

# Vattenfall Q2 Results 2008

Presentations by

Lars G. Josefsson, CEO and  
Jan Erik Back, CFO

30 July 2008



## CEO Lars G. Josefsson:

- Sales & earnings
- Production volumes
- Nuclear update
- Moorburg update
- Transmission update

## CFO Jan Erik Back:

- Prices & hedge position
- P&L and EBIT development
- Investments
- Debt development & cash flow

## Q&A

Net sales increased

9.9% to SEK 35,259 million (32,077).

EBIT increased

11.4% to SEK 6,316 million (5,672).

Profit after tax decreased

35.3% to SEK 4,043 million (6,252).

Net debt increased

by SEK 12,466 million to SEK 52,011 million compared with 31 March 2008.

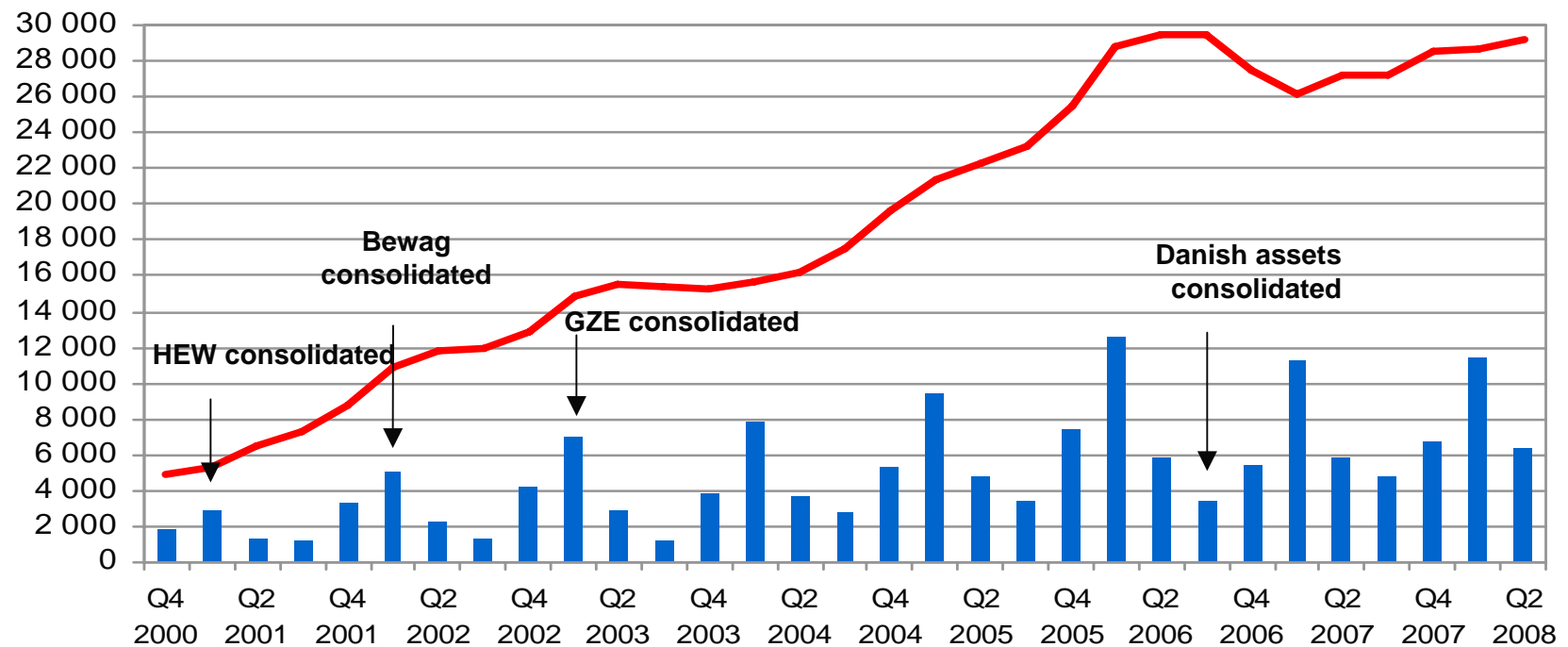
## Return on Net Assets

was 16.1% LTM (FY 2007: 16.6%)  
- well above target 11%.

## Return on Equity

was 14.8 % LTM (FY 2007: 17.6%)  
- slightly below long-term target 15%.

## Quarterly figures, SEK million

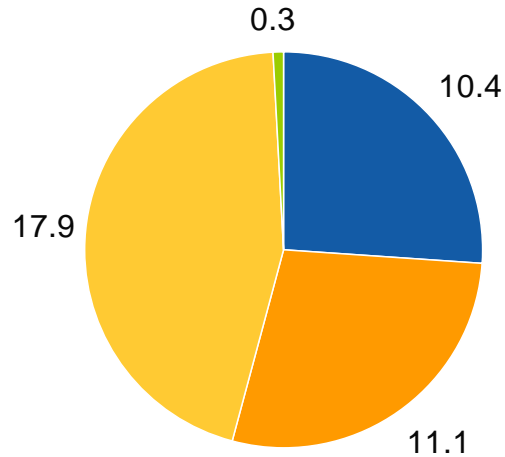


- Quarterly figures in SEK million, excluding items affecting comparability
- Last 12 month figures in SEK million, excluding items affecting comparability

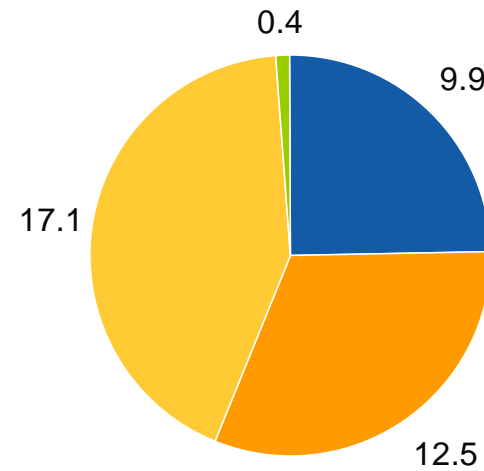
# Virtually unchanged electricity generation output

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Q2 2008: 39.8 TWh



Q2 2007: 40.0 TWh



Hydro

Nuclear

Fossil

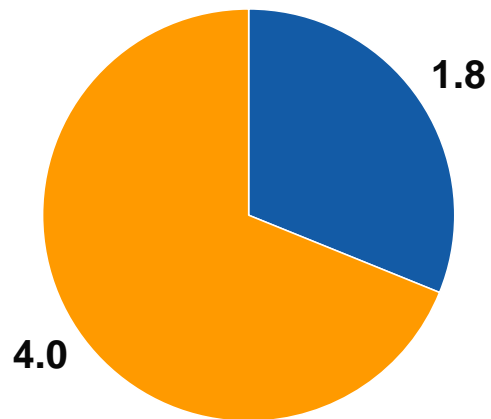
Other

Other = wind, biofuel, waste

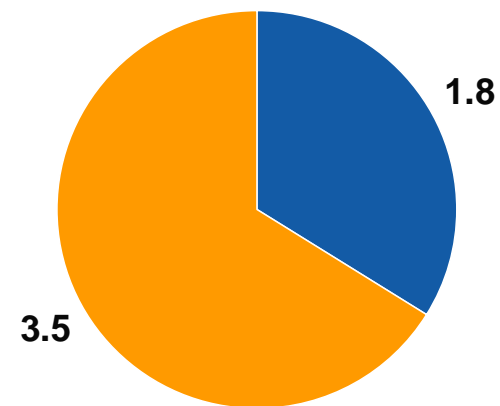
# Higher heat sales for Central Europe

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Q2 2008: 5.8 TWh



Q2 2007: 5.3 TWh



Nordic

Central Europe

# Nuclear update - Germany

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- The two German nuclear power plants are still off-line.
- Reasons for the prolonged standstill are technical problems detected during the inspection and testing programmes:
  - Cracks in valves
  - Impermissibly mounted dowels
- The plants will remain shut down until all necessary renovation work is fully completed. Re-start date is still open.
- Q2 2008 financial impact totals approximately EUR 134 million (SEK 1 260 million) and H1 financial impact totals EUR 284 million (SEK 2 684 million)



**Krümmel (1,346 MW)**



**Brunsbüttel (771 MW)**



# Moorburg CHP plant project

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- In November 2007 Vattenfall obtained a preliminary permit (a so called "Vorzeitige Baugenehmigung") to build Europe's technologically most advanced coal-fired CHP plant in Hamburg, Germany. At the same time Vattenfall signed an agreement with the State of Hamburg regarding additional environmental investments to further improve the environmental performance of the plant.
- Vattenfall began construction work and has already contracted EUR 1.6 billion.
- The plant will be built ready for CCS, which means that the CO2 emissions from the plant will be reduced to almost zero in the medium term.
- Due to the elections in Hamburg, the final environmental permits have been delayed. Since June that means the whole project will be postponed month by month.
- From Vattenfall's point of view, all necessary requirements for the needed emission licence for air emissions and water use for cooling purposes are being met.
- On 21 April Vattenfall took court action on the grounds of administrative inaction.
- At a court hearing on 16 July the authority undertook to resolve on the permits in September.

# Potential sale of German Transmission operations

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## Facts

- July 25, 2008: Decision to approach potential investors for the German TSO, Vattenfall Europe Transmission GmbH (no final sales decision)
- Background: Ongoing EU debate about ownership unbundling -> status quo is no longer an option
- Purely entrepreneurial decision; NO agreement with EU

## Intended timing

- End of July: Teaser sent out to potential investors
- Mid-August: Expression of interest from potential investors
- October/November: Indicative offers
- Expected closing (if applicable): first half 2009

## Assets: Figures 2007 (German GAAP)

- Sales revenues: EUR 3,295.3 million, of which network fees: EUR 593 million
- Net profit/loss: EUR -127.9 million
- Significant profitability increase expected due to German regulator's improvement of equity return rates and regulatory framework

## Potential investors

- Long-term oriented financial investors: e.g. pension funds, insurance companies, infrastructure funds
- Strategic investors: e.g. foreign grid operators, manufacturers of system components, infrastructure operators

## Three criteria to be applied on investors

- Investors must:
- have a long-term focus
  - ensure substantial investments in network extension
  - promote European integration of the electricity market by continuing to guarantee non-discriminatory grid access.

Please refer to [www.vattenfall.de/stromnetzfragen](http://www.vattenfall.de/stromnetzfragen) for more information on transmission networks (English version is underway)

# “Squeeze out” completed in Germany

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- The squeeze out of minority shareholders (3.19%) in Vattenfall’s listed German subsidiary Vattenfall Europe AG, initiated in August 2005, was completed on 21 April 2008.
- Vattenfall AB now controls 100% of Vattenfall Europe AG.
- Vattenfall Europe AG has been delisted from the German stock exchanges.
- Number of persons at the management board (Vorstand) of Vattenfall Europe AG has been reduced to three from six.
- New Business Unit structure and new BU Heads appointed.

# Financials

Jan Erik Back, CFO

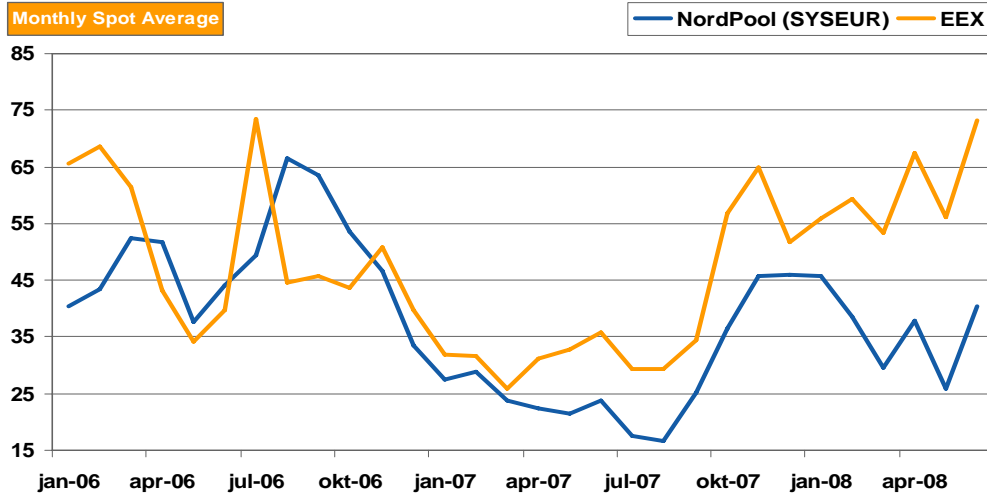
# Consolidated income statement

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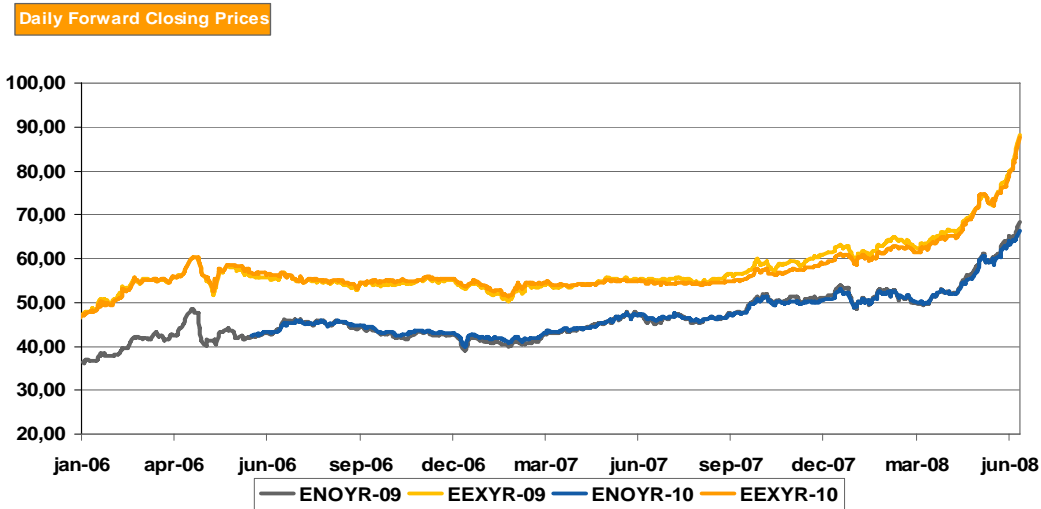
Amounts in MSEK	Q2 2008 IFRS	Q2 2007 IFRS	Change %	FY2007	LTM
Net sales	35,259	32,077	9.9	143,639	150,581
Cost of products sold	25,755	23,740	8.5	103,404	109,051
<b>Gross profit</b>	<b>9,504</b>	8,337	14.0	40,235	41,530
<b>Operating profit (EBIT)</b>	<b>6,316</b>	5,672	11.4	28,583	29,254
<b>Operating profit, excl. IAC*</b>	<b>6,300</b>	5,655	11.4	28,497	29,178
Financial income	740	845	-12.4	2,276	2,099
Financial expenses	-1,580	-1,502	5.2	-6,926	-7,595
<i>Financial net</i>	<b>-840</b>	-657	-27.9	-4,650	-5,496
<b>Profit before taxes</b>	<b>5,476</b>	5,015	9.2	23,933	23,758
Taxes	-1,433	1,237		-3,247	-5,332
<b>Profit for the period</b>	<b>4,043</b>	6,252	-35.3	20,686	18,426

\* IAC = items affecting comparability

# Electricity price development



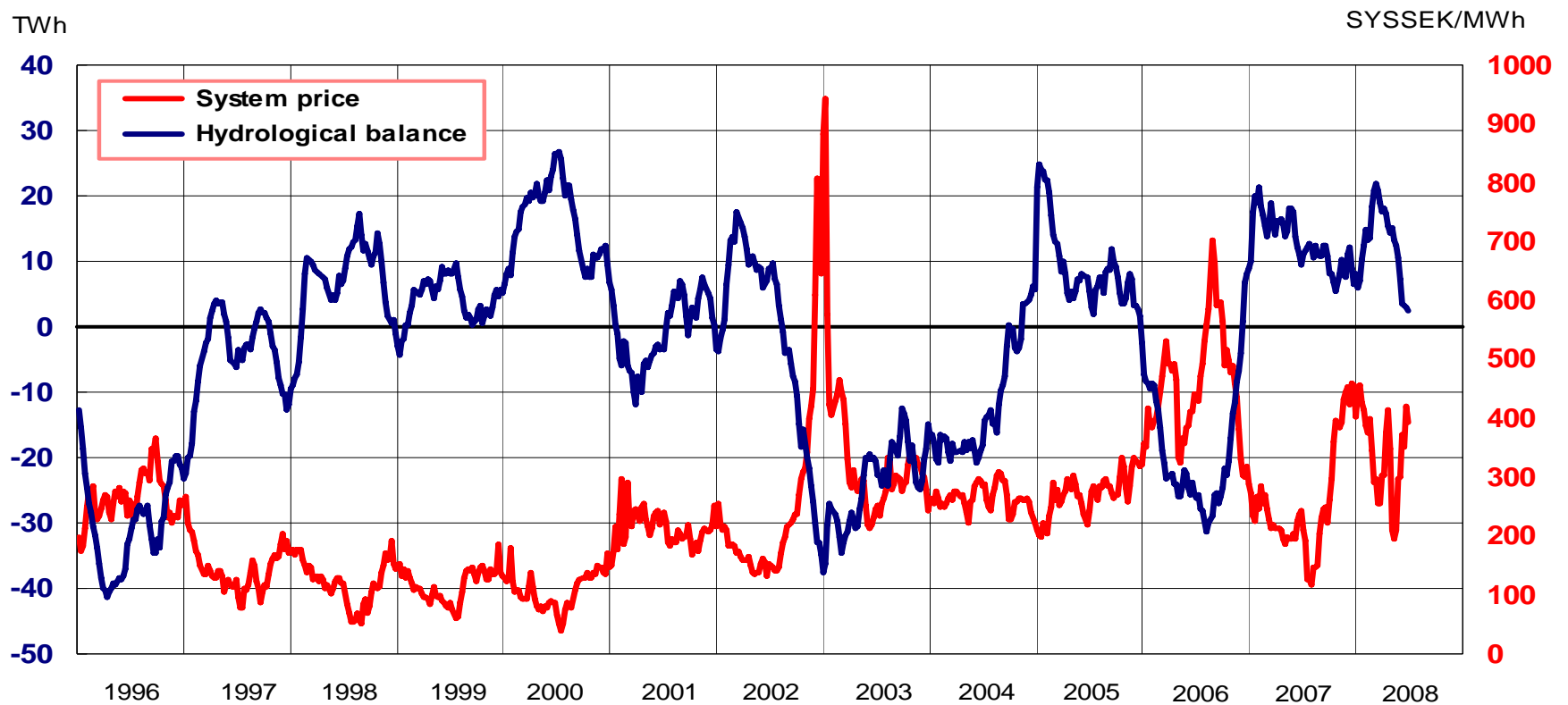
Higher spot prices compared with Q2-07 (Nord Pool ↑54%, EEX ↑ 97%)



Sharp increase in forward prices during Q2.

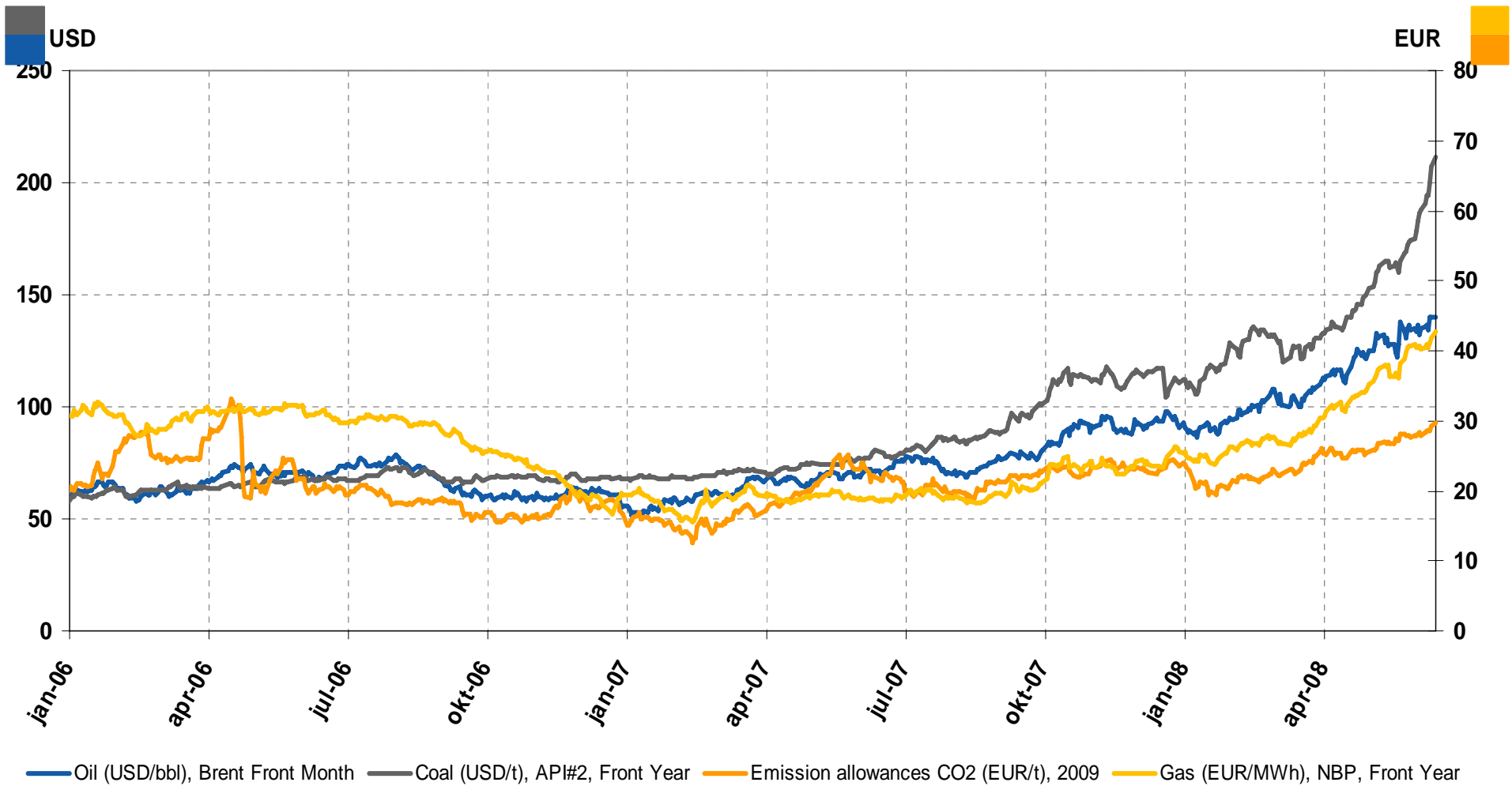
# Back to normal hydrological balance

## Nordic countries



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

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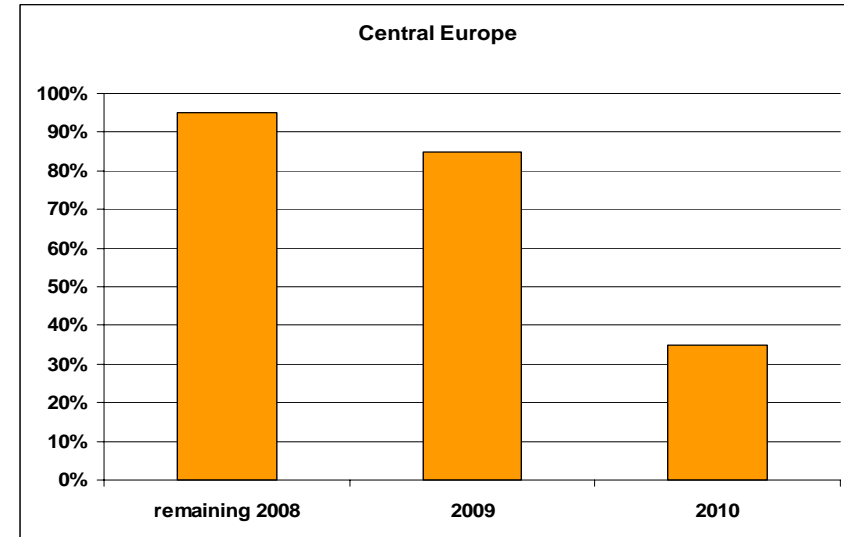
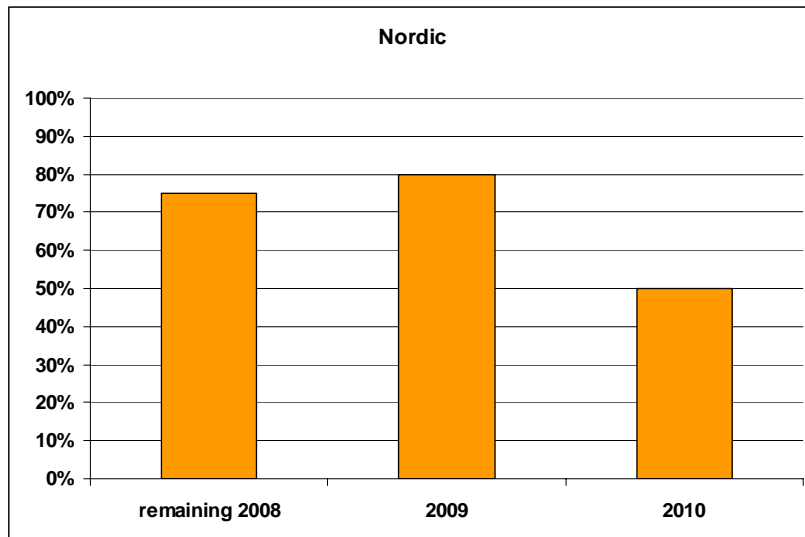




# Hedging position as of 30 June 2008

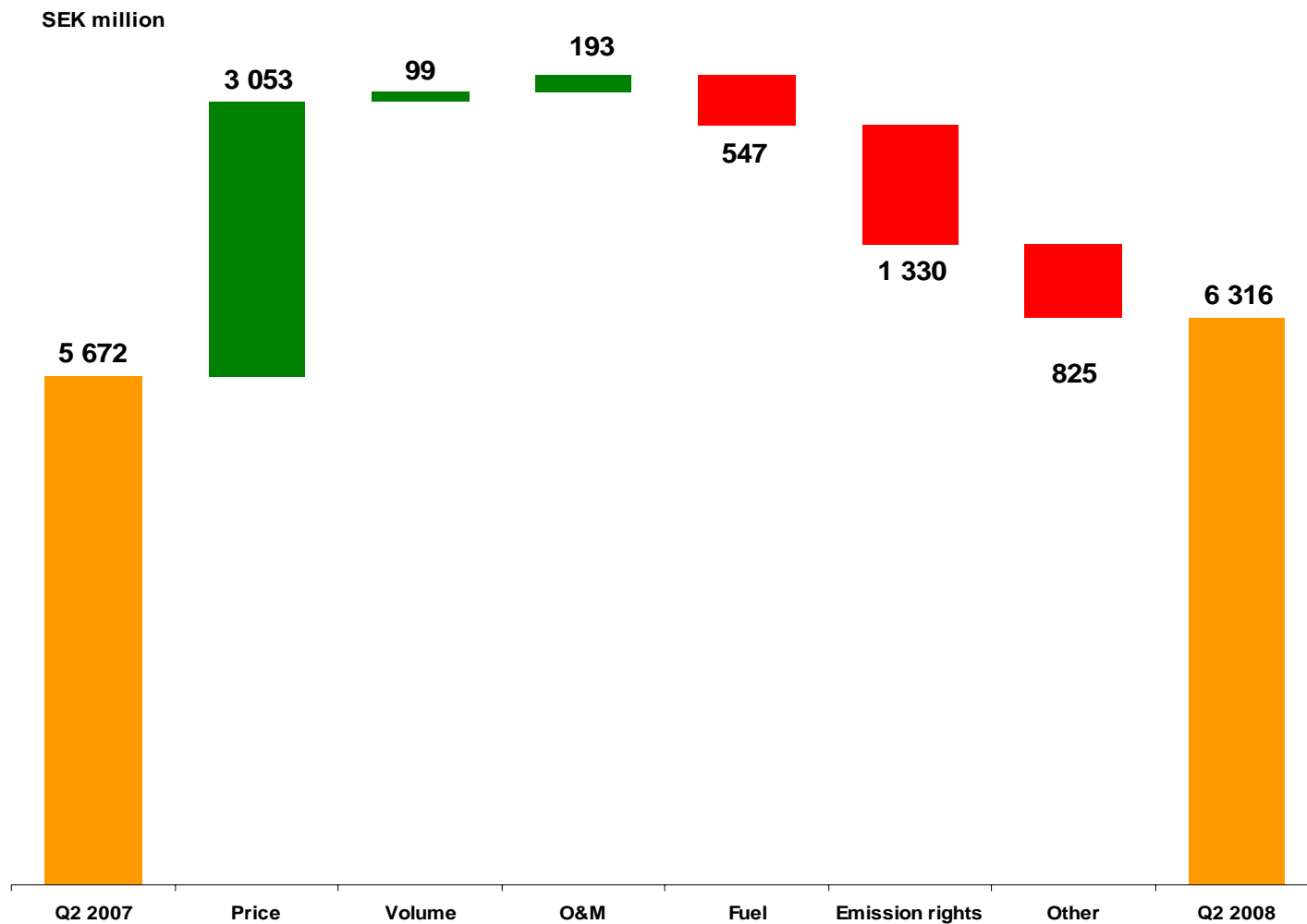
17

% hedged of planned electricity generation (percentage values are rounded)



# EBIT Q2 2008 vs Q2 2007

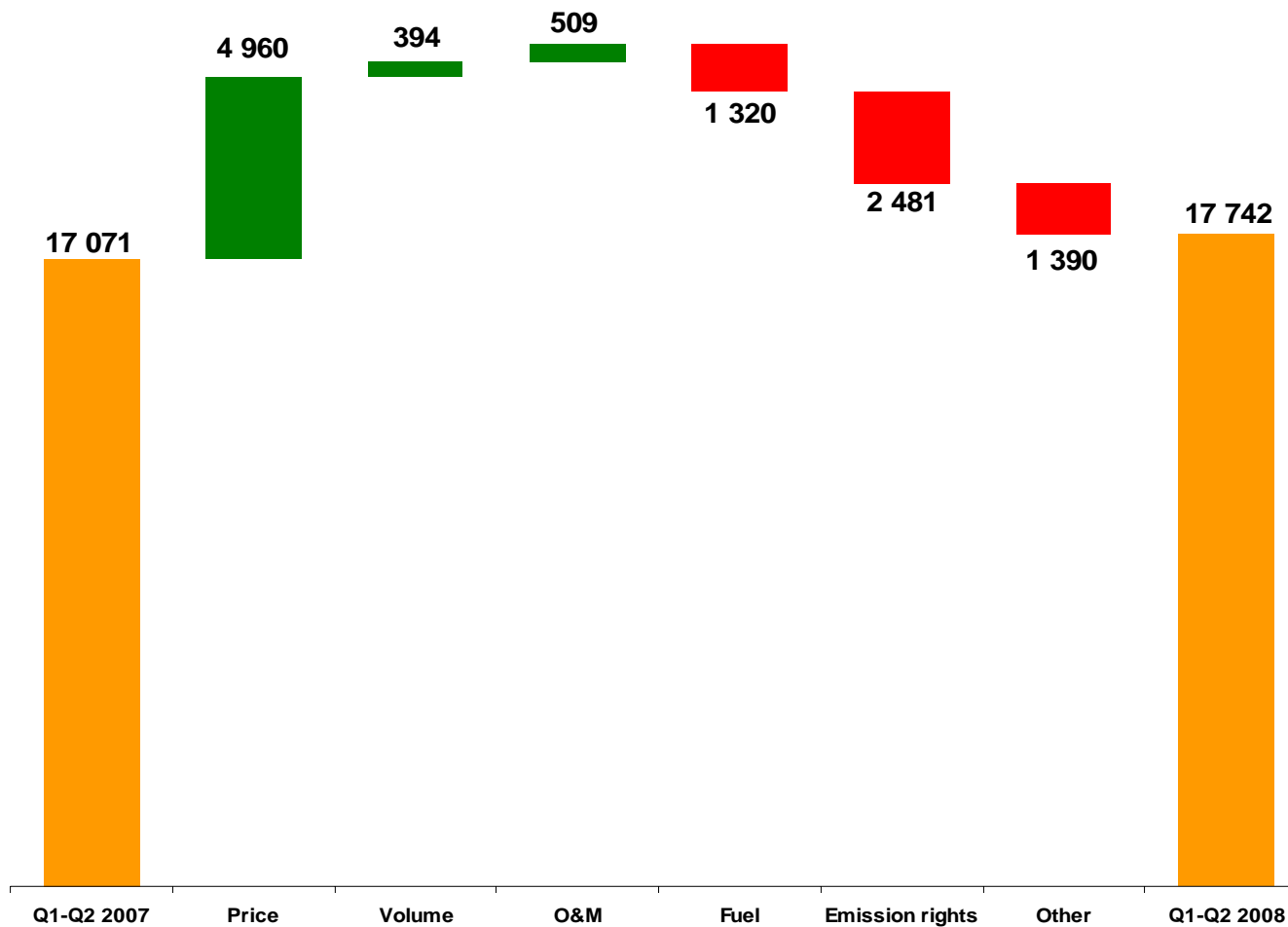
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# EBIT Q1-Q2 2008 vs Q1-Q2 2007

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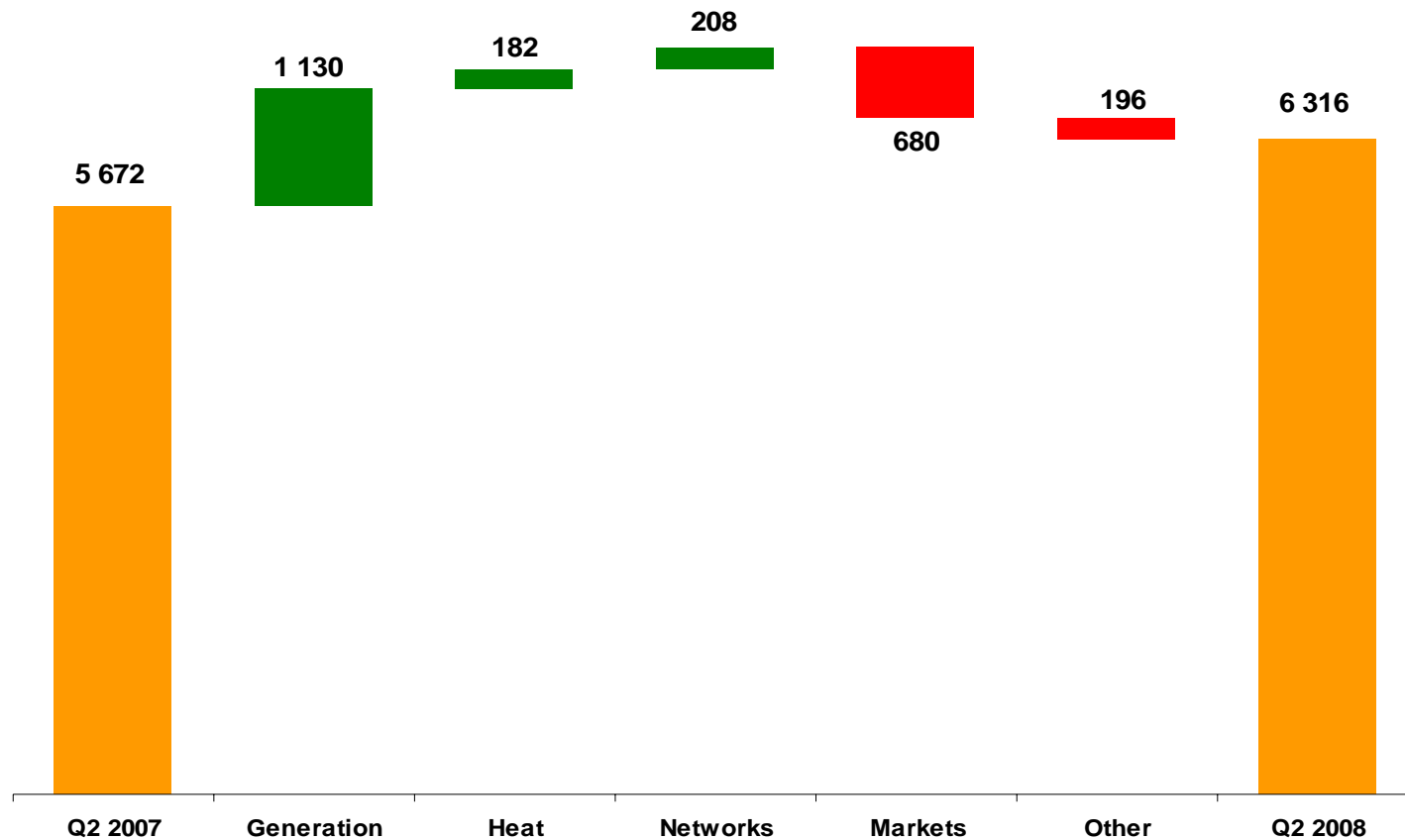
SEK million



# EBIT Q2 2008 vs Q2 2007 – secondary segments

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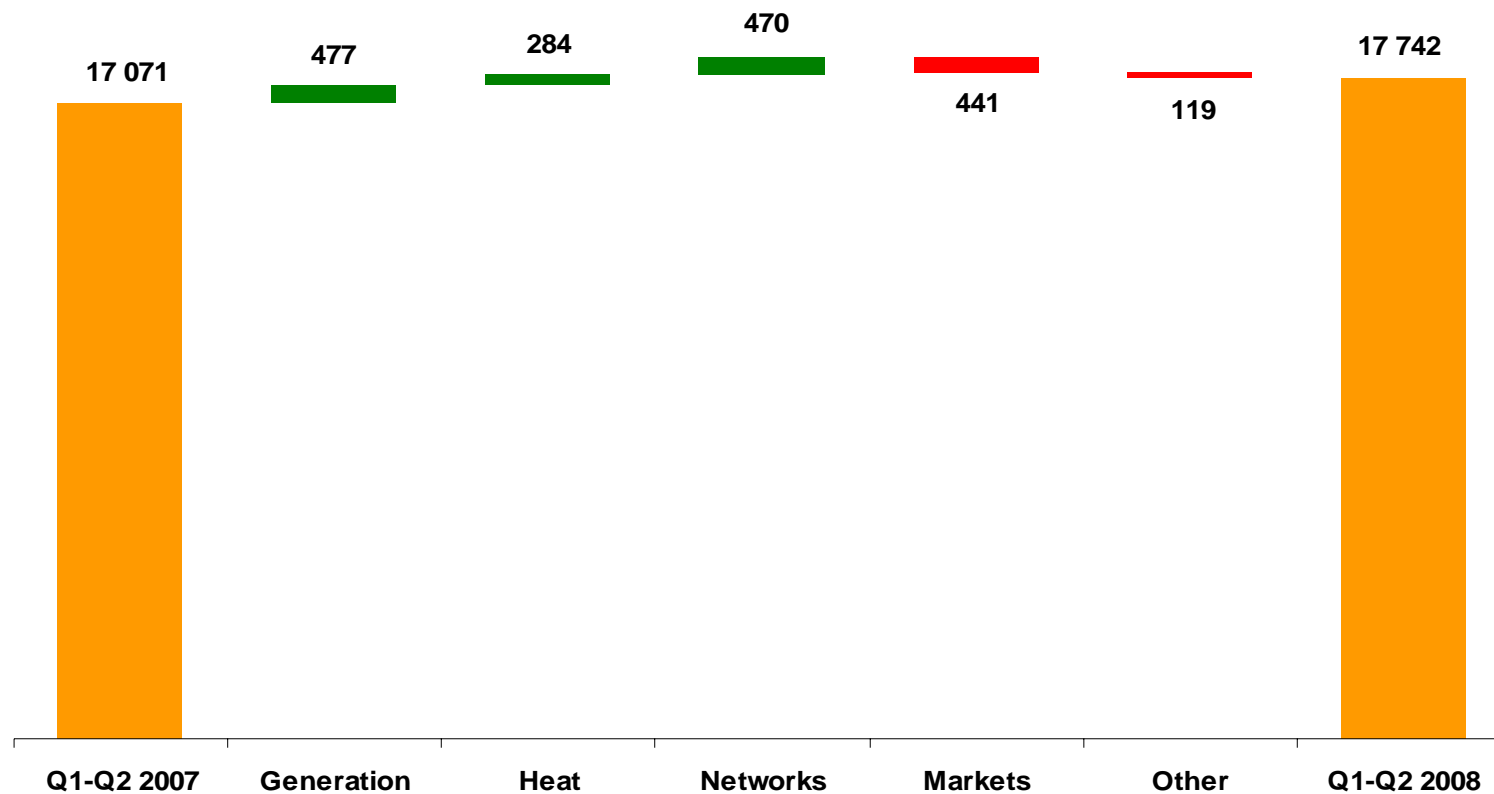
SEK million



# EBIT H1 2008 vs H1 2007 – secondary segments

21

SEK million



# Financial targets and outcome

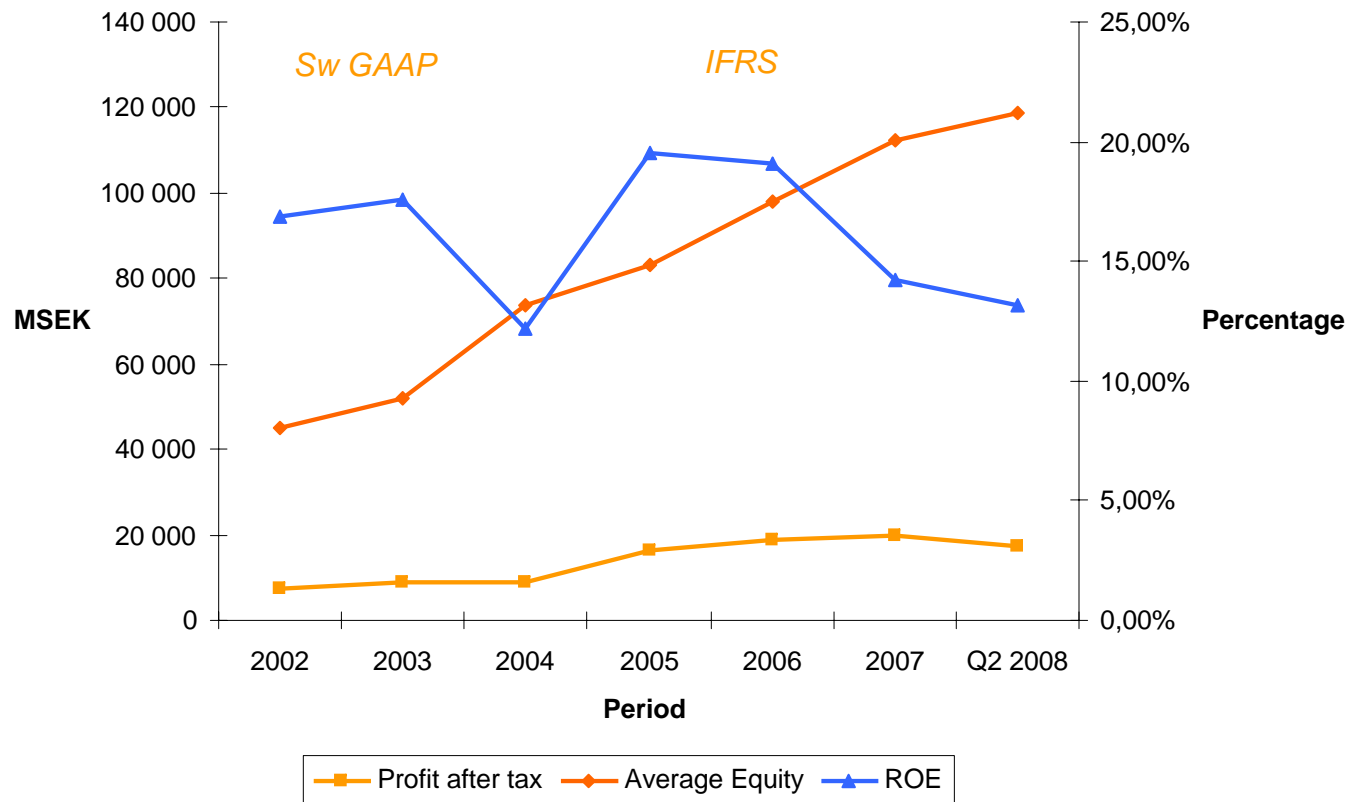
22

Key Ratio	Targets	Q2 2008
Return on Equity (RoE)	15 % on average equity	14.8%*
Return on Net Assets (RoNA, excl. IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	16.0%*
Cash flow interest coverage after maintenance investments	3.5 – 4.5 times	4.0*
Credit Rating	Single A category rating	A2/A- Stable outlook
Dividend pay-out	40-60 %	40.5 %

\*Q2 2008 figure = LTM

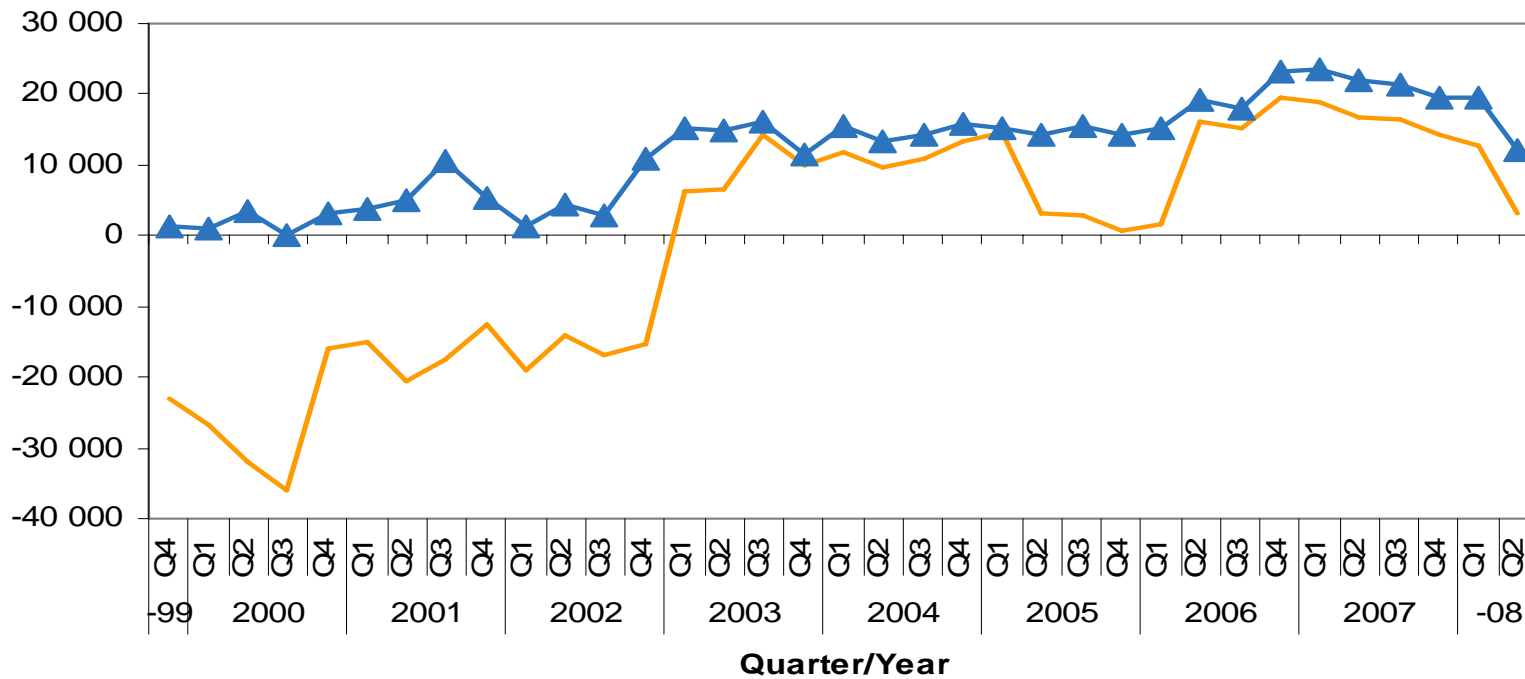
# ROE analysis, 2002 – 2008

ROE analysis, LTM



Please note: Figures according to Sw GAAP until 2003 and according to IFRS from 2004

# Cash flow development



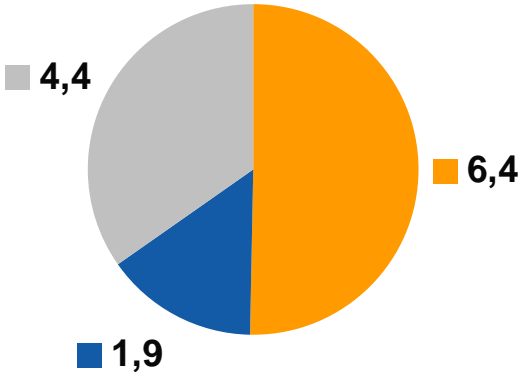
▲ Free cash flow from operations - Rolling 4 quarter (1)  
— Cash flow before financing activities - Rolling 4 quarter

<sup>1)</sup> Figures according to Sw GAAP until Q4 2004 and according to IFRS from Q1 2005

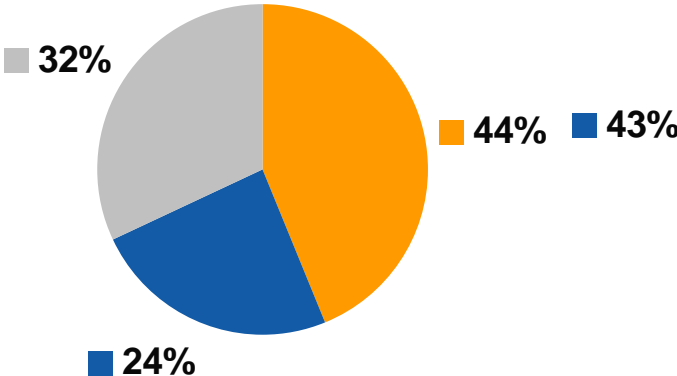


# Investments Q2 2008

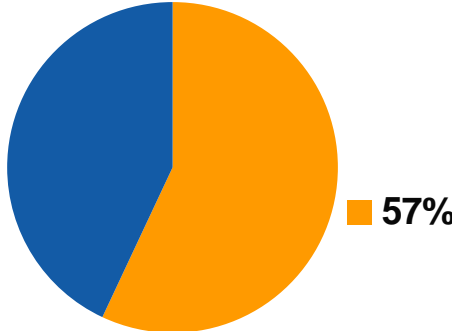
Total SEK12.7 billion



By Business Group, %



Maintenance / Growth, %



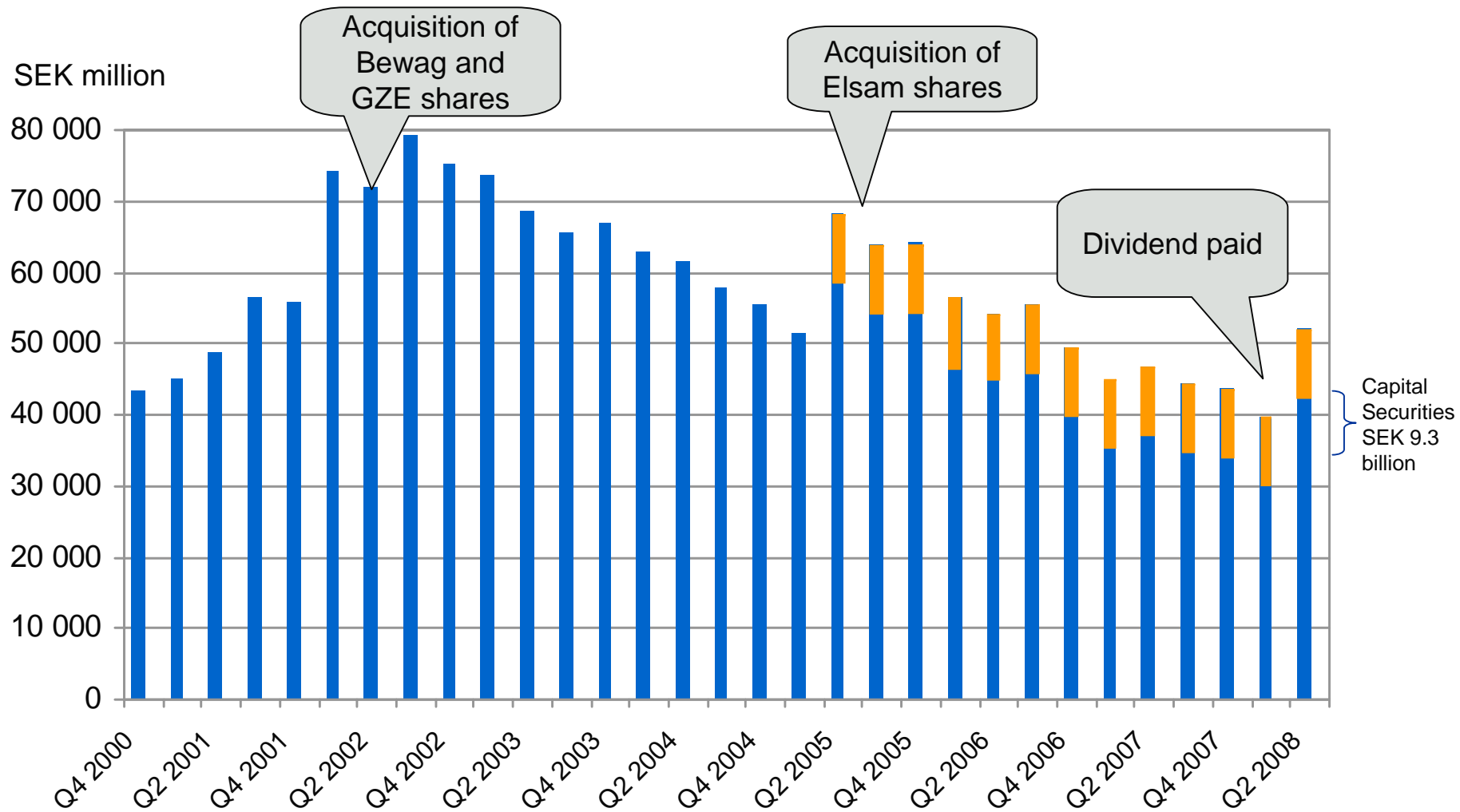
■ Electr and Heat ■ Networks ■ Other

■ Centr Europe ■ Nordic ■ Other

■ Maintenance ■ Growth

"Other" includes purchase of remaining minority shares in Vattenfall Europe AG (SEK 4.1 bn)

# Net debt development



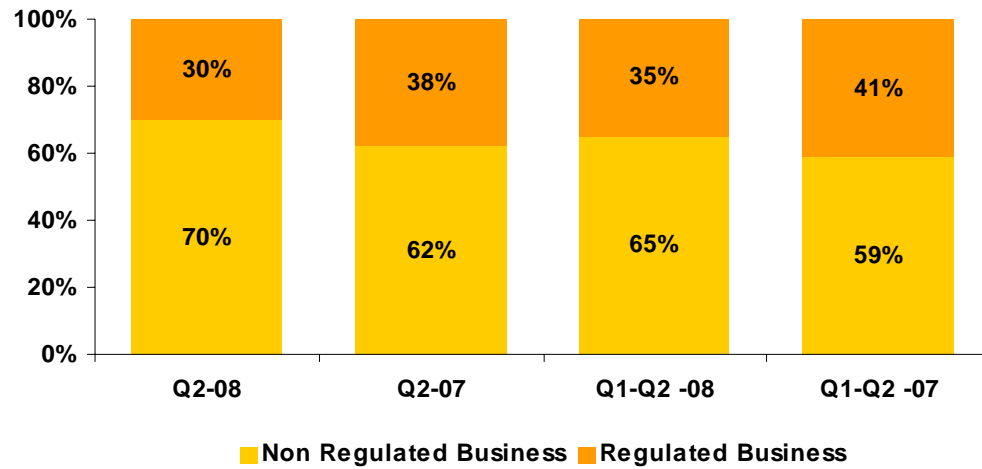


# Questions and Answers

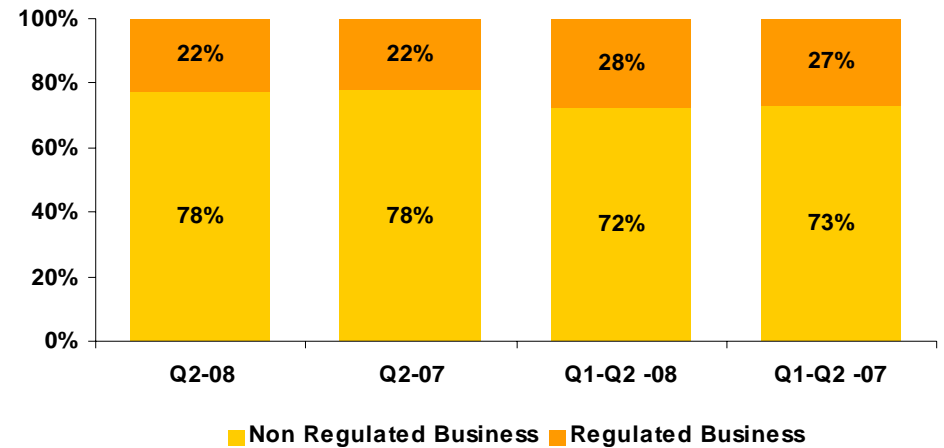
# Back-up slides

# Regulated and Non Regulated Business

Sales External



EBIT excl. IAC



**Regulated business:** Distribution, Transmission and Heat

**Non regulated business:** Generation and Sales

# Key data – BG Nordic

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<i>Amounts in SEK billion</i>	<b>Q2 2008</b>	<b>Q2 2007</b>	<b>% Change</b>	<b>LTM</b>	<b>FY 2007</b>	<b>FY 2006</b>
<b>Net sales</b>	11.2	10.2	9.4	48.4	46.7	40.1
<b>External net sales *</b>	12.1	9.0	34.4	49.4	44.4	48.2
<b>EBIT *</b>	3.8	2.4	57.8	15.9	12.4	13.2
<b>Net assets **</b>	92.7	83.7	10.8	n.a.	91.1	81.7
<b>Electr. generation, TWh</b>	22.4	22.8	-1.8	93.1	91.1	85.8
<b>Heat generation, TWh</b>	1.8	1.8	0.0	10.2	10.7	8.5
<b>Employees ***</b>	9 508	9 458	0.5	n.a.	9 489	9 158

\* Excl. intra group transactions

\*\* At the end of the period

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

# Key data – BG Central Europe

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<i>Amounts in SEK billion</i>	<b>Q2 2008</b>	<b>Q2 2007</b>	<b>% Change</b>	<b>LTM</b>	<b>FY 2007</b>	<b>FY 2006</b>
<b>Net sales</b>	30.8	27.7	10.9	129.7	122.3	111.0
<b>External net sales *</b>	21.0	19.6	6.9	91.5	86.7	78.9
<b>EBIT *</b>	3.6	3.4	6.0	14.9	16.5	15.0
<b>Net assets **</b>	81.6	75.1	8.7	n.a.	78.7	70.6
<b>Electr. generation, TWh</b>	17.4	17.1	1.8	76.8	76.6	79.5
<b>Heat generation, TWh</b>	4.0	3.5	14.3	25.9	25.5	26.7
<b>Employees ***</b>	22 222	22 327	-0.5	n.a.	22 396	22 657

\* Excl. intra group transactions

\*\* At the end of the period

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

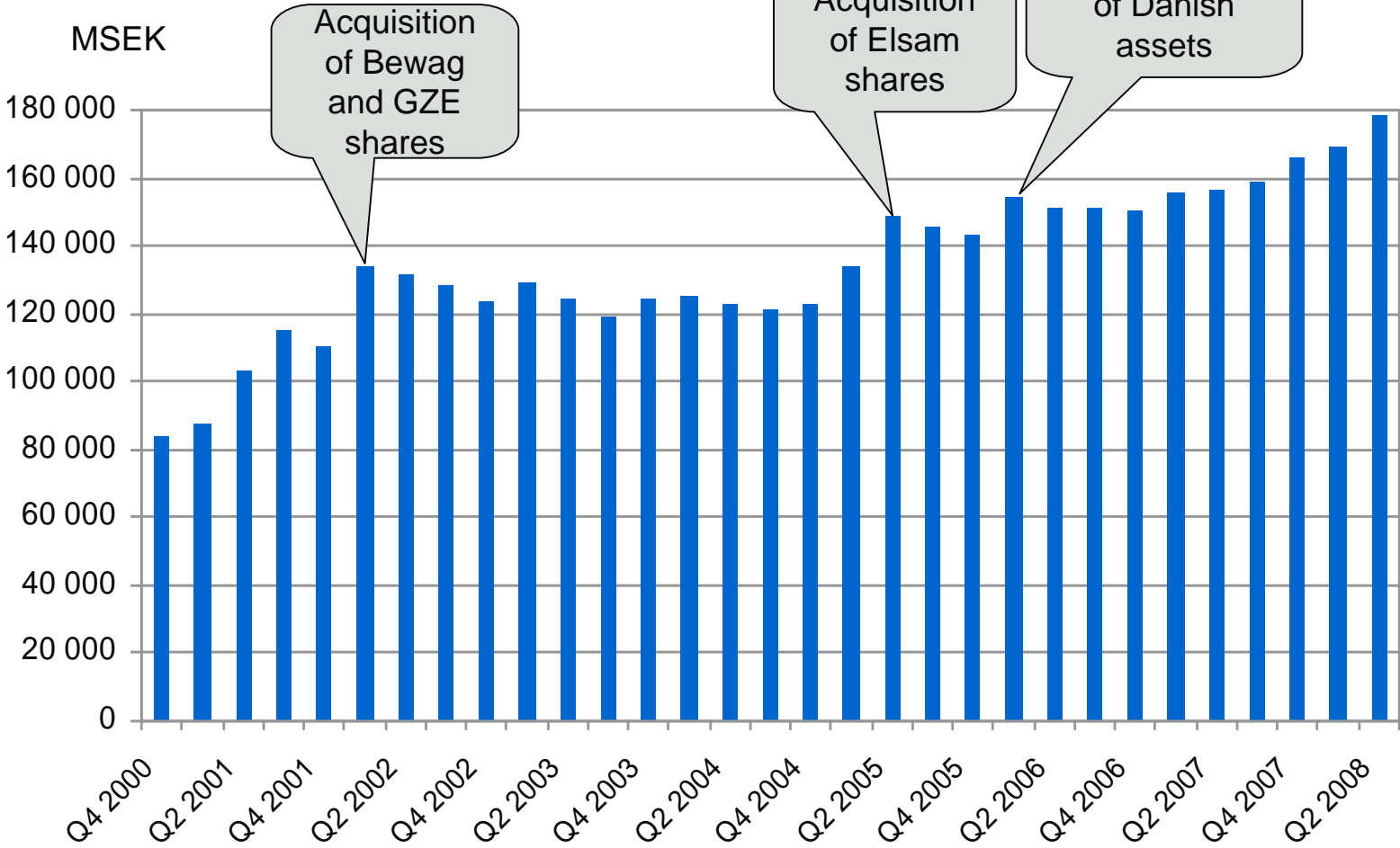
# Consolidated balance sheet

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Amounts in MSEK	30/6/08 IFRS	30/6/07 IFRS	Change %	31/12/07
Non-current assets	<b>272,888</b>	256,030	6.6	264,864
Current assets	<b>81,044</b>	66,451	22.0	73,372
<b>Total assets</b>	<b>353,932</b>	322,481	9.8	338,236
Equity	<b>112,372</b>	116,102	-3.2	124,132
Interest-bearing liabilities	<b>75,968</b>	67,996	11.7	67,189
Interest-bearing provisions	<b>56,421</b>	50,401	12.0	56,250
Pension provisions	<b>17,849</b>	17,415	2.5	17,735
Deferred tax liabilities	<b>22,736</b>	26,726	-14.9	23,704
Other non-interest-bearing liabilities	<b>68,586</b>	43,841	56.4	49,226
<b>Total equity and liabilities</b>	<b>353,932</b>	322,481	9.8	338,236



# Net asset development

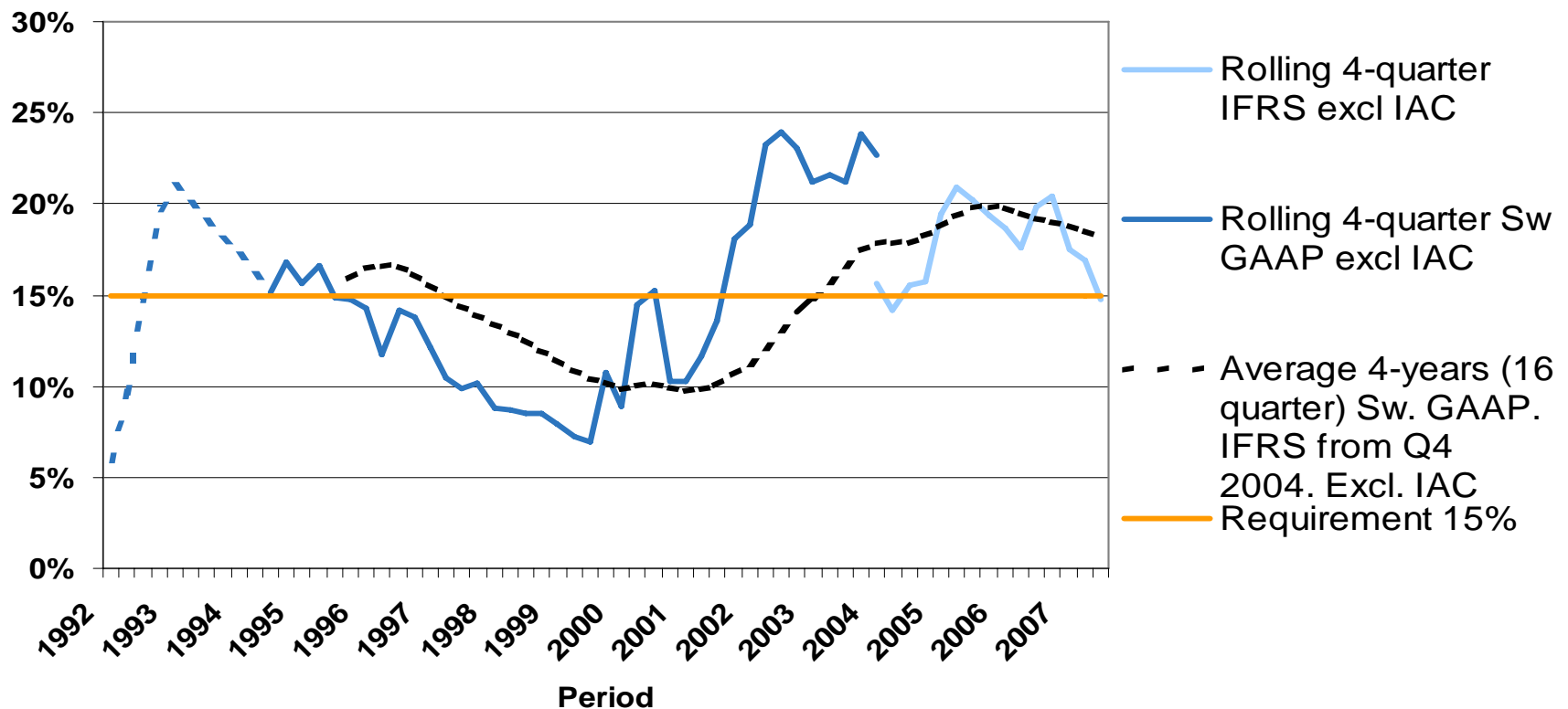


# Consolidated cash flow statement

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Amounts in MSEK	Q2 2008 IFRS	Q2 2007 IFRS	Change %	FY 2007	LTM
<b>Funds from operations (FFO)</b>	<b>-666</b>	4,932		34,049	28,073
Change in working capital	<b>8,068</b>	3,514	129.6	-1,718	2,995
<b>Cash Flow from operating activities</b>	<b>7,402</b>	8,446	-12.4	32,331	31,068
Investments	<b>-12,773</b>	-4,463	186.2	-18,964	-28,863
Divestments	<b>131</b>	191	-31.4	925	988
Cash and cash equivalents in aquired/divested companies	<b>5</b>			2	9
<b>Cash Flow from investing activities</b>	<b>-12,637</b>	-4,272	-195.8	-18,037	-27,866
<b>Cash Flow before financing activities</b>	<b>-5,235</b>	4,174		14,294	3,202
<b>Cash Flow from financing activities</b>	<b>-2,775</b>	-9,625	71.2	-18,662	-2,773
<b>Cash Flow for the period</b>	<b>-8,010</b>	-5,451	-46.9	-4,368	429
Net debt at the end of the period	<b>-52,011</b>	-46,765	-11.2	-43,740	-52,011

## Group - Return on Equity Six months interim accounts - 2008



# Break down of group liquidity

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Amounts in SEK million

*As of*

*June 30, 2008*

	Treasury	Germany	Poland	Nordic	<b>Total</b>	<b>%</b>
<b>Cash and bank</b>	913	669	575	841	<b>2,998</b>	13
<b>Investments</b>	2,300	16,455	248	894	<b>19,897</b>	87
<b>Total</b>	<b>3,214</b>	<b>17,124</b>	<b>823</b>	<b>1,735</b>	<b>22,896</b>	<b>100</b>

Unused committed credit facilities amount to 13,334 SEK million and other undrawn credit- and overdraft facilities amount to 11,390 SEK million.

# Break down of group debt

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Amounts in SEK million

As of

June 30, 2008

	Treasury	Germany	Poland	Nordic	Total	%
<b>Subordinated perpetual Capital Securities</b>	9,330				<b>9,330</b>	12
<b>MTN</b>	650				<b>650</b>	1
<b>EMTN</b>	33,479				<b>33,479</b>	44
<b>Liabilities to assoc. companies</b>	7,088	4,688			<b>11,775</b>	16
<b>Liabilities to minority shareholders</b>		34		6,108	<b>6,142</b>	8
<b>Commercial papers</b>	1,444				<b>1,444</b>	2
<b>Bank loans and others</b>	3,905	5,685		3,557	<b>13,147</b>	17
<b>Total</b>	<b>55,896</b>	<b>10,407</b>		<b>9,665</b>	<b>75,968</b>	<b>100</b>

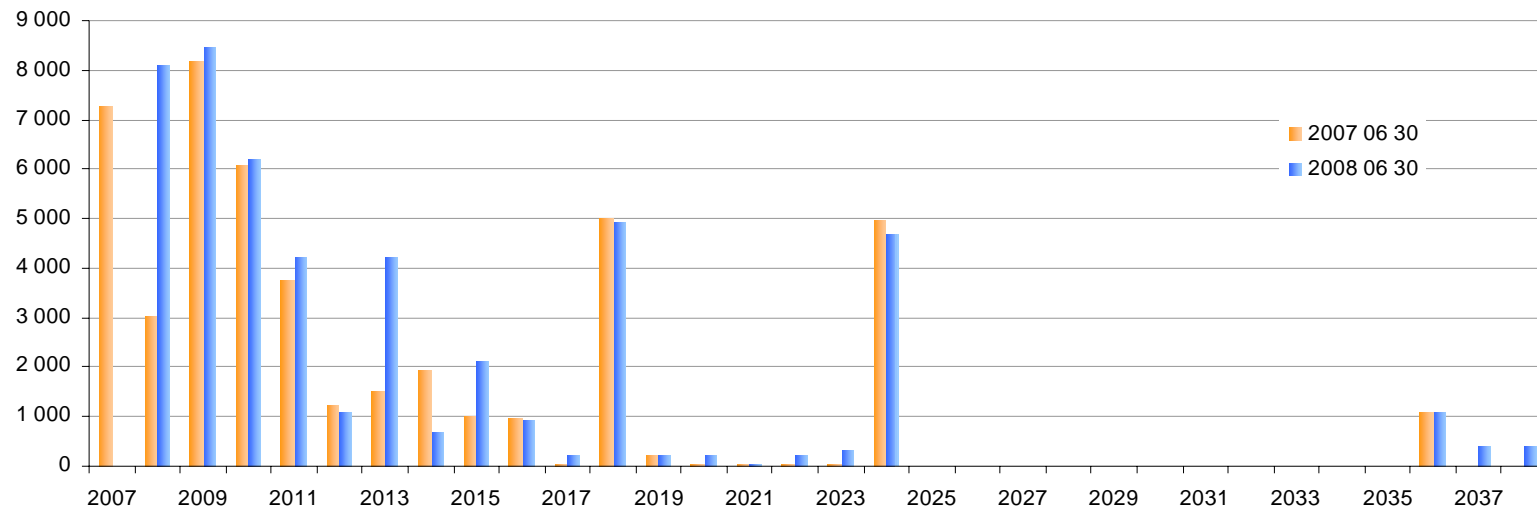
# Adjusted gross and net debt

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SEK million	31 June 2008	31 Dec 2007
<b>Gross debt</b>	-75 968	-67 189
Present value of net pension obligations (incl actuarial gains/losses)	-17 988	-17 073
Mining & environmental provisions	-12 230	-11 975
50% of Hybrid securities	4 665	4 671
<b>= Adjusted gross debt</b>	<b>-101 521</b>	<b>-91 566</b>
<b>Cash &amp; short term investments</b>	22 896	22 659
German nuclear "Solidarvereinbarung"	-3 217	-3 224
Minority owner's share of German nuclear subsidiaries cash position	-3 622	-3 531
<b>= Adjusted cash &amp; short term investments</b>	<b>16 057</b>	<b>15 904</b>
<b>= Adjusted net debt</b>	<b>-85 464</b>	<b>-75 662</b>

# Vattenfall debt maturity profile

SEK million



Excluding loans from associated companies and minority owners

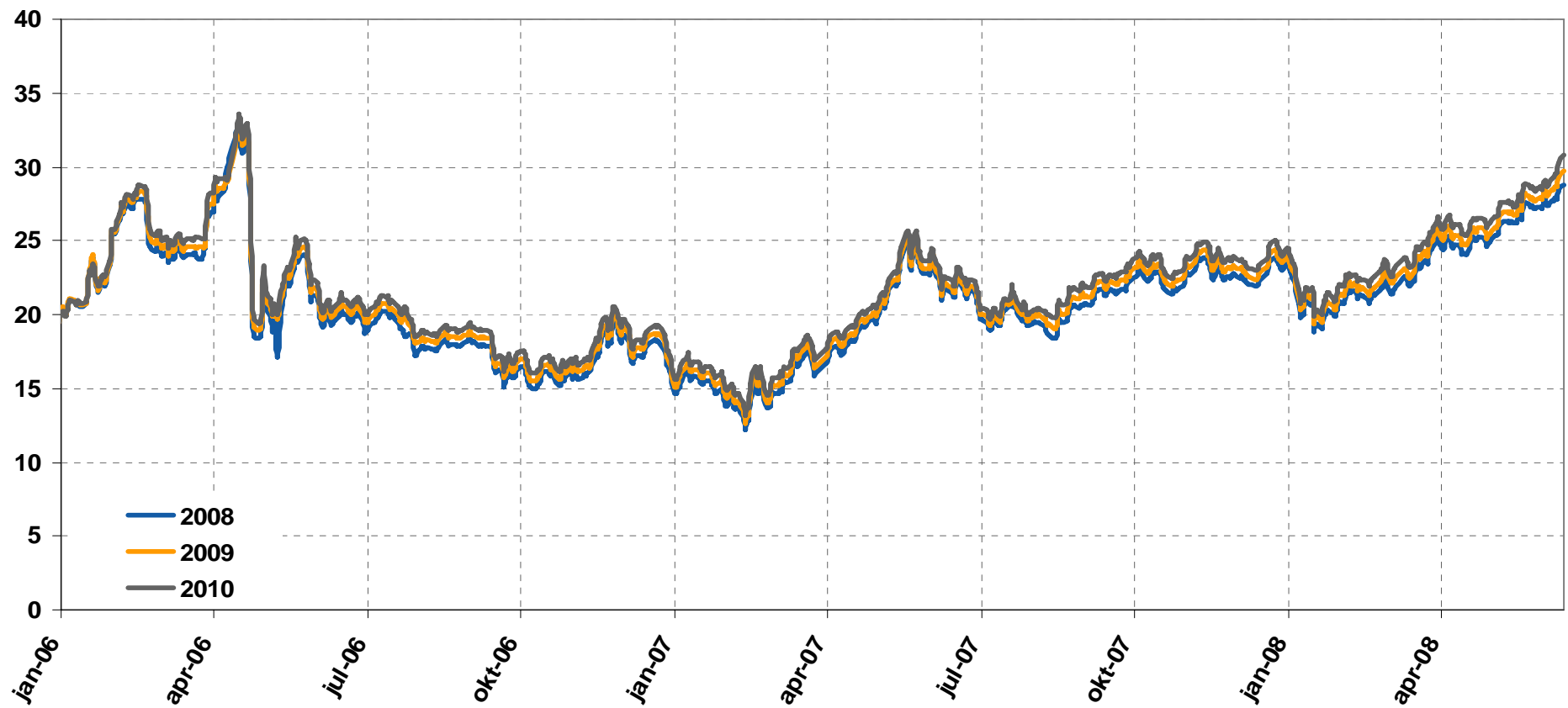
	June 30, 2008	June 30, 2007
Duration (years)	<b>3,0</b> <sup>1)</sup>	3,5
Average time to maturity (years)	<b>6,1</b> <sup>1)</sup>	6,3
Net debt (SEK bn)	<b>52,0</b>	46,8

1) Based on external debt. Excluding Capital Securities the duration is 2,4 years and average time to maturity 6,0 years.

# CO<sub>2</sub> allowances

40

EUR/tonne



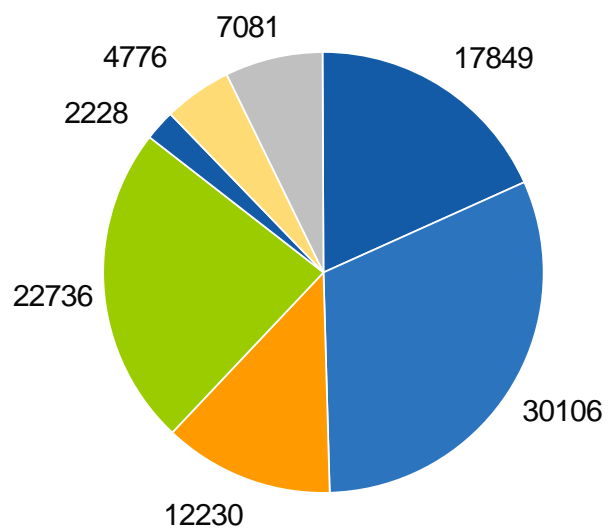


# Group provisions (IFRS)

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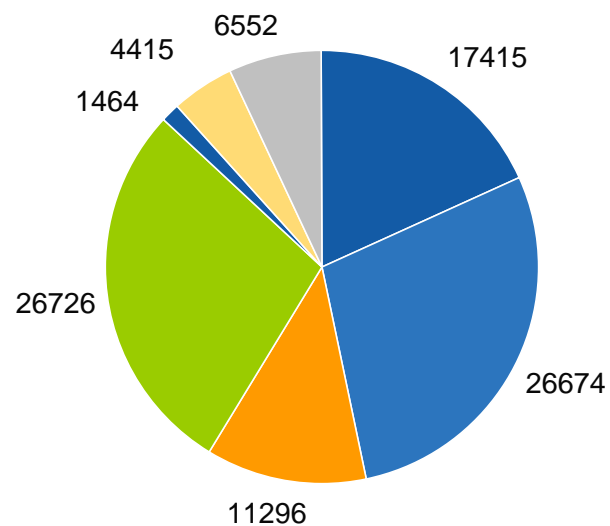
30 June 2008

SEK 97,006 million



30 June 2007

SEK 94,542 million



# Key ratios

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Key Ratios (% unless otherwise stated)	Q2 2008	Q2 2007	LTM
RoNA (1)	16.1	15.7	16.1
RoE (1)	14.8	19.9	14.8
Operating margin	17.9	17.7	19.4
Pre-tax profit margin	15.5	15.6	15.7
Cash Flow interest coverage after maintenance investments, times	1.1	8.4	4.0
FFO/net debt (1)	54.0	69.0	54.0
Equity/assets ratio	31.7	36.0	31.7
Net Gearing - Net debt/equity	46.3	40.3	46.3
Capitalisation - Net debt/net debt + equity	31.6	28.7	31.7

1) Q2 2008 value = LTM