

# Vattenfall Q1 Results 2006

Presentations by

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CEO

Matts Ekman  
CFO

Stockholm, 27 April 2006

- Net sales rose by 15.4 % to 40,432 MSEK (35,036)
- EBIT rose by 39.6 % to 12,689 MSEK (9,092)  
excl. IAC\* by 37.1 per cent to 12,435 MSEK (9,069)
- Profit for the period rose by 43.3 % to 7,979 MSEK  
(5,569)

\* IAC = items affecting comparability

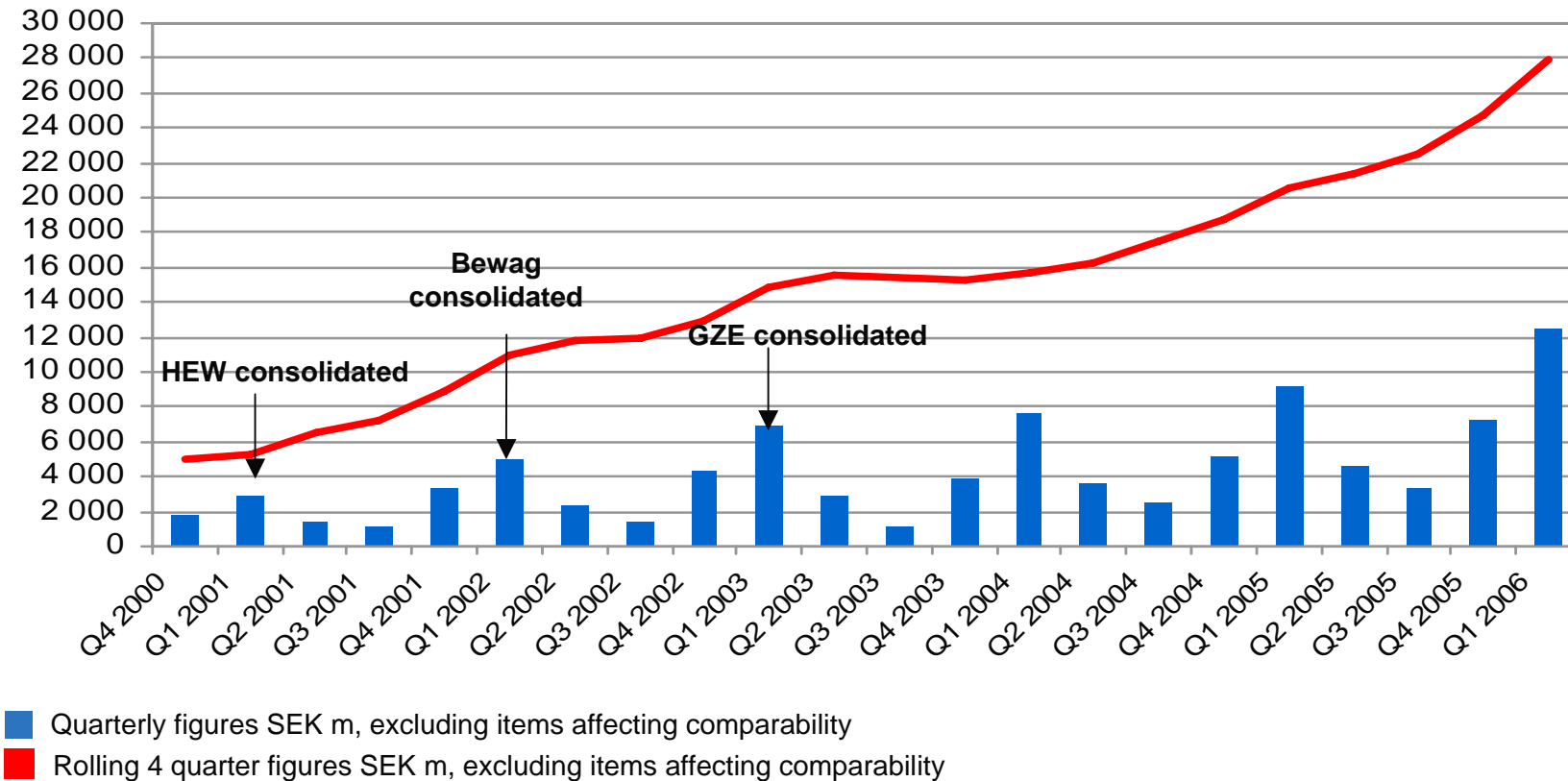
- Return on Net Assets excl. IAC\* was 17.4 % LTM  
(FY 2005: 15.8%)
- Return on Equity excl IAC\* was 23.2 % LTM  
(FY 2005: 22.0%)
- Reduction in net debt by 7.9 bn SEK to SEK 56.5 bn  
(64.3 at 31 Dec. 2005)
  - net gearing down to 0.62 times (0.73 times at 31 Dec. 2005)

\* IAC = items affecting comparability

# Continued strong EBIT development

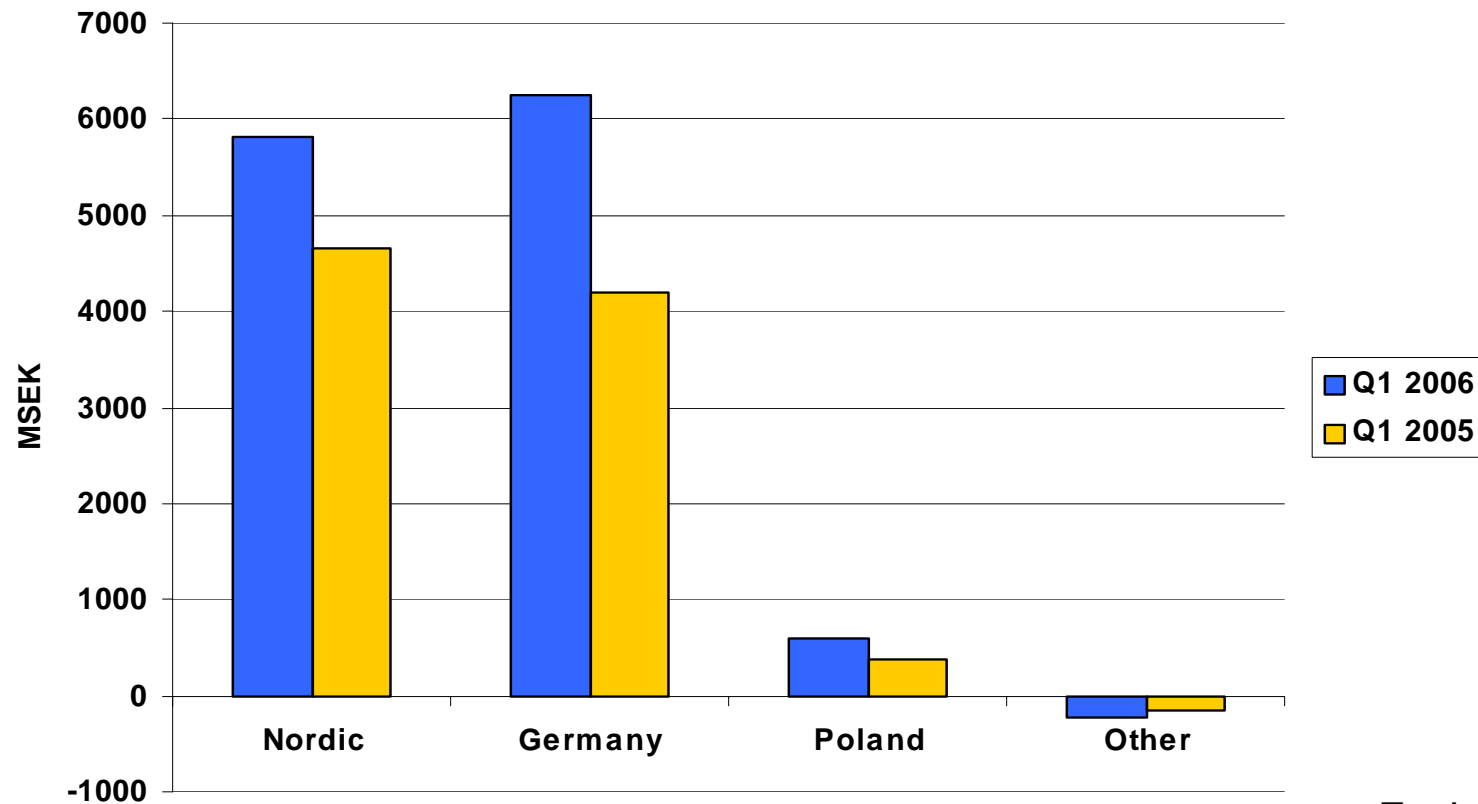
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## Quarterly figures, SEK million



# Q1 – EBIT by primary segment

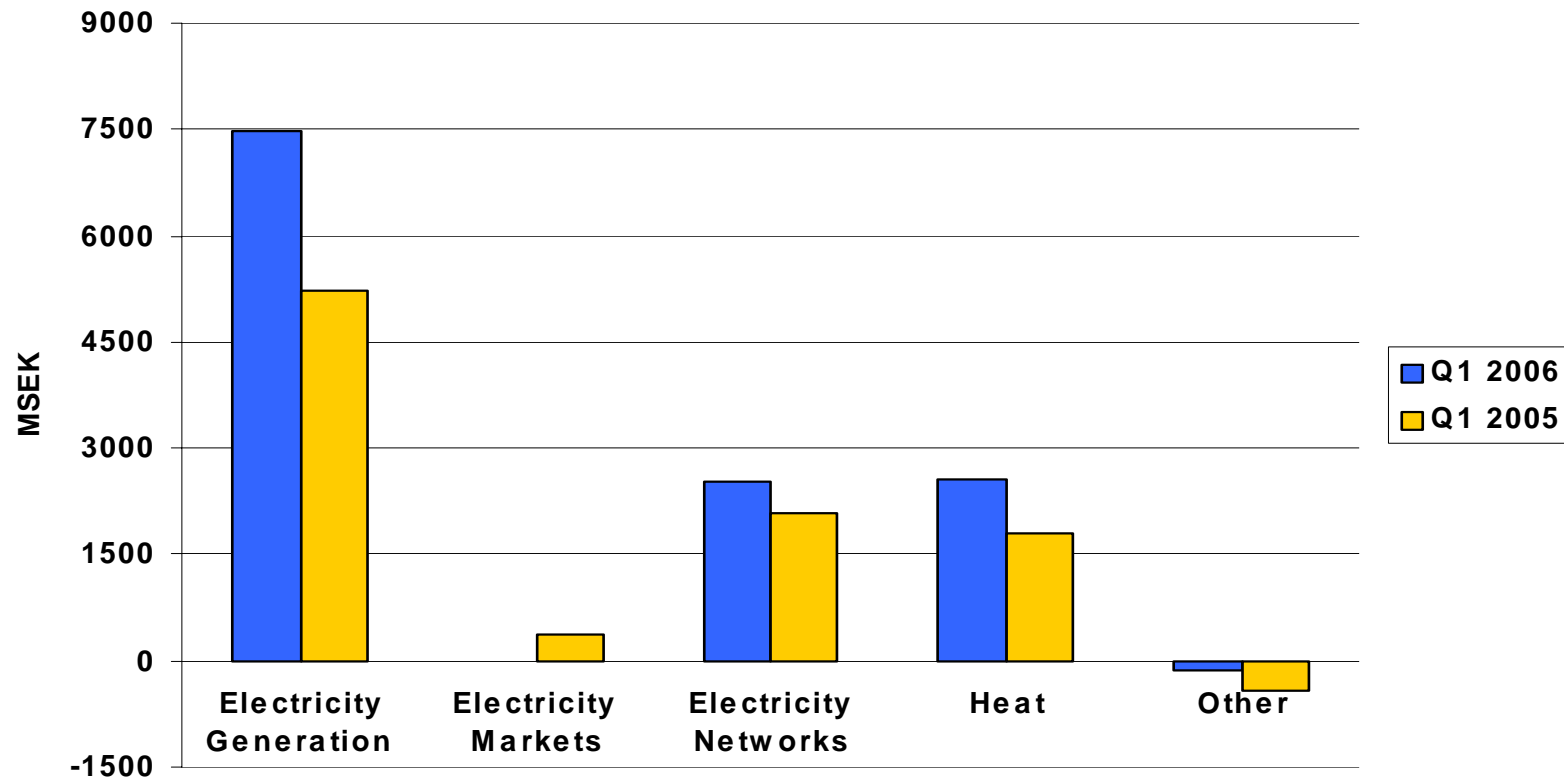
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Excl. IAC

# Q1 – EBIT by secondary segment

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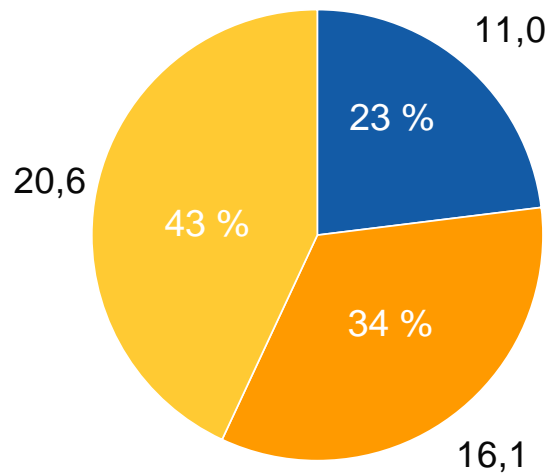
Excl. IAC

# Higher fossil power output in Q1 2006

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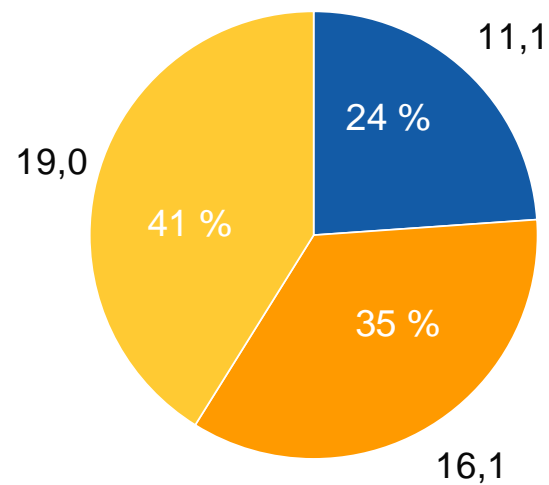
## Q1 2006

Total: 47.8 TWh (+3.5%)



## Q1 2005

Total: 46.2 TWh

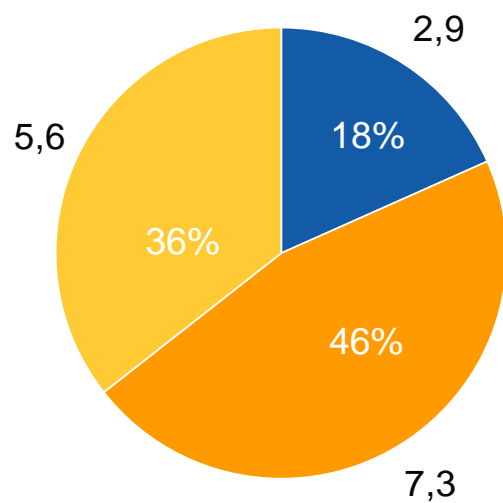


■ Hydro  
■ Nuclear  
■ Fossil

# Increased heat sales

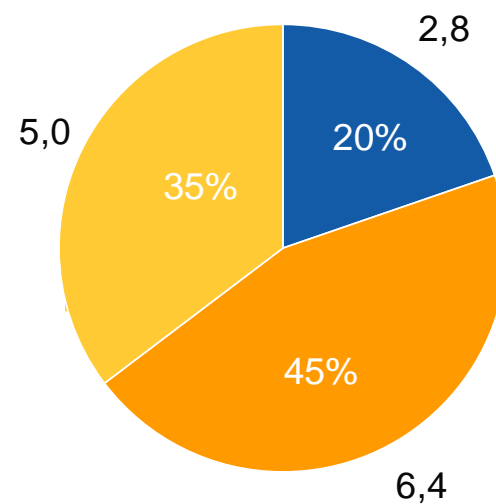
## Q1 2006

Total: 15.8 TWh (+11.3%)



## Q1 2005

Total: 14.2 TWh



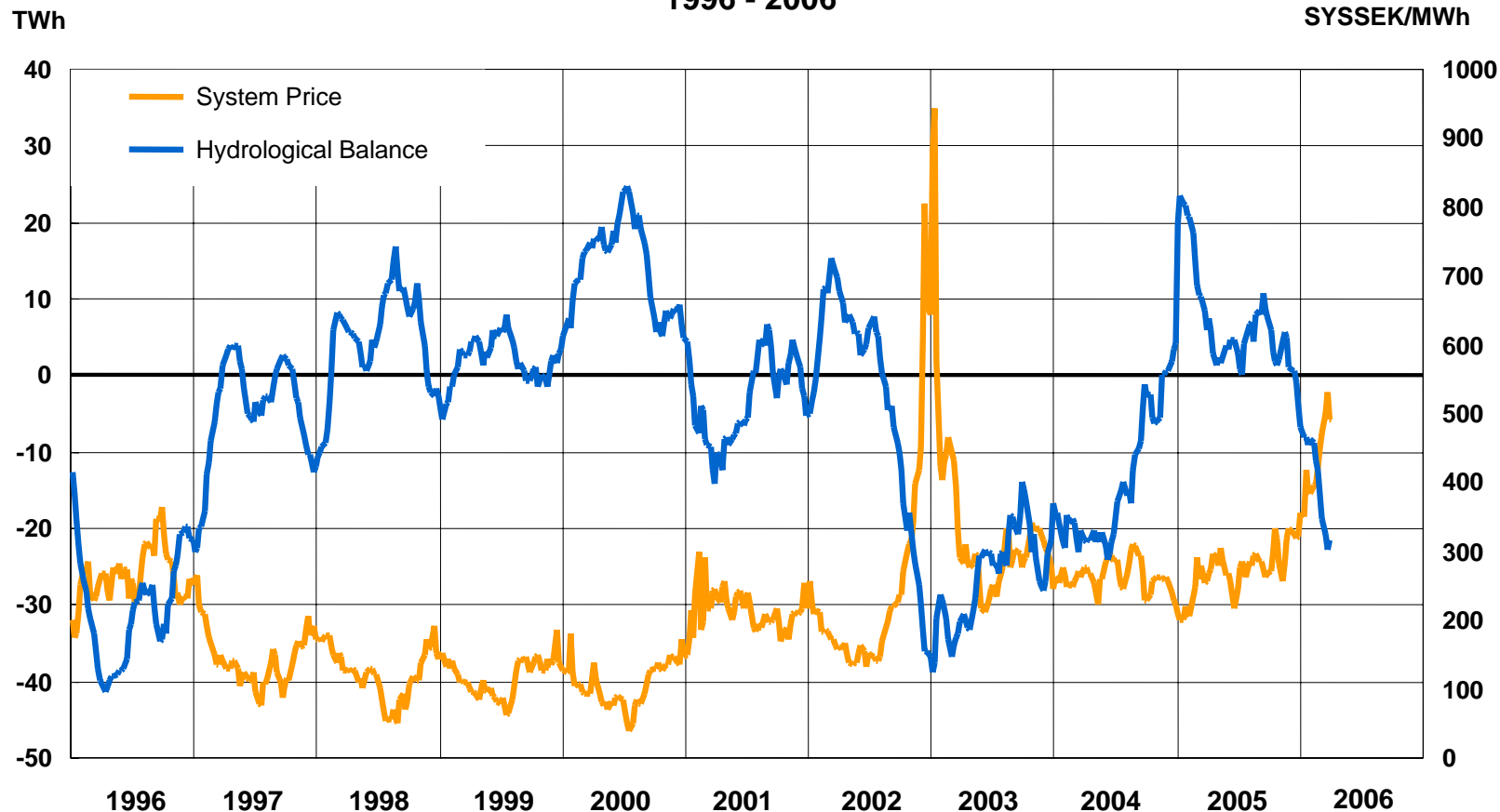
- Nordic
- Germany
- Poland

# Decreasing Nordic hydrological balance

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## Hydrological Balance and System Price

1996 - 2006



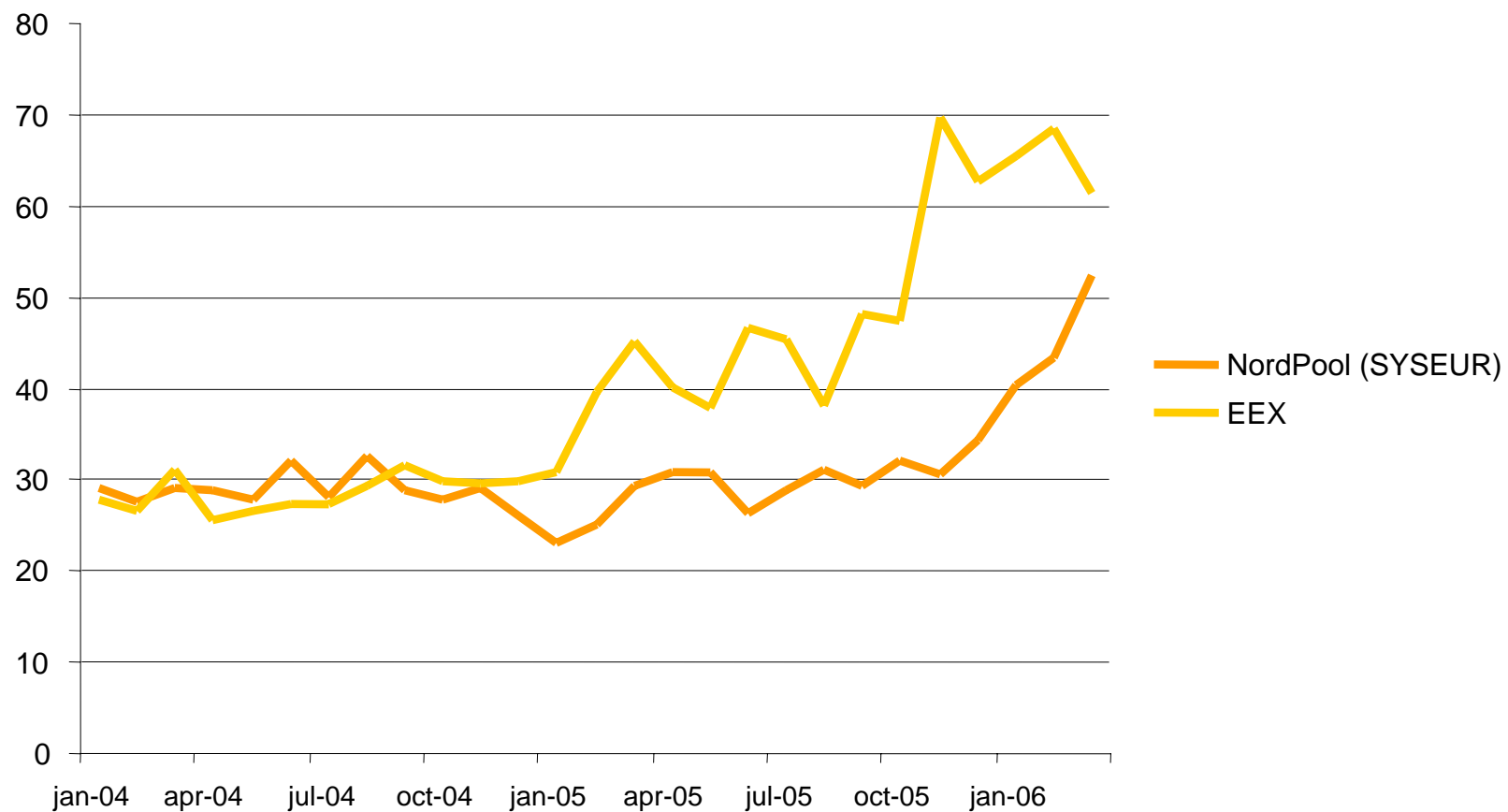
Source: Nord Pool and Markedskraft AS

Mid April 2005

# Rising spot prices

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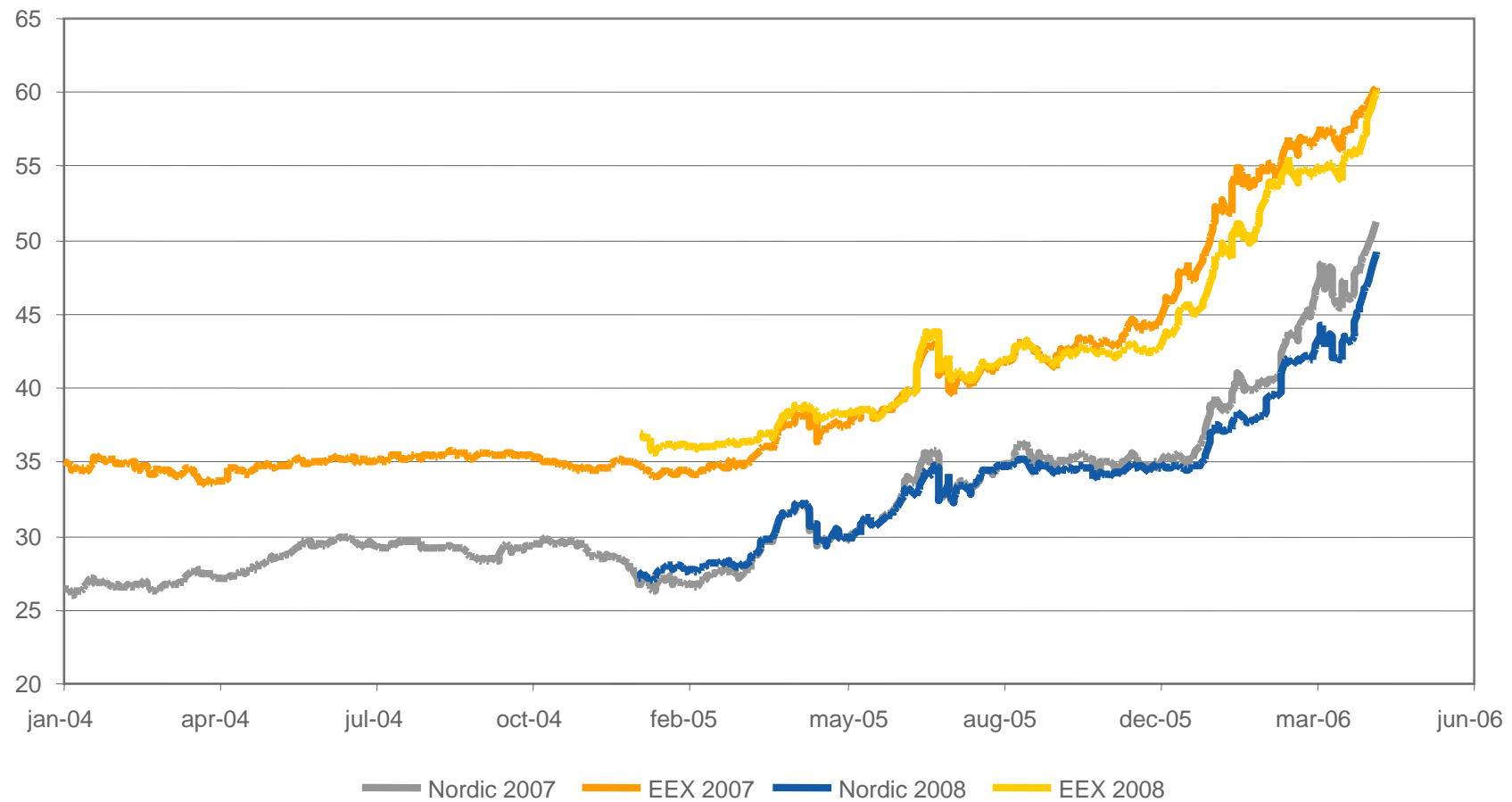
EUR/MWh



# Rising futures prices

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EUR/MWh



# CO2 price development

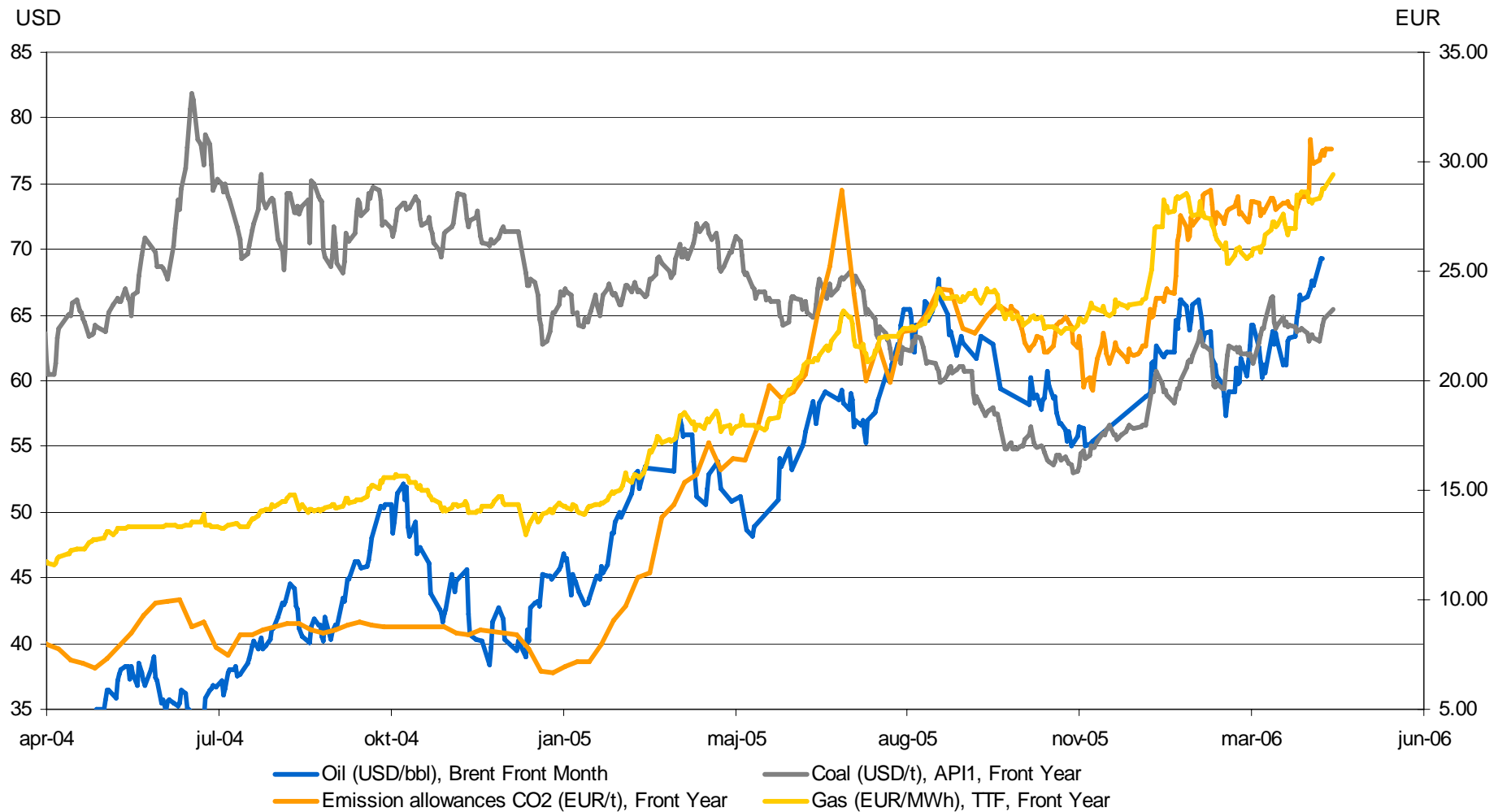
12

EUR/MWh



# Price development – oil, CO2, coal, and gas

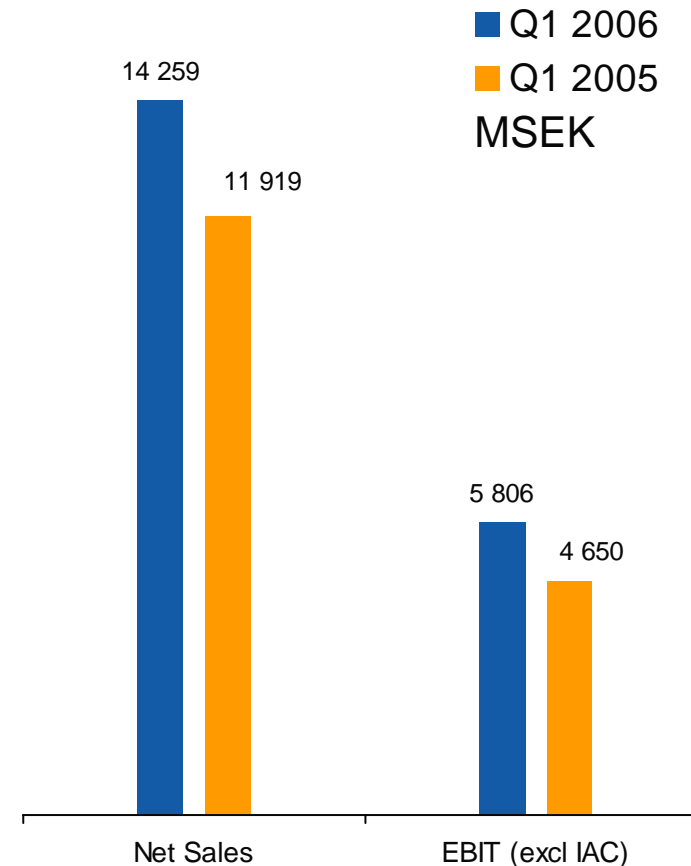
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# Nordic business highlights Q1 2006

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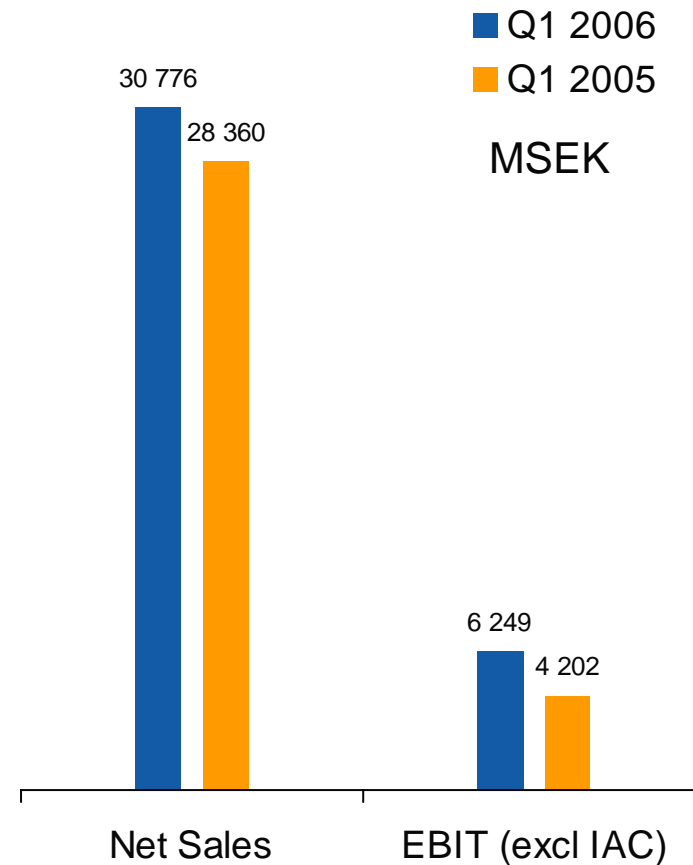
- EBIT up by 24.7%  
(excl. IAC up by 24.9%)
- Electricity and heat generation volumes remained largely unchanged
- Increased taxes on installed nuclear power capacity as well as higher property tax on hydro power assets as of 1 January 2006
  - Q1 result was burdened by 453 MSEK
- Denmark
  - EU approval for both Vattenfall and DONG in place
  - Vattenfall and DONG have agreed on all important details
  - Asset transfer scheduled for 1 July 2006



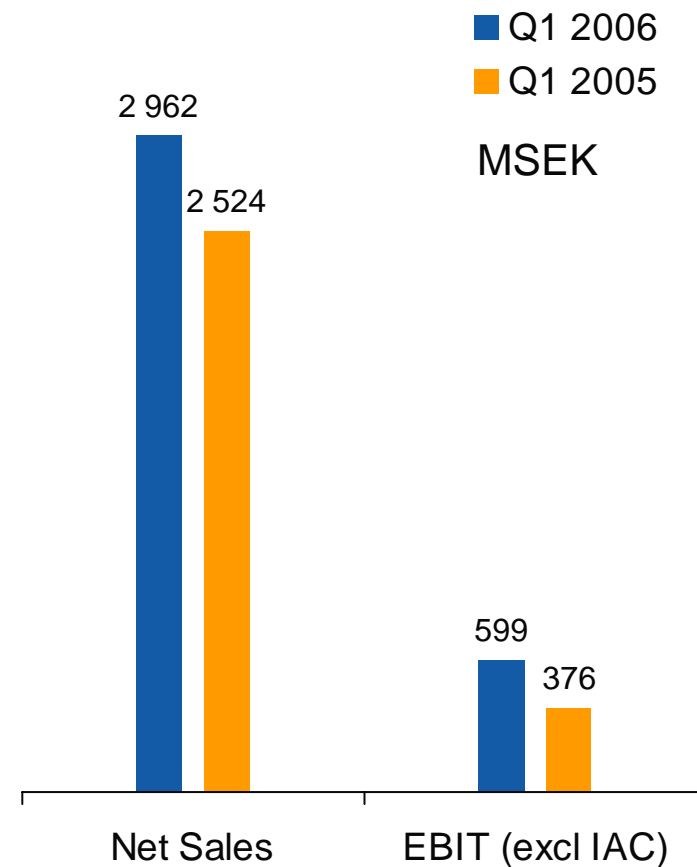
# German business highlights Q1 2006

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- EBIT, excl IAC, up by 48.7 %  
(in local currency up by 41.7 %)
- High availability of power plants and higher wholesale prices increased operating profit in BU Mining & Generation
- Electricity generation increased by 1.6 TWh
- Heat sales increased by 0.9 TWh
  - Heat benefited from cold weather and good heat load
- Successful brand migration
  - HEW and Bewag changed name to Vattenfall as of 1 January 2006

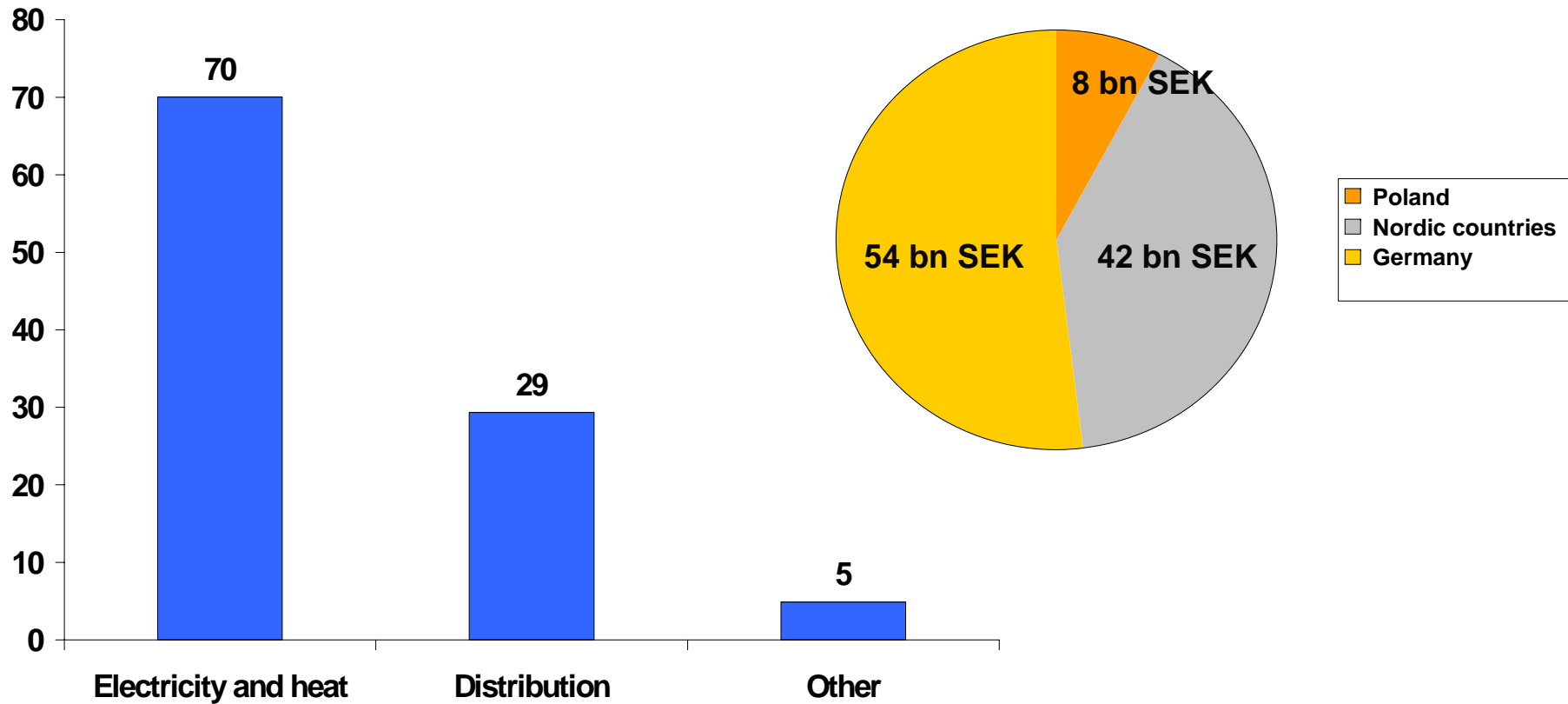


- Very good profit development
  - EBIT up by 98.4 %  
(excl. IAC up by 59.3 %)
  - In local currency EBIT was up by 83.3 % (excl. IAC by 47.2 %)
- Electricity generation increased by 0.2 TWh (+ 15 %)
- Heat sales increased by 0.6 TWh (+ 12 %)



# SEK 104 bn investment need 2006 - 2010

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# Five strategic ambitions going forward

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- To continue the profitable growth
- To become the benchmark of the industry
- To become number one for the environment
- To become 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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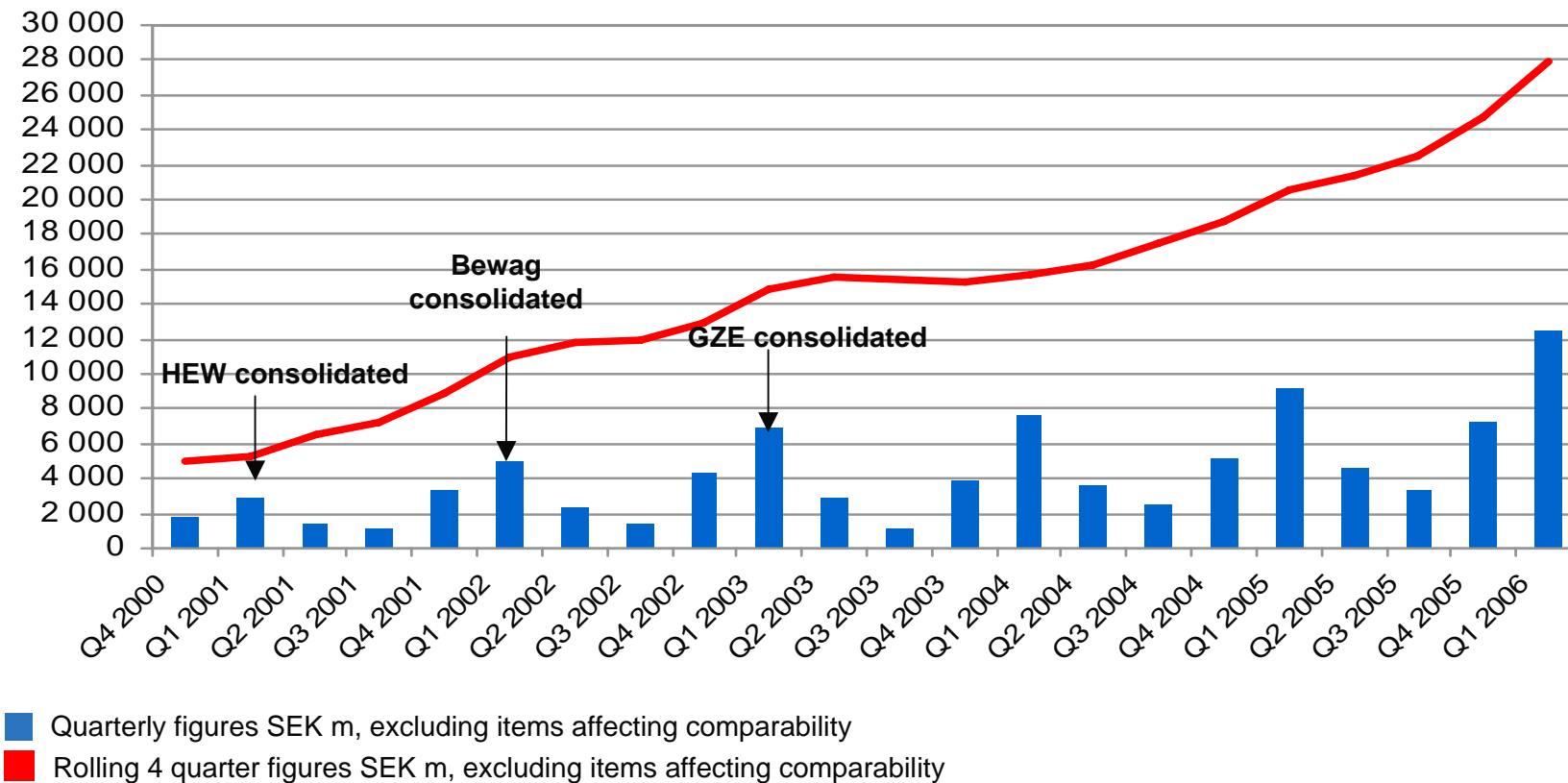
Amounts in MSEK	Q1 2006 IFRS	Q1 2005 IFRS	Change %	FY2005	LTM
Net sales	40,432	35,036	15.4	129,158	134,554
Cost of products sold	25,759	24,915	3.4	93,636	94,480
<b>Gross profit</b>	<b>14,673</b>	10,121	45.0	35,522	40,074
<b>Operating profit (EBIT)</b>	<b>12,689</b>	9,092	39.6	25,571	31,168
<b>Operating profit, excl. IAC*</b>	<b>12,435</b>	9,069	37.1	22,585	27,951
Financial income	797	544	46.5	3,810	4,063
Financial expenses	-1,276	-1,134	12.5	-5,221	-5,363
<i>Financial net</i>	<b>-479</b>	-590	18.8	-1,411	-1,300
<b>Profit before taxes</b>	<b>12,210</b>	8,502	38.5	26,160	29,868
Taxes	-4,231	-2,933	43.6	-5,642	-6,940
<b>Profit for the period</b>	<b>7,979</b>	5,569	43.3	20,518	22,928

\* IAC = items affecting comparability

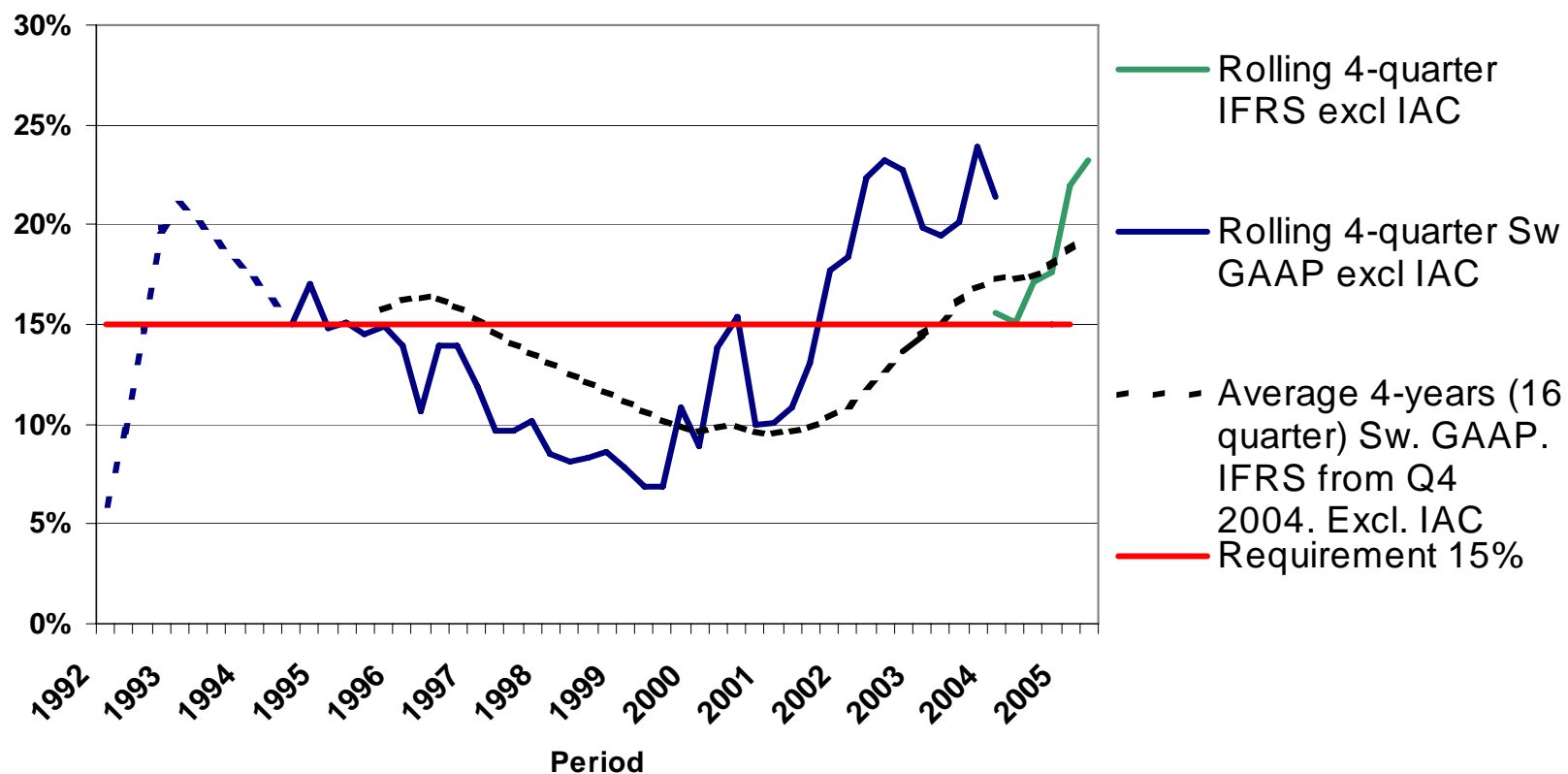
# Continued strong EBIT development

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## Quarterly figures, SEK million

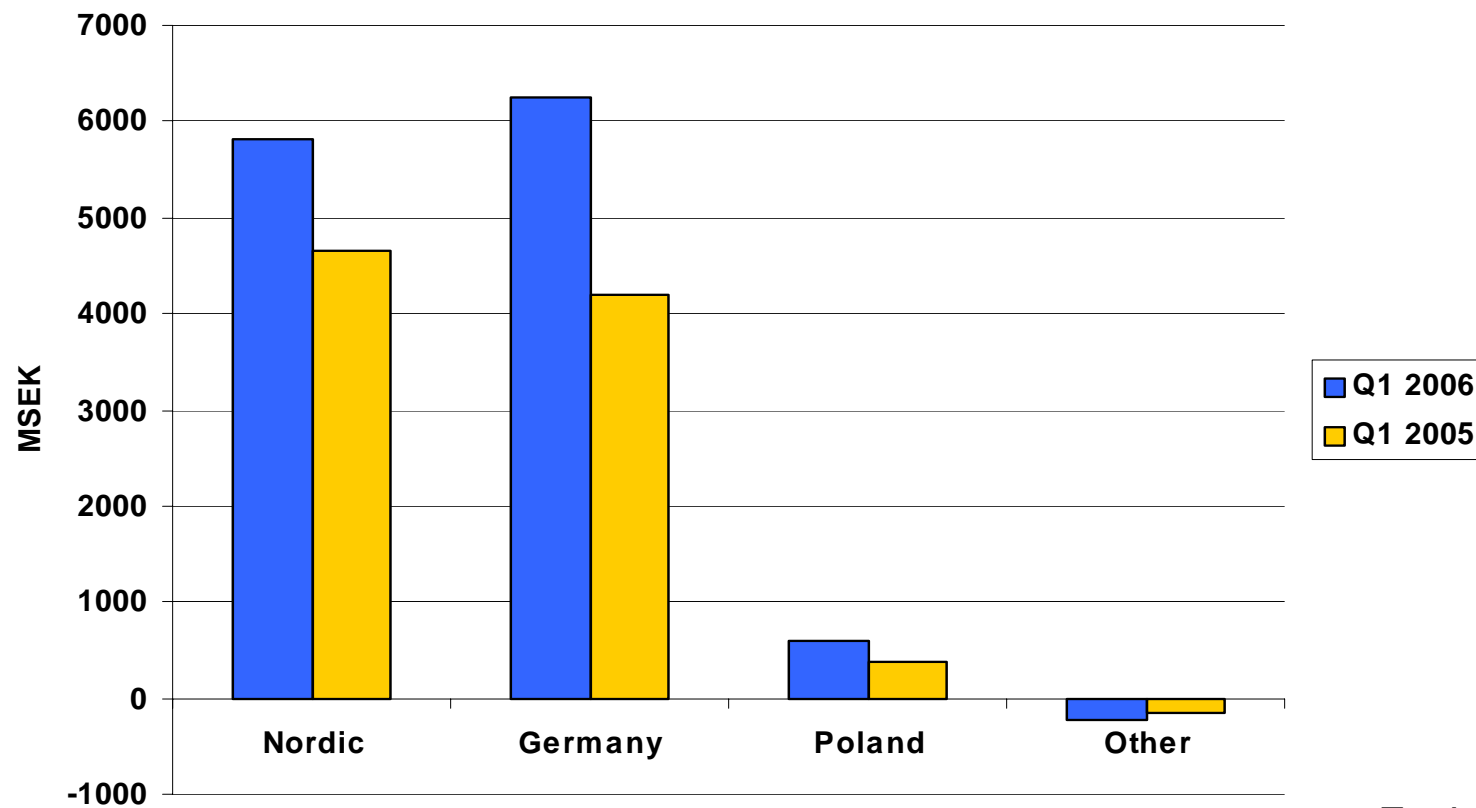


## Group - Return on Equity Three months interim accounts - 2006



# Q1 – EBIT by primary segment

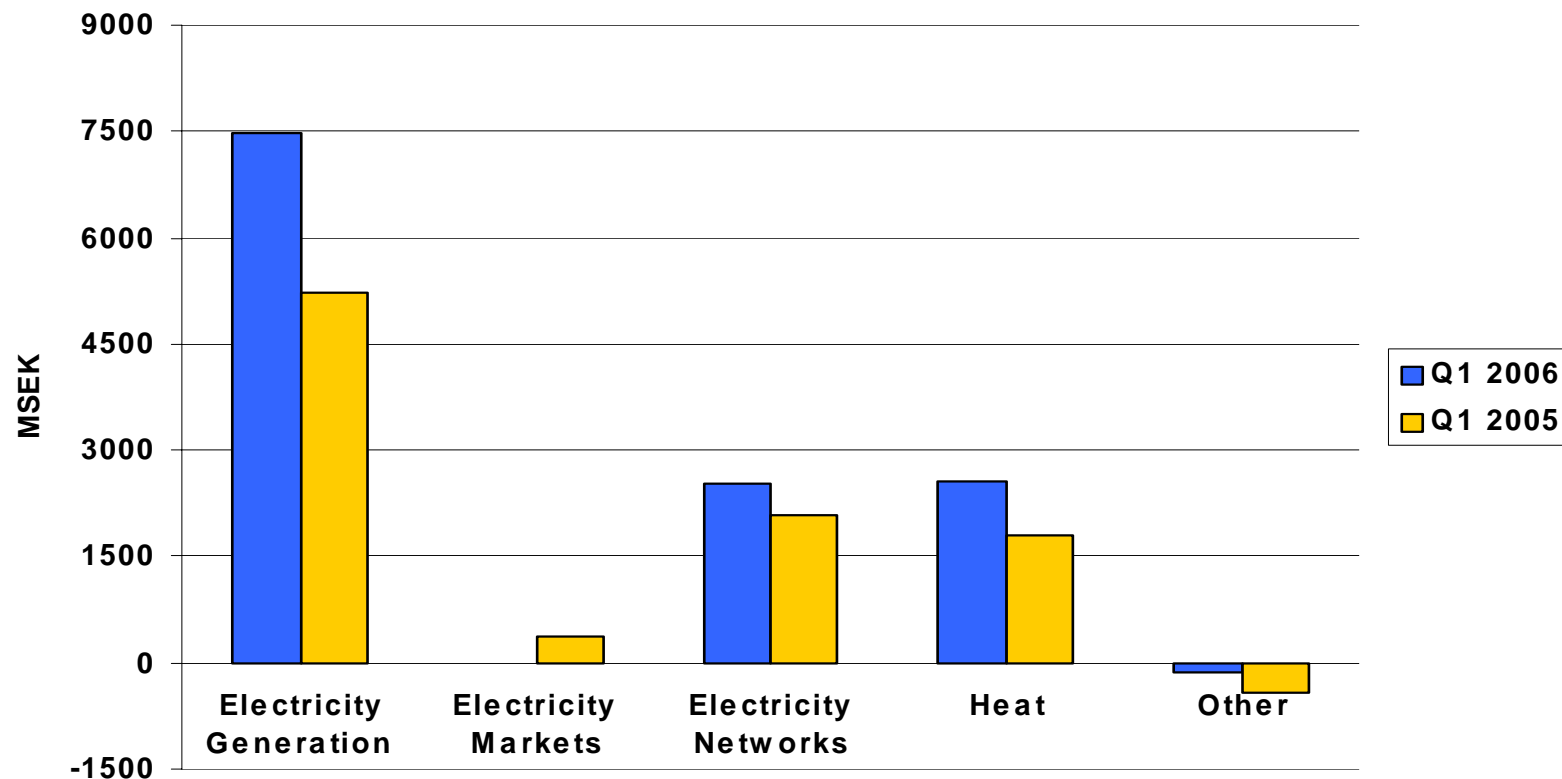
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Excl. IAC

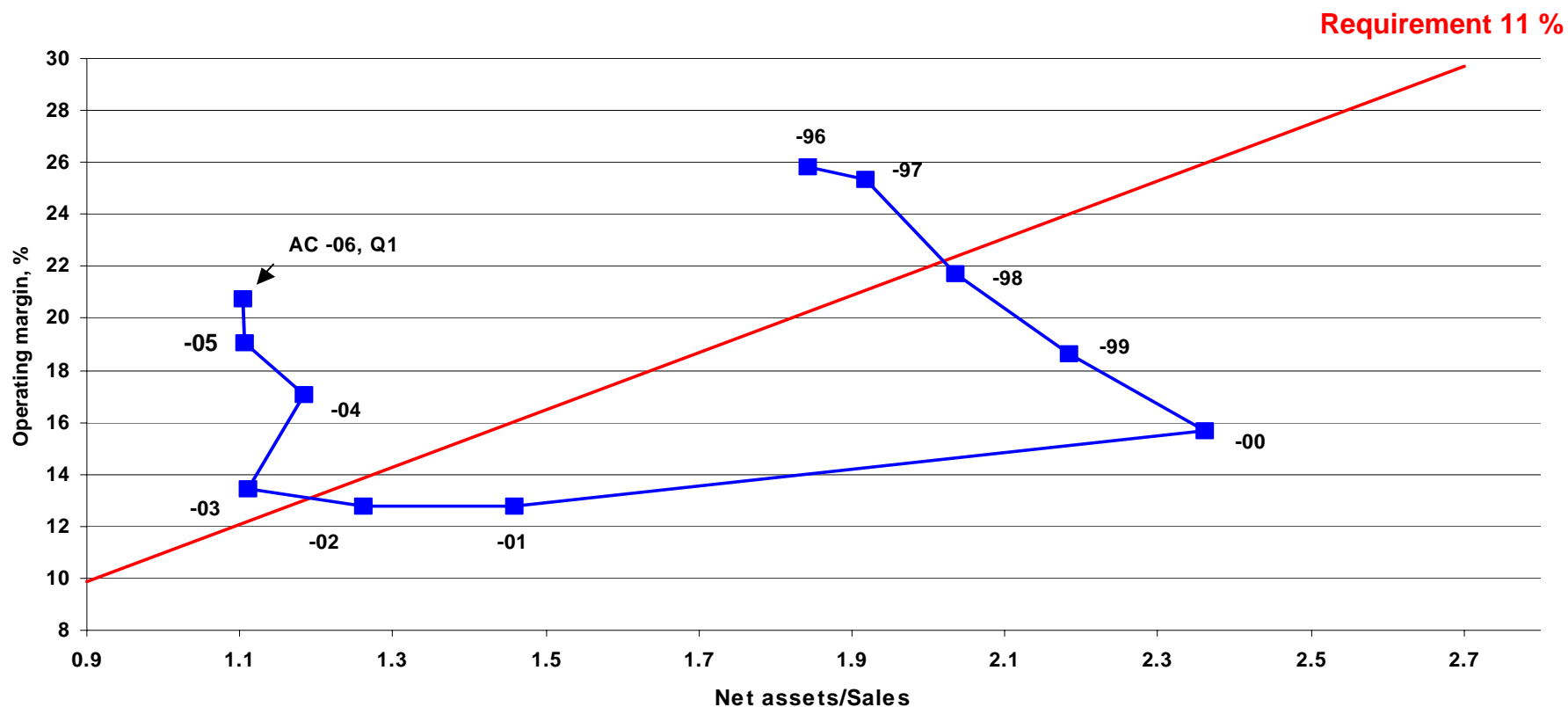
# Q1 – EBIT by secondary segment

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Excl. IAC

Rolling 12 months backwards, excl IAC



\*Figures for 2004 and 2005 according to IFRS

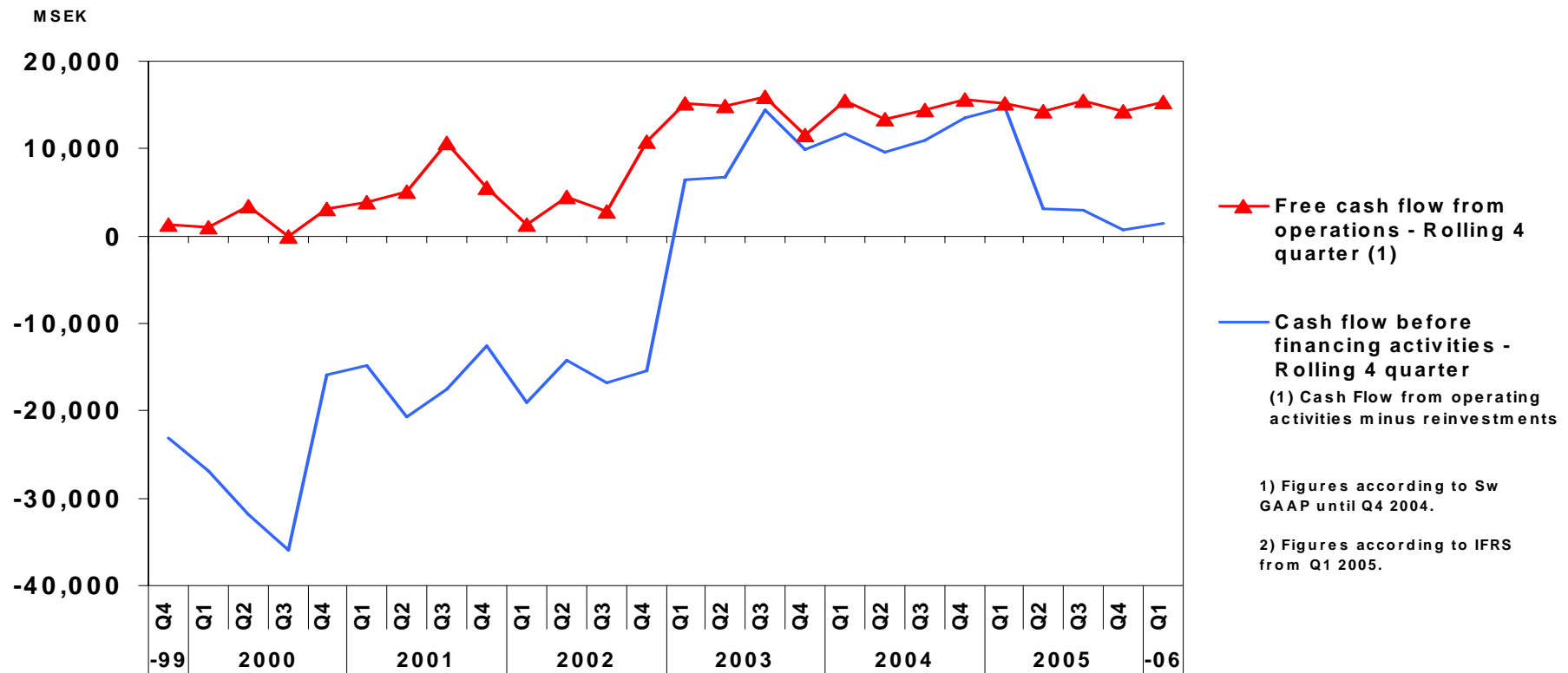


# Consolidated balance sheet

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Amounts in MSEK	31/3/06 IFRS	31/3/05 IFRS	Change %	FY2005
Non-current assets	<b>261,725</b>	241,525	8.4	259,964
Current assets	<b>100,181</b>	62,443	60.4	70,457
<b>Total assets</b>	<b>361,906</b>	303,968	19.1	330,421
Equity	<b>90,943</b>	86,544	4.5	88,466
Interest-bearing liabilities	<b>74,637</b>	71,389	4.6	78,663
Interest-bearing provisions	<b>47,479</b>	45,372	4.6	47,691
Pension provisions	<b>17,486</b>	16,720	4.6	17,432
Deferred tax liabilities	<b>41,797</b>	42,499	-1.7	44,445
Other non-interest-bearing liabilities	<b>89,564</b>	41,444	116.1	53,724
<b>Total equity and liabilities</b>	<b>361,906</b>	303,968	19.1	330,421

# Cash flow development

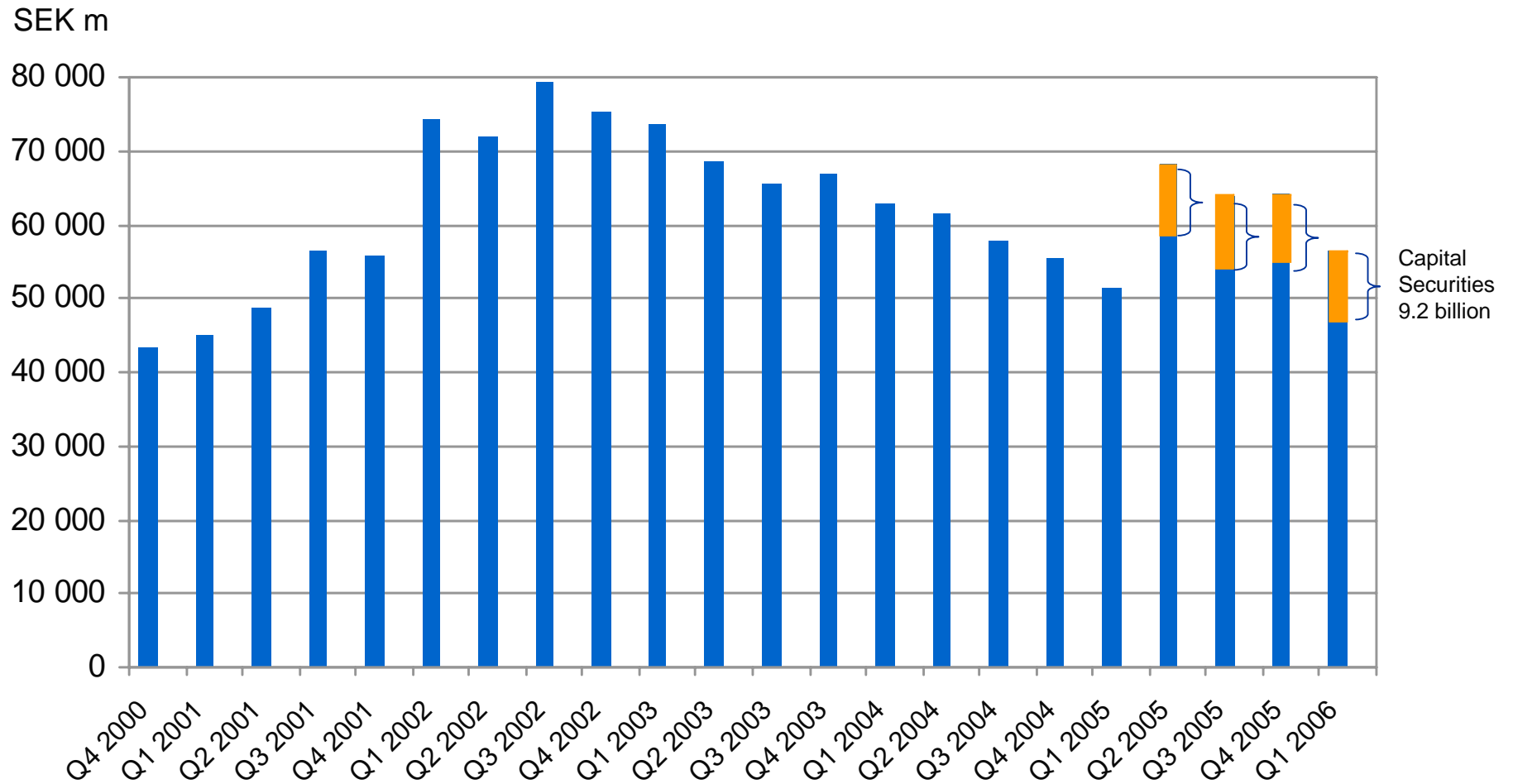


# Consolidated cash flow statement

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Amounts in MSEK	Q1 2006 IFRS	Q1 2005 IFRS	Change %	FY 2005	LTM
<b>Funds from operations (FFO)</b>	<b>13,281</b>	8,771	51.4	31,386	35,896
Change in working capital	<b>-4,605</b>	-1,266	263.7	-6,963	-10,302
<b>Cash Flow from operating activities</b>	<b>8,676</b>	7,505	15.6	24,423	25,594
Investments	<b>-2,436</b>	-1,821	-33.8	-24,497	-25,112
Divestments	<b>426</b>	110	287.3	785	1101
Cash and cash equivalents in aquired/divested companies	<b>-75</b>	-		17	-58
<b>Cash Flow from investing activities</b>	<b>-2,085</b>	-1,711	-21.9	-23,695	-24,069
<b>Cash Flow before financing activities</b>	<b>6,591</b>	5,794	13.8	728	1,525
<b>Cash Flow from financing activities</b>	<b>-2,396</b>	-3,259	26.5	-796	67
<b>Cash Flow for the period</b>	<b>4,195</b>	2,505	67.5	-68	1,592
Net debt at the end of the period	<b>-56,474</b>	-51,395	-9.9	-64,343	-56,474

# Net debt decreased in Q1 2006



# Key ratios (IFRS)

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Key Ratios (in per cent unless otherwise stated)		Q1 2006	Q1 2005	LTM
RoNA (1)(2)	↑	17.4		17.4
RoE (1)(2)	↑	23.2		23.2
Operating margin (1)	↑	30.8	25.9	20.8
Pre-tax profit margin (1)	↑	29.6	24.2	19.8
Pre-tax interest coverage, times (1)	↑	17.2	15.2	9.1
FFO/net debt (2)	↑	63.6		63.6
FFO net interest coverage, times (2)	↑	52.9	23.9	28.3
Equity/assets ratio	↓	25.1	28.5	
Net Gearing - Net debt/equity, times	↑	0.62	0.59	
Capitalisation - Net debt/net debt + equity	↑	38.3	37.3	

1) Excluding items affecting comparability

2) Q1 2006 value = LTM

# Financial targets

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Key Ratio	Previous targets	Proposed new targets	Q1 2006 **
Return on Equity (RoE)	15 % on opening balance of equity	15 % on average equity	<b>23.2*</b>
Return on Net Assets (RoNA, excl. IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	unchanged	<b>17.4*</b>
Pre-tax interest coverage	3.5 – 5 times	Cash flow interest coverage after maintenance investments: 3.5-4.5 times	<b>9.1*</b>
Credit Rating	Single A category rating	unchanged	<b>A2/A- Positive outlook</b>
Dividend	One third of the profit for the year, long-term	40-60 %	

**Vattenfall Q1 results 2006**

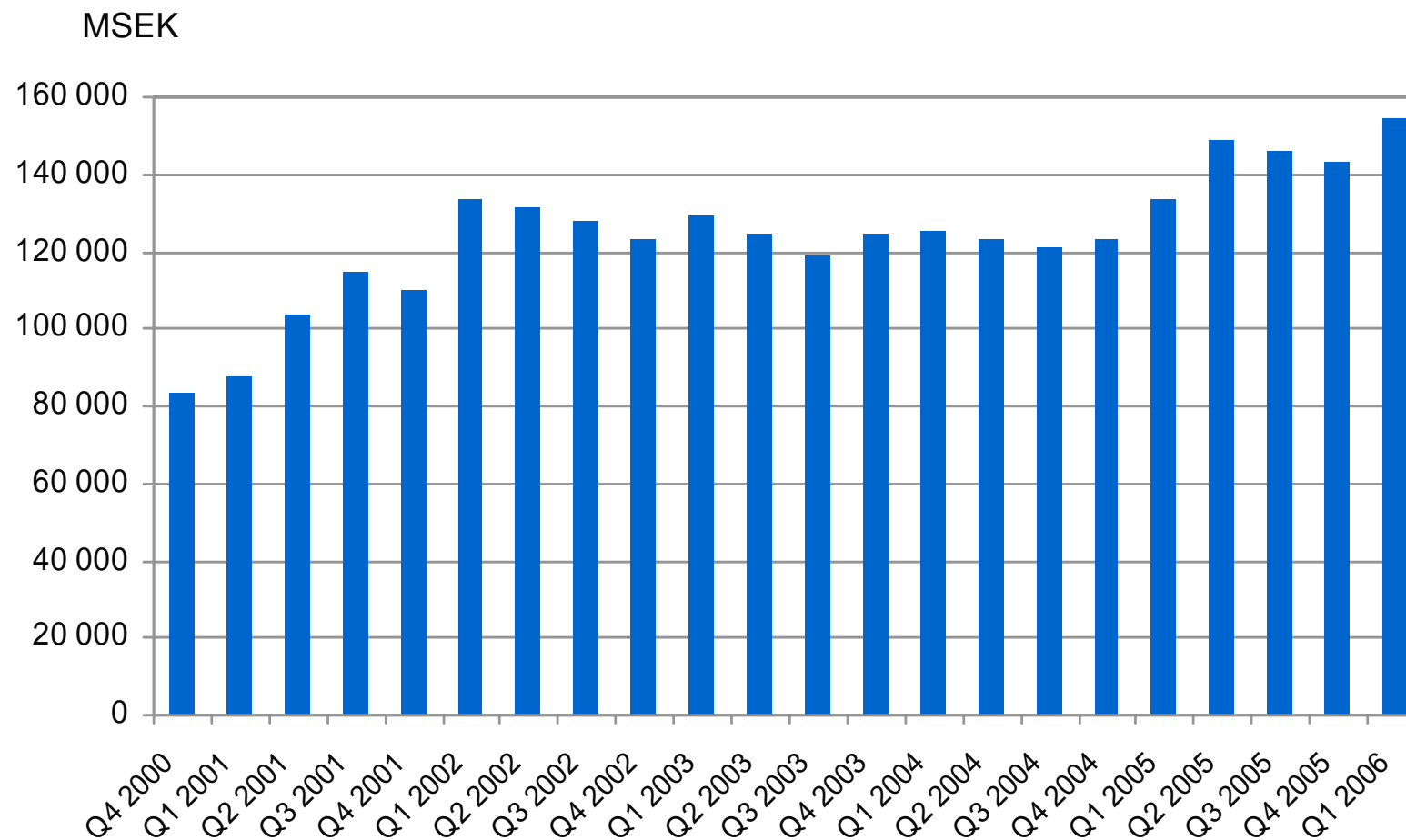
# **Questions & Answers**

27 April, 2006

# 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

March 31, 2006

	Treasury	Germany	Poland	Other	Total	%
<b>Cash and bank</b>	1,181	660	355	2,840	<b>5,036</b>	28
<b>Interest-bearing investments</b>	2,671	3,598		191	<b>6,460</b>	36
<b>Special Funds</b>		2,665			<b>2,665</b>	15
<b>Brunsbüttel</b>		3,751			<b>3,751</b>	21
<b>Shares</b>		14			<b>14</b>	1
<b>Total</b>	<b>3,852</b>	<b>10,688</b>	<b>355</b>	<b>3,031</b>	<b>17,926</b>	<b>100</b>

Unused committed credit facilities amount to 21,450 SEK million and other unused credit- and overdraft facilities amount to 10,104 SEK million.

# Break down of group debt

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Amounts in SEK million

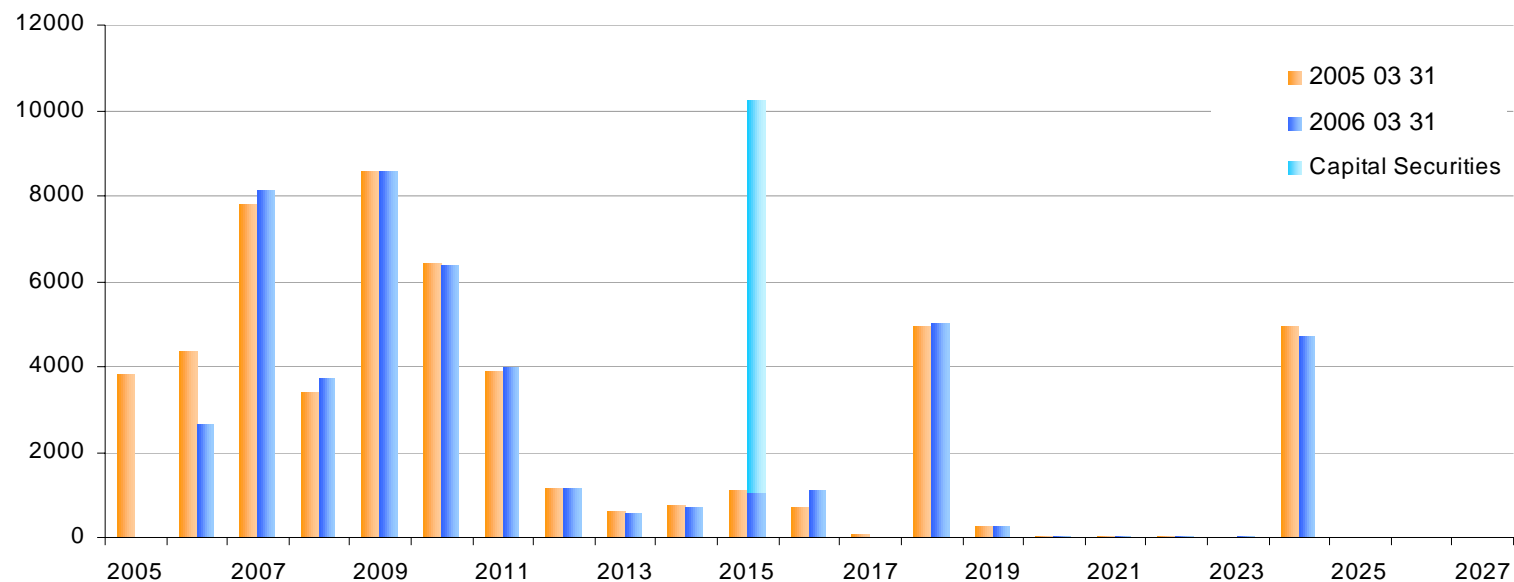
*As of*

*March 31, 2006*

	Treasury	Germany	Poland	Other	Total	%
<b>Subordinated perpetual Capital Securities</b>	9,241				<b>9,241</b>	12
<b>Commercial papers</b>						0
<b>MTN</b>	1,398				<b>1,398</b>	2
<b>EMTN</b>	38,051				<b>38,051</b>	51
<b>Liabilities to assoc. companies</b>		12,380			<b>12,380</b>	17
<b>Liabilities to minority shareholders</b>		155		4,577	<b>4,732</b>	6
<b>Bank loans and other</b>	470	8,090	8	267	<b>8,835</b>	12
<b>Total</b>	<b>49,160</b>	<b>20,625</b>	<b>8</b>	<b>4,844</b>	<b>74,637</b>	<b>100</b>

# Vattenfall debt maturity profile

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Excluding loans from associated companies and minority owners

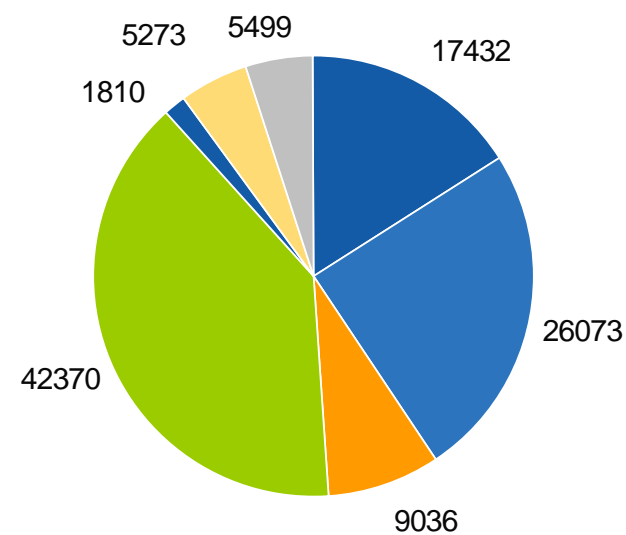
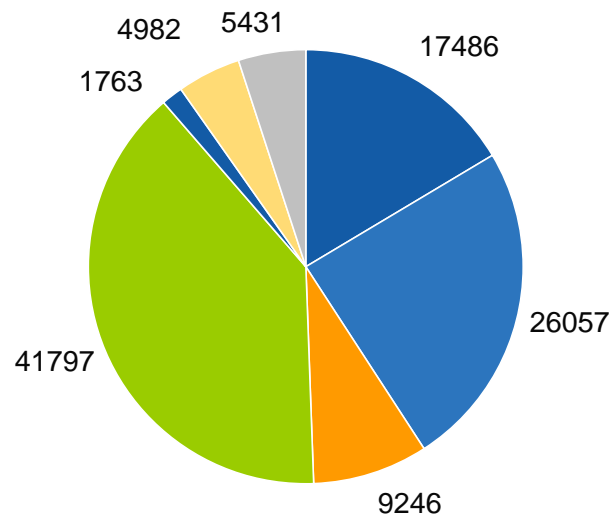
	March 31, 2006	March 31, 2005
Duration (years)	2.9 <sup>1)</sup>	1.9
Average time to maturity (years)	6.5 <sup>1)</sup>	7.0
Net debt (SEK bn)	56.5	51.4

1) Based on external debt. Excluding Capital Securities, the duration is 2.0 years and average time to maturity 6.0 years.

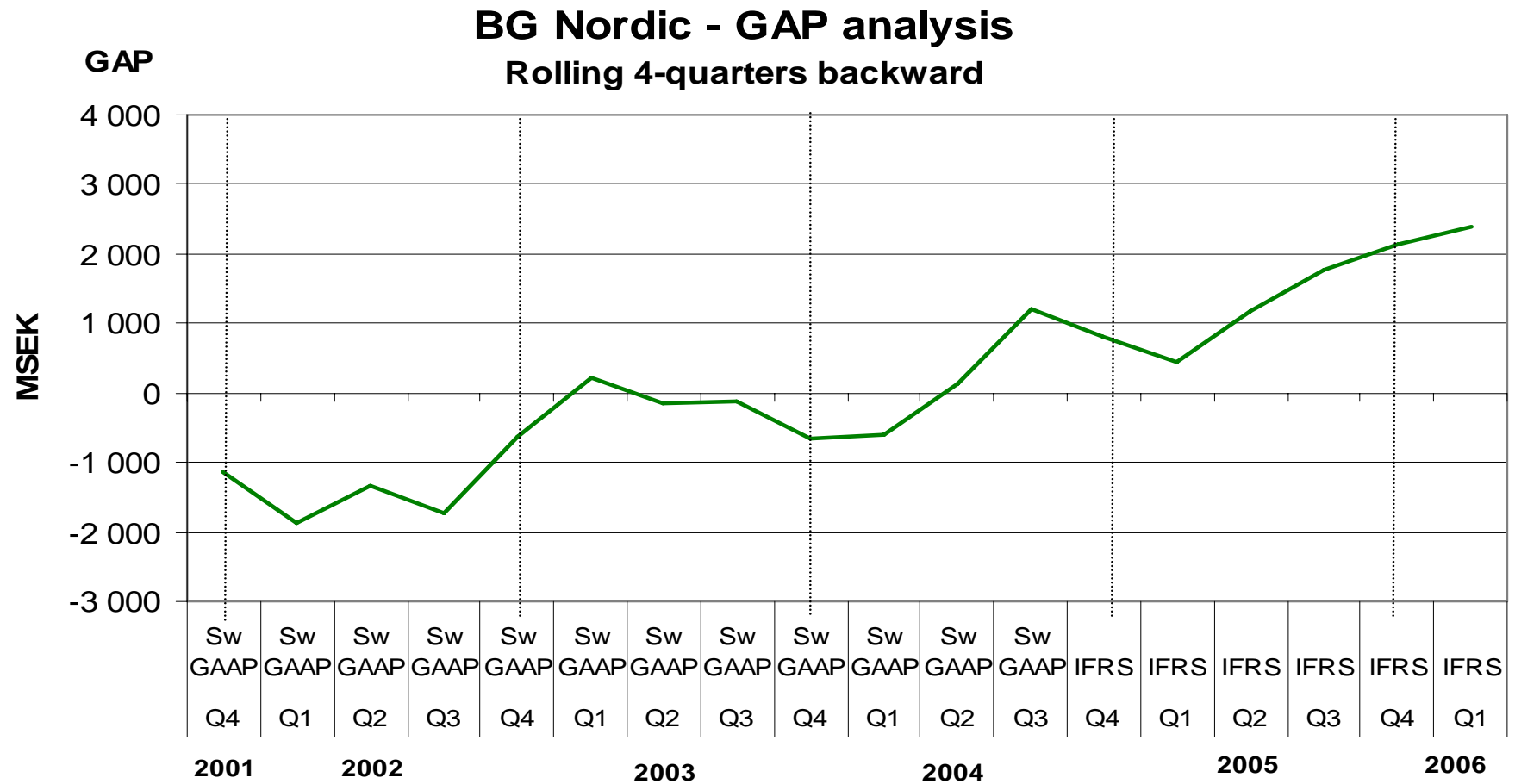
# Group provisions (IFRS)

31 March 2006  
106,762 MSEK

31 Dec 2005  
107,493 MSEK



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



# BG Vattenfall Europe - gap analysis

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## BG Vattenfall Europe (Top Down) - GAP analysis

GAP

Rolling 4-quarters backward

