

Announcement: [Vattenfall AB](#)

Moody's affirms Vattenfall's A2 senior unsecured rating

Approximately USD9.5 billion of rated debt affected

London, 23 February 2009 -- Moody's Investors Service has today affirmed Vattenfall AB's ("Vattenfall") A2/P-1 senior unsecured ratings following the announcement that the company has made an all cash offer of EUR10.3 billion to acquire 100% of Nuon NV's ("Nuon") generation and supply operations.

All group's ratings were affirmed as follows:

- Vattenfall AB: A2 long term issuer rating;
- Vattenfall AB and its guaranteed subsidiary Vattenfall Treasury AB: A2 senior unsecured debt ratings;
- Vattenfall AB and its guaranteed subsidiary Vattenfall Treasury AB: A3 senior subordinated debt ratings;
- Vattenfall Treasury AB: Baa1 guaranteed junior subordinated capital securities issued 2005;
- Vattenfall Treasury AB: Prime-1 guaranteed commercial paper rating.

The outlook on all ratings is stable.

The transaction will imply a two-step process whereby Vattenfall would initially acquire 49% of Nuon's generation and supply activities, with the remaining 51% of the shares to be acquired after two, four and six years under fixed terms. The acquisition is expected to become effective in Q2 2009, subject to certain conditions including the finalisation of the unbundling plan of Nuon by the Dutch Ministry of Economic Affairs, the approval by the European Commission and at least 80% acceptance by Nuon's shareholders. Moody's notes that the Management Board and Supervisory Board of Nuon have unanimously recommended the offer to Nuon's shareholders.

Moody's recognises that the acquisition of Nuon's generation and supply activities is consistent with Vattenfall's strategy, aimed at establishing the company as a leading European energy player, and would enable the acceleration of its investment strategy focused on renewable energy sources. The transaction would also potentially improve Vattenfall's balance between generation and supply activities and would increase the strength and scale of Vattenfall's operations, thus diversifying the company's generation portfolio by geography, market and fuel mix. Once the transaction is completed, Moody's notes that Vattenfall would retain good-sized positions in its three main markets (ie Nordic, Germany and the Netherlands).

Vattenfall had built significant flexibility in its financial profile for its rating level. The EUR10.3 billion acquisition is expected to be largely debt financed and will absorb this financial headroom, bringing Vattenfall's financial profile more in line with the parameters expected for the current rating category. Hence, Moody's has affirmed the company's ratings. Nevertheless Moody's highlights Vattenfall's statement that, post transaction, it may make selected asset disposals consistent with its strategic and financial objectives. In this context, Moody's notes Vattenfall's recent announcement that it will consider a sale of its high-voltage transmission assets in Germany in response to more challenging returns on the transmission system operator and network business.

Whilst the acquisition of Nuon's generation and supply activities would moderately increase Vattenfall's exposure to non-regulated operations, in Moody's view, the target ratio range of RCF/Net Debt of between 15% and 19% for Vattenfall's current rating category would remain appropriate post transaction, given Moody's earlier indication that the guidance would accommodate a progressive migration in the company's portfolio towards more volatile generation operations. Nevertheless, due to the sizeable exposure to non-regulated activities post transaction and their higher inherent volatility, Moody's cautions that a comfortable positioning -- on average -- within the ratio guidance is required to preserve a stable rating.

Vattenfall is considered a Government Related Issuer ("GRI") under Moody's methodology and its current A2 long term issuer and senior unsecured rating benefits from an uplift of one notch on its stand-alone credit quality, thus incorporating potential government support, given Vattenfall's 100% ownership by the Kingdom

of Sweden (rated Aaa/stable outlook).

The previous rating action on Vattenfall was implemented on 27 July 2006, when Moody's changed the outlook assigned to Vattenfall's ratings from positive to stable.

The principal methodology used in rating Vattenfall was The Application of Joint Default Analysis to Government Related Issuers published in April 2005, which can be found at www.moody.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies sub-directory. Other methodologies and factors that may have been considered in the process of rating Vattenfall can also be found in the Credit Policy & Methodologies directory.

Based in Stockholm, Vattenfall is Scandinavia's largest and Germany's third-largest electricity generator and a leading operator in district heating. It has a strong market presence in Sweden, Denmark, Finland, Germany and Poland. As of December 2008, the company reported revenues of SEK164 billion.

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