

# Vattenfall Q2 results 2011

Øystein Løseth, CEO and  
Dag Andresen, CFO

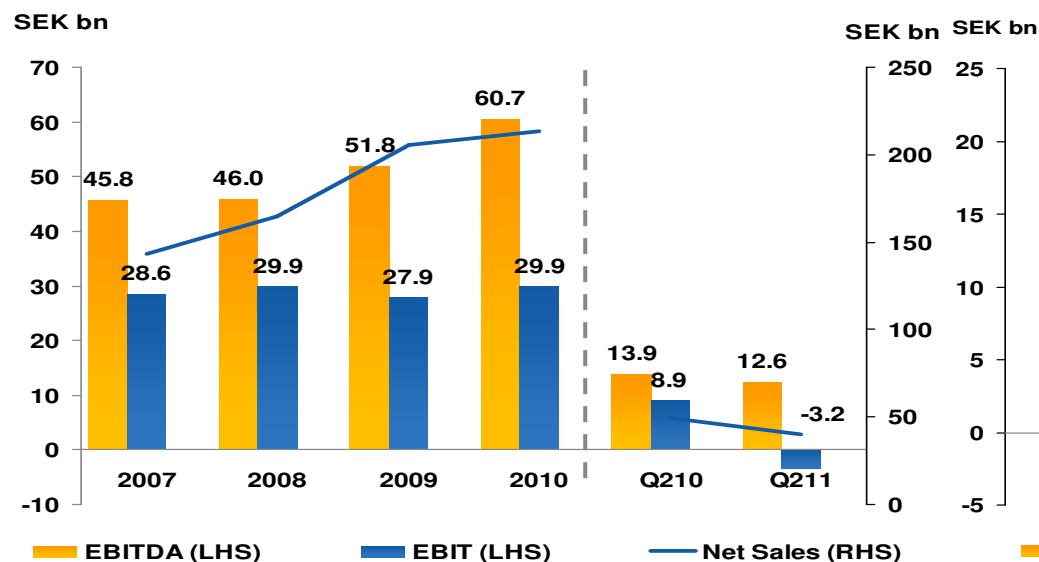
Conference Call, 28 July 2011

# Business highlights

- German nuclear decision negatively impacts Vattenfall's Q2 result due to impairment charges and increased provisions (EBIT SEK -10.2 bn)
- Lower electricity generation, lower achieved prices and lower heat and gas sales also negatively impacted EBIT (SEK -3.6 bn)
- Operating profit (EBIT) decreased by SEK 12.2 bn to SEK -3.2 bn
- Divestment of non-core assets according to plan
  - Total proceeds in H1 2011: SEK 5.9 bn
  - Divestment of Belgian operations announced 27 July

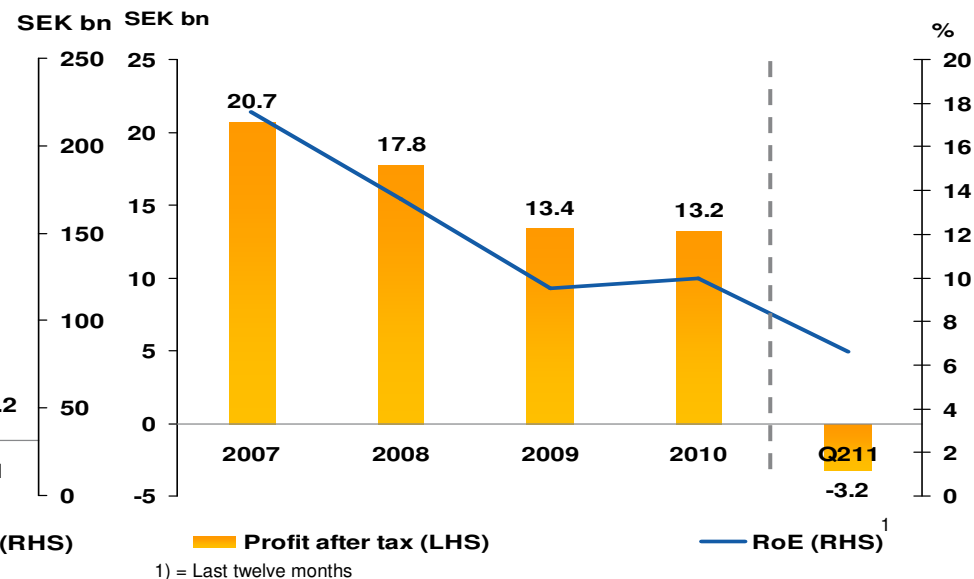
# Development of key financial figures

## EBITDA, EBIT and Net Sales



- Net sales decreased 18.6% to SEK 40.4 billion
- EBITDA decreased 9.4% to SEK 12.6 billion
- EBIT decreased to SEK -3.2 billion

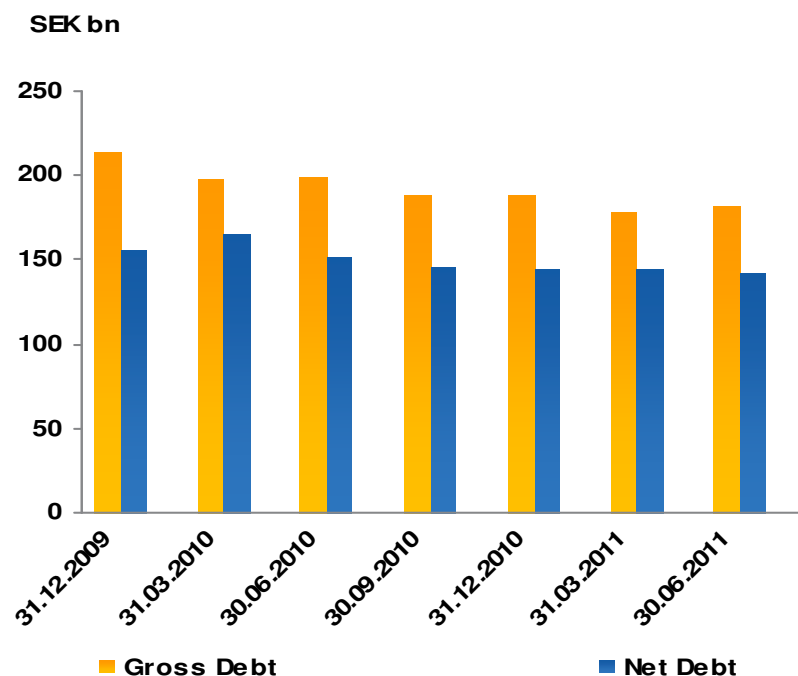
## RoE and Profit after tax



- RoE decreased to 6.6%
- Excluding IAC RoE was 14.3%
- Profit after tax decreased to SEK -3.2 billion

# Debt development / Key credit metrics

## Debt development



- Reported gross and net debt decreased slightly

## Key credit metrics

	FY 2009	FY 2010	Q2/11
FFO Interest cover (x)	4.8	6.2	6.2 <sup>1)</sup>
FFO/net debt (%)	23.7	27.8	26.0 <sup>1)</sup>
FFO/adj. net debt(%)	17.9	23.1	21.3 <sup>1)</sup>
Adj.net debt/ EBITDA (x)	4.0	2.9	3.1 <sup>1)</sup>

1) Last twelve months

- Credit metrics slightly deteriorated since Q1/11
- Increase of adjusted net debt due to increased provisions related to German nuclear decision

# Higher electricity market prices

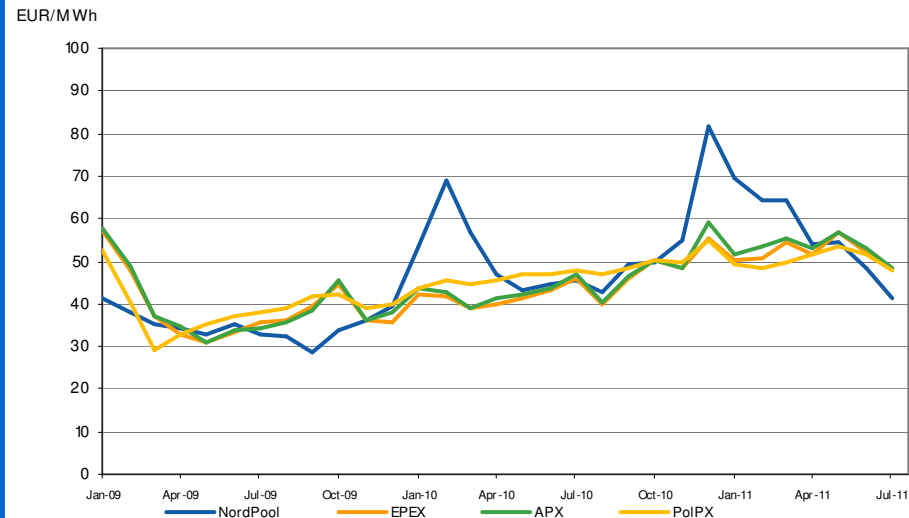
## Spot prices

- 16% higher average Nordic spot prices (Q2-11 vs.Q2-10).
  - The hydrological balance continued to recover from -43 TWh in January to -10.9 TWh in June.
- 29% higher average spot prices in Germany and 28% higher average spot prices in the Netherlands (Q2-11 vs. Q2-10).

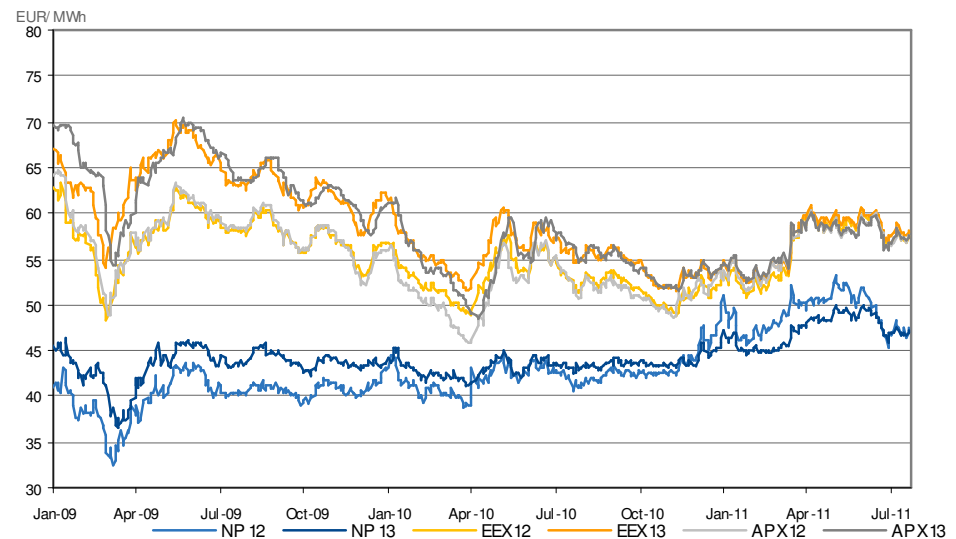
## Future prices

- Future prices decreased during June but on average slightly higher than during Q1-11.

Monthly Spot Average

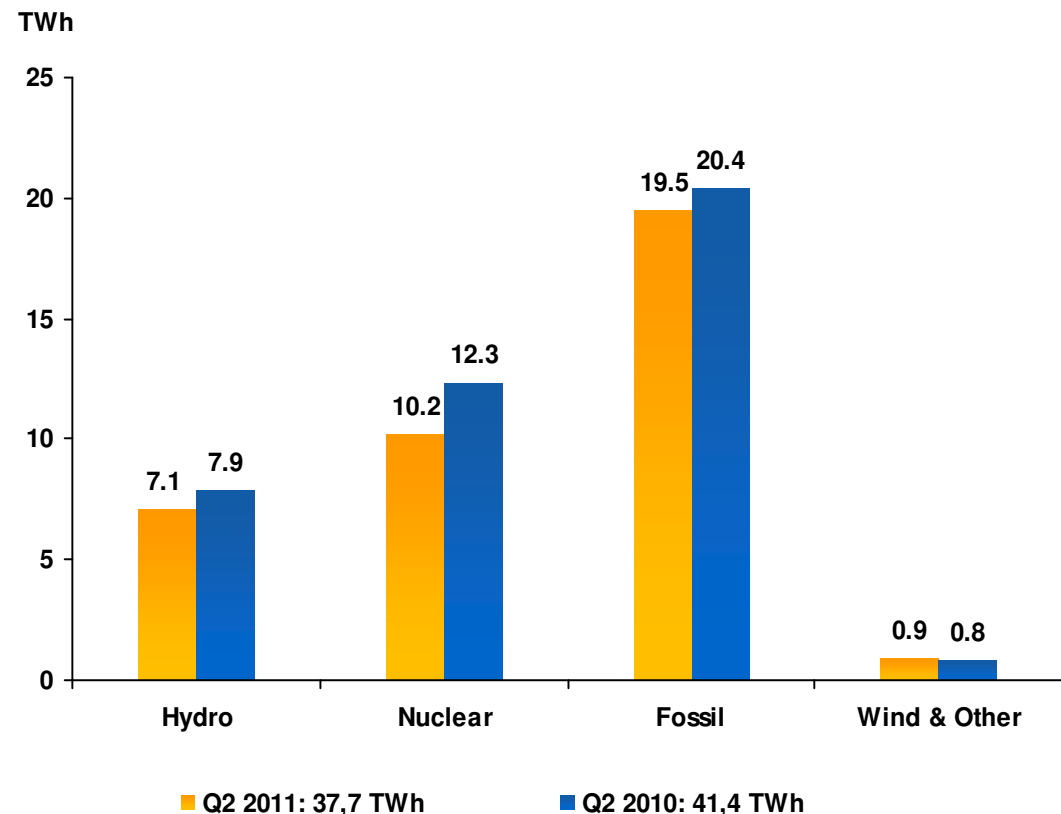


Daily Future Closing Prices



# Lower generation volumes

- Electricity generation decreased 3.7 TWh (8.9%) to 37.7 TWh
- Nuclear generation (Sweden) decreased 2.1 TWh (17%) due to planned outages and prolonged outage at Ringhals 2
- Fossil power decreased 0.9 TWh (4%)
- Hydro power decreased 0.8 TWh (10%)
- Wind power increased 0.4 TWh to 0.7 TWh, other (biomass and waste) decreased to 0.2 TWh.



# German nuclear decision



- German parliament decided to reverse last year's life-time extension decision on German nuclear plants
- All German nuclear plants to be shut down at the latest by 2022
- All pre-1980 nuclear plants including Krümmel (in total 8 plants) not permitted to restart from temporary shut down
- As a consequence, Vattenfall's nuclear plants Brunsbüttel (66.7%) and Krümmel (50%) will not restart. Dismantling to start several years from now

# German nuclear decision - EBIT impact

- Vattenfall had to impair its book value of Brunsbüttel and Krümmel, and increase provisions for dismantling the plants and the handling of nuclear fuel.
- EBIT negatively impacted by 10.2 bn SEK in Q2 2011
  - Impairment charge (write-down) of assets: 5 bn SEK
    - Brunsbüttel 3.3 bn SEK
    - Krümmel 1.7 bn SEK
  - Increased provisions<sup>1</sup>: 5.2 bn SEK
    - Additional costs for a longer post-operational phase (the time between decommissioning and dismantling)
    - Reversal of the lowered provisions in 2010 which were based on last years decision on life-time extensions.
  - No impact on cash flow in 2011

1) Including cost sharing from minority shareholder in Brunsbüttel

# Swedish nuclear update: Forsmark and Ringhals



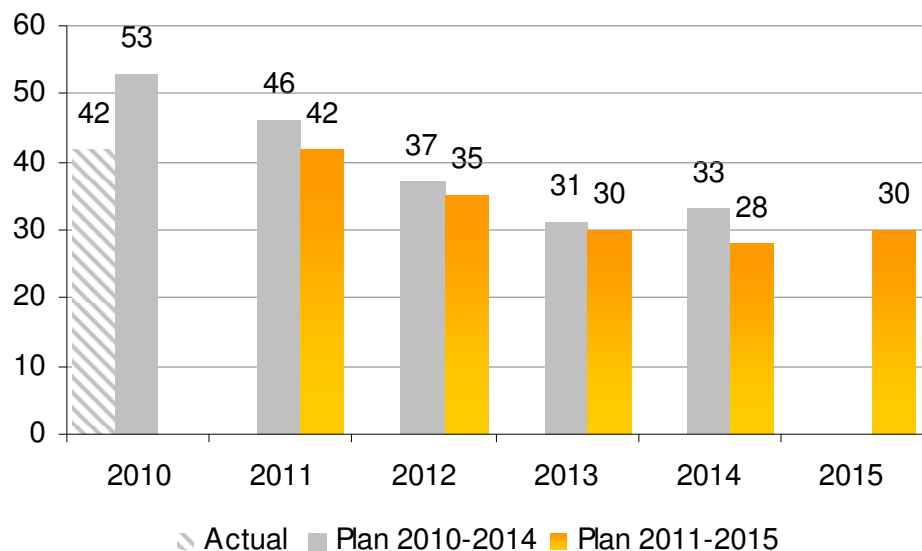
- All reactors at Forsmark are running
- Ringhals 2 offline due to planned outage since 2 April. During outage work a small fire occurred during a test. Restart was delayed, now planned for 18 November
- Ringhals 4 offline due to planned outage since 31 May. Major modernisation; i.a. replacement of steam generators. Planned restart 8 September

# Major investment projects

## 5-year capex programme totals SEK 165bn

(18% reduction compared with previous 5 year programme)

SEK bn



## Major on-going investment projects

- Hard-coal fired CHP plant; Hamburg Moorburg, Germany, 1,640 MW (project delayed)
- New lignite power plant unit in Boxberg, Germany, 675 MW (project delayed; expected commercial startup in early 2013)
- Gas-fired power plants Diemen 34, 440 MW, and Hemweg 9, 433 MW, in the Netherlands (expected startup in 2013)
- Gas-fired power plant Magnum in the Netherlands, 1,311 MW (expected startup in 2012)
- Ormonde offshore wind farm, the UK, 150 MW (expected startup in 2011)
- DanTysk offshore wind farm, Germany, 288 MW<sup>1</sup> (expected startup in 2013/2014)
- Nuclear upgrades in Forsmark and Ringhals, Sweden

1) Vattenfall's share 51% = 147 MW

# Efficiency improvement programme on track

**Consolidation Phase**  
Next 2 3 years

**Growth Phase**

Short-term efficiency improvement programme	Status
Cost-cutting programme, SEK 6 bn p.a. by year-end 2013	On track
Divestment of non-core business	On track
Revised investment plan for 2011-2015 to SEK 165 bn	✓
New business-led organisational structure from 1 January 2011	✓

## Reshaping the generation portfolio

Focus on growth in low CO<sub>2</sub>-emitting production, and gas.

Focus on core markets with growth opportunities where Vattenfall has or can build a critical size position.

Reduce CO<sub>2</sub>-exposure.

# Financials

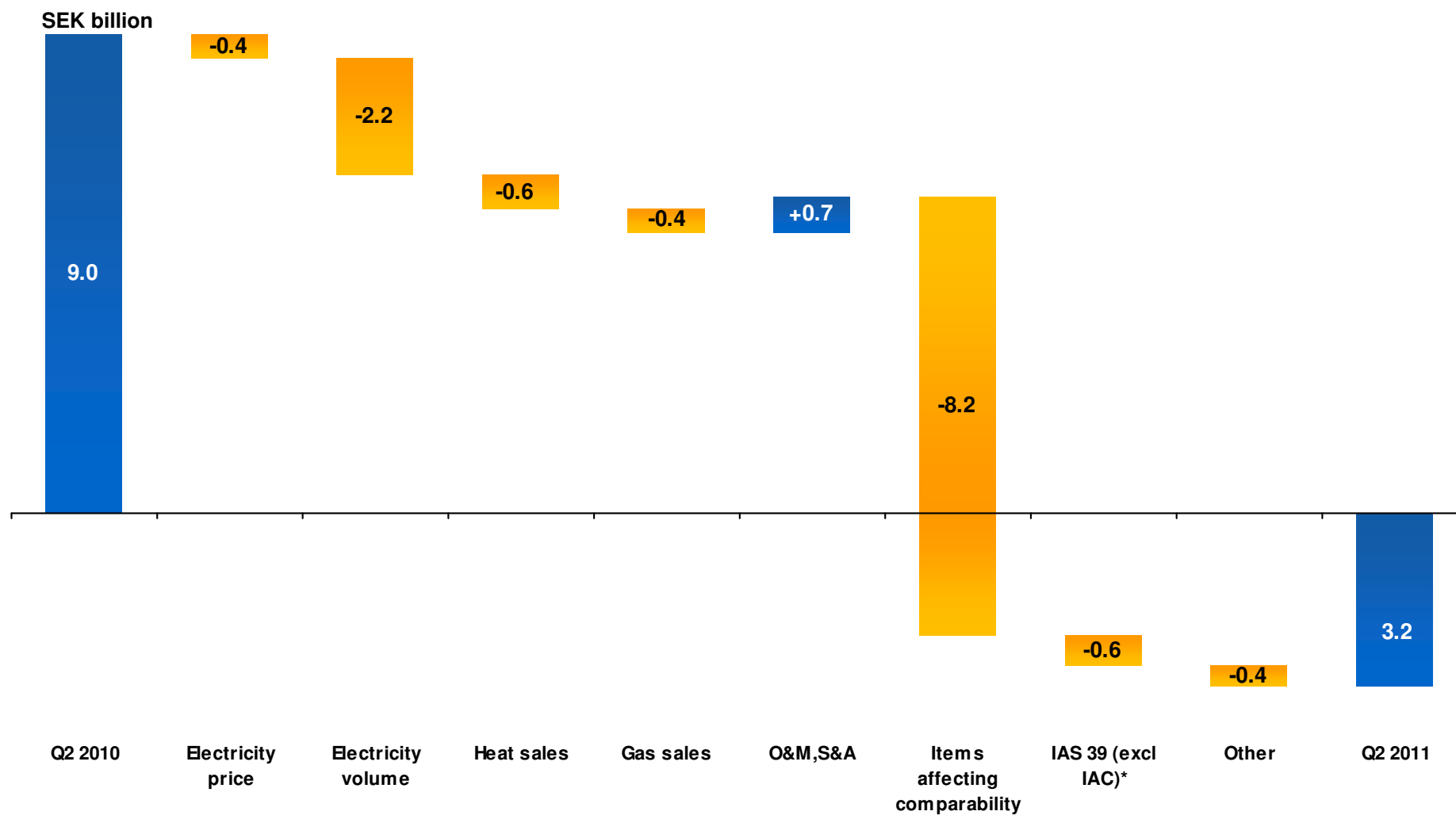
Dag Andresen, CFO

## Q2 2011 Financial highlights

SEK million	Q2 2011	Q2 2010	Change (%)
Net Sales	40,443	49,713	-18.6%
EBITDA	12,566	13,867	-9.4%
EBIT	-3,239	8,963	--
EBIT excl. IAC*	4,907	8,936	-45.1%
Profit after tax	-3,235	5,185	--
Profit after tax excl. IAC*	2,268	5,159	-56.0%
FFO	6,125	11,679	-47.5%
Cash flow from operating activities	11,795	17,307	-31.8%
Cash flow before financing activities	7,262	13,828	--

\*IAC = Items affecting comparability

# EBIT development Q2 2011



\* IAS 39 transactions pertain to unrealised changes in the fair value of financial derivatives, which according to IAS 39 may not be reported using hedge accounting.

# EBIT, Q2 2011 - by Operating Segment

SEK million

	Q2 2011	Q2 2010	Change	FY 2010
Generation	-6,103	7,841	--	30,388
Distribution and Sales	2,142	1,843	16.2%	8,340
Renewables	68	-305	--	-1,620
Other <sup>1</sup>	654	-416	--	-7,255
<b>Total</b>	<b>-3,239</b>	<b>8,963</b>	<b>--</b>	<b>29,853</b>

1) Includes Staff functions including Treasury activities, Shared Service Centres and the Gas Exploration & Production business.

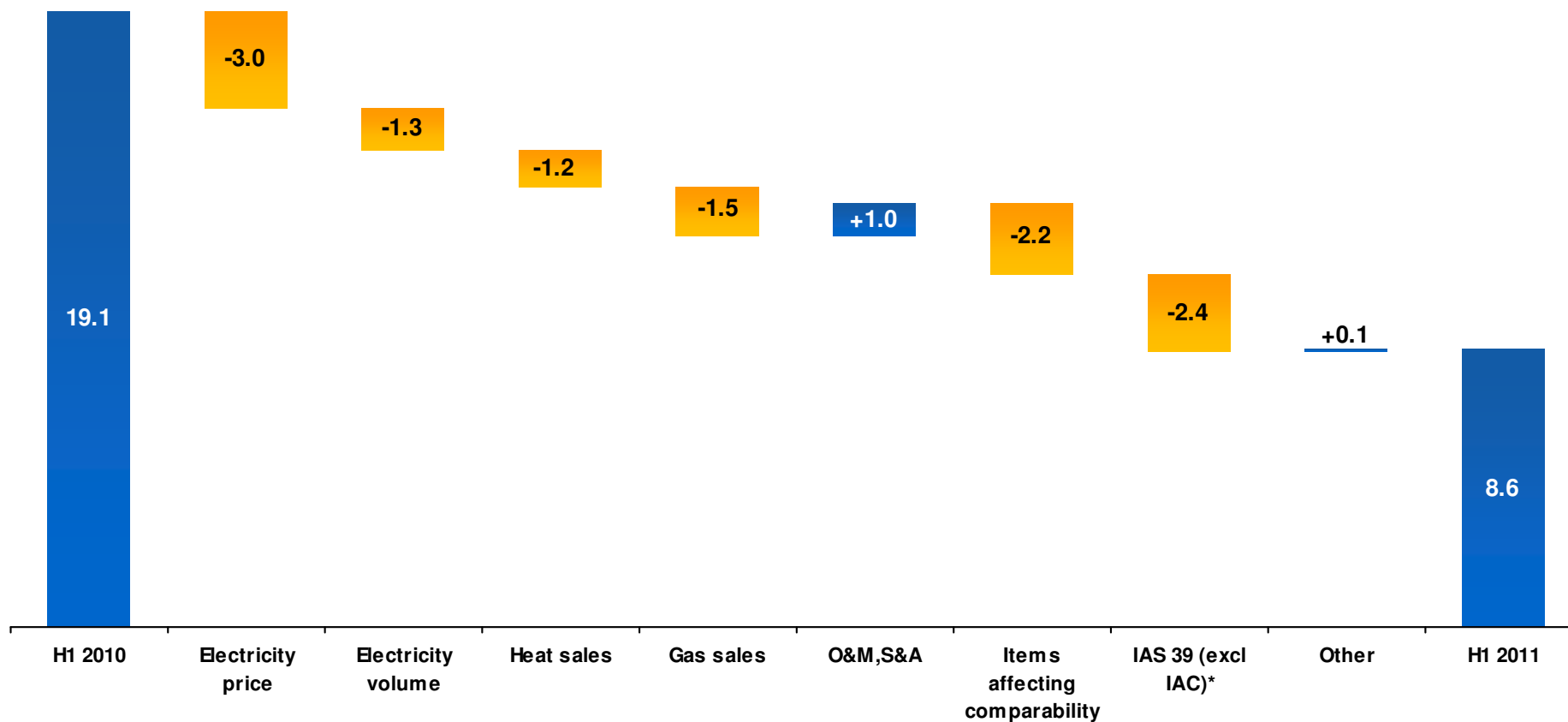
# H1 2011 Financial highlights

SEK million	H1 2011	H1 2010	Change (%)
Net Sales	92,311	120,370	-23.3%
EBITDA	29,498	34,666	-14.9%
EBIT	8,603	19,078	-54.9%
EBIT excl. IAC*	16,060	24,312	-33.9%
Profit after tax	3,968	8,972	-55.8%
Profit after tax excl. IAC*	8,982	14,204	-36.8%
FFO	18,281	21,499	-15.0%
Cash flow from operating activities	19,402	19,566	-0.8%
Cash flow before financing activities	9,918	7,331	+35.3%

\*IAC = Items affecting comparability

# EBIT development H1 2011

SEK billion



\* IAS 39 transactions pertain to unrealised changes in the fair value of financial derivatives, which according to IAS 39 may not be reported using hedge accounting.

# Debt development & key earning ratios

**Total interest-bearing liabilities** (gross debt) decreased  
by SEK 6.4 bn to SEK 181.9 bn compared with 31 Dec. 2010

**Net debt** decreased  
by SEK 2 bn to SEK 142 bn compared with 31 Dec. 2010

**Adjusted net debt** increased  
by SEK 6.5 bn to SEK 179.9 bn compared with 31 Dec. 2010  
- mainly due to increased nuclear provisions

## **Return on Net Assets (RoNA)**

- Incl. IAC: 5.7%\* (FY 2010: 9.1%)
- Excl. IAC: 10.1%\* (FY 2010: 12.5%)
- Target 11%

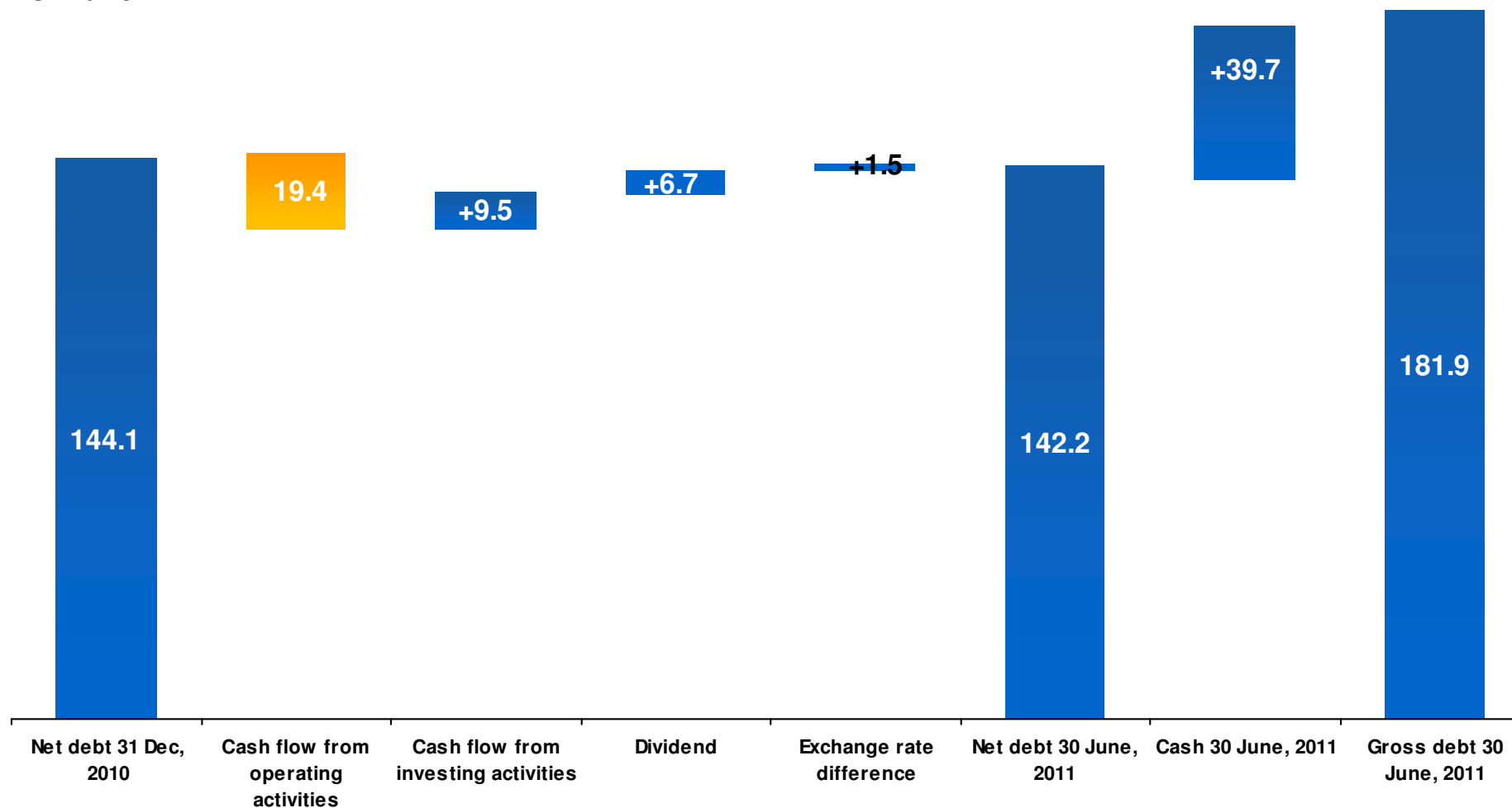
## **Return on Equity (RoE)**

- Incl. IAC: 6.6%\* (FY 2010: 10.0%)
- Excl. IAC: 14.3%\* (FY 2010: 17.7%)
- Long-term target 15%

\*Last 12 months

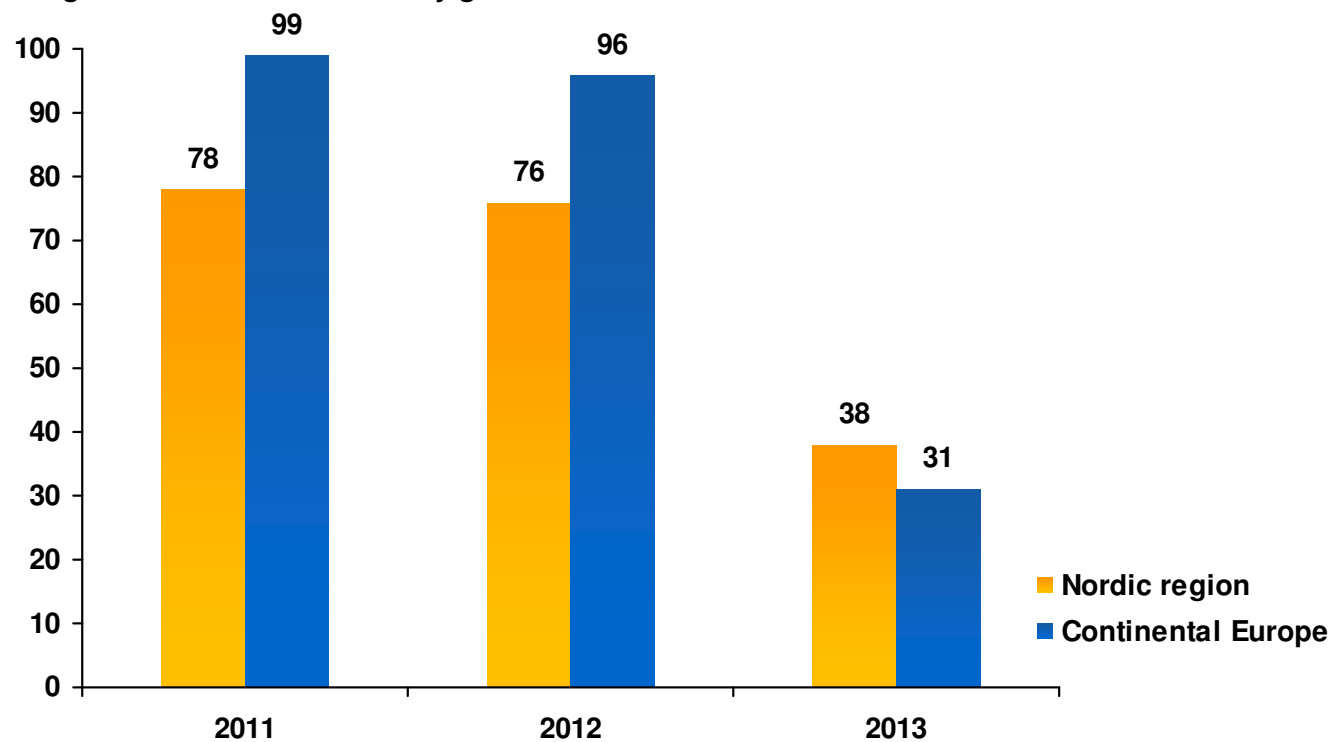
# Slightly decreased net debt during H1 2011

SEK billion



# Hedging position and prices as of 30 June 2011

% hedged of forecasted electricity generation



EUR/MWh	2011	2012	2013
Nordic region	45	44	45
Continental Europe	56	55	59

# Financial targets and outcome

Key Ratio	Targets	Q2 2011
Return on Equity (RoE)	15% on average equity	6.6% <sup>1</sup> 14.3% excl. IAC <sup>1</sup>
Cash flow interest coverage after maintenance investments	3.5-4.5 times	5.0 <sup>1</sup>
Credit rating	Single A category rating	Moody's: A2, stable outlook S&P: A, negative outlook
Dividend pay-out	40-60%	50% (SEK 6.5 bn paid out 3 May 2011)

1) Last twelve months

# Asset disposals - update

- Divestment of non-core assets continues according to plan
- Total proceeds during H1 2011: 5.9 billion SEK, including:
  - 21.3% stake in Energieversorgung Sachsen Ost AG (ENSO), Germany
  - 25% stake in hard coal-fired power plant Rostock, Germany
  - Parts of Swedish consultancy business sold to Pöyry PLC
  - Nuon Exploration & Production B.V., Netherlands
  - Hillerød and Helsingør CHP plants, both natural gas based, Denmark
  - Sale of property Spitalerstraße, Hamburg
- Divestment of Belgian operations announced 27 July



**VATTENFALL**

**Q & A**

# Appendix

# Facts Brunsbüttel and Krümmel



## **Brunsbüttel:**

- Ownership: 66,7% Vattenfall, 33,3 % E.ON
- Start up year: 1977
- Installed capacity (MW): 771 MW (net)
- Normal production output 6 TWh
- Production in 2010: 0



## **Krümmel:**

- Ownership: 50% Vattenfall, 50 % E.ON
- Start up year: 1984
- Installed capacity (MW): 1,346 MW (net)
- Normal production output 10.5 TWh
- Production in 2010: 0

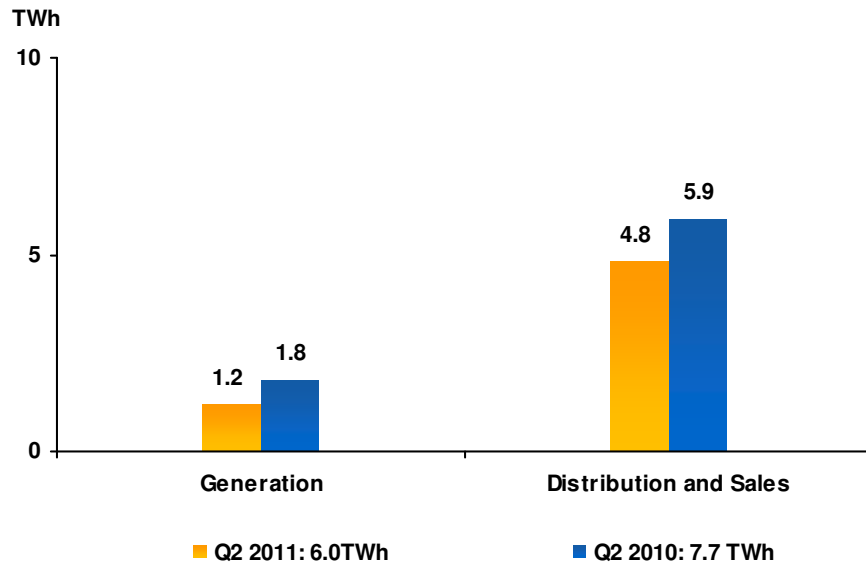
# EBIT impact from German nuclear decision

MEUR	Brunsbüttel (100%)	Krümmel (50%)	Total
Write-down of non-current assets and partly used fuel (impairment)	-368	-192	-560
Increase of provisions	-293*	-323	-585
<b>Total EBIT-impact</b>	<b>-661</b>	<b>-484</b>	<b>-1,145</b>

Brunsbüttel is fully consolidated by Vattenfall. Krümmel is accounted for at equity.

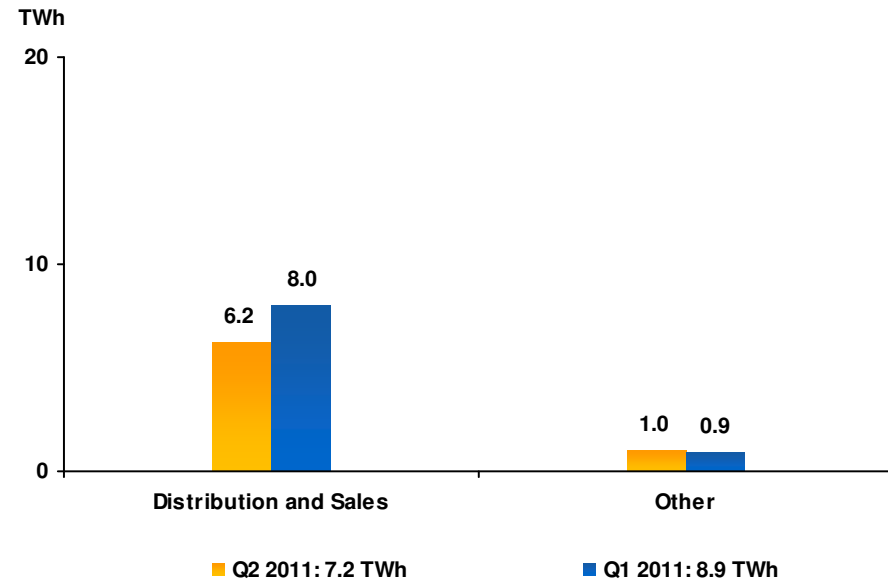
\* Including cost sharing from minority shareholder of Brunsbüttel

# Heat and gas sales



**Heat sales decreased by 1.7 TWh to 6.0 TWh**

- Warmer weather compared with Q2 2011



**Gas sales decreased by 1.7 TWh to 7.2 TWh**

# Consolidated income statement

SEK million	Q2 2011	Q2 2010	H1 2011	H1 2010	FY 2010
Net sales	40,443	49,713	92,311	120,370	213,572
Cost of products sold	-40,997	-36,343	-77,805	-87,215	-159,098
<b>Gross profit</b>	<b>-554</b>	<b>13,370</b>	<b>14,506</b>	<b>33,155</b>	<b>54,474</b>
<b>Operating profit</b>	<b>-3,239</b>	<b>8,963</b>	<b>8,603</b>	<b>19,078</b>	<b>29,853</b>
<b>Operating profit, excl. IAC*</b>	<b>4,907</b>	<b>8,936</b>	<b>16,060</b>	<b>24,312</b>	<b>39,952</b>
Financial income	802	295	1,594	861	2,514
Financial expenses	-2,392	-2,427	-5,077	-5,892	-10,944
<i>Financial net</i>	<i>-1,590</i>	<i>-2,132</i>	<i>-3,483</i>	<i>-5,031</i>	<i>-8,430</i>
<b>Profit before tax</b>	<b>-4,829</b>	<b>6,831</b>	<b>5,120</b>	<b>14,047</b>	<b>21,423</b>
Taxes	1,594	-1,646	-1,152	-5,075	-8,238
<b>Profit after tax</b>	<b>-3,235</b>	<b>5,185</b>	<b>3,968</b>	<b>8,972</b>	<b>13,185</b>

\* IAC = Items affecting comparability

# Consolidated cash flow statement

SEK million	Q2 2011	Q2 2010	H1 2011	H1 2010	FY 2010
<b>Funds from operations (FFO)</b>	<b>6,125</b>	<b>11,679</b>	<b>18,281<sup>1</sup></b>	<b>21,499</b>	<b>40,108</b>
Change in working capital	5,670	5,628	1,121	-1,933	1,123
<b>Cash flow from operating activities</b>	<b>11,795</b>	<b>17,307</b>	<b>19,402</b>	<b>19,566</b>	<b>41,231</b>
Investments	-7,854	-8,973	-14,053	-17,908	41,794
Divestments	3,321	5,785	4,569	5,964	7,197
Cash and cash equivalents in acquired/divested companies	--	-291	--	-291	-186
<b>Cash flow from investing activities</b>	<b>-4,533</b>	<b>-3,479</b>	<b>-9,484</b>	<b>-12,235</b>	<b>-34,783</b>
<b>Free cash flow</b>	<b>8,410</b>	<b>14,288</b>	<b>13,473</b>	<b>13,231</b>	<b>23,846</b>
<b>Cash flow before financing activities</b>	<b>7,262</b>	<b>13,828</b>	<b>9,918</b>	<b>7,331</b>	<b>6,448</b>
<b>Cash flow from financing activities</b>	<b>2,484</b>	<b>-347</b>	<b>-1,844</b>	<b>3,286</b>	<b>-5,147</b>
<b>Cash flow for the period</b>	<b>9,746</b>	<b>13,481</b>	<b>8,074</b>	<b>10,617</b>	<b>1,301</b>
Net debt at the end of the period	-142,453	-151,071	-142,153	-151,071	-144,109

1) The amount is adjusted compared to previously published information due to reclassification of currency effects

# Liquidity position

As of 30 June 2011

<b>Group liquidity</b>	<b>SEK million</b>
Cash and equivalents	20 238
Short term investments	18 959
<b>Reported cash, cash equivalents &amp; short term investments</b>	<b>39 197</b>
Unavailable liquidity <sup>1)</sup>	-4 173
<b>Available liquidity</b>	<b>35 024</b>

1) German nuclear "Solidarvereinbarung" 3 115, Margin calls paid and others 1 058

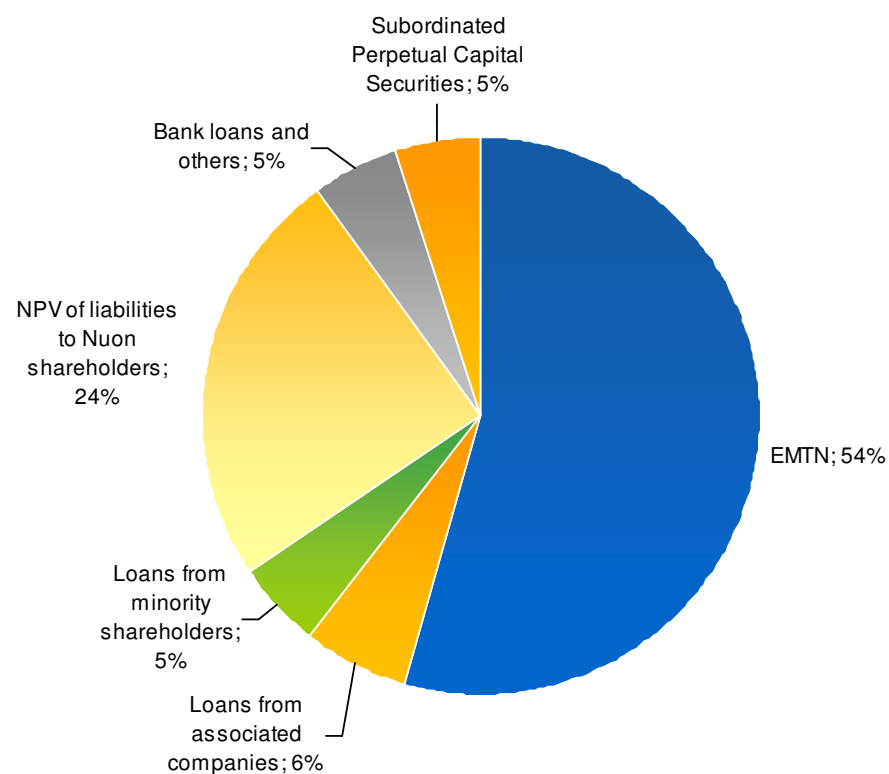
<b>Committed credit facilities</b>	<b>Line size</b>	<b>Amount available SEK million</b>
RCF (maturity Feb 2013)	EUR 1 000 million	9 150
RCF (maturity Jan 2016)	EUR 2550 million	23 333
Overdraft facility	SEK 100 million	100
<b>Total undrawn</b>		<b>32 583</b>
<i>Other credit lines unutilised</i>		<i>3 897</i>

<b>Debt maturities <sup>2)</sup></b>	<b>SEK million</b>
- within 90 days	14 070
- within 180 days	21 650

2) Excluding loans from minority owners and associated companies

# Breakdown of gross debt

**Total debt 30 June 2011 <sup>1)</sup> :**  
**(SEK 181.8 bn / EUR 20.0 bn)**



Funding programmes	Size (EURm)	Utilization (EURm)
EUR 15 bn Euro MTN	15 000	10 385
EUR 2 bn Euro CP	2 000	0
SEK 15 bn Domestic CP	1 639	0
<b>Total</b>	<b>18 639</b>	<b>10 385</b>

- All public debt issued by Vattenfall AB
- The debt portfolio has no currency exposure that has an impact on the income statement. The debt in foreign currency is either swapped to SEK or booked as a hedge against net foreign investments.
- No structural subordination

1) Of which external market debt: SEK 117.1 bn (64%)

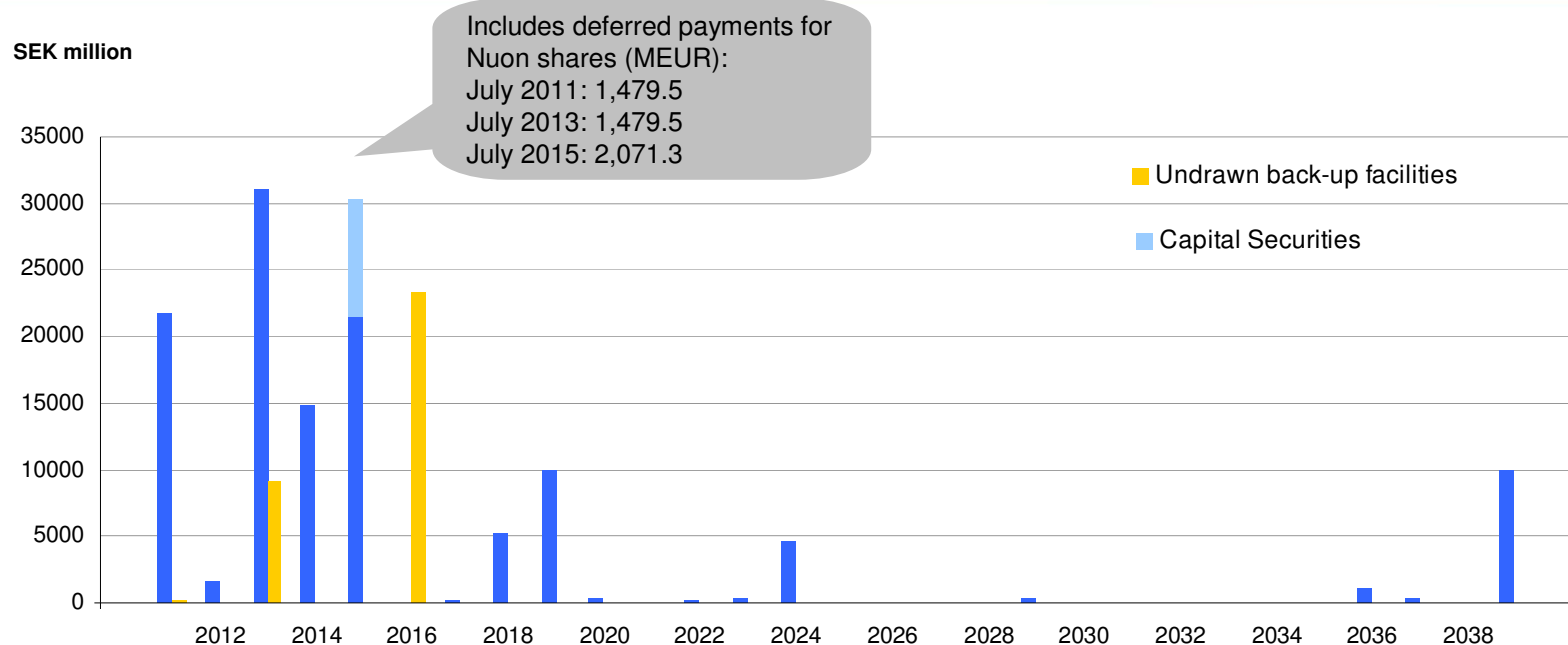
# Development of reported and adjusted net debt

Net debt (SEK bn)	June 30 2011	Dec 31 2010
Capital Securities	-9.1	-8,9
Bond issues, commercial papers and liabilities to credit institutions	-98.2	-109.6
Present value of liability pertaining to acquisition of subsidiaries	-44.4	-43.3
Liabilities to associated companies	-10.7	-10.5
Liabilities to minority shareholders	-9.7	-9.3
Other liabilities	-9.8	-6.7
<b>Total interest-bearing liabilities</b>	<b>-181.9</b>	<b>-188.3</b>
Cash and cash equivalents	20.2	12.6
Short-term investments	19.0	31.3
Loans to minority owners of foreign subsidiaries	0.5	0.3
<b>Net debt</b>	<b>-142.2</b>	<b>-144.1</b>

Adjusted net debt (SEK bn)	June 30 2011	Dec 31 2010
<b>Total interest-bearing liabilities</b>	<b>-181.9</b>	<b>-188.3</b>
50% of Capital securities	4.5	4.5
Present value of pension obligations	-20.6	-20.0
Mining & environmental provisions	-12.5	-12.8
Provisions for nuclear power (net)	-19.8	-12.8
Cross currency swaps	1.9	2.7
Margin calls received	4.2	5.2
Liabilities to minority owners due to consortium agreements	9.2	8.9
<b>= Adjusted gross debt</b>	<b>-214.9</b>	<b>-212.6</b>
Reported cash, cash equivalents & short-term investments	39.2	43.9
Unavailable liquidity	-4.2 <sup>1)</sup>	-4.7 <sup>1)</sup>
<b>= Adjusted cash, cash equivalents &amp; short-term investments</b>	<b>35.0</b>	<b>39.2</b>
<b>= Adjusted net debt</b>	<b>-179.9</b>	<b>-173.4</b>

1) Of which: German nuclear "Solidarvereinbarung" 3.1, Margin calls paid and others 1.1

# Vattenfall debt maturity profile

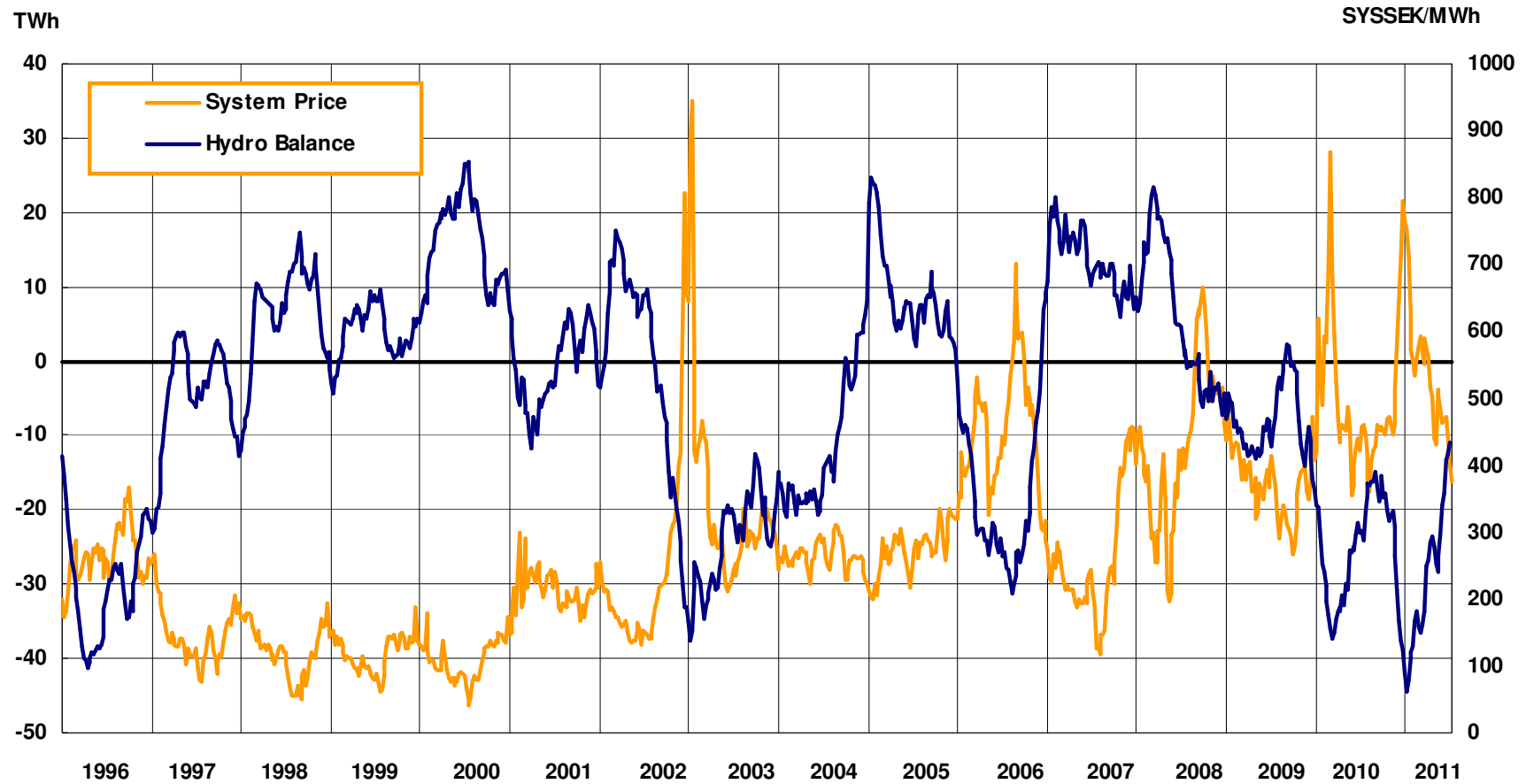


Excluding loans from associated companies and minority owners

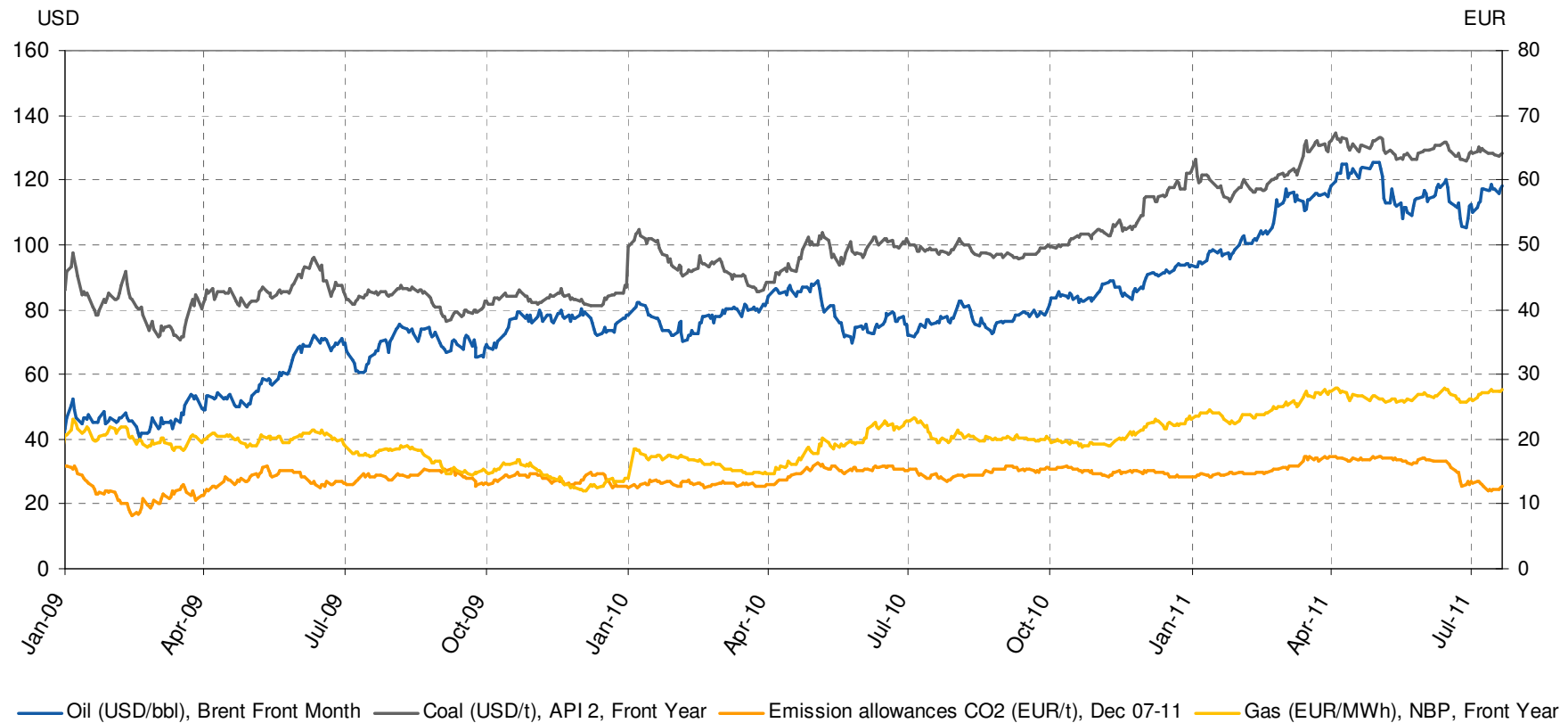
	2011-06-30	2010-06-30
Duration (years)	4.0	4.3
Average time to maturity (years)	6.0	6.9
Average interest rate (%)	3.6	3.4
Net debt (SEK bn)	142.2	151.1

Excluding Capital Securities

# Hydrological balance recovered

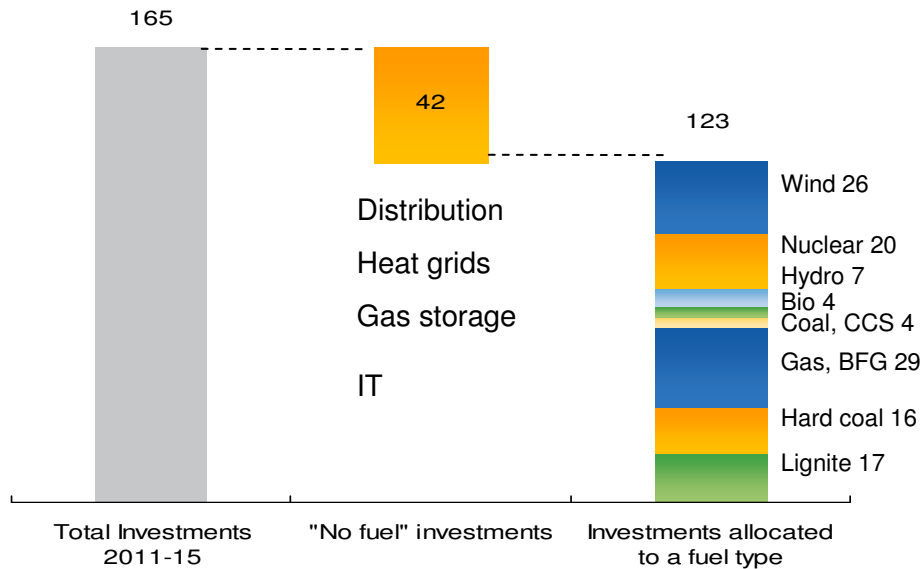


# Oil, coal, gas and CO<sub>2</sub> allowances



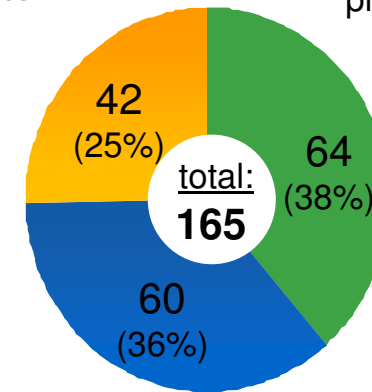
# Updated Capex plan 2011-2015 - fuel split

## Well diversified fuel split 2011-2015



## Trisection of the investments

"No fuel" investments  
*El.-distribution*  
*Heat grids*  
*Storages*  
*IT*  
*Sales*

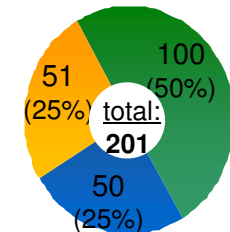


Investments allocated to electricity and heat production causing CO<sub>2</sub> emissions  
*Lignite*  
*Hard coal*  
*Gas*  
*Mining*

Investments in Low CO<sub>2</sub> production

*Hydro*  
*Wind*  
*Bio*  
*Nuclear*  
*CCS-demo*

For comparison:  
**Plan 2010-14**

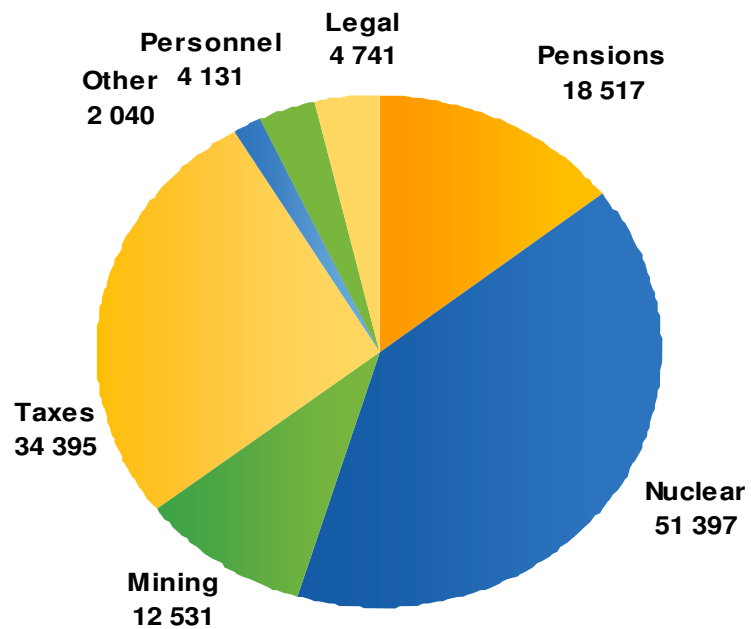


**The capex portion for low CO<sub>2</sub>-emitting production is rising compared to the previous plan.**

# Group provisions (IFRS)

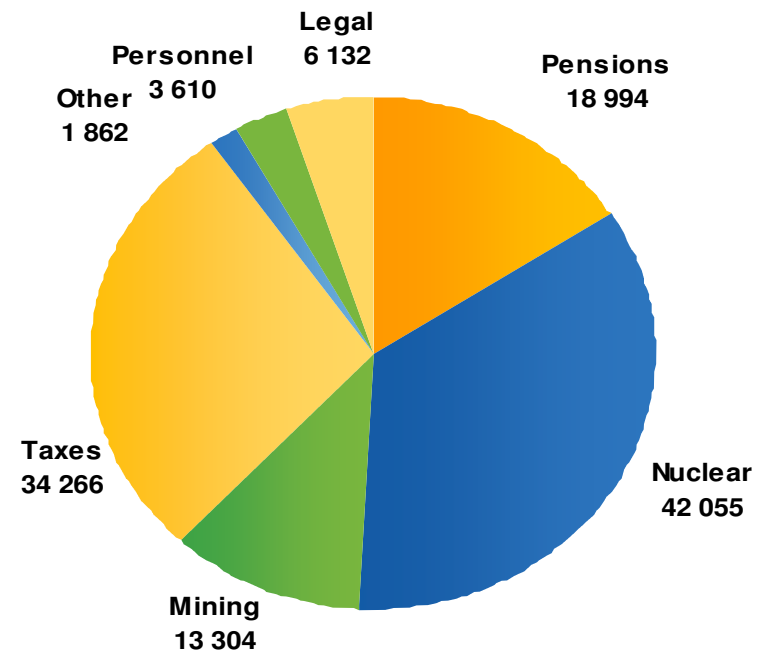
30 June 2011

SEK 127,752 million



30 June 2010

SEK 120,223 million



# Credit ratings

## **Standard & Poor's**

### **A (negative outlook)**

*Summary: 24 May 2011*

#### **Outlook:**

*"The negative outlook reflects our concern that Vattenfall could struggle to maintain cash flow credit metrics in line with our rating expectations on a sustainable basis... We currently expect FFO to debt to remain at about 20% over the near term and that Vattenfall manages to reduce debt levels."*

*"We could lower the rating by one notch if we believe Vattenfall is unlikely to maintain a ratio of FFO to debt (adjusted) of more than 20% on a sustainable basis."*

*"Conversely, we could revise the outlook to stable if Vattenfall were to successfully implement measures to maintain a financial profile at a level we consider commensurate with an "a-" stand-alone credit profile."*

## **Moody's**

### **A2 (stable outlook)**

*Credit Opinion: 22 December 2010*

#### **Outlook:**

*"The outlook is stable. Moody's believes that the company is taking measures to bolster its financial profile in the near to medium term. However, Moody's notes that the company is likely to be positioned at the low end of the rating category level in the near term."*