

Vattenfall Capital Markets Day 2009

Presentation by:

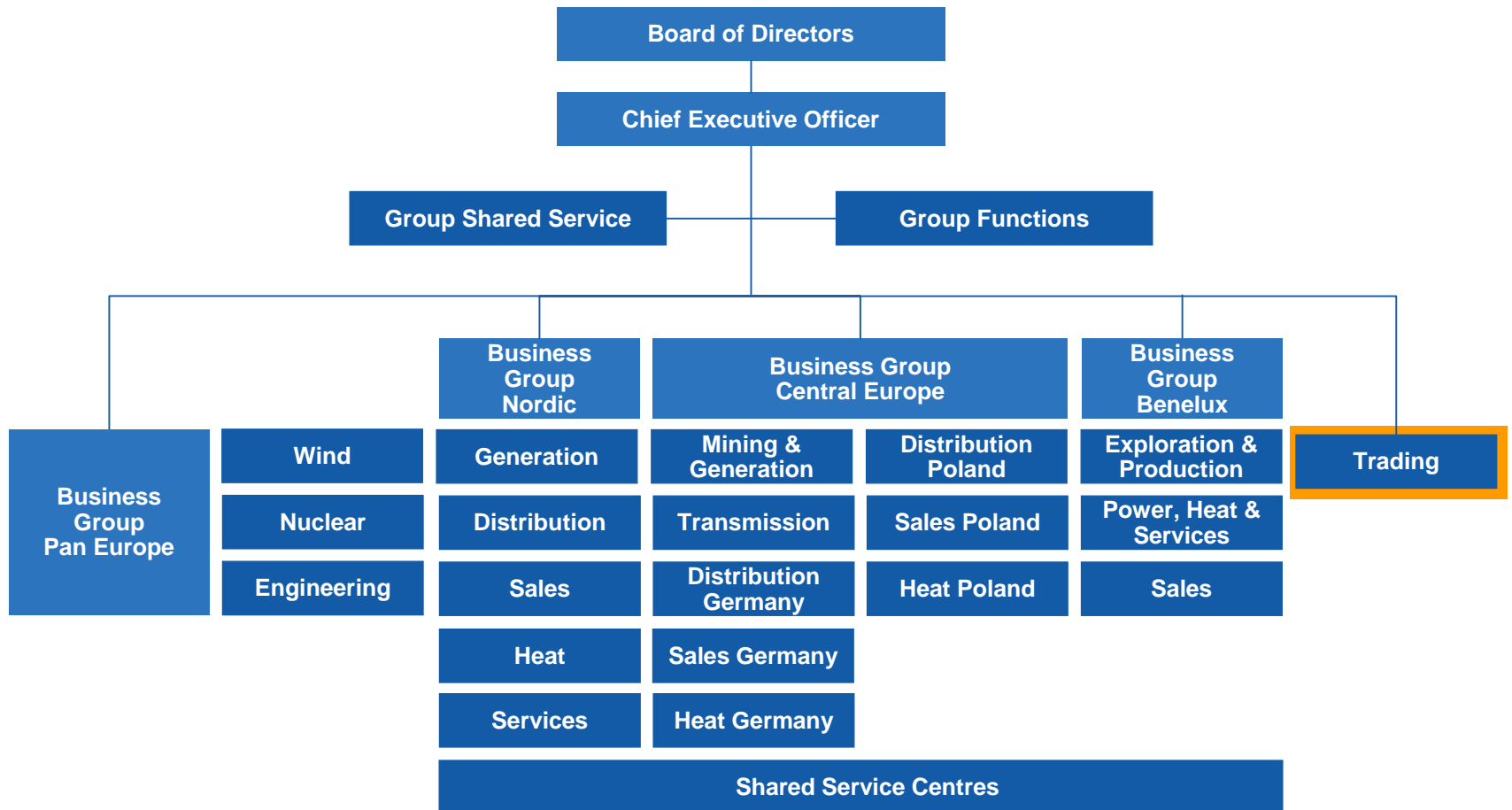
Stephen Asplin
Head of Business Unit Trading

Amsterdam, 23 September 2009

Contents

- Overview Business Unit Trading
 - Business Unit Trading's role within Vattenfall
 - Shape of the new, integrated Trading Unit
 - Key strategies for value creation
- Commodity price development
- Conclusions

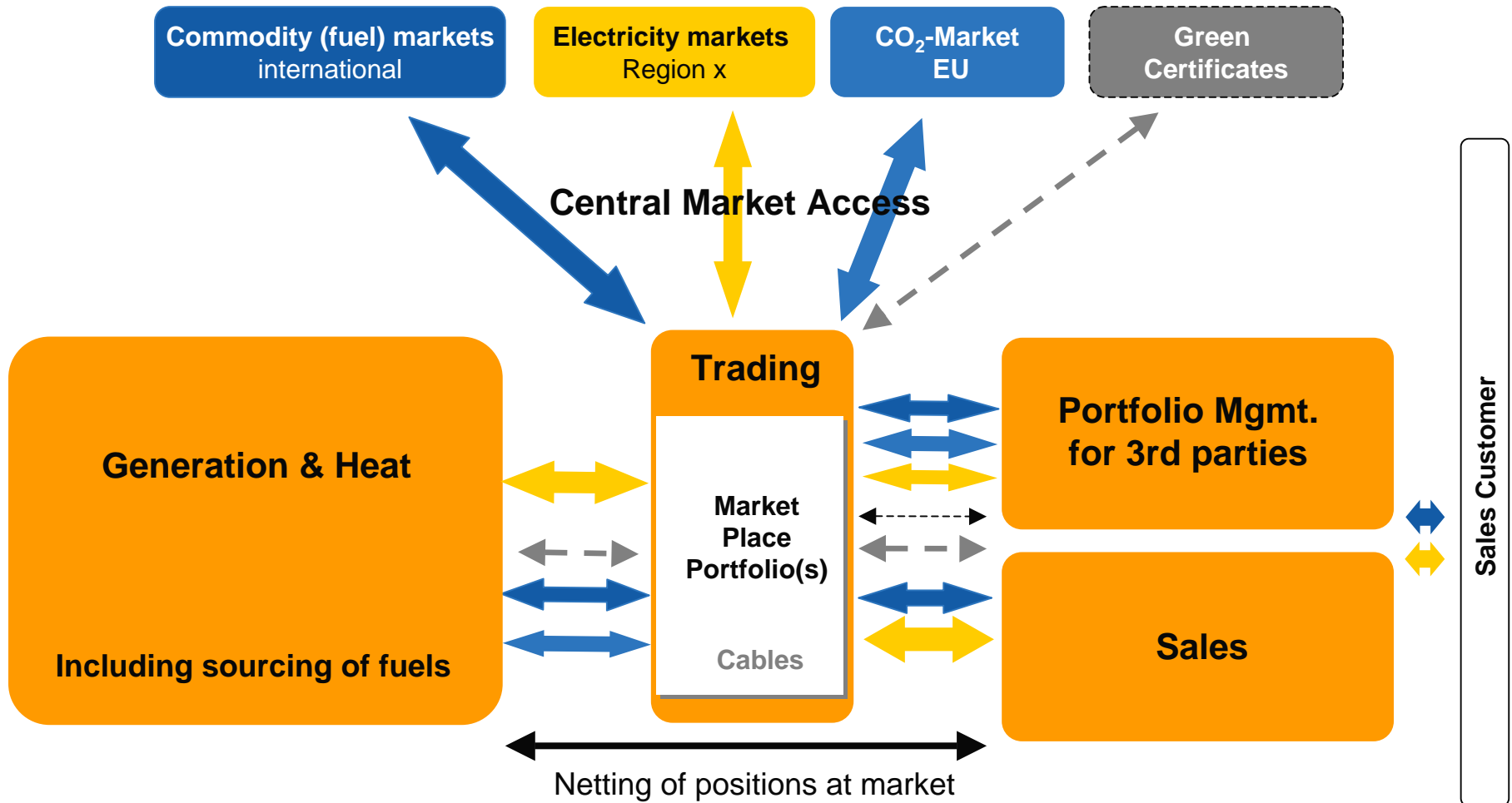
Overview Business Unit Trading



Overview Business Unit Trading

- Business Unit Trading is governed directly from Group level. The CEO has delegated responsibility to the CFO.
- BU Trading is the set-up of a complete trading infrastructure, cross-regional responsible for Market Access to energy wholesale markets for the entire Vattenfall Group
- Electricity price risk is the risk that has the single greatest bearing on Vattenfall's earnings and is thus the most important factor for value creation
- BU Trading's main task is to mitigate and transfer commodity-related risks to the market.
 - Risks between portfolios and commodities are netted as far as possible
 - Improved hedge efficiency and extracting higher value out of the value chain

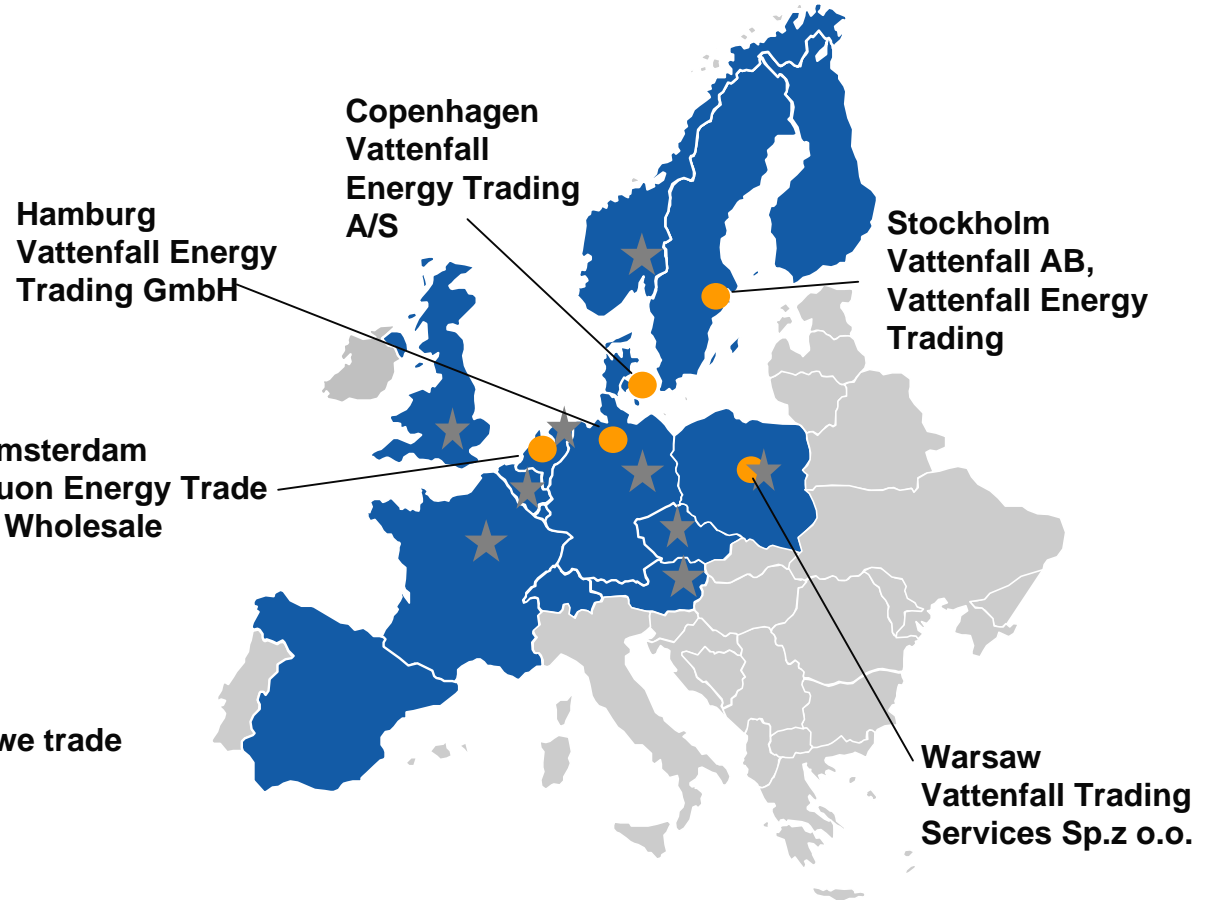
Trading's role in Vattenfall's value chain



Overview Business Unit Trading

Since July 1, 2009 Vattenfall Trading Services (VTS) and Nuon ET&W form the new Trading Unit:

Vattenfall Energy Trading



- Our core markets
- Our locations
- ★ Energy exchanges on which we trade

Trading integration: complementary and expanded portfolio

Deeper market knowledge through expanded geographical presence



Higher asset flexibility through more diverse asset base

Installed capacity (GW)

	VATTENFALL	NUON
Nuclear	7.6	-
Hydro	11.3	0.02
Coal	14.7	0.9
Gas		2.2
Oil		0.6*
Other renewables	1.0	0.2
Total	34.6	4

Increased customer base – portfolio effect for sales, origination and trading books

Number of customers

Million

	VATTENFALL	NUON
Electricity	4.8	2.6
Gas	-	2.1

* Combi Unit (Gas/Oil)

Providing the basis for profitability and value creation

Broader commodity coverage – deeper understanding of markets and correlations

	VATTENFALL	NUON
Gas sourcing, bcm	2	7
Coal sourcing, mtn	10	2
Emissions, mtn	82	8

Key strategies for profitability and value creation

Portfolio optimization

- Exploit full potential/flexibility of the expanded portfolio
 - **Aggregation and management of all commodity exposures** (risks) and **unique market access** in BU Trading
 - **Harmonized generation management**
-

Origination, Sourcing and Structuring

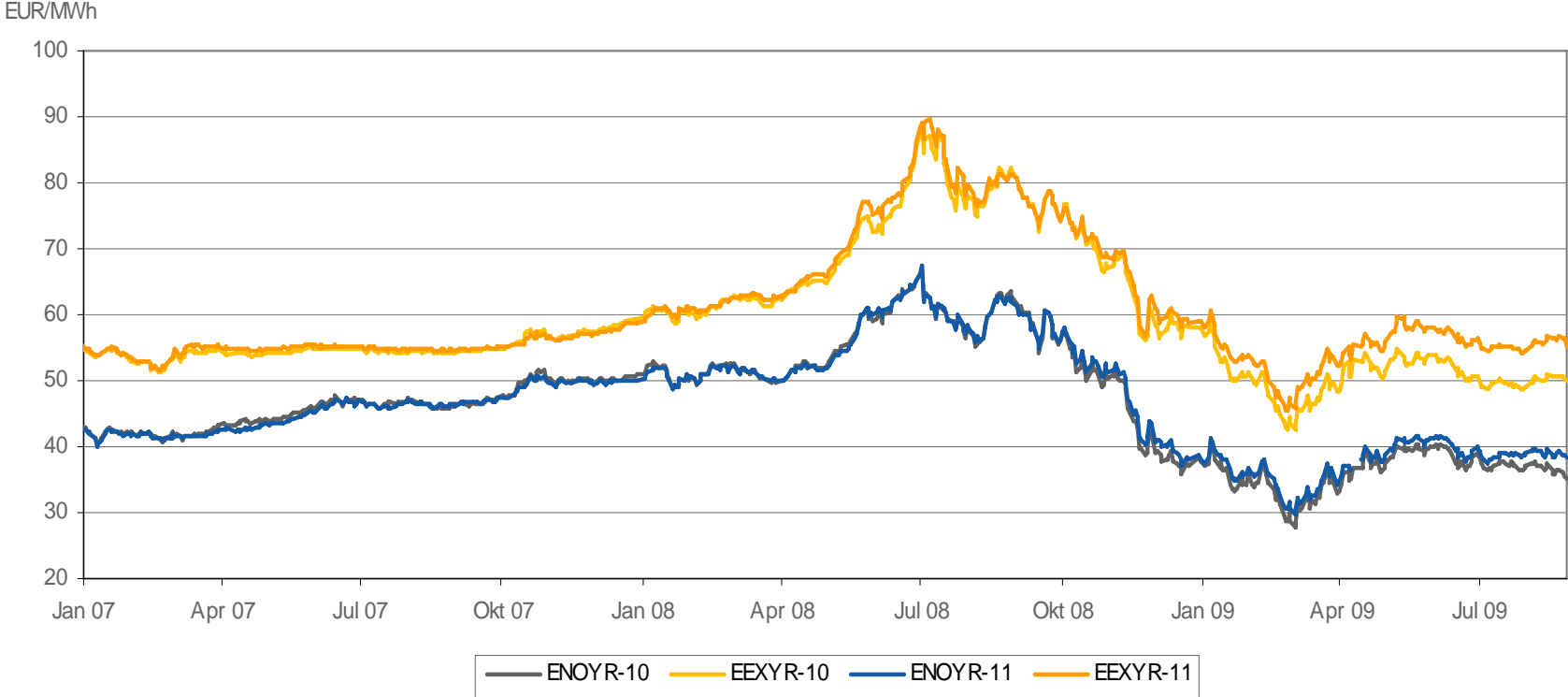
- **Grow and diversify fuel sourcing** (e.g. LNG, coal, biomass, freight and primary CDM)
 - Add selectively market **flexibility by investing in midstream assets** (e.g. gas storage, transport capacity)
 - Expand merchant business through **non-standard contracts** to monetize the full portfolio effects/flexibility and outsource natural risk exposure
-

Proprietary Trading

- Expand and **deepen activities across commodities** (power, coal, gas, bio-mass, emissions, etc.) utilizing the combined market knowledge and understanding
- **Expand geographical presence** in adjacent markets which are important for Vattenfall and Nuon

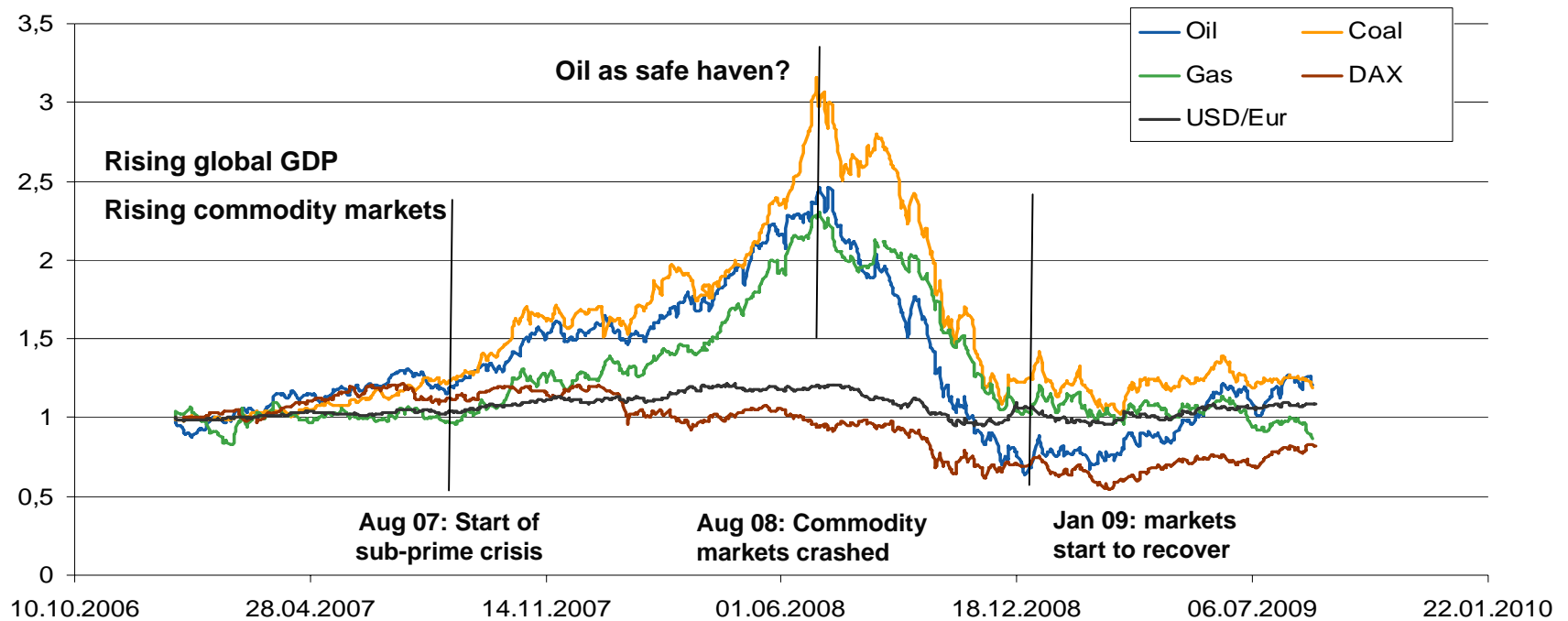
Electricity Prices: Looking back on turbulent 2 years

Daily Forward Closing Prices



... with decisive moments in commodity and equity markets

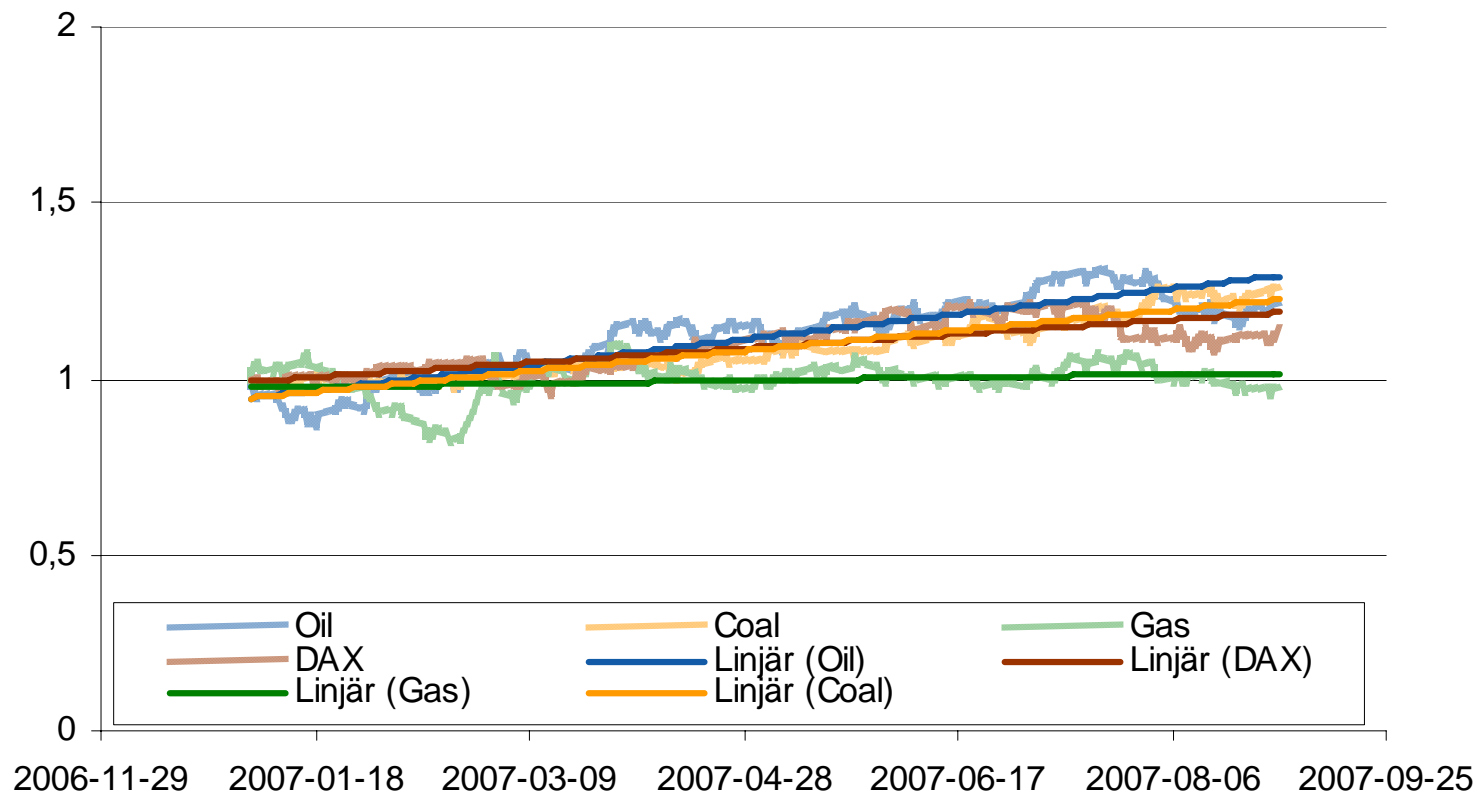
Commodity and Equities indices, Jan 2007 = 100



Source: Vattenfall Energy Trading

Stable upward trend

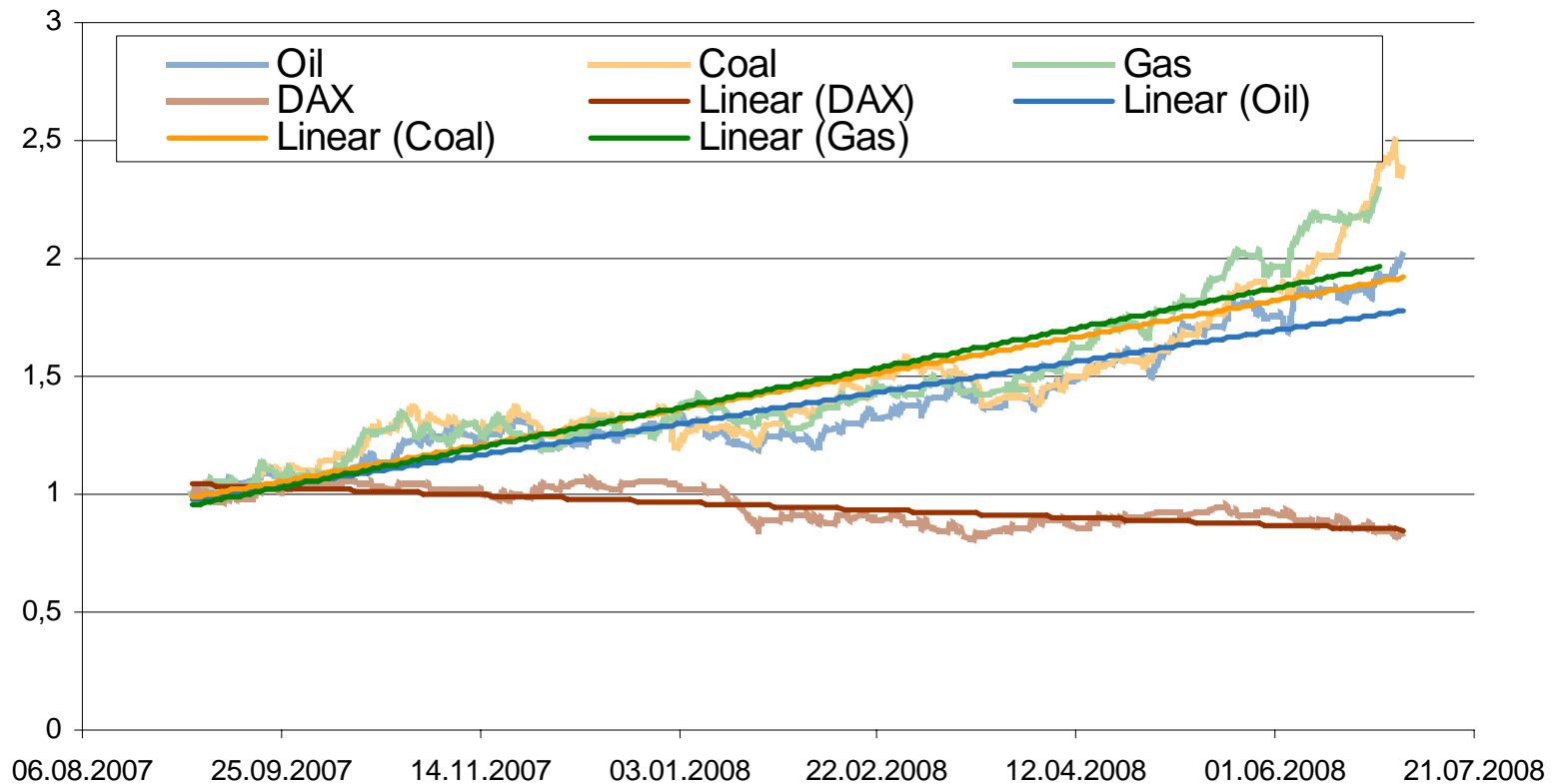
Phase I (1 Jan 2007 – 31 Aug 2007)



Source: Vattenfall Energy Trading

Financial flows moving into commodities

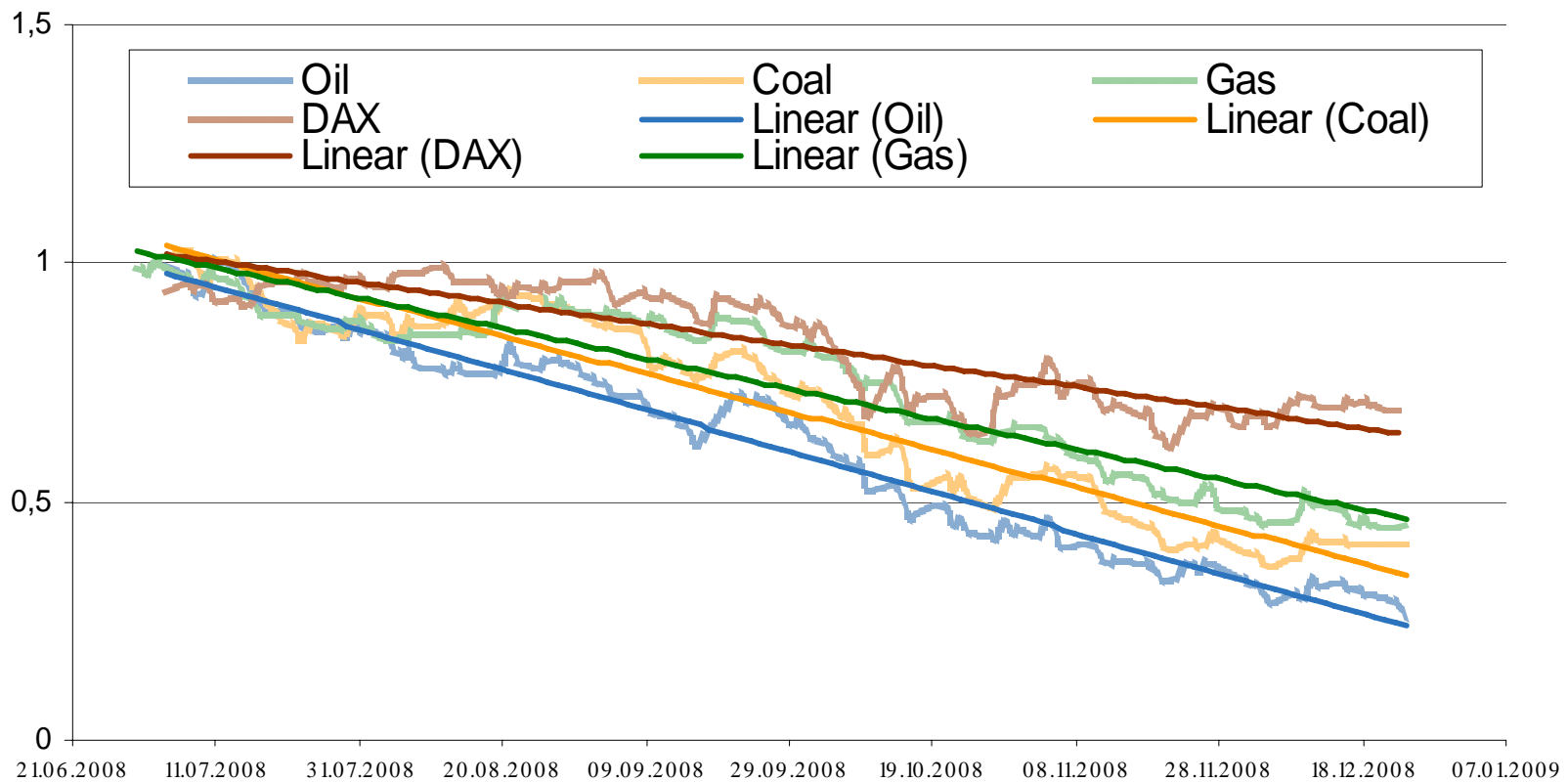
Phase II (1 Sep 2007 – 3 July 2008)



Source: Vattenfall Energy Trading

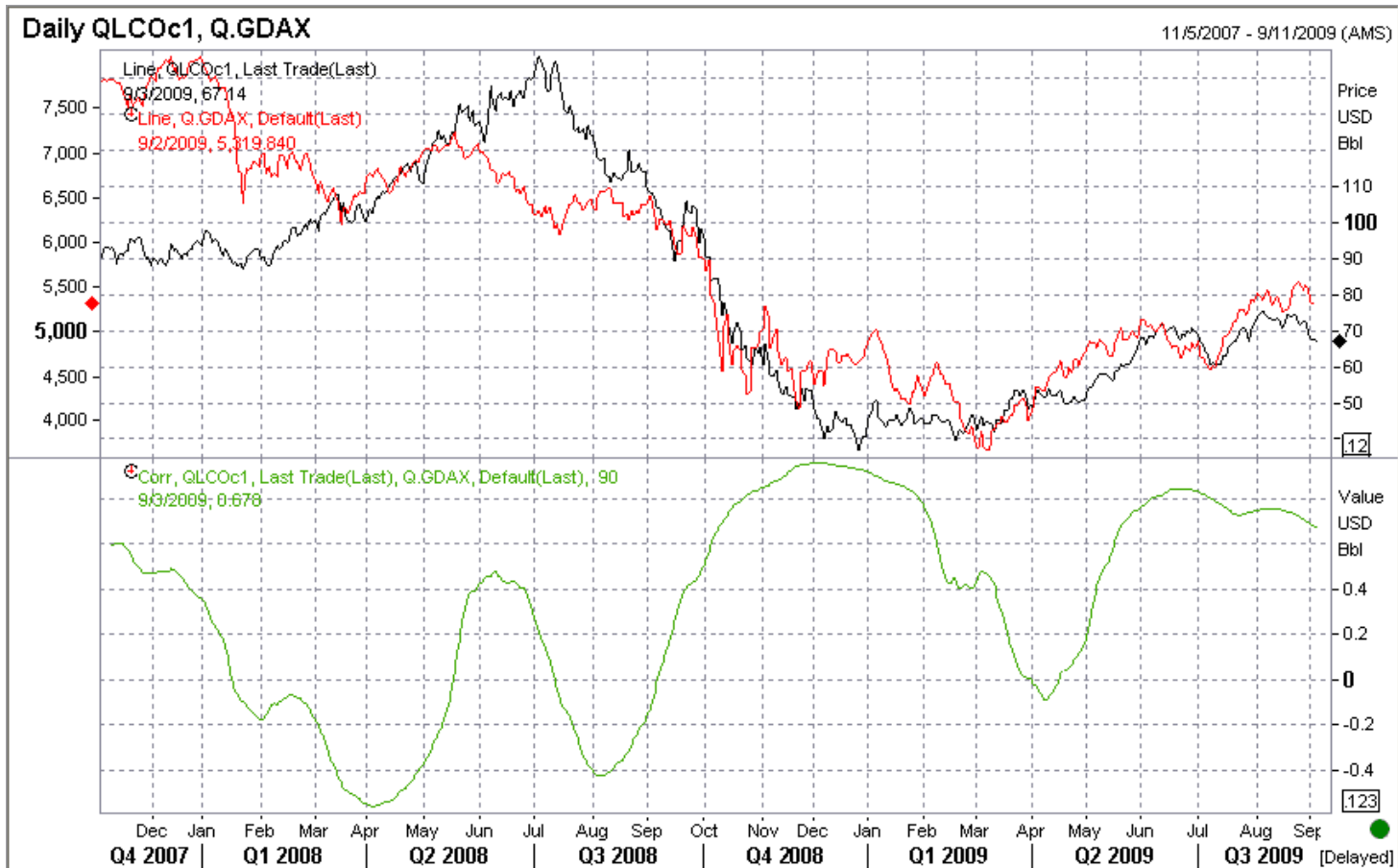
Heights of the fear with all markets being correlated

Phase III (4. July 2008 - 24. Dec 2008)

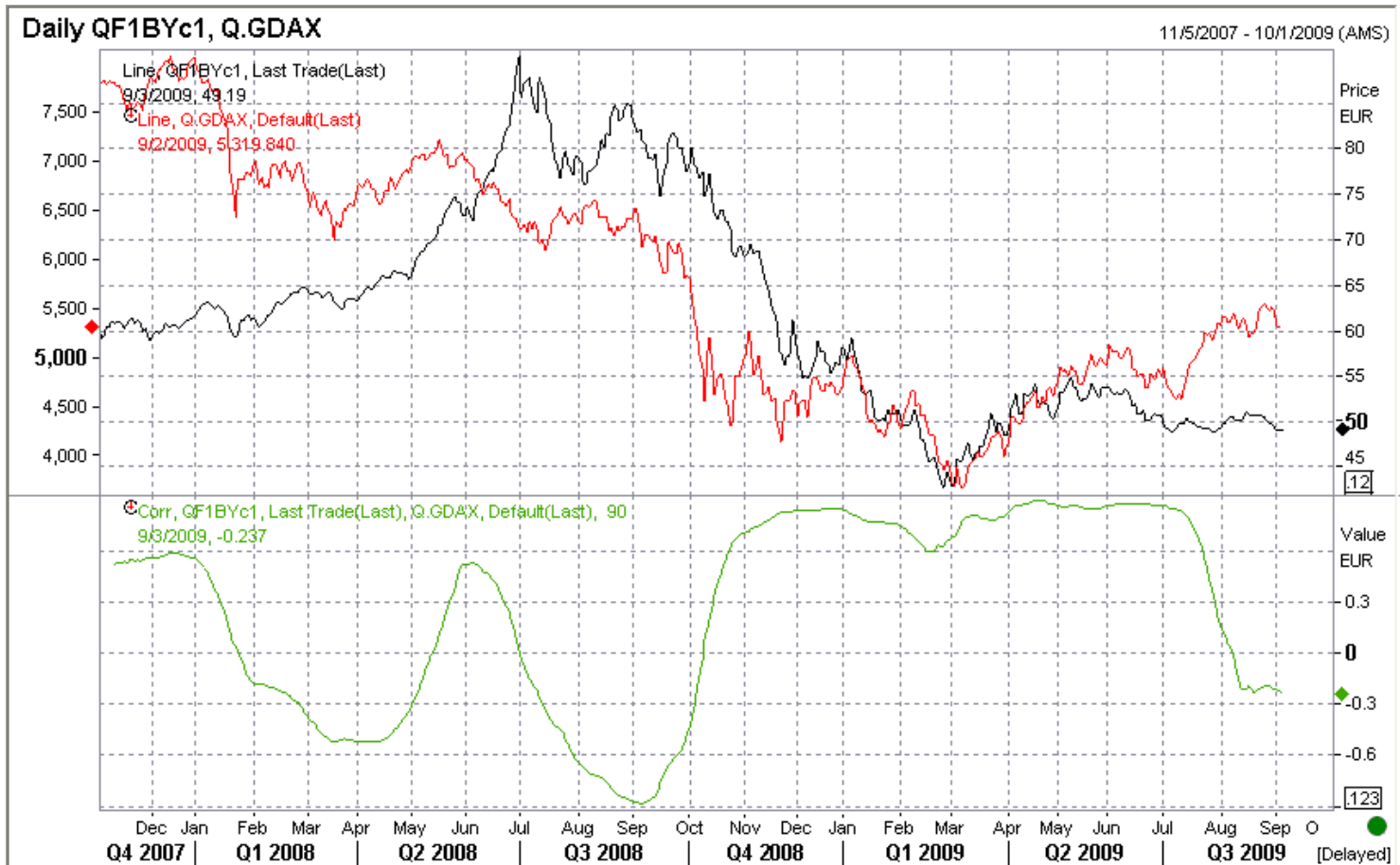


Source: Vattenfall Energy Trading

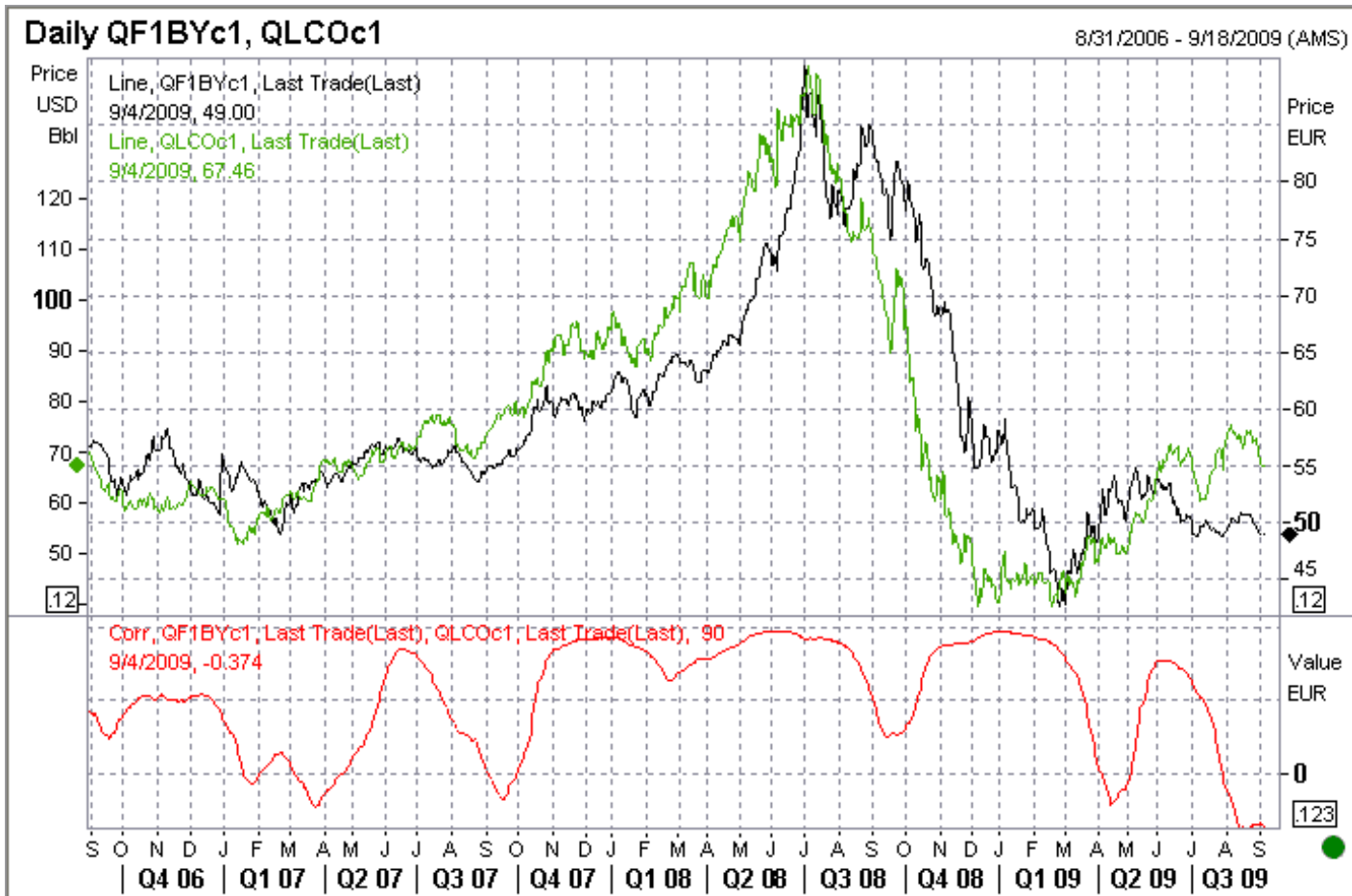
Correlation between Brent and Dax



Correlation between German Power and Dax

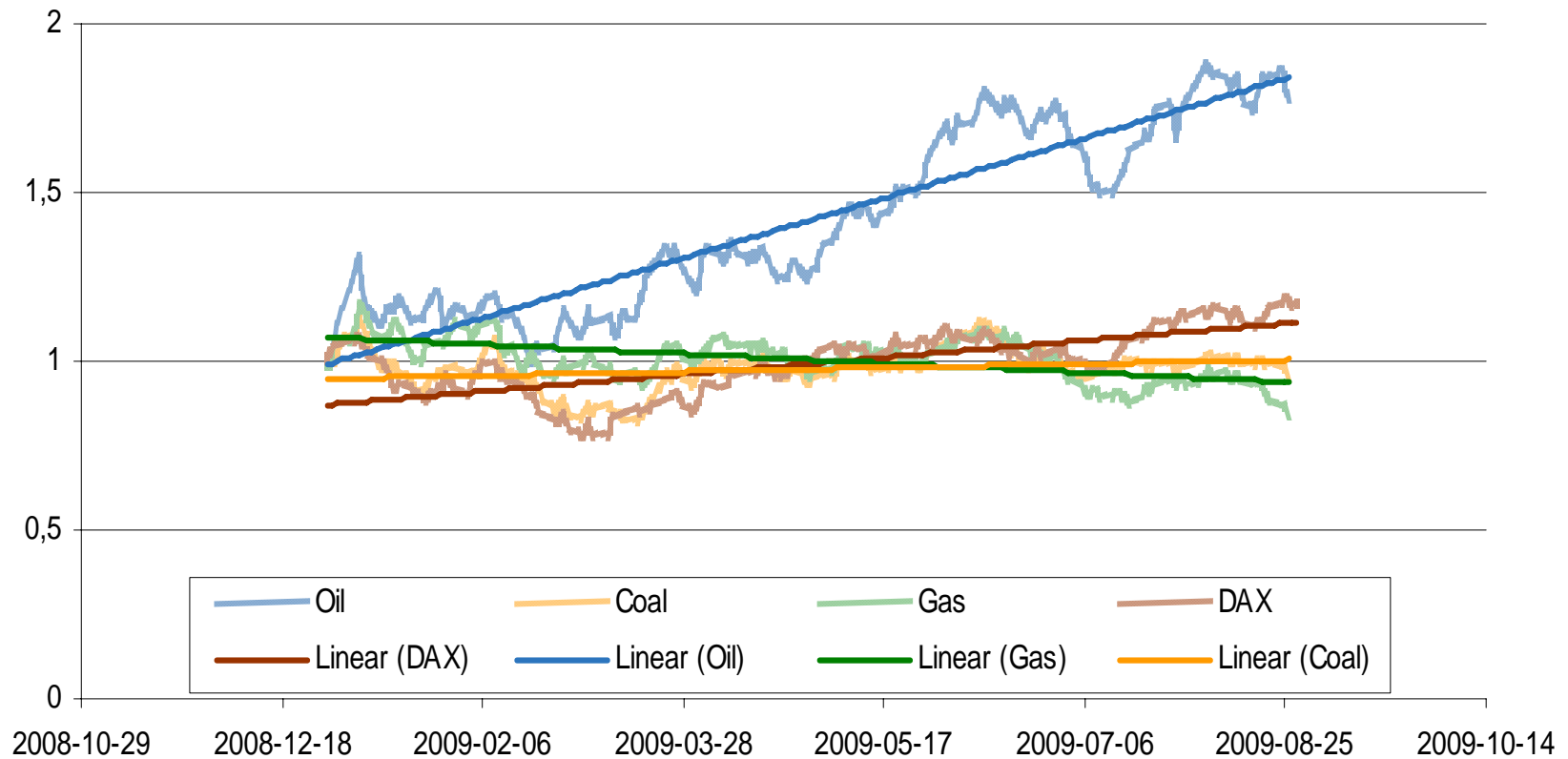


Correlation between German Power and Oil



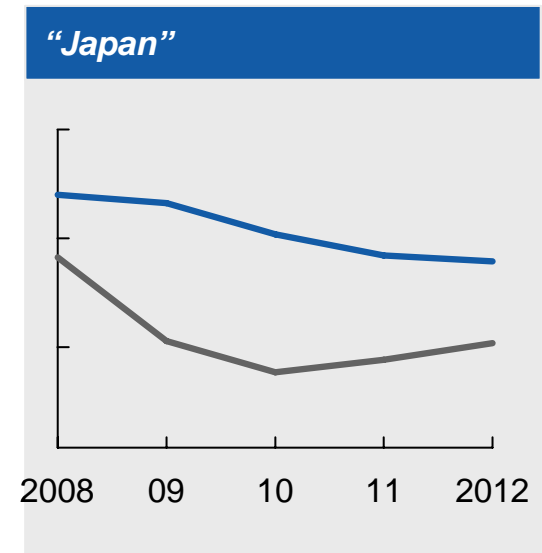
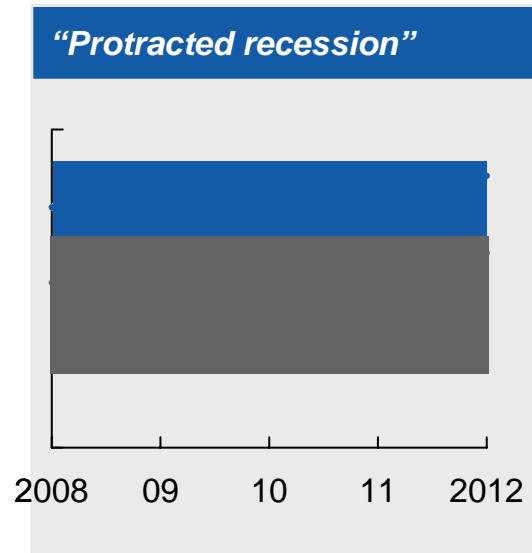
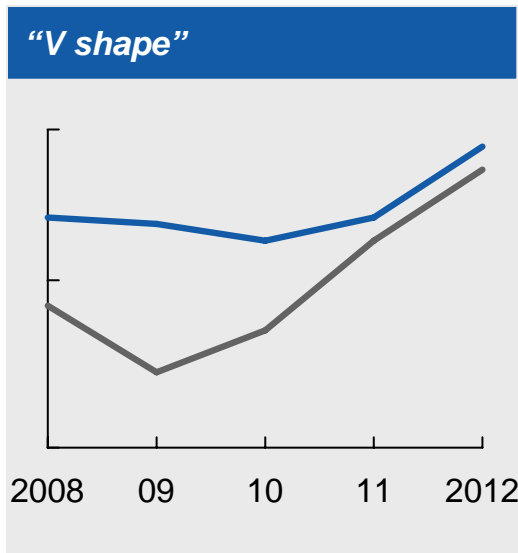
Divergent trends in commodity and equity markets

Phase IV (25 Dec 2008 - today)



Source: Vattenfall Energy Trading

How does the future look like?



Demand & Supply, tempo of GDP recovery and investments in technology:
OPEC spare capacity determines oil price

250 – 100 – 70 - 40 US\$/bbl?

— Demand
— Supply capacity

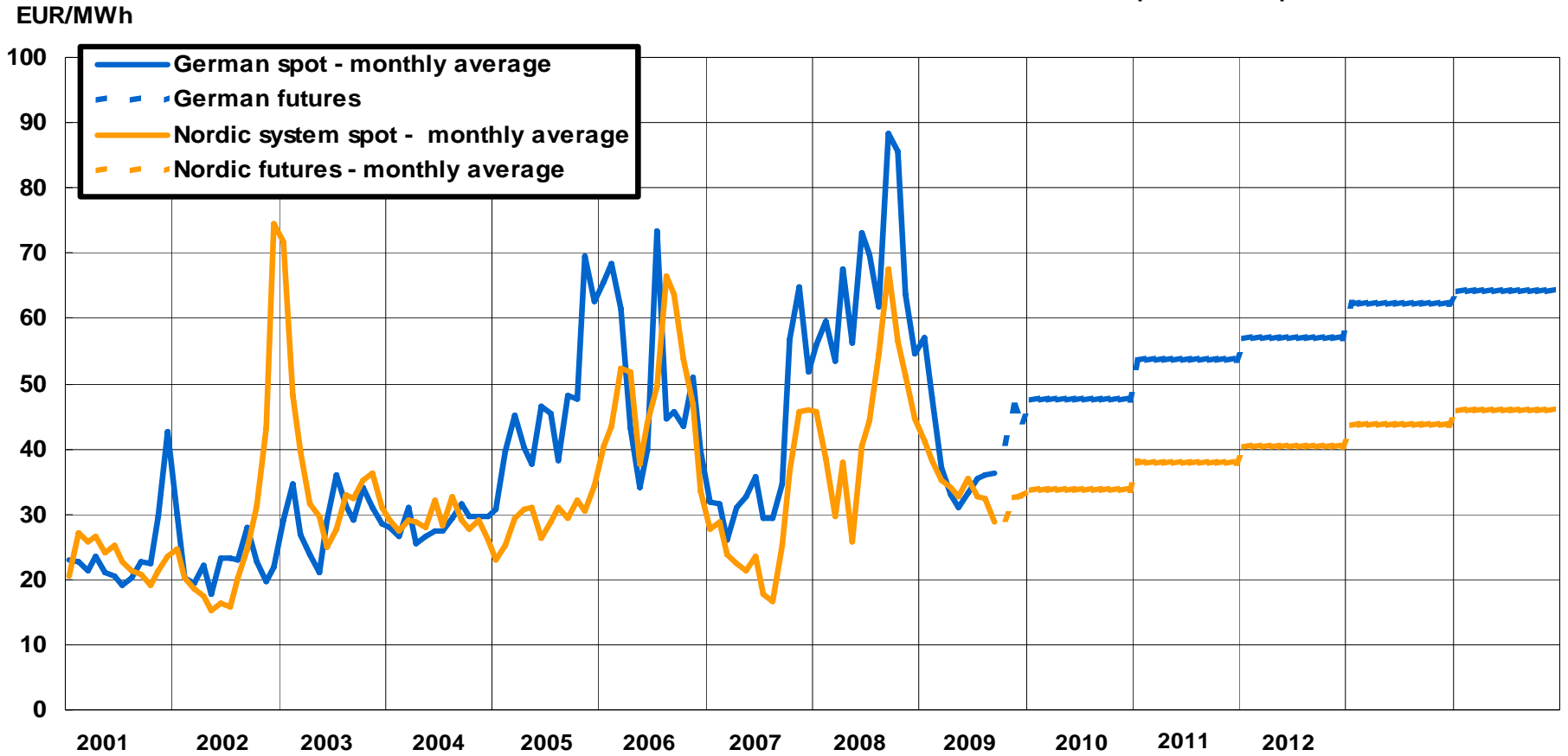
Conclusions

- **Global commodity markets:**
Over the last two years trading was driven by fundamentals, global equity trends, dollar hedging, speculation and fundamentals. Since spring, oil is picking up again.
- **German power prices:**
For a period of nine months German power exposure became a Dax exposure and drop of demand prevailed over bullish sentiments from the oil market.
- **Oil is the major price driver in commodity markets**
and depending on tempo of global GDP recovery, stronger correlation of power with oil markets is expected.

Back-up

EEX and Nord Pool spot and futures 2001-2014

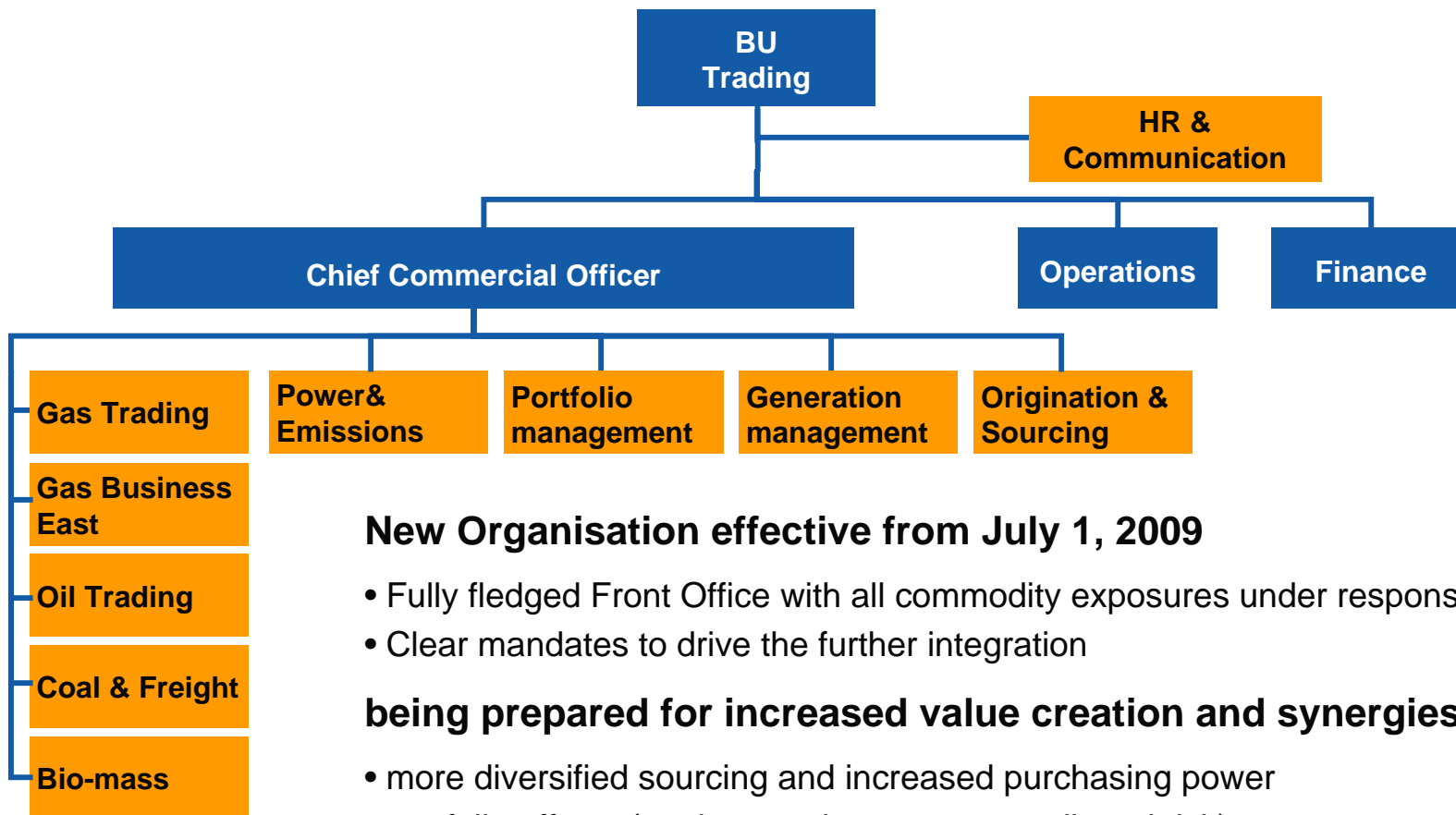
Updated 18 Sept 2009



Business Unit Trading: Roles and Responsibilities

- **Portfolio and Generation Management:** Execution of Vattenfall's hedging strategy, short-term and online optimisation, trading related services to internal and external customers.
- **Market Access:** Executes orders and transfers risks to the wholesale market in accordance with its mandates.
- **Trading on own behalf:** Risk taking in electricity and other commodity markets, trading on interconnectors and other borders within given mandates
- **Group responsibility:** Activities that for different reasons make sense to be centralised from a group perspective (e.g. IAS 39)

Vattenfall Energy Trading Organization



New Organisation effective from July 1, 2009

- Fully fledged Front Office with all commodity exposures under responsibility of CCO
- Clear mandates to drive the further integration

being prepared for increased value creation and synergies:

- more diversified sourcing and increased purchasing power
- portfolio effects (netting, market access, credit and risk)
- aligned processes and consolidated systems

Vattenfall Energy Trading

– key figures of the combined units

Trading volume (external) 2008

Electricity in TWh	1,500
Coal (Swaps and FFA) in mt	110
CO2 (EUA and CER) in mt	280
Gas in TWh	590
Counterparts	~ 500
Transactions per day	>1,100



Combined company data

Average Age	36
Employees	~400
Nationalities	20+

