

NINE-YEAR REVIEW

Amounts in SEK million	Swedish GAAP							IFRS		
	1998 ³	1999 ³	2000 ³	2001 ³	2002 ³	2003 ³	2004 ³	2004 ³	2005 ³	2006
Income statement items										
Net sales	27,957	27,754	31,695	69,003	101,025	111,935	113,366	113,366	129,158	145,815
EBITDA	9,821	9,834	11,670	18,207	25,489	24,450	31,347	32,331	42,383	43,166
Operating profit (EBIT)	6,028	5,483	6,193	9,916	13,997	14,868	19,501	17,057	27,571	27,049
Operating profit (EBIT) ¹	6,028	5,483	4,474	8,779	13,550	14,605	18,682	19,272	24,585	26,676
Financial income	288	542	1,037	2,232	3,010	2,267	1,772	2,969	3,810	3,839
Financial expenses	-1,907	-1,760	-2,536	-4,737	-6,386	-5,203	-4,020	-5,467	-5,221	-5,363
Profit before tax	4,409	4,265	4,694	7,411	10,621	11,932	17,253	14,559	26,160	25,525
Profit for the year	2,632	2,897	3,432	5,287	8,224	9,529	12,348	9,604	20,518	19,858
- of which, attributable to equity holders of the Parent Company	2,664	2,538	2,970	4,190	7,566	9,123	11,776	8,944	19,235	18,729
- of which, attributable to minority interests	-32	359	462	1,097	658	406	572	660	1,283	1,129
Cash flow items										
Funds from operations (FFO)	6,758	6,224	5,830	13,148	17,106	18,804	24,159	24,302	31,386	35,673
Free cash flow	4,047	-1,660	3,050	5,478	10,820	11,606	15,684	15,684	14,341	23,178
Balance sheet items										
Cash and cash equivalents and short-term investments	4,439	4,860	7,543	10,340	15,473	14,647	13,616	13,616	14,074	22,168
Equity	36,981	38,262	42,802	61,101	57,532	64,328	73,947	85,551	90,909	107,674
- of which, attributable to equity holders of the Parent Company	34,768	35,790	37,817	42,021	47,572	54,949	64,759	75,437	80,565	96,589
- of which, attributable to equity minority interests	2,213	2,472	4,985	19,080	9,960	9,379	9,188	10,114	10,344	11,085
Interest-bearing liabilities	27,876	32,275	50,854	88,723	94,838	85,631	73,013	73,013	78,663	71,575
Net debt	23,437	27,415	43,311	55,736	75,207	66,890	55,411	55,411	64,343	49,407
Interest-bearing provisions	-	-	-	-	-	-	-	45,491	47,691	49,217
Noninterest-bearing liabilities and provisions	18,499	16,126	21,603	109,219	123,906	115,006	109,955	81,150	107,805	94,700
Net assets, weighted average value	57,253	60,395	74,968	100,701	127,479	124,229	123,423	134,125	143,001	151,155
Balance sheet total	83,356	86,663	115,259	259,043	276,276	264,965	256,915	285,205	325,068	323,166
Key ratios (% unless stated otherwise)										
Operating margin	21.6	19.8	19.5	14.4	13.9	13.3	17.2	15.0	21.3	18.6
Operating margin ¹	21.6	19.8	14.1	12.7	13.4	13.0	16.5	17.0	19.0	18.3
Pre-tax profit margin	15.8	15.4	14.8	10.7	10.5	10.7	15.2	12.8	20.3	17.5
Pre-tax profit margin ¹	15.8	15.3	9.0	9.1	10.1	10.4	14.5	14.8	17.9	17.2
Return on equity	7.9	7.3	8.3	11.1	18.0	19.2	21.4	12.2	23.2	19.1
Return on equity ¹	7.9	7.2	4.0	9.7	17.3	18.8	20.4	13.9	19.4	18.7
Return on net assets	10.5	9.1	8.3	9.8	11.0	12.0	15.8	11.6	17.8	16.6
Return on net assets ¹	10.5	9.1	6.0	8.7	10.6	11.8	15.1	13.2	15.8	16.3
Interest coverage ratio, times	3.3	3.4	2.9	2.6	2.7	3.3	5.3	5.3	9.3	8.6
Interest coverage ratio, times ¹	3.3	3.4	2.2	2.3	2.6	3.2	5.1	5.9	8.3	8.5
FFO interest coverage ratio, times	4.5	4.5	3.3	3.8	3.7	4.6	7.0	8.0	10.9	11.6
FFO interest coverage ratio, net, times	5.2	6.1	4.9	6.2	6.1	7.4	11.7	11.8	22.8	23.0
Cash flow interest coverage ratio after maintenance investments, times	3.1	0.1	2.2	2.2	2.7	3.2	4.9	5.5	5.5	7.9
Equity/assets ratio	45.5	45.2	37.6	23.7	20.9	24.4	28.8	30.0	28.0	33.3
Net debt/equity ratio, times	0.63	0.72	1.01	0.91	1.31	1.04	0.75	0.65	0.71	0.46
Net debt/net debt plus equity	38.8	41.7	50.3	47.7	56.7	51.0	42.8	39.3	41.4	31.5
Interest-bearing liabilities/interest-bearing liabilities plus equity	39.3	44.8	54.2	59.2	62.2	57.1	49.7	46.0	46.4	39.9
FFO/interest-bearing liabilities	24.2	19.3	11.5	14.8	18.0	22.0	33.1	33.3	39.9	49.8
FFO/net debt	28.8	22.7	13.5	23.6	22.7	28.1	43.6	43.9	48.8	72.2
EBITDA/net financial items, times	6.1	8.1	7.8	7.3	7.6	8.3	13.9	14.4	29.4	26.7
EBITDA/net financial items, times ¹	6.1	7.9	6.1	6.8	7.4	8.2	13.6	15.4	27.4	26.4
Other information										
Dividend to equity holders of the Parent Company	1,500	1,500	990	1,030	1,675	2,400	5,600	5,600	5,800	7,500 ²
Investments	4,528	7,916	23,840	43,443	39,932	11,356	12,601	12,731	24,497	17,220
Electricity sales, TWh	83.8	86.9	83.1	149.9	188.3	184.2	186.4	186.4	200.3	194.8
Average number employees	7,996	7,991	13,123	23,814	34,248	35,296	33,017	33,017	32,231	32,308

1) Excl. items affecting comparability.

2) Proposed dividend.

3) Certain figures are adjusted compared to previously published information in Vattenfall's 2005 Annual Report. See Note 2 to the consolidated accounts, Accounting principles.

Comments

Vattenfall's sales have more than quadrupled since 2000 – a result of the acquisitions of the large German energy companies HEW, Bewag,

Veag and Laubag, and the Polish companies EW and GZE. Assets nearly tripled during the same period of time. Operating profit increased from SEK 6.2 billion in 2000 to SEK 27.0 billion in 2006 due to very successful integration and consolidation work, but also to higher generation volumes and higher wholesale prices for electricity. Net debt, which after the major acquisitions had increased by more than SEK 75 billion, have decreased to SEK 49.2 billion due to the Company's strong cash flow. The return on equity has increased from 8.3% to 19.1%.

QUARTERLY REVIEW

Amounts in SEK million	2005 ³				2006			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
Income statement items								
Net sales	35,036	29,292	27,550	37,280	40,432	33,644	30,875	40,864
EBITDA	12,519	8,868	6,567	14,429	16,115	9,245	7,960	9,846
Operating profit (EBIT)	9,092	4,906	3,063	10,510	12,689	5,834	3,304	5,222
Operating profit (EBIT) ¹	9,069	4,933	3,073	7,510	12,435	5,697	3,286	5,258
Financial income	544	592	771	1,903	797	681	841	1,520
Financial expenses	-1,134	-1,375	-1,218	-1,494	-1,276	-1,240	-1,184	-1,663
Profit before tax	8,502	4,123	2,616	10,919	12,210	5,275	2,961	5,079
Profit for the period	5,569	2,917	1,857	10,175	7,979	3,399	1,871	6,609
- of which, attributable to equity holders of the Parent Company	5,184	2,793	1,814	9,444	7,502	3,183	1,726	6,318
- of which, attributable to minority interests	385	124	43	731	477	216	145	291
Cash flow items								
Funds from operations (FFO)	8,771	6,020	3,921	12,674	13,281	7,240	5,625	9,527
Free cash flow	6,014	2,809	5,129	389	7,013	6,729	3,722	5,714
Balance sheet items								
Cash and cash equivalents and short-term investments	15,950	14,953	16,815	14,074	17,926	14,705	16,738	22,168
Equity	88,987	82,041	82,940	90,909	93,386	92,865	94,118	107,674
- of which, attributable to equity holders of the Parent Company	78,449	71,398	73,331	80,565	82,722	82,430	83,480	96,589
- of which, attributable to minority interests	10,538	10,643	9,609	10,344	10,664	10,435	10,638	11,085
Interest-bearing liabilities	71,389	87,358	80,921	78,663	74,637	69,042	72,222	71,575
Net debt	51,395	68,307	63,800	64,343	56,474	54,179	55,380	49,407
Interest-bearing provisions	45,372	45,787	45,466	47,691	47,479	46,899	48,412	49,217
Noninterest-bearing liabilities and provisions	98,220	109,850	113,393	107,805	146,404	130,481	133,609	94,700
Net assets, weighted average value	133,391	134,767	138,307	143,001	148,512	150,875	151,247	151,155
Balance sheet total	303,968	325,036	322,720	325,068	361,906	339,287	348,361	323,166
Key ratios (% unless stated otherwise)								
Operating margin	26.0	16.7	11.1	28.2	31.4	15.3	10.7	12.8
Operating margin ¹	25.9	16.8	11.2	20.1	30.8	15.0	10.6	12.9
Pre-tax profit margin	24.3	14.1	9.5	29.3	30.2	13.9	9.6	12.4
Pre-tax profit margin ¹	24.2	14.1	9.5	21.2	29.6	13.5	9.5	12.5
Return on equity ²	12.7	14.1	14.8	23.2	24.7	24.1	23.0	19.1
Return on equity ^{1,2}	14.2	15.5	15.7	19.4	20.9	20.2	19.3	18.7
Return on net assets ²	12.6	13.5	13.9	17.8	19.6	19.9	20.0	16.6
Return on net assets ^{1,2}	14.1	14.8	14.8	15.8	17.4	17.7	17.7	16.3
Interest coverage ratio, times	15.2	6.2	5.1	11.0	17.5	8.5	5.3	4.9
Interest coverage ratio, times ¹	15.2	6.2	5.1	8.1	17.2	8.3	5.3	4.9
FFO interest coverage ratio, times	15.3	8.2	6.8	13.3	18.6	10.9	9.9	8.7
FFO interest coverage ratio, net, times	23.9	11.8	16.0	54.7	52.9	21.8	11.3	21.3
Cash flow interest coverage ratio after maintenance investments, times	10.8	4.3	8.5	1.4	10.3	10.2	6.9	5.6
Equity/assets ratio	29.8	25.7	26.2	28.0	27.9	29.1	28.7	33.3
Net debt/equity ratio, times	0.58	0.83	0.77	0.71	0.60	0.58	0.59	0.46
Net debt/net debt plus equity	36.6	45.4	43.5	41.4	37.7	36.8	37.0	31.5
Interest-bearing liabilities/interest-bearing liabilities plus equity	44.5	51.6	49.4	46.4	44.4	42.6	43.4	39.9
FFO/interest-bearing liabilities ²	33.7	27.9	31.5	39.9	48.1	53.8	53.8	49.8
FFO/net debt ²	46.8	35.7	40.0	48.8	63.6	68.5	70.1	72.2
EBITDA/net financial items, times	32.7	15.9	25.1	61.1	62.9	26.6	14.6	20.9
EBITDA/net financial items, times ¹	32.6	15.9	25.1	48.4	62.0	26.2	14.6	21.0
Other information								
Investments	1,821	13,515	4,432	4,729	2,436	3,233	5,435	6,116
Electricity sales, TWh	55.4	45.6	56.5	90.1	51.6	58.6	31.5	53.1
Average number employees	32,170	32,113	32,428	32,231	31,829	31,823	32,811	32,308

1) Excl. items affecting comparability.

2) Last 12-month values.

3) Certain figures are adjusted compared to previously published information in Vattenfall's 2005 Annual Report. See Note 2 to the consolidated accounts, Accounting principles.

Comments

Vattenfall's earnings vary sharply during the year. Normally, the large part of annual profit is generated during the first and fourth quarters, when demand for electricity and heat is at its highest.