

# Vattenfall Q2 results 2009

Presentations by

Lars G. Josefsson, CEO and  
Dag Andresen, CFO

30 July 2009

## CEO Lars G. Josefsson:

- Financial highlights
- Generation volumes
- Important events
  - Nuon acquisition
  - Krümmel outage
  - Transmission update

## CFO Dag Andresen:

- Market and price development
- P&L and Cash Flow
- Debt & liquidity position
- Capex

Net sales increased by

19.5% to SEK 42,128 million (35,259)

EBITDA increased by

0.7% to SEK 10,145 million (10,078)

EBIT decreased by

6.9% to SEK 5,881 million (6,316)

Profit after tax decreased by

35.1% to SEK 2,625 million (4,043)

Net debt increased by

SEK 2.9 bn to SEK 63.5 bn compared with 31 March 2009

## Return on Net Assets

13.9% LTM (FY 2008: 15.1%)

- target 11%.

## Return on Equity

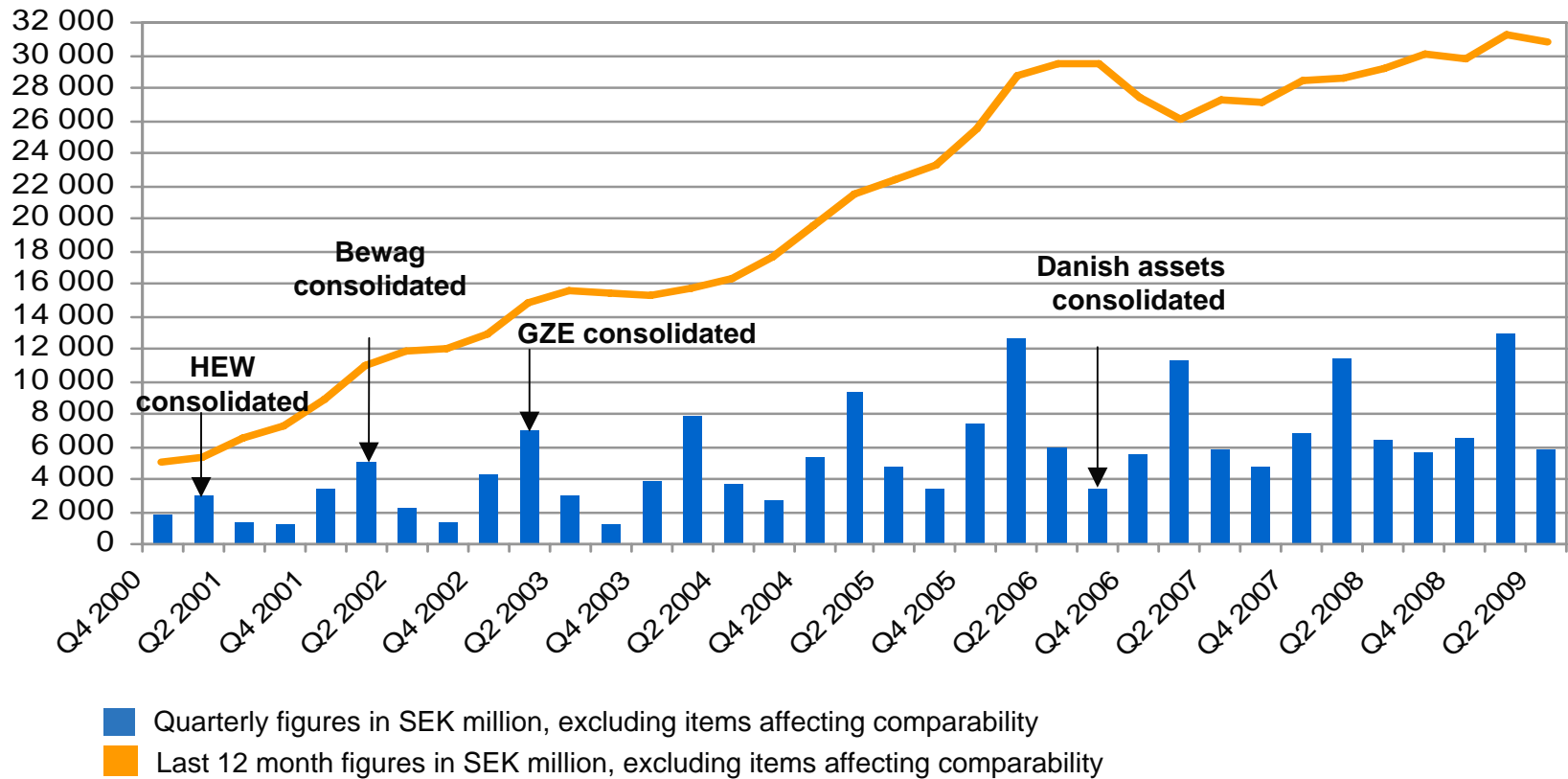
12.5 % LTM (FY 2008: 13.6%)

- long-term target 15%.

**LTM = Last Twelve Months**

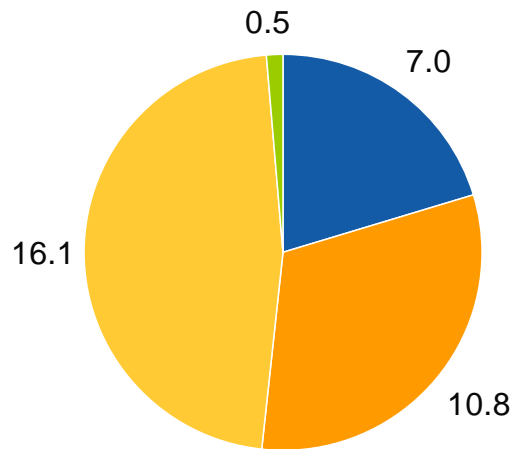
# EBIT development

## Quarterly figures, SEK million

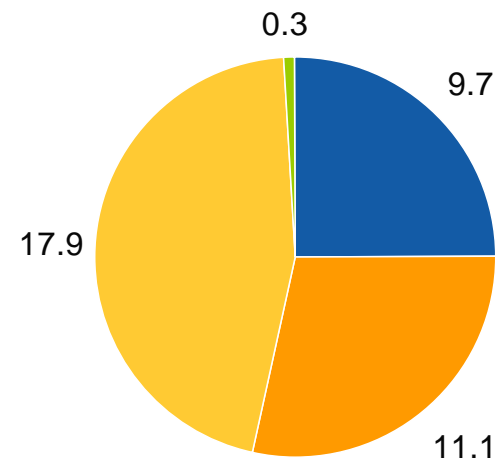


# Electricity generation decreased by 12.0%

Q2 2009: 34.4 TWh



Q2 2008: 39.1 TWh



Hydro

Nuclear

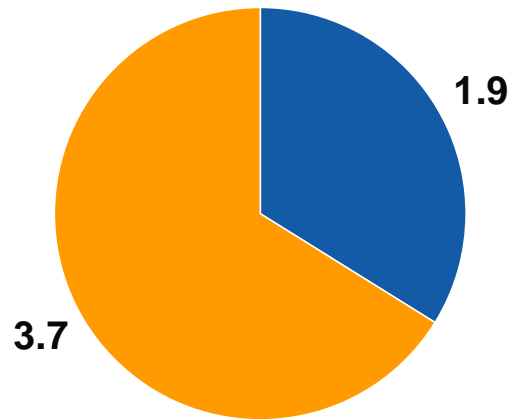
Fossil

Other

Other = wind, biofuel, waste

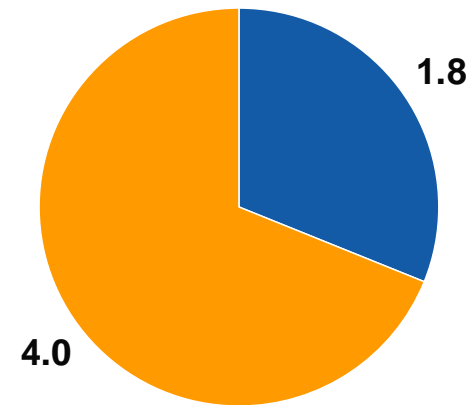
# Slightly decreased heat sales

Q2 2009: 5.6 TWh



Nordic

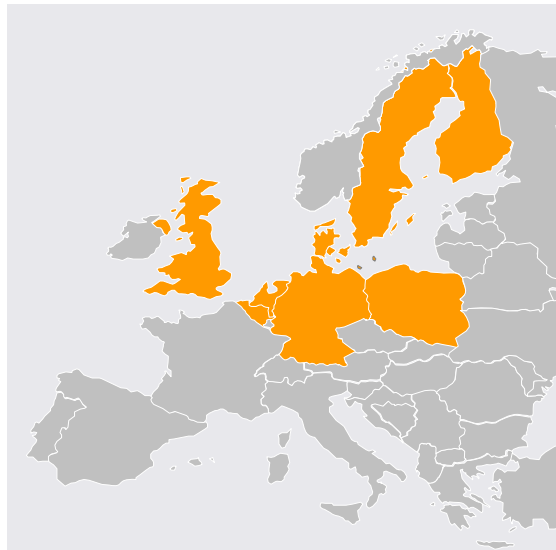
Q2 2008: 5.8 TWh




Central Europe

## Facts

- 1 July 2009: Initial purchase of 49% of shares for EUR 4.8 bn; remaining shares to be acquired 2011, 2013 and 2015
- Acquisition does not include Nuon's grid company Alliander
- 100% of Nuon's shareholders accepted Vattenfall's bid. EU competition clearance on condition that Nuon Deutschland be divested.
- Vattenfall has operational control from 1 July and will consolidate Nuon as from that date.
- Nuon forms a new regional Business Group; Business Group Benelux
- Transaction was pre-funded in the bond markets. The initial EUR 5.0 bn credit facility was never utilised.



 Vattenfall's presence after Nuon acquisition

## Strategic rationale

- The Netherlands is one of the most attractive regions for Vattenfall's expansion
  - Growing market, capacity shortage and shift toward renewable energy
  - Proximity, connectivity
- Beneficial risk diversification with new core market
- New gas competence also provides a partial hedge to coal-fired operations
- Annual synergies EUR100m by 2015



# Events at Krümmel nuclear plant

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## Krümmel nuclear plant

Installed capacity: 1,346 MW

Vattenfall's ownership: 50%



- 1 July 2009 – Transformer problems. Krümmel down to 50% capacity
- 4 July 2009 – Krümmel went off-line due to a short circuit in one of the two transformers that connect the plant to the grid. The reactor was shut down (scrammed) completely in accordance with existing routines. The safety system worked properly.
- The event has preliminary been classified as zero (0), which is below the seven degree International Nuclear Event Scale (INES), i.e., deviations with “No safety significance”.
- 7 July 2009 – Vattenfall announced that both transformers will be replaced before the plant goes back online. This will take more than six months and cost about 20 MEUR.

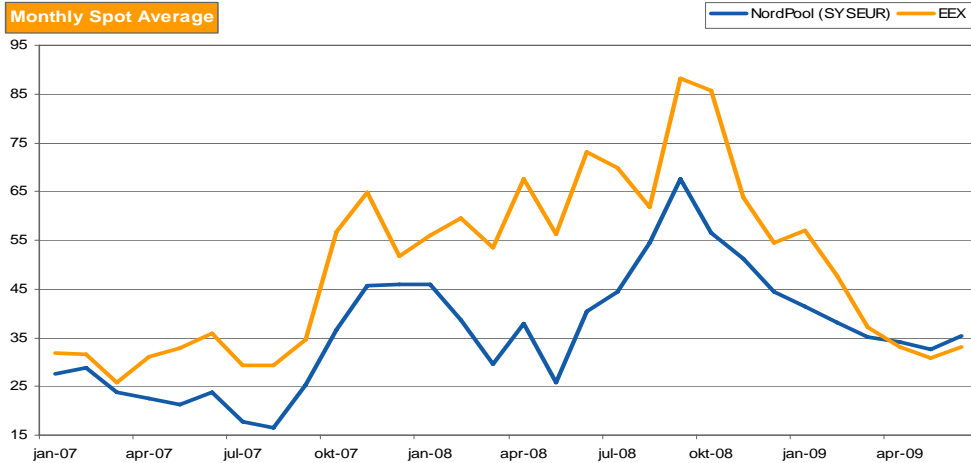
- In July 2008, Vattenfall approached potential investors for the possible sale of our German Transmission operations
- We are optimistic that the sale will be closed in H2 2009
- The investor must fulfill the following criteria:
  - have a long-term focus
  - ensure substantial investments in network 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

# Financials

Dag Andresen, CFO

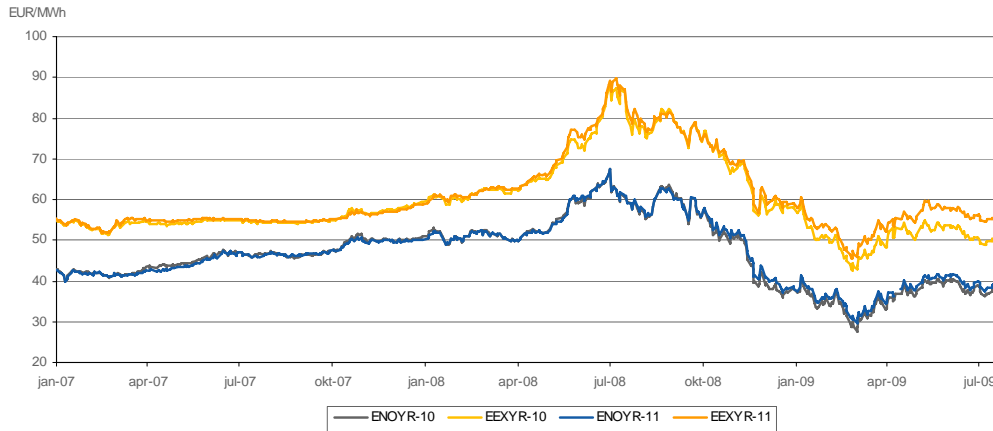
# Electricity price development

Monthly Spot Average



Q2 2009 vs. Q2 2008. Nord Pool avg. prices unchanged, EEX avg. prices 51% down

Daily Forward Closing Prices



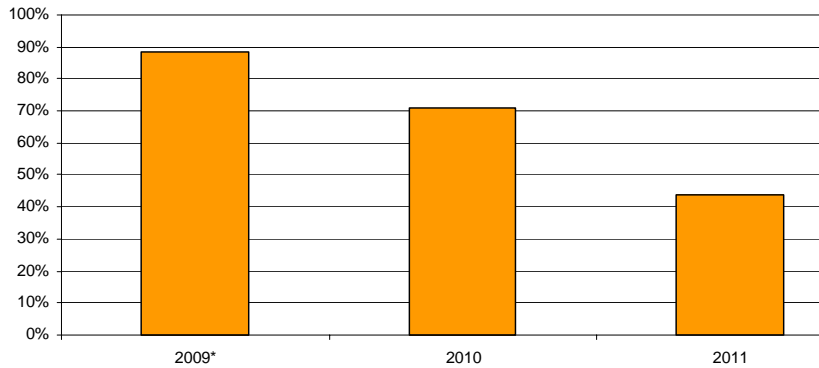
Nordic and German forward prices increased during Q2 2009

# Hedging position as of 30 June 2009

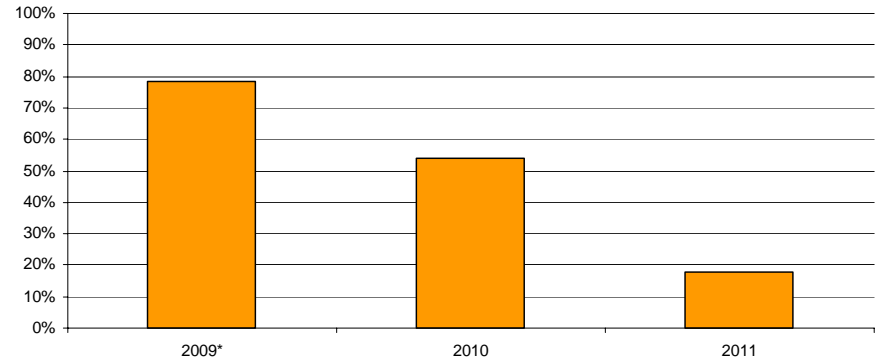
## Hedging levels virtually unchanged compared with Q1 2009

% hedged of planned electricity generation, including long-term fixed-price contracts with industrial customers

Nordic



Germany & Poland



\* Remaining part of the year

# Consolidated income statement

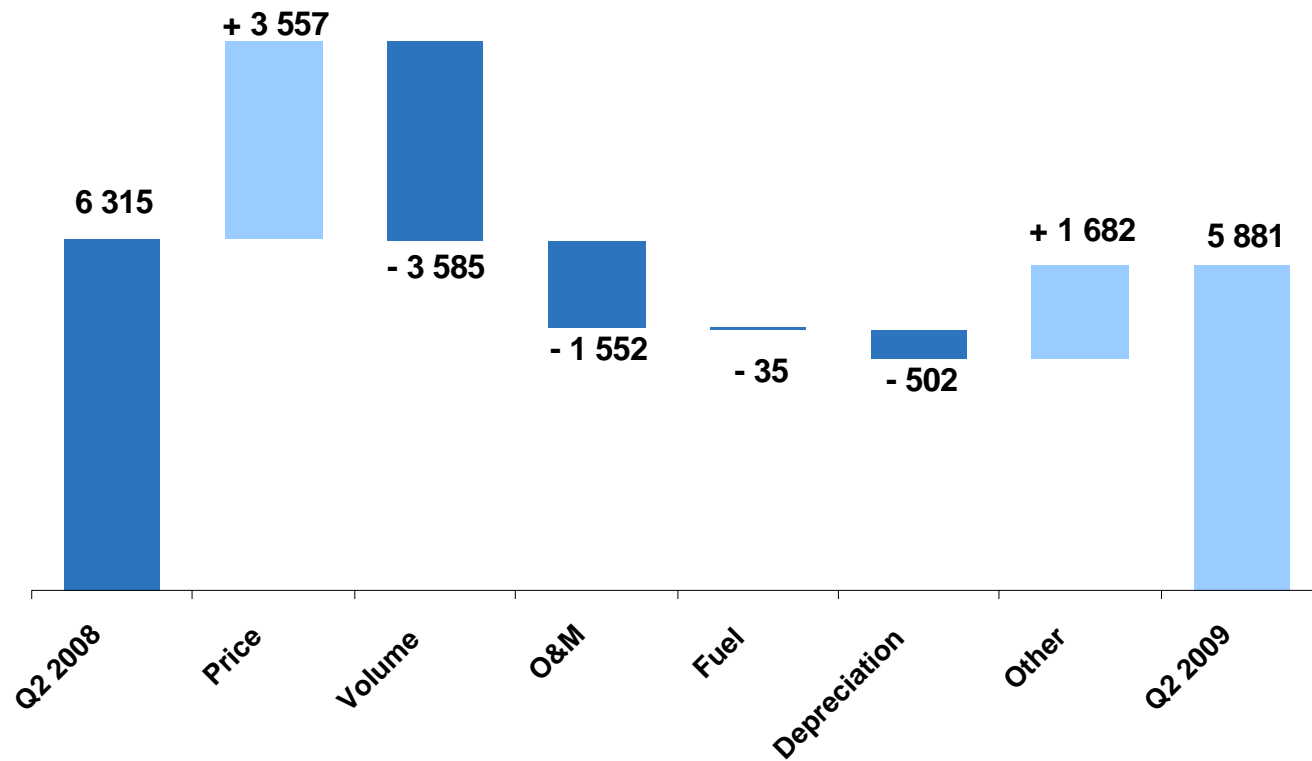
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Amounts in MSEK	Q2 2009 IFRS	Q2 2008 IFRS	Change %	FY2008	LTM
Net sales	42,128	35,259	19.5	164,549	178,542
Cost of products sold	-32,788	-25,755	27.3	-122,961	-135,407
<b>Gross profit</b>	<b>9,340</b>	9,504	-1.7	41,588	43,135
<b>Operating profit (EBIT)</b>	<b>5,881</b>	6,316	-6.9	29,895	30,894
<b>Operating profit, excl. IAC*</b>	<b>5,807</b>	6,300	-7.8	29,797	30,798
Financial income	415	740	-43.9	3,412	3,060
Financial expenses	-2,823	-1,580	78.7	-9,809	-11,770
<i>Financial net</i>	<b>-2,408</b>	-840	-186.7	-6,397	-8,710
<b>Profit before taxes</b>	<b>3,473</b>	5,476	-36.6	23,498	22,184
Taxes	-848	-1,433	-40.8	-5,735	-4,932
<b>Profit for the period</b>	<b>2,625</b>	4,043	-35.1	17,763	17,252

\* IAC = items affecting comparability

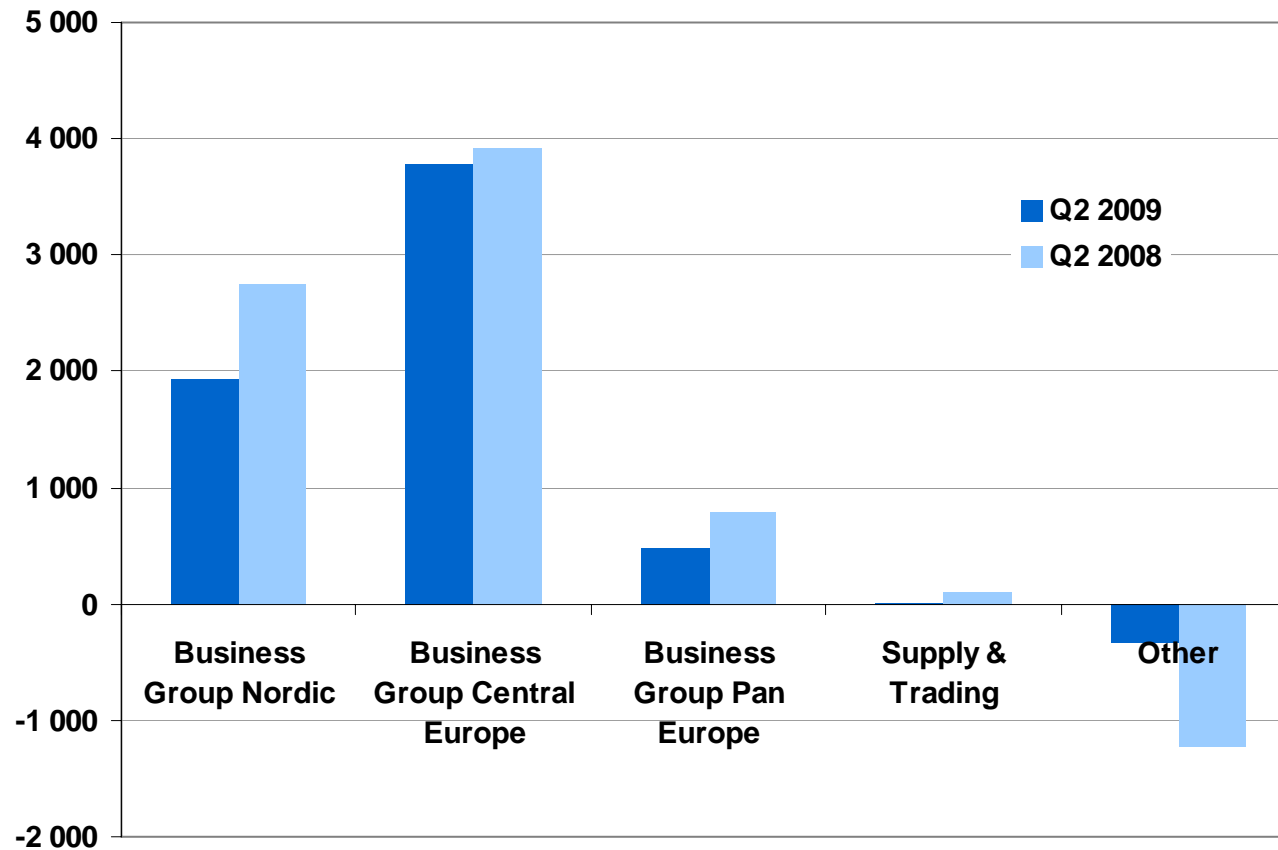
# EBIT development, Q2 2009

SEK million



# EBIT by Operating Segment

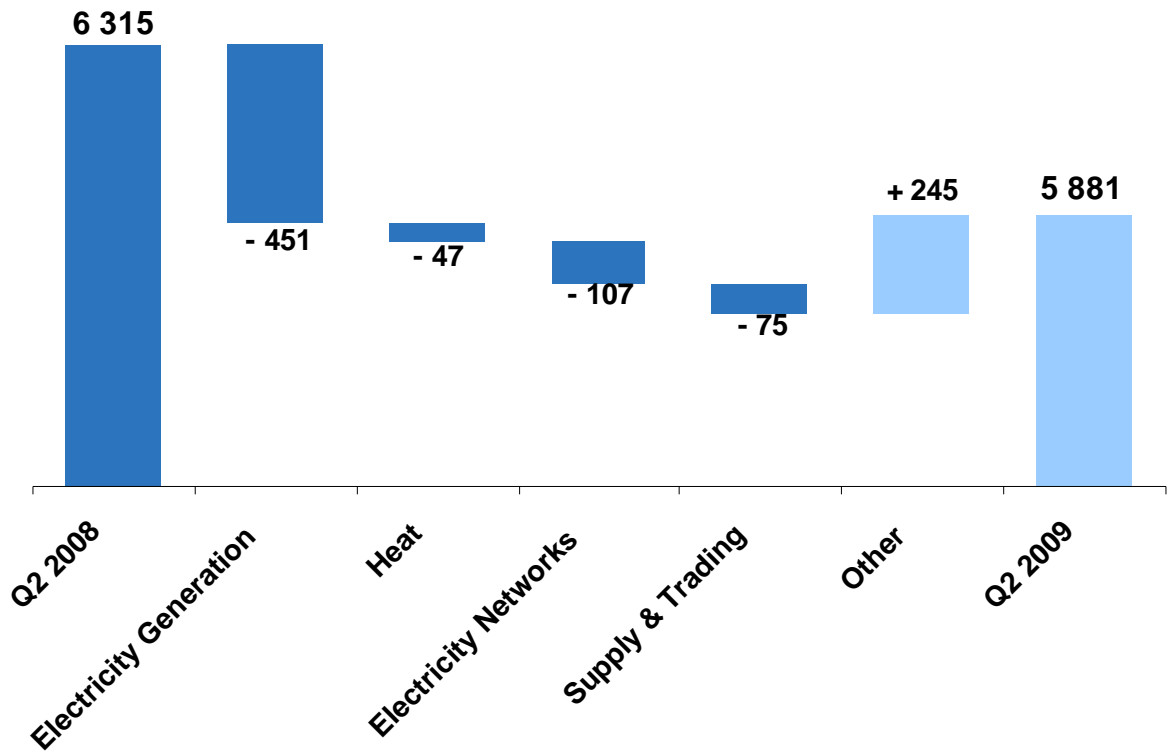
SEK million





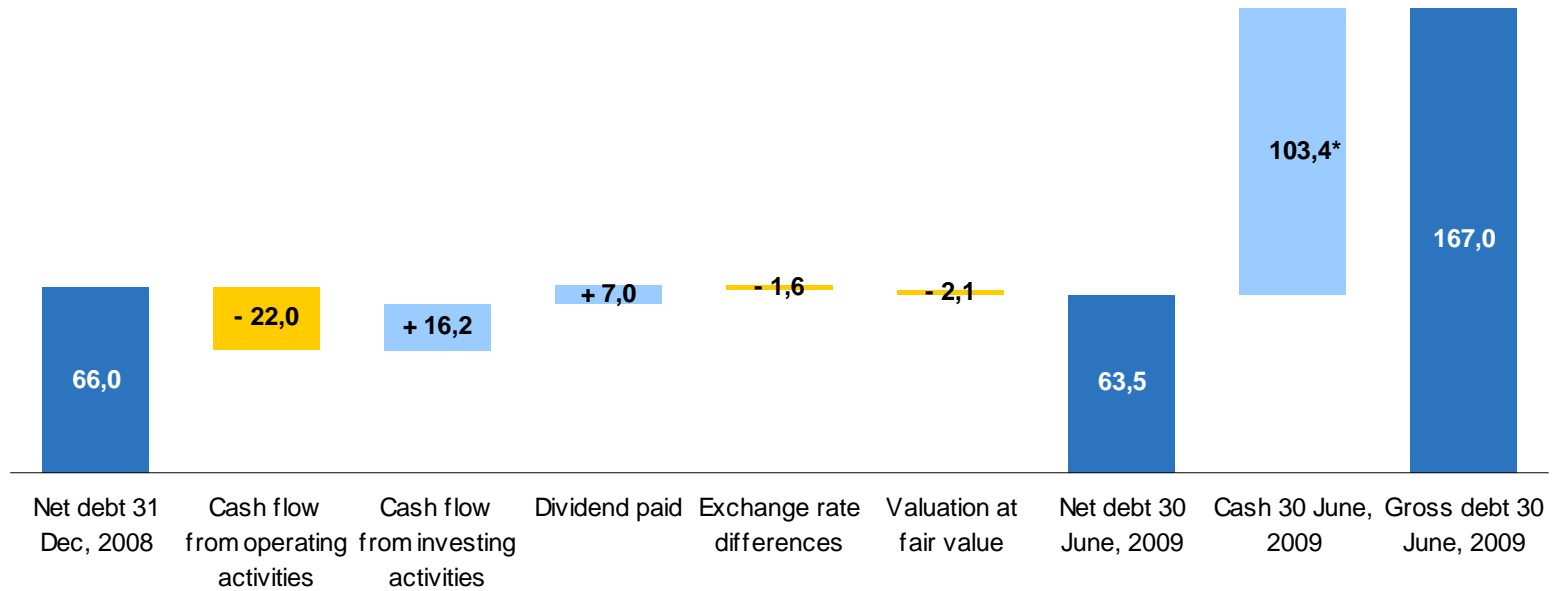
# EBIT development, Q2 2009 – by Products & Services<sup>17</sup>

SEK million



# Debt development 2009

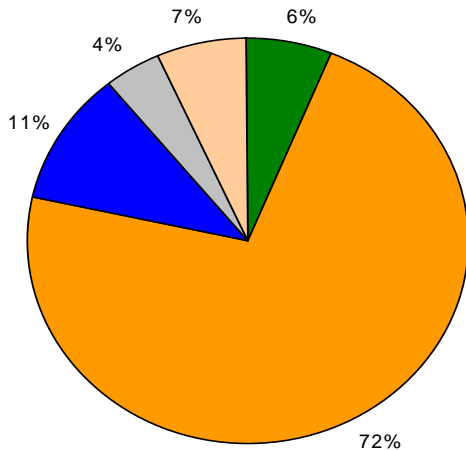
SEK billion



\*Includes loans to minority owners in foreign subsidiaries of SEK 1.5bn (excluded from liquidity calculation – please see slide 21)

# Breakdown of gross debt

**Total debt at 30 June 2009:  
SEK166.9 bn<sup>1)</sup> (EUR15.4 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 142.0 bn (85%)

Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	8 879
SEK 10 bn Domestic MTN	922	0
USD 2 bn Euro CP	1 383	0
SEK 15 bn Domestic CP	1 366	0

- All public debt issued by Vattenfall AB or Vattenfall Treasury AB (fully guaranteed by Vattenfall AB)
- No currency exposure in the debt portfolio
- No structural subordination
- On 5 March 2009 Vattenfall AB issued a triple-tranche Eurobond totalling EUR 2.7 bn
- On 25 March 2009 the EMTN-programme was upsized to EUR 15 bn
- On 1 April 2009 Vattenfall AB issued a dual-tranche Sterling bond of GBP 1.35 bn
- On 6 May 2009 Vattenfall Treasury AB issued a Eurobond of EUR 1.35 bn

# Strong liquidity position

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30 June 2009

## Group liquidity

SEK million

Cash and cash equivalents	82 399
Short term investments	19 475
<b>Total</b>	<b>101 874<sup>1)</sup></b>

1) Of which SEK 81 875 million is fully available. Not fully available liquidity comprises German nuclear "Solidarvereinbarung" 3 692 million, Minority owners share of German nuclear subsidiaries cash position 4 121, Restricted cash for certain personnel-related provisions 1 324, Credit support Annex (Margin Calls) 9 243 and other not fully available liquidity 1 619.

Committed credit facilities	Line size	Amount available (SEK m)
RCF (maturity February 2013)	EUR 1 000 million	10 846
Overdraft facility	SEK 100 million	100
<b>Total undrawn</b>		<b>10 946</b>

Other credit lines unutilised: 10 827 SEK million

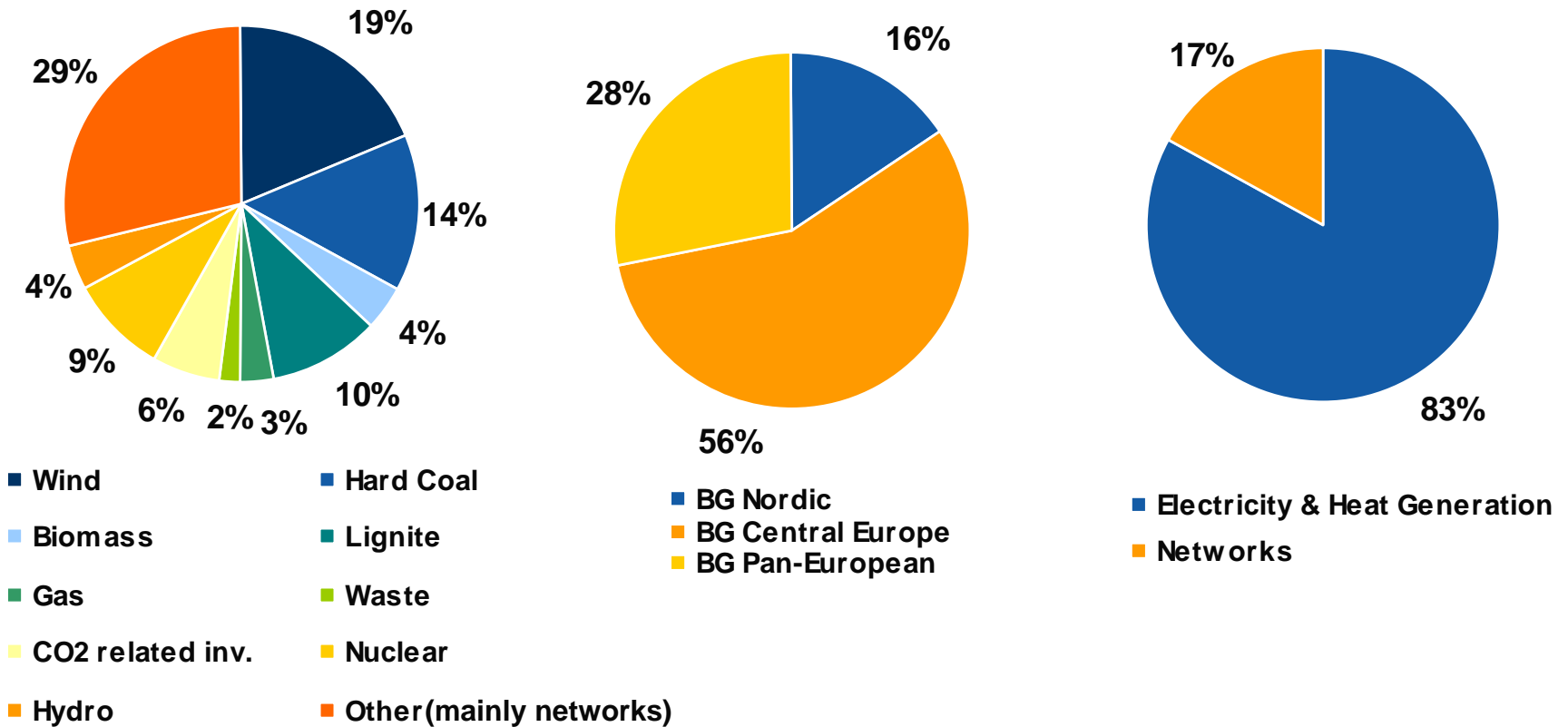
## Debt maturities <sup>2)</sup>

- within 90 days	841
- within 180 days	1 730

2) Excluding loans from minority owners and associated companies

# Capex programme is being revised

The 5-year SEK 191 bn capex programme that was announced in February is currently being revised



- Reasonable good Q2 results given difficult market conditions and lower production volumes
- Nuon acquisition completed on 1 July
- Unplanned outage at Krümmel nuclear plant
- Successful transactions in the bond markets
- CAPEX programme is being revised

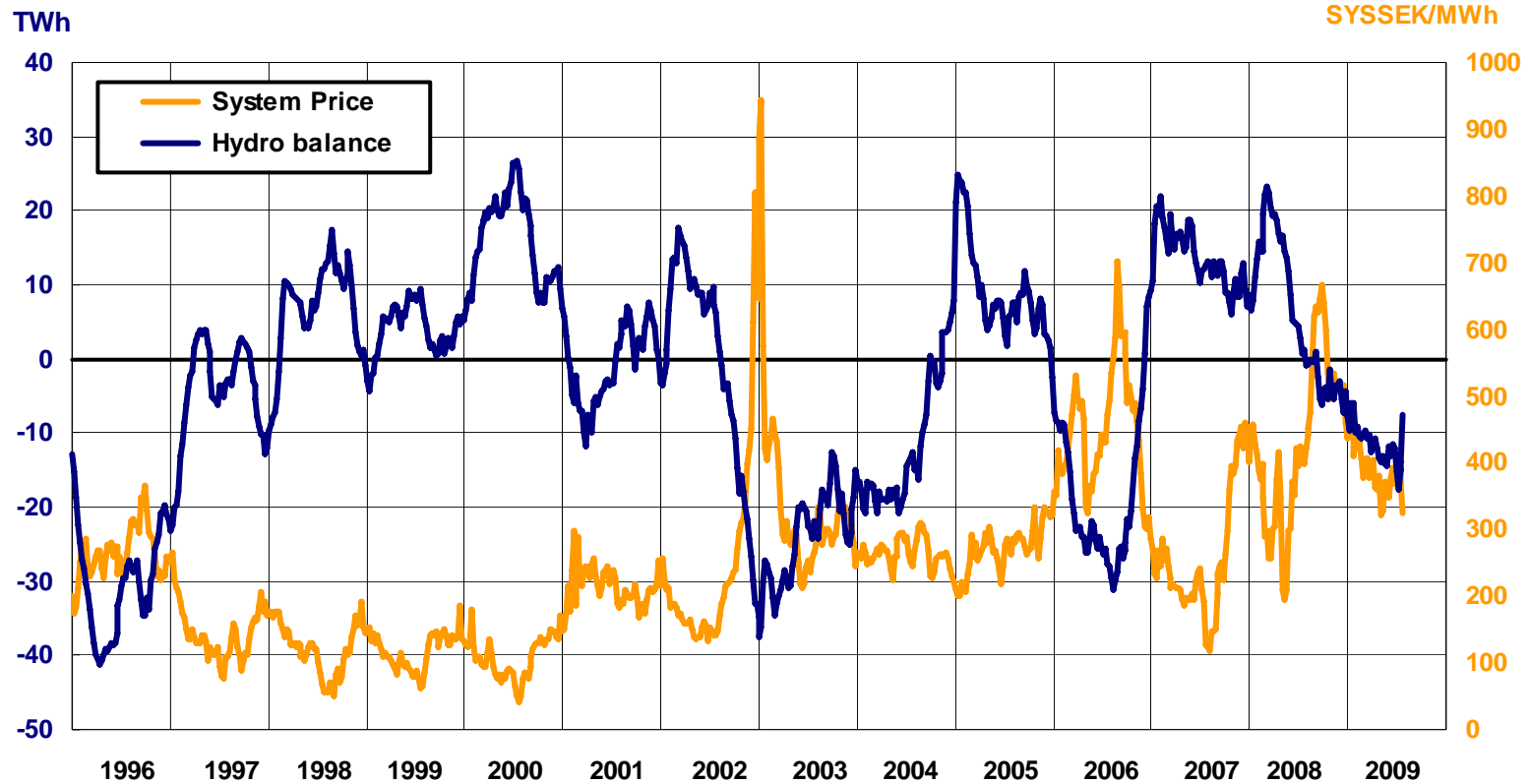
# Questions and Answers



# Back-up slides



## Nordic countries



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



# Combined entity will emerge as a top player in the European energy market providing leadership in producing clean electricity 27

## Top position in the European energy market

<b>Heat generation</b>	39.2 TWh	<b>#1 in Europe</b>
<b>Electricity generation</b>	185 TWh	<b>#5 in Europe</b>
<b>Trading</b>	Presence in major trading hubs and commodities	<b>Top 3</b>

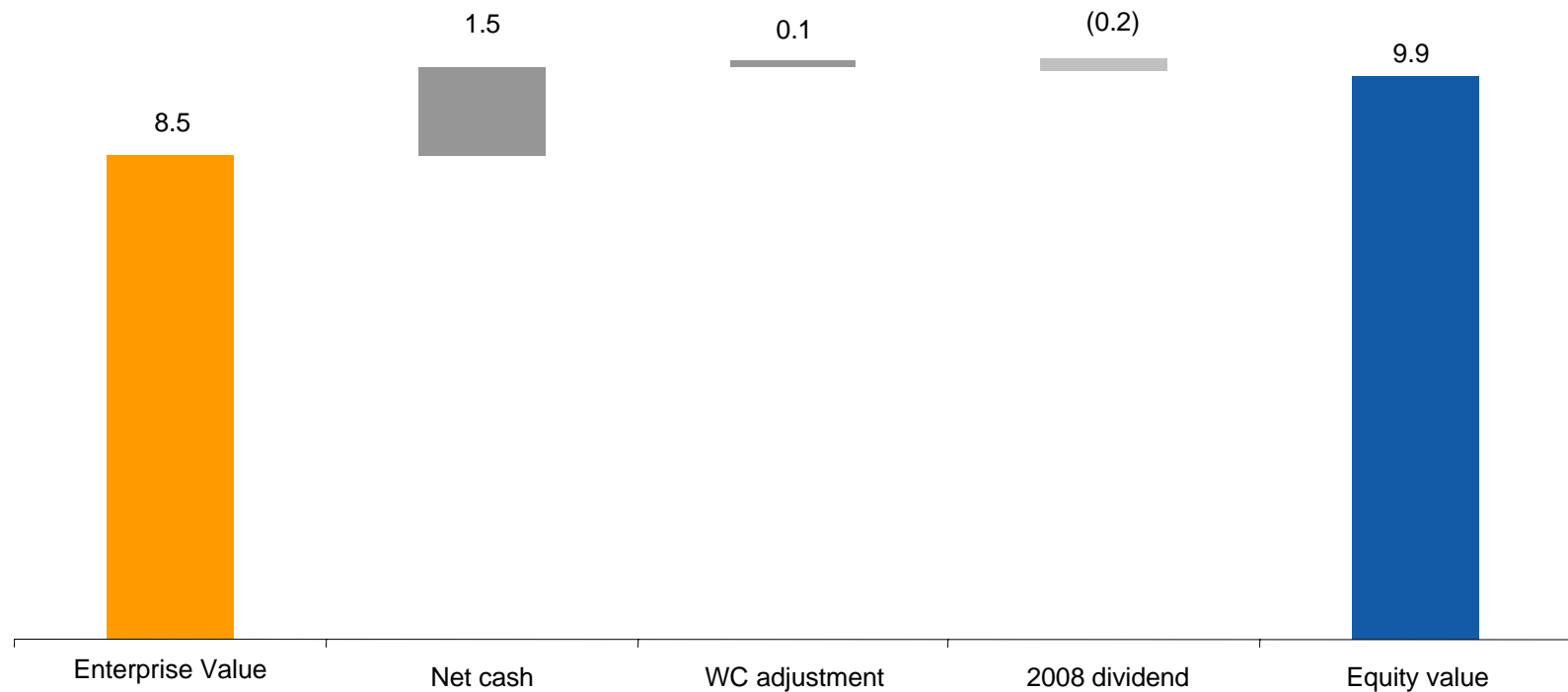
## Leader in Europe with clean technology platform

<b>Wind capacity</b>	Offshore – 371 MW Total – 900 MW	<b>#1 in Europe</b> <b>#8 in Europe</b>
<b>Bio-mass installed capacity*</b>	520 MW	<b>#5 in Europe</b>
<b>Clean technology platform</b>	Leaders in developing IGCC, CCS and on- / offshore wind	<b>Global thought leader</b>

# Nuon acquisition: updated EV to Equity bridge

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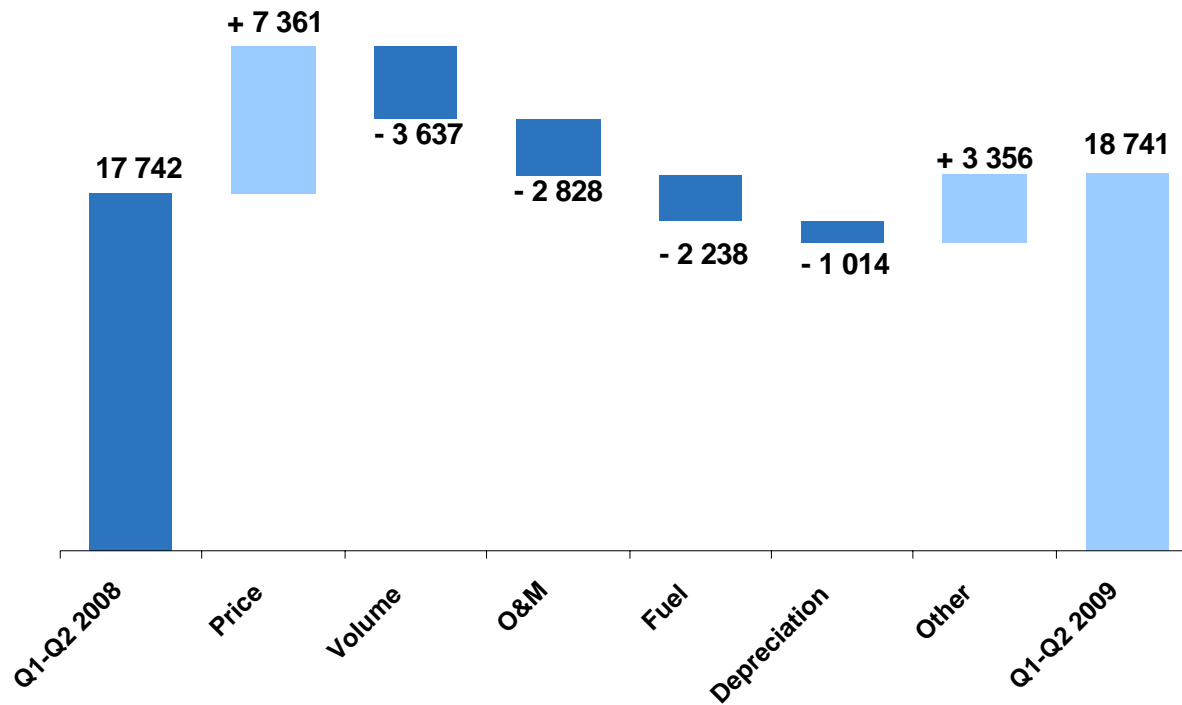
Slightly lower equity value (EUR 9.9 bn) than presented in February 2009 (EUR 10.3)



Updated 1 July 2009

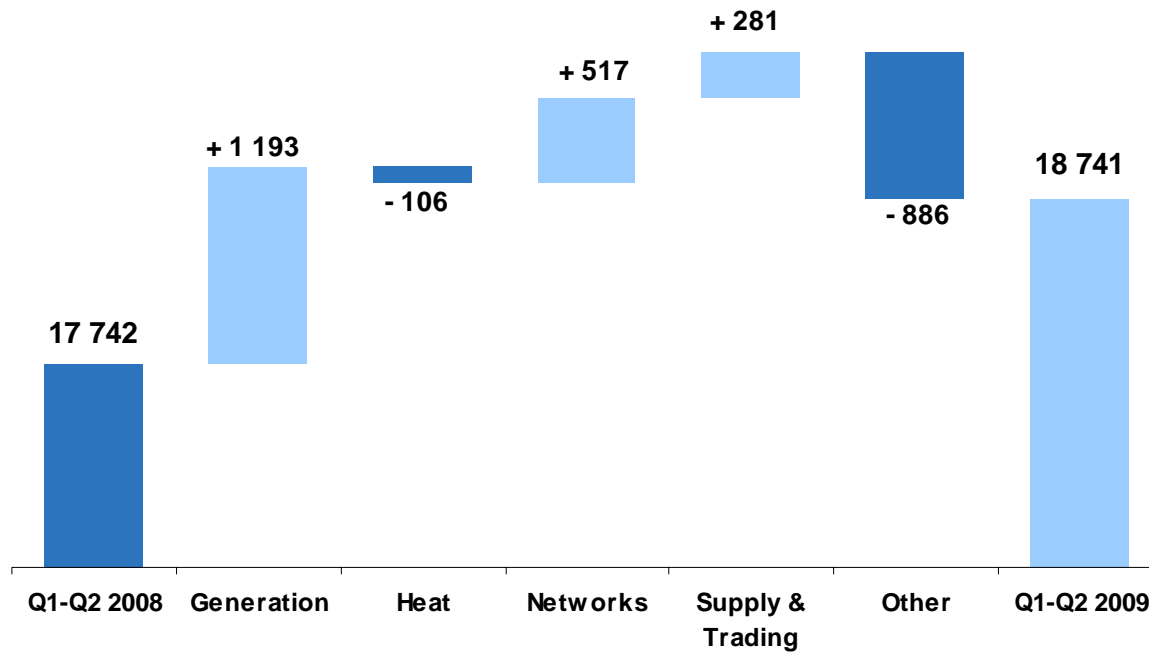
# EBIT development, H1 2009

SEK million



# EBIT development, H1 2009 – by Products & Services

SEK million



# Financial targets and outcome

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Key Ratio	Targets	Q2 2009
Return on Equity (RoE)	15 % on average equity	12.5%*
Return on Net Assets (RoNA, excl. IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	13.9%*
Cash flow interest coverage after maintenance investments	3.5 – 4.5 times	4.7*
Credit Rating	Single A category rating	A2/A Stable outlook
Dividend pay-out	40-60 %	40.4 %

\*Q2 2009 figure = LTM

# Consolidated balance sheet

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Amounts in MSEK	30/6/09 IFRS	30/6/08 IFRS	Change %	31/12/08
Non-current assets	<b>325,043</b>	272,888	19.1	317,912
Current assets	<b>175,578</b>	81,044	116.6	127,915
<b>Total assets</b>	<b>500,621</b>	353,932	41.4	445,827
Equity	<b>145,060</b>	112,372	29.1	140,886
Interest-bearing liabilities	<b>166,903</b>	75,968	119.7	107,347
Interest-bearing provisions	<b>89,076</b>	74,270	20.0	69,047
Pension provisions	<b>20,849</b>	17,849	16.8	20,752
Deferred tax liabilities	<b>27,618</b>	22,736	21.5	26,107
Other non-interest-bearing liabilities	<b>99,582</b>	91,322	9.0	81,688
<b>Total equity and liabilities</b>	<b>500,621</b>	353,932	41.4	445,827



# Consolidated cash flow statement

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Amounts in MSEK	Q2 2009 IFRS	Q2 2008 IFRS	Change %	FY 2008	LTM
<b>Funds from operations (FFO)</b>	<b>2,568</b>	-666	--	30,735	40,901
Change in working capital	<b>7,869</b>	8,068	157.6	5,459	835
<b>Cash Flow from operating activities</b>	<b>10,437</b>	7,402	41.0	36,194	41,736
Investments	<b>-9,939</b>	-12,773	-22.2	-42,296	-41,443
Divestments	<b>675</b>	131	415.3	865	1,144
Cash and cash equivalents in acquired/divested companies	<b>27</b>	5	440.0	158	177
<b>Cash Flow from investing activities</b>	<b>-9,237</b>	-12,637	-26.9	-41,273	-40,122
<b>Cash Flow before financing activities</b>	<b>1,200</b>	-5,235	--	-5,079	1,614
<b>Cash Flow from financing activities</b>	<b>20,363</b>	-2,775	--	14,294	66,391
<b>Cash Flow for the period</b>	<b>21,563</b>	-8,010	--	9,215	68,005
Net debt at the end of the period	<b>-63,478</b>	-52,011	22.0	-66,000	-63,478

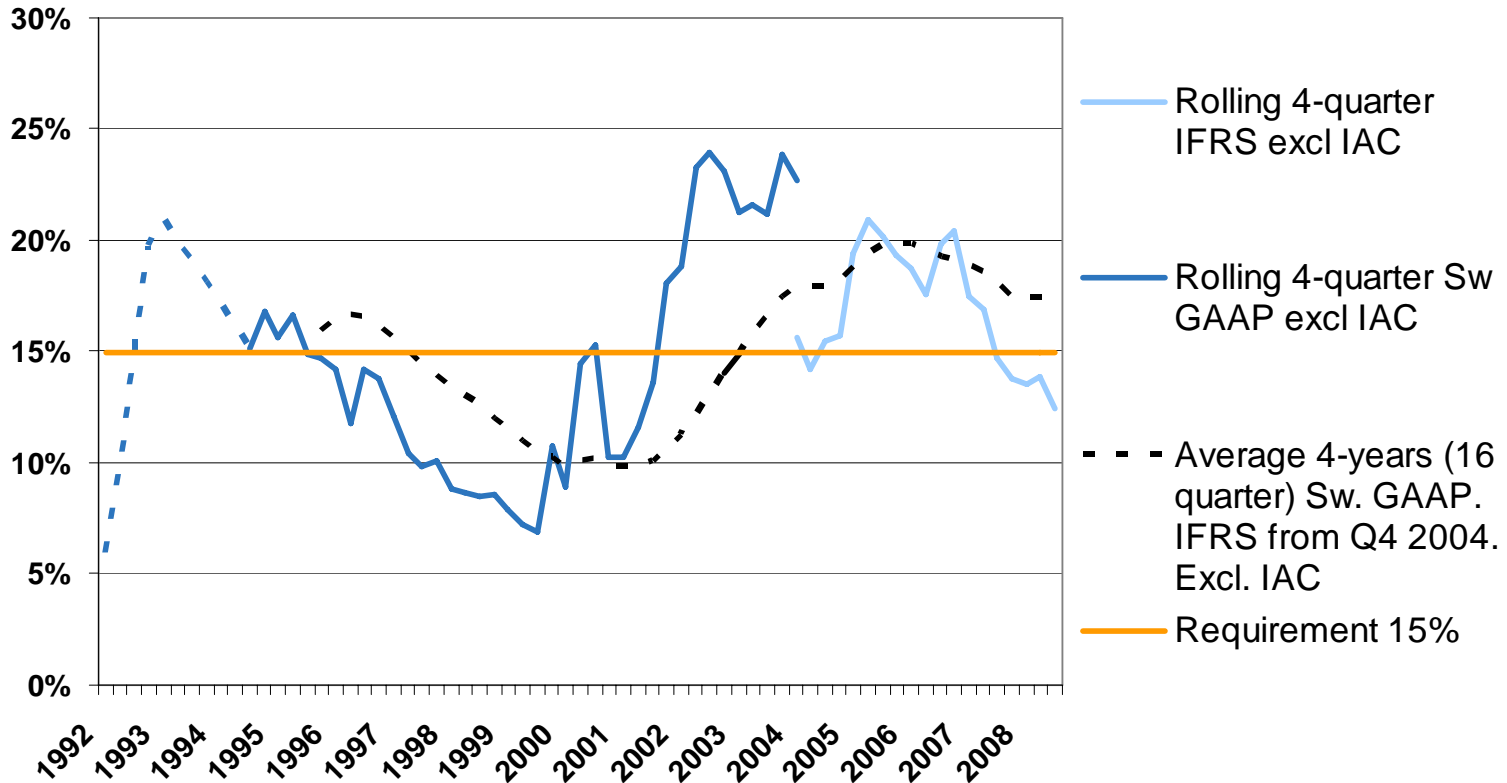
# Key ratios

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Key Ratios (% unless otherwise stated)	Q2 2009	Q2 2008	LTM
RoNA (1)	13.9	16.1	13.9
RoE (1)	12.5	14.8	12.5
Operating margin	14.0	17.9	17.3
Pre-tax profit margin	8.2	15.5	12.4
Cash Flow interest coverage after maintenance investments, times	4.3	1.1	4.7
FFO/net debt (1)	64.4	54.0	64.4
Equity/assets ratio	29.0	31.7	29.0
Net Gearing - Net debt/equity	43.8	46.3	43.8
Capitalisation - Net debt/net debt + equity	30.4	31.6	30.4

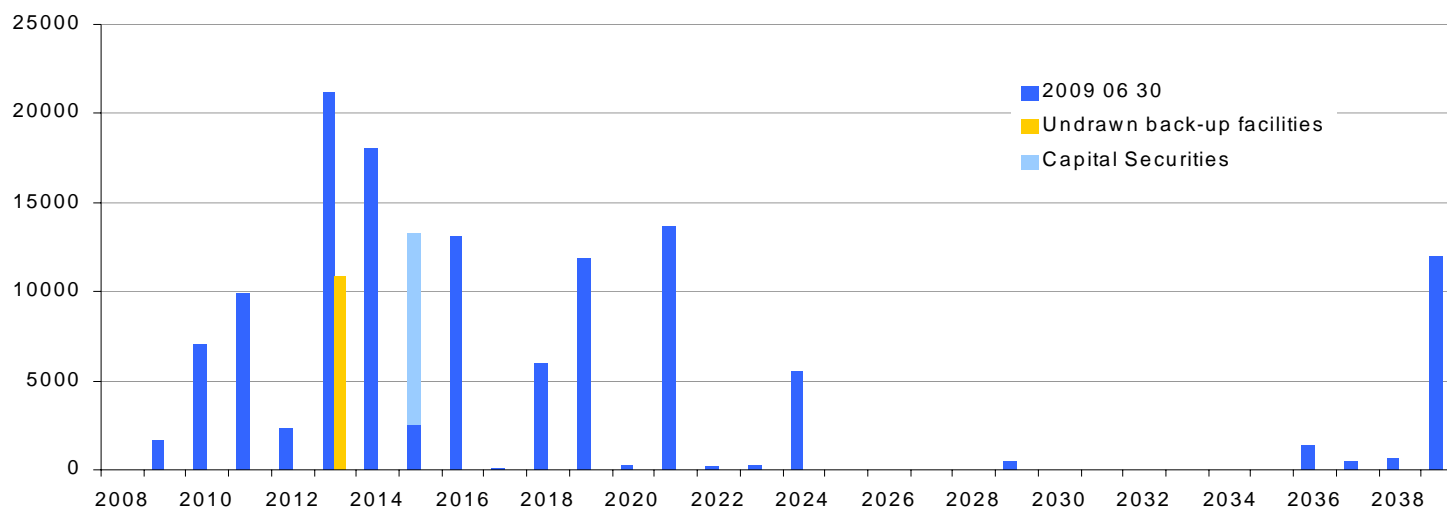
1) Q2 values = LTM

# Return on equity



# Vattenfall debt maturity profile

SEK million



Excluding loans from associated companies and minority owners

	June 30, 2009	June 30, 2008
Duration (years) <sup>1)</sup>	4.0 <sup>2)</sup>	2.4
Average time to maturity (years)	9.2 <sup>2)</sup>	6.0
Average interest rate (%)	4.7 <sup>2)</sup>	4.9
Net debt (SEK bn)	<b>63.5</b>	52.0

1) The duration in the liability portfolio was in the end of May 2009 prolonged from 2,5 to 4 years

2) Based on external debt, excluding Capital Securities. Including Capital Securities the duration is 4.1 years, Average time to maturity 8.9 years and Average interest rate 4.8 %.

# Adjusted gross and net debt

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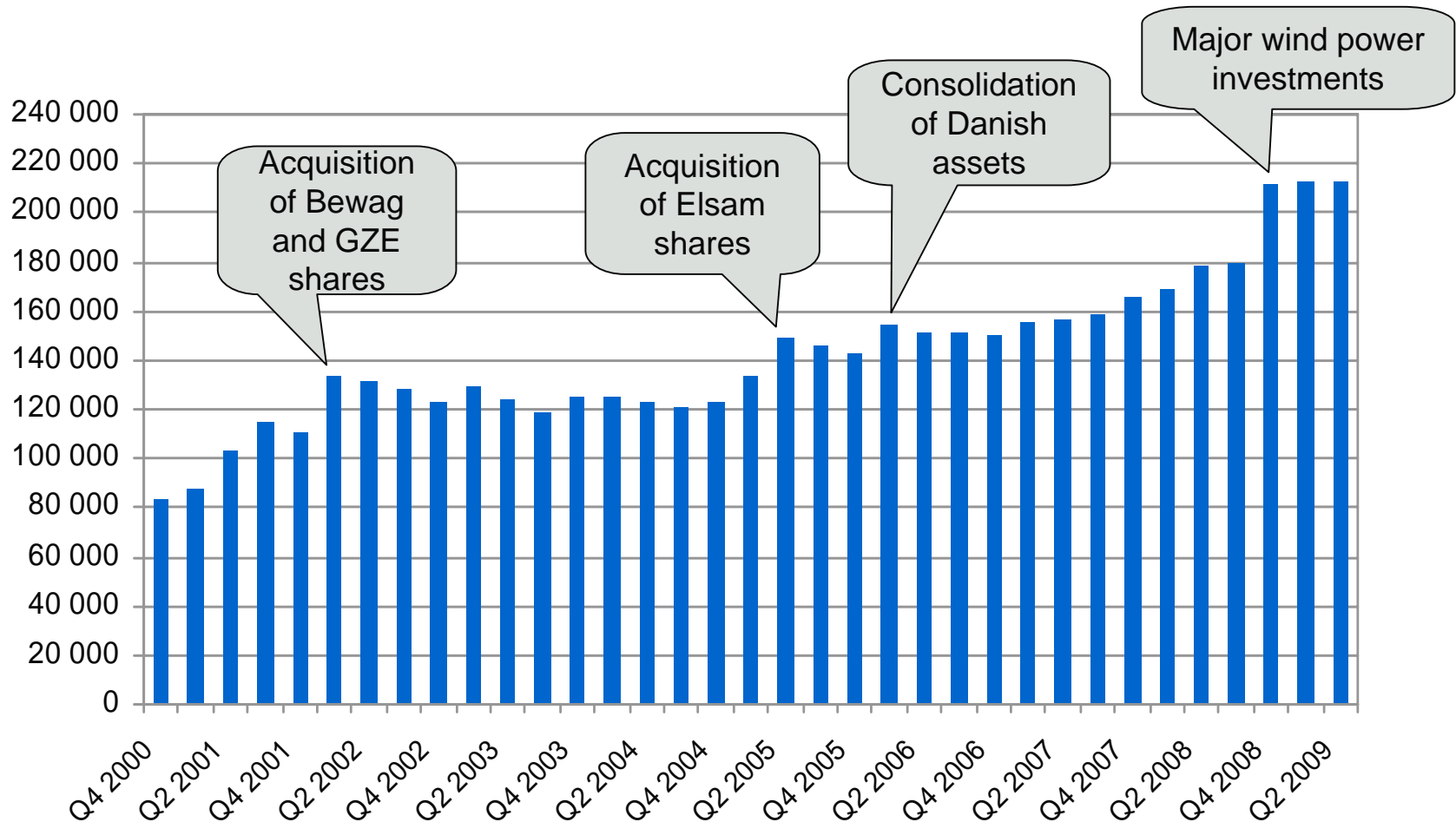
**SEK million**

	<b>30 June 2009</b>	<b>31 Dec 2008</b>
<b>Reported gross debt</b>	-166 903 <sup>1)</sup>	-107 347 <sup>1)</sup>
Present value of net pension obligations	-21 893	-21 839
Mining & environmental provisions	-14 318	-14 604
Nuclear asset retirement obligations	-4 904	-5 154
50% of Hybrid securities	5 364	5 406
Cross currency swaps	2 496	3 131
Hedge of net investments in foreign operations	3 486	3 337
<b>= Adjusted gross debt</b>	<b>-196 672</b>	<b>-137 070</b>
<b>Reported cash, cash equivalents &amp; short term investments</b>	<b>101 874<sup>2)</sup></b>	<b>40 236<sup>2)</sup></b>
German nuclear "Solidarvereinbarung"	-3 692	-3 724
Restricted cash for certain personnel-related provisions	-1 324	-
Minority owner's share of German nuclear subsidiaries cash position	-4 121	-3 744
<b>= Adjusted cash, cash equivalents &amp; short term investments</b>	<b>92 737</b>	<b>32 768</b>
<b>= Adjusted net debt</b>	<b>-103 935</b>	<b>-104 302</b>

1) Of which CSA, Credit Support Annex (Margin calls) 2 105 (1 856)

2) Of which CSA, Credit Support Annex (Margin calls) 9 243 (7 439)

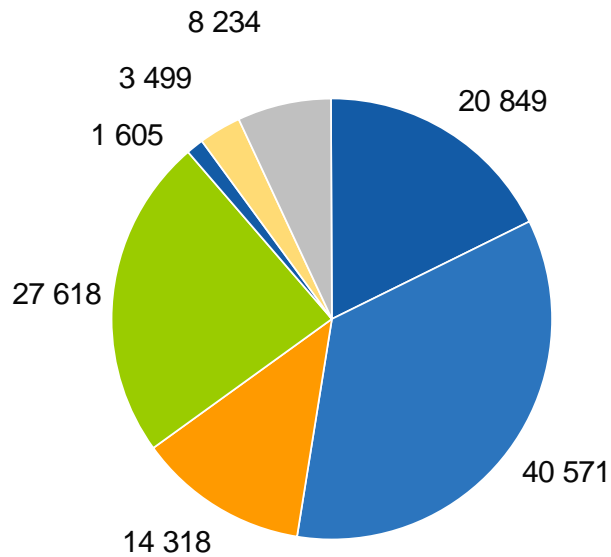
# Net asset development



# Group provisions (IFRS)

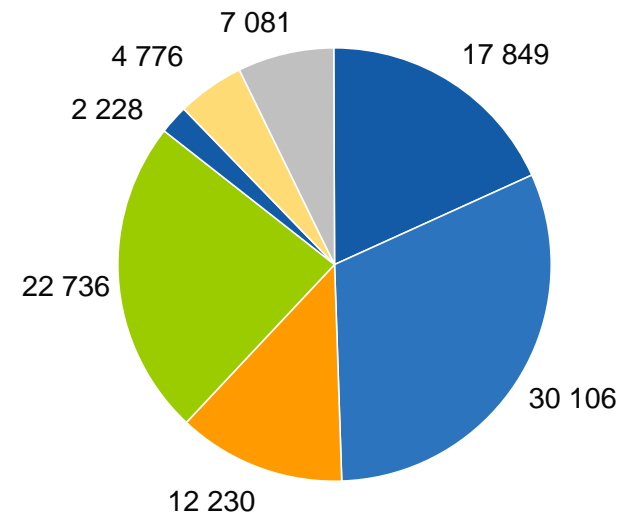
**30 June 2009**

**SEK 116,694 million**



**30 June 2008**

**SEK 97,006 million**



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