

Vattenfall FY Results 2005

Presentations by

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Matts Ekman
CFO

8 February, 2006

Vattenfall's most successful year ever

Net sales increased

- by 13.9 % to 129,158 MSEK (113,366)

EBIT increased

- by 62.1 % to 27,730 MSEK (17,112)
- excl. IAC* by 28 % to 24,744 MSEK (19,327)

Net profit increased

- by 113,6 % to 20,518 MSEK (9,604)
- excl. IAC* by 59.2 % to 17,364 MSEK (10,909)

* IAC = items affecting comparability

- 2005: primarily compensation for the closure of Barsebäck 2, 3 057 MSEK net
- 2004: primarily restructuring costs in Germany, -3 034 MSEK

Return on net assets excl. IAC* was
- 15.9 % (13.3)

Return on equity excl. IAC* was
- 22 % (15.6)

Net debt as of 31 December was
- MSEK 64,343 (55,411)

*** IAC = items affecting comparability**

- 2005: primarily compensation for the closure of Barsebäck 2, 3 057 MSEK net
- 2004: primarily restructuring costs in Germany, -3 034 MSEK

Net sales increased

- by 15,0 % to SEK 37.3 bn SEK (32.4)

EBIT increased

- by 171 % to 10.3 bn SEK (3.8)
- excl. IAC* by 45.2 % to SEK 7.3 bn (5.0)

Net profit increased

- by 368 % to SEK 10.2 bn (2.2)
- excl. IAC* by 141 % to SEK 7.0 bn (2.9)

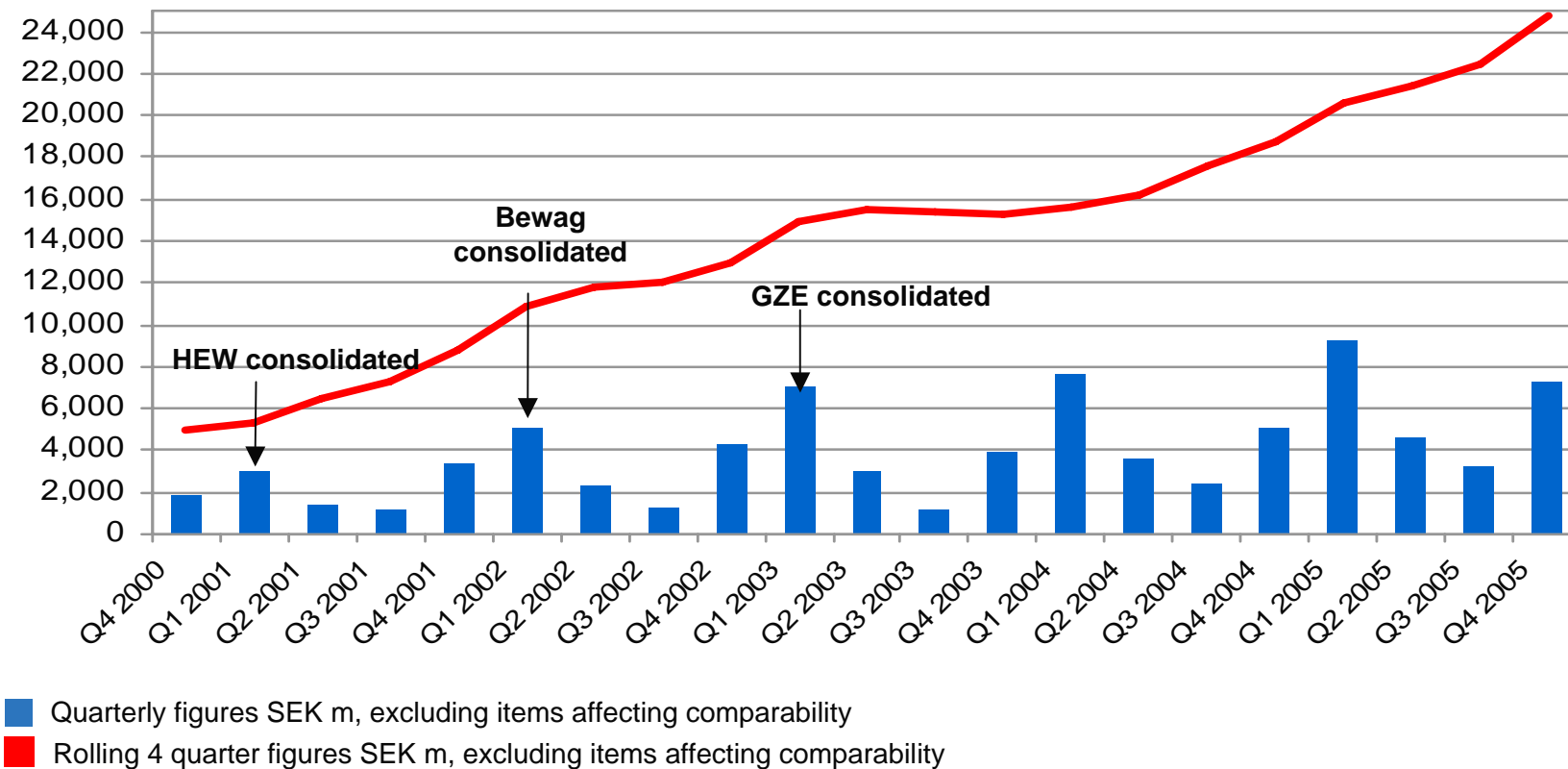
* IAC = items affecting comparability

- 2005: primarily compensation for the closure of Barsebäck 2, 3 057 MSEK net
- 2004: primarily restructuring costs in Germany

Continued Strong EBIT Development

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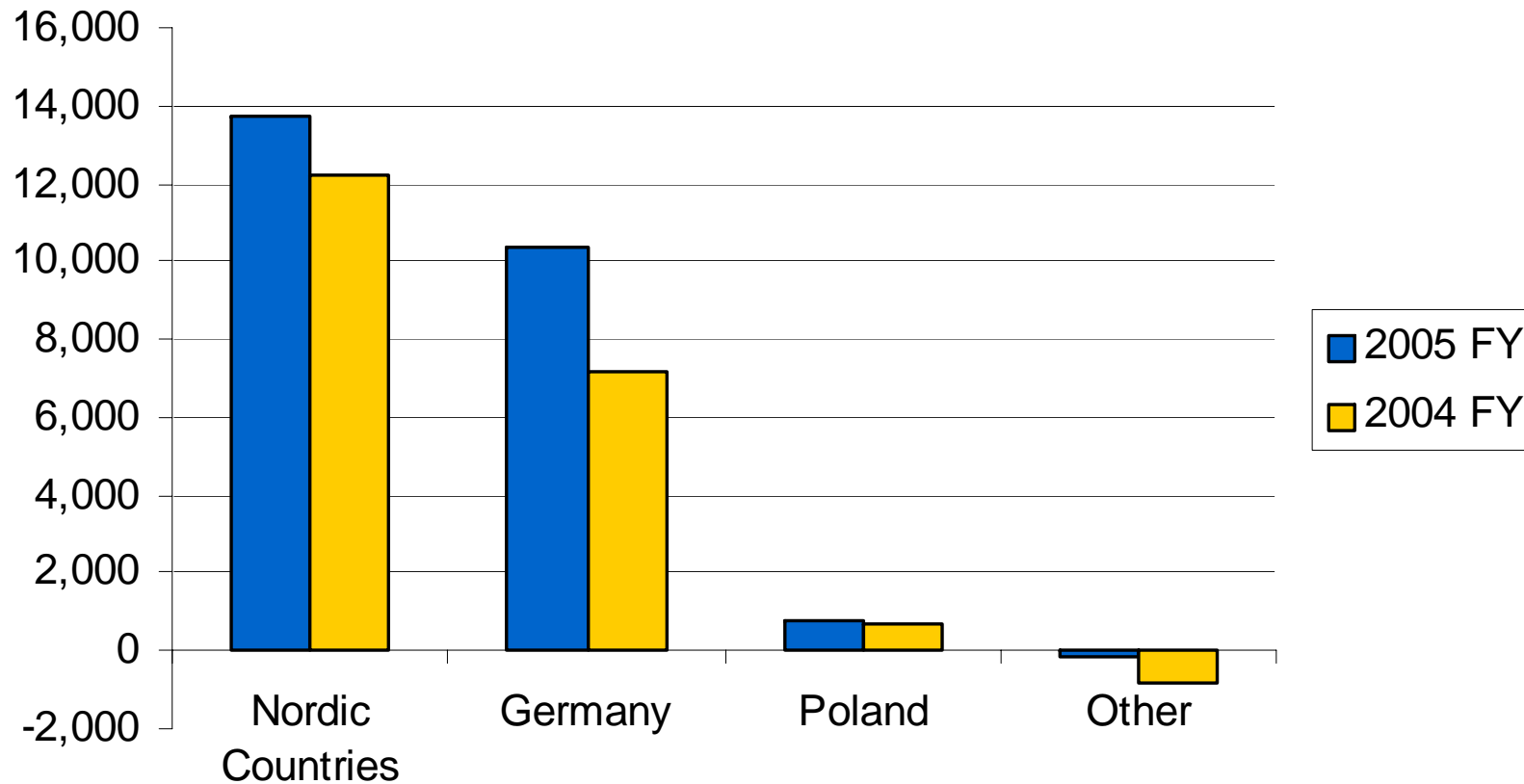
Quarterly figures, SEK million



EBIT by Primary Segment, FY 2005

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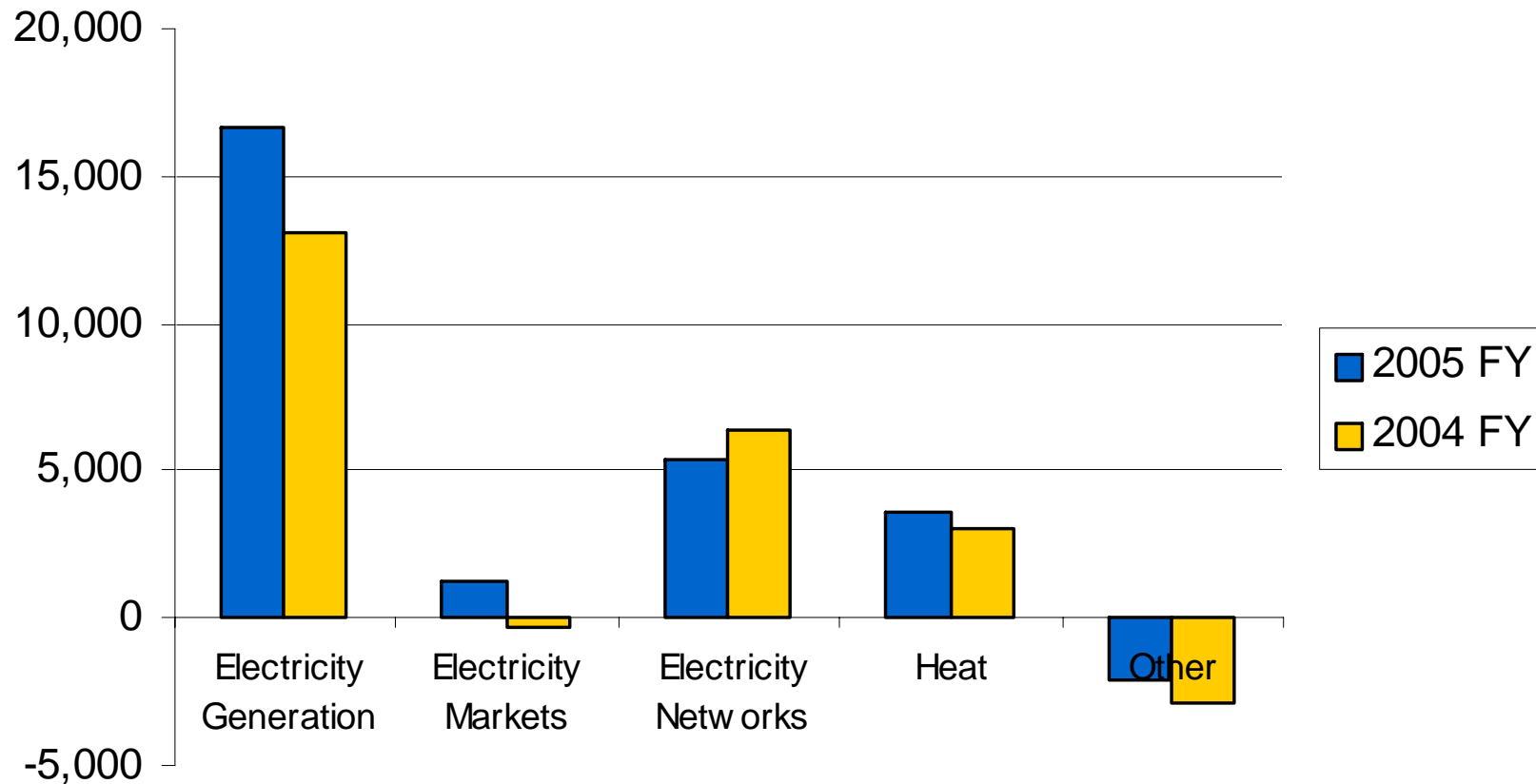
MSEK (Excl. IAC)



EBIT by Secondary Segment, FY 2005

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MSEK (Excl. IAC)

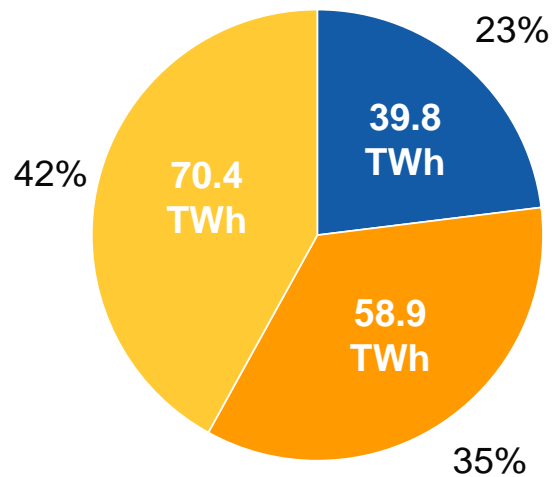


Improved Hydro Power Output

FY 2005

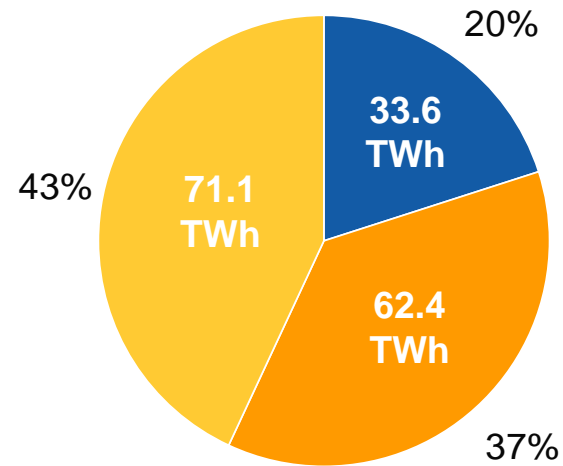
Total: 169.1 TWh

+ 1.2 % vs 2004



FY 2004

Total: 167.1 TWh



- Hydro
- Nuclear
- Fossil

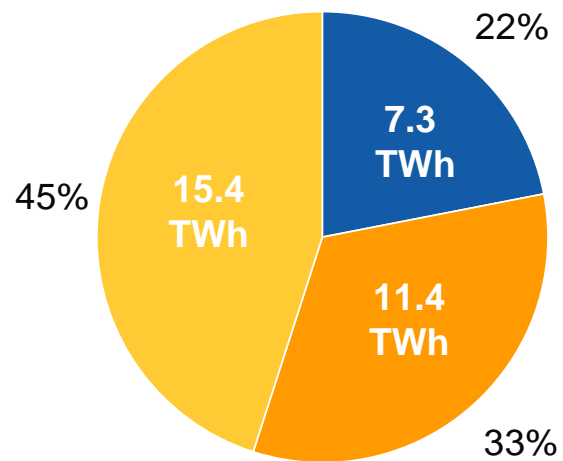
Europe's Number One Heat Producer

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FY 2005

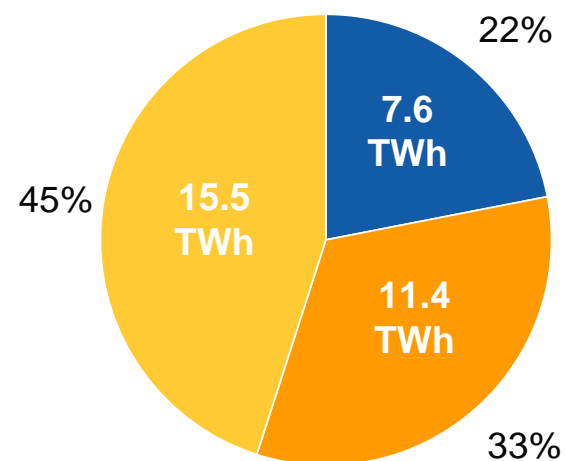
Total: 34.1 TWh

- 1.2 % vs 2004



FY 2004

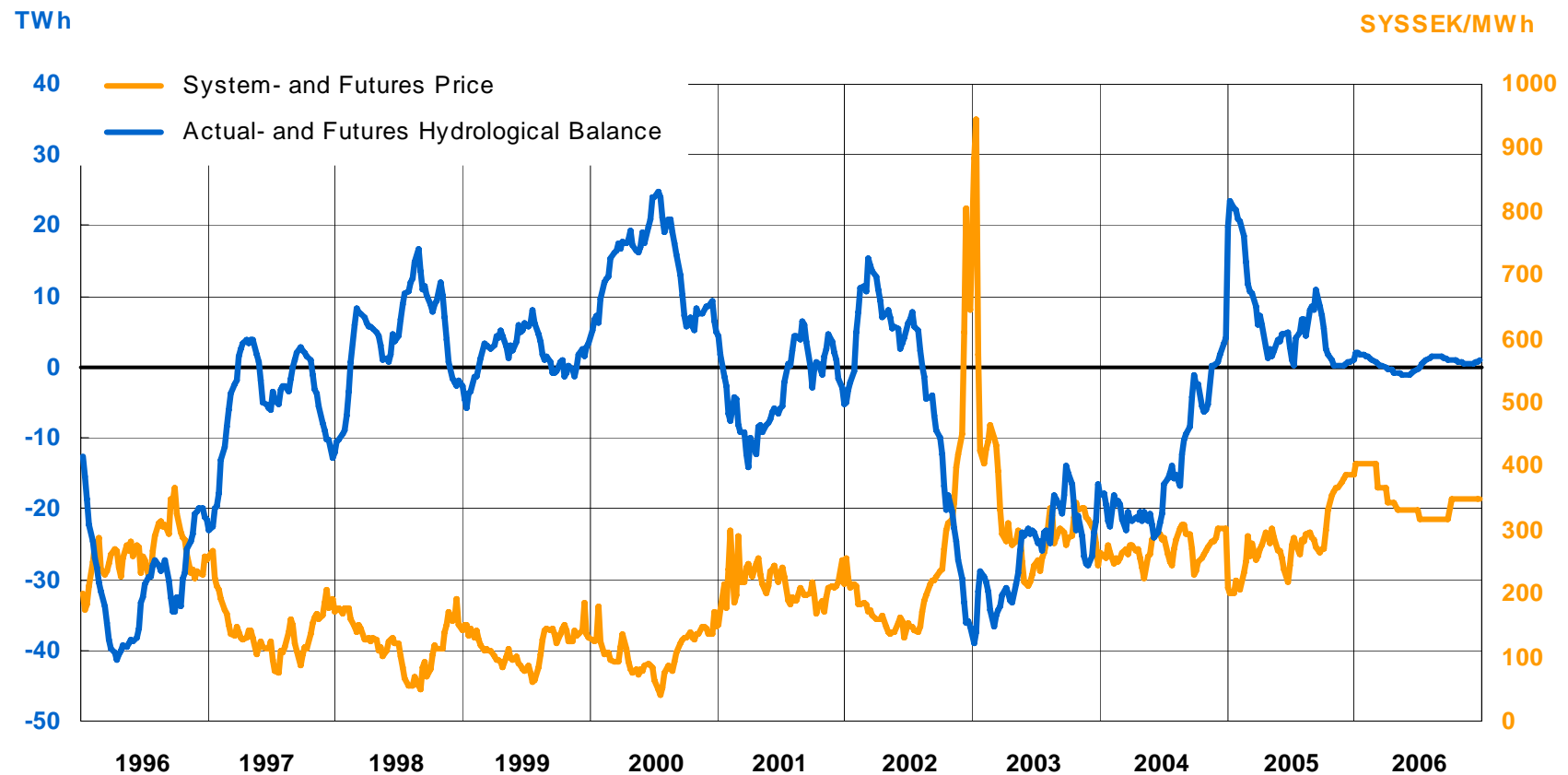
Total: 34.5 TWh



- Nordic
- Poland
- Germany

Nordic Reservoir Levels Back to Normal

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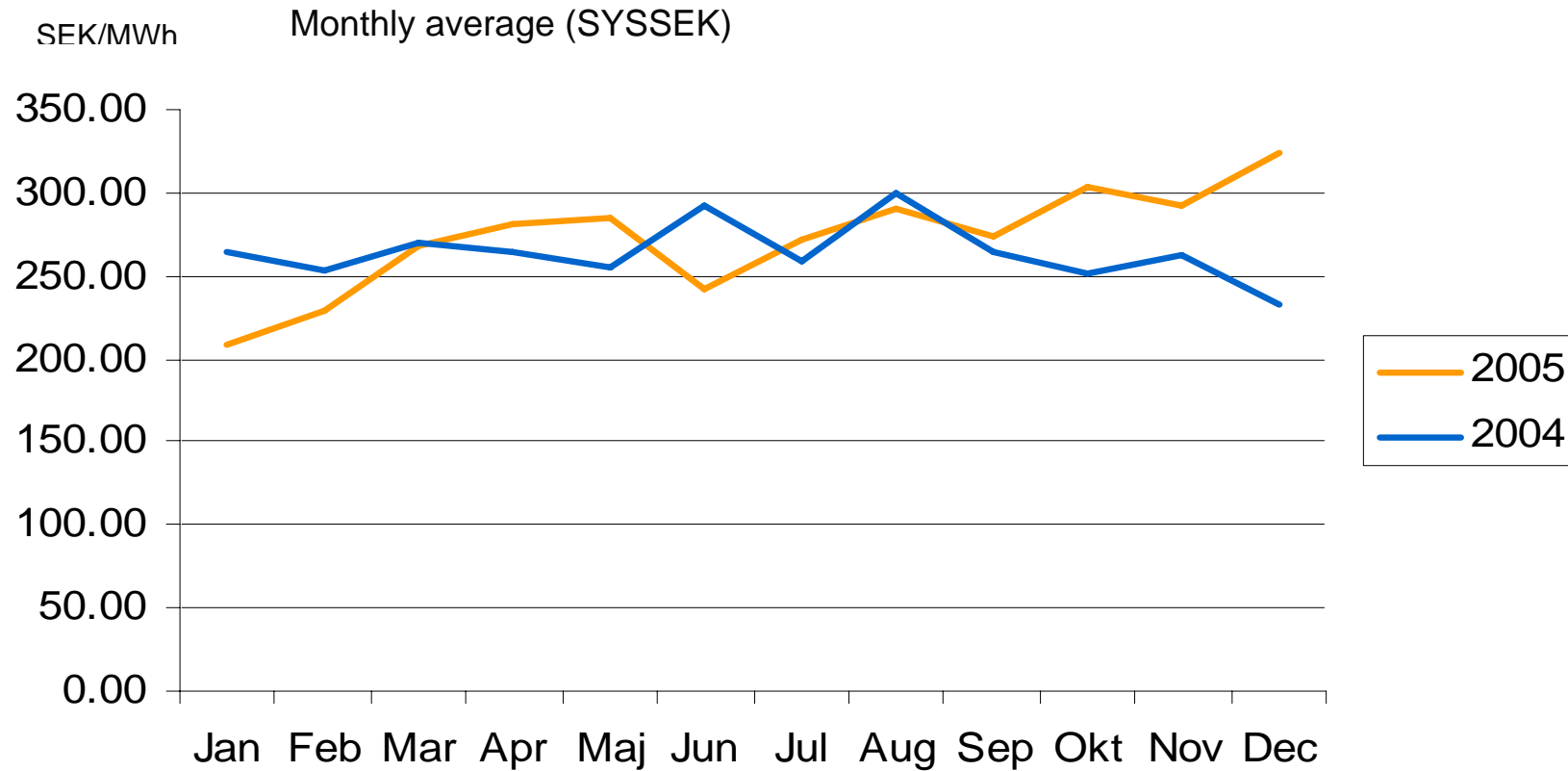


Source: Nord Pool and Markedskraft AS

Updated to week 40 2005

Nordic Spot Price Development

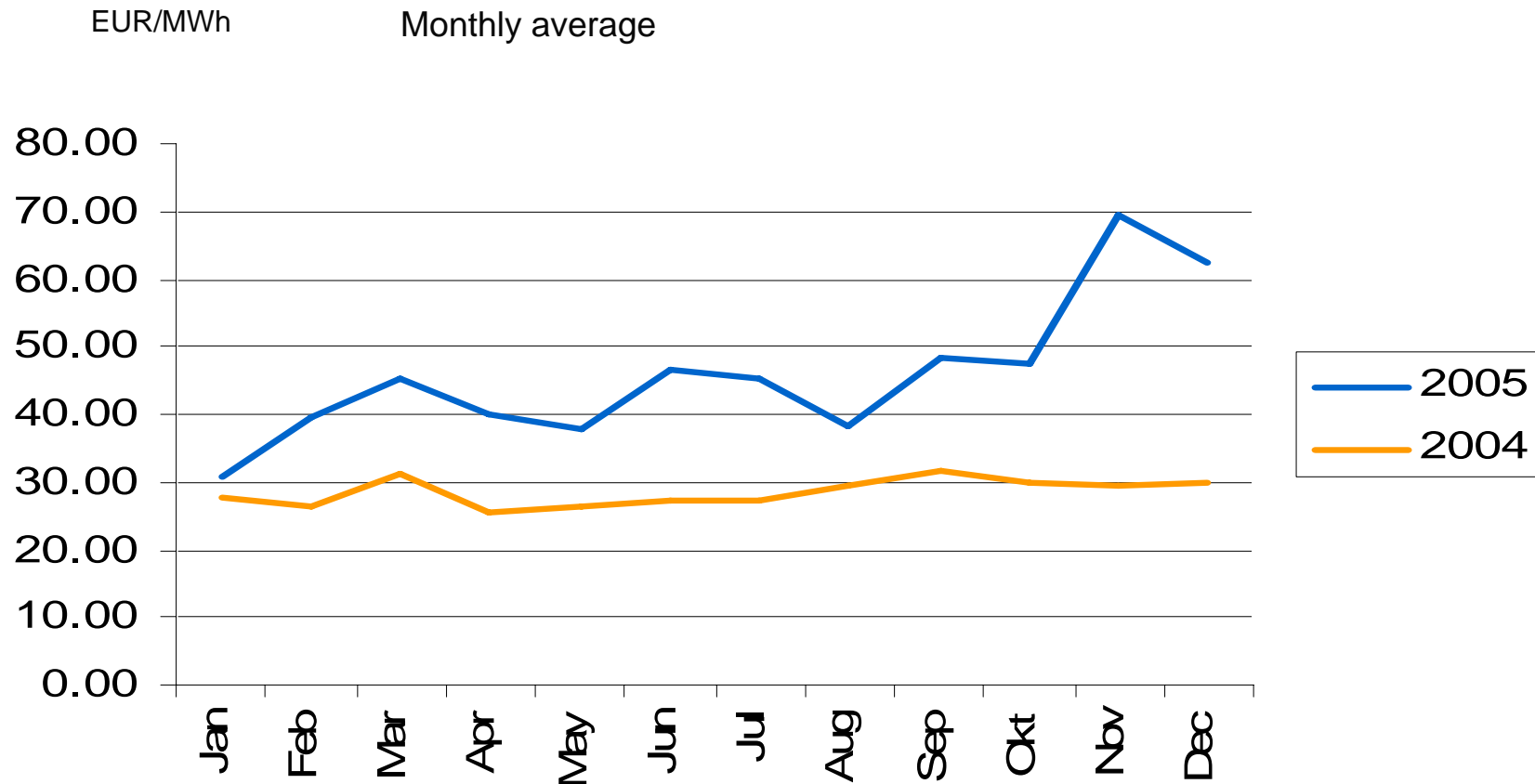
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Source: Nord Pool

Significantly Higher German Spot Prices

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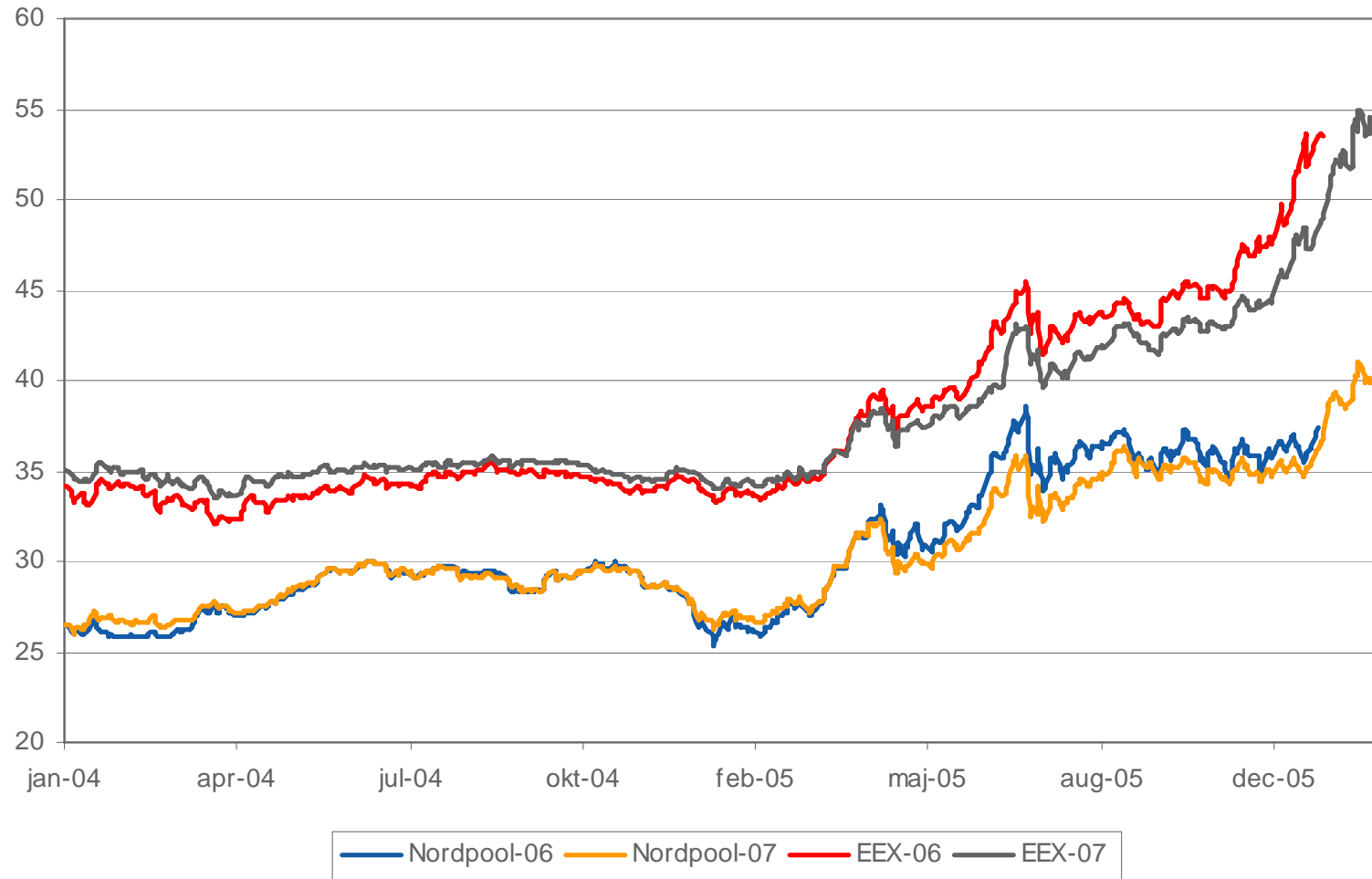


Source: European Energy Exchange (EEX)

Rising Futures Prices

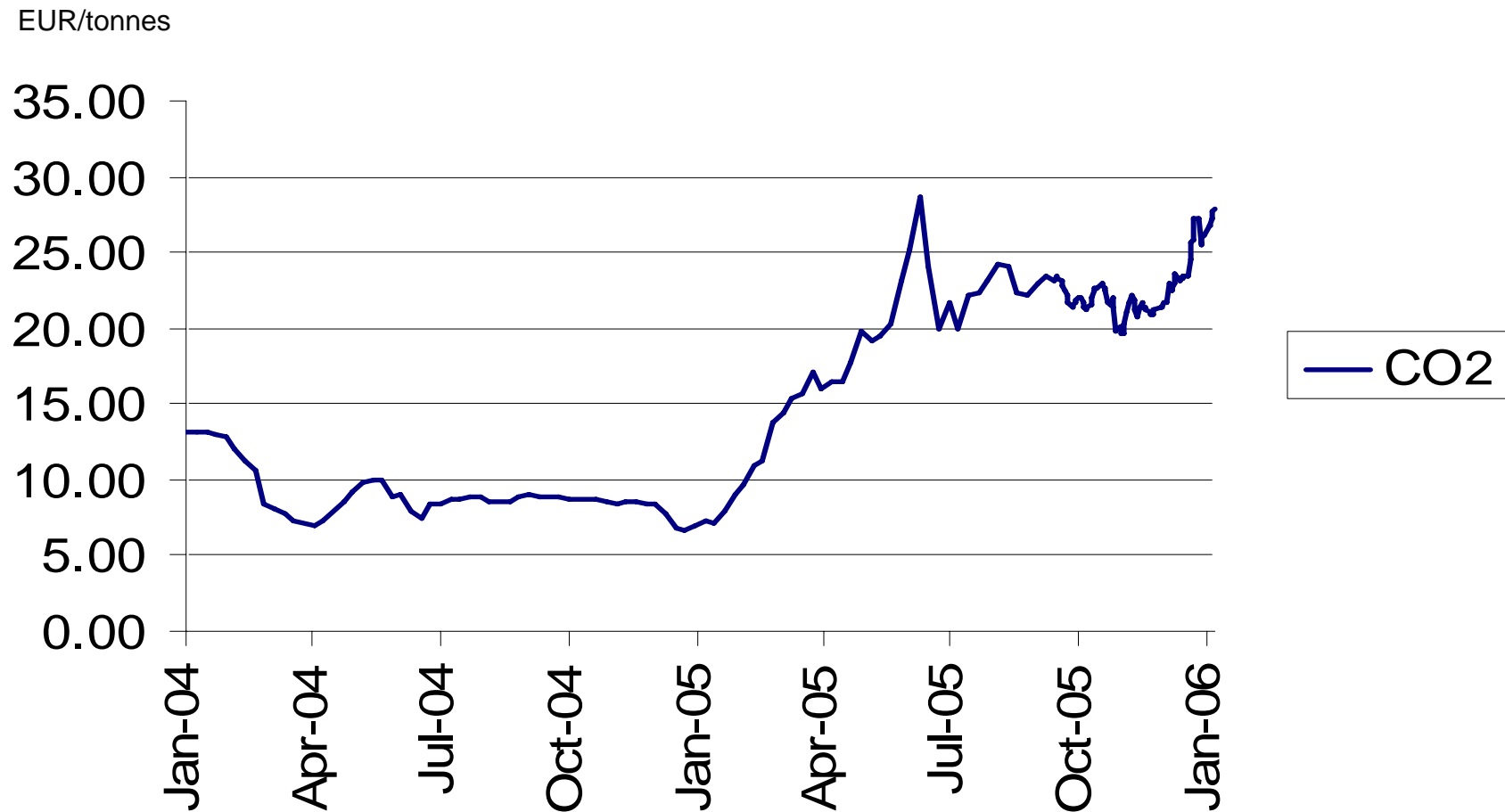
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EUR/MWh



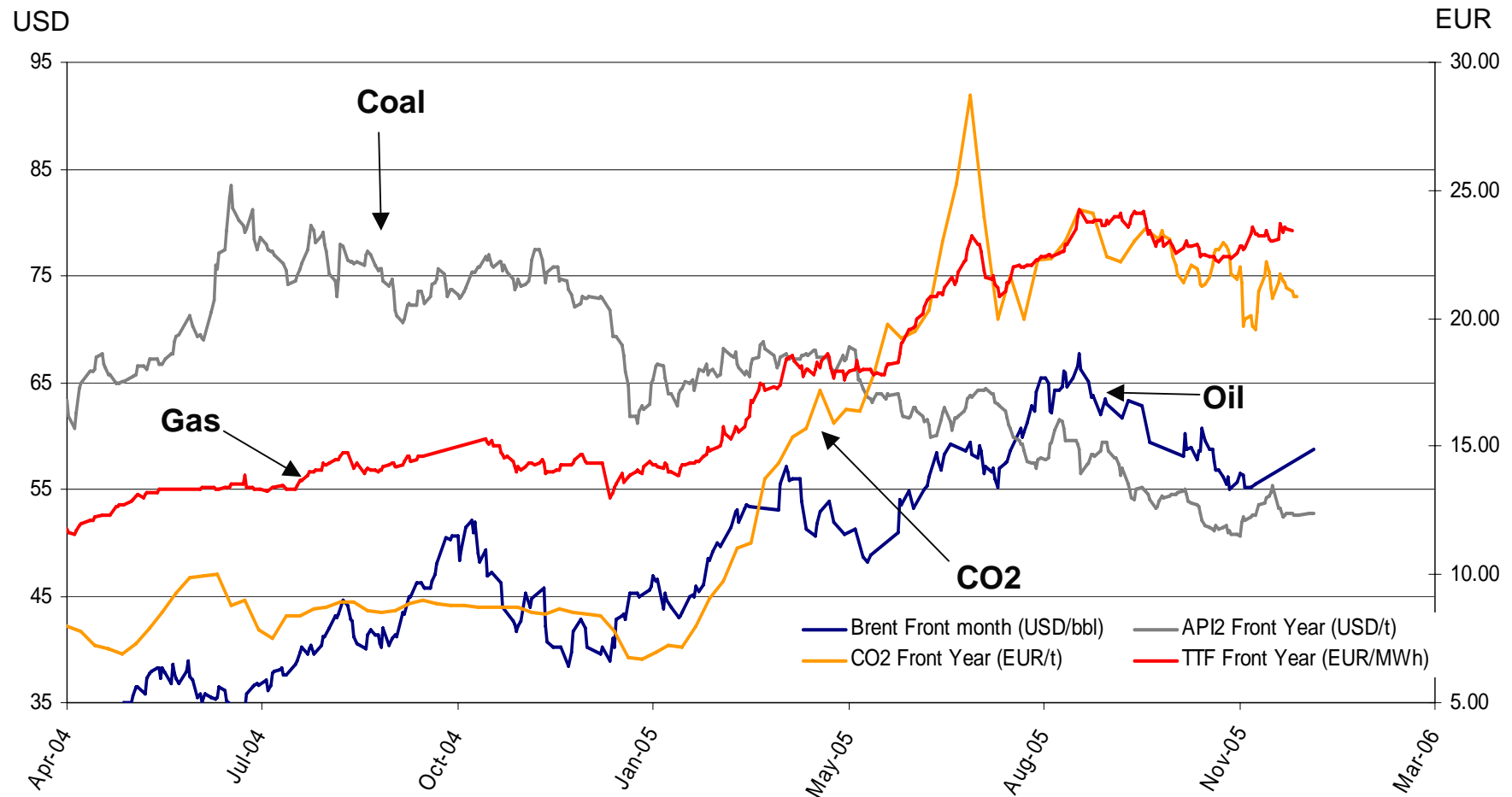
CO2 Price Development 2005

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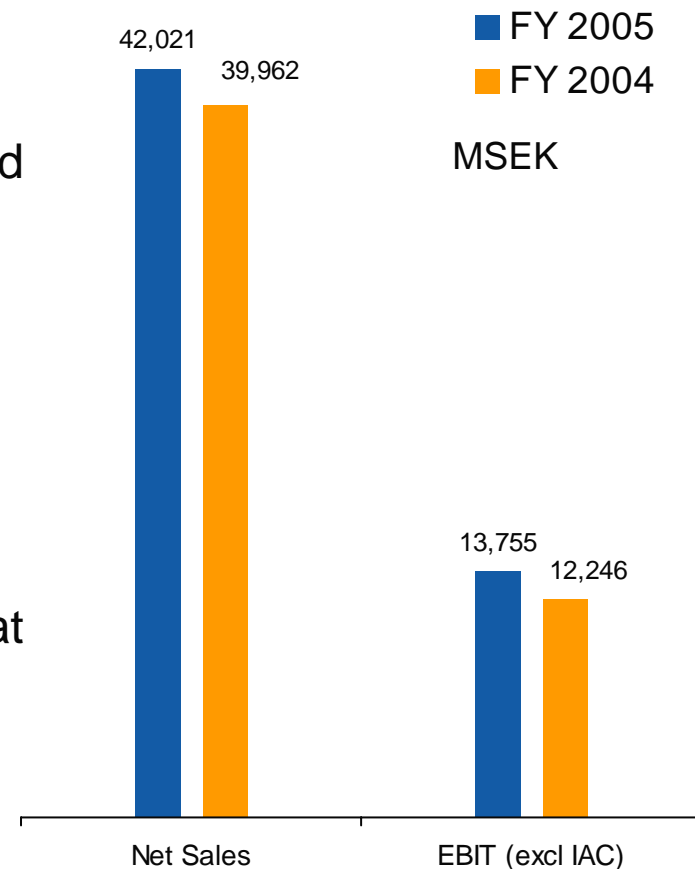


Fuel and CO2 Price Development

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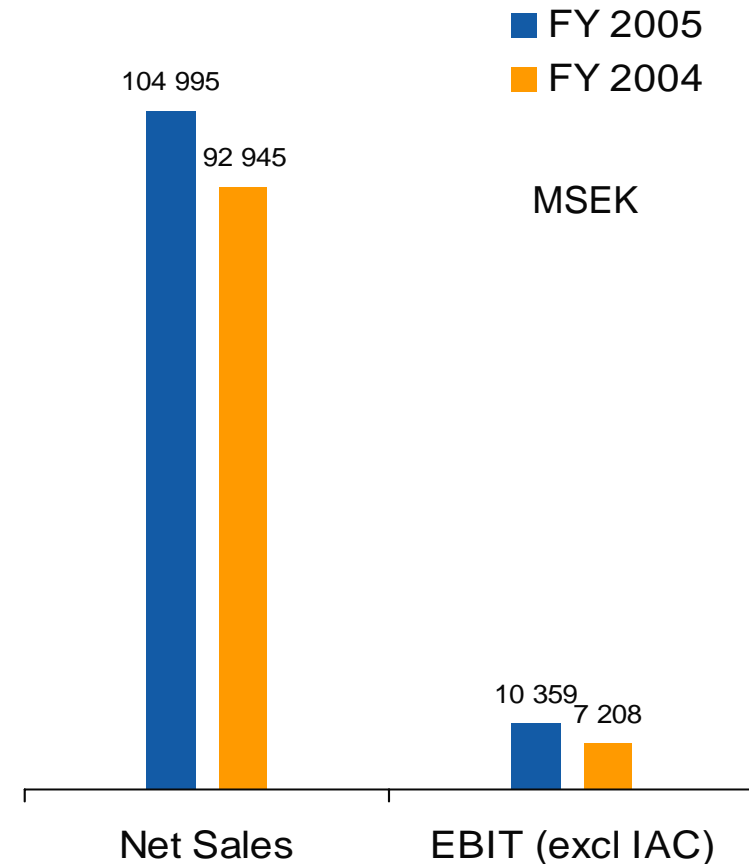
- The severe storm "Gudrun" resulted in costs of >500 MSEK for the Swedish Distribution business unit
- A number of long-term supply-contracts were signed with major Swedish companies
- The Barsebäck 2 nuclear plant was closed on 31 May 2005. An agreement regarding compensation was reached with the Swedish state in November:
 - 4,100 MSEK to be paid to Vattenfall over 4 years
 - Write-down costs amounting to 1,043 MSEK
- The decision to construct a large wind power farm at Lillgrund (110 MW)
- The EU Commission approved Vattenfall's part of the deal with Dong



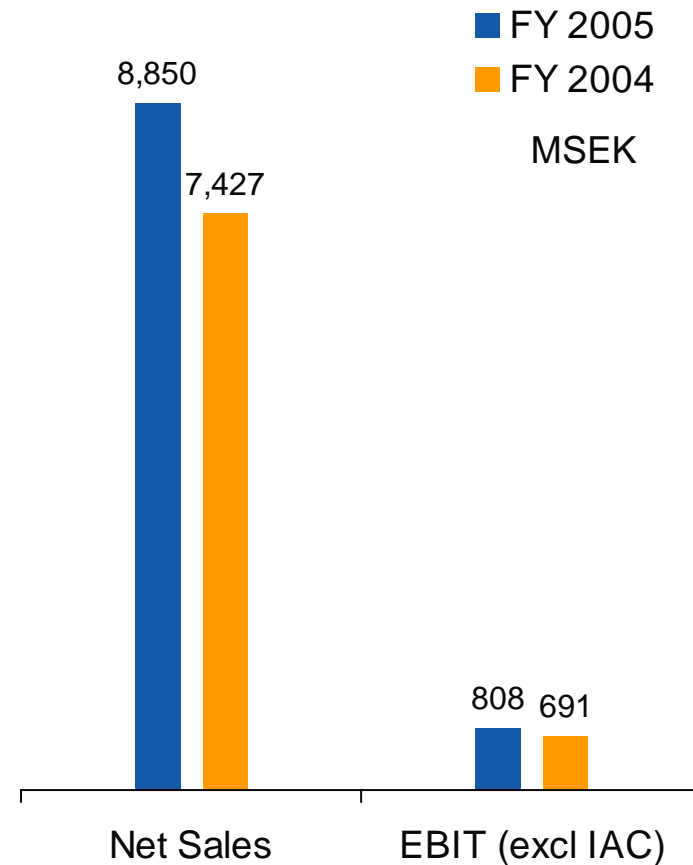
German Business Highlights

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- Strong improvement underpinned by operational efficiency
- Very good performance in the Generation business, primarily due to higher wholesale prices.
- A turn-around in the Sales business unit. Major sales contracts aligned with market conditions.
- Investments:
 - Pilot project; CO₂-free lignite power plant
 - Two new transmission lines
 - Preparations for investments in two new major power plants totalling 1,410 MW
- Highly successful brand introduction campaign in Germany



- Stable results in FY 2005
Strong Q4 results; Sales and EBIT up by 9 and 11 % respectively, in local currency
- Heat accounts for 2/3 of EBIT
- Unchanged heat volumes and slightly higher electricity volumes
- Highly successful brand introduction campaign in Poland



Electricity

Heat

Gas

- Existing products where we have a strong position in our current core markets (both M&A and generation capacities from construction of new plants)

- Attractive product in its own right with strategic potential for Vattenfall. Critical to build volume



Main driver

Generation

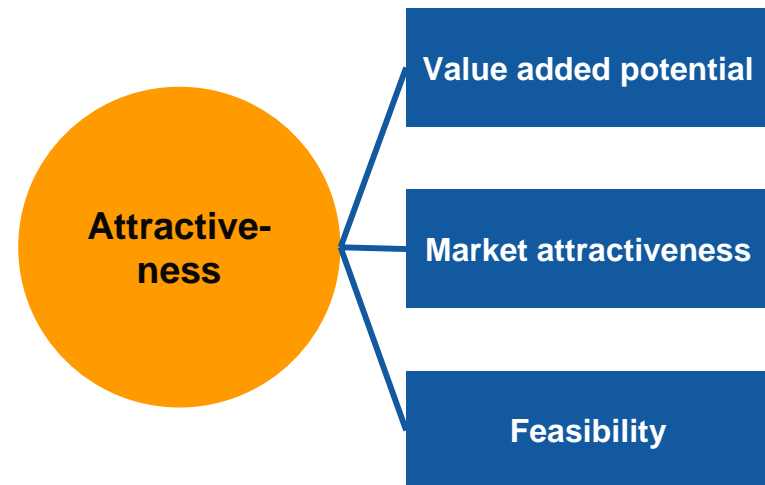
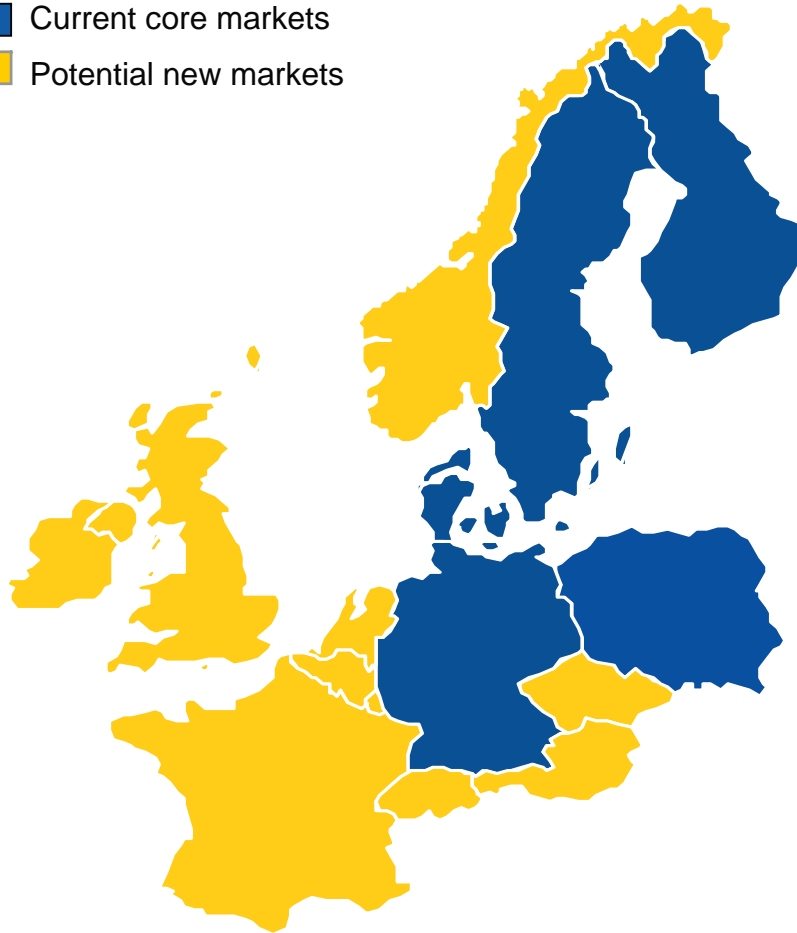
Logic

- Primary source of value creation
- Capital intensive/entry barrier
- Strong market position today

Growth Alternatives are Being Analysed

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- Current core markets
- Potential new markets



Curbing climate change – an outline of a framework leading to a low carbon emitting society ²¹



- Continue profitable growth
- To be the benchmark of the industry
- To be number one for the environment
- To be number one for the customer
- To be the employer of choice

Vattenfall's vision:

**To be a leading European
energy company**

Financials

Matts Ekman, CFO

Consolidated Income Statement

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Amounts in MSEK	FY 2005 IFRS	FY 2004 IFRS	Change %
Net sales	129,158	113,366	13.9
Cost of products sold	-93,636	-83,848	11.7
Gross profit	35,522	29,518	20.3
Operating profit (EBIT)	27,730	17,112	62.1
Operating profit, excl. IAC	24,744	19,327	28.0
Financial income	3,810	2,969	28.3
Financial expenses	-5,221	-5,467	-4.5
<i>Financial net</i>	-1,411	-2,498	-43.5
Profit before taxes	26,319	14,614	80.1
Taxes	-5,801	-5,010	15.8
Profit for the period	20,518	9,604	113.6

* IAC = items affecting comparability

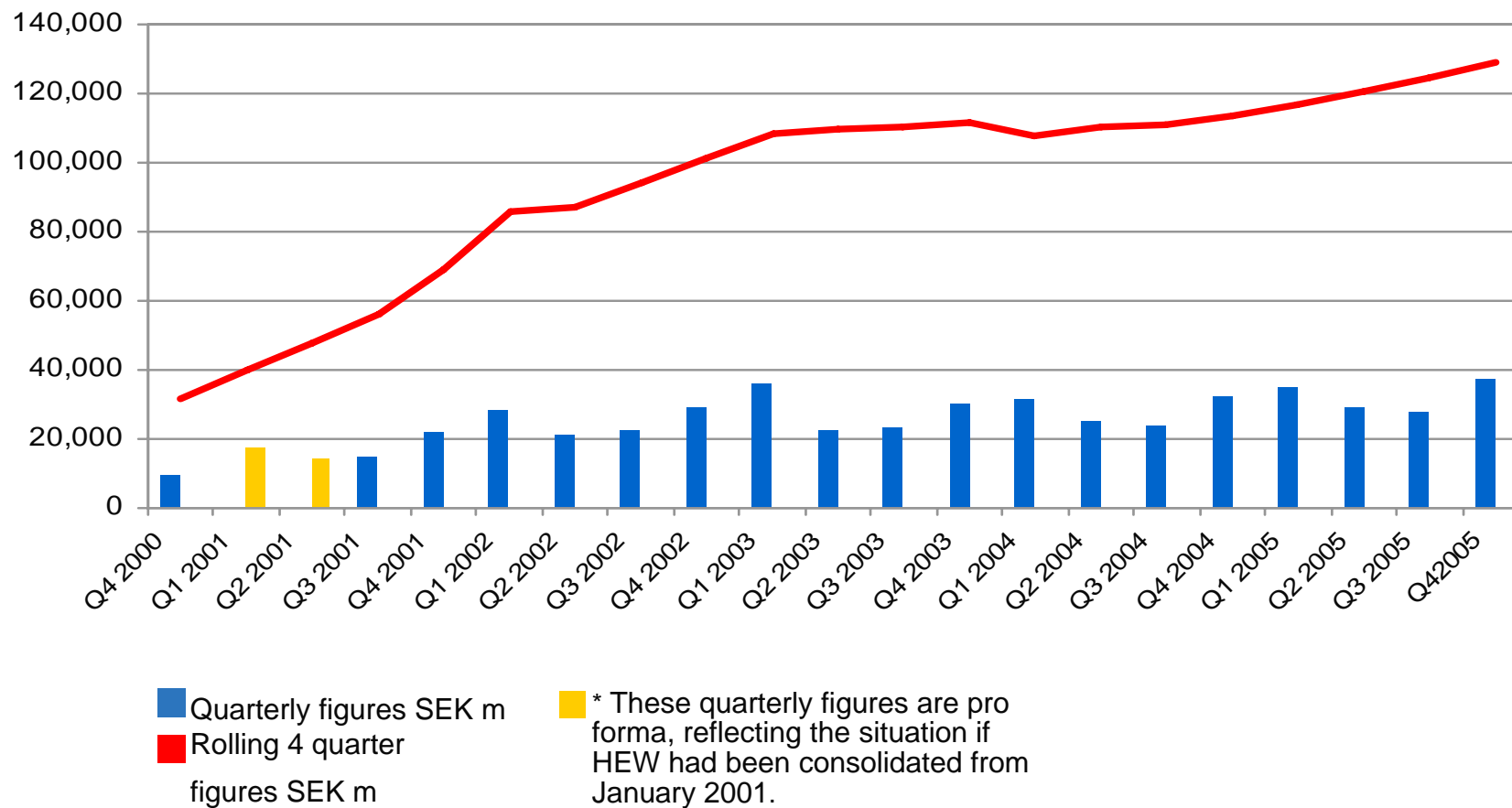
Consolidated Income Statement Q4

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Amounts in MSEK	Q4 2005 IFRS	Q4 2004 IFRS	Change %
Net sales	37,280	32,405	15.0
Cost of products sold	-26,991	-24,545	10.0
Gross profit	10,289	7,860	31.0
Operating profit (EBIT)	10,264	3,790	171.0
Operating profit, excl. IAC	7,264	5,001	45.2
Financial income	1,903	1,289	47.6
Financial expenses	-1,494	-1,438	3.9
<i>Financial net</i>	<i>409</i>	<i>-149</i>	
Profit before taxes	10,673	3,641	193.1
Taxes	-498	-1,469	-66.1
Profit for the period	10,175	2,172	368.5

* IAC = items affecting comparability

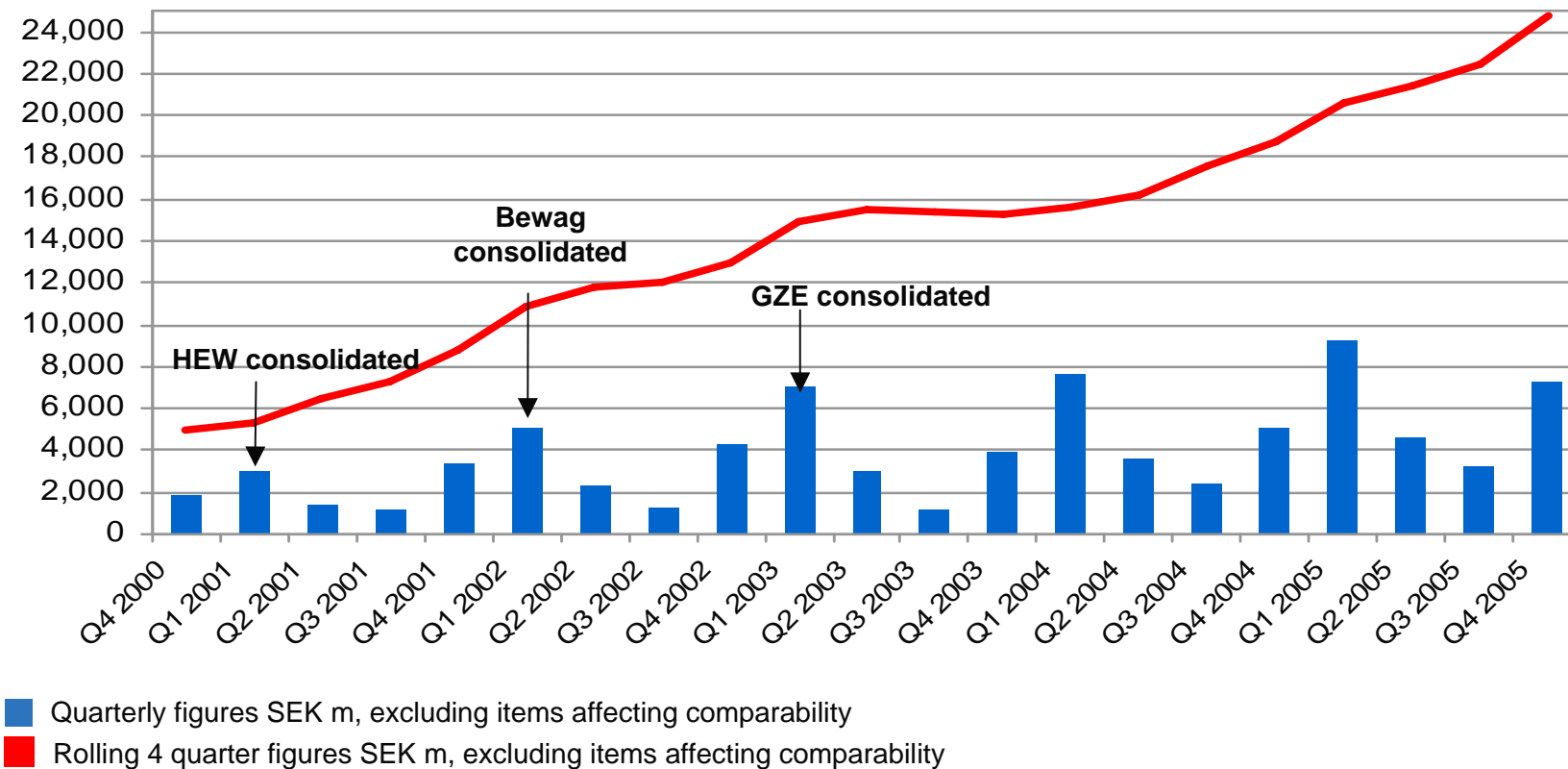
Quarterly figures, SEK million



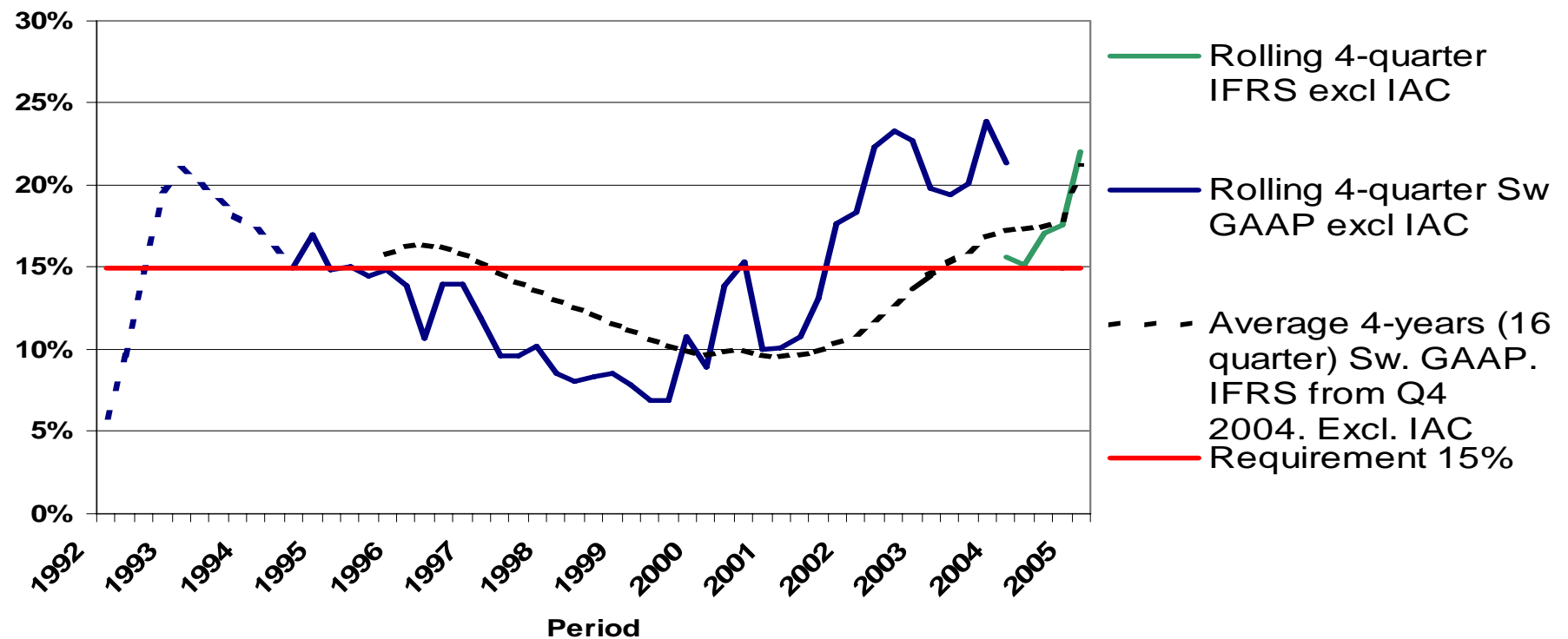
Continued Strong EBIT Development

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Quarterly figures, SEK million



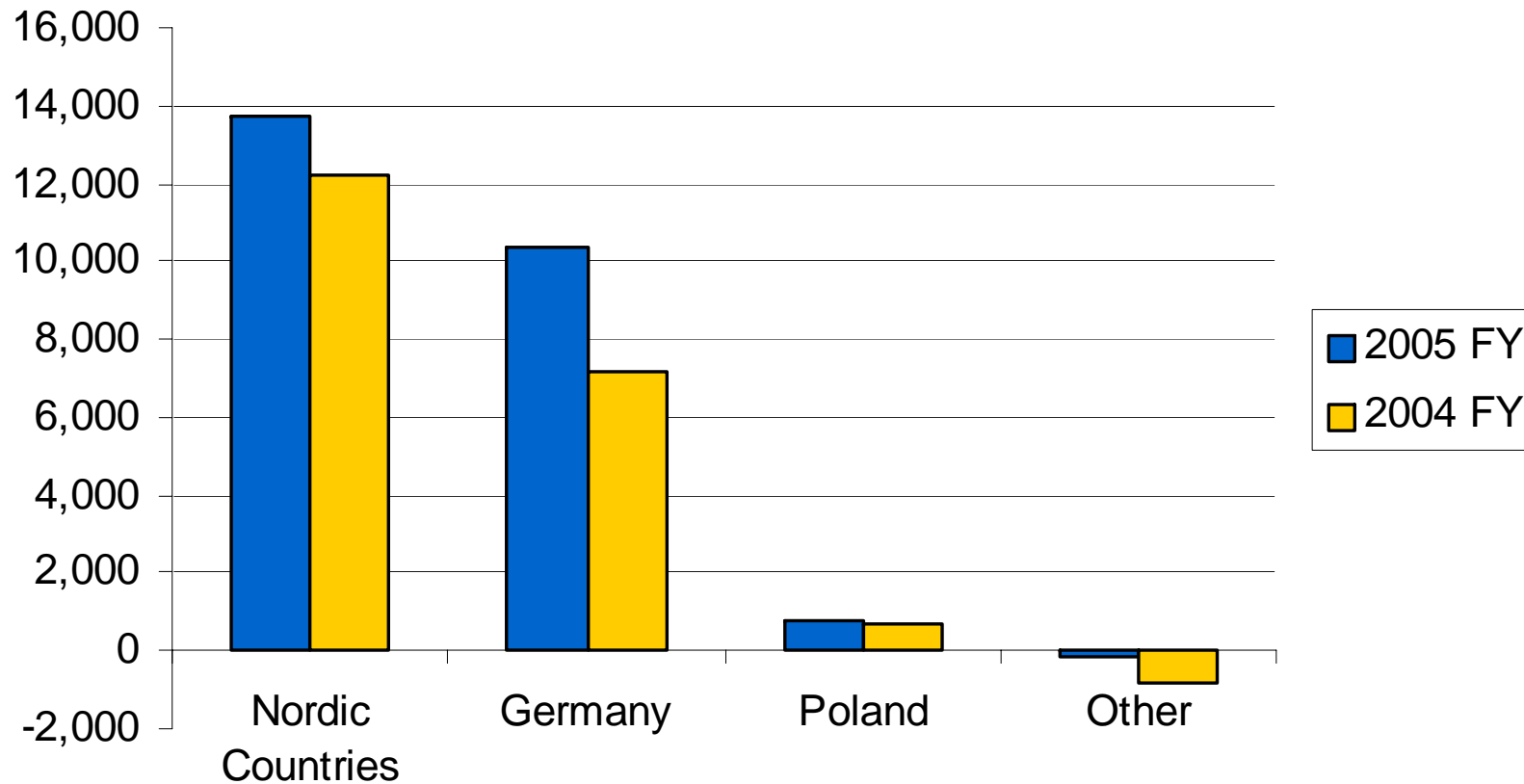
Return on Equity



EBIT by Primary Segment, FY 2005

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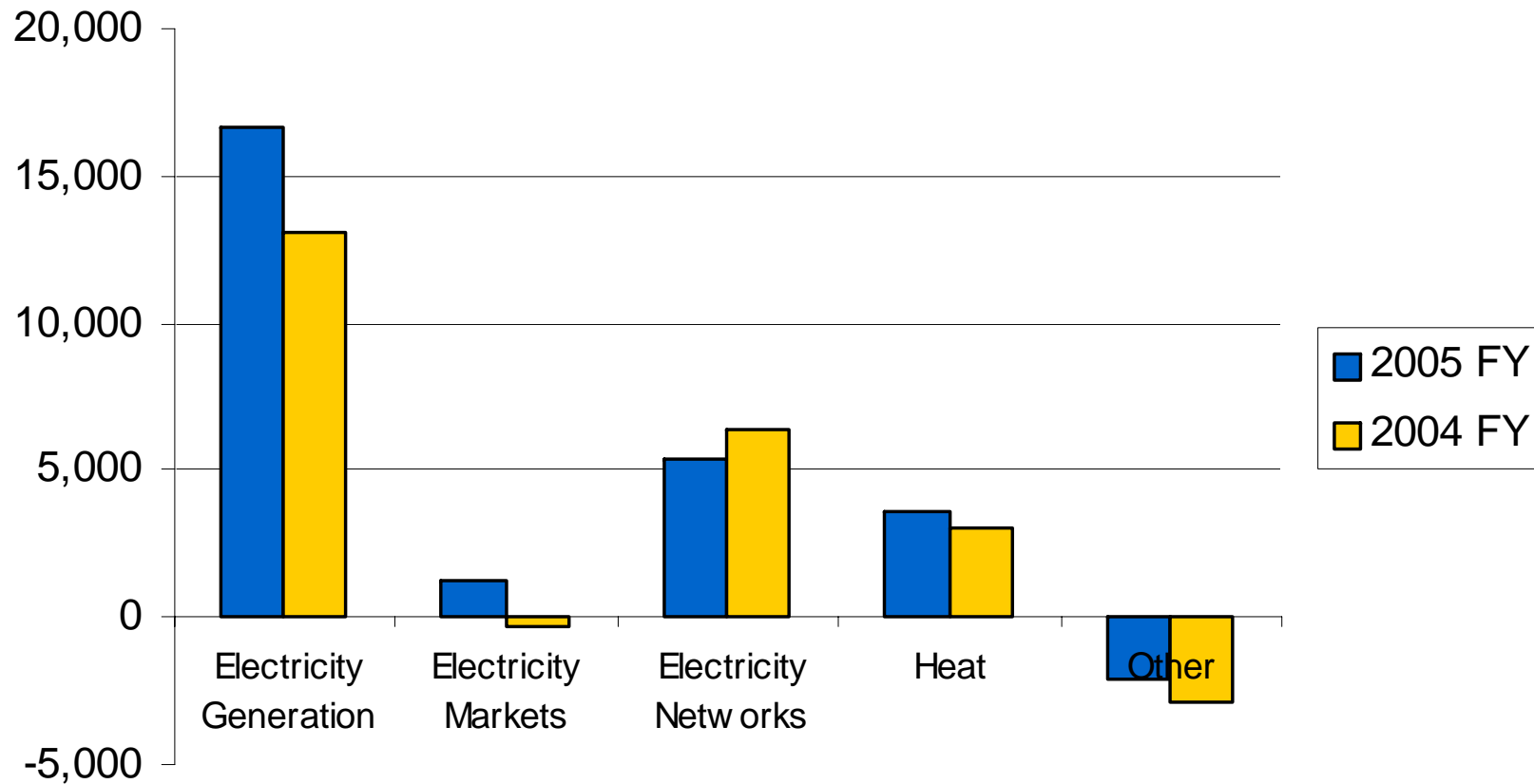
MSEK (Excl. IAC)



EBIT by Secondary Segment, FY 2005

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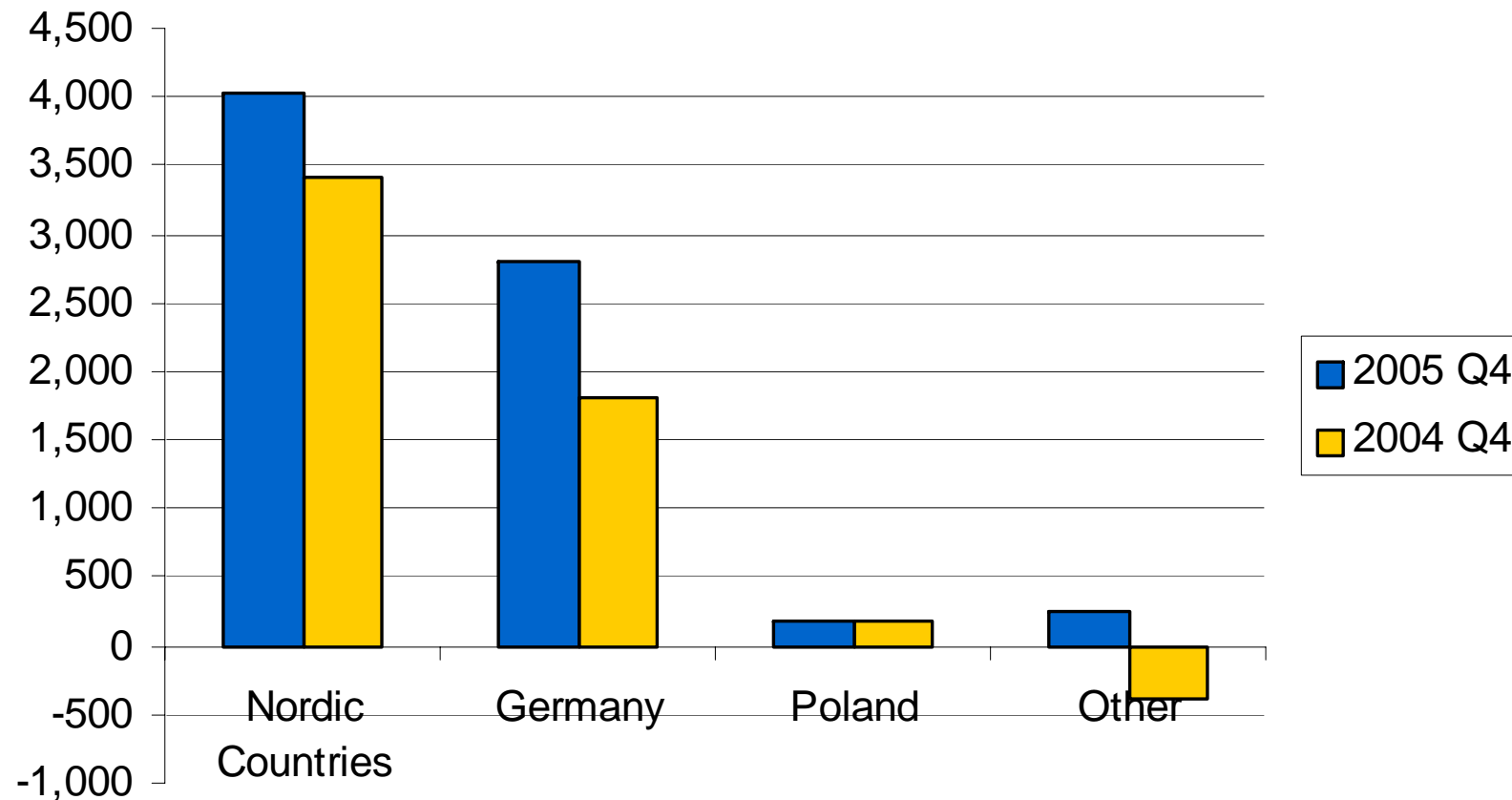
MSEK (Excl. IAC)



EBIT by Primary Segment – Q4

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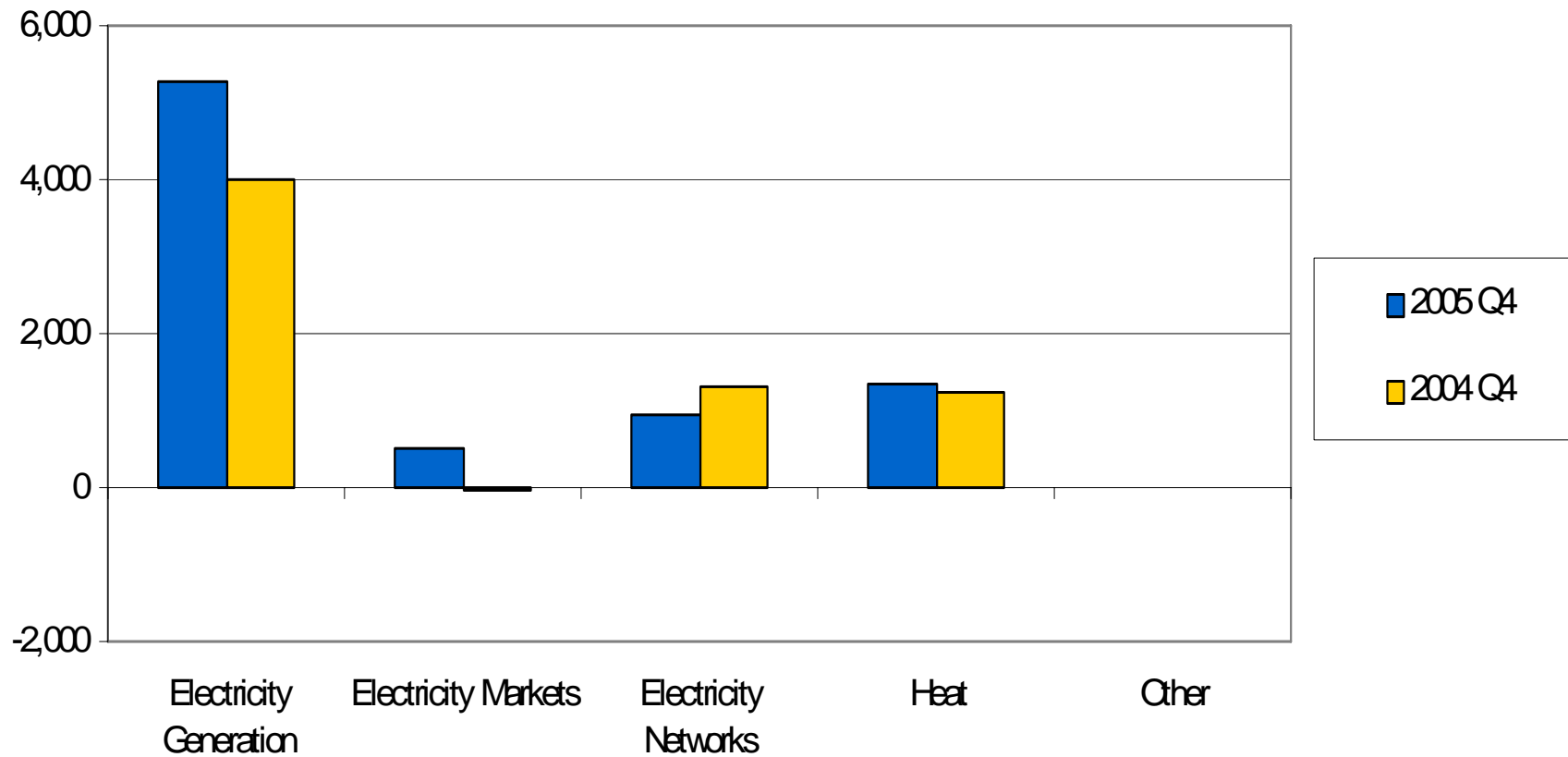
MSEK (Excl IAC)



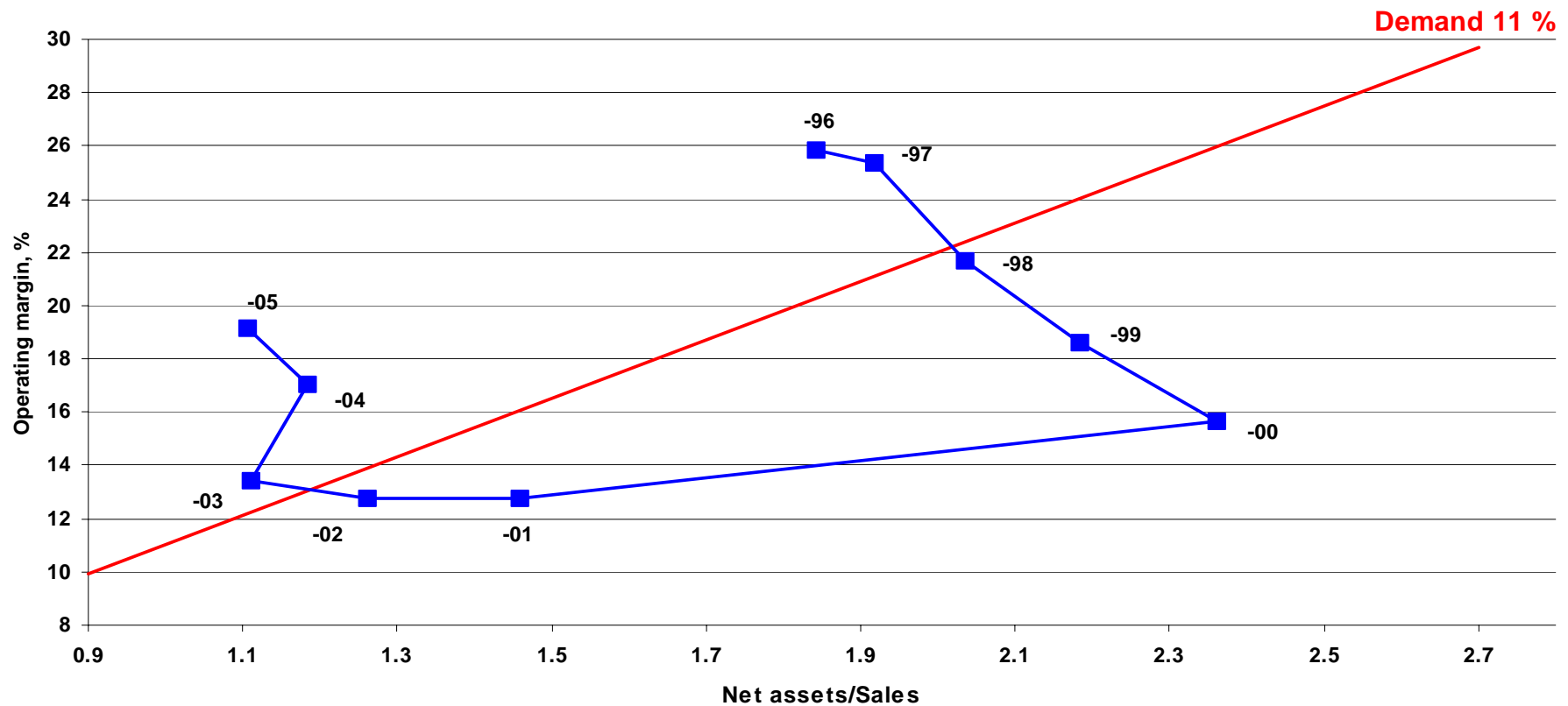
EBIT by Secondary Segment – Q4

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MSEK (Excl IAC)



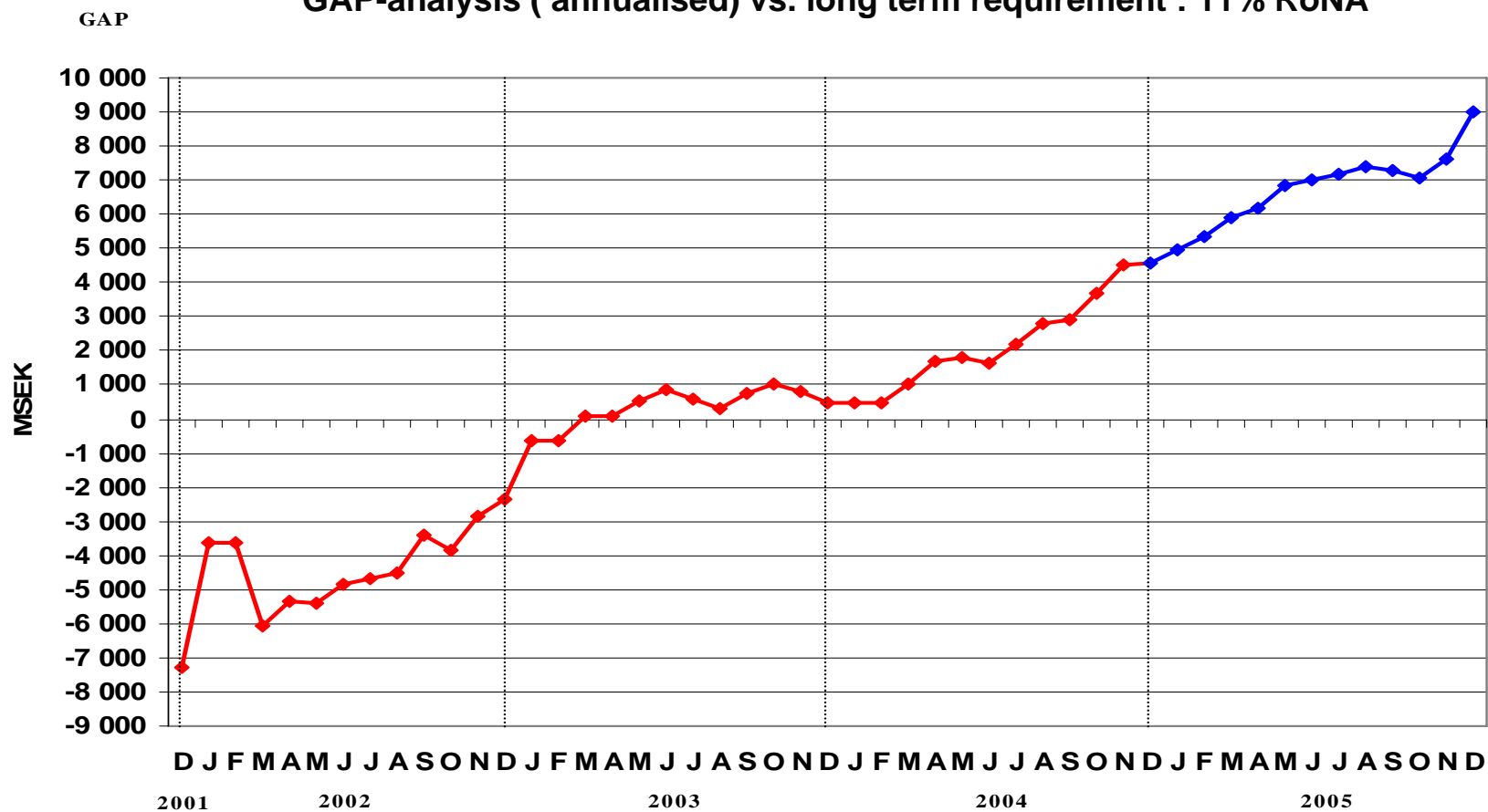
Return on Net Assets



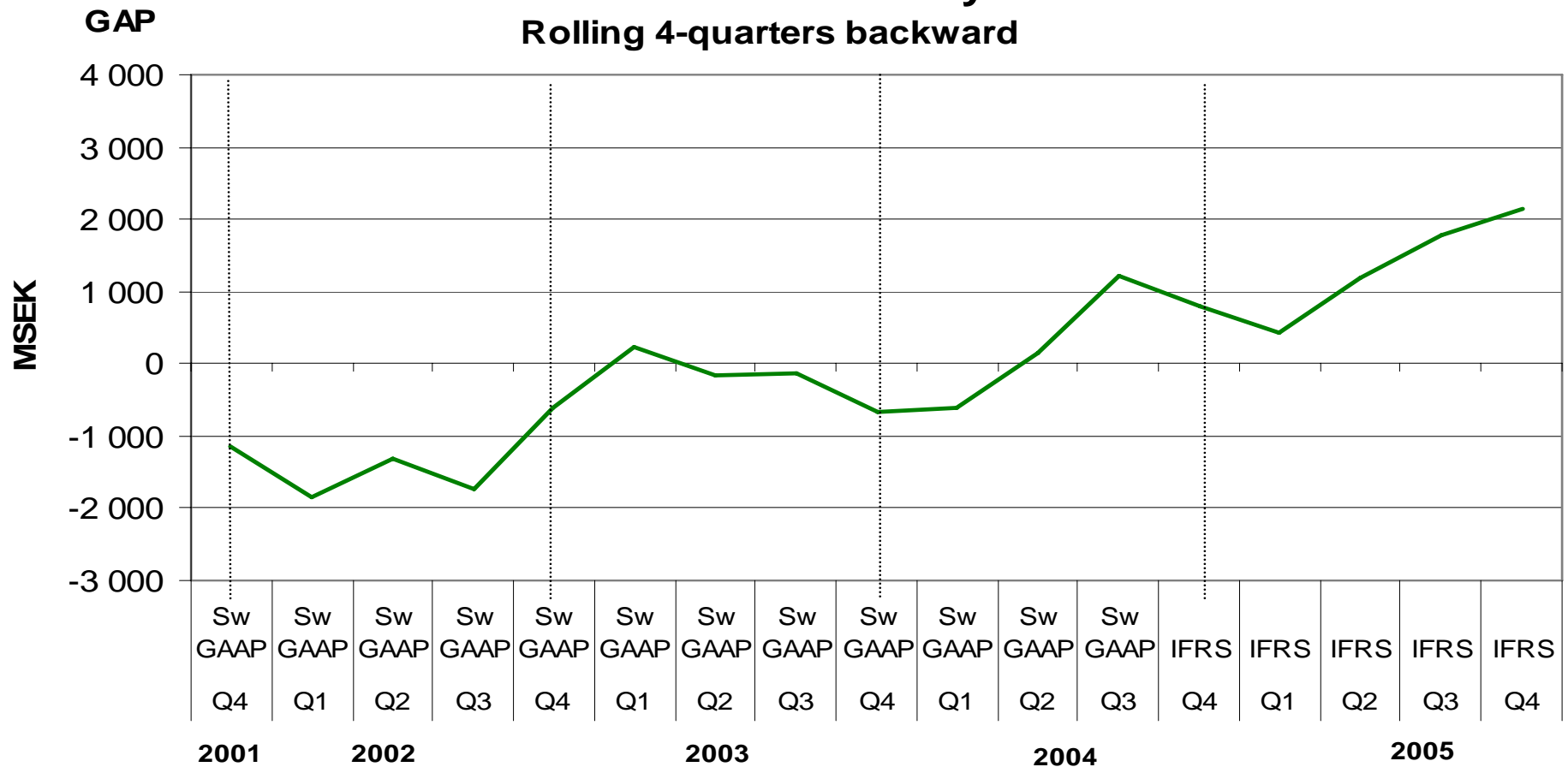
*Figures for 2004 and 2005 according to IFRS

Vattenfall Group Creates Value

GAP-analysis (annualised) vs. long term requirement : 11% RoNA



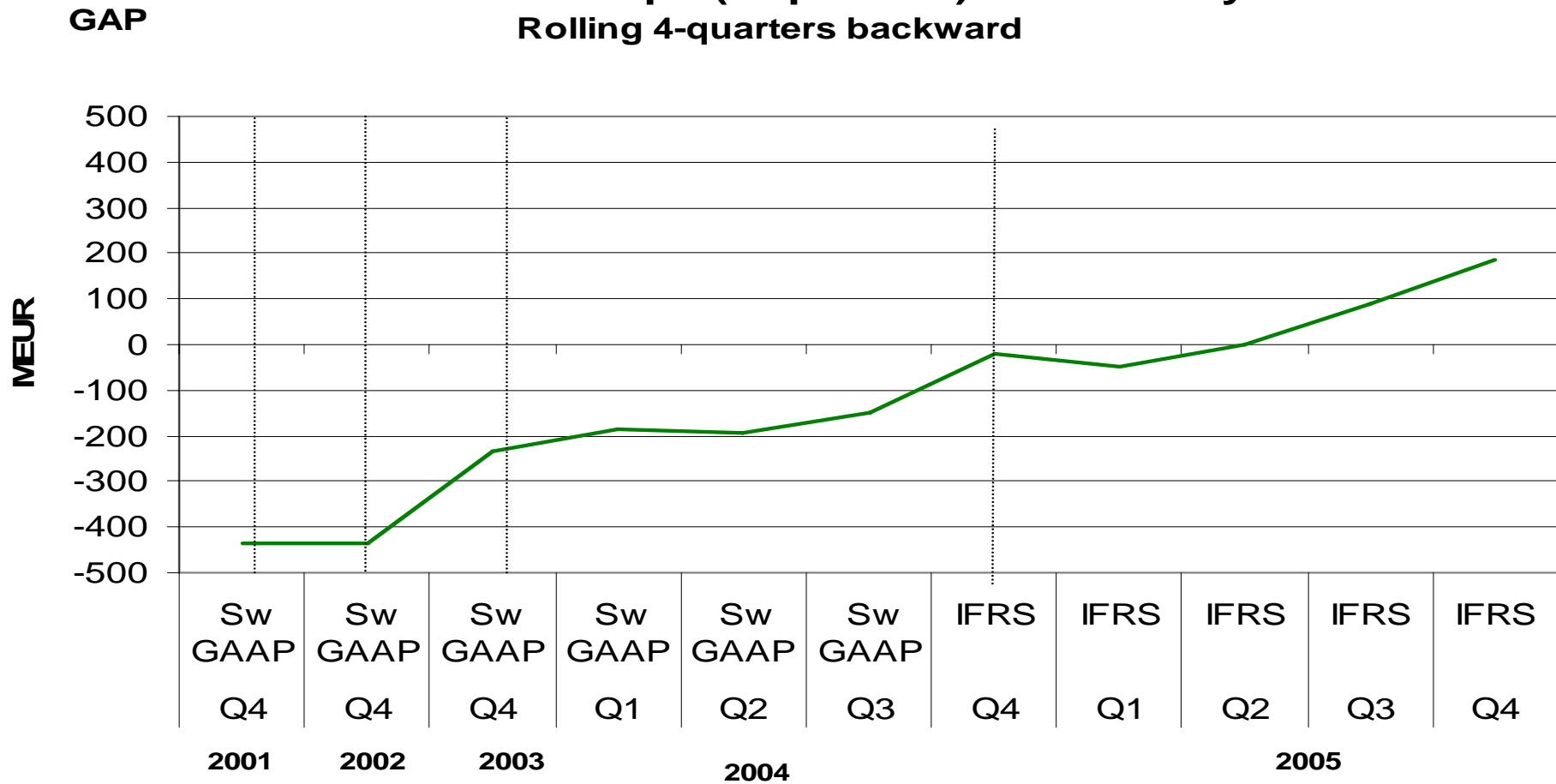
BG Nordic - GAP analysis Rolling 4-quarters backward



BG Vattenfall Europe - Gap Analysis

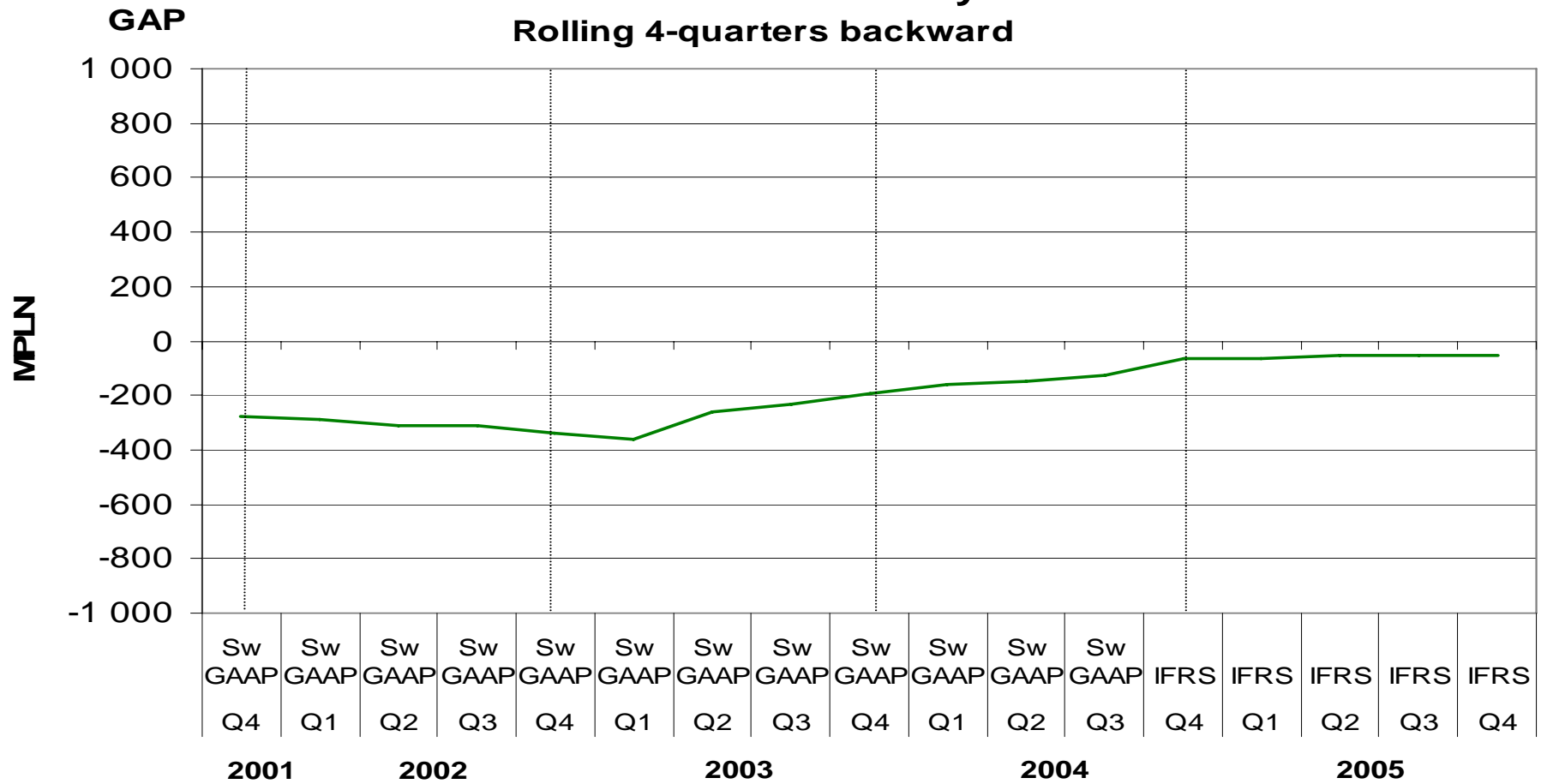
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BG Vattenfall Europe (Top Down) - GAP analysis Rolling 4-quarters backward



BU Poland - Gap Analysis

BG Poland - GAP analysis
Rolling 4-quarters backward

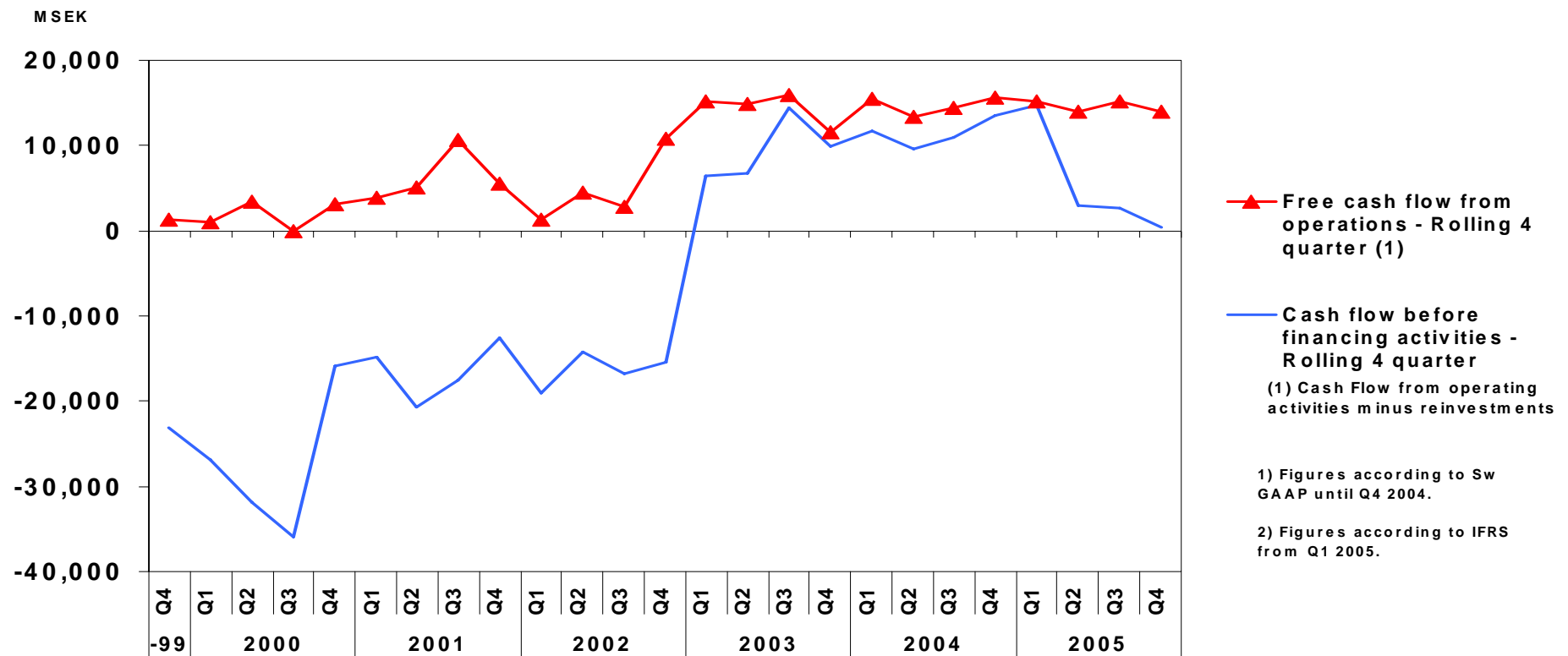


Consolidated Balance Sheet

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Amounts in MSEK	FY 2005	FY 2004	Change %
Non-current assets	259,964	238,912	8.8
Current assets	70,457	46,293	52.2
Total assets	330,421	285,205	15.9
Equity	88,466	83,108	6.4
Capital Securities	9,268		
Interest-bearing liabilities	69,395	73,013	-5.0
Interest-bearing provisions	47,691	45,491	4.8
Pension provisions	17,432	16,450	6.0
Deferred tax liabilities	42,370	41,646	1.7
Other non-interest-bearing liabilities	55,799	25,497	118.9
Total equity and liabilities	330,421	285,205	15.9

Cash Flow Development



Consolidated Cash Flow Statement – FY

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Amounts in MSEK	FY 2005	FY 2004	Change %
Funds from operations (FFO)	31,386	24,302	29.1
Change in working capital	-6,963	-199	
Cash Flow from operating activities	24,423	24,103	-1.3
Investments	-24,497	-12,731	-92.4
Divestments	785	2,120	-63.0
Cash and cash equivalents in acquired/divested companies	17	-20	
Cash Flow from investment activities	-23,695	-10,631	-122.9
Cash Flow before Financing activities	728	13,472	-94.6
Cash Flow from financing activities	-796	-15,284	94.8
Cash Flow for the period	-68	-1,812	96.2
Net debt at the end of the period	-64,343*	-55,411	16.1

*Including Capital Securities

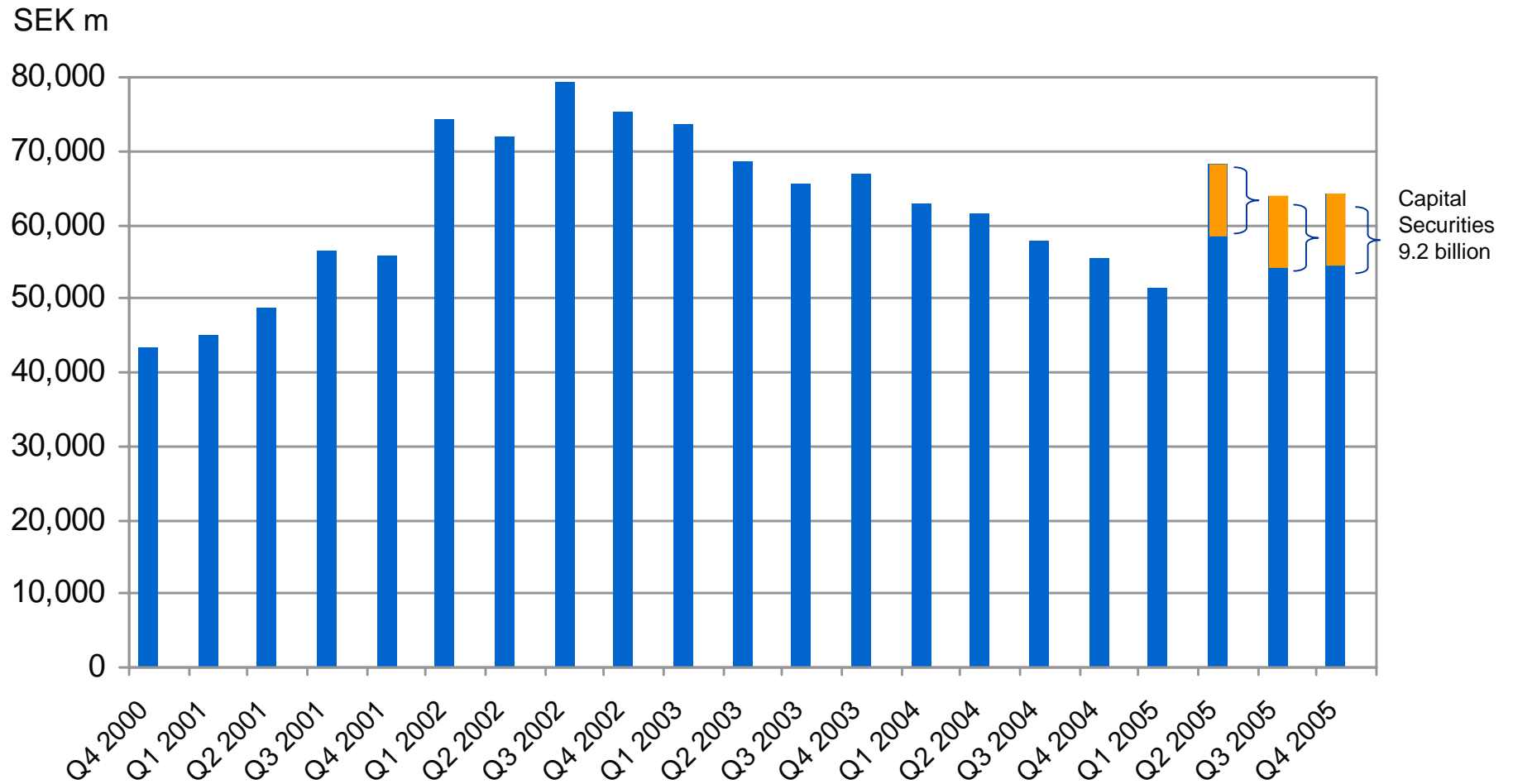
Consolidated Cash Flow Statement - Q4

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Amounts in MSEK	Q4 2005	Q4 2004	Change %
Funds from operations (FFO)	12,674	6,780	86.9
Change in working capital	-8,698	-1,863	
Cash Flow from operating activities	3,976	4,917	-19.1
Investments	-4,729	-4,046	16.9
Divestments	461	1022	-54.9
Cash and cash equivalents in acquired/divested companies			
Cash Flow from investment activities	-4,251	-3,028	-40.4
Cash Flow before Financing activities	-275	1,889	
Cash Flow from financing activities	-2,302	-4,109	44.0
Cash Flow for the period	-2,577	-2,220	16.08
Net debt at the end of the period	-64,343*	-55,411	16.1










*Including Capital Securites

Net Debt Increased in 2005



Key Ratios (IFRS)

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Key Ratios (in % unless otherwise stated)		FY 2005	FY 2004
RoNA (1)		15.9	13.3
RoE (1)		22.0	15.6
Operating margin (1)		19.2	17.0
Pre-tax profit margin (1)		18.1	14.8
Pre-tax interest coverage, times (1)		8.4	5.9
FFO/net debt		48.8	43.9
FFO net interest coverage, times		22.8	11.8
Equity/assets ratio		26.8	29.1
Net Gearing - Net debt/equity, times		0.73	0.67
Capitalisation - Net debt/net debt + equity		42.1	40.0

1) Excluding items affecting comparability

Financial Targets

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Key Ratio / Objective	Target	FY 2005	FY 2004
Return on Equity (RoE, excl IAC)	15 % (on visible equity after tax over a business cycle)	22.0	15.6
Return on Net Assets (RoNA, excl IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	15,9	13,3
Pre-tax interest coverage	3.5 – 5 times	9,3	5,3
Credit Rating	Single A category rating	Upgrade to A2 by Moody's Positive outlook from both agencies	Unchanged A3/A-

Vattenfall FY Results 2005

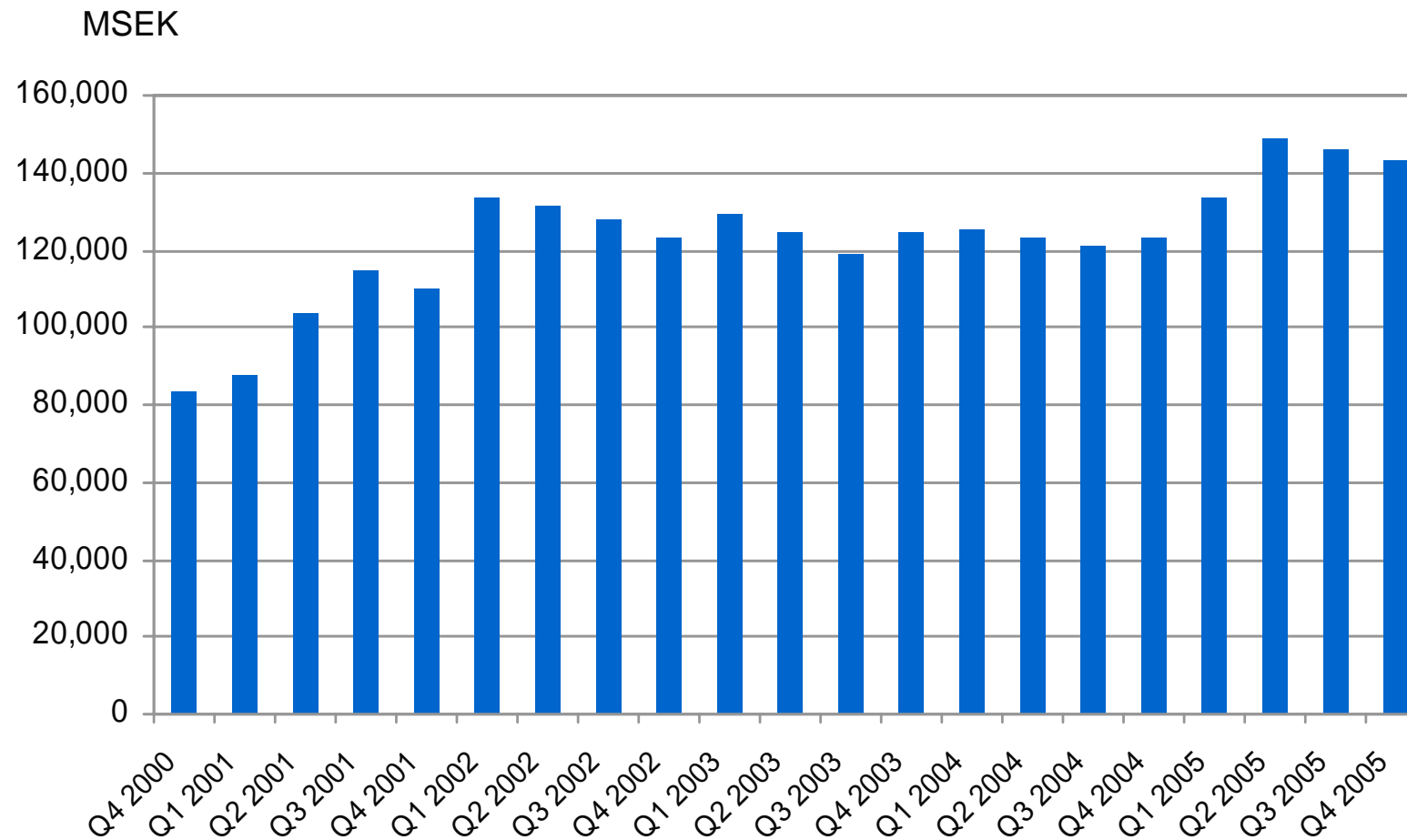
Questions & Answers

8 February, 2006

Appendices (back-up slides)

Net Asset Development

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Break Down of Group Liquidity

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Amounts in SEK million

As of

December 31, 2005

	Treasury	Germany	Poland	Others	Total	%
Cash and bank	756	813	420	2,861	4,850	34
Interest-bearing investments	472	1,868		194	2,534	18
Special Funds		2,898			2,898	21
Brunsbüttel		3,780			3,780	27
Shares		12			12	0
Total	1,228	9,371	420	3,055	14,074	100

Unused committed credit facilities amount to 17,752 SEK million and other unused credit- and overdraft facilities amount to 10,198 SEK million.

Break Down of Group Debt

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Amounts in SEK million

As of

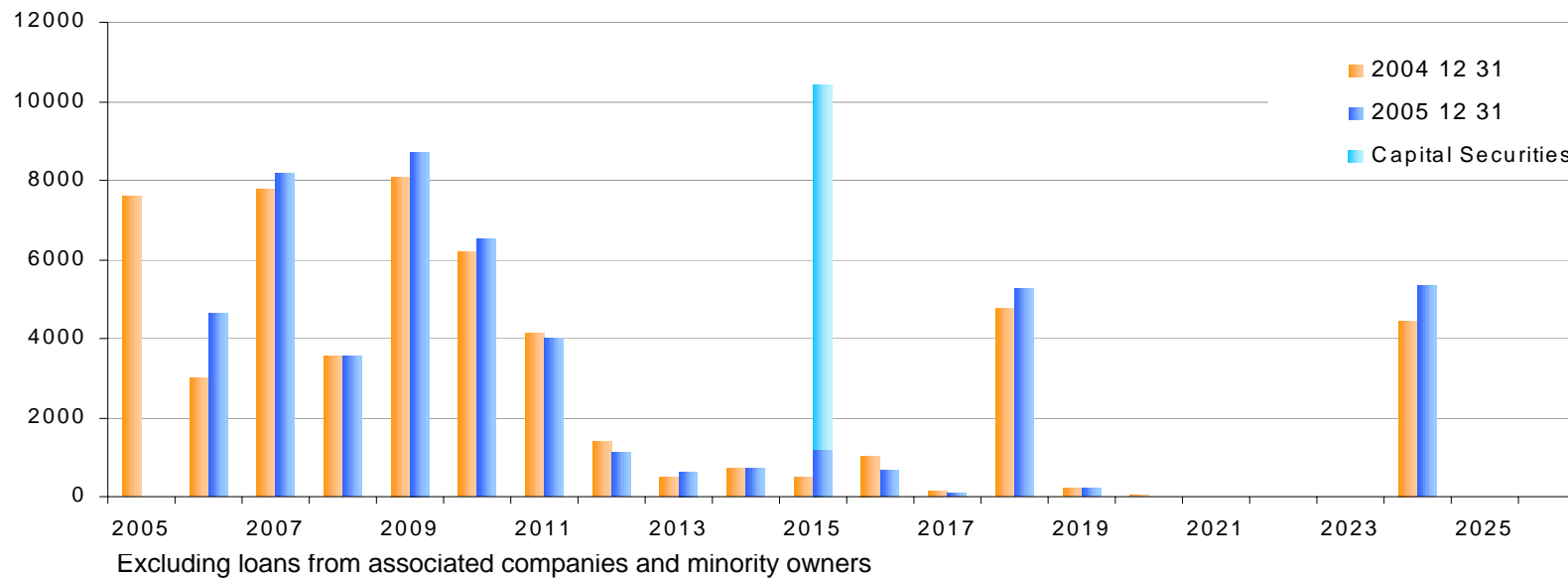
December 31, 2005

	Treasury	Germany	Poland	Others	Total	%
Subordinated perpetual Capital Securities	9,268				9,268	12
Commercial papers						0
MTN	2,015				2,015	3
EMTN	39,800				39,800	51
Liabilities to assoc. companies		13,731			13,731	17
Liabilities to oth. shareholders		140		4,500	4,640	6
Bank loans and others	472	8,442	6	289	9,209	12
Total	51,555	22,313	6	4,789	78,663	100

Vattenfall Debt Maturity Profile

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SEK million



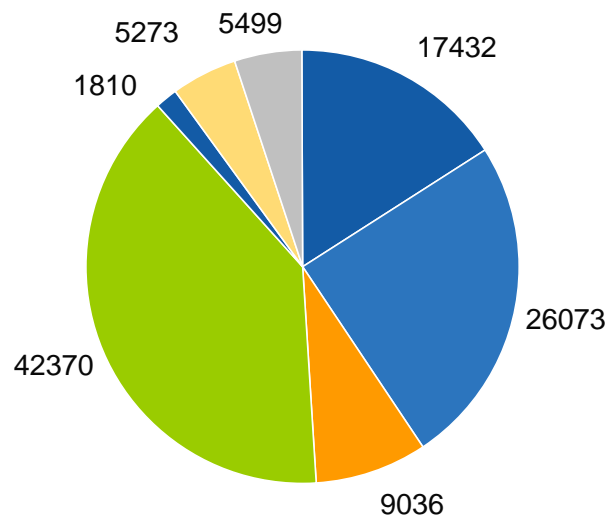
	Dec. 31, 2005	Dec. 31, 2004
Duration (years)	3.4 ¹⁾	2.0
Average time to maturity (years)	6.6 ¹⁾	6.7
Net debt (SEK bn)	64.3	55.4

1) Based on external debt. Excluding Capital Securities the duration is 2.5 years and average time to maturity 6.0 years.

Group Provisions (IFRS)

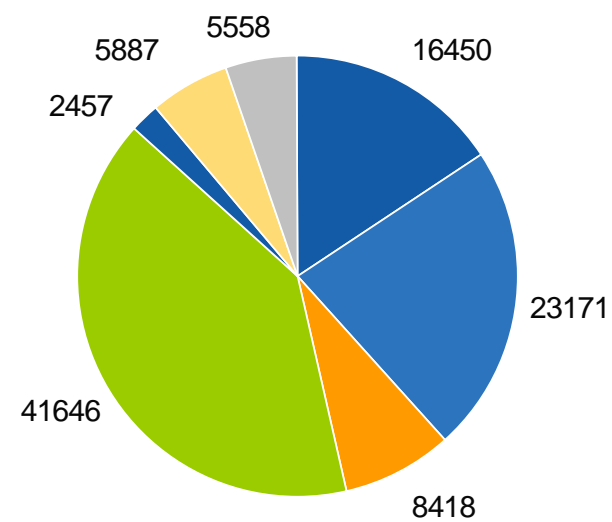
31 Dec 2005

107,493 MSEK



31 Dec 2004

103,587 MSEK



- Pensions
- Nuclear
- Mining
- Taxes
- Other
- Personnel
- Legal

- Pursuant to the agreement with Dong dated 1 June 2005, Vattenfall will take over power and heat generation assets (2,500 MW electr. and 2,100 MW heat) in exchange for our 35.3 % stake in Elsam A/S.
- These assets represent some 21 % of total Danish electricity generation and 25% of overall Danish heat production from CHP
- Total cost of the transactions – SEK 10.4 billion for the shares plus assumed debt of around SEK 3 billion – corresponds to approx. EUR 1.4 billion
- The EU Commission has approved Vattenfall's part of the deal but is currently carrying out a phase 2 examination of Dong's Danish acquisition. A decision is expected during Q1 2006.