

# Vattenfall Full Year Results 2006

Presentations by

Lars Josefsson, CEO and  
Jan Erik Back, CFO

8 February 2007



## Net sales rose

12.9% to SEK 145,815 million (129,158)

## EBIT rose

8.5% excl. IAC\* to SEK 26,676 million (24,585)

## Profit after tax rose

12.1% excl. IAC\* to SEK 19,472 million (17,364)

## Net debt decreased

by SEK 14,936 million to SEK 49,407 million

\* IAC = items affecting comparability

## Return on Net Assets

was 16.3% excl. IAC (15.8)

## Return on Equity

was 18.7% excl. IAC (19.4)

The Board proposes a dividend of SEK 7,500 million equivalent to a payout ratio of 40%

\* IAC = items affecting comparability

# Highlights – Q4 Results 2006

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## Net sales rose

9.6% to SEK 40,864 million (37,280)

## EBIT decreased

30.0% excl. IAC\* to SEK 5,258 million (7,510)

## Profit after tax decreased

35.0% excl. IAC\* to SEK 6,609 million (10,175)

## Net debt decreased

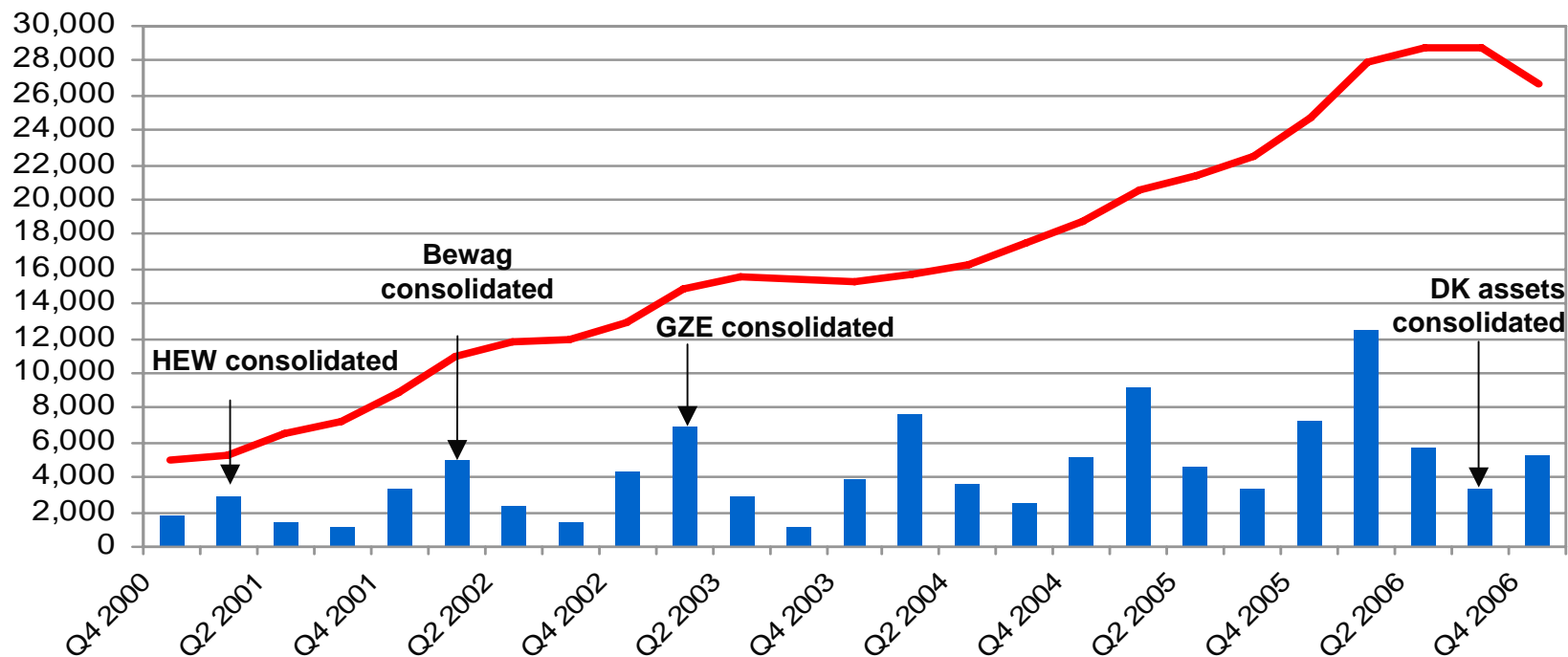
to SEK 49.4 billion from SEK 55.4 billion at 30 sep 2006

\* IAC = items affecting comparability

# EBIT development

5

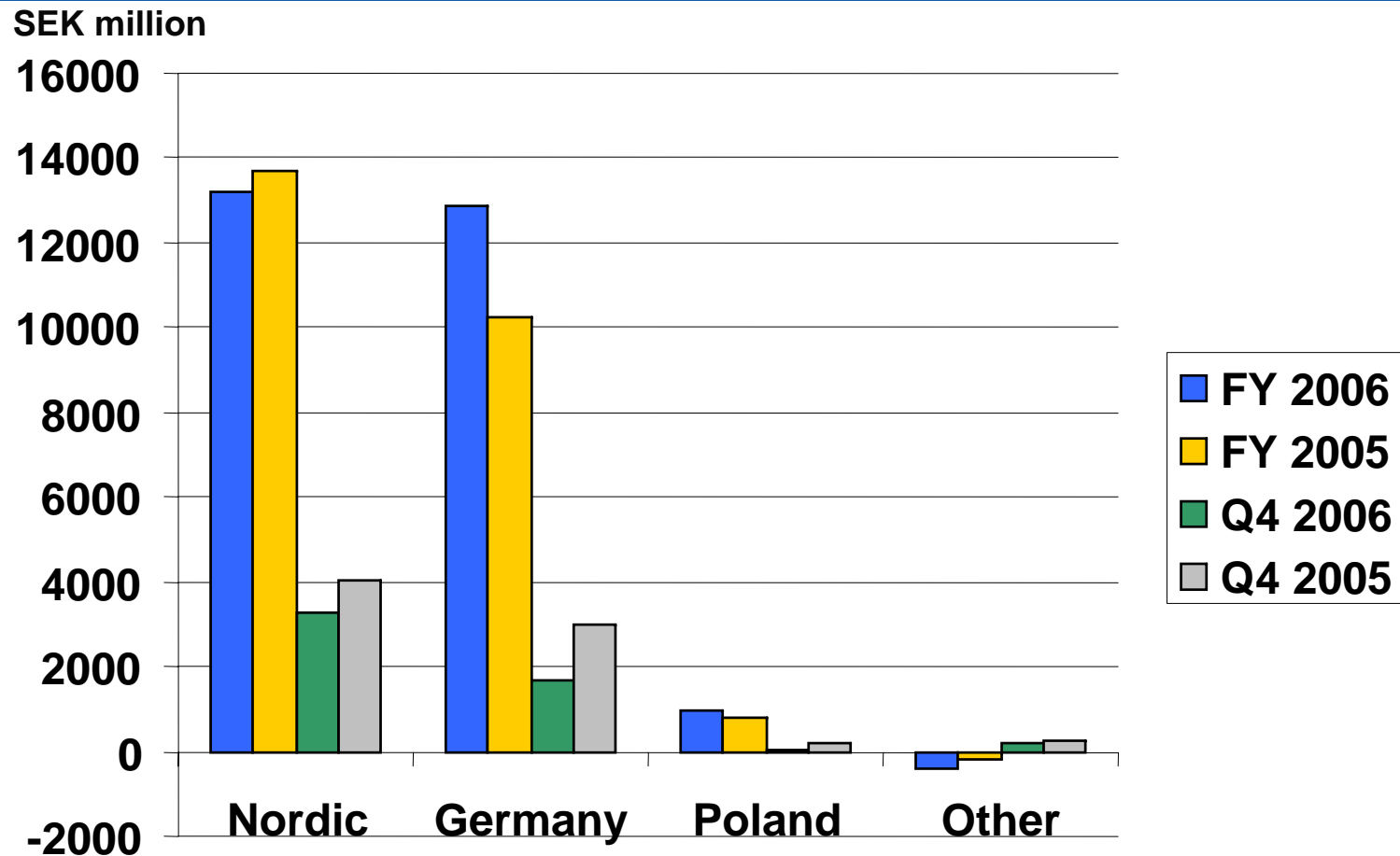
## Quarterly figures, SEK million



- Quarterly figures in SEK million, excluding items affecting comparability
- Last 12 months figures in SEK million, excluding items affecting comparability

# EBIT by primary segment - FY and Q4

6

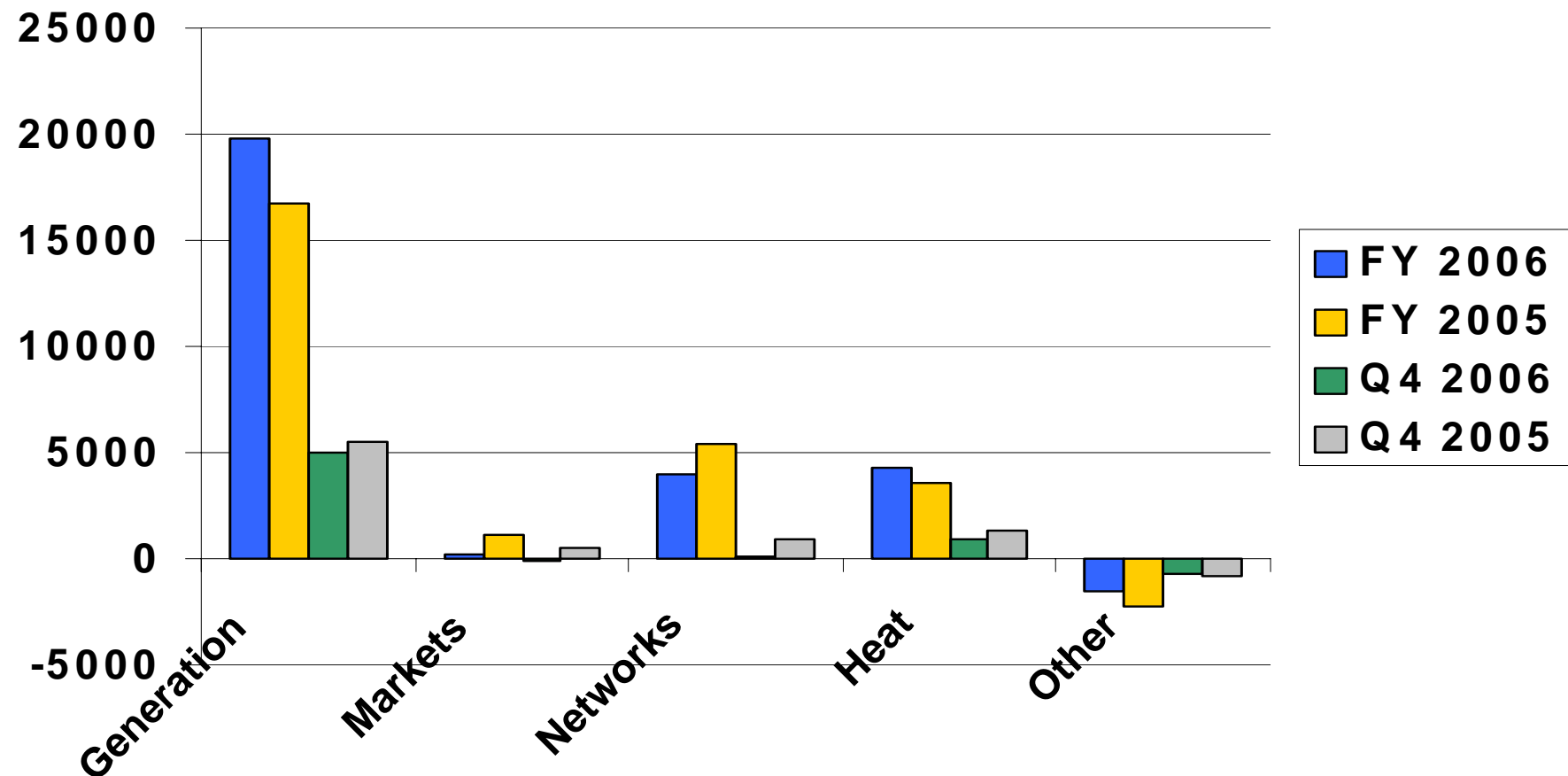


Excluding IAC, i.e. Items affecting comparability

# EBIT by secondary segment - FY and Q4

7

SEK million



Excluding IAC, i.e. Items affecting comparability

- **Substantial loss of nuclear power generation caused by incident at Forsmark**
- Sharp reductions of network tariffs due to rulings by German network regulator
- Significantly increased cap ex programme
- Higher property taxes on hydro power assets and higher taxes on installed nuclear power capacity hit the result by SEK 1.7 billion
- Success for Vattenfall's new product "Trygghetsavtal"
- Groundbreaking for construction of the world's first CCS pilot plant for a lignite fired power station
- Strong focus on combating climate change

# The incident at Forsmark

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- On 25 July the Forsmark reactor 1 was scrammed due to a short circuit in a switchyard outside the power plant.
- The incident was classified as a 2 on the 7-degree INES scale.
- According to SKI (the Nuclear Inspectorate), "the incident did not cause any damage to the reactor. Cooling was present at all times and any risk of radioactive discharge was never present"
- Total loss of nuclear production was 2.3 TWh – of which Vattenfall's share is 1.5 TWh (66%).
- Vattenfall's loss of income in 2006 was approx. SEK 0.9 billion.
- A thorough review and strengthening of safety routines has been carried out at all of Vattenfall's nuclear power plants.

- Substantial loss of nuclear power generation caused by incident at Forsmark
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**21 July 2006**

Following Vattenfall's appeal to the Higher Regional Court in Düsseldorf against the Regulator's (BNetzA) ruling on Vattenfall's Transmission tariffs; (17.9% cut on applied tariff as from November 2005 until December 2006), the court, by means of an interim relief, overruled the Regulator's demand for retroactive tariff reduction.

Main court decision (Hauptsacheverfahren) is estimated to be issued in H1 2007

**18 Sep 2006**

BNetzA ruling on the Distribution business for DSO Hamburg and Berlin.

- 15% cut on applied tariff. No retroactive effect.
- The new tariffs to be valid until the end of 2007.

**1 Oct 2006**

- BNetzA ruling on the Wemag subsidiary.
- 10% cut on applied tariff. No retroactive effect
- The new tariffs to be valid until the end of 2007.

**Dec 2006**

- BNetzA ruling on the Transmission tariffs for 2007. Satisfactory outcome.
- 26% increase compared to tariff 2006

# EBIT impact of German network rulings

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EUR million	2006		2007	
<b>Transmission:</b> Transmission tariffs	Approx.	50		*)
<b>Distribution:</b> Distribution tariffs Impairment charges	Approx.	50 110	Approx.	170
<b>Total networks</b>	<b>Approx.</b>	<b>210</b>		-

As a result of the new regulation and the tariff cuts, impairment charges of EUR 110 million (SEK 1,019 million) have been made for the distribution network

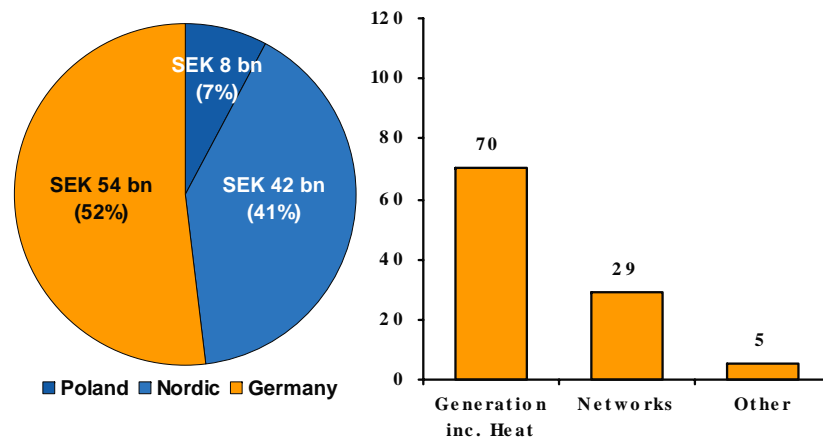
\*) EUR 120 million higher revenues due to tariff increase for 2007 compared with tariff 2006

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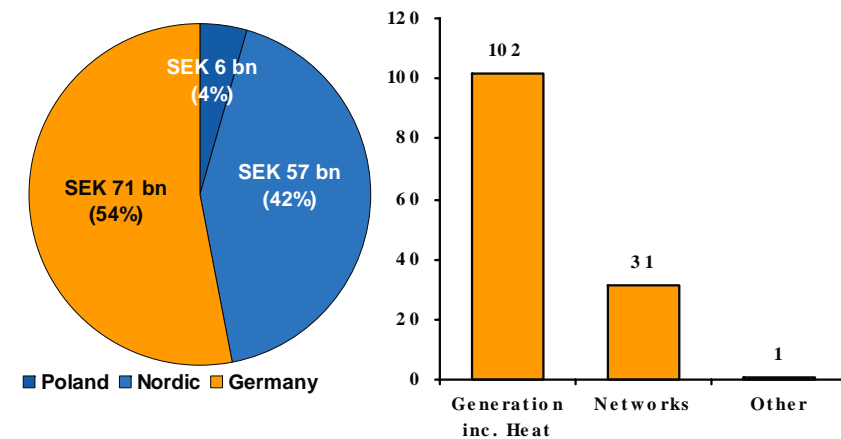
# Increased cap ex programme

14

## SEK 104 bn 2006-2010



## SEK 134 bn 2007-2011

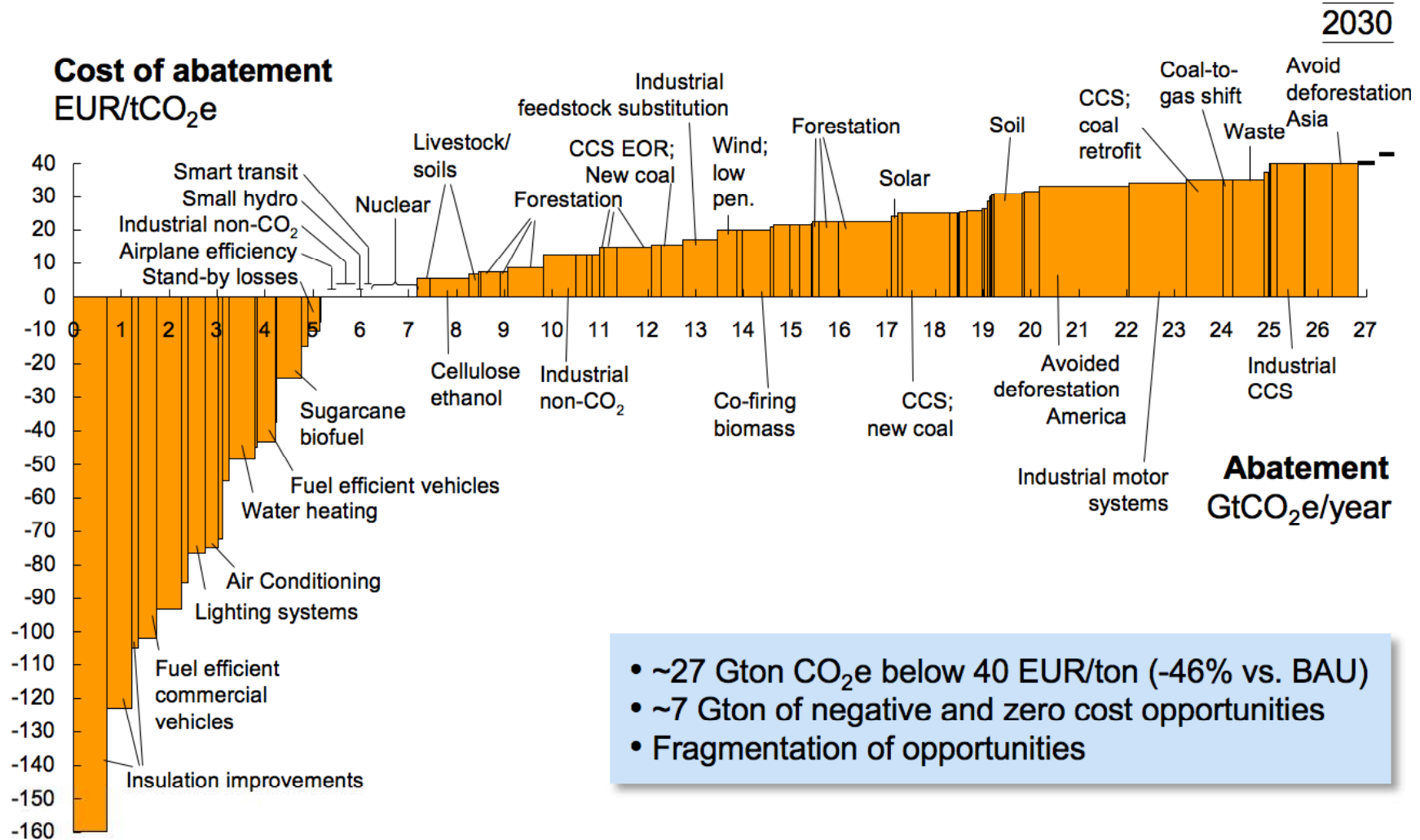


- Boxberg power plant (675 MW)
- Moorburg power plant (1,640 MW)
- Reichwalde mine
- Nuclear capacity upgrade
- Network improvements

- + German and Nordic wind power
- + Life-time extensions generation assets in Sweden and Germany

- Substantial loss of nuclear power generation caused by incident at Forsmark
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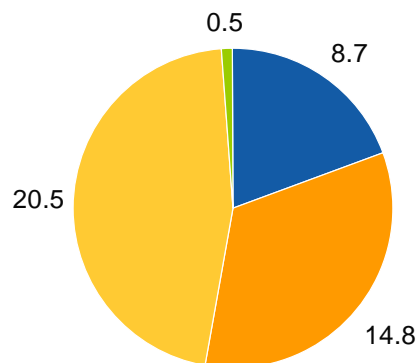
# Cost of abatement



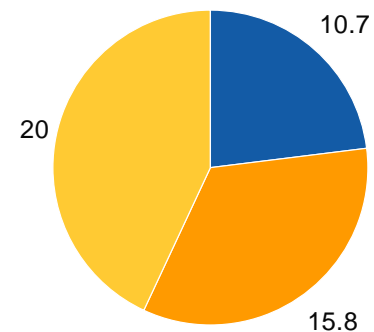
# Lower nuclear and hydro production

17

**Q4 2006 total: 44.5 TWh**

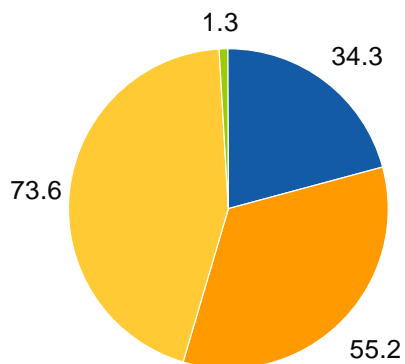


**Q4 2005 total: 46.6 TWh**

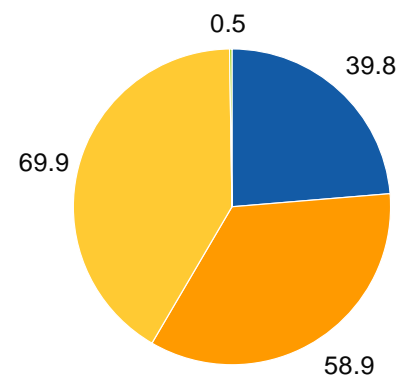


■ Hydro  
■ Nuclear  
■ Fossil  
■ Other  
Other=wind, biofuel, waste

**FY 2006 total: 164.5 TWh**



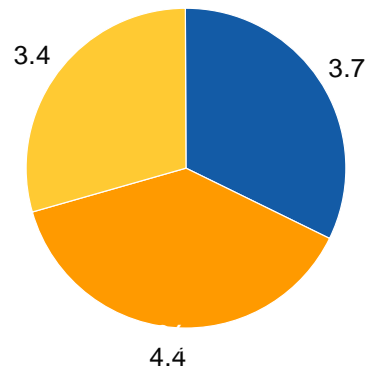
**FY 2005 total: 169.1 TWh**



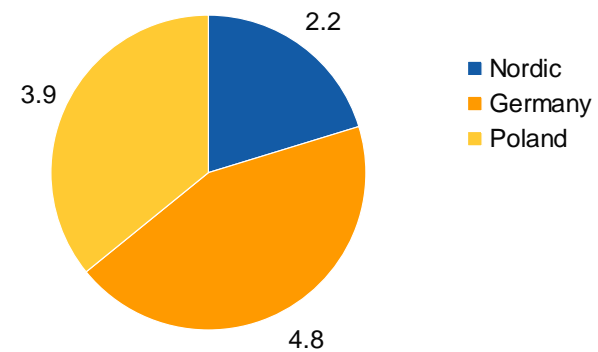
# Higher heat sales due to Danish acquisitions

18

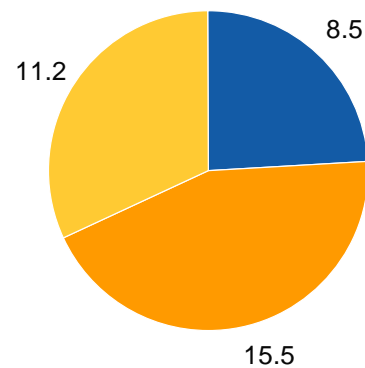
**Q4 2006 total: 11.5 TWh**



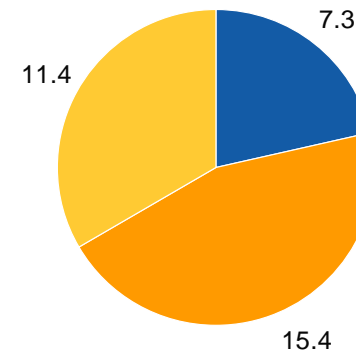
**Q4 2005 total: 10.9 TWh**



**FY 2006 total: 35.2 TWh**



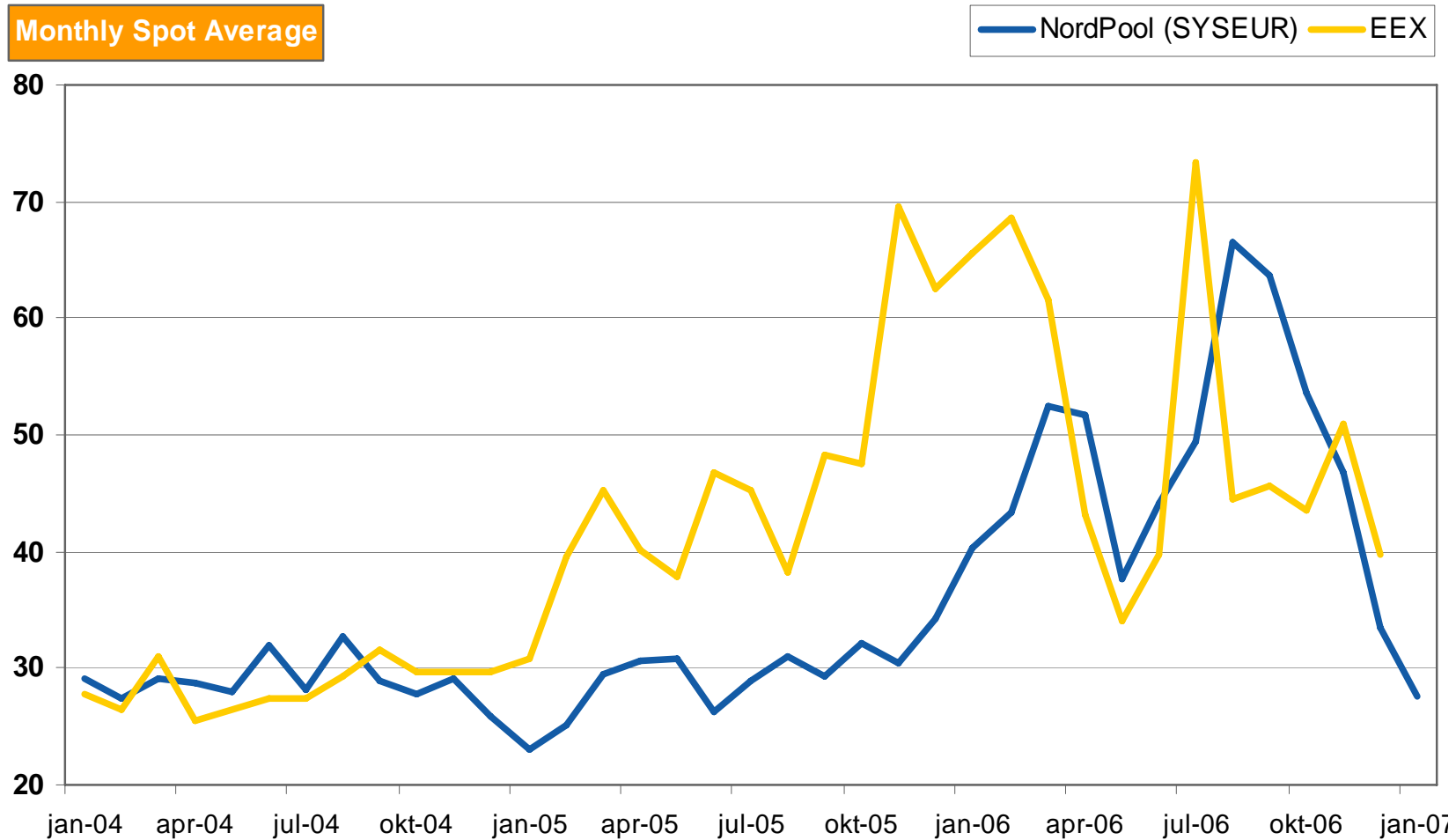
**FY 2005 total: 34.1 TWh**



# Extremely volatile electricity spot prices

19

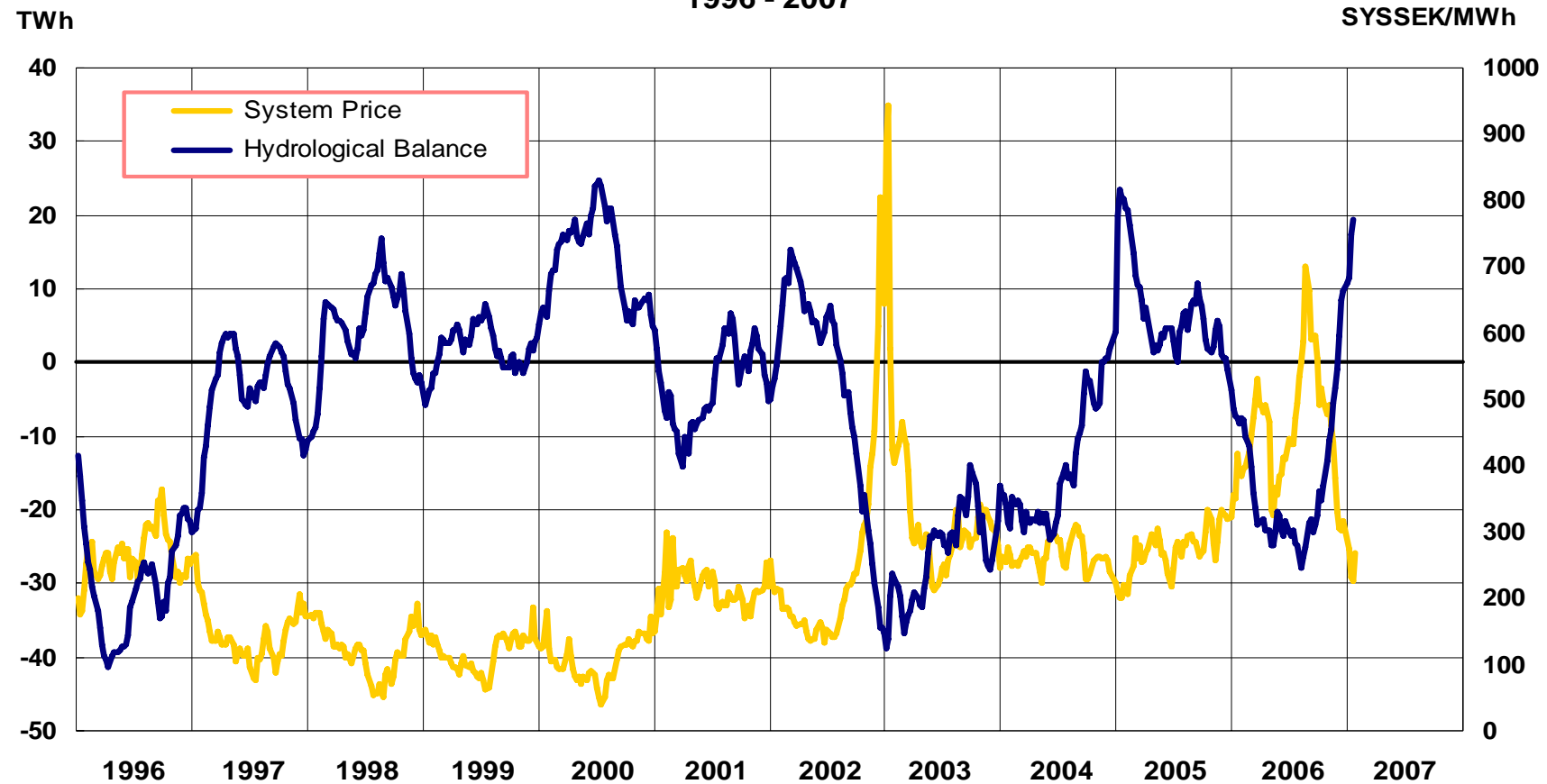
Monthly Spot Average



# Sharply improved hydrological balance in Q4

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## Hydrological Balance and System Price 1996 - 2007



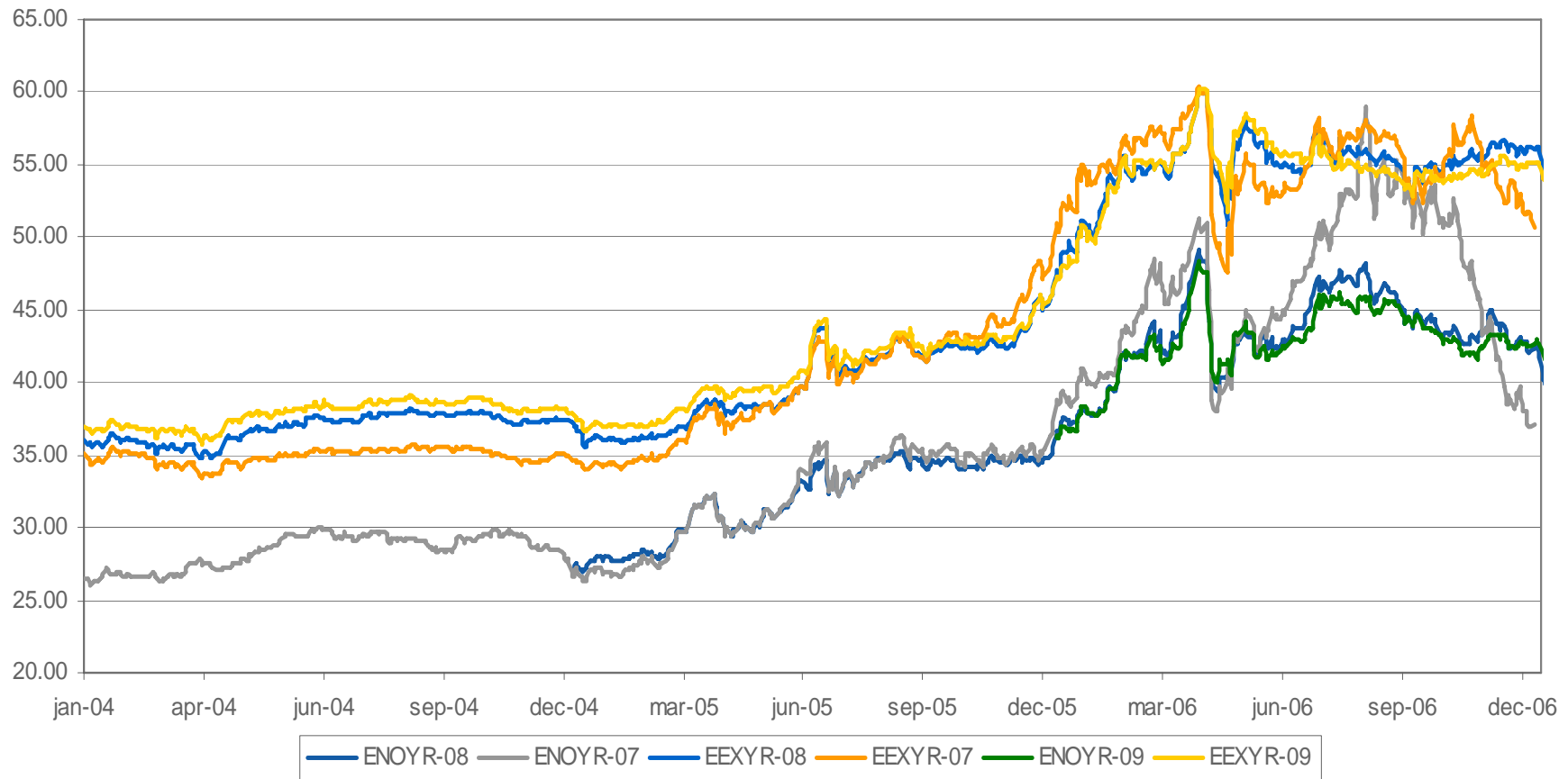
Source: Nord Pool and Markedskraft AS, 5 Feb, 2007

# Electricity forward prices

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## Daily Forward Closing Prices

EUR/MWh



# Oil, coal, gas and CO<sub>2</sub> allowances

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# Financials

Jan Erik Back, CFO



# Consolidated income statement FY 2006

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SEK million	FY 2006 IFRS	FY 2005 IFRS	Change %
Net sales	145,815	129,158	12.9
Cost of products sold	-106,857	-93,636	14.1
<b>Gross profit</b>	<b>38,958</b>	35,522	9.7
<b>Operating profit (EBIT)</b>	<b>27,049</b>	27,571	-1.9
<b>Operating profit, excl. IAC</b>	<b>26,676</b>	24,585	8.5
Financial income	3,839	3,810	0.8
Financial expenses	-5,363	-5,221	2.7
<i>Financial net</i>	<i>-1,524</i>	<i>-1,411</i>	<i>-8.0</i>
<b>Profit before taxes</b>	<b>25,525</b>	26,160	-2.4
Taxes	-5,667	-5,642	0.4
<b>Profit for the period</b>	<b>19,858</b>	20,518	-3.2

\* IAC = items affecting comparability

# Consolidated income statement Q4 2006

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SEK million	Q4 2006 IFRS	Q4 2005 IFRS	Change %
Net sales	40,864	37,280	9.6
Cost of products sold	-31,100	-26,991	15.2
<b>Gross profit</b>	<b>9,764</b>	10,289	-5.1
<b>Operating profit (EBIT)</b>	<b>5,222</b>	10,510	-50.3
<b>Operating profit, excl. IAC</b>	<b>5,258</b>	7,510	-30.0
Financial income	1,520	1,903	-20.1
Financial expenses	-1,663	-1,494	11.3
<i>Financial net</i>	<i>-143</i>	<i>409</i>	<i>---</i>
<b>Profit before taxes</b>	<b>5,079</b>	10,919	-53.5
Taxes	1,530	-744	---
<b>Profit for the period</b>	<b>6,609</b>	10,175	-35.0

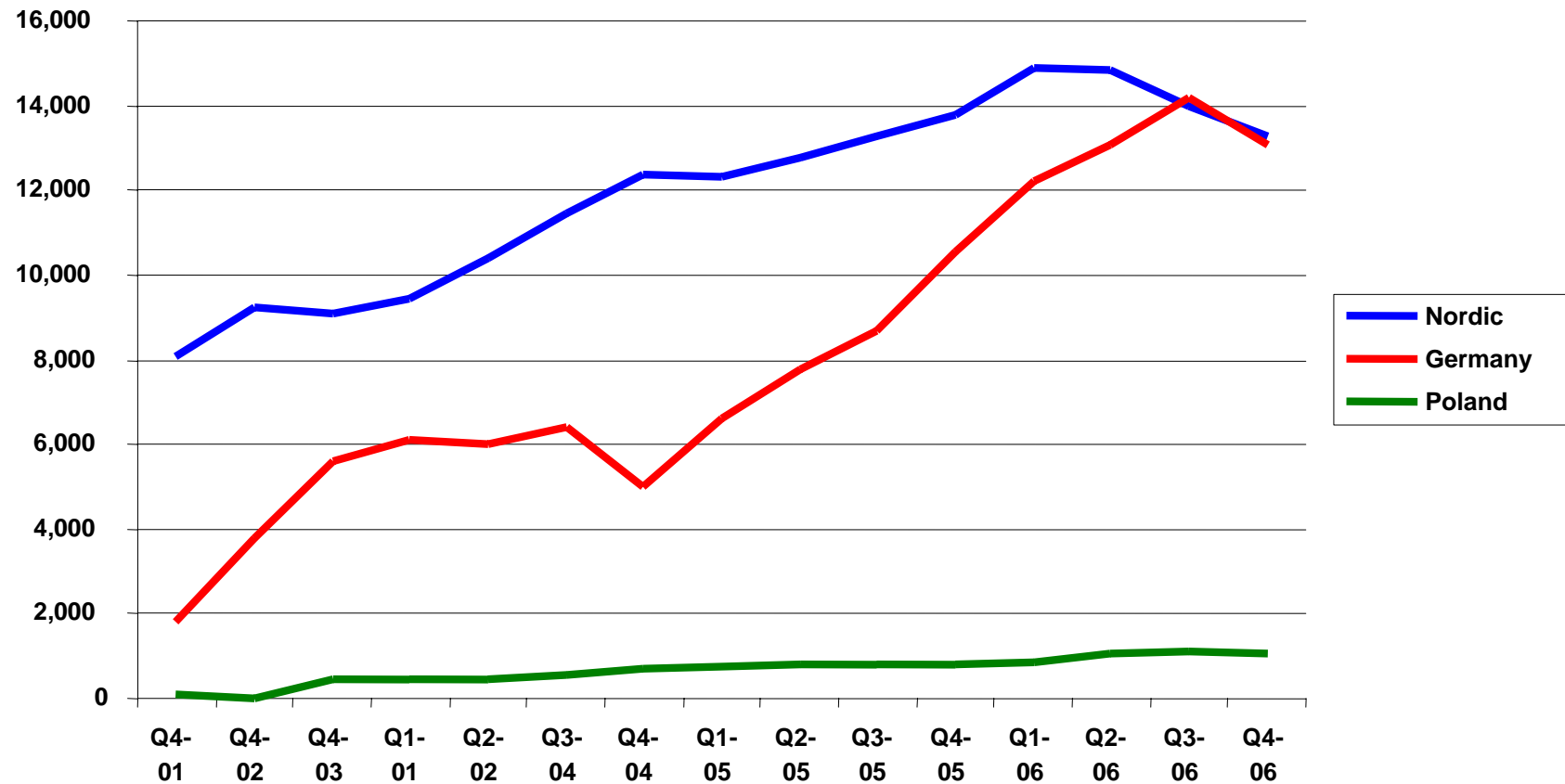
\* IAC = items affecting comparability

# EBIT by primary segment

26

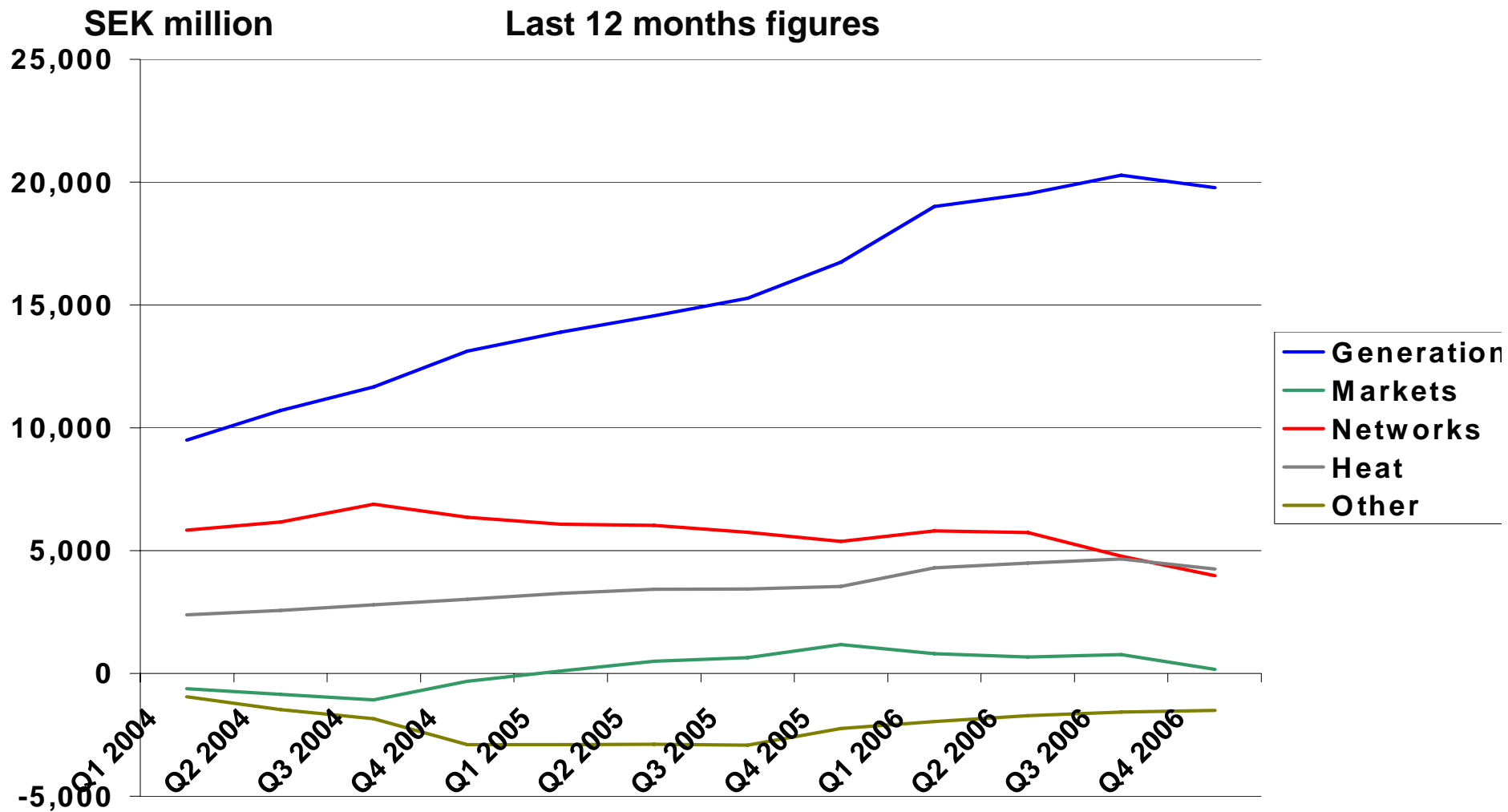
SEK million

Last 12 months figures



# EBIT by secondary segment

27



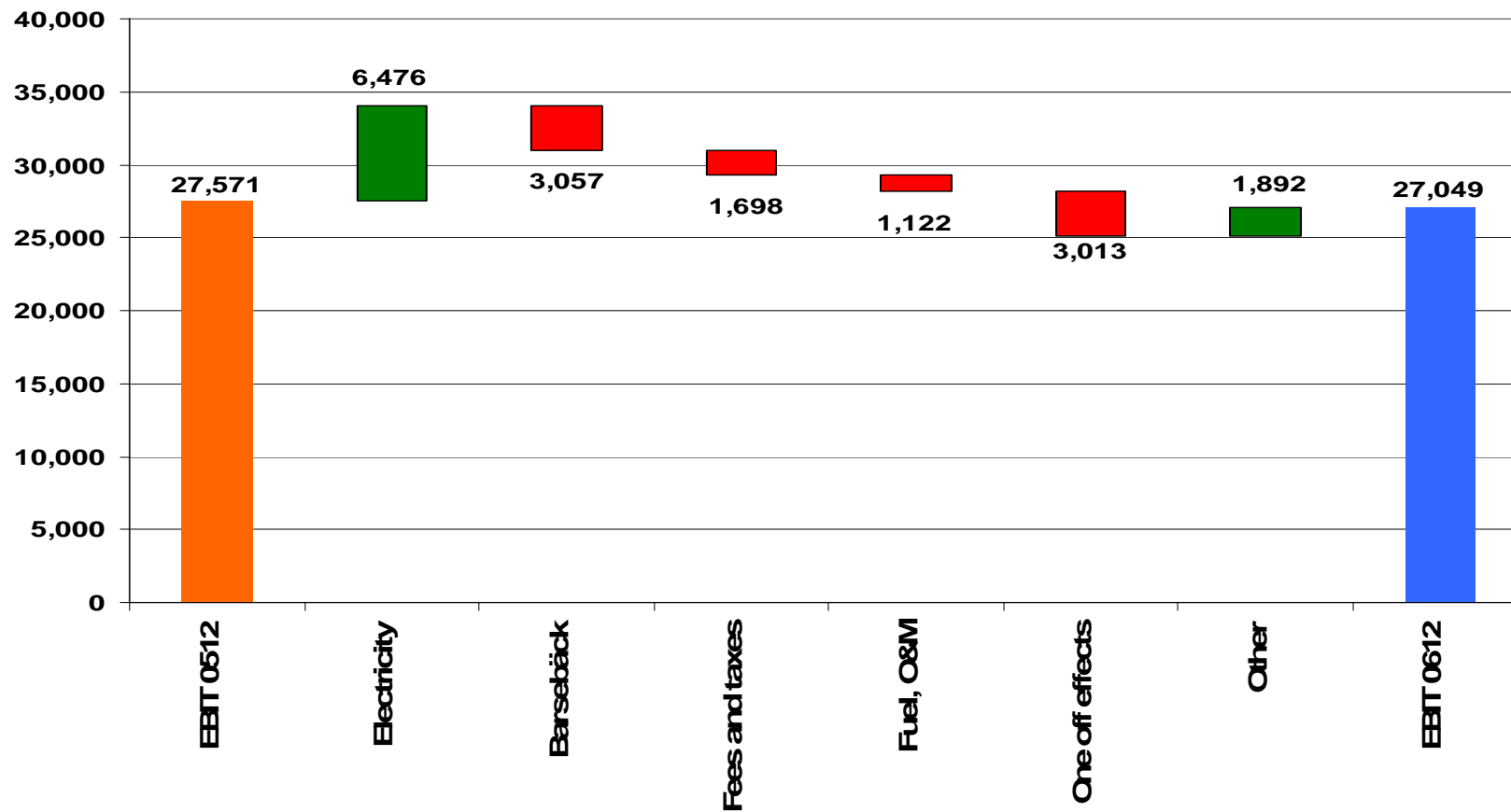
- Substantial price increases during the first nine months of the year (hydrologic deficit), followed by sharp spot price reductions in Q4
- 13.8% lower hydro production due to large hydrologic deficit during most of the year
- Sharply higher power generation taxes in Sweden (property tax on hydro power and tax on installed nuclear capacity)
- Nuclear outages resulted in lower nuclear generation mainly at Forsmark following the short-circuit incident in July, but also at Ringhals due to a fire in a transformer
- Danish acquisitions have been successfully integrated (CHP and wind power)

- Strong electricity price increase due to high temperatures and cooling challenges during the summer. Sharp spot price decline in Q4 due to mild weather and falling CO2 prices
- Very good plant availability. Significant improvement at the Jänschwalde lignite plant
- Preparatory work for two new power plants, Boxberg 2 (lignite MW 675) and Hamburg – Moorburg (hard coal CHP 1,640 MW)
- Sharp reductions of network tariffs due to rulings by German network regulator

# EBIT FY 2006 vs FY 2005

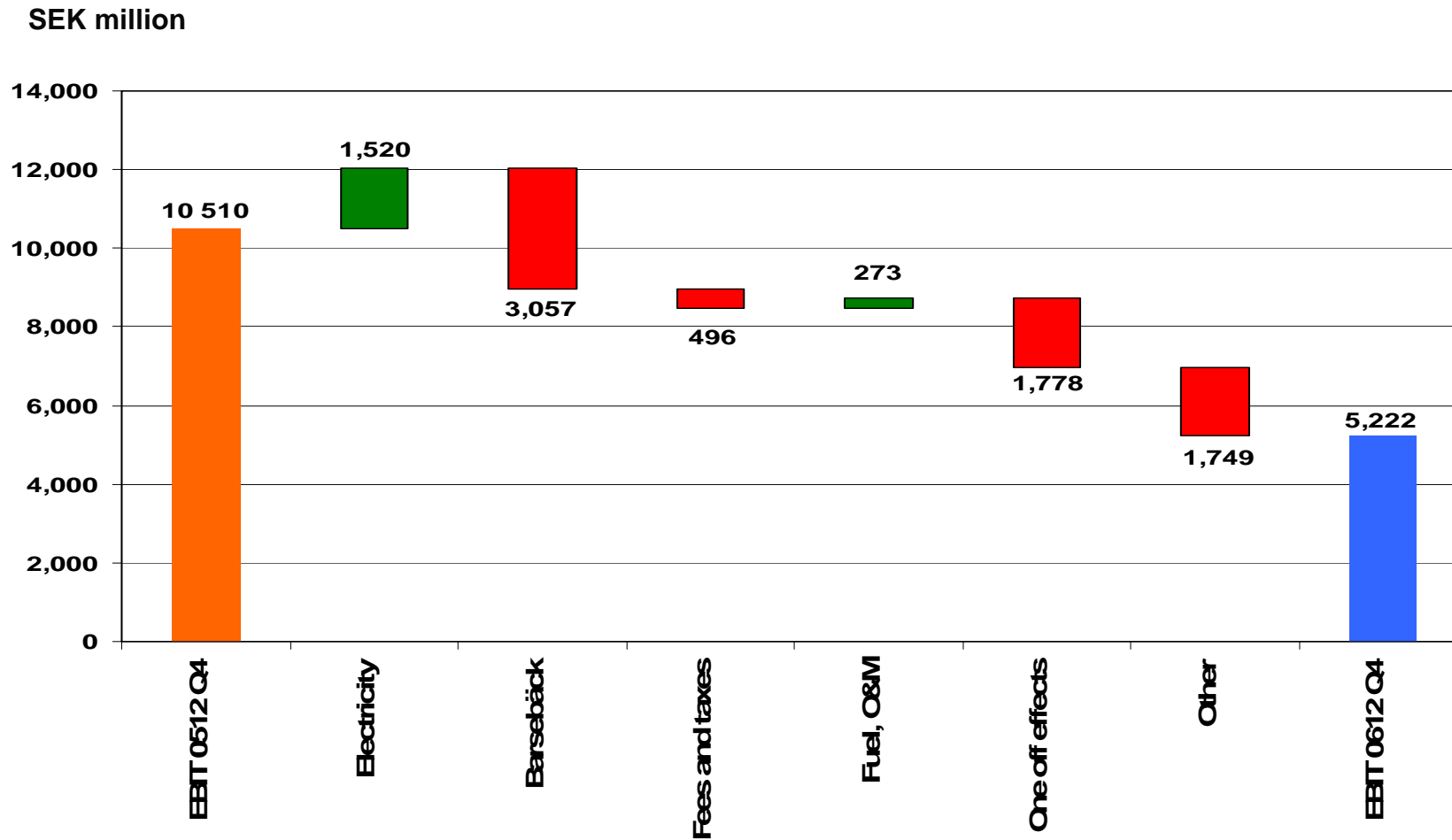
30

SEK million

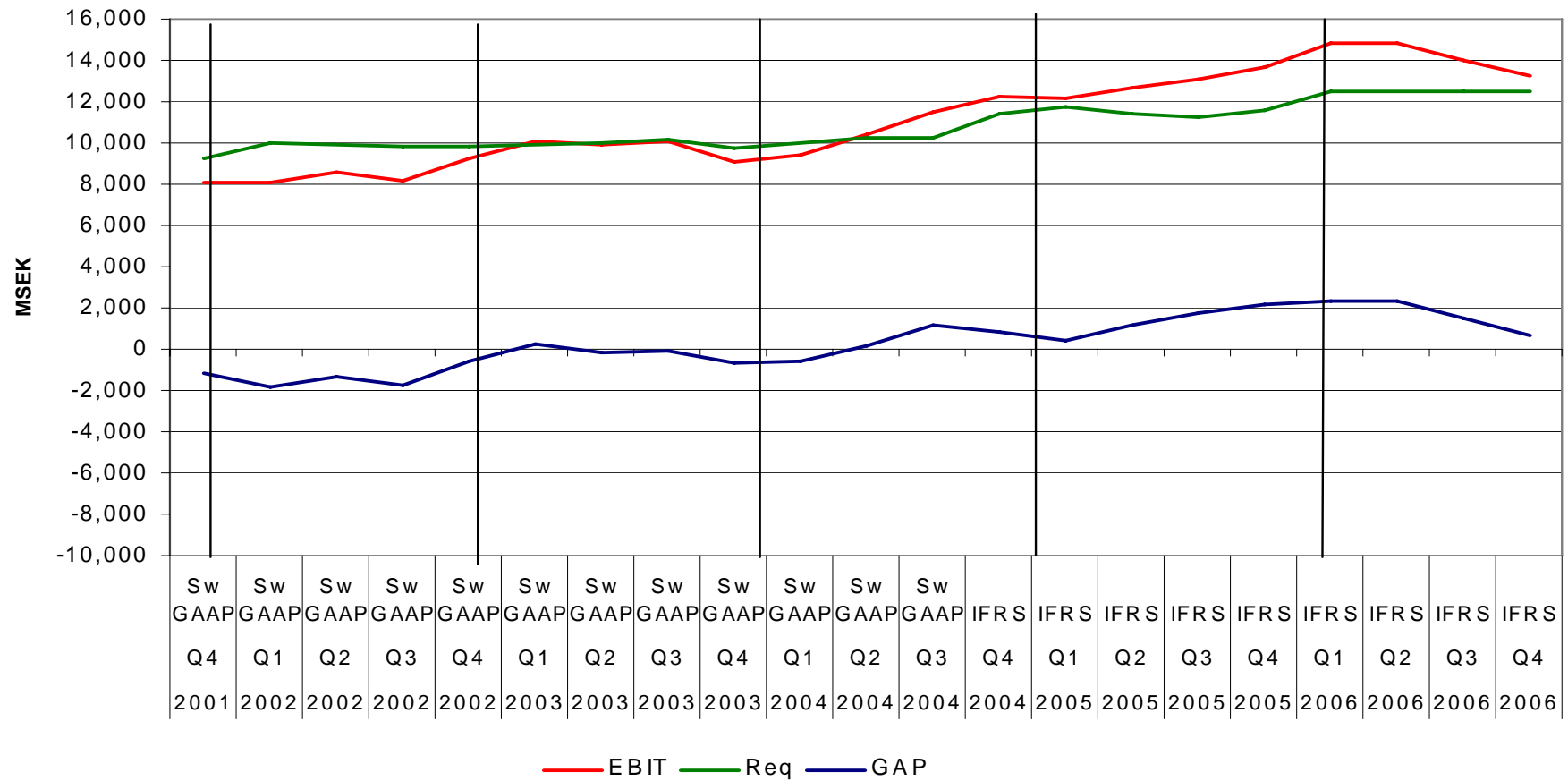


# EBIT Q4 2006 vs Q4 2005

31



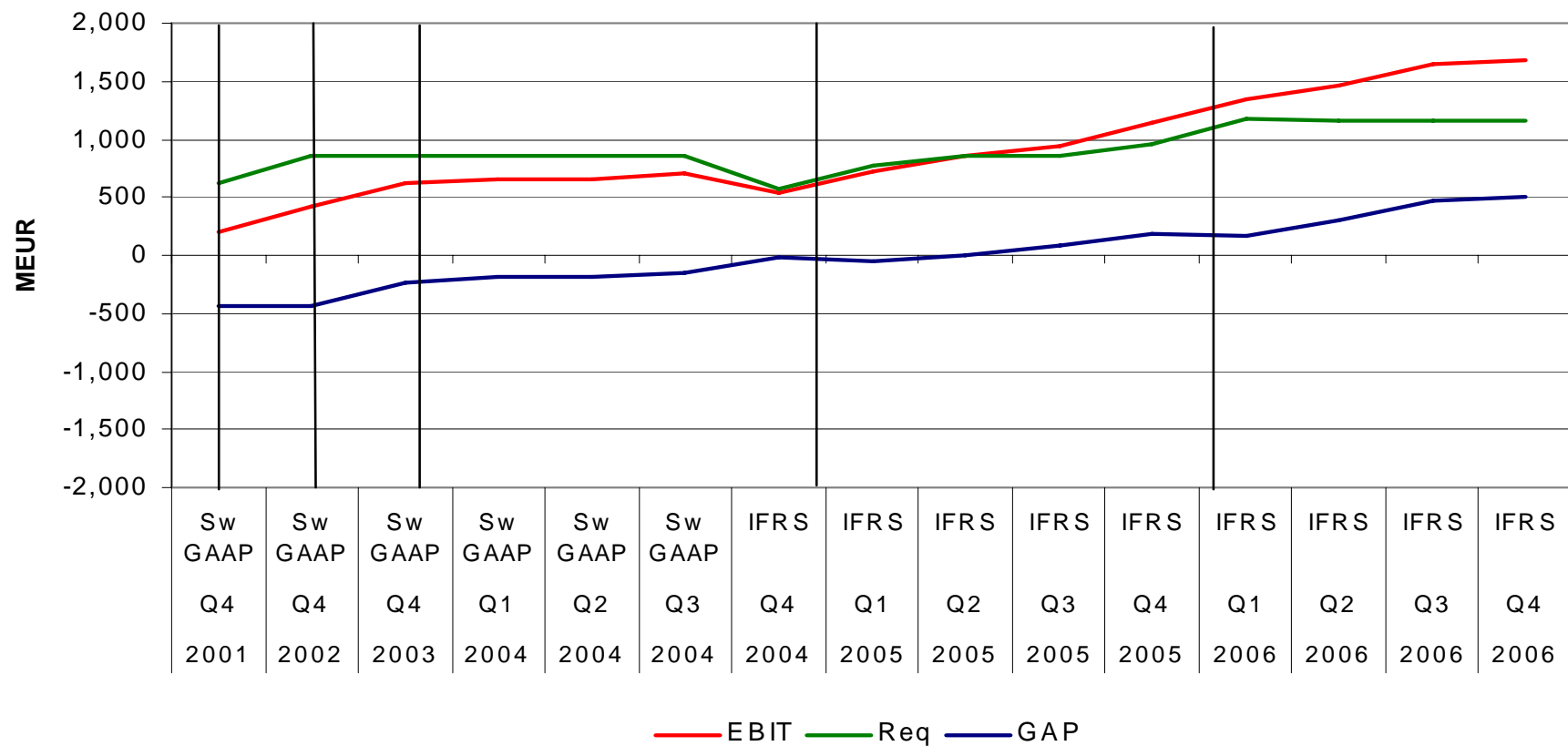
## BG Nordic - GAP analysis Rolling 4-quarters backward



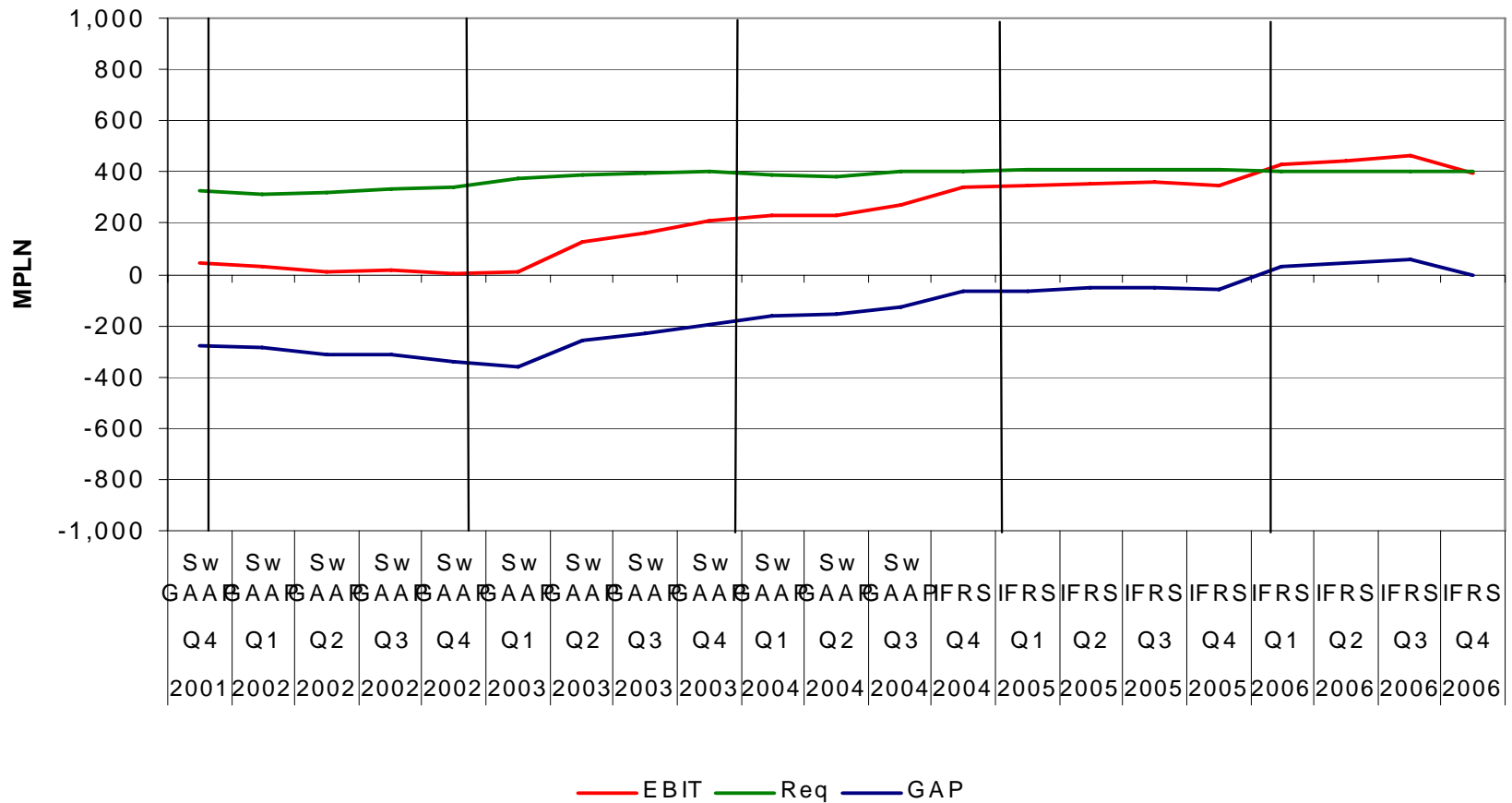
# Gap analysis - Germany

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## BG Vattenfall Europe - GAP analysis Rolling 4-quarters backward



## BG Poland - GAP analysis Rolling 4-quarters backward

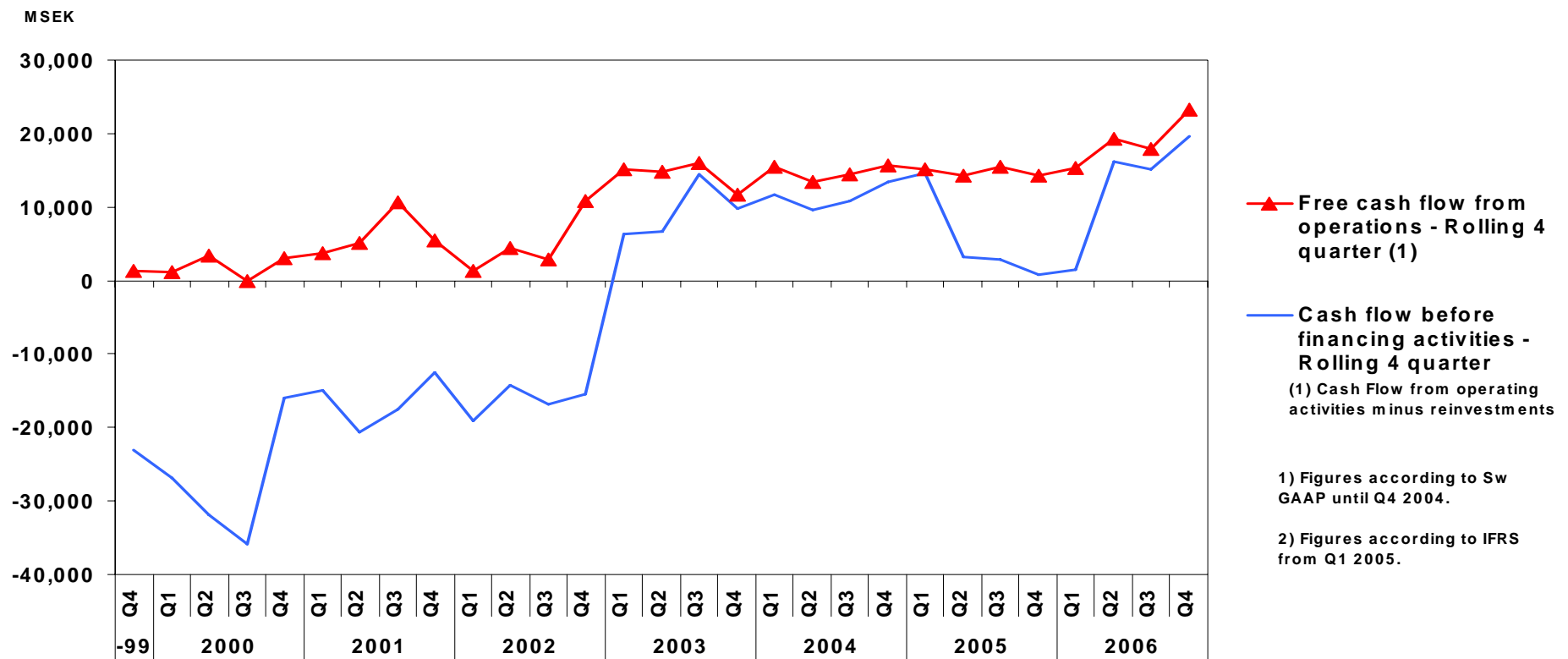


# Consolidated balance sheet

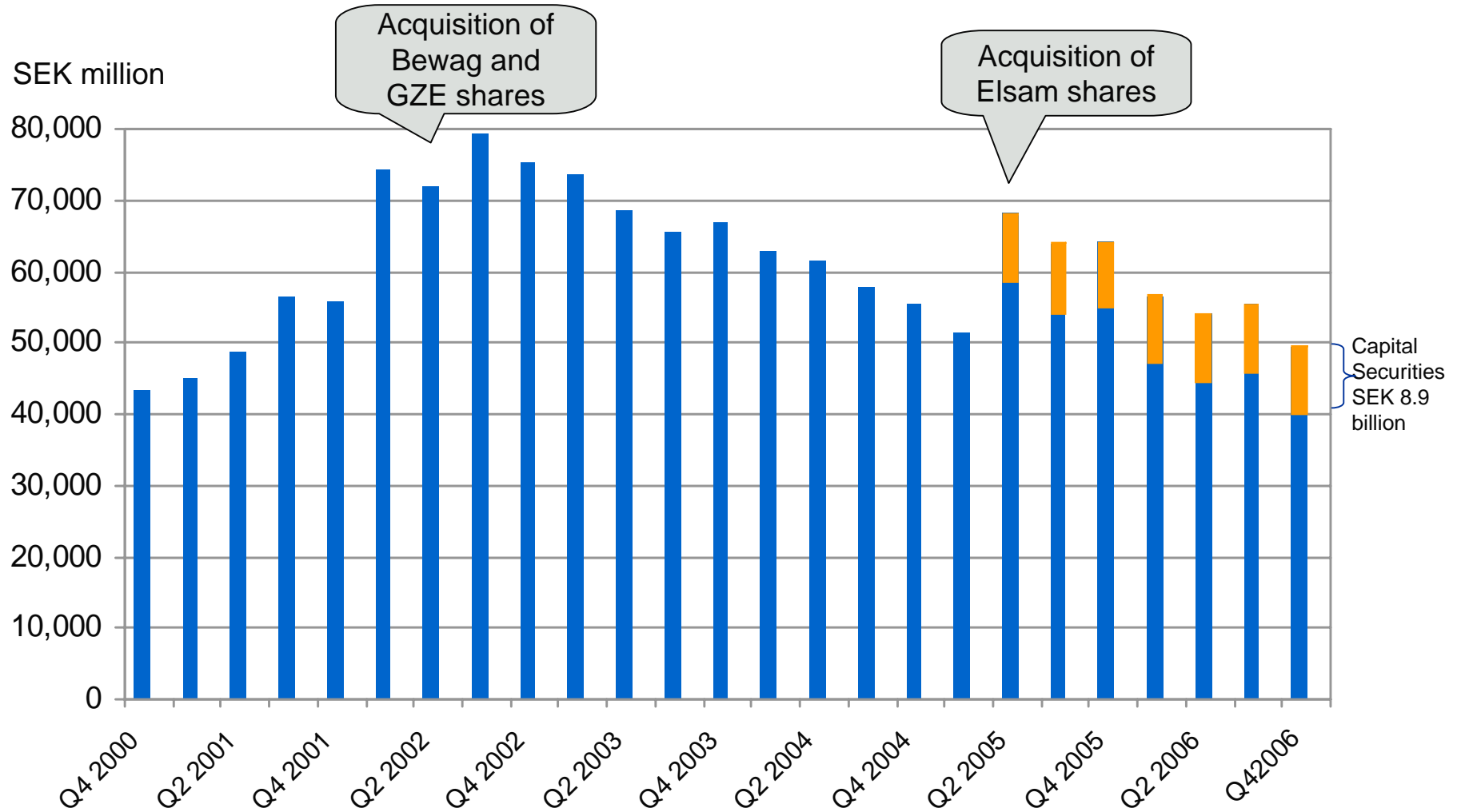
35

SEK million	31/12/06 IFRS	31/12/05 IFRS	Change %	I
Non-current assets	251,839	259,964	-3.1	
Current assets	71,273	65,104	9.5	
<b>Total assets</b>	<b>323,166</b>	<b>325,068</b>	0.6	
Equity	107,674	90,909	18.4	
Capital Securities	8,911	9,268	-3.9	
Interest-bearing liabilities	62,664	69,395	-9.7	
Interest-bearing provisions	49,217	47,691	3.2	
Pension provisions	16,877	17,432	-3.2	
Tax liabilities	33,460	42,002	-20.3	
Other non-interest-bearing liabilities	44,363	48,371	-8.3	
<b>Total equity and liabilities</b>	<b>323,166</b>	<b>325,068</b>		

# Cash flow development

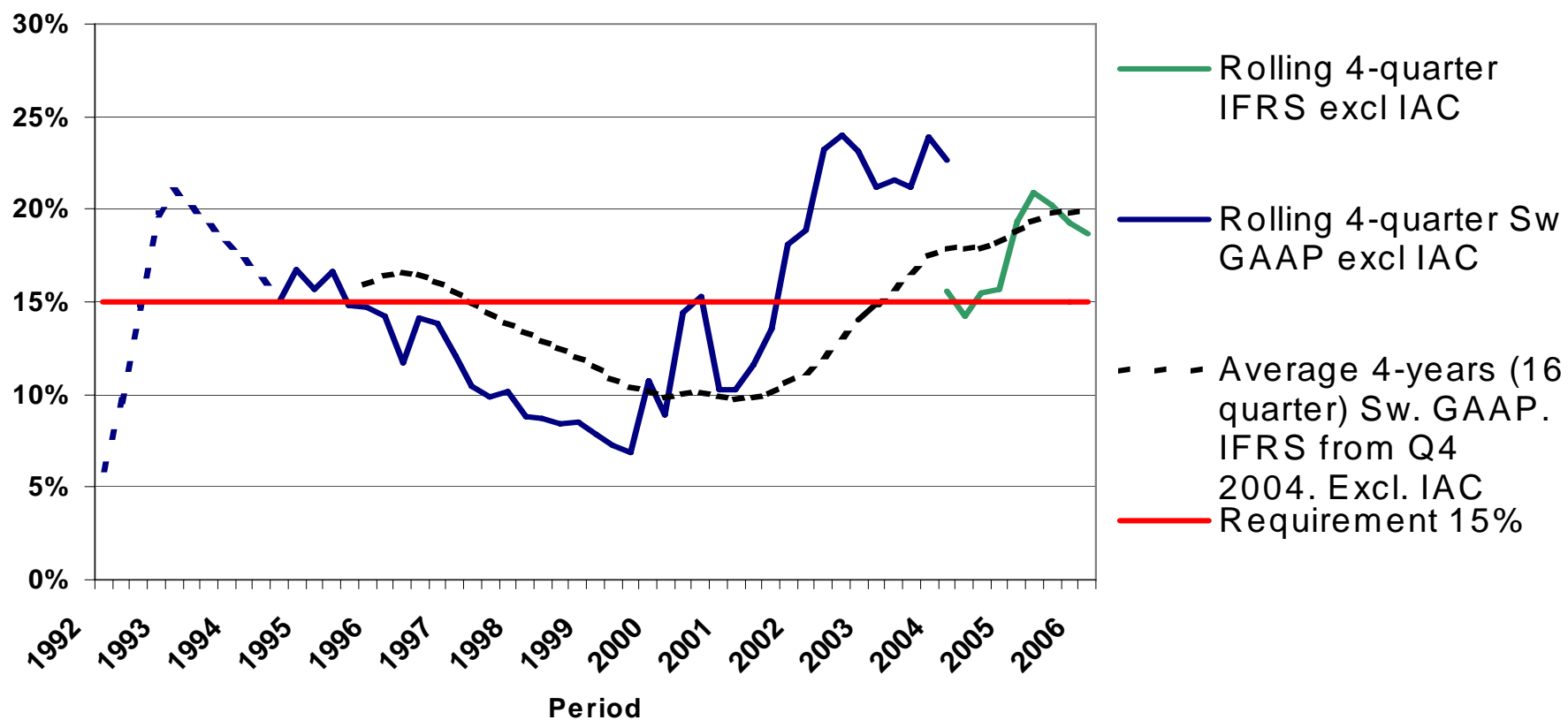


# Net debt development



# Return on equity

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# Financial targets & outcome

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Key Ratio	Targets	FY 2006	FY 2005
Return on Equity (RoE)	15 % on average equity	<b>19.1%</b>	23.2%*
Return on Net Assets (RoNA, excl. IAC)	11 % before tax (= 15 % RoE recalculated into the Groups RoNA requirement)	<b>16.3%</b>	15.8%
Cash flow interest coverage after maintenance investments	3.5 – 4.5 times	<b>7.9</b>	5.5
Credit Rating	Single A category rating	<b>A2/A- Stable outlook</b>	<b>A2/A- Pos. outlook</b>

\* Including compensation for the closure of Barsebäck 2 (SEK 3,057 million net)

A white flag is waving against a clear blue sky. The flag features the word "VATTENFALL" in bold, black, sans-serif capital letters. To the right of the text is the Vattenfall logo, which consists of a yellow sun-like shape with a white star inside, positioned above three blue wavy lines representing water.

**VATTENFALL**

**Thank you for your attention**

# Back-up slides

# Consolidated cash flow statement

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SEK million	Q4 2006 IFRS	Q4 2005 IFRS	FY2006 IFRS	FY 2005 IFRS
<b>Funds from operations (FFO)</b>	<b>9,527</b>	<b>12,674</b>	<b>35,673</b>	<b>31,386</b>
Change in working capital	481	-8,698	-466	-6,963
<b>Cash Flow from operating activities</b>	<b>10,008</b>	<b>3,976</b>	<b>35,207</b>	<b>24,423</b>
Investments	-6,116	-4,729	-16,534	-24,497
Divestments	301	461	1,720	785
Net investment following the trans. between Vattenfall and Dong			-686	
Cash and cash equivalents in aquired/divested companies	7	17	-147	17
<b>Cash Flow from investing activities</b>	<b>-5,808</b>	<b>-4,251</b>	<b>-15,647</b>	<b>-23,695</b>
<b>Cash Flow before financing activities</b>	<b>4,200</b>	<b>-275</b>	<b>19,560</b>	<b>728</b>
<b>Cash Flow from financing activities</b>	<b>1,816</b>	<b>-2,302</b>	<b>-10,742</b>	<b>-796</b>
<b>Cash Flow for the period</b>	<b>6,016</b>	<b>-2,577</b>	<b>8,818</b>	<b>-68</b>
Net debt at the end of the period	-49,407	-64,343	-49,407	-64,343

# Key ratios

43

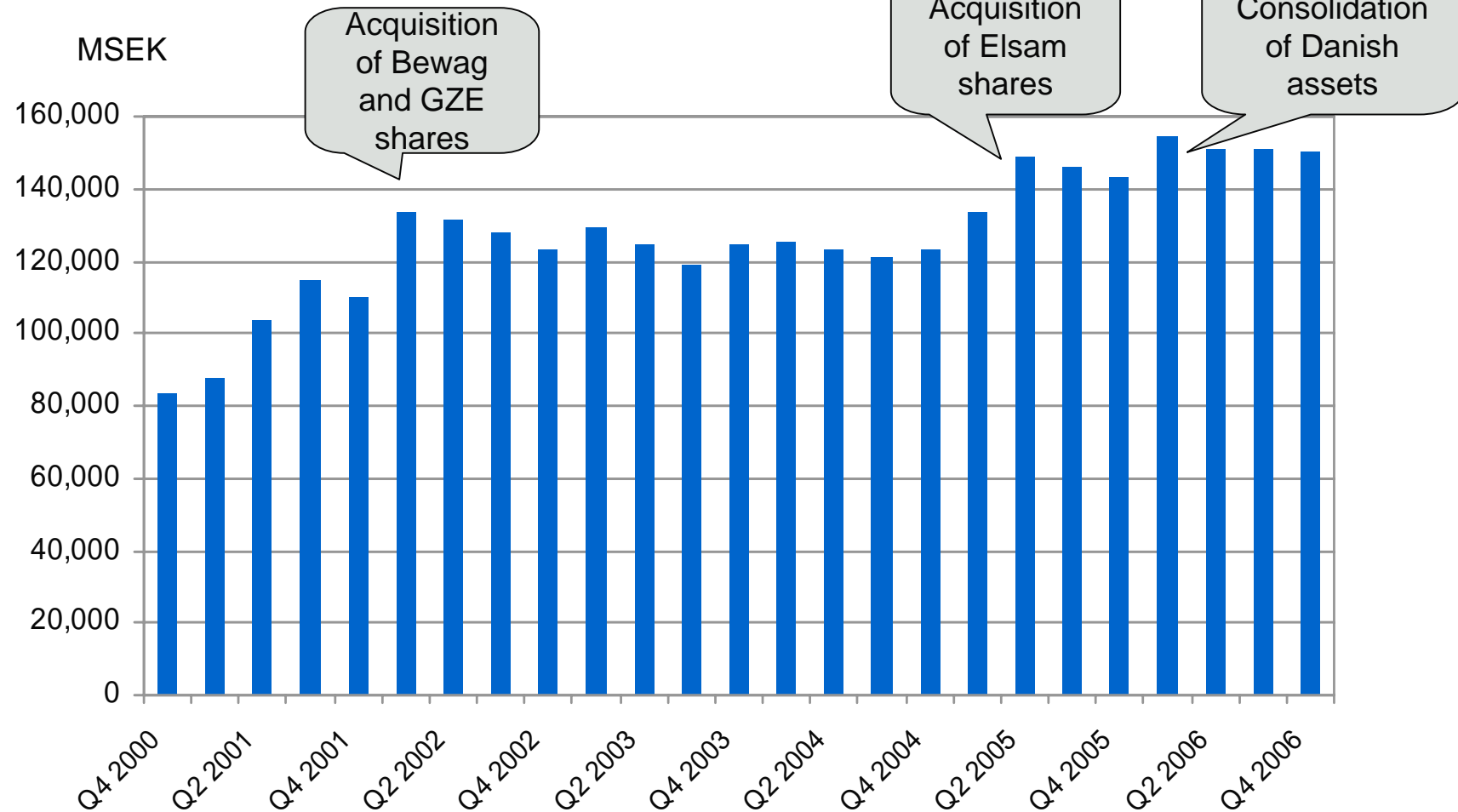
Key Ratios (% unless otherwise stated)	FY 2006	FY 2005	Q4 2006
RoNA (1)(2)	16.3	15.8	
RoE (1)(2)	18.7	19.4	
Operating margin (1)	18.3	19.0	12.9
Pre-tax profit margin (1)	17.2	17.9	12.5
Cash Flow interest coverage after maintenance investments, times (1)	7.9	5.5	5.6
FFO/net debt (2)	72.2	48.8	
Equity/assets ratio	33.3	28.0	33.3
Net Gearing - Net debt/equity, times	0.46	0.71	0.46
Capitalisation - Net debt/net debt + equity	31.5	41.4	31.5

1) Excluding items affecting comparability

2) Q4 2006 value = LTM

# Net asset development

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# Break down of group liquidity

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SEK million

*As of*

*31 Dec 2006*

	Treasury	Germany	Poland	Nordic	Total	%
<b>Cash and bank</b>	1,007	795	508	1,034	<b>3,343</b>	15
<b>Interest-bearing investments</b>	4,696	7,576		228	<b>12,501</b>	56
<b>Special Funds</b>		2,676			<b>2,676</b>	12
<b>Brunsbüttel</b>		3,628			<b>3,628</b>	16
<b>Shares</b>		21			<b>21</b>	
<b>Total</b>	<b>5,703</b>	<b>14,695</b>	<b>508</b>	<b>1,262</b>	<b>22,168</b>	<b>100</b>

Unused committed credit facilities amount to 9,421 SEK million and other unused credit- and overdraft facilities amount to 10,059 SEK million.

# Break down of group gross debt

46

SEK million

*As of*

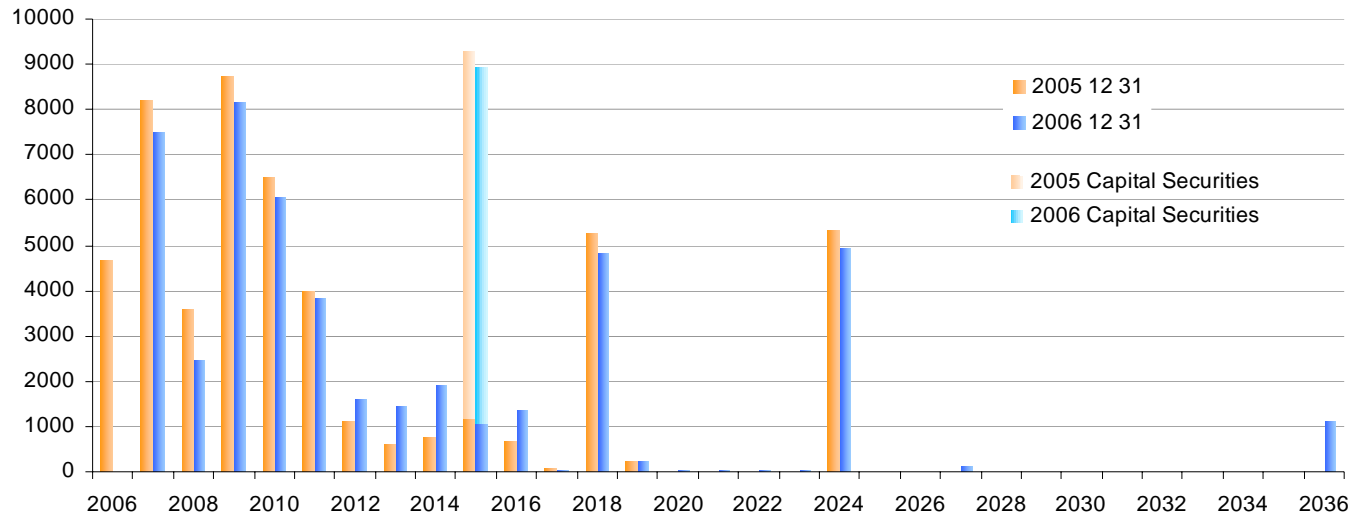
*31 Dec 2006*

	Treasury	Germany	Poland	Nordic	Total	%
<b>Subordinated perpetual Capital Securities</b>	8,911				<b>8,911</b>	12
<b>MTN</b>	848				<b>848</b>	1
<b>EMTN</b>	36,472				<b>36,472</b>	51
<b>Liabilities to assoc. companies</b>	4,978	5,981			<b>10,959</b>	15
<b>Liabilities to minority shareholders</b>		44		4,912	<b>4,956</b>	7
<b>Bank loans and others</b>	453	7,022	153	1,801	<b>9,429</b>	13
<b>Total</b>	<b>51,661</b>	<b>13,047</b>	<b>153</b>	<b>6,713</b>	<b>71,575</b>	<b>100</b>

# Vattenfall debt maturity profile

47

SEK million



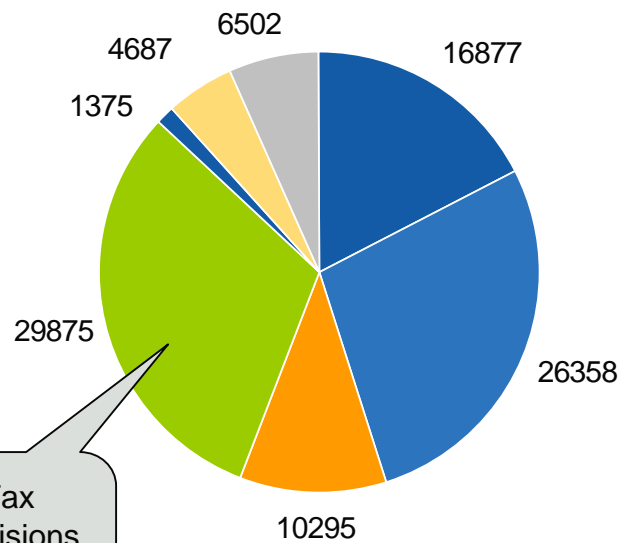
Excluding loans from associated companies and minority owners

	31 Dec, 2006	31 Dec, 2005
Duration (years)	3,3 <sup>1)</sup>	3,4
Average time to maturity (years)	6,6 <sup>1)</sup>	6,6
Net debt (SEK bn)	49,4	64,3

1) Based on external debt. Excluding Capital Securities the duration is 2,6 years and average time to maturity 6,2 years.

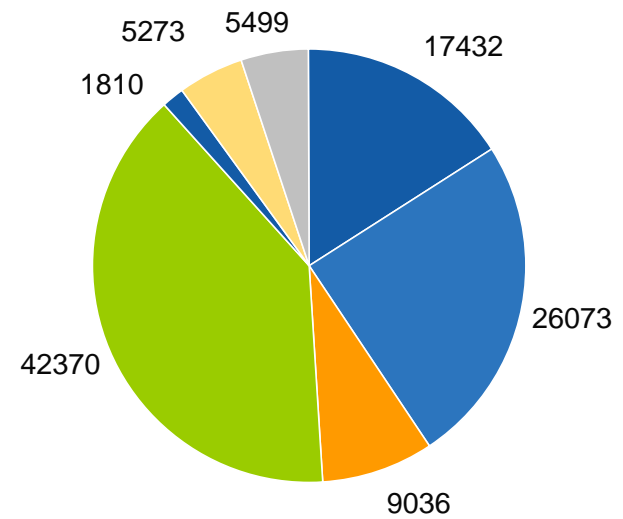
# Group provisions (IFRS) down by 10.7%

**31 Dec 2006**  
**SEK 95,969 million**



Tax provisions down by 29.5%

**31 Dec 2005**  
**SEK 107,493 million**



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