

Vattenfall Q3 results 2009

Presentations by

Lars G. Josefsson, CEO and
Dag Andresen, CFO

27 October 2009

Agenda

CEO Lars G. Josefsson:

- Financial highlights
- Generation volumes
- Electricity price development
- Nuon integration

CFO Dag Andresen:

- P&L
- Debt development
- Capex & asset disposals
- Hedge ratios

Financial highlights Q3 2009

Net sales increased by

22.5% to SEK 45,346 million (37,016)

EBITDA decreased by

1.6% to SEK 9,123 million (9,272)

EBIT decreased by

37.0% to SEK 3,524 million (5,591)

Profit after tax decreased by

74.9% to SEK 622 million (2,481)

Net debt increased by

SEK 93.8 bn to SEK 157.3 bn compared with 30 July 2009

(including remaining purchase price of SEK 51 bn to Nuon shareholders)

Financial highlights 9M 2009

Net sales increased by

19.0% to SEK 140,002 million (117,679)

EBITDA increased by

5.4% to SEK 36,417 million (34,553)

EBIT decreased by

4.6% to SEK 22,265 million (23,333)

Profit after tax decreased by

17.3% to SEK 11,338 million (13,708)

Net debt increased by

SEK 91.3 bn to SEK 157.3 bn compared with 31 Dec. 2008

(including remaining purchase price of SEK 51 bn to Nuon shareholders)

Financial highlights Q3 2009

Return on Net Assets

11.7% LTM (FY 2008: 15.1%)

- target 11%.

Return on Equity

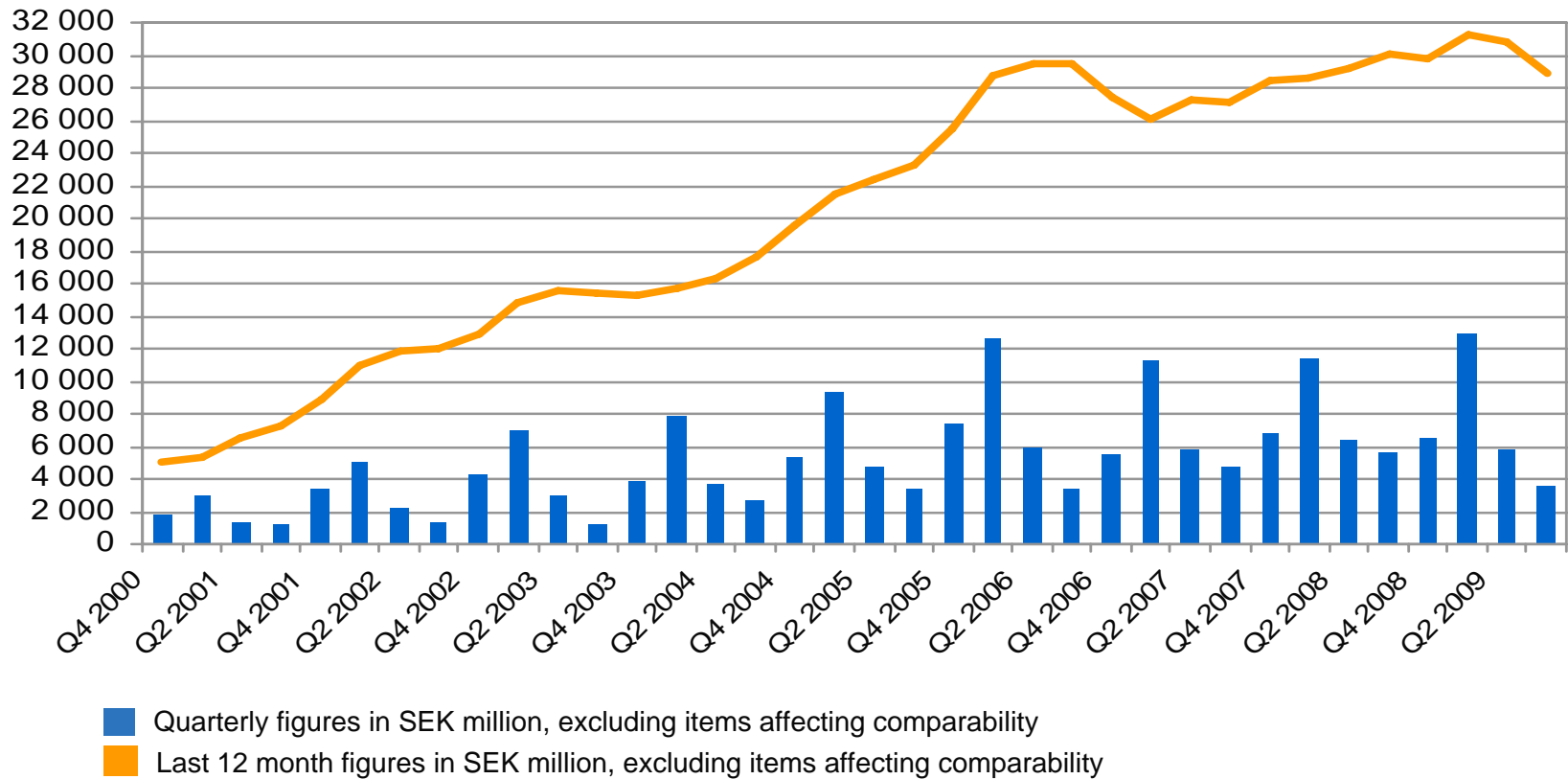
11.0% LTM (FY 2008: 13.6%)

- long-term target 15%.

LTM = Last Twelve Months

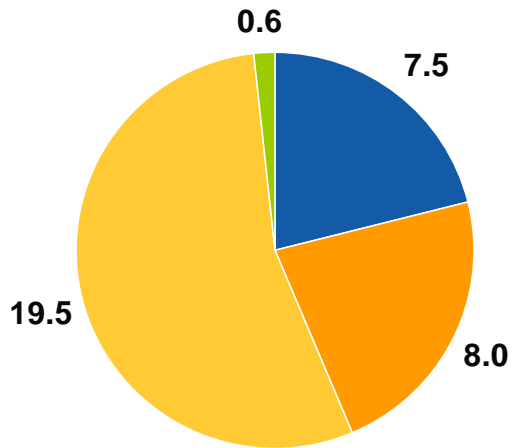
EBIT development

Quarterly figures, SEK million

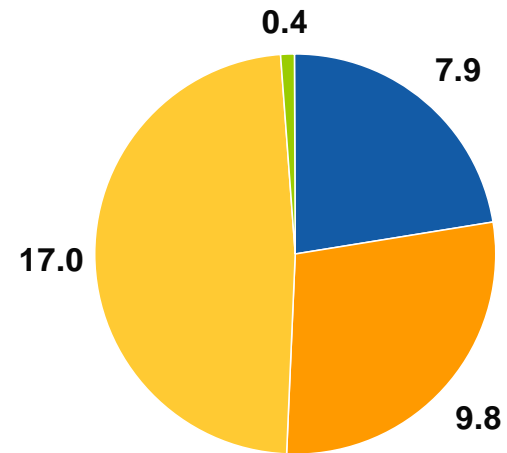


Electricity generation slightly increased

Q3 2009: 35.5 TWh



Q3 2008: 35.1 TWh



Hydro

Nuclear

Fossil

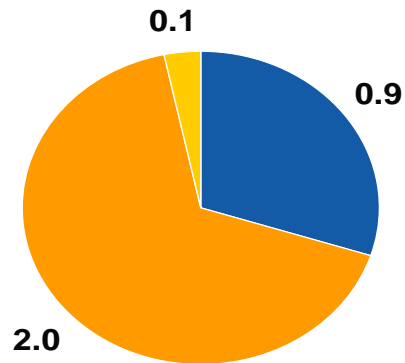
Other

Other = wind, biomass, waste

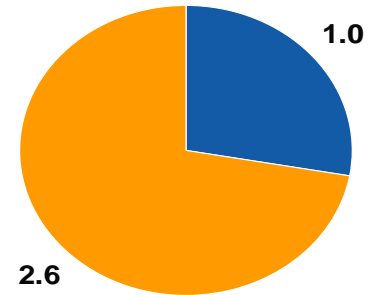
Heat and gas sales

- Heat sales decreased slightly

Q3 2009: 3.1 TWh



Q3 2008: 3.6 TWh



Nordic

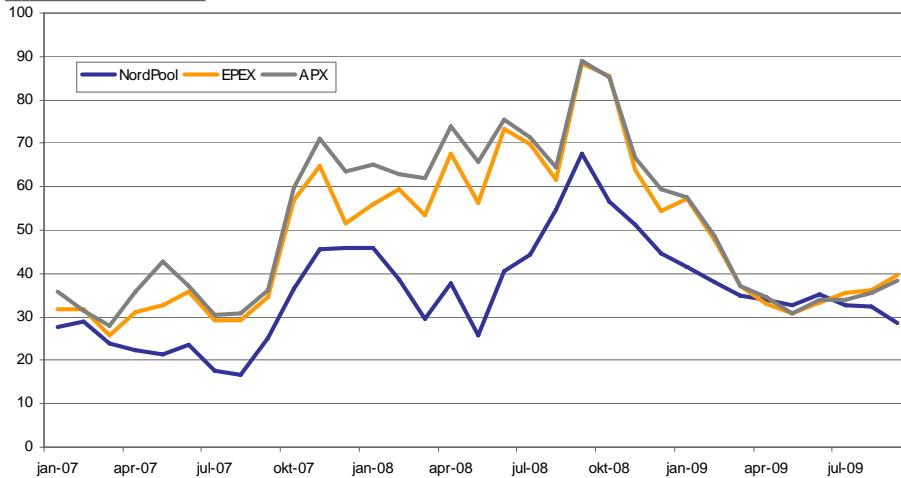
Central Europe

Benelux

- Gas sales amounted to 5.3 TWh (Benelux)

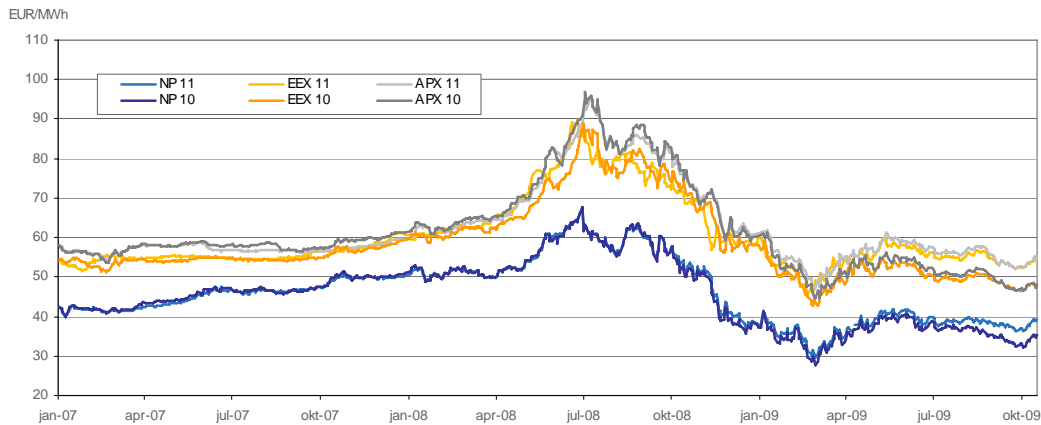
Electricity price development

Monthly Spot Average



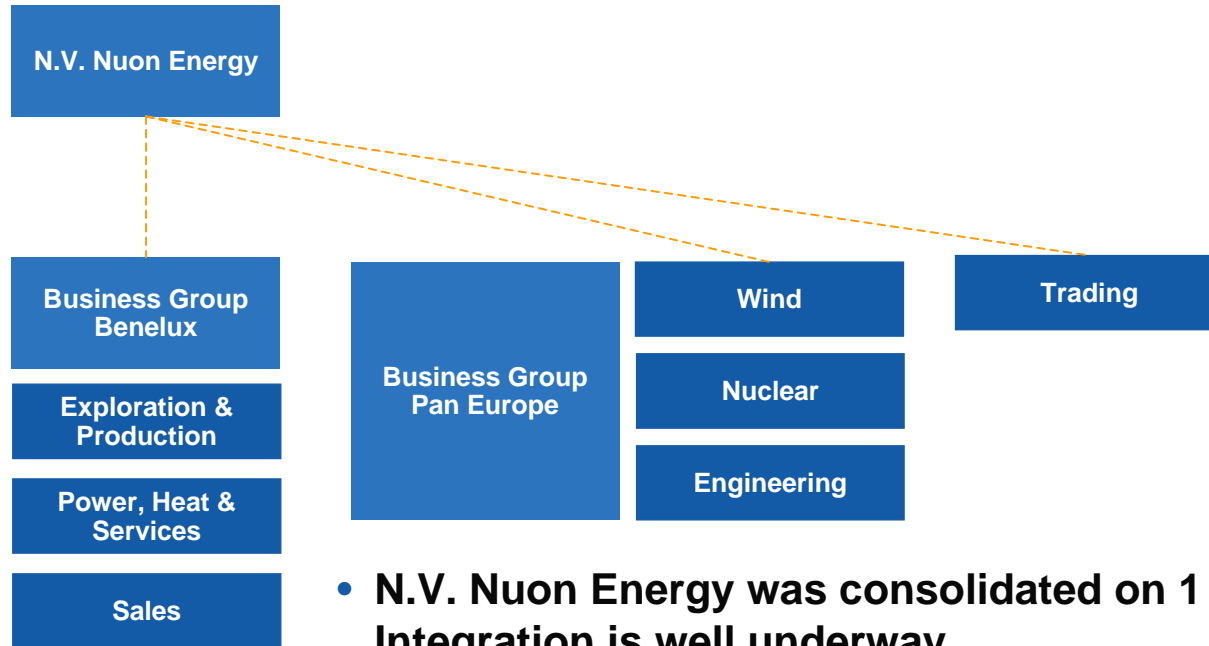
Q3 2009 vs. Q3 2008: Lower spot prices on all markets

Daily Forward Closing Prices



Decreasing forward prices during Q3 2009

Integration of Nuon



- **N.V. Nuon Energy was consolidated on 1 July 2009. Integration is well underway.**
 - **Sales, Generation and Exploration operations form the new Business Group Benelux**
 - **Wind operations are integrated in Business Unit Wind under Business Group Pan Europe**
 - **Trading operations are integrated into Business Unit Trading**

Financials

Dag Andresen, CFO

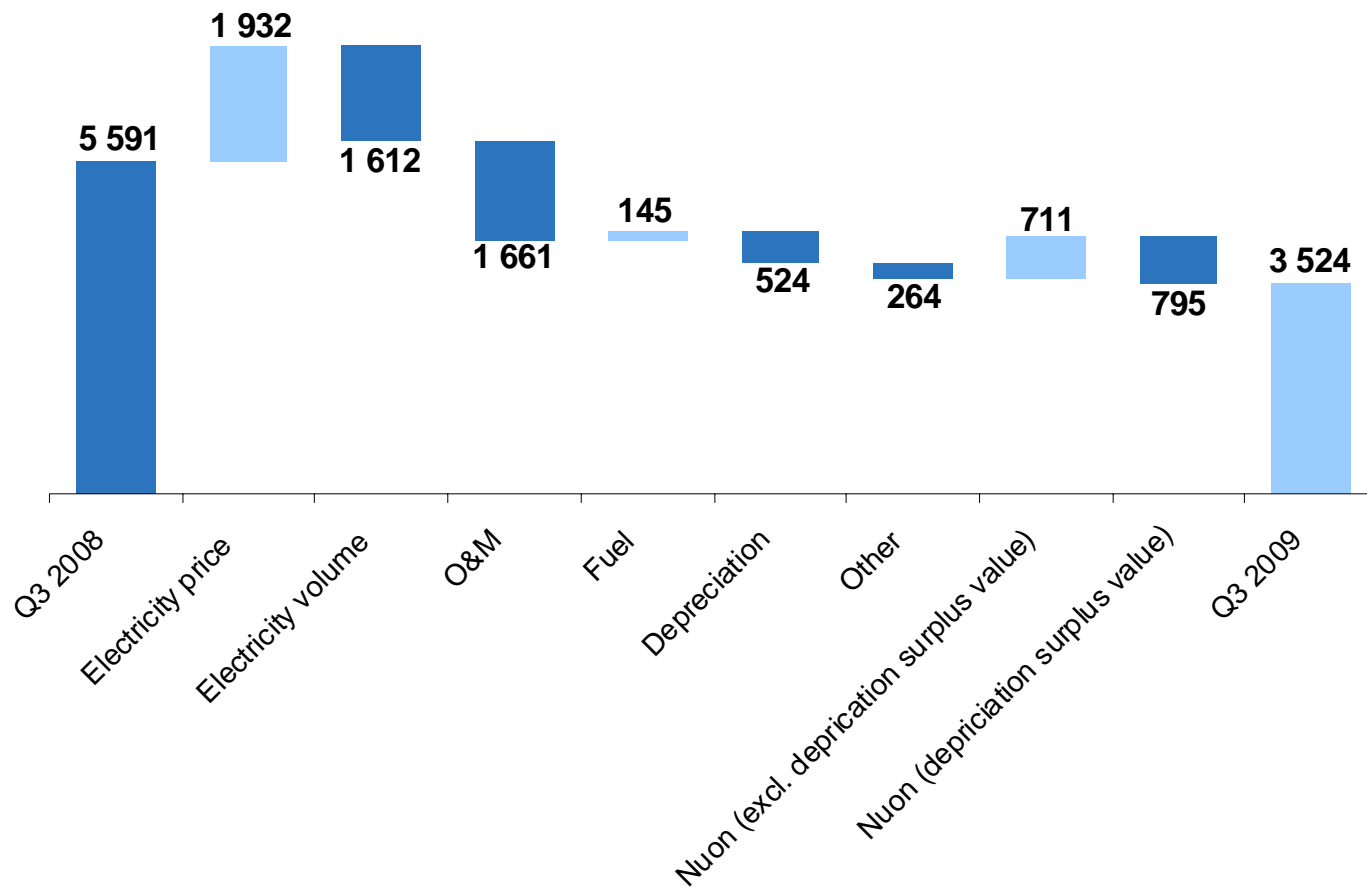
Consolidated income statement

Amounts in MSEK	Q3 2009 IFRS	Q3 2008 IFRS	Change %	FY2008	LTM
Net sales	45,346	37,016	22.5	164,549	186,872
Cost of products sold	- 37,101	-28,542	-30.0	-122,961	-143,966
Gross profit	8,245	8,474	2.7	41,588	42,906
Operating profit (EBIT)	3,524	5,591	-37.0	29,895	28,827
Operating profit, excl. IAC*	3,463	5,579	-37.9	29,797	28,682
Financial income	1,036	341	203.8	3,412	3,755
Financial expenses	-3,734	-2,389	-56.3	-9,809	-13,115
<i>Financial net</i>	-2,698	-2,048	-31.7	-6,397	-9,360
Profit before taxes	826	3,543	-76.7	23,498	19,467
Taxes	-204	-1,062	-19.2	-5,735	-4,074
Profit for the period	622	2,481	-74.9	17,763	15,393

* IAC = items affecting comparability

EBIT development, Q3 2009

SEK million



Nuon – purchase price allocation and goodwill

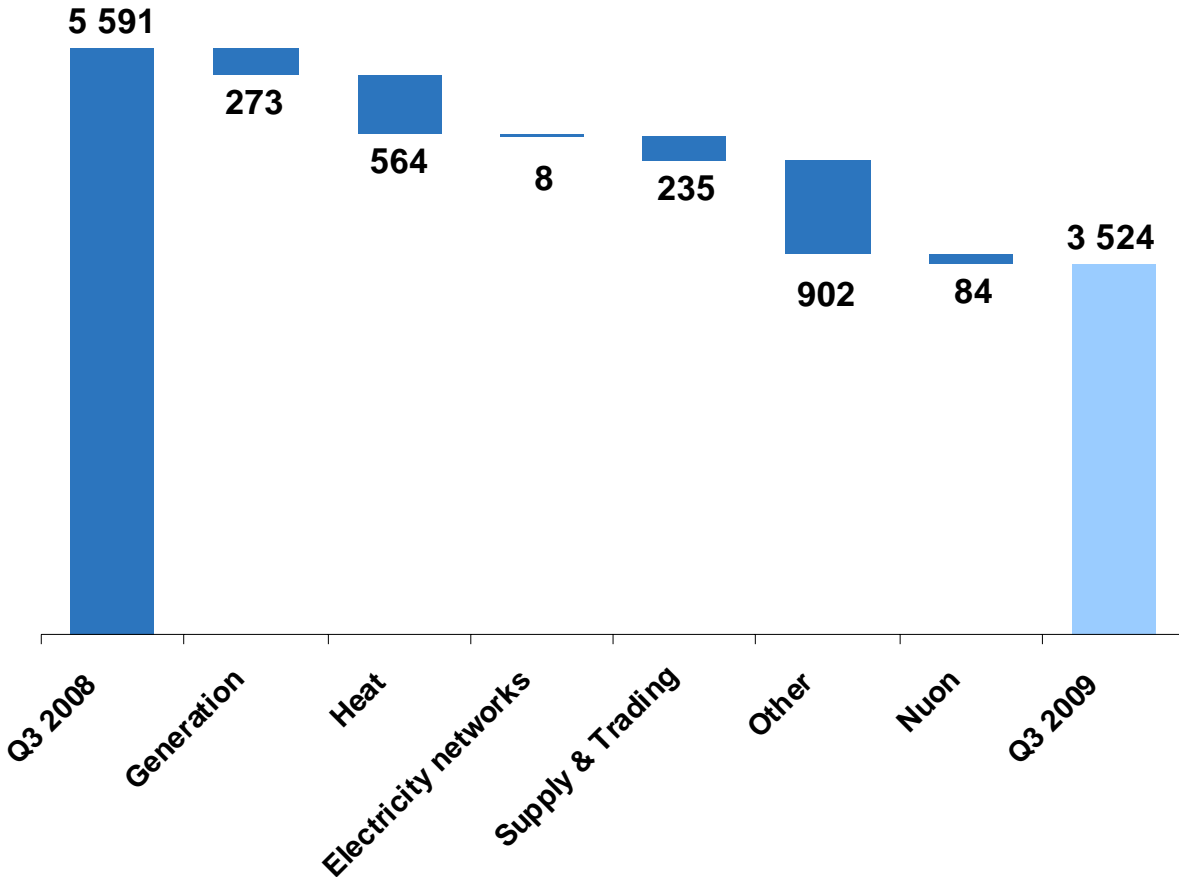
- Equity value (based on actual payment): EUR 9,951m (incl transaction costs)
- Enterprise value: EUR 8,796m
- Book value of assets and liabilities: EUR 2,541m

- Surplus value net: EUR 6,255m
 - EUR 3,942m allocated to intangible and tangible assets
 - Surplus value will be depreciated (in line with depreciation rate for the respective asset)
 - Surplus value depreciation during Q3 2009 EUR 77,7m (795 MSEK)
 - EUR 3,574m residual goodwill
 - Consists of assets and/or future cash-flows (e.g. synergies, development projects, future customer relationships). Will be subject to impairment testing in accordance with IFRS rules
 - Deferred tax liability: EUR 1,261m

- Numbers are preliminary as integration process is still ongoing

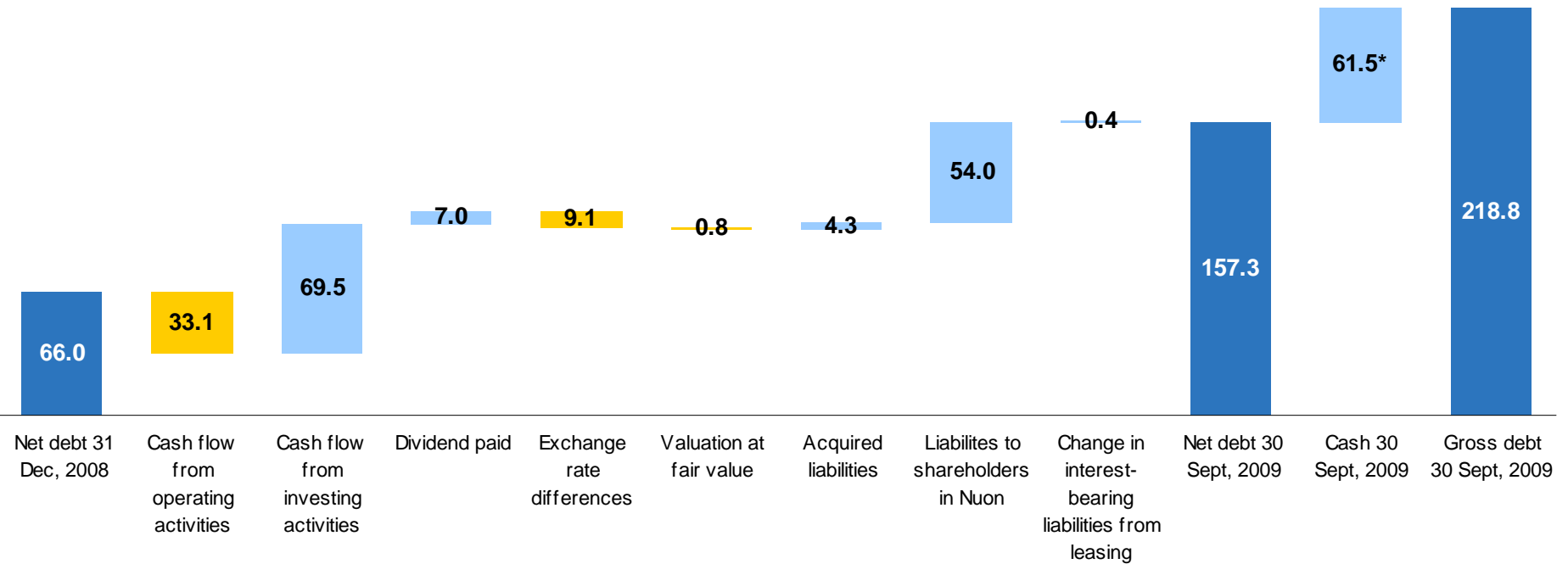
EBIT development, Q3 2009 – by Product & Services

SEK million



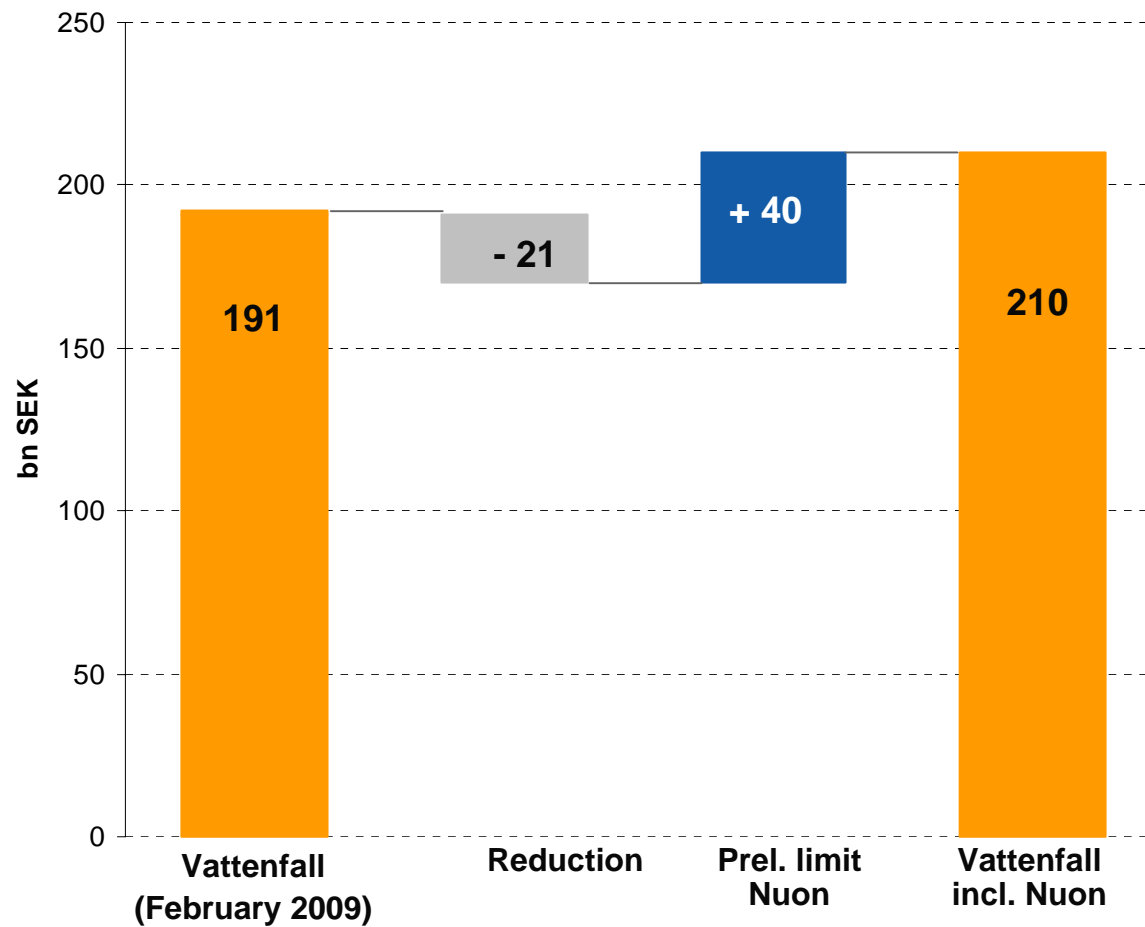
Debt development 2009

SEK billion

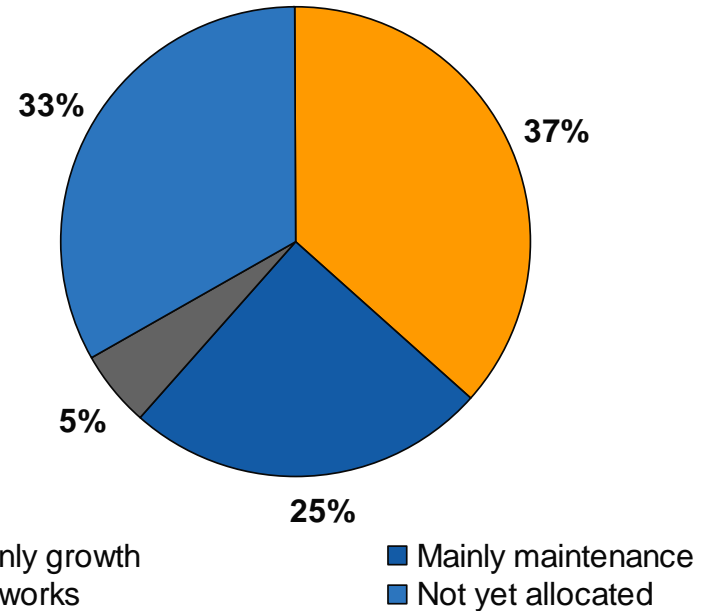
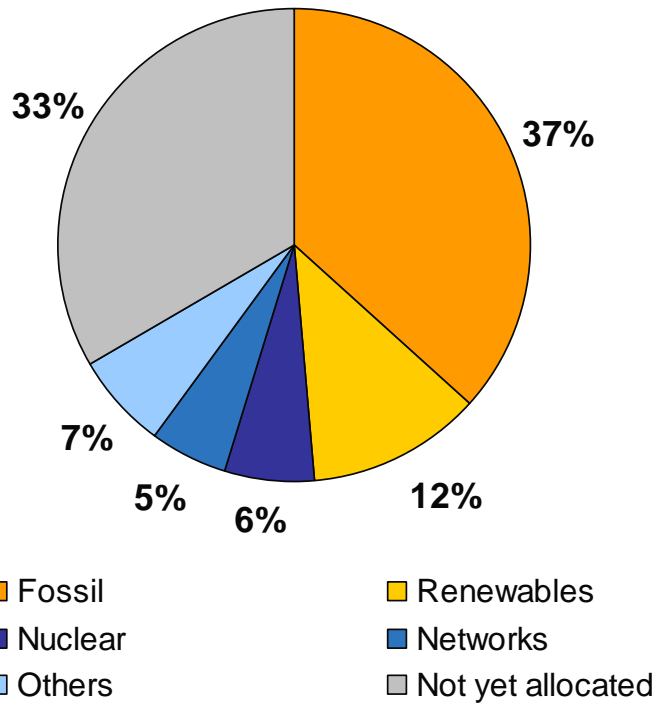


*Includes loans to minority owners in foreign subsidiaries of SEK 1.5bn (excluded from liquidity calculation on slide 36)

Reduced capex limit 2009 - 2013



Capex allocation 2009 - 2013



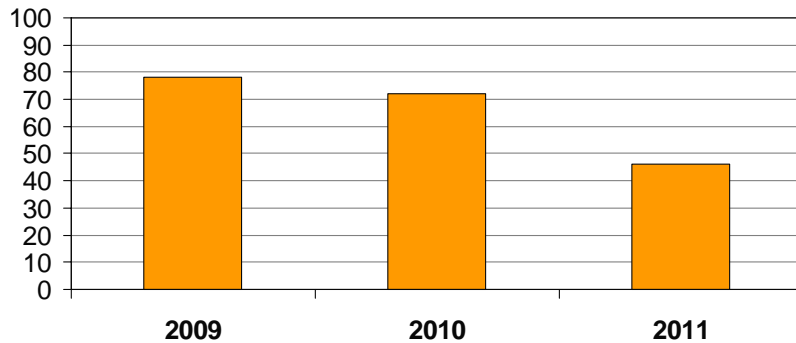
Total capex limit SEK 210 bn including Nuon

Asset disposals

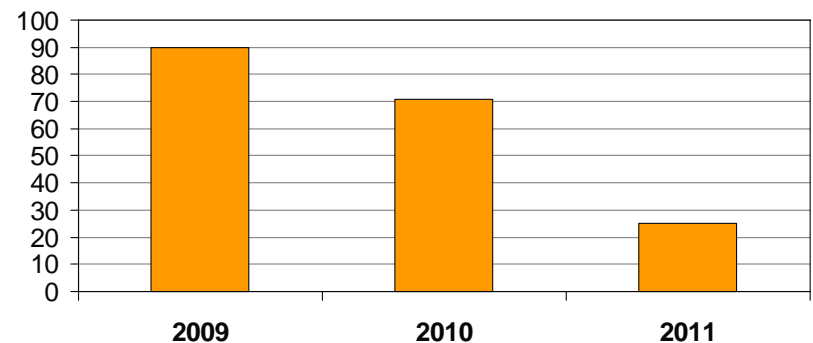
- The current divestment programme includes a total of ~10 assets in Germany and the Nordic region.
 - Vattenfall's German Transmission is a substantial part of the programme.
- The proceeds of divestment are estimated at >1,5 bn EUR of cash proceeds.
- The plan is to have signed agreements or closed transactions for a large part of the programme by year-end 2009.
- 3 divestments announced so far:
 - 30% stake in Luleå Energi AB, Sweden for SEK 312 million (~ EUR 30 million) - completed
 - 50% stake in AB PiteEnergi, Sweden for SEK 238 million (~ EUR 23 million) - completed
 - 80.3% stake in the supply and networks company WEMAG, Germany for 170 MEUR to 268 municipalities of Mecklenburg-Western Pomerania and Brandenburg (closing of the transaction will require approval by the government authority supervising the municipalities as well as by the German Cartel Office)

Hedging position as of 30 September 2009

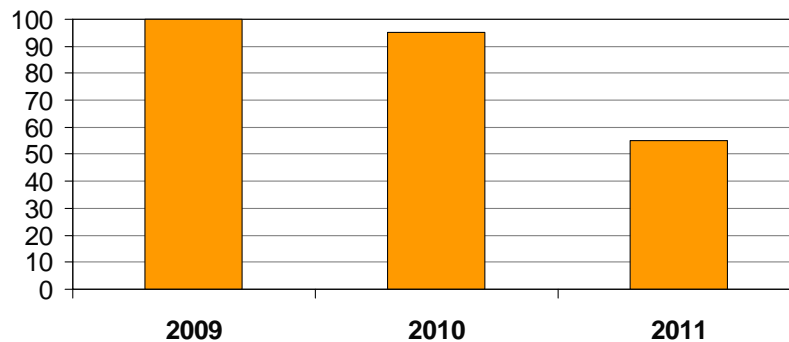
Nordic



Central Europe



Benelux



% hedged of forecasted electricity generation.

Hedge for 2009 is for the remaining part of the year.

Conclusions

- Q3 results below our expectations
- Reviewing and scaling back investment programme...
- Intensifying measures focused on value creation...
 - Divesting low-yielding assets
 - Cost reductions
- ... in order to deliver on our financial targets and maintain rating in single-A category (at least A3/A-)

Q & A

Back-up slides

Events at Krümmel nuclear plant

Krümmel nuclear plant

Installed capacity: 1,346 MW

Vattenfall's ownership: 50%

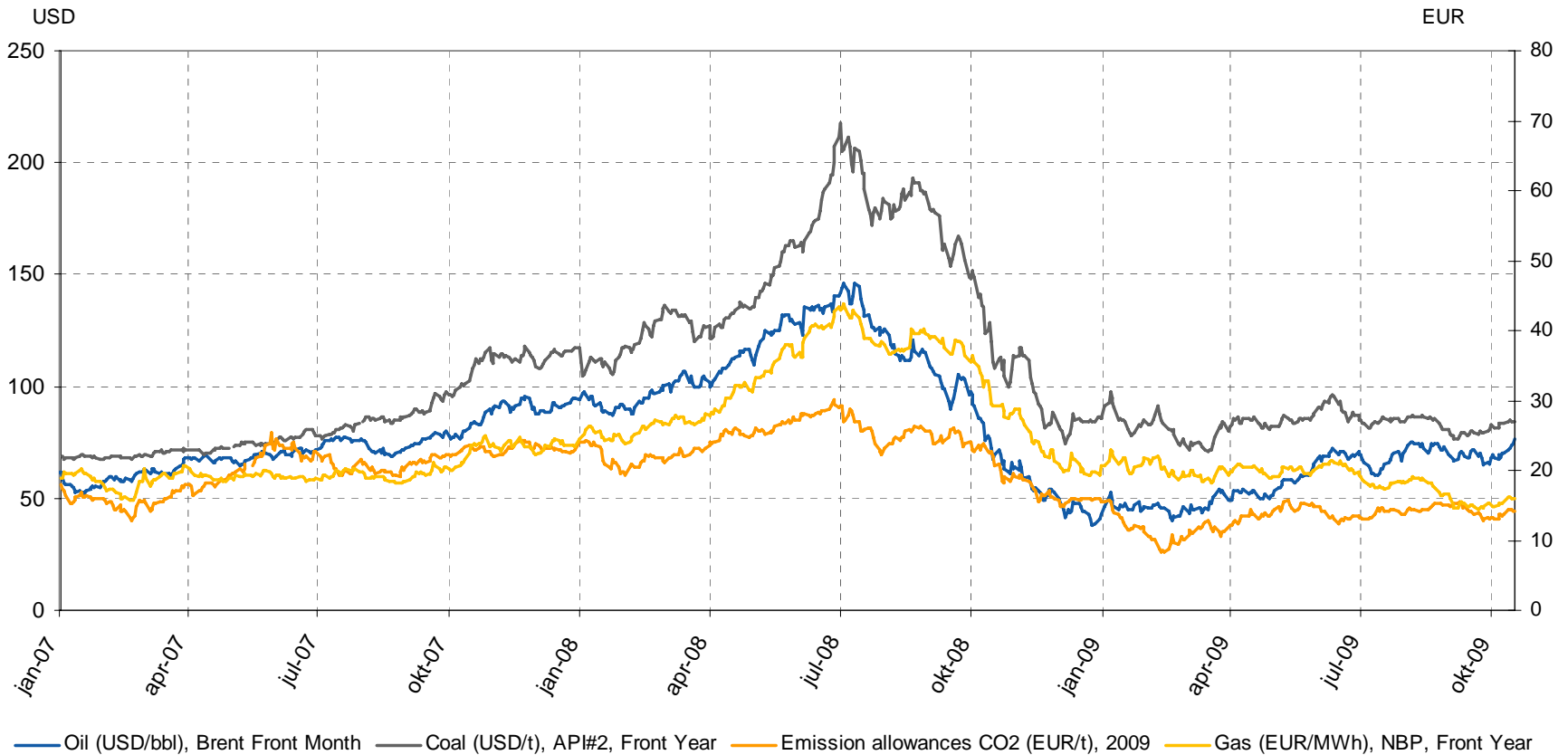


- 4 July 2009 – Krümmel went off-line due to a short circuit in one of the two transformers that connect the plant to the grid. The reactor was shut down (scrammed) completely in accordance with existing routines. The safety system worked properly.
- The event has preliminary been classified as zero (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.

Transmission update

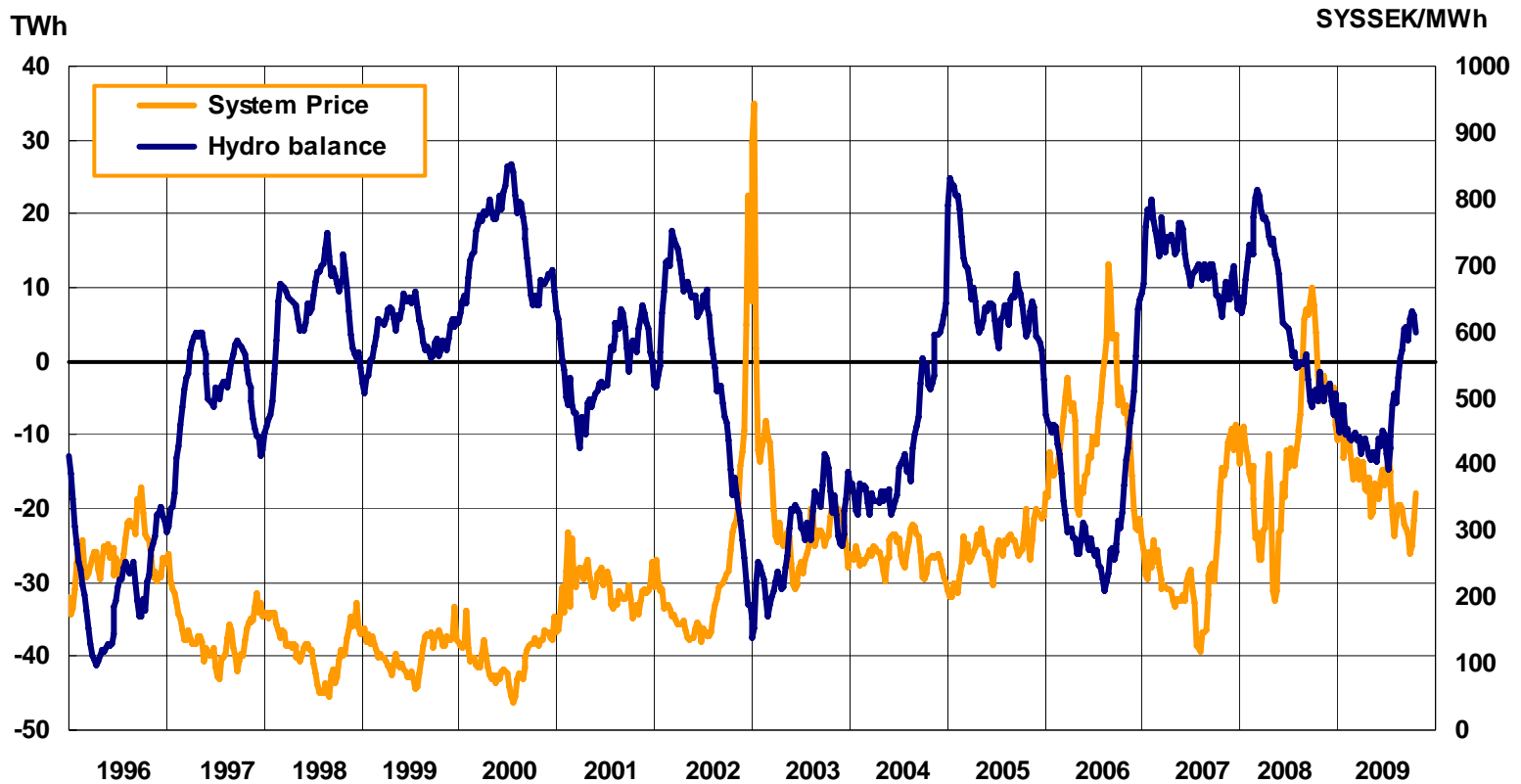
- In July 2008, Vattenfall approached potential investors for the possible sale of our German Transmission operations
- We are optimistic that the sale will be closed in H2 2009
- The investor must fulfill the following criteria:
 - have a long-term focus
 - ensure substantial investments in network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

Oil, coal, gas and CO₂ allowances



Improving Nordic hydrological balance

Nordic countries

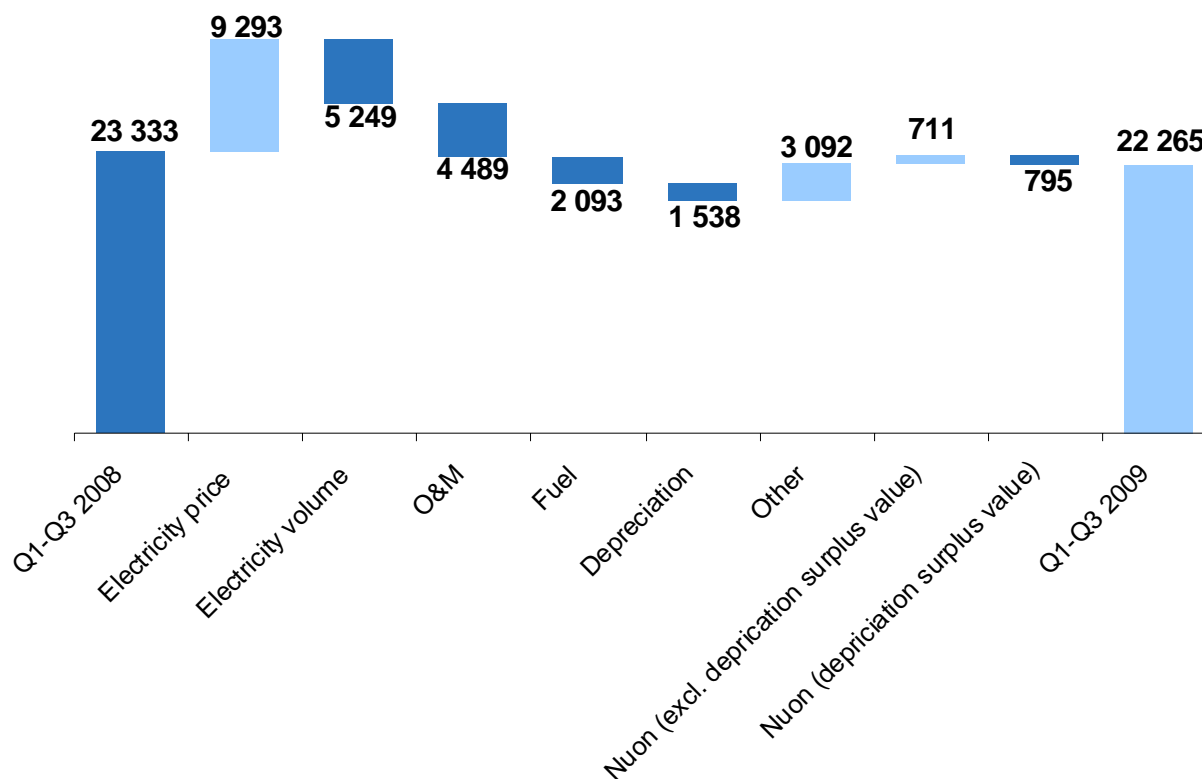


Back-up slides

Financial information

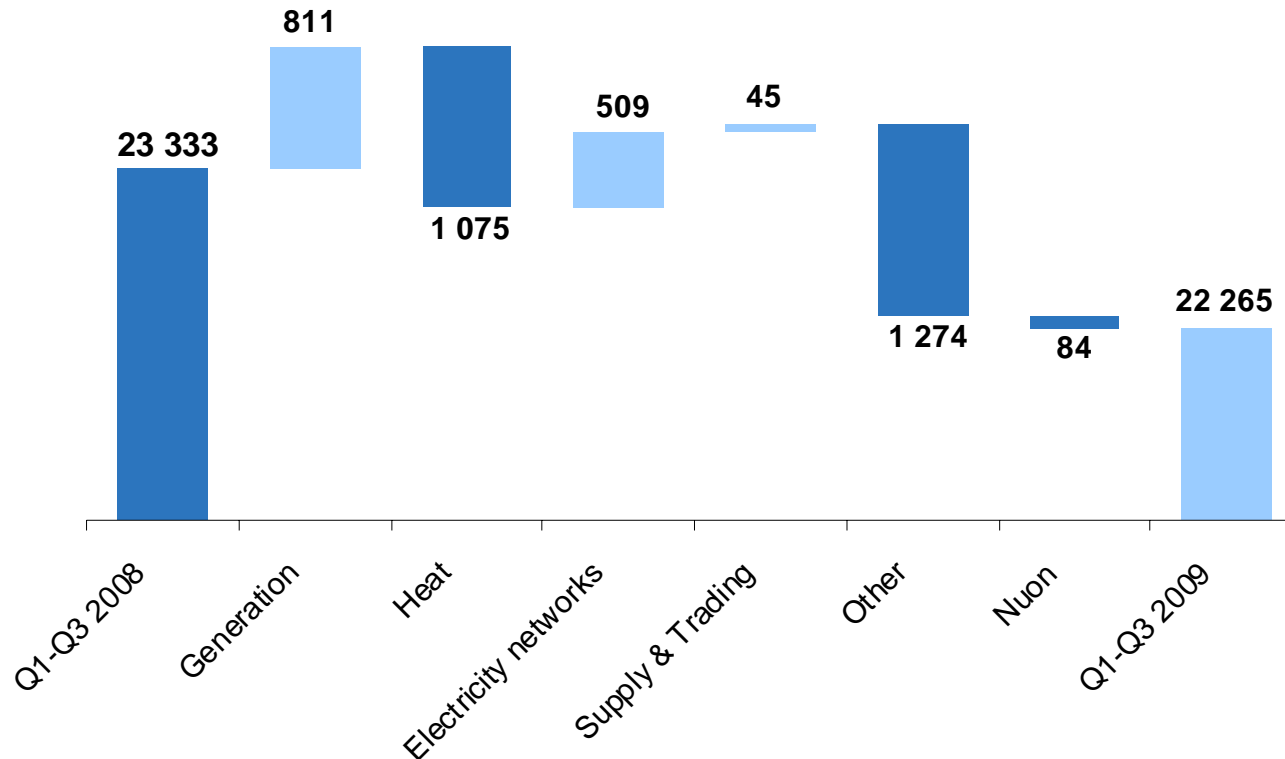
EBIT development, Q1 – Q3 2009

SEK million

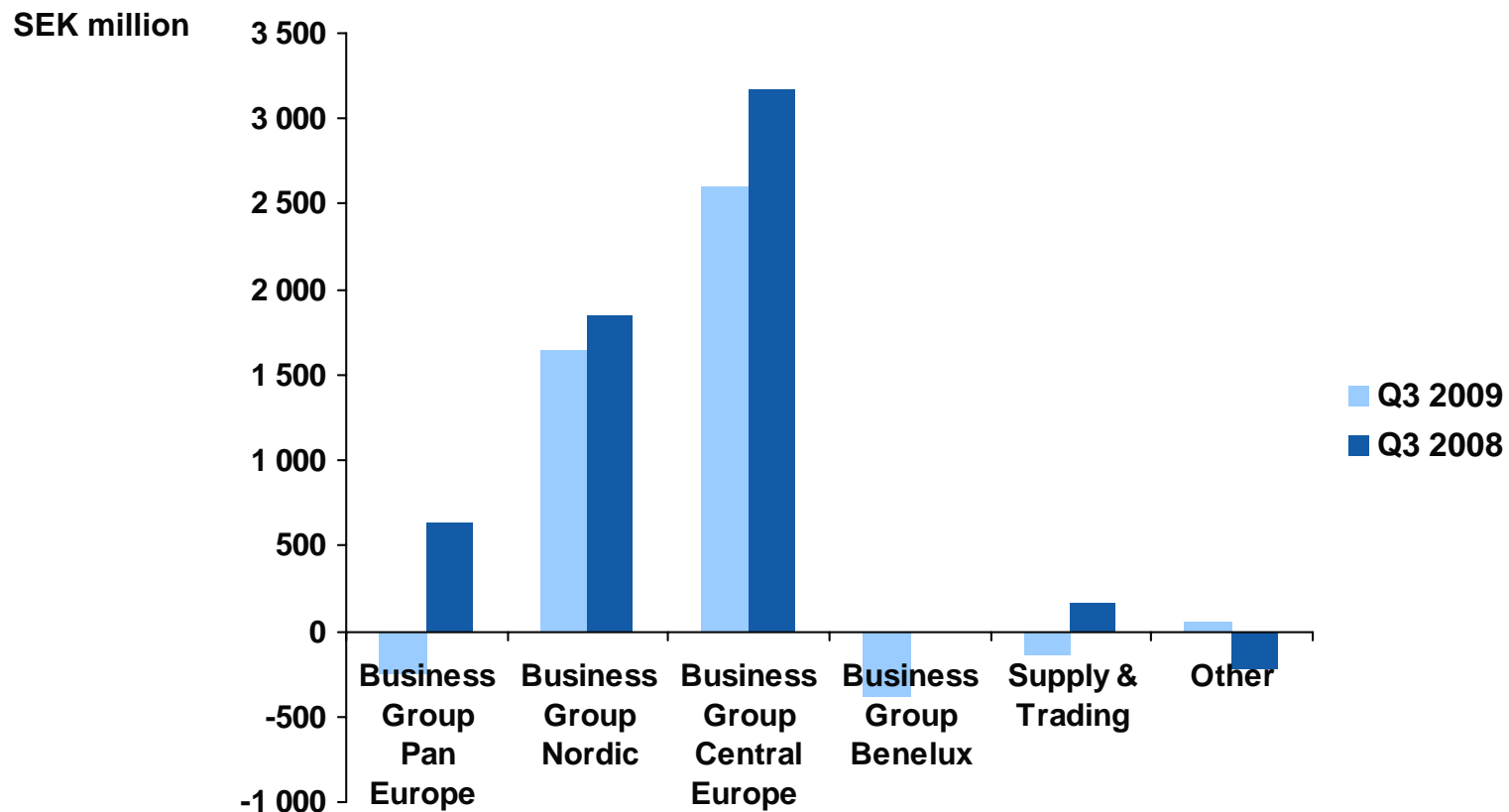


EBIT development, Q1 – Q3 2009 – by Product & Services

SEK million



EBIT by Operating Segment



Consolidated balance sheet

Amounts in MSEK	30/9/09 IFRS	30/9/08 IFRS	Change %	31/12/08
Non-current assets	428,063	277,672	54.2	317,912
Current assets	221,220	83,915	163.6	127,915
Total assets	649,283	361,587	79.6	445,827
Equity	137,668	124,068	11.0	140,886
Interest-bearing liabilities	218,815	77,501	182.3	107,347
Interest-bearing provisions	67,842	57,59	17.9	69,047
Pension provisions	19,884	18,517	7.4	20,752
Deferred tax liabilities	40,695	23,890	70.3	26,107
Other non-interest-bearing liabilities	164,379	60,082	173.6	81,688
Total equity and liabilities	649,283	361,587	79.6	445,827

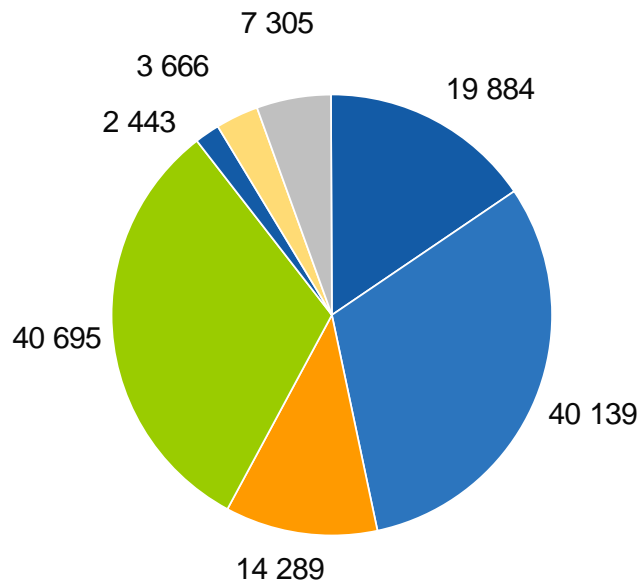
Consolidated cash flow statement

Amounts in MSEK	Q3 2009 IFRS	Q3 2008 IFRS	Change %	FY 2008	LTM
Funds from operations (FFO)	3,997	8,687	-54.0	30,735	36,211
Change in working capital	7,154	3,526	102.9	5,459	4,463
Cash Flow from operating activities	11,151	12,213	-8.7	36,194	40,674
Investments	-68,466	-6,312	984.7	-42,296	-103,597
Divestments	268	84	219.0	865	1,328
Cash and cash equivalents in acquired/divested companies	14,904	4	--	158	15,077
Cash Flow from investing activities	-53,294	-6,224	756.3	-41,273	-87,192
Cash Flow before financing activities	-42,143	5,989	-803.7	-5,079	-46,158
Cash Flow from financing activities	-20,809	-4,548	357.5	14,294	50,130
Cash Flow for the period	-62,952	1,441	--	9,215	3,612
Net debt at the end of the period	-157,317	-48,476	224.5	-66,000	-157,317

Group provisions (IFRS)

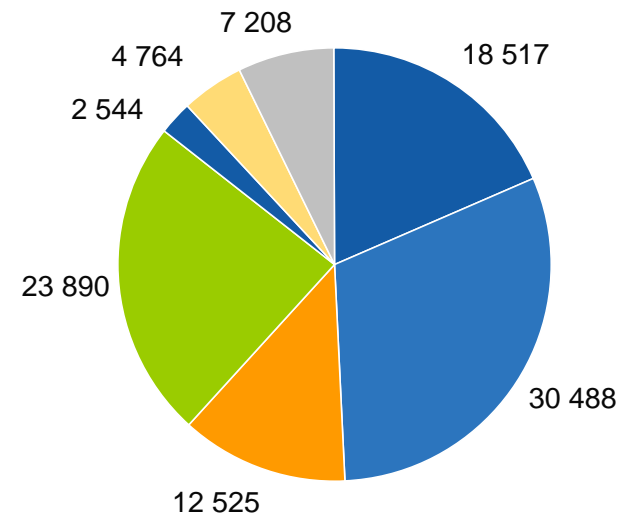
30 September 2009

SEK 128,421 million



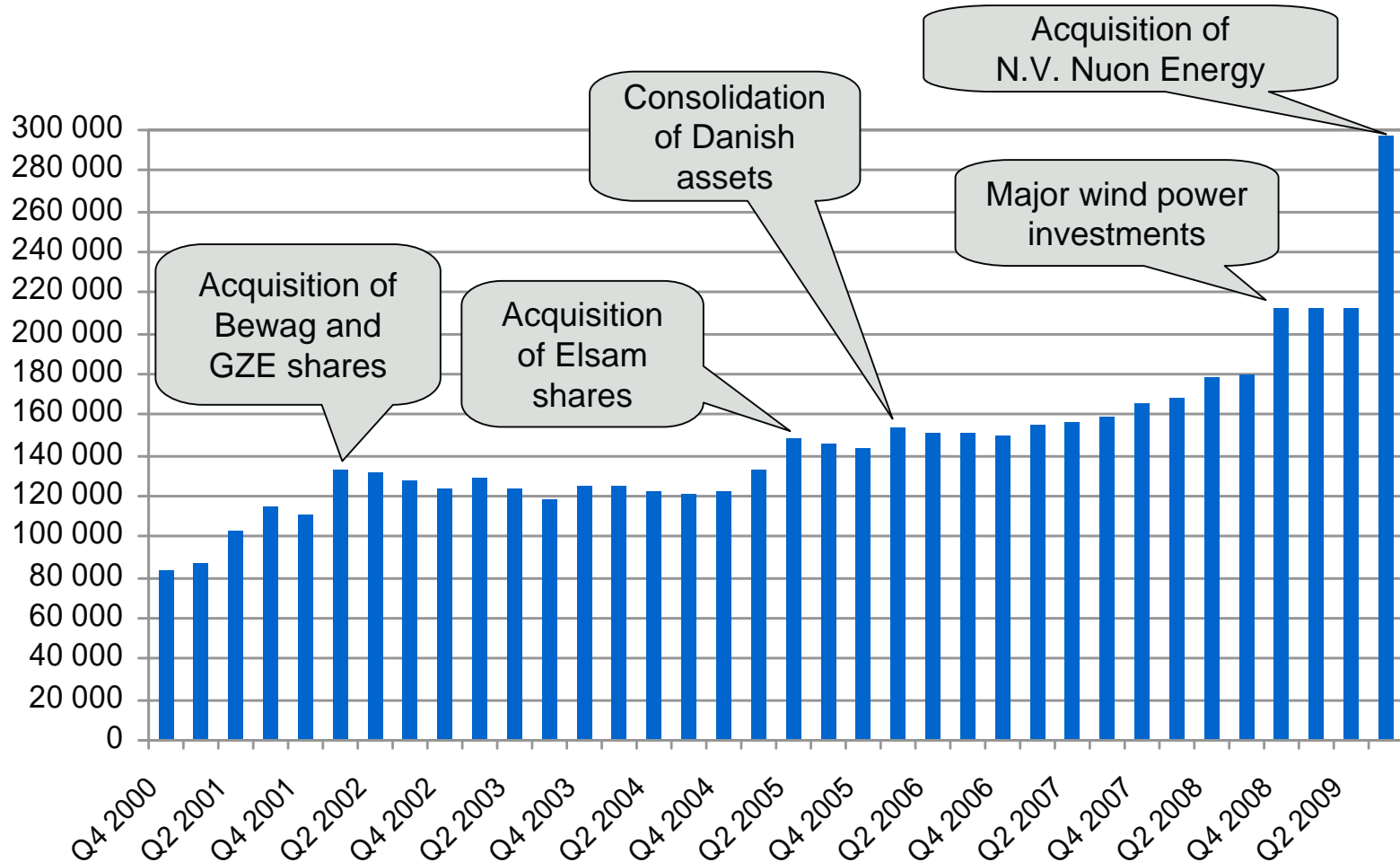
30 June 2008

SEK 99,936 million



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

Net asset development



Liquidity position

30 September 2009

Group liquidity **SEK million**

Cash and cash equivalents 18 726

Short term investments 41 240

Total **59 966¹⁾**

1) Of which SEK 37 803 million is fully available. Not fully available liquidity comprises German nuclear "Solidarvereinbarung" 3 484, Minority owners share of German nuclear subsidiaries cash position 3 889, Margin account 2 241, Credit support Annex (Margin Calls) 11 007 and other not fully available liquidity 1 542.

Committed credit facilities **Line size** **Amount available**

RCF (maturity February 2013) EUR 1 000 million 10 235

Overdraft facility SEK 100 million 100

Total undrawn **10 335**

Other credit lines unutilised: SEK 10 222 million

Debt maturities ²⁾

- within 90 days 917

- within 180 days 6 841

2) Excluding loans from minority owners and associated companies

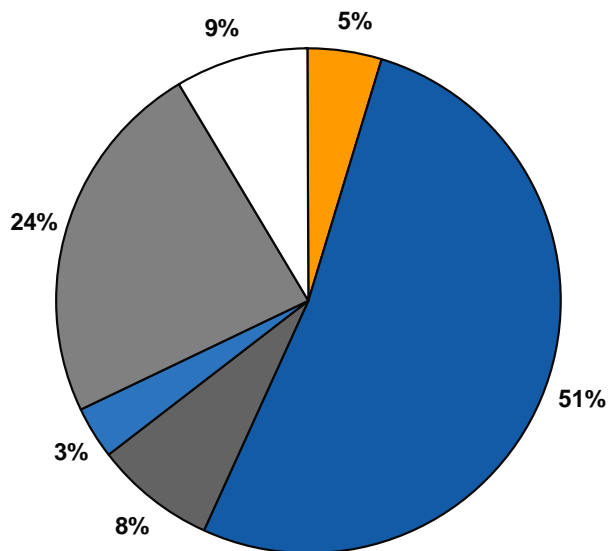
Financial targets and outcome

Key Ratio	Targets	Q3 2009
Return on Equity (RoE)	15% on average equity	11.0%*
Return on Net Assets (RoNA, excl. IAC)	11% before tax (=15% RoE recalculated)	11.7%*
Cash flow interest coverage after maintenance investments	3.5 – 4.5 times	3.8
Credit Rating	Single A category rating	A2 / A Stable outlook
Dividend pay-out	40-60%	40.4%

*Q3 2009 figure = LTM

Breakdown of gross debt

Total debt at 30 September 2009:
SEK 218.8 bn¹⁾ (EUR 21.4 bn)



- Subordinated Perpetual Capital Securitias
- EMTN
- Loans from associated companies
- Loans from shareholders
- Interest-bearing liabilities to Nuon shareholders
- Bank loans and others

Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	11 187
SEK 10 bn Domestic MTN	977	0
USD 2 bn Euro CP	1 369	0
SEK 15 bn Domestic CP	1 466	0
Total	18 812	11 187

- 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

1) Of which external market debt: SEK 194,4 bn (89%)

Adjusted gross and net debt

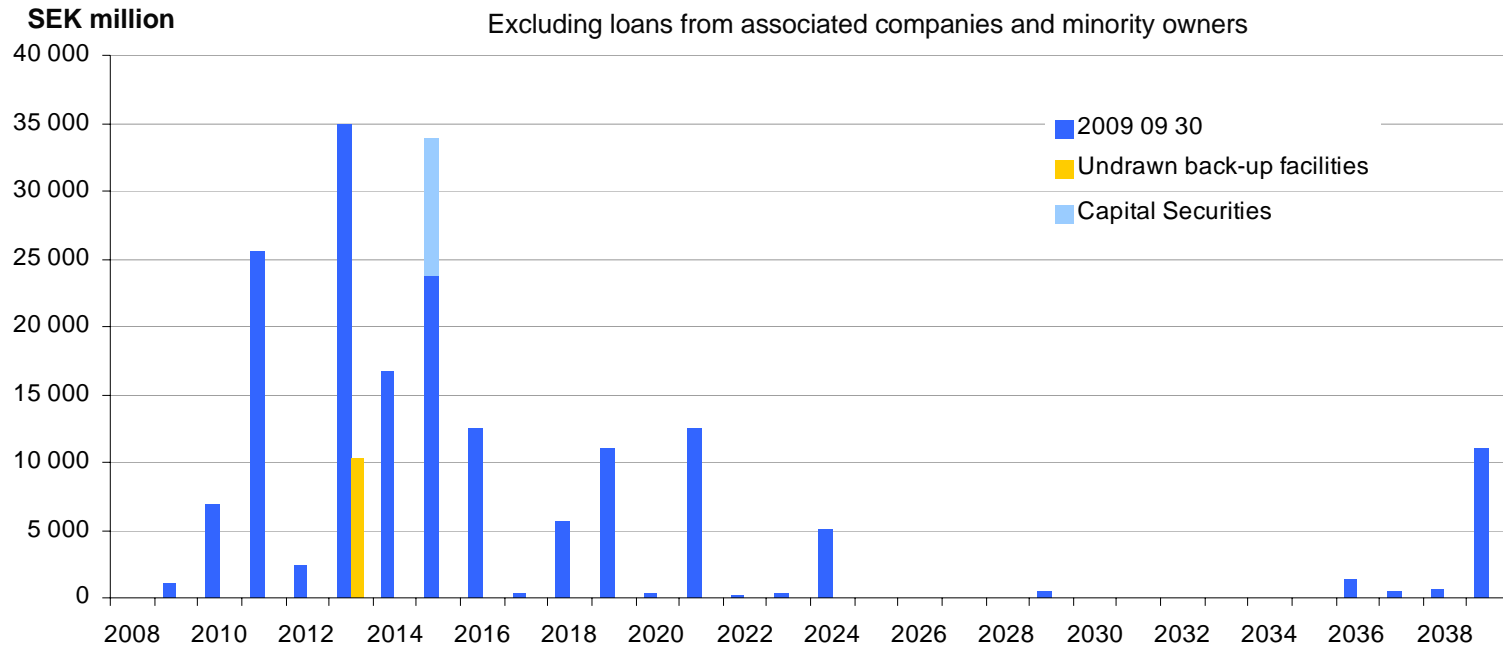
<i>SEK million</i>	30 Sept 2009	31 Dec 2008
Reported gross debt	-218 815 ¹⁾	-107 347 ¹⁾
Present value of net pension obligations	-20 941	-21 839
Mining & environmental provisions	-14 288	-14 604
Nuclear asset retirement obligations	-3 739	-5 154
50% of Hybrid securities	5 064	5 406
Cross currency swaps	1 018	3 131
Hedge of net investments in foreign operations	-2 855	3 337
= Adjusted gross debt	-254 556	-137 070
Reported cash, cash equivalents & short term investments	59 966 ²⁾	40 236 ²⁾
Restricted cash	-5 725 ³⁾	-3 724 ³⁾
Minority owner´s share of German nuclear subsidiaries cash position	-3 889	-3 744
= Adjusted cash, cash equivalents & short term investments	50 352	32 768
= Adjusted net debt	-204 204	-104 302

1) Of which received CSA, Credit Support Annex (Margin calls) 8 710 (1 856)

2) Of which paid CSA, Credit Support Annex (Margin calls) 11 007 (7 439)

3) Of which German nuclear "Solidarvereinbarung" 3 484 (3 724), Margin accounts 2 241 (0)

Vattenfall debt maturity profile

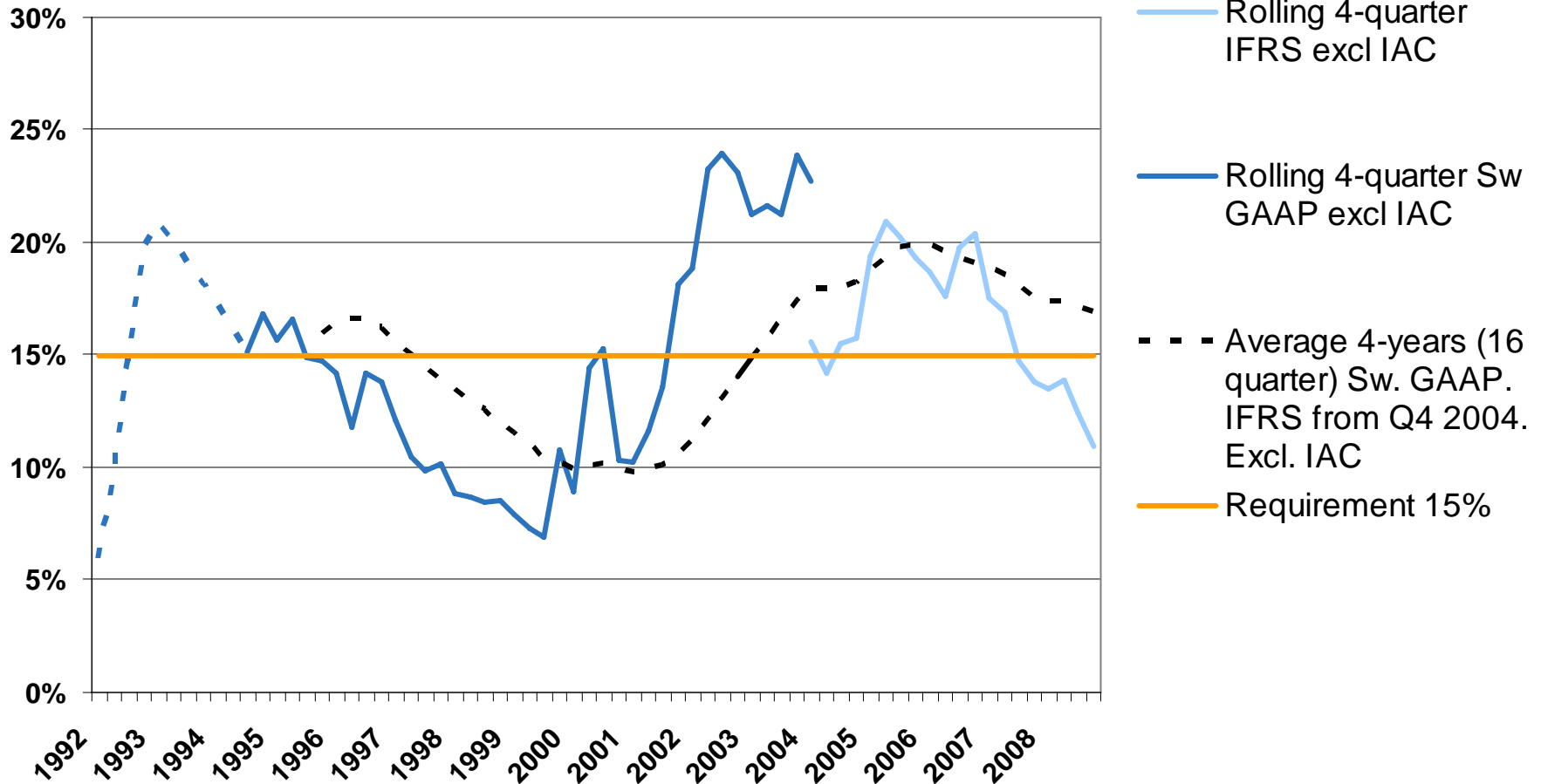


	Sep 30, 2009	Sep 30, 2008
Duration (years) ¹⁾	4.0 ²⁾	2.5
Average time to maturity (years)	7.4 ²⁾	6.4
Average interest rate (%)	3.5 ²⁾	5.1
Net debt (SEK bn)	157.3	48.5

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

2) Based on external debt, excluding Capital Securities. Including Capital Securities the duration is 4.0, Average time to maturity 7.3, and Average interest rate 3.6%

Return on equity



Key ratios

Key Ratios (% unless otherwise stated) **Q3 2009** **Q3 2008** **LTM**

RoNA ⁽¹⁾	11.7	16.0	11.7
RoE ⁽¹⁾	11.0	14.0	11.0
Operating margin	7.8	15.1	15.4
Pre-tax profit margin	1.8	9.6	10.4
Cash-flow interest coverage after maintenance investments, times	3.8	6.3	4.2
FFO/net debt	23.0	63.4	23.0
Equity/assets ratio ⁽¹⁾	21.2	34.3	21.2
Net Gearing – Net debt/equity ⁽¹⁾	114.3	39.1	114.3
Capitalisation – Net debt/net debt + equity ⁽¹⁾	53.3	28.1	53.3
Net debt/EBITDA, times ⁽¹⁾	3.3	1.0	3.3
Adjusted net debt/EBITDA, times ⁽¹⁾	4.3	1.7	4.3

1) Q3 values = LTM