

# Vattenfall Capital Markets Day 2009

Presentation by:

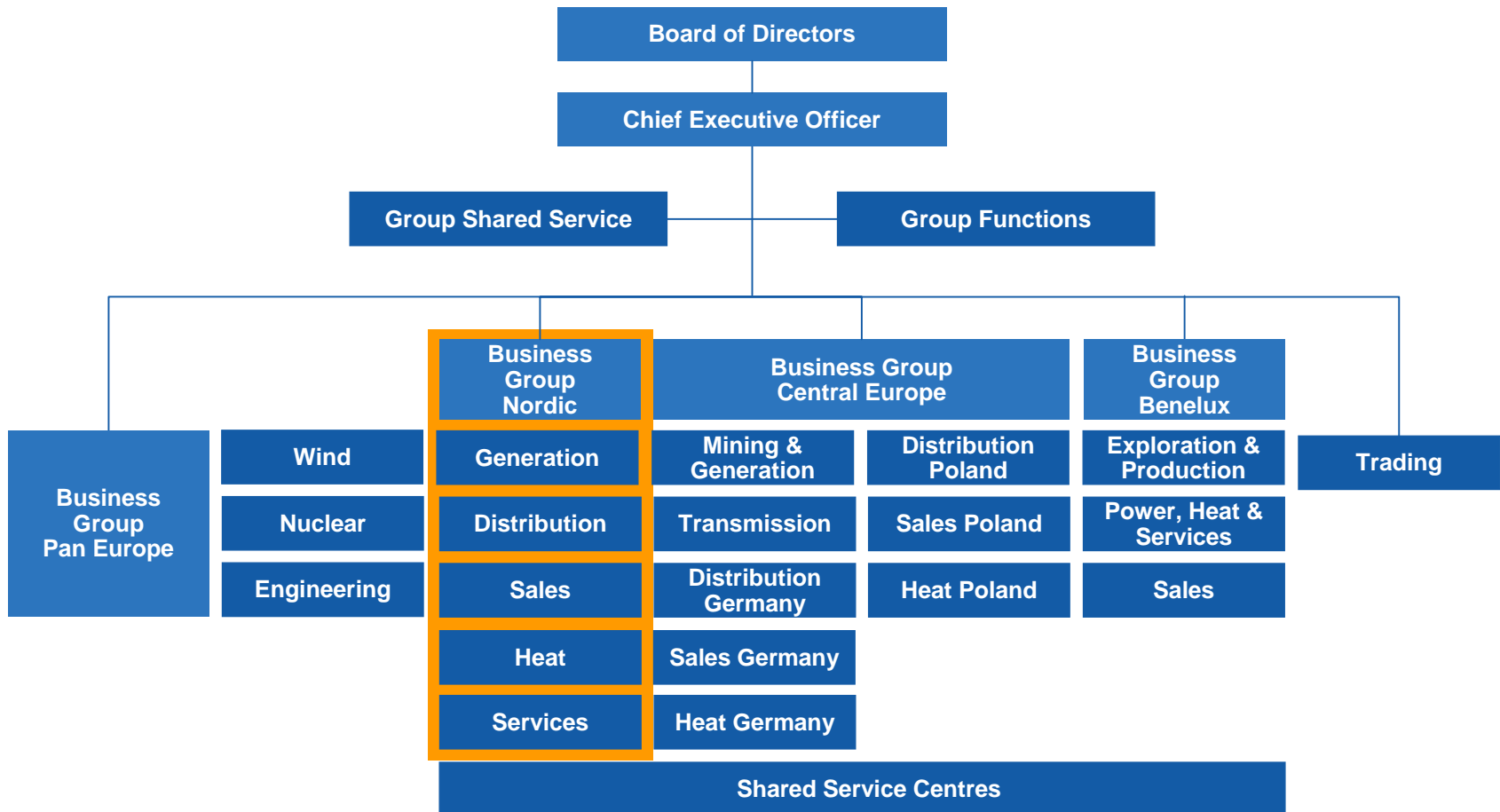
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Amsterdam, 23 September 2009

# Contents

- Overview Business Group Nordic
- Key issues and challenges
  - Making electricity clean
    - Hydro and biomass
  - Managing cash-flow in tougher business environment
  - Increased customer base
  - Change in base power Nordic market
- Summary and conclusions

# Overview Business Group Nordic



# Overview Business Group Nordic

**Business Group Nordic** comprises Vattenfall's operations in Sweden, Finland and Denmark.

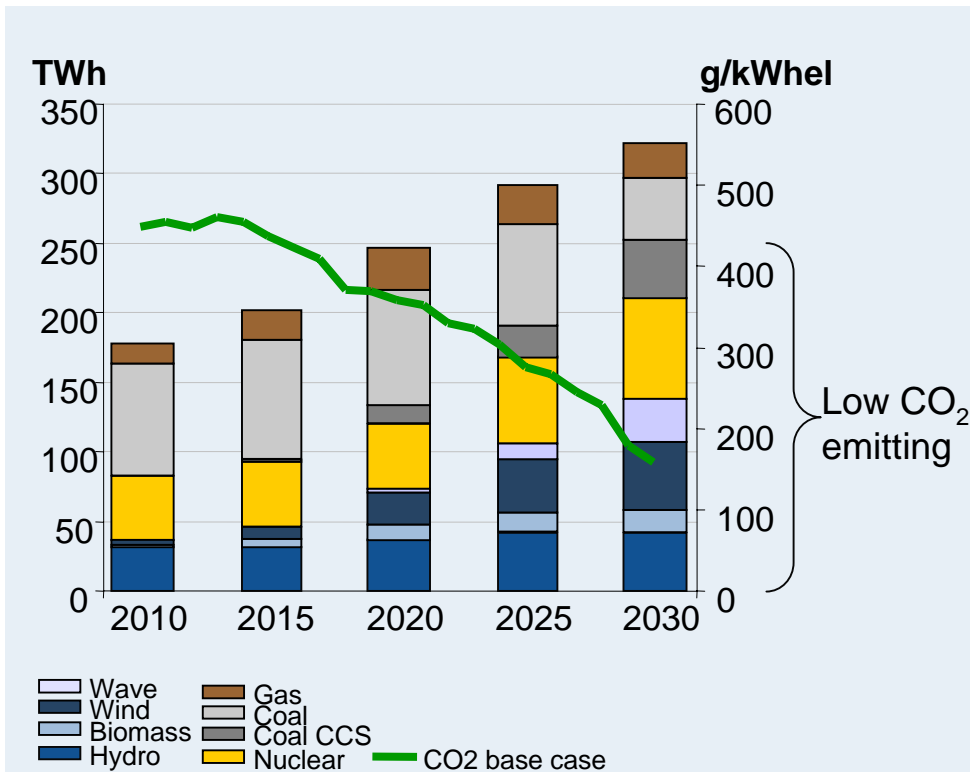
**Business Units:** Generation, Distribution, Sales, Heat and Services.  
Electricity generation is primarily based on hydro power.

	2008
Operating profit (EBIT), MSEK	11,461
Electricity generation, TWh	42.1
- of which, hydro power	35.5
- of which, fossil-based power	6.1
- of which, biomass	0.5
Heat sales, TWh	10.4
Employees	5,642
Electricity customers (million)	~1.1
Network customers (million)	~1.3



# Making Electricity Clean – BG Nordic

## Vattenfall Group EI. Generation Road Map



- The goal for the Nordic operations is to become climate-neutral until 2030
- 88% of electricity generation in BG Nordic comes from low CO<sub>2</sub>-emitting energy sources (hydro and biomass)
- 38% of heat sales in BG Nordic comes from biomass and waste
- Vattenfall is continuously upgrading its plants to increase the share of biomass and reduce the share of fossil fuels

# Managing cash-flow in tougher business environment

- Nordic energy intensive industry is currently under pressure
  - Approx. 20 TWh (5%) drop in demand on the Nordic market
  - Impacts electricity prices
  - Electricity price risk is the risk that has the single greatest impact on Vattenfall's earnings
- Vattenfall is taking actions to protect and manage cash-flow
  - Review of asset portfolio: Divestment of two minority holdings in AB PiteEnergi (purchase price SEK 238 million) and Luleå Energi AB (purchase price SEK 312 million), completed
  - Continuous work on improving efficiency and managing cost (OpEx programme)

# Customer base increases both in retail and B2B

- Despite weaker demand in the Nordic region, Vattenfall has signed several new long-term contracts with industrial customers
- In total Vattenfall has 126 TWh contracted with power-intensive industry for the period 2012 - 2022
- Latest large contracts are with companies Hydro, Hustadmarmor and Stora Enso
- Continuing growth in retail customer base, currently over 1 million customers in total
- First contract with physical delivery in Norway signed (Pilkington)



# Changes in Base Power given full implementation of renewables directive

**Nordic region: Changes in Base Power 2008 – 2020: 55 TWh**  
**Increased electricity consumption: 1 TWh**

<b>Sweden</b>		<b>Finland</b>	
<b>28.2 TWh</b>		<b>13.0 TWh</b>	
Wind	13.1	Wind	5.8
Hydro	1.7	Hydro	0.6
Nuclear power upgrading	8.3	CHP*	2.3
Natural gas CHP*	1.3	Nuclear	12.4
Biofuel CHP*	4.8	Decommissioning of coal condensing units	-8.1
Coal/oil CHP*	-1.0		

<b>Norway</b>		<b>Denmark</b>	
<b>15.7 TWh</b>		<b>-1.9 TWh</b>	
Wind	8.1	Wind	7.1
Natural gas	1.4	Decommissioning of coal condensing units	-15.9
Hydro	6.2	CHP, condensing	6.9

\* District heating and back-pressure generation



# Export potential of low CO<sub>2</sub>-emitting power

- Political pressure for renewable energy sources
  - Excess supply
  - Export potential
- Current transmission bottlenecks
  - Significant expansion of transmission capacity to surrounding markets is needed
- North European grid expansion plan needed
- Ongoing implementation of EU's 3rd directive for the electricity market and the establishment of ENTSO-E provides necessary prerequisites to fulfil such a plan



# Summary and conclusions

- BG Nordic
  - 33% of Group EBIT in first 6 months 2009
  - low emitting base load portfolio
- Taking actions to manage cash-flow
- Customer base increasing and customer relations improving
- New potential export possibilities for CO2 free electricity

# Back-up

## Key data – BG Nordic

<i>Amounts in SEK billion</i>	H1 2009	H1 2008	% Change	LTM	FY 2008
<b>Net sales</b>	22.2	20.8	6.7	39.8	38.4
<b>External net sales *</b>	24.5	24.0	1.9	48.9	48.4
<b>EBIT *</b>	6.3	6.9	-9.4	10.8	11.5
<b>Net assets **</b>	106.8	105.0	1.7	--	123.0
<b>Electr. generation, TWh</b>	20.3	23.2	-12.5	39.2	42.1
<b>Heat sales, TWh</b>	6.4	5.9	8.5	10.9	10.5
<b>Employees ***</b>	5,624	5,674	-0.9	--	5,642

\* *Excl. intra group transactions*

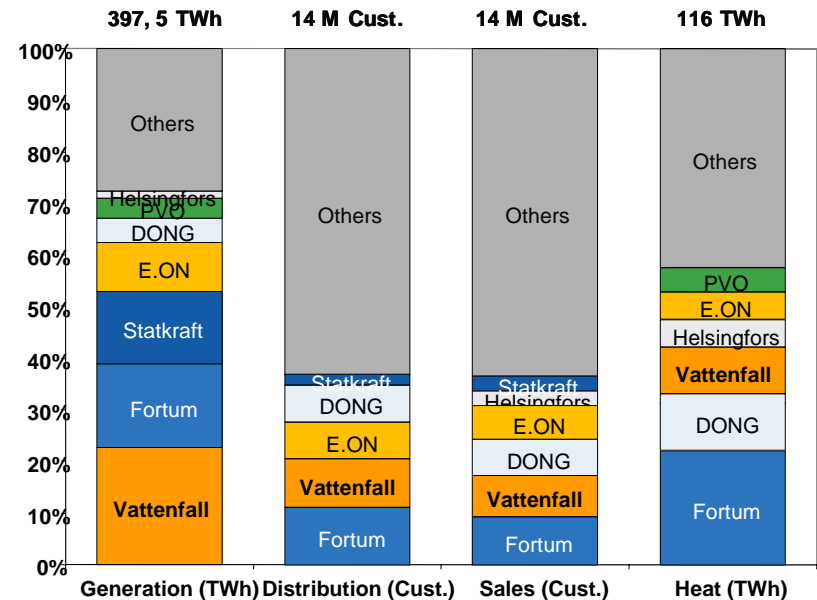
\*\* *At the end of the period*

\*\*\* *Full time equivalents (FTE)*

# Vattenfall in the Nordic countries

Vattenfall is the largest electricity generator on the Nordic market with 23% market share

- **Sweden:**  
82.7 TWh electricity generation  
4.0 TWh heat sales
- **Finland:**  
1.0 TWh electricity generation  
1.6 TWh heat sales
- **Denmark:**  
7.0 TWh electricity generation  
4.7 TWh heat sales



# Regulatory update

## Sweden

- A government study on Third Party Access of the district heating market has been postponed and will probably not be finalised until 2011.
- New regulatory framework for electricity distribution is under way

## Finland

- Decision in principal to introduce windfall profit tax on old hydro- and nuclear power in 2010.

## Denmark

- Increased subsidies for biomass and wind power introduced

# Decided and planned transmission projects

