

Vattenfall Capital Markets Day 2008

Presentation by

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Vattenfall – company overview

- Founded 1909 in Sweden
- Europe's 5th largest electricity generator;
 - total electricity production of 168 TWh
 - total installed capacity of > 35,000 Megawatts
- No. 1 in the Nordic market, with 20% market share in generation
- No. 3 in Germany, with 13% market share in generation
- No. 1 in Europe in district heating
- Well diversified generation mix; hydro, nuclear and fossil. Increasing wind power
- Core products are electricity and heat
- Vattenfall is 100% owned by the Kingdom of Sweden.
- Commitment to maintain credit rating in the single "A" range

Our Vision: A Leading European Energy Company

Vattenfall's geographical markets

Business Group Central Europe

(Germany, Poland)

61% of Group revenues

51% of Group EBIT

45% of electr. generation

Business Group Nordic

(Sweden, Denmark, Finland)

32% of Group revenues

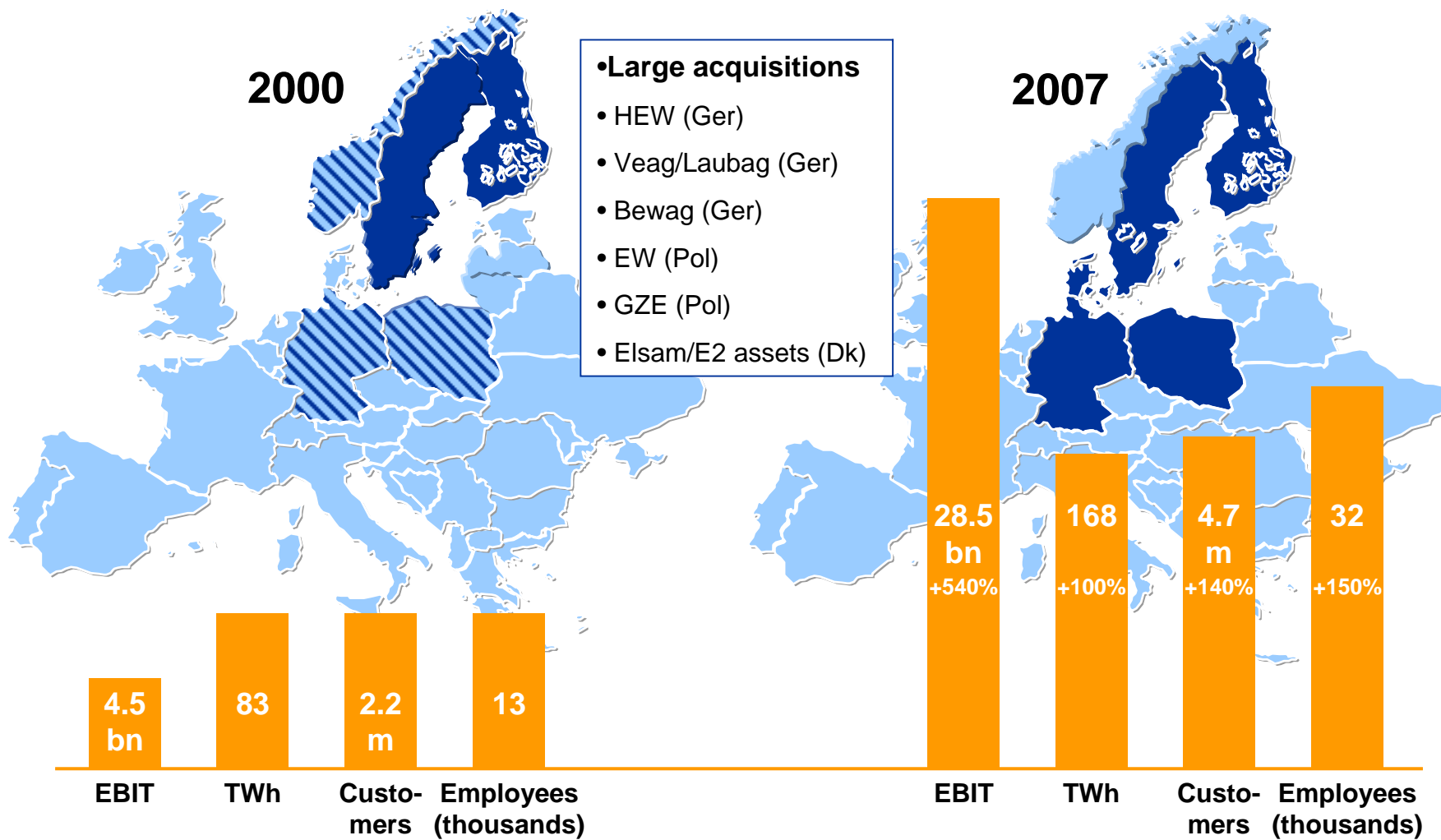
54% of Group EBIT

55% of electr. generation

A third segment "Other operations" accounts for 7% of Group revenues and -5% of Group EBIT

Last 12 months (LTM) figures

Vattenfall's development



The strategic priorities have shifted over the last years

1999 - 2001

Growth

- German and Polish acquisitions
- A integrated international company
- Business and steering model for deregulated markets

2002 - 2005

Consolidation
(with price increases)

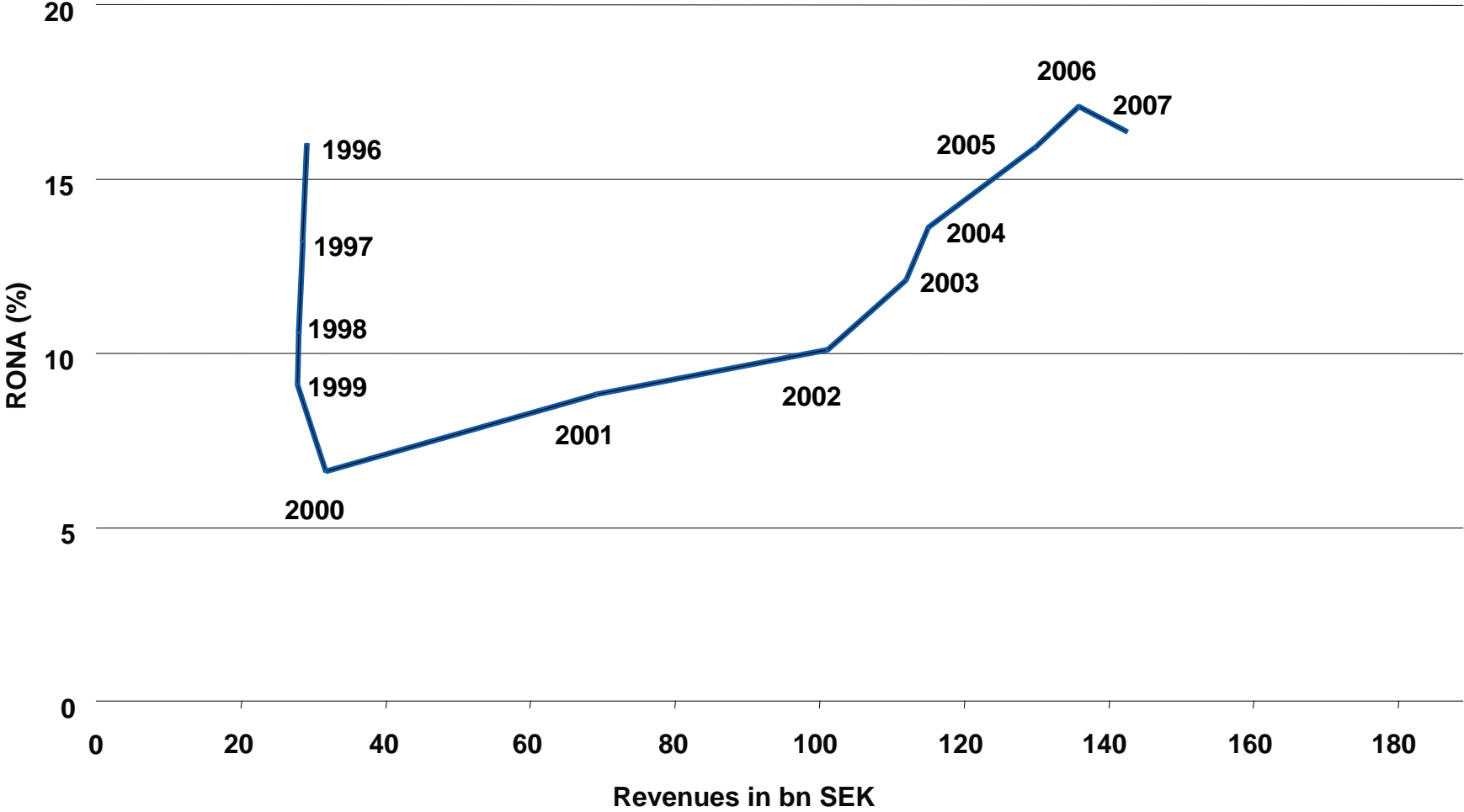
- Implementation of several cost effectiveness and performance programs
- Initial efforts to capture cross-border synergies
- Modest growth through acquisition in Denmark

2006 -

Growth and
climate change

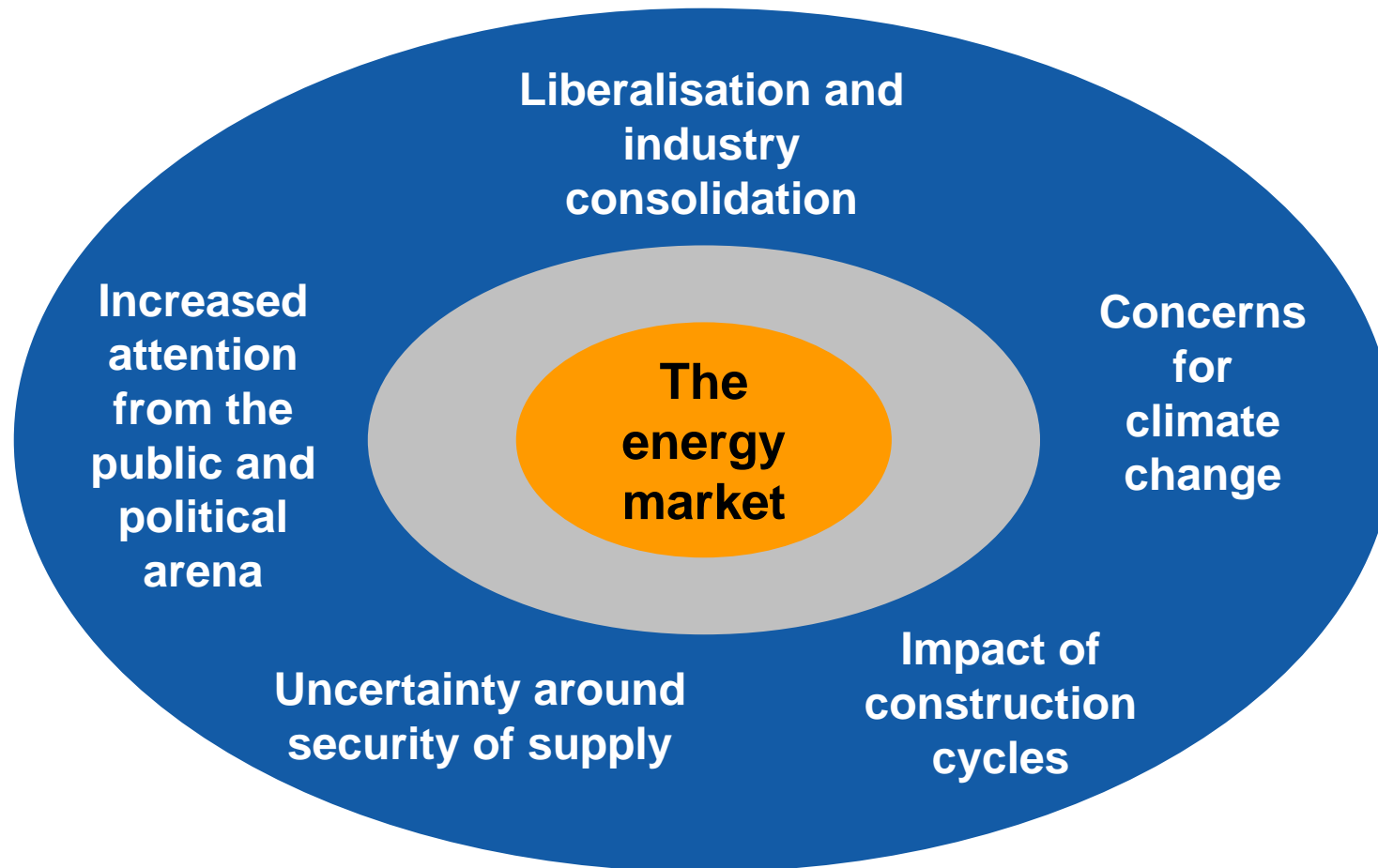
- Continued focused efforts to grow through organic expansion and M&A
- Establish a strong and global climate change position
- Commitment to adapt the generation portfolio to new requirements

The financial development has been very attractive

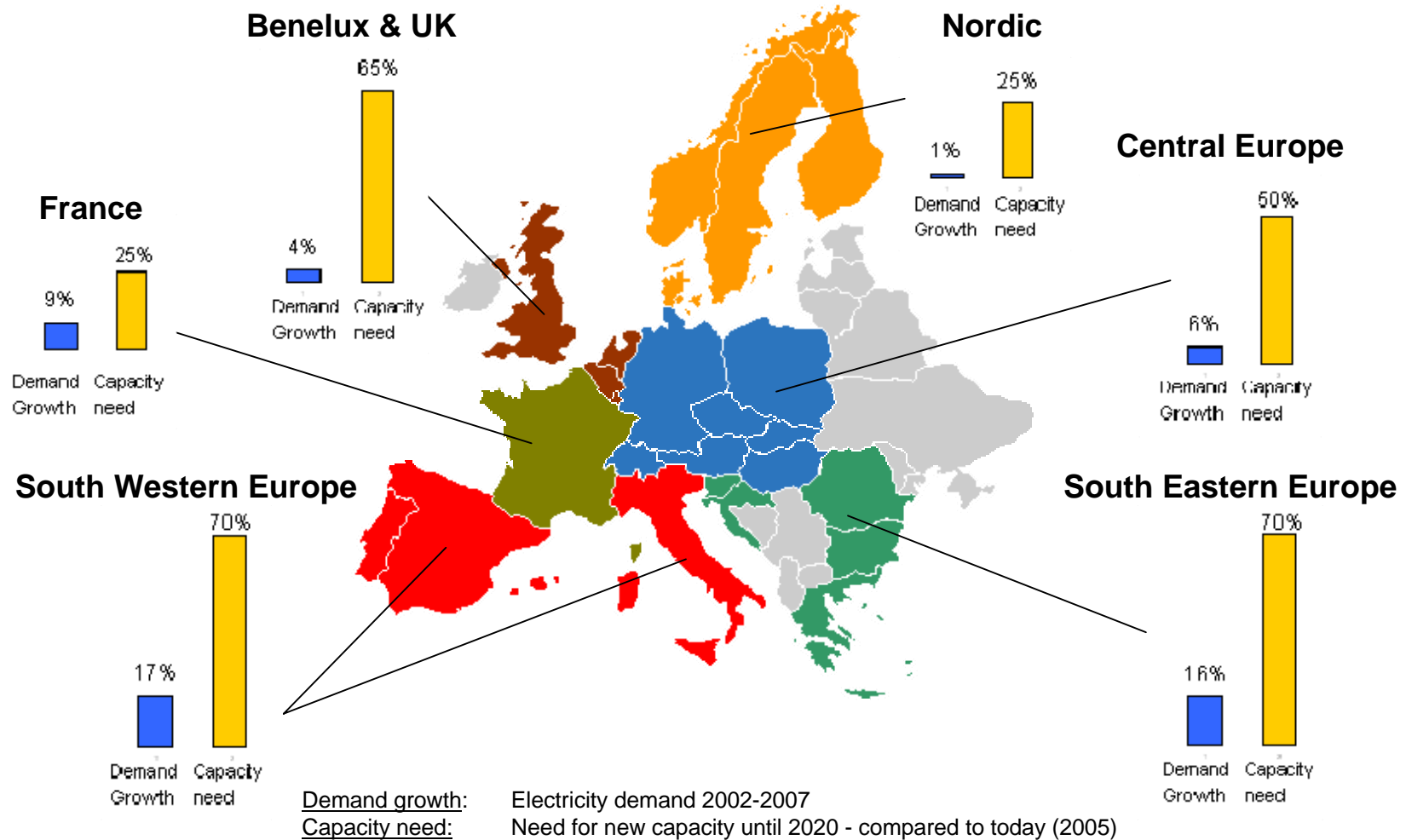


Industry trends

Several major trends influencing the energy industry

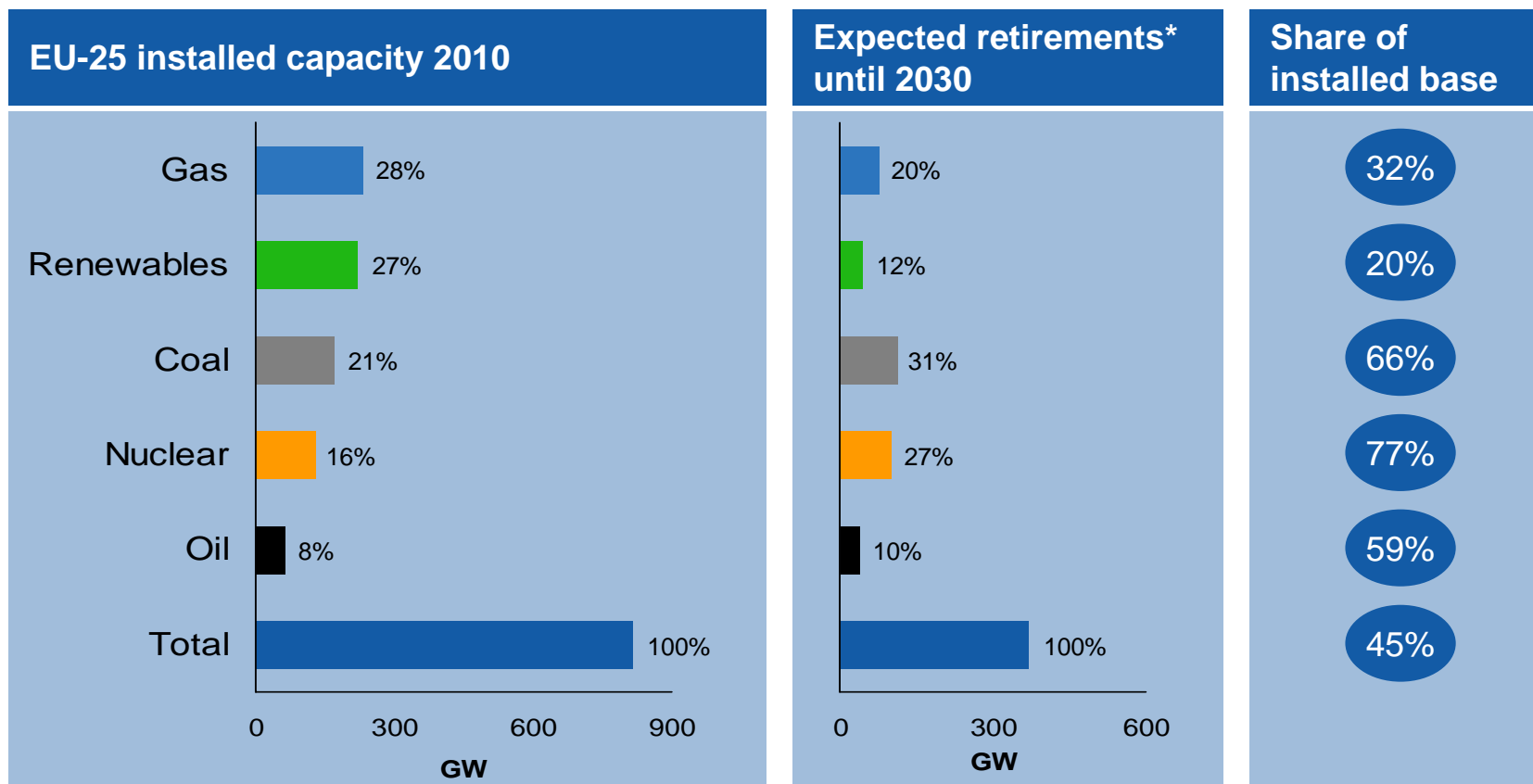


Market characteristics vary in different regions



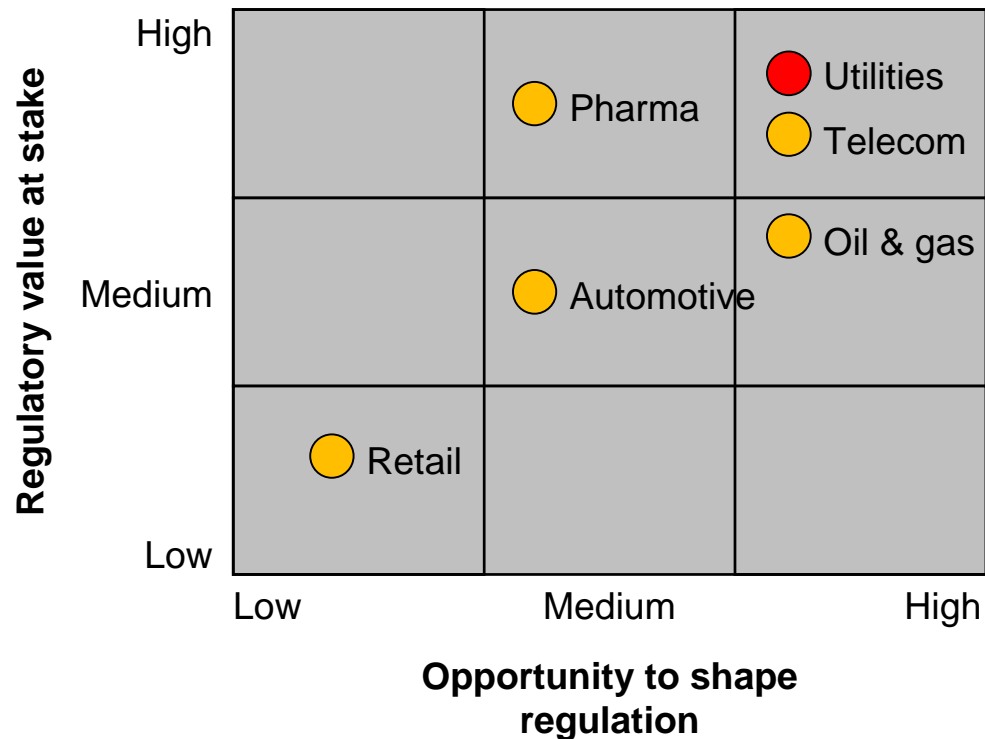
Security of supply concerns

Substantial parts of the old generation assets will be retired, which facilitates the move towards low CO₂.



Source: Eurelectric "The role of electricity", June 2007

The regulatory environment remains essential



Key success factors:

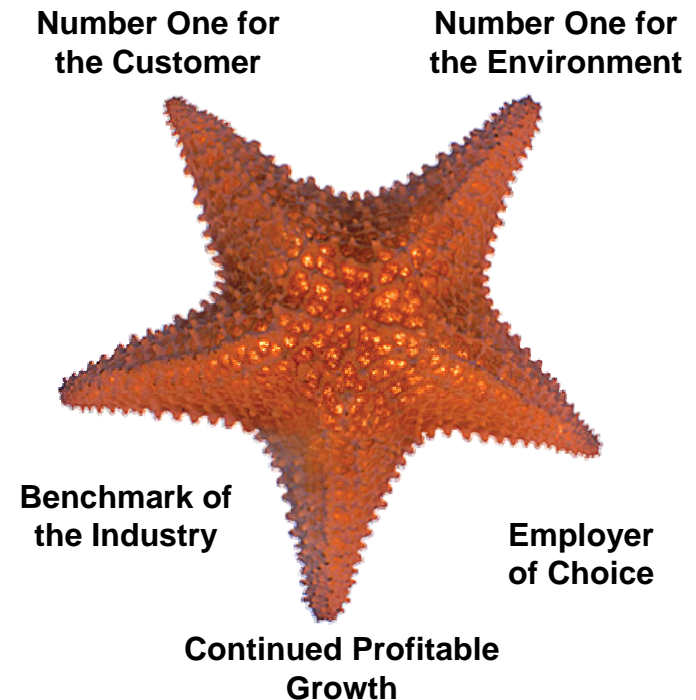
- Convincing fact-based argumentation on preferred regulation
- Effective and systematic stakeholder management
- Strong regulatory organisation
- Active listening mode in relation to external stakeholders

Strategic direction

The five strategic ambitions have matured

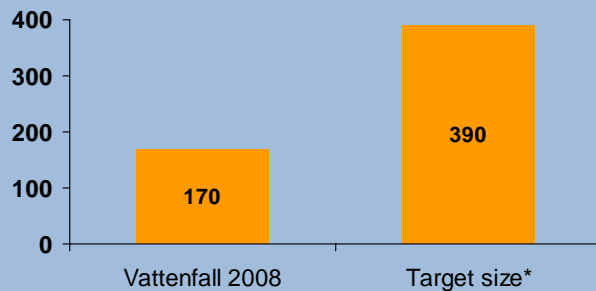
Key market developments last 10 years

- Liberalisation and market integration across Europe
- Industry consolidation
- Continuously enhanced competition between key players
- Increasing importance of environment, climate change and sustainability
- Growing competition for customers
- Strong public opinion/criticism related to price/performance and environment
- Changing demographics and expected upcoming gaps in key skills



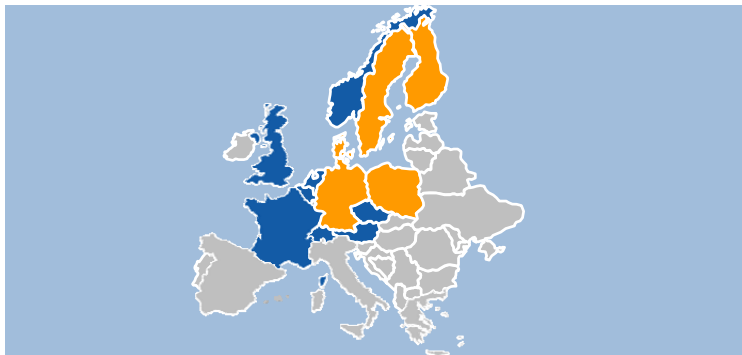
Growth strategy – organic and geographic expansion

Vattenfall electricity generation (TWh)



*10% of EU-27+2 electricity generation in 2030

Vattenfall core and target markets



Vattenfall shall increasingly pursue organic growth in both core and new target markets

- Enables possibility to “steer” the portfolio towards the prioritised generation mix
- Avoids price premiums
- Facilitates timing and control needs

Vattenfall should continue to use M&A, in particular to enter into new markets

- Degree of market liberalisation
- Proximity to core markets
- Need for new capacity
- Potential for clean capacity
- Cultural fit

Growth strategy - highlights

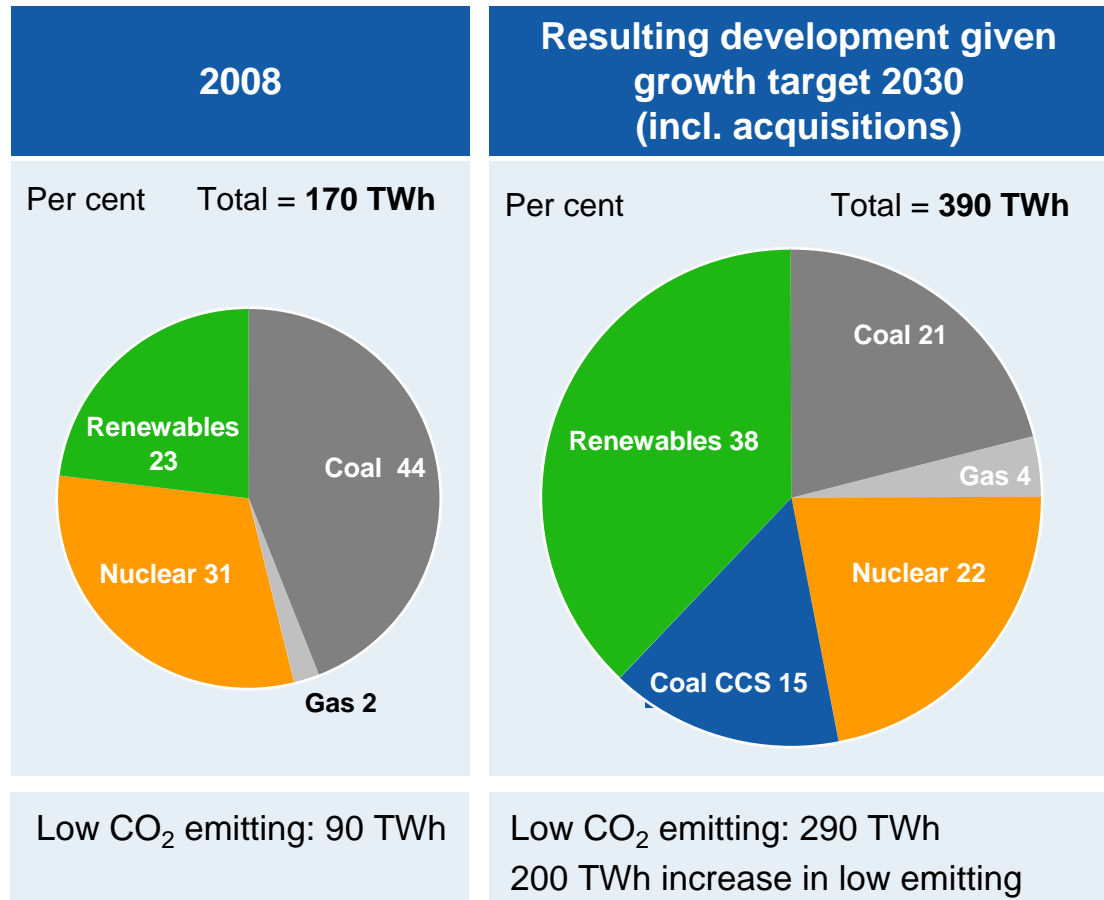
- Consolidation phase ended (Germany and Denmark).
- Substantially increased size targeted.
- Focus on electricity generation.
- Low-intensive CO₂ essential (nuclear, renewables, CCS).
- Organic and M&A.
- A third and possibly a fourth major geographical market targeted.
- United Kingdom and Benelux of very high interest.
- Possibly wider geographical scope.
- Growth in end-customers interesting (quality check, cost-to-serve).

Reduction CO₂ - extensive growth of renewables

Portfolio strategy - reshape the generation portfolio towards clean energy

Drivers:

- Emissions reduction
- Technological development/R&D
- Increasing financial attractiveness of renewables
- Preference for base load
- Public opinion



Vattenfall's internal Abatement Map

- Apply learning from external work to improve Vattenfall's internal strategic overview
- Measures assessed by Business Groups, with methodology and project support from central expertise
- Analysis identifies potential and *incremental* costs for Vattenfall to reduce emissions:
 - Compared to a situation where carbon was not constrained
 - Including both existing and expanded production (current markets only)
 - Throughout Vattenfall's value chain
- Analysis is NOT an evaluation of various investment options from a corporate perspective or a substitute for other related processes (capacity management, business planning)

Development of CCS and R&D continued key priority



European Test Center Mongstad
Research new techn. 'chilled ammonia'

Demo Plant Nordjyllandsvaerket (~300 MW_{th})
Post combustion

Pilot Plant Schwarze Pumpe (30 MW_{th})
Oxyfuel

Demo Plant Janschwalde (~300 MW_{th})
Oxyfuel & Post combustion

Demo Plant Siekierki (~150 MW_{th})
Post combustion

Operational excellence strategy – next steps

Ongoing OPEX program

- 11% productivity increase, equaling SEK 5 bn cost reduction
- Implementation and delivery ongoing

Next steps – Continue to enhance operational excellence through continued increases in:

- Productivity
 - Use benchmarking to clarify company position
 - Set new improvement targets according to benchmark results
 - Increase efficiency of SSCs
- Cross-border synergies
 - Identify key processes
 - Increase cooperation and learning within Group
 - Develop structured bench learning processes

Future of networks

Situation today

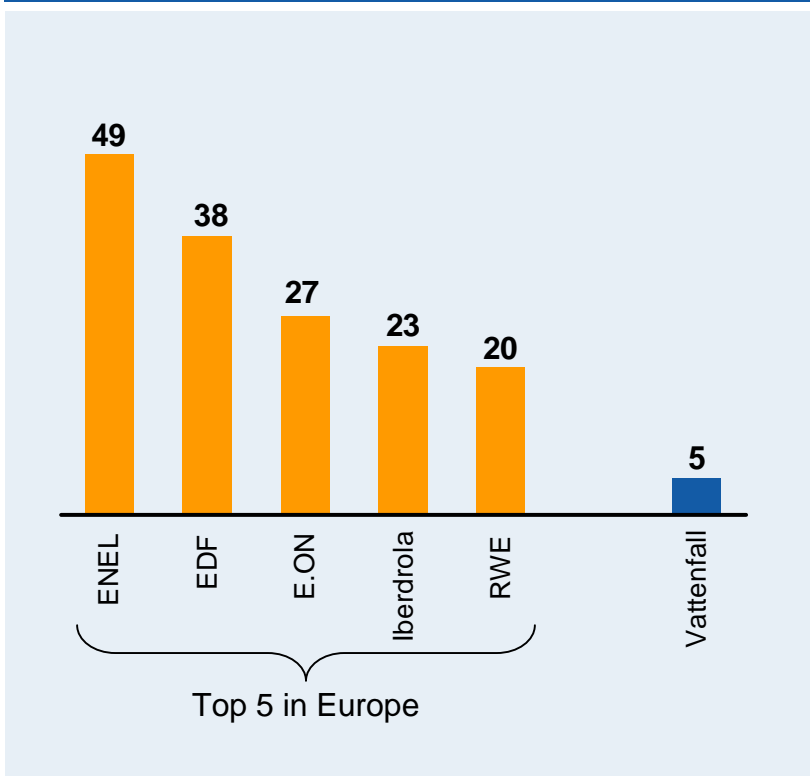
- Major investments necessary
 - development of offshore wind power,
 - replacement of old equipment
 - measures to increase the grid quality
- Essential unbundling requirements reduces strategic advantages of grids
- Regulation pressure on big 'utilities' reduces attractiveness

Consequences

- Transmission: integrated grids are offered for sale
- Distribution: evaluation of the future role of the grids

Customer strategy – increase market shares

Electricity sales customers 2007 (million)



Note: EDF 2006, Vattenfall April 2008

Grow the customer base and increase market shares:

- Strengthen the relationship with the consumer base
- Allows Vattenfall to better capitalise on fixed costs in sales and services
- Contributes to overall growth

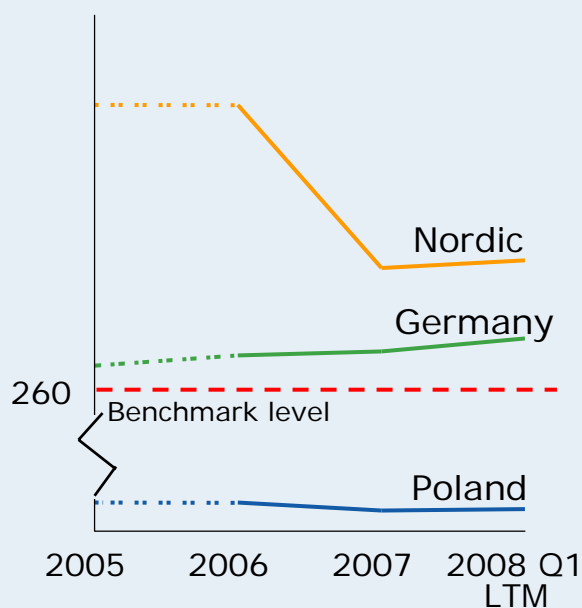
Increase customer orientation:

- Strong linkage between customer satisfaction and shareholder value
- Basis for promoting a more commercial mindset
- Necessary in order to gain license to operate our current/future assets

Customer strategy – reduce cost to serve

Development of cost to serve

Mass market segment (SEK/customer)



Reduce cost to serve:

- Necessary to create an economically sound basis
- Facilitates possibilities to grow customer base through competitive prices
- Contributes to creation of efficient processes
- Can be contributed to by increasing market share
- Differentiate between different segments

Our five strategic ambitions and key strategies

Number One for the Customer

Increase customer orientation and **market shares** as well as **reduce cost to serve**

Number One for the Environment

Reshape the generation portfolio towards **clean energy** (renewables, clean coal and nuclear)

Benchmark of the Industry

Improve operational excellence through **increased productivity** and **cross-border synergies**

Employer of Choice

Attract, retain and **develop people and competencies** for the future

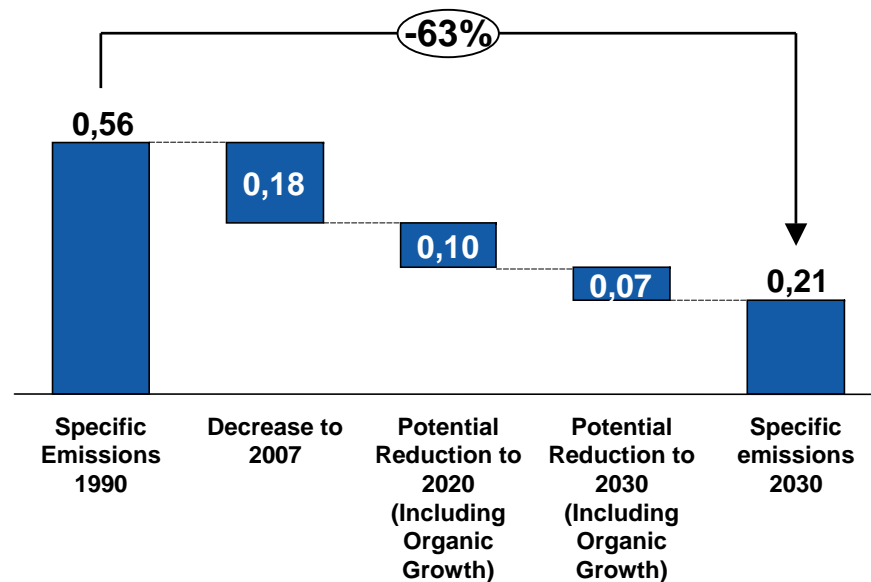
Continued Profitable Growth

Drive growth through **organic expansion** and **business development** in combination with **acquisitions** in new markets



Back up

Preliminary conclusions: Group level abatement



Abatement potential

- Significant potential identified to 2030
- Few alternatives identified, especially for existing production
- Focus of measure identification is CCS

Abatement cost

- Cost curve relatively 'flat': no tipping points identified
- Abatement by expansion is economically favourable

Roadmap 2030: Major abatement levers

- | | |
|--------------|---|
| 1990-present | • Replacement and upgrading of inefficient production |
| 2008-2020 | • Organic growth in wind |
| 2020-2030 | • Commercial CCS |
| | • Co-firing of biomass |
| | • CCS Demonstrations |
| | • Organic growth and M&A in renewables, nuclear |

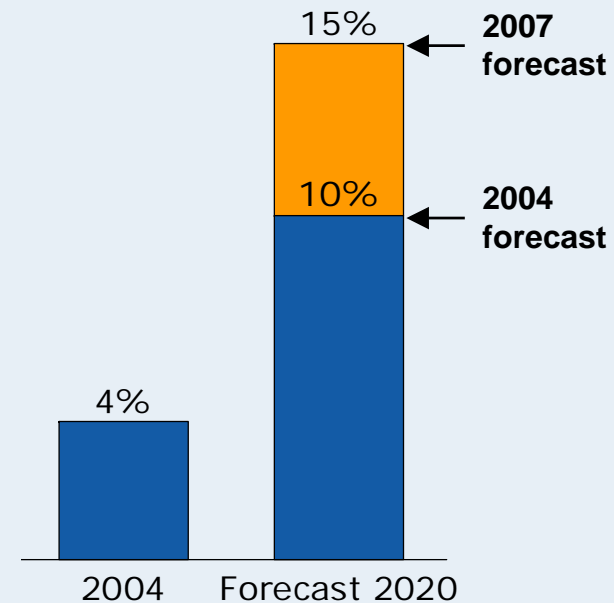
Major upgrading attractiveness of renewables

Drivers for higher attractiveness

- Learning curve leading to lower costs for renewables
- Continuous development of new and better renewables
- Fuel prices up leading to higher costs for traditional capacities
- ETS starting to generate high costs
- Expansion of renewables contributes to industrial growth in home markets
- Large competitors moving now

Renewables forecasts revised up

Overall share of renewables (excl large scale hydro) in EU 27



Source: IEA World Energy Outlook

Growth strategy – business development

Organic growth and M&A should be complemented with business development efforts

- Provide additional growth
- Promote electricity demand
- Increase perceived value of electricity
- Capitalise on R&D and innovation skills and stimulate entrepreneurship

Plug-in Electric Hybrid Vehicles



XX = potential in core markets by 2030

Heat Pumps



District Cooling Systems

