

# Vattenfall Q3 results 2010

Øystein Løseth CEO and  
Jonas Florinus, acting CFO

Conference Call, 28 October 2010

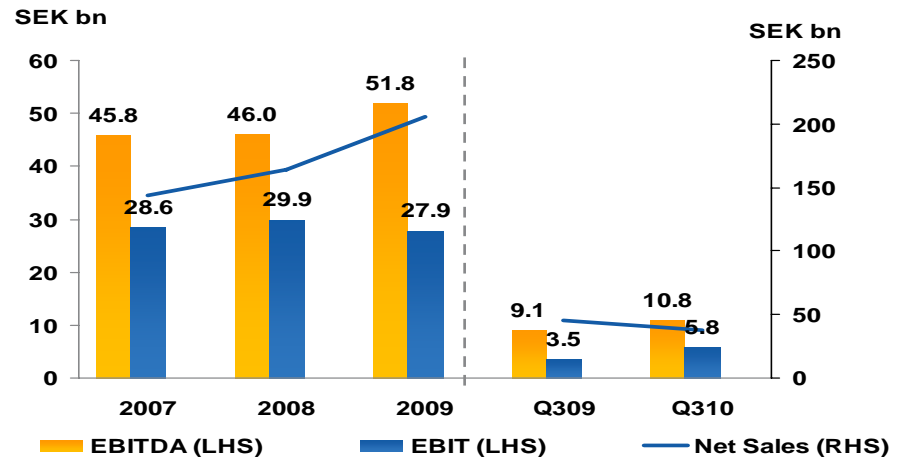
Please note that the prices for Continental Europe 2011 and 2012 on slide 16 have been corrected compared to the prices shown during the conference call 28 Oct

# Highlights third quarter 2010

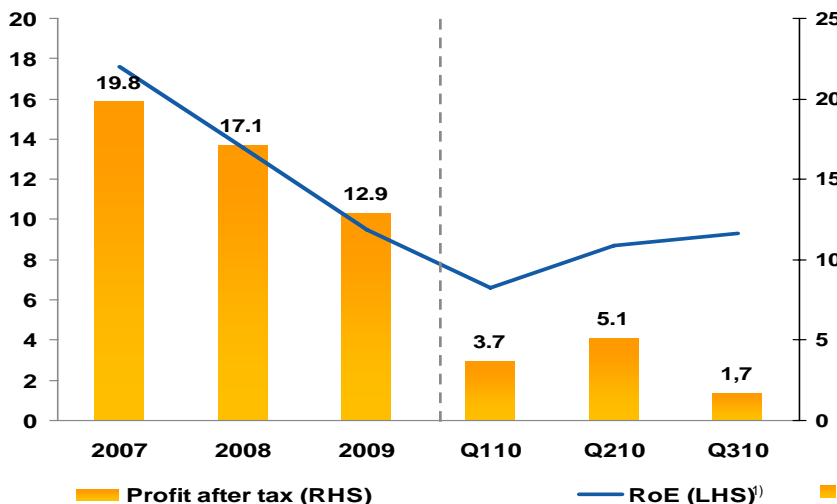
## Business highlights

- Increased nuclear, hydro and wind power generation.
- Launch of a new strategic direction and a new business-led organisation.
- Inauguration of the world's largest offshore windfarm Thanet.

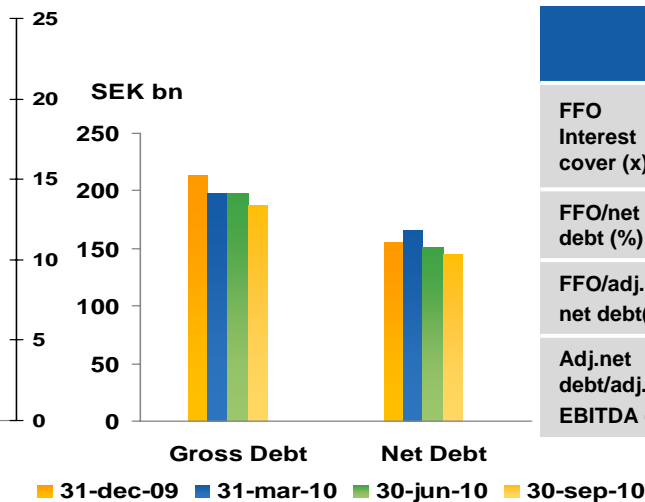
## Key financial figures



## RoE and Profit after tax



## Debt development and key credit metrics



|                              | FY09 | Q110               | Q210               | Q310               |
|------------------------------|------|--------------------|--------------------|--------------------|
| FFO Interest cover (x)       | 4.8  | 3.7 <sup>1)</sup>  | 4.7 <sup>1)</sup>  | 4.8 <sup>1)</sup>  |
| FFO/net debt (%)             | 23.7 | 16.8 <sup>1)</sup> | 24.4 <sup>1)</sup> | 27.4 <sup>1)</sup> |
| FFO/adj. net debt(%)         | 17.9 | 13.3 <sup>1)</sup> | 20.5 <sup>1)</sup> | 22.9 <sup>1)</sup> |
| Adj.net debt/adj. EBITDA (x) | 4.0  | 3.8 <sup>1)</sup>  | 3.0 <sup>1)</sup>  | 2.9 <sup>1)</sup>  |

<sup>1)</sup> = Last Twelve months

# Higher electricity spot prices

## Nordic:

- 47% higher spot prices Q3-10 vs. Q3-09)
  - Hydrological balance improved in the 3rd quarter – from -22,8 TWh to -12,8 TWh.

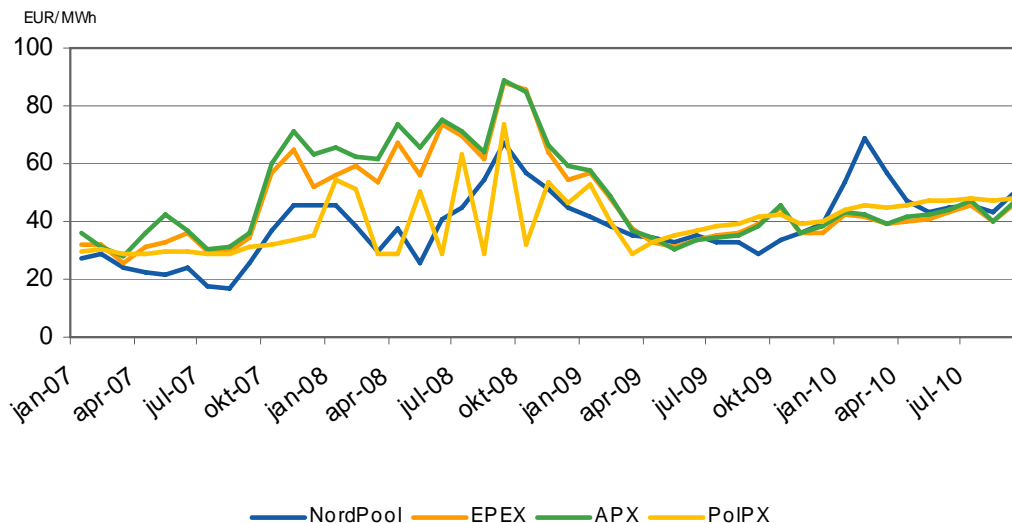
## Germany, Netherlands:

- 18% higher spot prices in Germany.
- 24% higher spot prices in the Netherlands.
  - Supported by financial recovery and lower temperatures.

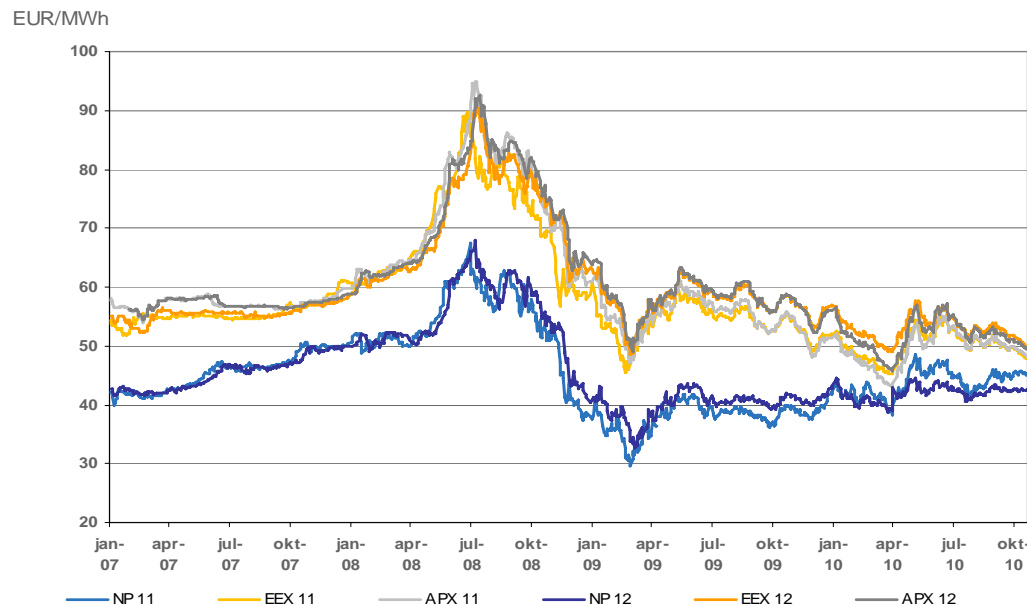
## Futures and forward prices:

- Futures and forward prices fairly stable in all Vattenfall's markets in Q3, 2010.

Monthly Spot Average

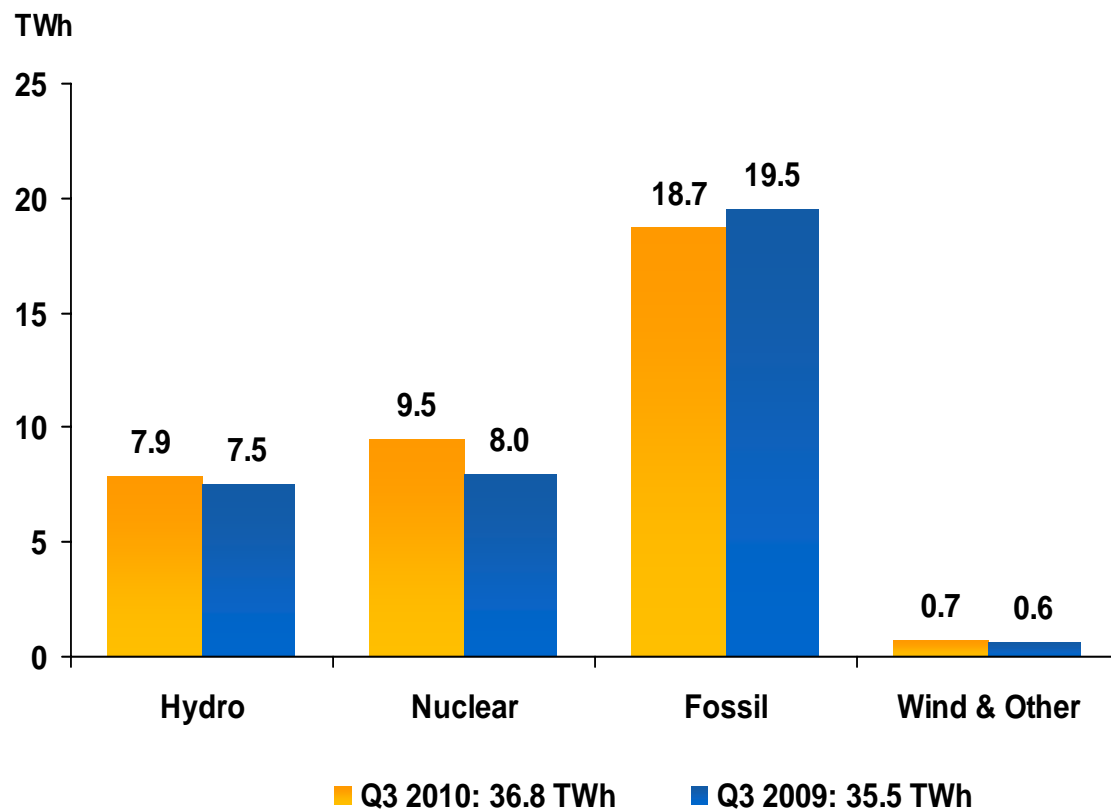


Daily Future Closing Prices



# Higher electricity generation, +3.7%

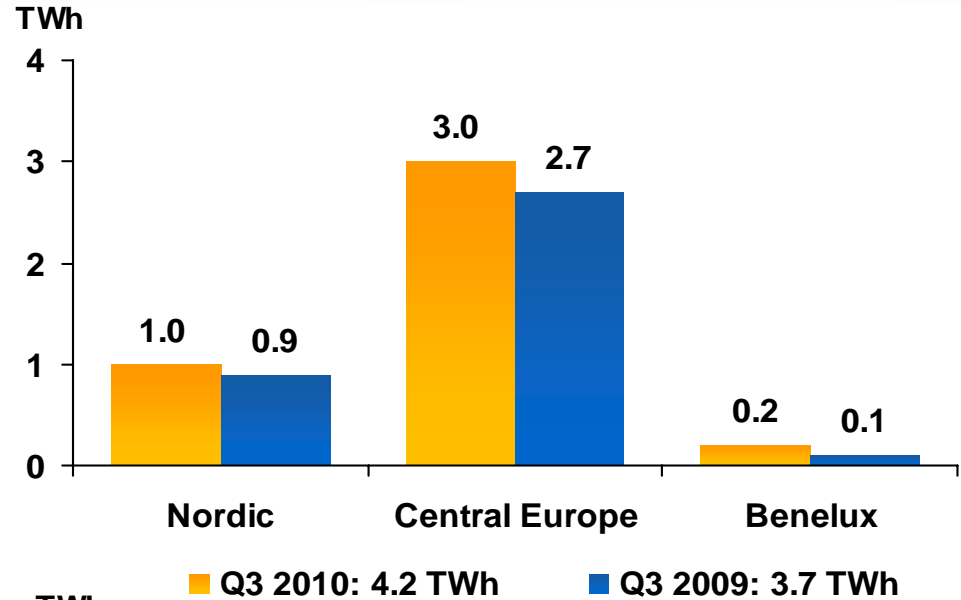
- **Nuclear** generation increased 18.8%
  - Higher availability in the Swedish nuclear power plants.
- **Hydro** generation increased 5.3%
- **Fossil** power generation decreased 4.1%
- **Wind power & other** increased by 0.1 TWh to 0.7 TWh.



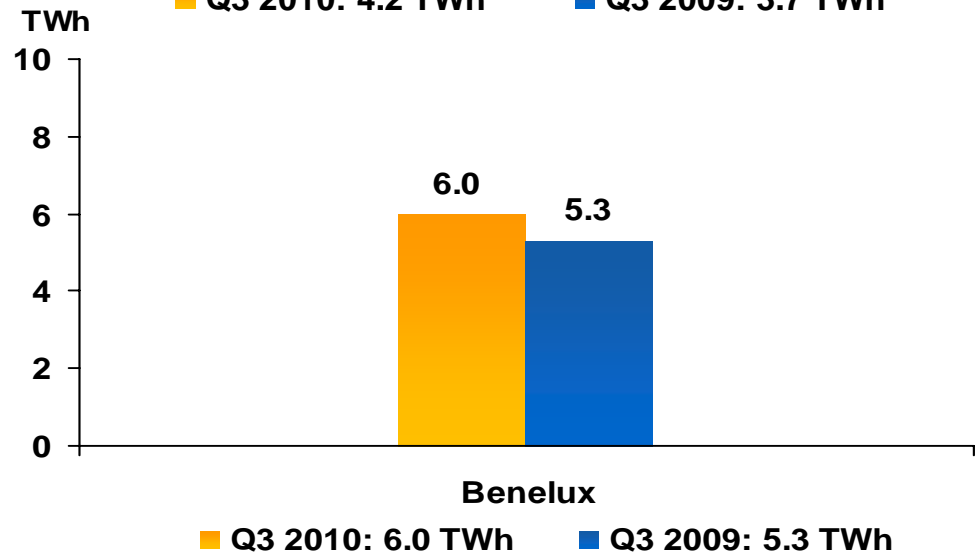
Wind and other incl. Biomass and waste

# Higher heat and gas sales

**Heat sales increased**  
13.5% to 4.2 TWh



**Gas sales increased**  
13.2% to 6.0 TWh



# Thanet, inaugurated on 23 September

- World's largest offshore windfarm
- Located off the south-east coast of England
- 100 turbines of each 3 MW
- 300 MW total installed capacity
- Depth of water: 20-30 metres
- Offshore construction started March 2009
- Project cost: Approx. GBP 900 million



# Nuclear update

- Estimated earnings impact (loss of revenues) for nuclear standstills during Q3 2010 amounted to:
  - Swedish plants: SEK 700 million
  - German plants: SEK 1 000 million (EUR 113 million)
- Ongoing audits in three of Vattenfall's Swedish reactors. All seven reactors are planned to be online in November.
- New transformers at Krümmel have been installed. Planned to restart in the beginning of 2011.
- The German government has reached an agreement with the nuclear power operators to extend the lifetime of existing nuclear power plants by 8 or 14 years depending on the plants commissioning date.
- Introduction of a new nuclear fuel tax in Germany. The government targets EUR 2.3 billion tax revenues from the nuclear industry annually for 2011-2016. Vattenfall's share of total German capacity is 7.2%.

# Financials

Jonas Florinus, acting CFO



# Q3 Financial highlights

| SEK million                           | Q3 2010 | Q3 2009 | Change (%) |
|---------------------------------------|---------|---------|------------|
| Net Sales                             | 37,665  | 45,346  | -16.9      |
| EBITDA                                | 10,764  | 9,123   | +18.0      |
| EBIT                                  | 5,829   | 3,524   | +65.4      |
| EBIT excl. IAC*                       | 5,908   | 3,515   | +68.1      |
| Profit after tax                      | 1,749   | 622     | +181.2     |
| Profit after tax excl. IAC*           | 1,782   | 603     | +195.5     |
| FFO                                   | 6,939   | 3,997   | +73.6      |
| Cash flow from operating activities   | 11,771  | 11,151  | +5.6       |
| Cash flow before financing activities | 754     | -42,143 | -          |

\*IAC = Items affecting comparability

# Q1-Q3 Financial highlights

| SEK million                           | Q1-Q3 2010 | Q1-Q3 2009 | Change (%) |
|---------------------------------------|------------|------------|------------|
| Net Sales                             | 158,035    | 140,002    | +12.9      |
| EBITDA**                              | 40,207     | 36,417     | +10.4      |
| EBIT                                  | 24,907     | 22,265     | +11.9      |
| EBIT excl. IAC*                       | 30,220     | 22,117     | +36.3      |
| Profit after tax                      | 10,721     | 11,338     | -5.4       |
| Profit after tax excl. IAC*           | 15,986     | 11,258     | +42.0      |
| FFO                                   | 28,438     | 25,325     | +12.3      |
| Cash flow from operating activities   | 31,337     | 33,116     | -5.4       |
| Cash flow before financing activities | 8,085      | -36,361    | -          |

\*IAC = Items affecting comparability

\*\*EBITDA excl. transmission write down in Q1 2010: SEK 45,351million

# Debt development & key ratios

**Total interest-bearing liabilities** (gross debt) decreased  
by SEK 25 bn to SEK 188 bn compared with 31 Dec. 2009

**Net debt** decreased  
by SEK 10 bn to SEK 145 bn compared with 31 Dec. 2009

**Adjusted net debt** decreased  
by SEK 31 bn to SEK 174 bn compared with 31 Dec. 2009

## Return on Net Assets (RoNA)

- incl.IAC: 9.2%\* (FY 2009: 10.0%)
- excl.IAC: 12.1%\* (FY 2009: 11.4%)
- Target 11%

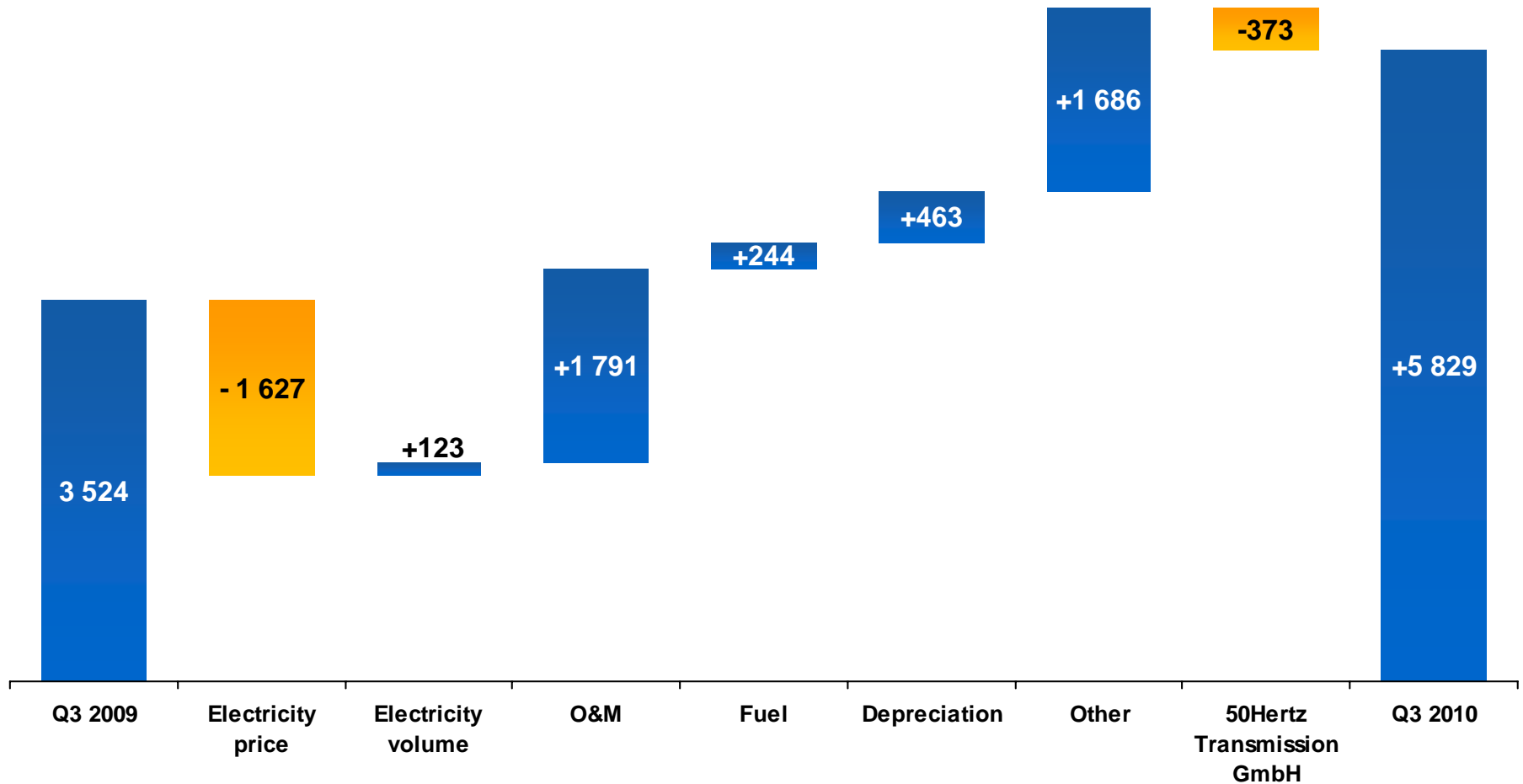
## Return on Equity (RoE)

- incl.IAC: 9.3%\* (FY 2009: 9.5%)
- excl.IAC: 15.4%\* (FY 2009: 11.4%)
- Long-term target 15%

\*Last 12 months

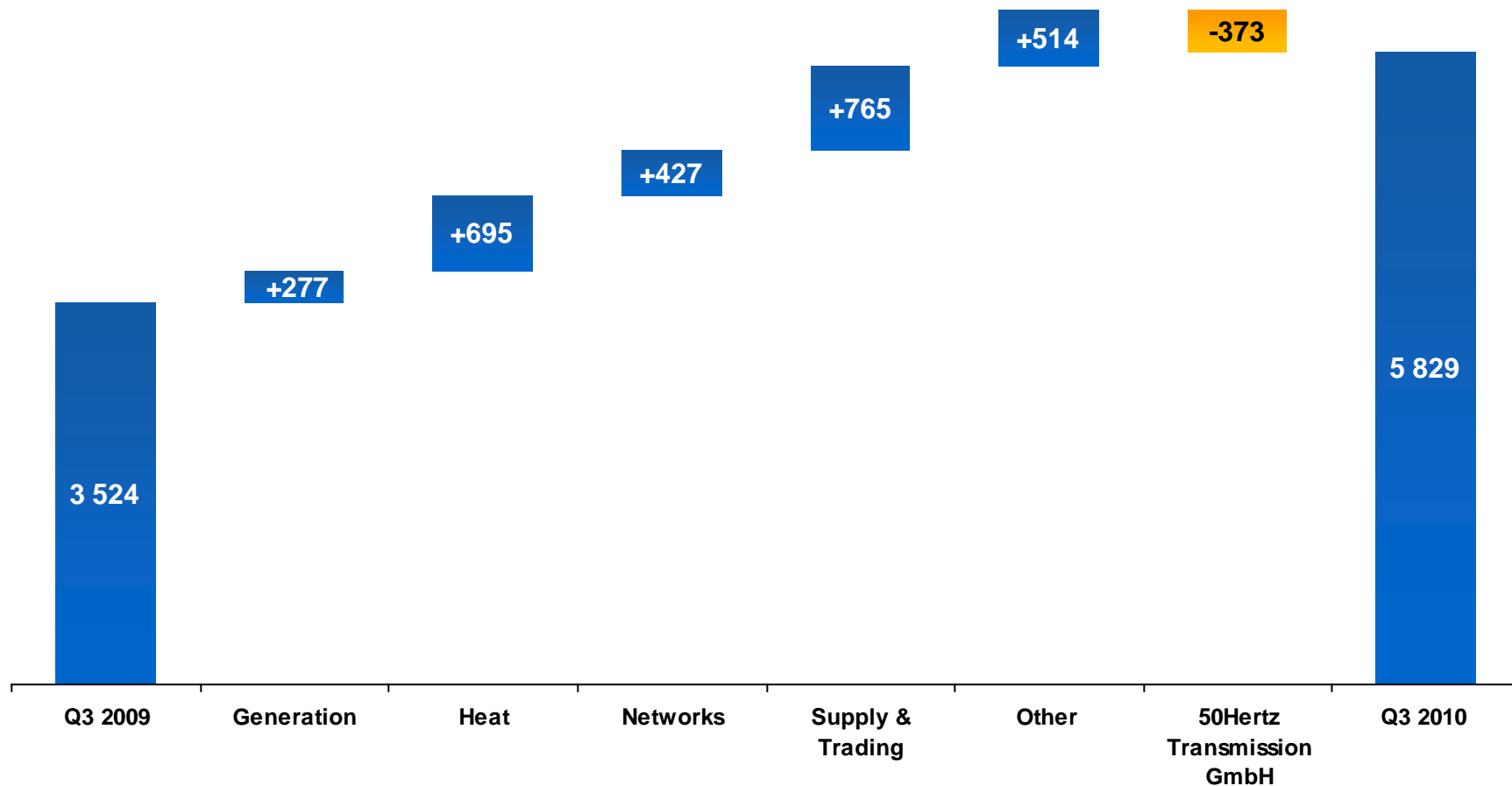
# EBIT development, Q3 2010

in SEK million



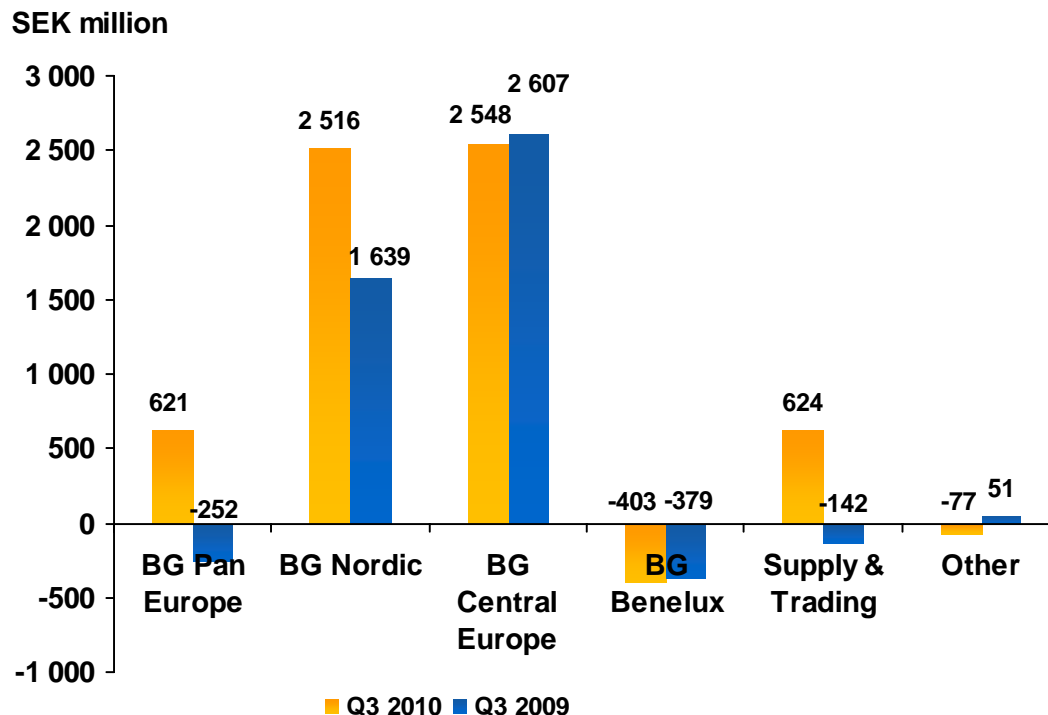
# EBIT development, Q3 2010 – by Product & Services

in SEK million



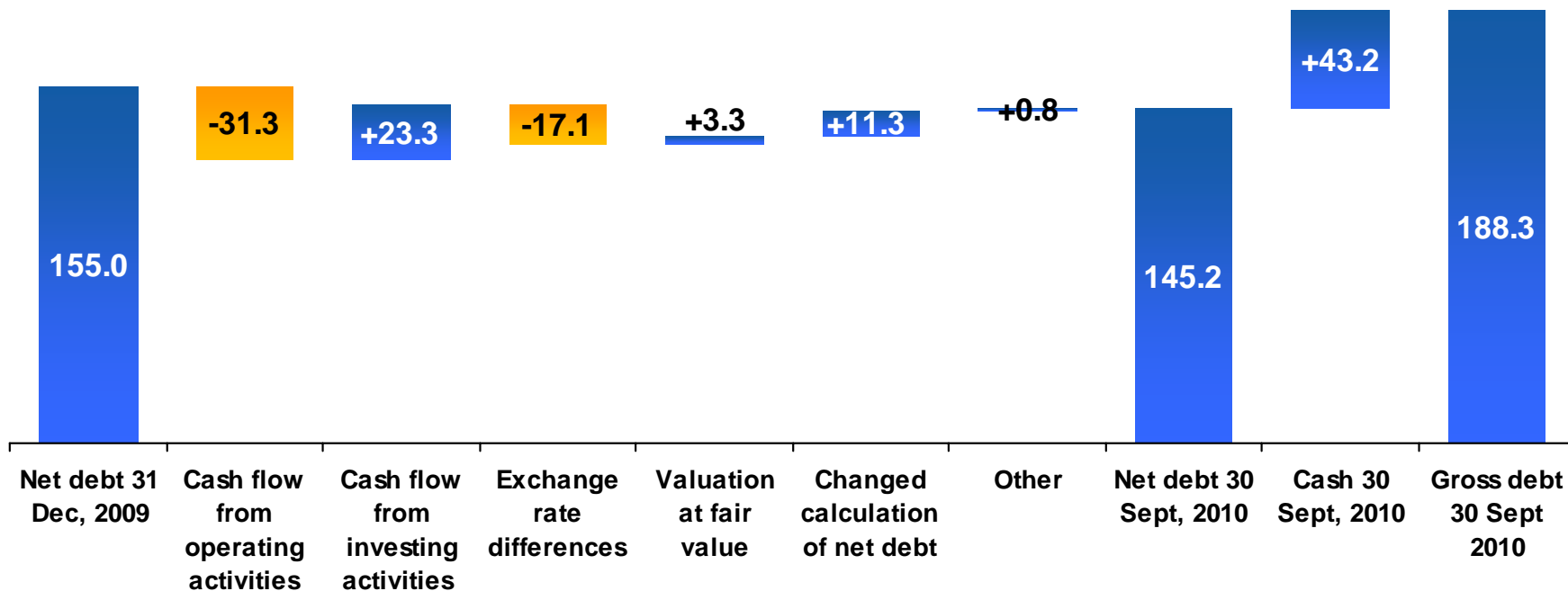
# EBIT, Q3 2010 - by Operating Segment

- **BG Pan Europe** increased SEK 0.9 bn to SEK 0.6 bn.
  - Higher prices and volumes.
  - Lower O&M costs.
- **BG Nordic** increased SEK 0.9 bn to SEK 2.5 bn.
  - Higher achieved prices in hydro business.
- **BG Central Europe** decreased SEK 0.05 bn to SEK 2.5 bn.
  - Lower achieved prices and negative impact of currency movement due to the stronger Swedish krona.
- **BG Benelux** decreased SEK 0.02 bn to SEK -0.4 bn.
  - Negative impact of currency movement due to the stronger Swedish krona.
- **Supply & Trading** increased SEK 0.8 bn to SEK 0.6 bn.



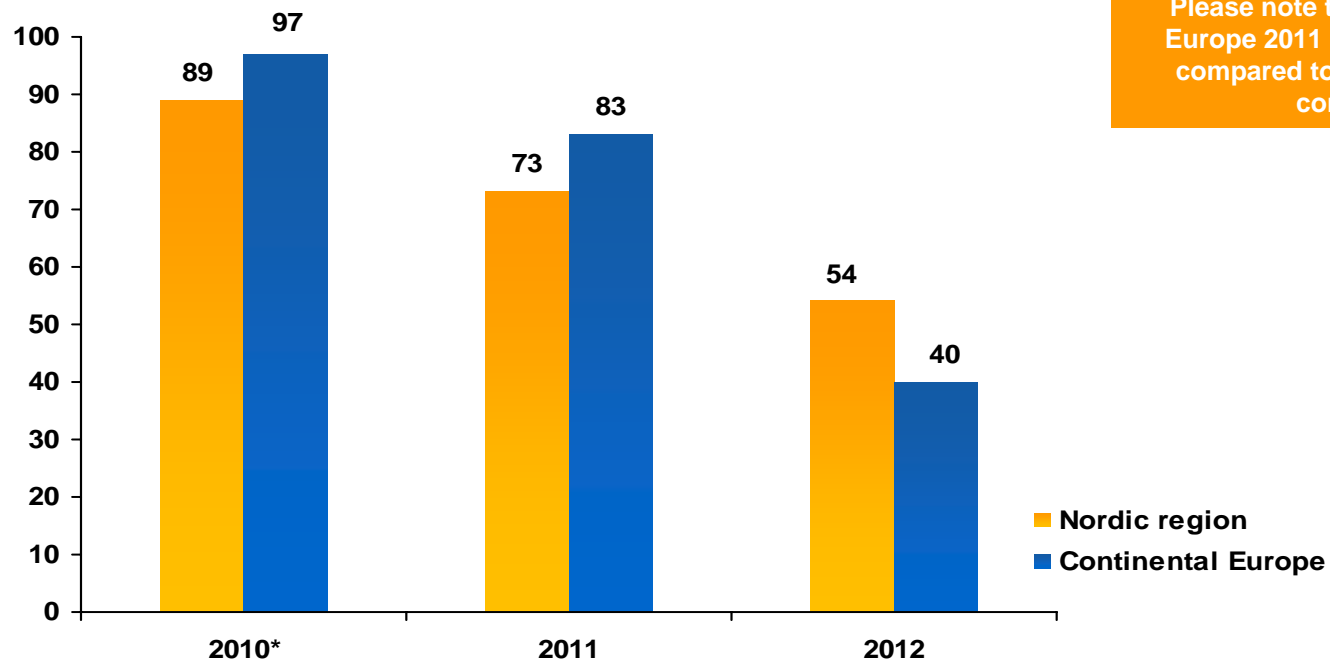
# Debt development Q1-Q3 2010

SEK billion



# Hedging position as of 30 September 2010

% hedged of forecasted electricity generation



Please note that the prices for Continental Europe 2011 and 2012 have been corrected compared to the prices shown during the conference call 28 Oct

| EUR/MWh            | 2010* | 2011 | 2012 |
|--------------------|-------|------|------|
| Nordic region      | 48    | 44   | 43   |
| Continental Europe | 55    | 55   | 55   |

\* Remaining part of 2010



# Financial targets and outcome

| Key Ratio   | Targets                  | Q3 2010   |
|---|--------------------------|---|
| Return on Equity (RoE)                                    | 15% on average equity    | 9.3%*<br>15.4%* excl. IAC                             |
| Cash flow interest coverage after maintenance investments | 3.5-4.5 times            | 3.9*  |
| Credit Rating   | Single A category rating | Moody's: A2 Stable outlook<br>S&P: A Negative outlook |
| Dividend pay-out  | 40-60%                   | 40.6%<br>(SEK 5.24 bn paid out in Q2/10)              |

\*Last twelve Months

# Q & A

# Appendix

# New vision and strategic direction launched

## Articles of Association

Adopted by Board of Directors  
23 August 2010

“The object for the Company’s activities is to generate a market rate of return by operating a commercial energy business that enables the company to be among the leaders in developing environmentally sustainable energy production”

## Vision

“Vattenfall will create a strong and diversified European energy portfolio with sustainable and increased profits, significant growth options and will be among the leaders in developing environmentally sustainable energy production ”

## Core values

Safety      Performance      Co-operation

**Profit and value creation**

**Focus on core markets**

**Reduce CO<sub>2</sub> exposure and grow in low CO<sub>2</sub>-emitting energy production and gas**

**Three products:  
electricity, heat and gas**

## Prioritized Actions

*Next 2-3 years*

Improve operating performance

Create financial flexibility

Start reshape the business portfolio

Create a business-led organisational structure

# Roadmap for implementation of strategic direction

## Consolidation Phase

Next 2-3 years

## Growth Phase

2013-2020

### Short-term performance programme

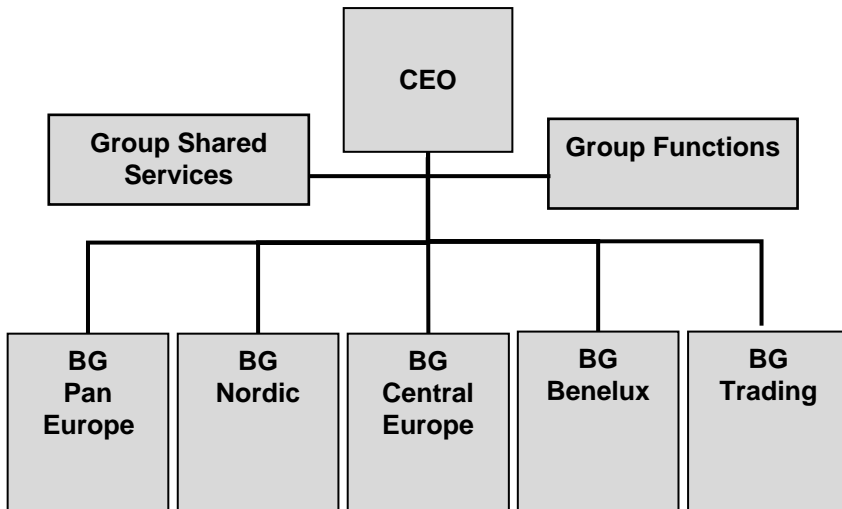
- New organisation as of 1 Jan 2011.
- Cost improvement programme of SEK 6 bn p.a.
- Divestment of non-strategic assets to be evaluated.
- Revised 5-year CAPEX limit for 2011-2015 (SEK 165 bn compared with SEK 201 bn for 2010-2014).

### Reshaping the portfolio

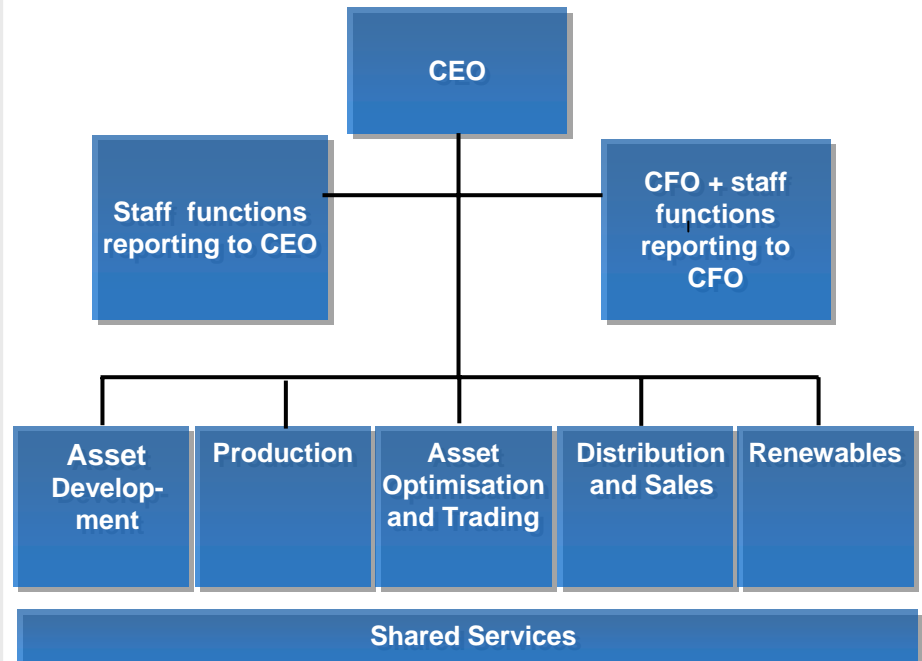
- Focus on growth in low CO<sub>2</sub>-emitting production and gas.
- Focus on core markets with growth opportunities where Vattenfall has or can build a critical size position.
- Reduced CO<sub>2</sub> exposure.

# Move from region-led to business-led organisation

*From ...*



*... to*



**New organisational structure operational as of 1 January 2011**

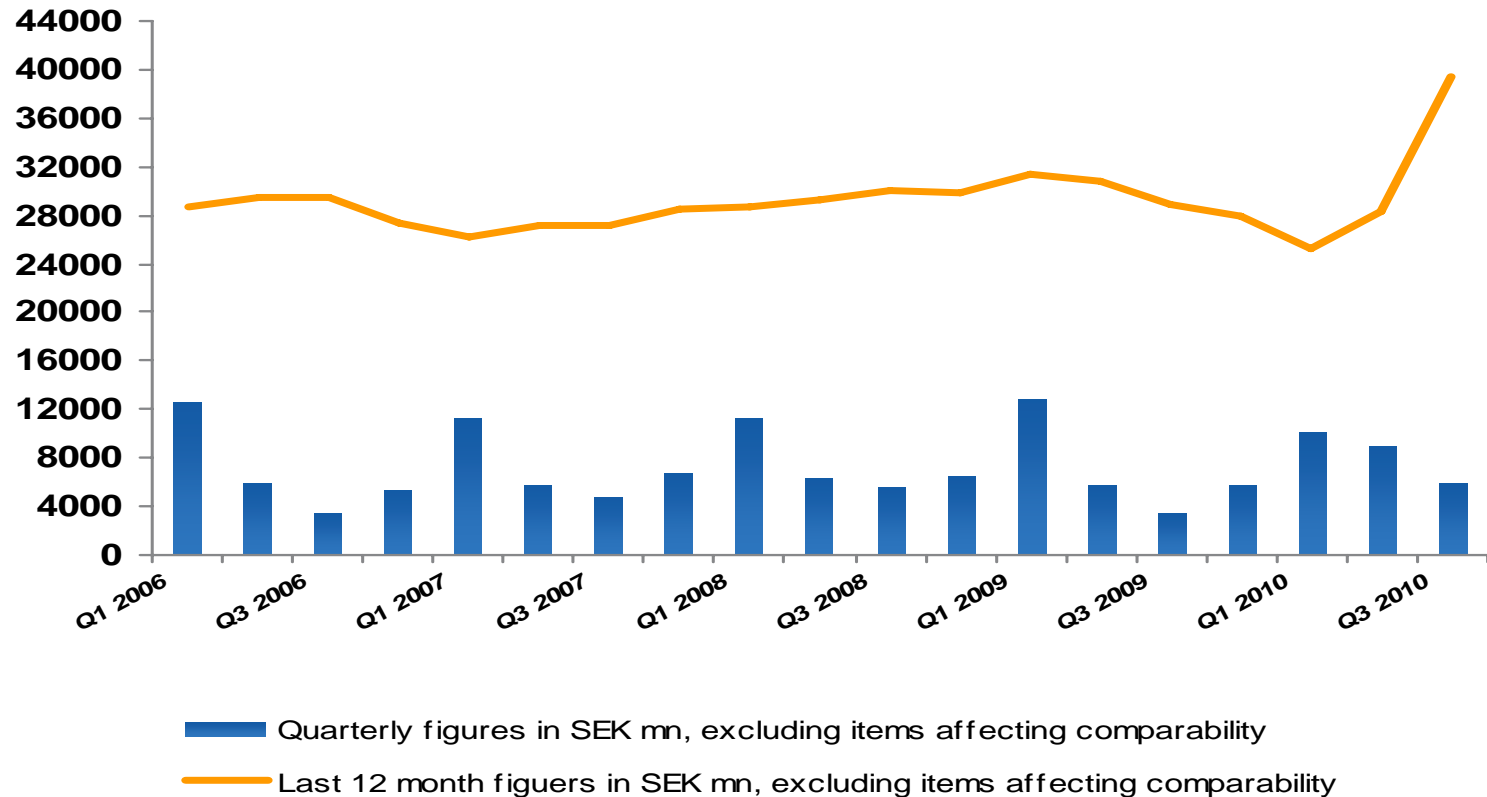
# Consolidated income statement

| SEK million                        | Q3 2010       | Q3 2009       | Q1-Q3 2010    | Q1-Q3 2010    | FY 2009        | LTM            |
|------------------------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| Net sales                          | 37,665        | 45,346        | 158,035       | 140,002       | 205,407        | 223,440        |
| Cost of products sold              | -27,271       | -37,101       | -114,486      | -106,571      | -162,564       | -170,479       |
| <b>Gross profit</b>                | <b>10,394</b> | <b>8,245</b>  | <b>43,549</b> | <b>33,431</b> | <b>42,843</b>  | <b>52,961</b>  |
| <b>Operating profit</b>            | <b>5,829</b>  | <b>3,524</b>  | <b>24,907</b> | <b>22,265</b> | <b>27,938</b>  | <b>30,580</b>  |
| <b>Operating profit, excl. IAC</b> | <b>5,908</b>  | <b>3,515</b>  | <b>30,220</b> | <b>22,177</b> | <b>31,294</b>  | <b>39,337</b>  |
| Financial income                   | 870           | 1,036         | 1,731         | 2,138         | 2,814          | 2,407          |
| Financial expenses                 | -4,131        | -3,734        | -10,023       | -9,347        | -13,018        | -13,694        |
| <i>Financial net</i>               | <i>-3,261</i> | <i>-2,698</i> | <i>-8,292</i> | <i>-7,209</i> | <i>-10,204</i> | <i>-11,287</i> |
| <b>Profit before taxes</b>         | <b>2,568</b>  | <b>826</b>    | <b>16,615</b> | <b>15,056</b> | <b>17,734</b>  | <b>19,293</b>  |
| Taxes                              | -819          | -204          | -5,894        | -3,718        | -4,286         | -6,462         |
| <b>Profit after tax</b>            | <b>1,749</b>  | <b>622</b>    | <b>10,721</b> | <b>11,338</b> | <b>13,448</b>  | <b>12,831</b>  |

\*IAC = Items affecting comparability

# EBIT development last 5 years

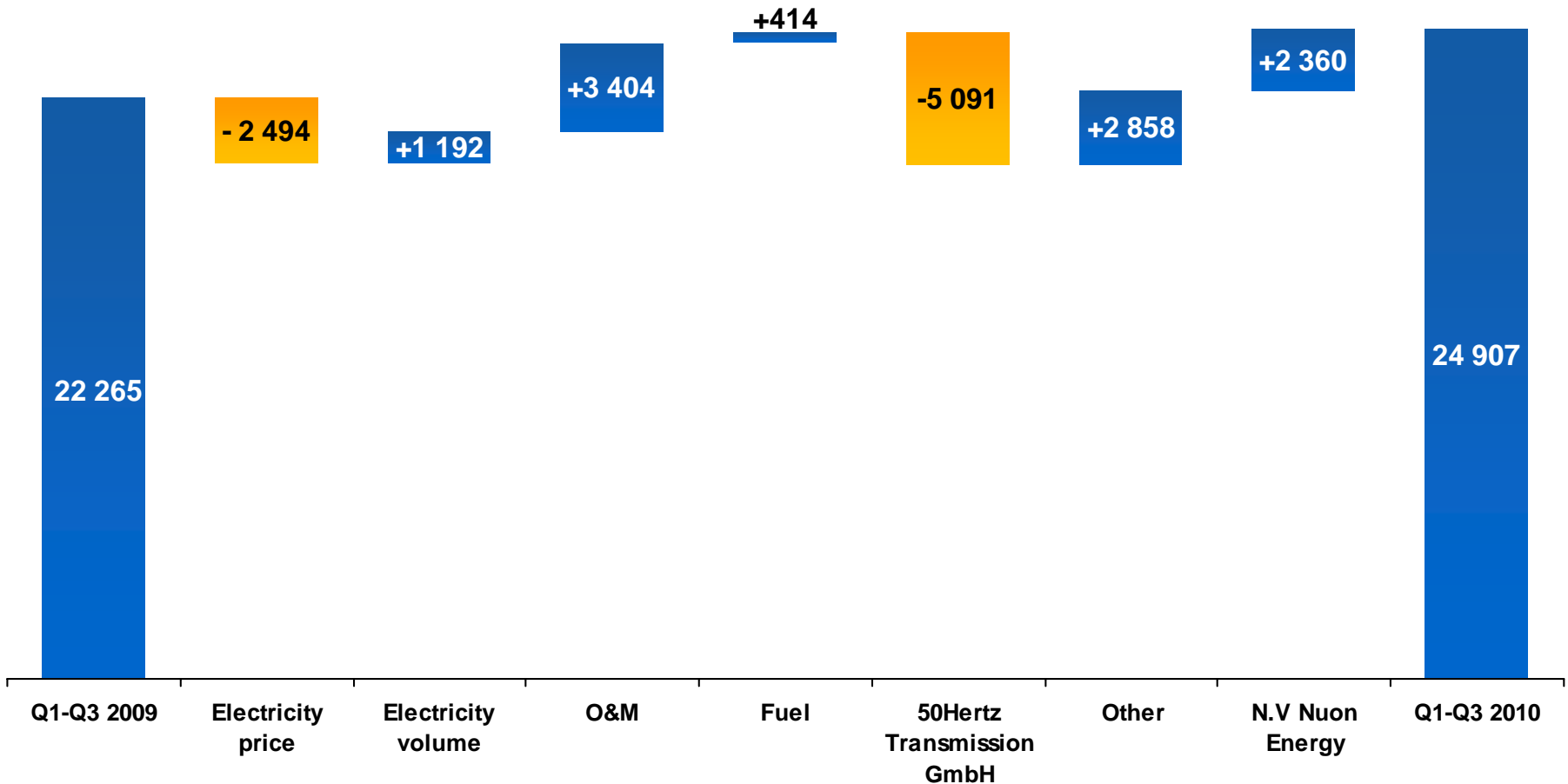
Quarterly figures, SEK million





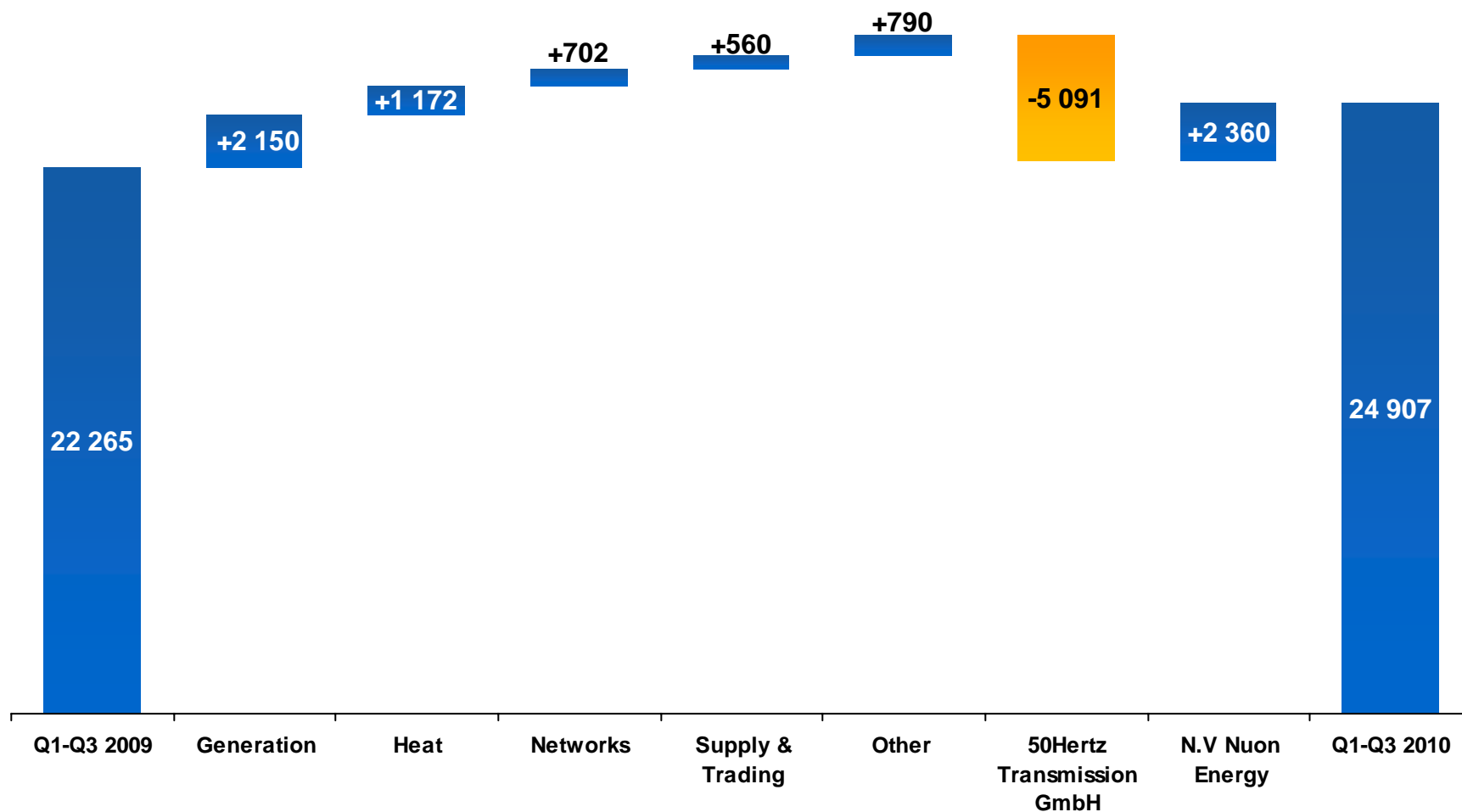
# EBIT development, Q1-Q3 2010

in SEK million



# EBIT development, Q1-Q3 2010 – by Product & Services

in SEK million



# Consolidated cash flow statement

| SEK million  | Q3 2010        | Q3 2009        | Q1-Q3 2010     | Q1-Q3 2010     | FY 2009        | LTM            |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Funds from operations (FFO)</b>                       | <b>6,939</b>   | <b>3,997</b>   | <b>28,438</b>  | <b>25,325</b>  | <b>36,700</b>  | <b>39,813</b>  |
| Change in working capital                                | 4,832          | 7,154          | 2,899          | 7,791          | 9,546          | 4,654          |
| <b>Cash flow from operating activities</b>               | <b>11,771</b>  | <b>11,151</b>  | <b>31,337</b>  | <b>33,116</b>  | <b>46,246</b>  | <b>44,467</b>  |
| Investments  | 11,281         | 68,466         | 29,189         | 85,413         | 102,989        | 46,765         |
| Divestments  | 259            | 268            | 6,223          | 1,005          | 5,542          | 10,760         |
| Cash and cash equivalents in acquired/divested companies | 5              | 14,904         | -286           | 14,931         | 14,407         | -810           |
| <b>Cash flow from investing activities</b>               | <b>-11,017</b> | <b>-53,294</b> | <b>-23,252</b> | <b>-69,477</b> | <b>-83,040</b> | <b>-36,815</b> |
| <b>Free cash flow</b>                                    | <b>7,260</b>   | <b>7,081</b>   | <b>20,491</b>  | <b>21,130</b>  | <b>27,566</b>  | <b>26,927</b>  |
| <b>Cash flow before financing activities</b>             | <b>754</b>     | <b>-42,143</b> | <b>8,085</b>   | <b>-36,361</b> | <b>-36,794</b> | <b>7,652</b>   |
| <b>Cash flow from financing activities</b>               | <b>-6,641</b>  | <b>-20,809</b> | <b>-3,355</b>  | <b>34,750</b>  | <b>27,822</b>  | <b>-10,283</b> |
| <b>Cash flow for the period</b>                          | <b>-5,887</b>  | <b>-62,952</b> | <b>4,730</b>   | <b>-1,611</b>  | <b>-8,972</b>  | <b>-2,631</b>  |
| Net debt at the end of the period                        | -145,155       | -157,317       | -145,155       | -157,317       | -154,987       | -145,155       |

# German nuclear lifetime extension

## Proposed nuclear lifetime extension



- German Government makes clear that nuclear is part of energy policy.
- Low CO<sub>2</sub> emissions, security of supply and affordability.
- Different extension time depending on age of plant (all plants meet the same stringent safety standards).
- Plant by plant analysis on-going:
  - CAPEX requirements
  - Fuel tax and renewable fund
  - Profit and value creation
- Still uncertainties and open issues, e.g. additional safety requirements.

## Proposed lifetime extensions

| <i>Nuclear plant</i> | <i>TWh (100%)</i> |            | <i>LTE years</i> | <i>Owners</i>      | <i>Share</i> |
|----------------------|-------------------|------------|------------------|--------------------|--------------|
|                      | <i>Current</i>    | <i>LTE</i> |                  |                    |              |
| Brunsbüttel          | 11                | 41         | ~8               | Vattenfall<br>E.ON | 2/3<br>1/3   |
| Brokdorf             | 105               | 146        | ~14              | E.ON<br>Vattenfall | 80%<br>20%   |
| Krümmel              | 88                | 124        | ~14              | Vattenfall<br>E.ON | 50%<br>50%   |

LTE: Life-time extension (additional volumes excluding current remaining volumes).

## Financial impact on Vattenfall

- Positive NPV on nuclear depending on CAPEX requirements.
- Might add some pressure on German generation margins.
- Further analysis needed due to uncertainties.

# German nuclear fuel tax and the renewable fund

## Nuclear fuel tax

- Limited to six years (2011-2016)
- 145 EUR/gr uranium (EUR 2.3 bn p.a.). Vattenfall's share of total German capacity is 7.2% which equals ca. EUR 165mn p.a.

## Fund for renewable energy

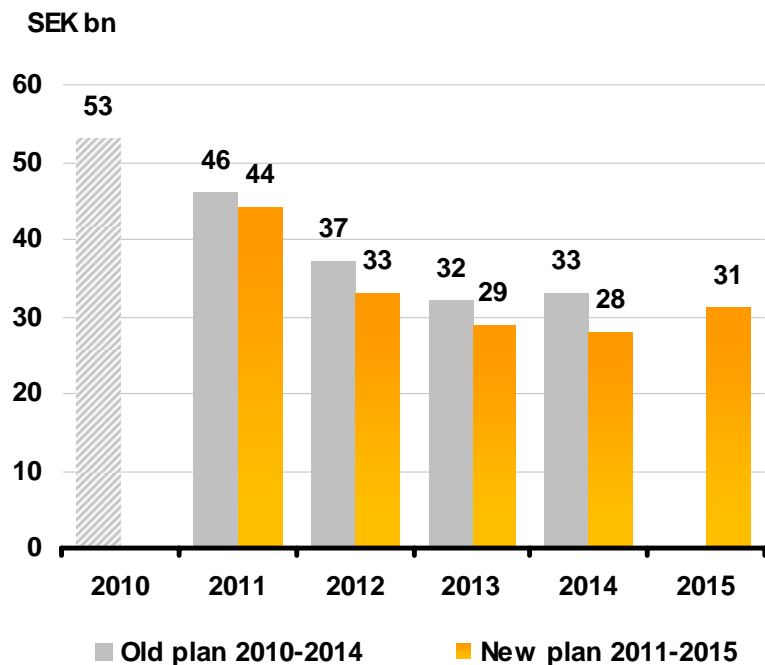
- Advance payments 2011-2016 (operators are obliged to pay EUR 300 mn/p.a. 2011-2012 and EUR 200 mn/p.a. 2013-2016). Per nuclear plant:

|             | 2011-2012<br>(100%) | 2011-2012<br>(Vattenfall share) | 2013-2016<br>(100%) | 2013-2016<br>(Vattenfall share) |
|-------------|---------------------|---------------------------------|---------------------|---------------------------------|
| Brunsbüttel | €11.52 mn p.a.      | €7.7 mn p.a.                    | €7.68 mn p.a.       | €5.1 mn p.a.                    |
| Brokdorf    | €19.62 mn p.a.      | €3.9 mn p.a.                    | €13.08 mn p.a.      | €2.6 mn p.a.                    |
| Krümmel     | €18.57 mn p.a.      | €9.3 mn p.a.                    | €12.38 mn p.a.      | €6.2 mn p.a.                    |
|             |                     | €20.9 mn p.a.                   |                     | €13.9 mn p.a.                   |

- Payment of 9 EUR/MWh per used MWh of the LTE, starting 2017. This payment is off-set over a six-year period as of start of respective LTE against the advance payments made. Includes an escalation mechanism linked to CPI and electricity prices (if exceeding certain thresholds), as well as downside protection.

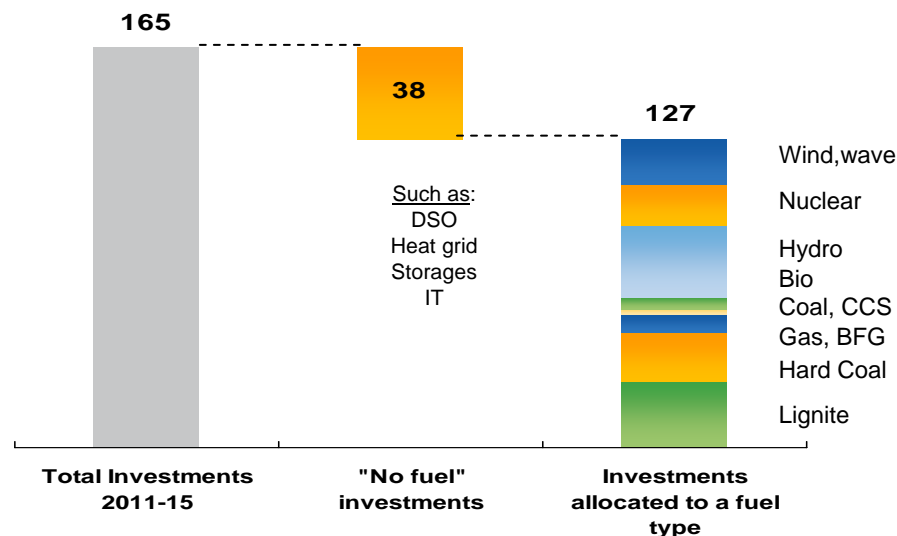
# CAPEX reduction to strengthen the balance sheet

## 18% CAPEX reduction on a rolling 5-yr basis



In addition, payment for the additional shares in Nuon 2011, 2013 and 2015 total approximately SEK 50 bn.

## Well diversified fuel split 2011-2015



# Liquidity position

**As of 30 September 2010**

## **Group liquidity (SEK million)**

|   |               |
|---|---------------|
| Cash and equivalents  | 16 014        |
| Short term investments  | 26 841        |
| <b>Reported cash, cash equivalents &amp; short term investments</b> | <b>42 855</b> |
| Restricted cash <sup>1)</sup>                                       | -5 601        |
| <b>Available cash</b>   | <b>37 254</b> |

1) German nuclear "Solidarvereinbarung" 3 118, Margin calls paid and others 2 483

| <b>Committed credit facilities</b> | <b>Line size</b> | <b>Amount available</b> |
|------------------------------------|------------------|-------------------------|
|------------------------------------|------------------|-------------------------|

|                                      |                  |                          |
|--------------------------------------|------------------|--------------------------|
| RCF (maturity Feb 2013)              | EUR 1000 million | SEK 9 160 million        |
| Overdraft facility                   | SEK 100 million  | SEK 100 million          |
| <b>Total undrawn</b>                 |                  | <b>SEK 9 260 million</b> |
| <i>Other credit lines unutilised</i> |                  | <i>SEK 8 101 million</i> |

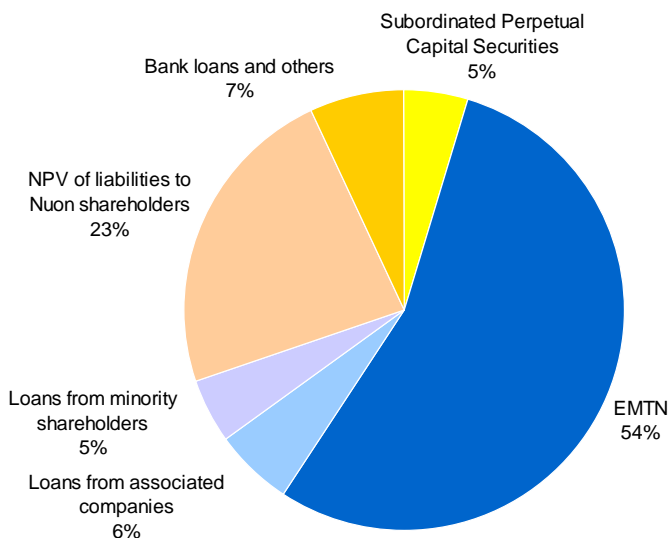
## **Debt maturities <sup>2)</sup> (SEK mn)**

|                   |       |
|-------------------|-------|
| - within 90 days  | 1 073 |
| - within 180 days | 2 101 |

2) Excluding loans from minority owners and associated companies

# Breakdown of gross debt

**Total debt 30 September 2010 <sup>1)</sup> :**  
**(SEK 188.3 bn / EUR 20.6 bn)**



| Funding programmes    | Size (EURmn)  | Utilization (EURmn) |
|-----------------------|---------------|---------------------|
| EUR 15 bn Euro MTN    | 15 000        | 10 604              |
| EUR 2 bn Euro CP      | 2 000         | 0                   |
| SEK 15 bn Domestic CP | 1 638         | 0                   |
| <b>Total</b>          | <b>18 638</b> | <b>10 604</b>       |

- All public debt issued by Vattenfall AB
- No currency exposure in the debt portfolio
- No structural subordination

1) Of which external market debt: SEK 124,5 bn (66%)



# Development of reported and adjusted net debt

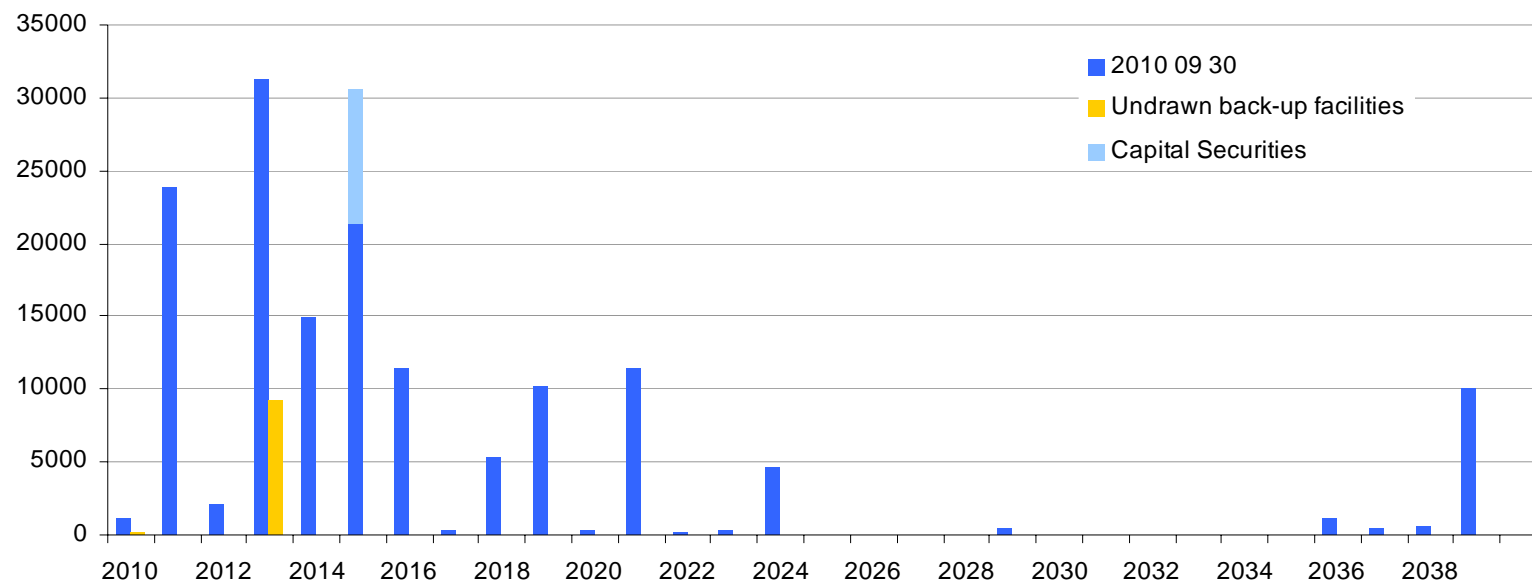
| Net debt (SEK bn)  | Sept 30<br>2010 | Dec 31<br>2009 |
|--|-----------------|----------------|
| Capital Securities   | -9.1            | -10.3          |
| Bond loans and liabilities to credit institutions                        | -109.1          | -122.1         |
| Present value of liability pertaining to acquisition of N.V. Nuon Energy | -43.9           | -49.4          |
| Liabilities to associated companies                                      | -10.8           | -16.7          |
| Liabilities to minority shareholders                                     | -9.0            | -8.0           |
| Other liabilities  | -6.4            | -7.0           |
| <b>Total interest-bearing liabilities</b>                                | <b>-188.3</b>   | <b>-213.5</b>  |
| Cash and cash equivalents  | 16.0            | 10.6           |
| Short-term investments   | 26.8            | 46.4           |
| Loans to minority owners of foreign subsidiaries                         | 0.3             | 1.5            |
| <b>Net Debt</b>  | <b>-145.2</b>   | <b>-155.0</b>  |

| Adjusted net debt (SEK bn)  | Sept 30<br>2010    | Dec 31<br>2009 |
|---|--------------------|----------------|
| <b>Total interest-bearing liabilities</b>                             | <b>-188.3</b>      | <b>-213.5</b>  |
| 50% of Capital securities   | 4.5                | 5,1            |
| Present value of net pension obligations                              | -19.1              | -21.2          |
| Mining & environmental provisions                                     | -12.9              | -14.4          |
| Nuclear asset retirement obligations (net)                            | -11.7              | -6.7           |
| Cross currency swaps  | 2.1                | 1.3            |
| Margin calls received   | 5.4                | 5.5            |
| Liabilities to minority owners due to consortium agreements           | 8.6                | 7.6            |
| <b>= Adjusted gross debt</b>  | <b>-211.4</b>      | <b>-236.3</b>  |
| Reported cash, cash equivalents & short term investments              | 42.9               | 56.9           |
| Restricted cash   | -5.6 <sup>1)</sup> | -25.6          |
| <b>= Adjusted cash, cash equivalents &amp; short term investments</b> | <b>37.3</b>        | <b>31.3</b>    |
| <b>= Adjusted net debt</b>  | <b>-174.1</b>      | <b>-205.0</b>  |

1) Of which: German nuclear "Solidarvereinbarung" 3.1, Margin calls paid and others 2.5

# Vattenfall debt maturity profile

SEK million



**2010-09-30**

**2009-09-30**

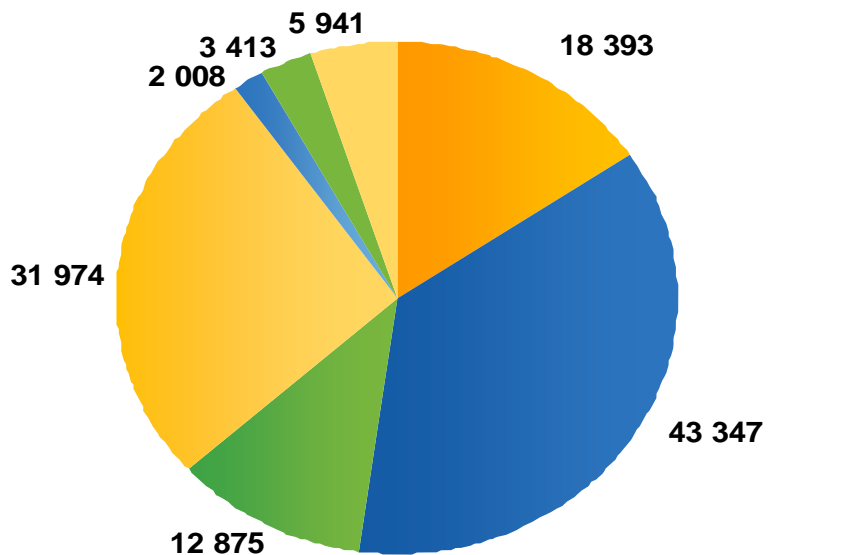
|                                  |                   |       |
|----------------------------------|-------------------|-------|
| Duration (years)                 | 4.5 <sup>1)</sup> | 4.0   |
| Average time to maturity (years) | 6.6 <sup>1)</sup> | 7.4   |
| Average interest rate (%)        | 3.4 <sup>1)</sup> | 3.5   |
| Net debt (SEK bn)                | 145.1             | 157.3 |

1) Based on external debt, excluding Capital Securities. Including Capital Securities the Duration is 4.5, Average time to maturity 6.5, and Average interest rate 3.5.

# Group provisions (IFRS)

30 September 2010

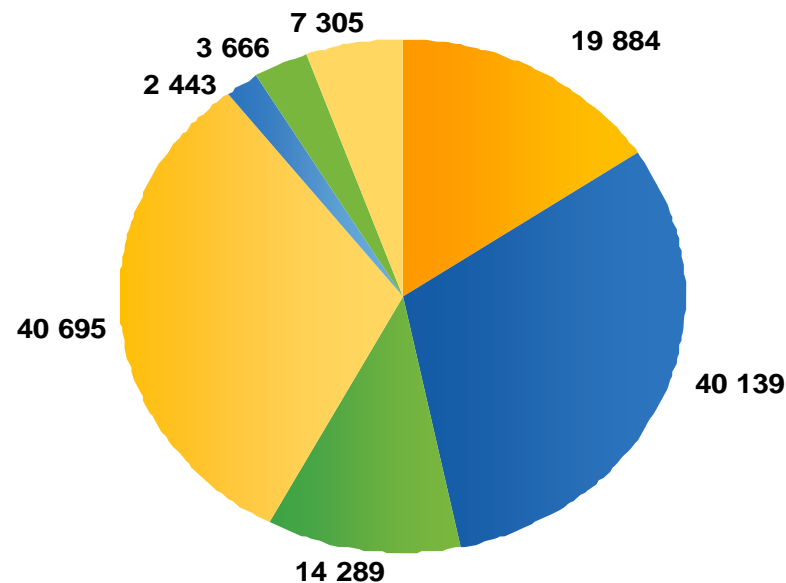
SEK 117 951 million



■ Pensions ■ Nuclear ■ Mining ■ Taxes ■ Other ■ Personnel ■ Legal

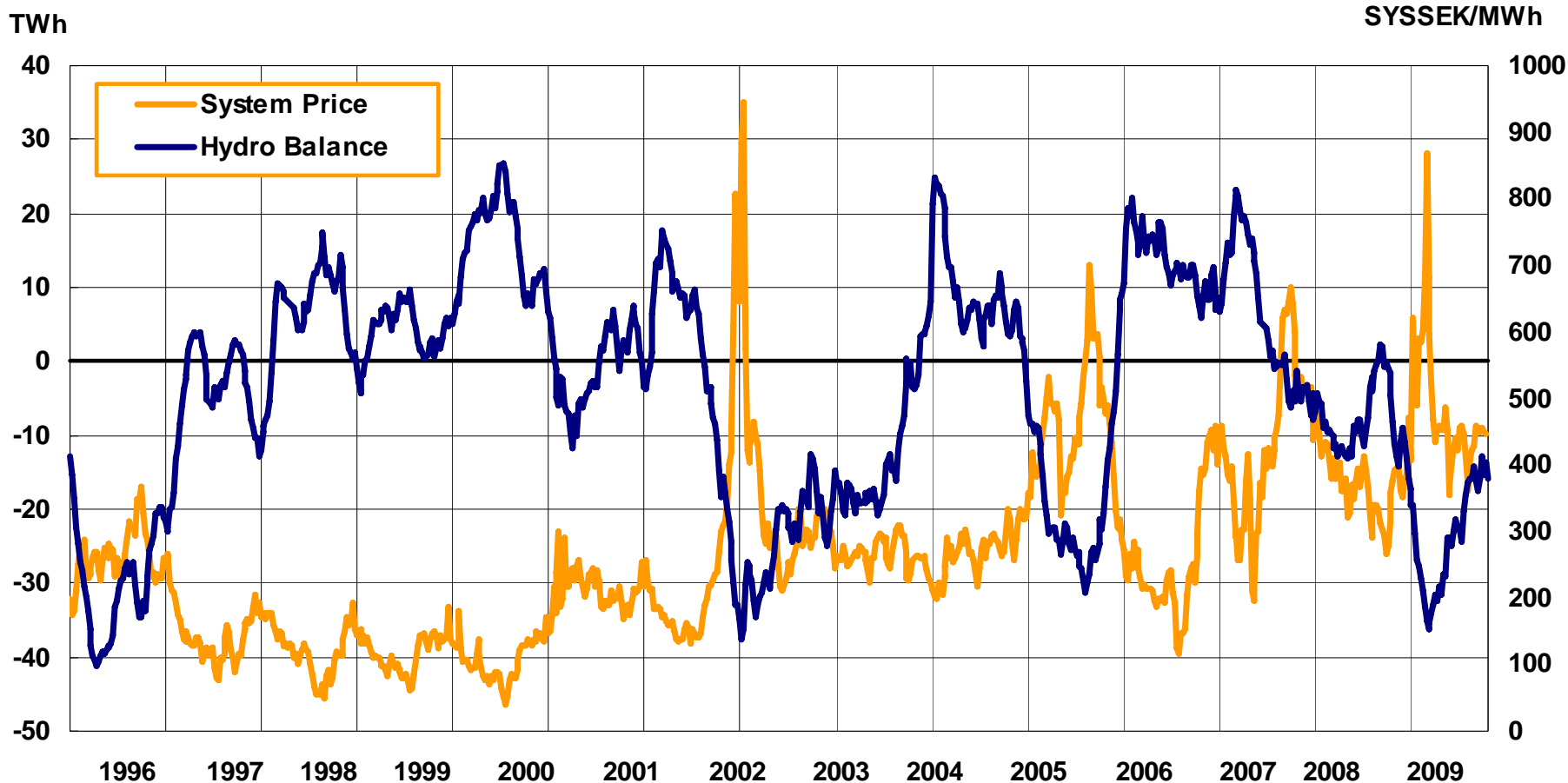
30 September 2009

SEK 128 421 million



■ Pensions ■ Nuclear ■ Mining ■ Taxes ■ Other ■ Personnel ■ Legal

# Hydrological balance in Nordic region



# Oil, coal, gas and CO<sub>2</sub> allowances

