,583	27,821	6,193
Net debt	66,000	43,740	49,407	43,311
FFO Interest cover	5.4x	8.6x	9.7x	3.3x
Total assets	445,827	338,236	323,166	115,259
FFO/net debt	46.6%	77.8%	72.2%	13.5%
Net gearing	46.8%	35.2%	45.9%	101.2%
Net debt/EBITDA	1.4	1.0	1.1	2.8

\* 2000 = Swedish GAAP

**Our Vision: A Leading European Energy Company**

# Vattenfall's current geographical markets



**Business Group Nordic**  
(Sweden, Denmark, Finland)  
33% of Group external net sales  
56% of Group EBIT  
56% of electr. generation

**Business Group Central Europe**  
(Germany, Poland)  
60% of Group external net sales  
51% of Group EBIT  
44% of electr. generation

A third segment "Other operations" accounts for 6% of Group revenues and -7% of Group EBIT

# Vattenfall financial highlights - Full year 2008

## **Net sales increased**

14.6% to SEK 164.5 bn (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:: 11%

## **Return on Equity**

was 13.6% (FY 2007: 17.6 %). Long-term target: 15%

# Key factors for market leadership

## Key factor:

## Examples:

### Risk diversification

- To cope with commodity uncertainty.
- Different geographies and regulatory regimes.
- Single asset risks.
- New technologies (CCS, renewables, nuclear).

2

### Competence management

- Retain and recruit key staff.
- Engineering competence.
- Project management competence.
- Regulatory and political competence.

3

### Financial flexibility

- Strong balance sheet.
- Ability to make long lead-time investments.
- Focus on cost and operational efficiency, proven ability to realise synergies.

- Strongly correlated with scale.
- Increasing need for pan-European rather than national/regional platform to form strong foundation.

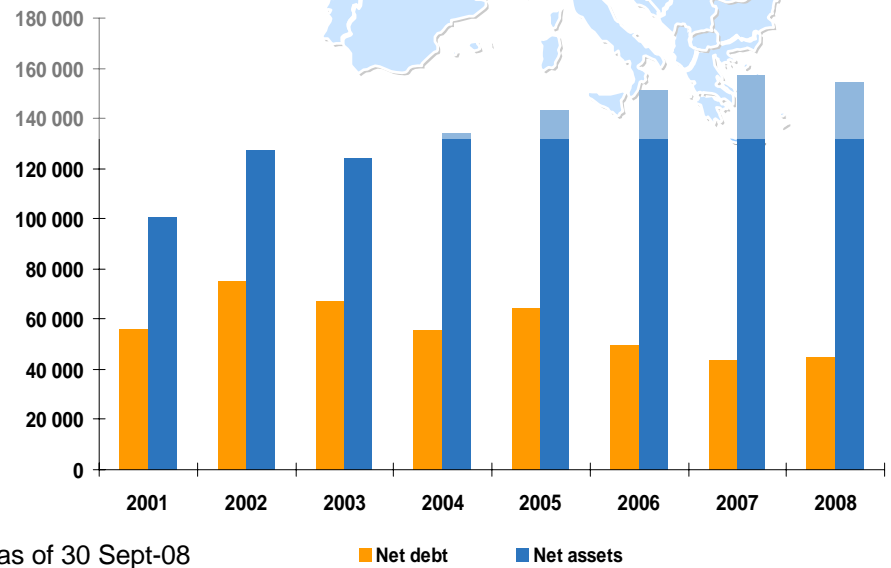
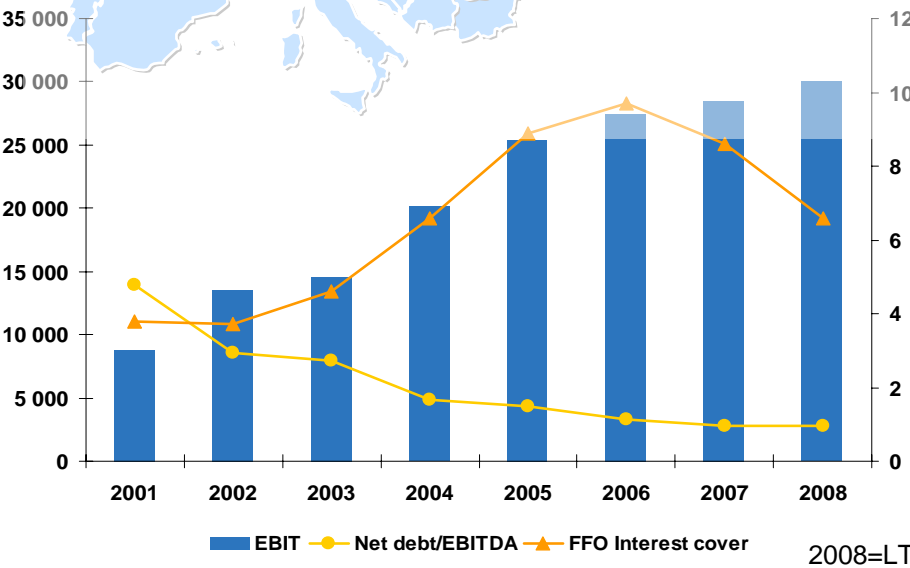
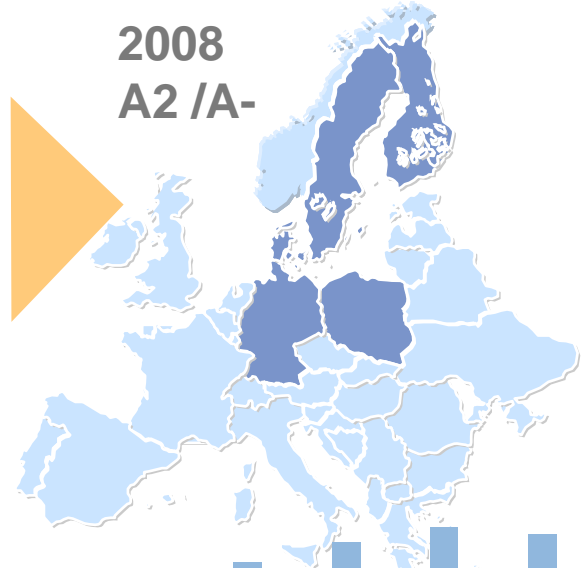
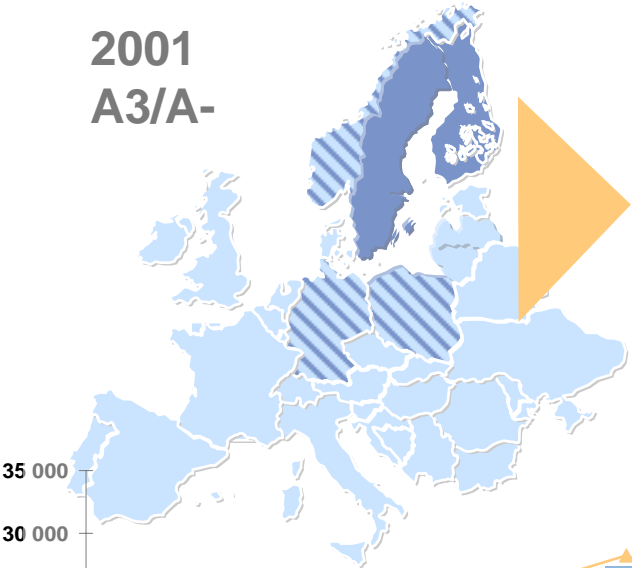
# Growth strategy – integration track record

2001  
A3/A-

## Key Acquisitions

- EW, Poland, 2000
- GZE, Poland, 2001
- HEW, Germany, 2000-2001
- Veag/Laubag, Germany 2001
- Bewag, Germany, 2002
- Elsam/E2 assets, Denmark, 2005-06
- Enea, Poland, 2008
- UK wind power, UK, 2008

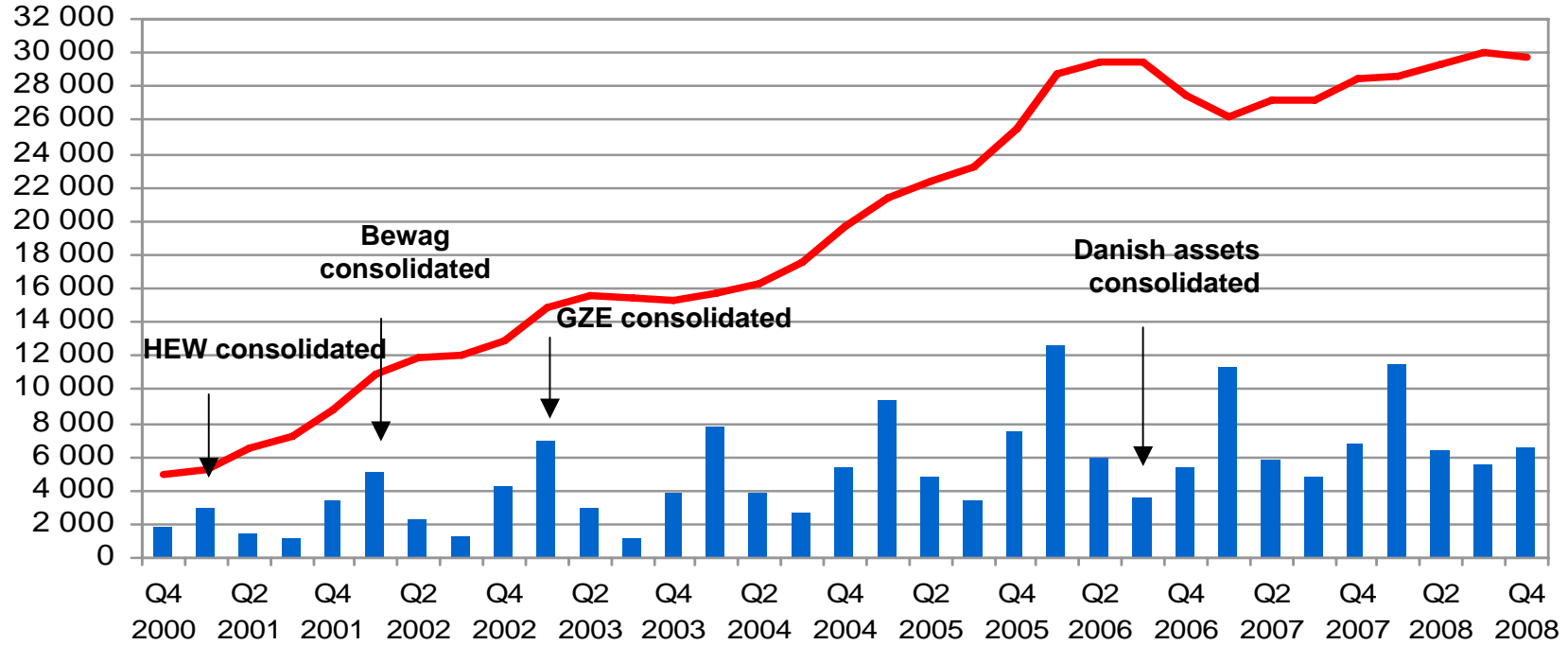
2008  
A2 /A-



2008=LTM as of 30 Sept-08

# EBIT development

## Quarterly figures, SEK million



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



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# Transaction highlights (1)

## Transaction

- Vattenfall will acquire 100% of Nuon (“Nuon PLB”), which comprises all (unbundled) commercial activities of Nuon. Initial acquisition of 49%. Subsequent acquisition of remaining 51% in the form of deferred share purchases 2011, 2013, and 2015.

## Enterprise value

- EUR 8,500 million (100%, 31 Dec. 2008 ).

## Purchase price

- Purchase price of EUR 5,051.9 million for 49%. Price for remaining tranches is fixed and equal to the price for the initial 49% stake. Fixed dividend payments to be paid to Nuon shareholders during the co-shareholding period of six years.

## Equity value

- The equity value for 100% amounts to EUR 10,310 million. The difference between the enterprise value and the equity value is mainly explained by the cash position of Nuon PLB. See back-up slide 39.

## Transaction highlights (2)

### Multiple

- EV/EBITDA: 9.7x - based on normalised 2008 EBITDA of EUR 877 (corrected for income from participations). See back-up slide 40.

### Expected closing date

- 30 June 2009

### Key conditions to closing

- Execution of SPA by at least 80% of Nuon's shareholders.
- Unbundling of Nuon, including finalization process unbundling plan.
- Competition clearance.

### Governance

- Vattenfall will assume control from day 1.
- Vattenfall will have four out of eight members in the Nuon Supervisory Board. Vattenfall appoints the Chairman, who will have a casting vote.
- Four members will be nominated by remaining Nuon shareholders, including two nominated by the Works Council.

# Description of Nuon

## Local presence

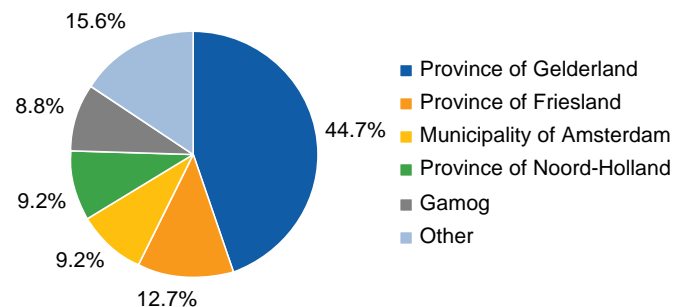


## Key operational figures 2007

▪ Electricity sales	23.7 TWh
▪ Electricity generation	17.4 TWh
▪ Production capacity	4 GW
▪ Electricity customers	2.7 million
▪ Gas customers	2.1 million
▪ Gas sales	4.8 bcm
▪ Number of employees	7,031 FTE

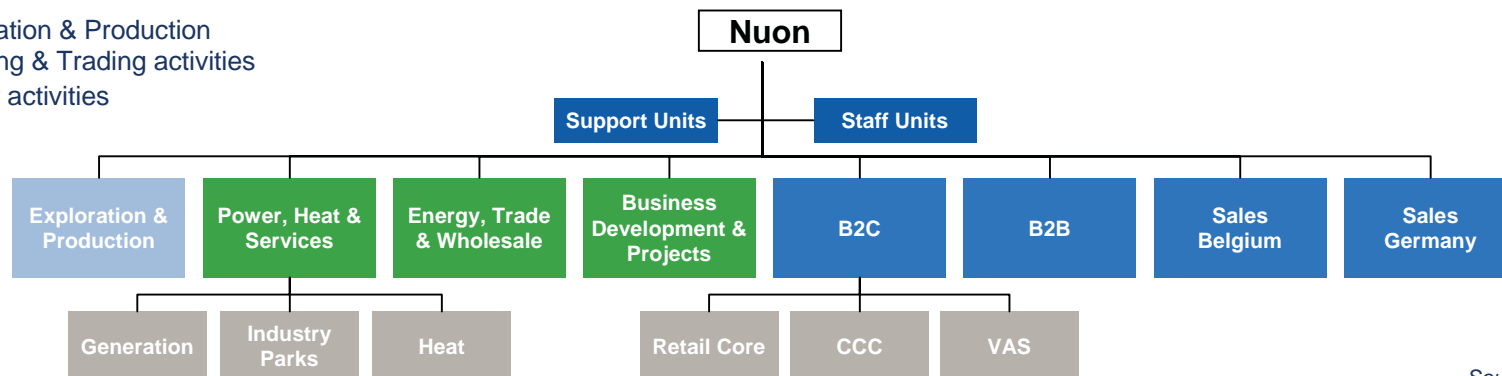
*Note: figures include international operations*

## Ownership



## Organisational structure Nuon

- Exploration & Production
- Sourcing & Trading activities
- Supply activities



Source: Nuon

# Accounting and consolidation

- **Accounting of deferred purchase price payments**

the payments of 15%, 15% and 21% in 2011, 2013 and 2015 respectively, will be accounted for as interest bearing liabilities on an NPV basis.

- **Consolidation of Nuon**

Vattenfall will consolidate the unbundled Nuon 100% as of effective date (1 January 2009), retroactively upon completion (expected 30 June 2009).

The price for all Nuon shares is fixed, and the dividend to the current shareholders for their remaining stakes during the next six years is fixed in the Share Purchase Agreement. Since Vattenfall acquires all risks and rewards associated with Nuon from day 1, Vattenfall will consolidate Nuon fully to reflect this.

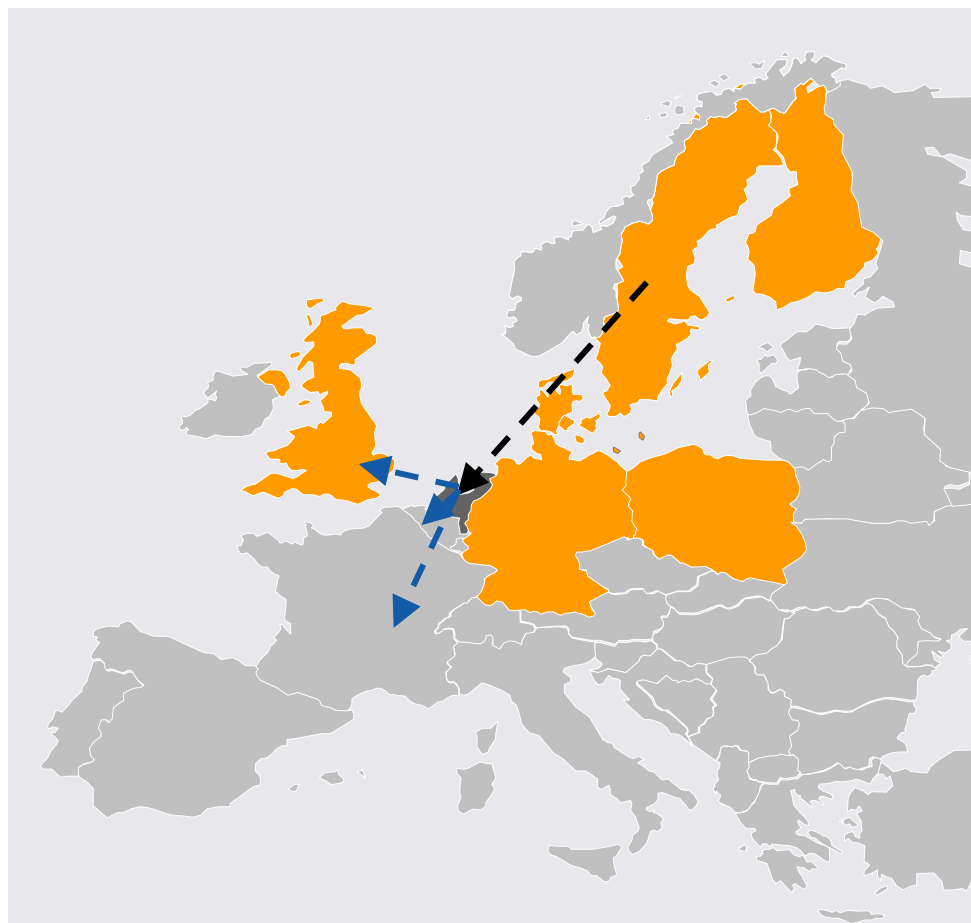
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# Strategic rationale – Summary

- The Dutch market is one of the most attractive regions for Vattenfall's geographic expansion.
- Beneficial risk diversification by establishing a new core market, and venturing into gas provides a partial hedge to coal-fired operations in Germany.
- Nuon is a very attractive company in the Netherlands that will bring unique competence to Vattenfall.
- The combined entity of Nuon and Vattenfall with its strong technology platform is well positioned to become the leading European company in making electricity clean.

# The Dutch market is one of the most attractive regions for Vattenfall's geographic expansion



 Vattenfall's current presence

- Growing market with capacity shortage providing the opportunity for a shift towards renewables and clean energy
- Ageing asset portfolio
- Proximity and good connectivity with Vattenfall's core markets consolidating its NW European footprint
- Strong platform for further growth in adjacent geographies, e.g. Belgium, France, UK
- Emerging as a gas and bio-mass hub



# A strong platform for value creation and accelerated growth

## Synergy opportunities

Combining the two companies provides synergy opportunities in e.g., reduced IT costs and improved purchasing power.

Substantial skill transfer opportunities to strengthen the current business and improve performance in e.g., trading, customer product offering, plant operations.

## Platform for accelerated growth

Strong technical competence, project delivery capacity and gas competence to drive accelerated growth in a diversified generation portfolio and gas sourcing.

Opportunity to shape generation portfolio towards renewables and clean energy through wind, bio-mass, IGCC and CCS.

A leading supply and trading unit across relevant commodities and key European markets building on best of the two companies.

Improved position to shape regulatory discussions on energy efficiency, renewables and CCS.

Well positioned geographically to perform business development in adjacent regions.

Attractive employer with international career and competence sharing opportunities.

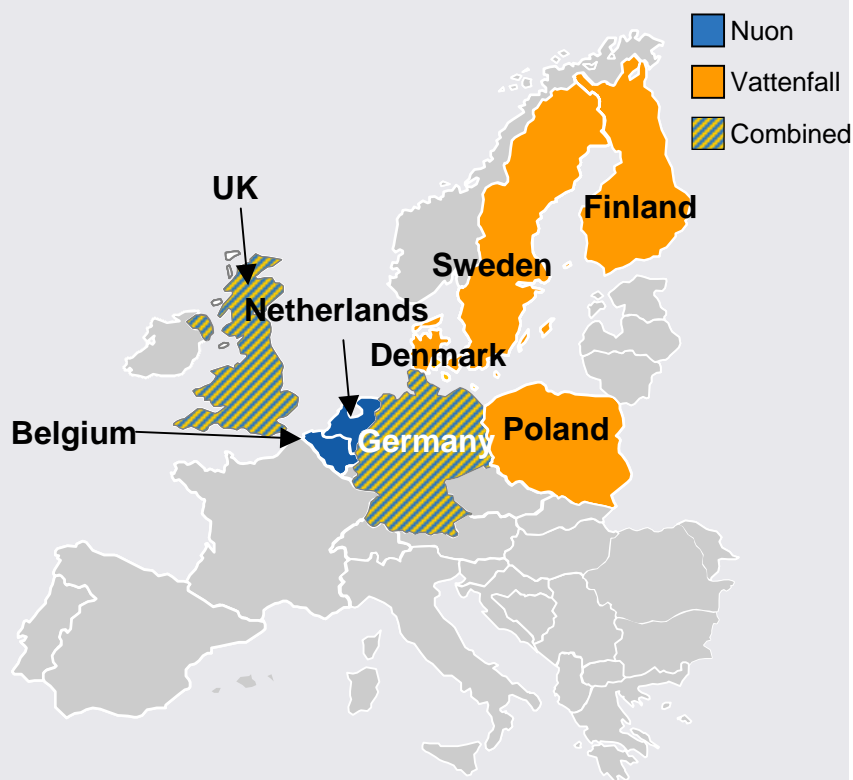
# Nuon will bring unique competence to Vattenfall

- Scale and competence to drive growth in Benelux region
- Well run company with strong management and track record of performance improvement
- Strong expertise in gas along the entire value chain
- Strong identity and brand recognition, high customer satisfaction and high profitability based on successful customer service model
- Technical leadership in IGCC, CCGT, pre-combustion CCS and renewables (thin film solar/PV, offshore wind, bio-mass)
- Significant trading competence and position in key trading hubs and exchanges

**The partnership will build on Nuon's strengths and leverage them across the combined company**

# The combined entity will emerge as a top player in the European energy market, leading in making electricity clean

## Strong presence across Europe



- Netherlands is the most attractive market for geographic expansion
- Combined entity will be an integrated energy player active across the entire value chain in Electricity, Gas and Heat

## Top position in the European energy market

**Heat generation** 39.2 TWh

**#1 in Europe**

**Electricity generation** 185 TWh

**#5 in Europe**

**Trading** Presence in major trading hubs and commodities

**Top 3**

## Leader in Europe with strong clean technology platform

**Wind capacity** Off-shore – 371 MW  
Total – 900 MW

**#1 in Europe**  
**#8 in Europe**

**Bio-mass installed capacity\*** 520 MW

**#5 in Europe**

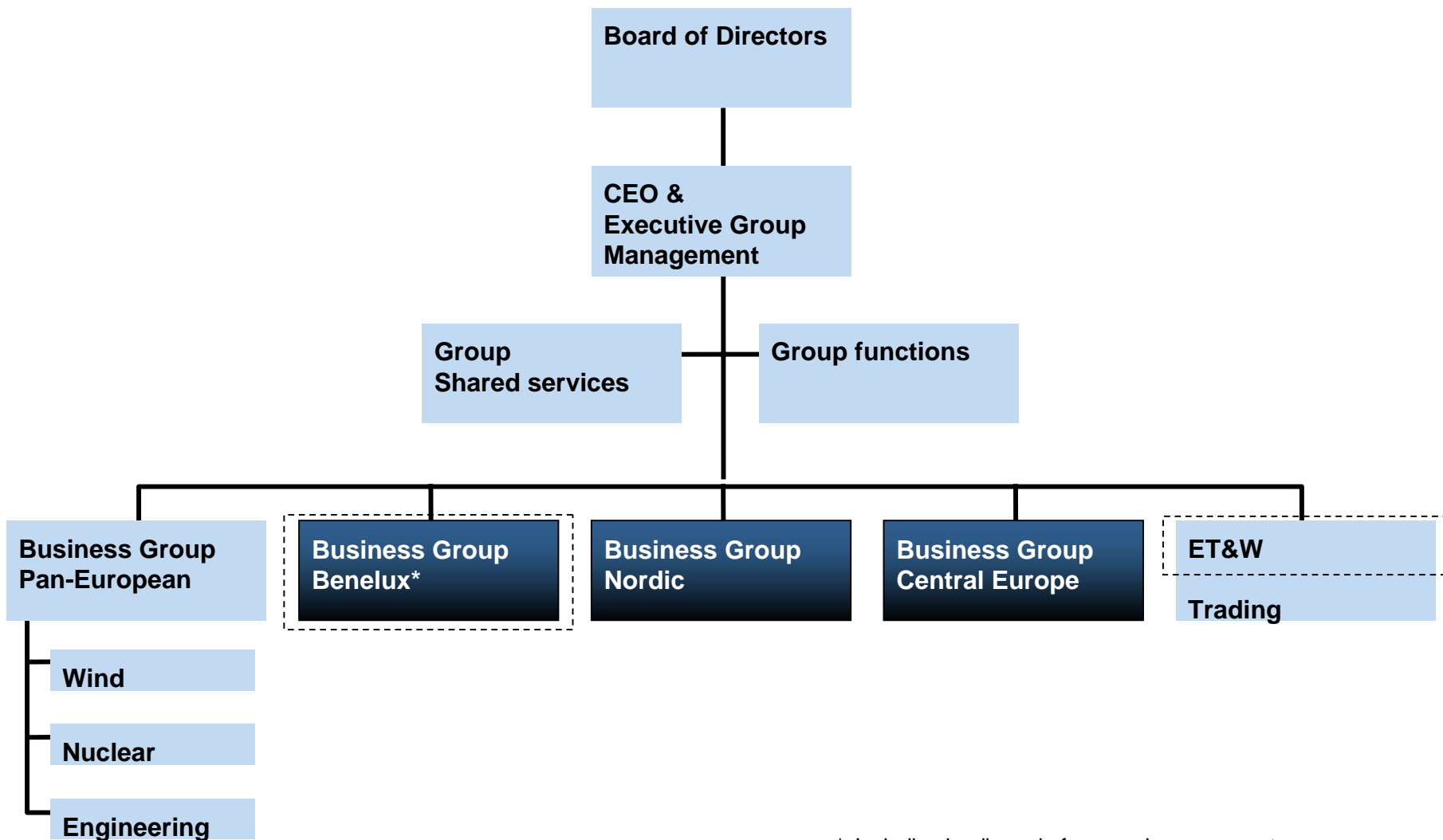
**Clean technology platform** Leaders in developing IGCC, CCS, and on-/off-shore wind

**Global thought leader**

# Synergies

- Vattenfall expects to generate approximately EUR 100 million of synergies per annum
  - fully achieved by 2015
- Main sources of potential synergies include:
  - Lower purchasing costs, O&M costs and capital expenditure in the power generation units
  - Capital expenditure benefits in business development
  - Increased purchasing power in fuel sourcing
  - IT systems
  - Overhead costs

# Nuon will be one of the three regional business groups



\* Including leading role for group's gas competence

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# Timetable

## Key milestones

- Nuon Supervisory Board recommends the shareholders to accept Vattenfall's offer.
- Expected closing of transaction.
- Initial payment for 49%.
- 1<sup>st</sup> deferred payment for 15% of the remaining shares
- 2<sup>nd</sup> deferred payment for 15% of the remaining shares
- 3<sup>rd</sup> deferred payment for 21% of the remaining shares
- Vattenfall will consolidate Nuon as of 1 January 2009 retroactively upon completion.

## Date

- 21 February 2009
- 30 June 2009
- 30 June 2009
- Two years after completion
- Four years after completion
- Six years after completion

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# Funding

## **Funding of the transaction:**

- Initial bridge credit facility
  - EUR 5 billion, committed
  - 9 major core relationship banks
  - 1 year + option to prolong 50% for a further 1 year
  - Margin: Euribor + 150 bps for the first 6 months, 75 bps step up for the second 6 month period, thereafter a 50 bps step up 6-monthly

## **Take out:**

- Take out of the facility is scheduled for 2009 via Vattenfall's existing "Debt Issuance Programme" (EMTN), which will be increased from EUR 9 billion to EUR 15 billion

## **Divestments:**

- Vattenfall aims to carry out divestments of > EUR 1.5 billion in the short term.

## **Reduction of capex plan:**

- The recently announced capex programme for the years 2009-2013, will be reduced from SEK 202 billion to SEK 191 billion. The reduction pertains primarily to investments in power generation assets.

# Ratings

Vattenfall is committed to maintaining credit ratings in the single A category.

After the announcement of the transaction, both Standard & Poor's and Moody's have confirmed all Vattenfall's 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

## **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

*Please note that the Fitch rating is unsolicited*

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## Key financial criteria met

<b>IRR</b>	✓	Exceeds post-tax project WACC of 7.0%.
<b>RCF/adjusted net debt</b>	✓	Supports credit rating commitment.
<b>FFO/adjusted net debt</b>	✓	Supports credit rating commitment.
<b>Adjusted net debt/EBITDA</b>	✓	Supports credit rating commitment.
<b>Net Profit</b>	✓	Positive aggregative Net Profit contribution after cost of acquisition financing and surplus value depreciations during second year.
<b>RONA</b>	✓	Exceeds targeted 11% year 1.
<b>ROE</b>	✓	Exceeds targeted 15% year 2.
<b>Dividends from Vattenfall AB</b>	✓	The Vattenfall Board of Directors has proposed a dividend of SEK 6,900 million for FY2008, corresponding to a pay-out ratio of 40.4%. Vattenfall's dividend policy stipulates a pay-out of 40-60% of net income.

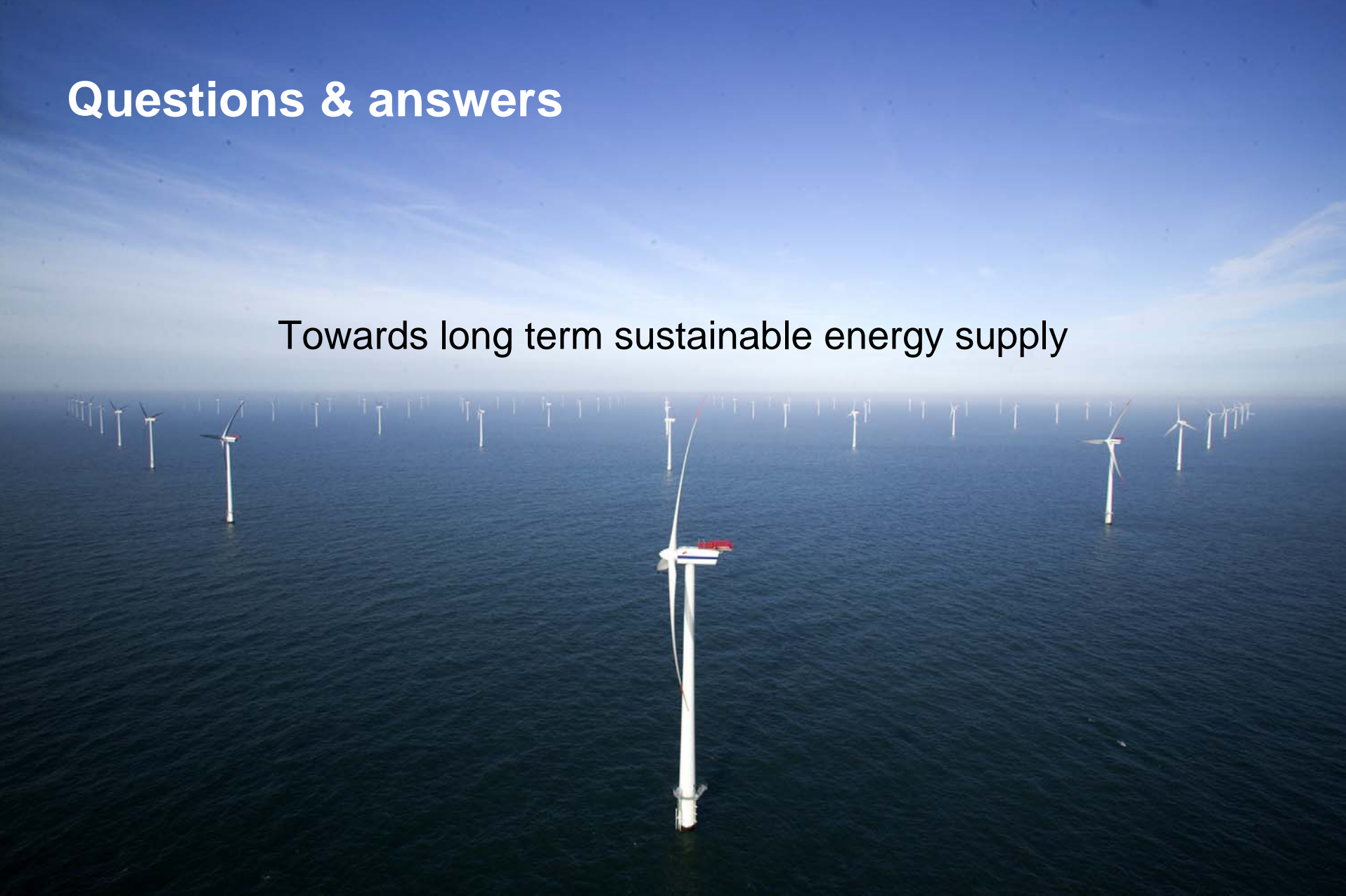
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## Key credit highlights

- 100% owned by the Kingdom of Sweden (Aaa/AAA)
- Committed to maintaining a single-A rating (currently A2/A- and recently affirmed by both agencies)
- 5th largest electricity generator in Europe:  
#1 in Nordic market, #3 in Germany
- The new combined entity will continue to be 5th largest electricity generator in Europe and the largest heat generator in Europe
- Well-diversified generation portfolio
- Strong cash flow
- Proven track record of integrating acquisitions

# Questions & answers

Towards long term sustainable energy supply



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## Vattenfall consolidated income statement FY 2008

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
<b>Gross Profit</b>	<b>41 588</b>	40 235	3.4
<b>Operating profit (EBIT)</b>	<b>29 895</b>	28 583	4.6
<b>Operating profit, excl. IAC*</b>	<b>29 797</b>	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
<b>Profit before taxes</b>	<b>23 498</b>	23 933	-1.8
Taxes	-5 735	-3 247	
<b>Profit for the period</b>	<b>17 763</b>	20 686	-14.1

\* IAC = items affecting comparability

## Vattenfall consolidated balance sheet

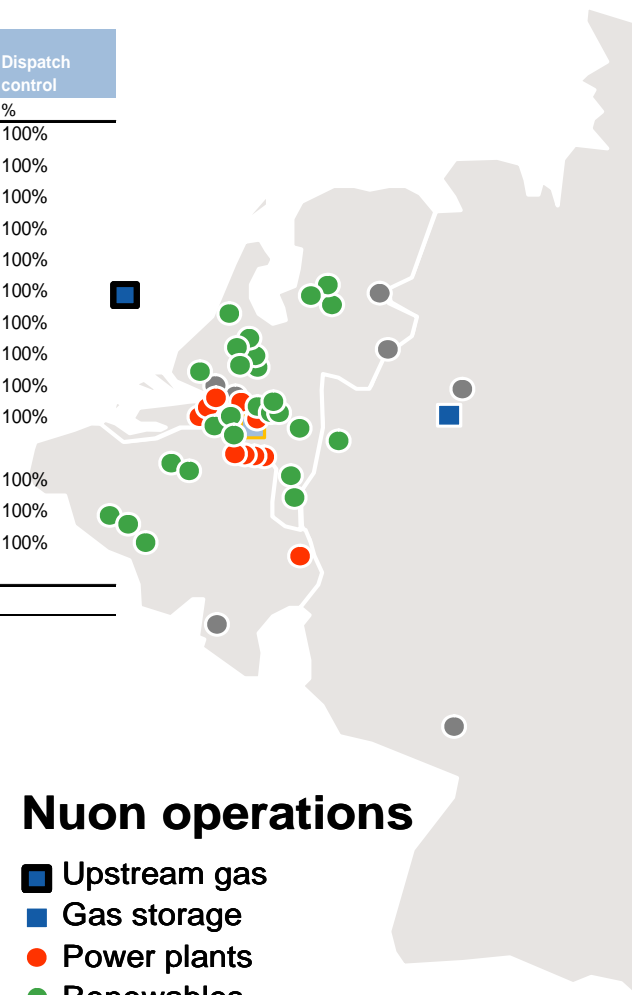
Amounts in MSEK	31/12/08 IFRS	31/12/07 IFRS	Change %
Non-current assets	317 912	264 864	20,0
Current assets	127 915	73 372	74.3
<b>Total assets</b>	<b>445 827</b>	<b>338 236</b>	<b>31.8</b>
Equity	140 886	124 132	13.5
Interest-bearing liabilities	107 347	67 189	59.8
Interest-bearing provisions	69 047	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
<b>Total equity and liabilities</b>	<b>445 827</b>	<b>338 236</b>	<b>31.8</b>

# Vattenfall consolidated cash flow statement

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

# Nuon operational asset overview; power plants

Power station	Type	Net electrical capacity	Net thermal capacity	Plant type	Fuel type	CoD	End of operations	Ownership	Dispatch control
Name		Mwe	MWth			1-Jan	31-Dec	%	%
Buggenum	Generation	248	-	IGCC	Coal / gas / biomass	1993	2022	100%	100%
Diemen 33	Generation	249	160	CCGT / CHP	Gas	1995	2024	100%	100%
Hemweg 7	Generation	600	-	Conventional	Gas	1978	2011	100%	100%
Hemweg 8	Generation	650	-	Supercritical coal	Coal	1994	2023	100%	100%
Ijmond 1	Generation	144	105	CCGT	BFG	1997	2026	100%	100%
Lage Weide 6	Generation	247	180	CCGT	Gas	1995	2024	100%	100%
Merwedekanaal-10	Generation	96	100	CCGT / CHP	Gas	1978	2009	100%	100%
Merwedekanaal-11	Generation	103	110	CCGT / CHP	Gas	1984	2019	100%	100%
Merwedekanaal-12	Generation	217	180	CCGT / CHP	Gas	1989	2027	100%	100%
Purmerend	Generation	65	69	CCGT	Gas	1989	2028	100%	100%
Small-scale CHP	Generation	121	165	CHP	Gas			100%	
Velsen 24	Generation	430	-	Conventional	BFG / Gas	1974	2013	100%	100%
Velsen 25	Generation	375	-	Conventional	BFG / Gas	1986	2025	100%	100%
Velsen GT	Generation	22	-	GT	Gas	1975	2014	100%	100%
<b>Total Grape operational</b>		<b>3,567</b>	<b>1,069</b>						



## Nuon operations

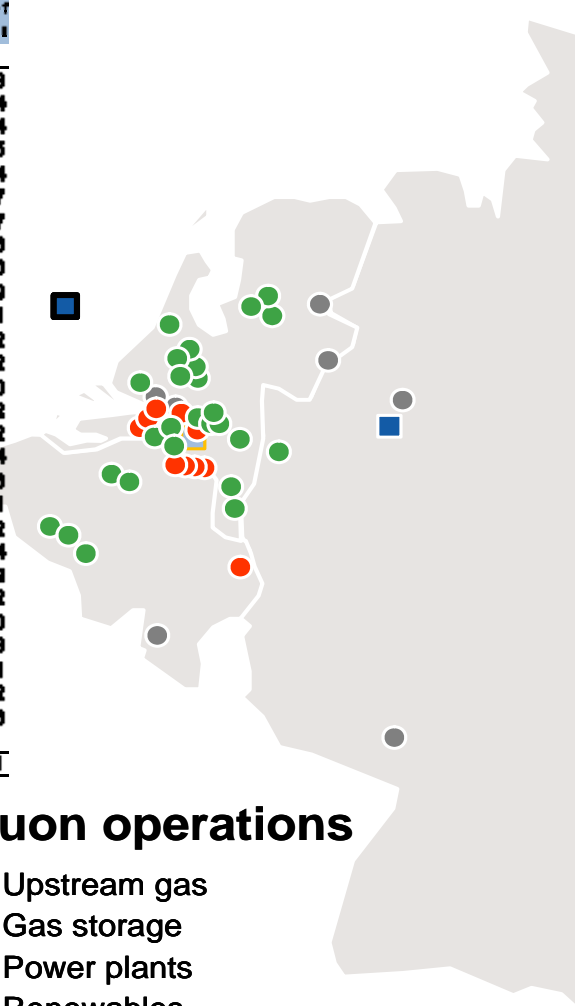
- Upstream gas
- Gas storage
- Power plants
- Renewables
- Projects

# Nuon operational asset overview; wind

Wind farm	Location	Type	Gross electrical capacity	Ownership	Net electrical capacity	Average production	End of operation
			MW	%	MW	GWh	
Lely	Netherlands	Onshore	2.0	100%	2.0	3.3	2013
De Blijmen	Netherlands	Onshore	8.0	100%	8.0	13.0	2014
Hiddem Hous	Netherlands	Onshore	3.5	100%	3.5	8.8	2014
Harry Wtj Kroonenberg	Netherlands	Onshore	12.8	100%	12.8	16.5	2016
Wagendorp	Netherlands	Onshore	3.0	25%	0.8	1.5	2014
Ea mmeerdijk	Netherlands	Onshore	18.0	100%	18.0	27.5	2017
Veisen	Netherlands	Onshore	1.1	100%	1.1	2.8	2017
Irene Vorrink	Netherlands	Onshore	18.8	100%	18.8	33.0	2018
Windpoort I	Netherlands	Onshore	13.2	40%	5.3	8.0	2020
Jazp Rodenburg	Netherlands	Onshore	18.5	100%	18.5	30.0	2019
Oudebande noot	Netherlands	Onshore	19.8	50%	9.9	20.8	2021
Groottocht	Netherlands	Onshore	11.8	50%	5.9	12.2	2022
Stuendam	Netherlands	Onshore	13.5	100%	13.5	45.8	2022
Uitendocht	Netherlands	Onshore	8.0	100%	8.0	10.8	2020
Waardevocht	Netherlands	Onshore	9.7	50%	4.4	9.1	2022
Waterkrachtvocht	Netherlands	Onshore	14.0	50%	7.0	18.5	2022
De Hm	Netherlands	Onshore	4.8	42%	2.0	4.2	2024
Oudeendijk	Netherlands	Onshore	4.8	100%	4.8	11.8	2020
Martapolder	Netherlands	Onshore	4.8	100%	4.8	9.5	2021
Willem Anna Polder	Netherlands	Onshore	9.0	40%	3.6	7.9	2022
Hoofdplaspolder	Netherlands	Onshore	10.0	70%	7.0	17.5	2024
Taxal	Netherlands	Onshore	1.0	100%	1.0	1.4	2008
Enhuizen	Netherlands	Onshore	9.0	100%	9.0	3.3	2012
So Bair Friesland	Netherlands	Onshore	0.3	100%	0.3	0.2	2010
Antwerp	Belgium	Onshore	4.0	50%	2.0	5.0	2023
Arfo Wind (Norway)	Norway	Onshore	40.0	58%	22.4	47.0	2021
Park Cynog (UK)	United Kingdom	Onshore	3.8	100%	3.8	8.3	2022
Noordzee Ind	Netherlands	Offshore	108.0	50%	54.0	100.8	2020
<b>TOTAL</b>			<b>388</b>		<b>244</b>	<b>645</b>	<b>2021</b>

## Nuon operations

- Upstream gas
- Gas storage
- Power plants
- Renewables
- Projects



# Strategic priorities for Benelux

## Gas sourcing and E&P

- Support Nuon's current strategy and targets of securing 10-20% of own gas demand through upstream gas assets in addition to LT&ST gas contracts

## Generation

- Pursue substantial capacity growth in the Netherlands and adjacent markets, with increasing focus on renewables and clean energy

## Trading

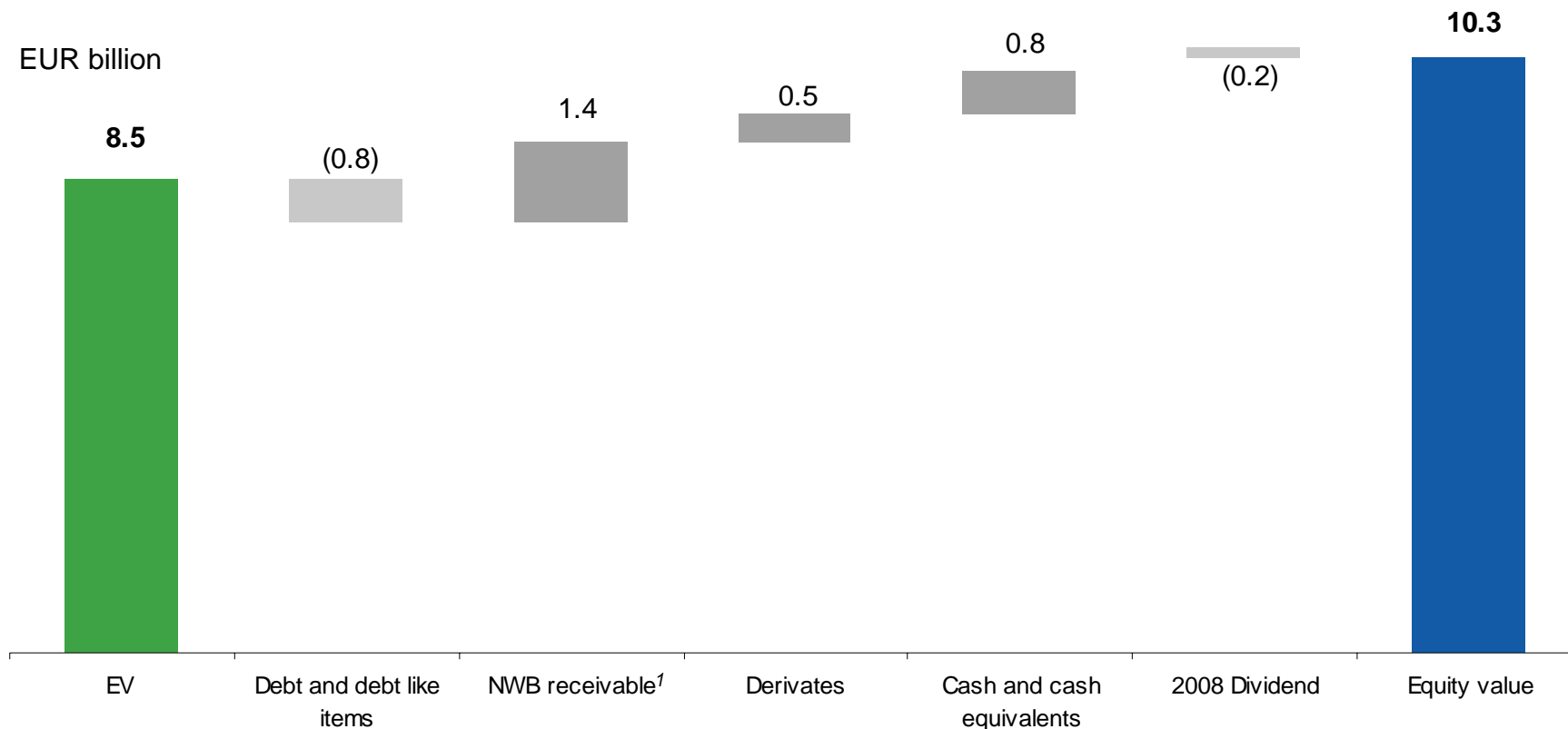
- Establish a leading trading unit across relevant commodities and key European markets building on best of the two companies

## Supply and VAS

- Continue to grow market share building on Nuon's customer service model and dual-fuel offering expertise to accelerate customer growth and profitability in Germany
- Explore growth opportunities in de-centralized heat generation technologies. Retail services will continue to provide high service levels and sustaining a positive customer experience.

## EV to Equity bridge

Equity value is higher than EV which is primarily explained by the net cash position



**Note 1) Internal loan to the Nuon network company (“Nuon NWB”), which will be settled before closing of the transaction**

# Reconciliation of Nuon normalised 2008 EBITDA

<b>Nuon reported pro forma income statement for the “unregulated” business of Nuon (EURm)</b>	<b>FY 2008</b>
Sales	4,811
COGS	(3,404)
Gross Margin	1,407
Other income	161
Operating income	1,568
Operating expenses	(979)
EBITDA	589
Depreciation	(188)
EBIT	401
<b>Normalisations</b>	
Reported EBITDA	589
Gas Supply contract (1)	(60)
Fair value asset result (2)	289
Fair value result on Burlington hedges (3)	27
MEA claim (Ministry of Economic Affairs)	(9)
Unbundling costs	13
Strategic projects	8
<b>Normalised EBITDA</b>	<b>857</b>
Income from participations	20
<b>Normalised EBITDA (adjusted)</b>	<b>877</b>

## Comments

### 1. Gas supply contract

- Positive result on the MtM value of a gas supply contract with an external counterpart

### 2. Fair value asset result

- Under IAS 39 part of the forward sales of generation and customer demand can be deemed “own use” and accounted for on an accrual basis
- 80% of the generation volumes and 90% of the customer book are accounted for on this basis. The remaining 20%, respectively 10% are accounted for at fair value

### 3. Fair value result on Burlington hedges

- In order to lock in the Burlington gas margin for 2009 – 2012, gas TTF, oil Brent and FX hedge deals were executed. The hedges are accounted for at fair value