

Vattenfall reports its best ever annual results – Power generation main profit driver

The Vattenfall Group has today presented its best annual results ever:

- **Net sales increased by 13.9 % to SEK 129,158 million (113,366).**
- **Operating profit excluding items affecting comparability increased by 28.0 % to 24,744 million (19,327).**
- **Net profit after tax excluding items affecting comparability increased by 59.2 % to SEK 17,364 million (10,909).**
- **Operating profit excluding items affecting comparability, for the fourth quarter increased by 45.3 % to SEK 7,264 million (5,001).**

“2005 was another record year for Vattenfall. We have achieved all our financial goals in the Group. Vattenfall has already launched comprehensive investment programmes to improve on performance, security and customer service in all our operations. At the same time, we are evaluating opportunities for further profitable growth in order to fulfil our vision of being a leading European energy company,” said Lars G Josefsson, President and CEO of Vattenfall.

Compared with 2004, Vattenfall’s operating profit increased by 62.1 % to SEK 27,730 million (17,112), excluding items affecting comparability by 28.0 % to SEK 24,744 million (19,327). The increase is mostly due to higher electricity wholesale prices, greatly increased hydro power generation in Sweden and improved hedging outcomes. Financial performance improved in all Vattenfall segments apart from electricity networks. Net sales increased by 13.9 % to SEK 129,158 million (113,366), primarily attributable to Germany.

Net profit increased by 113.6 % to SEK 20,518 million (9,604). Excluding items affecting comparability, net profit increased by 59.2 % to SEK 17,364 million (10,909).

Return on equity was 22.0 % (15.6) and return on net assets was 15.9 % (13.3), in both cases excluding items affecting comparability.

Net debt increased by SEK 8,932 million to SEK 64,343 million from SEK 55,411 million on 31 December 2004. This is primarily due to the purchase of shares in the Danish power company Elsam A/S (SEK 10.4 billion) and the distribution of a large dividend to the owners (SEK 5.6 billion). The net debt/equity ratio was 0.73 on 31 December 2005, compared with 0.67 on 31 December 2004.

Vattenfall’s total electricity generation increased in 2005 by 1.2 % to 169,1 TWh compared with 167.1 TWh for 2004 while hydro power generation alone increased by more than 18 % to 39.8 TWh (33.6). Nuclear power generation decreased by 5.6 % to 58.9 TWh (62.4) mainly

due to the closing of Barsebäck 2. Fossil-based power decreased slightly to 70.4 TWh (71.1). Heat production decreased by 1.2 % to 34.1 TWh (34.5), mainly due to warmer weather.

In 2005, electricity wholesale prices rose steeply in Europe, primarily caused by dry weather in Southern Europe and record high oil and gas prices, which have led to increased coal use in the power industry. This in turn drove up the price of emission allowances for carbon dioxide and thus electricity prices.

The report is available at www.vattenfall.com (select “Investors” -> “Financial Reports”).

Press and analysts’ conference and Conference Call at 12:00h

The results will be presented at a press and analysts’ conference at 12:00h (CET) at Operaterassen, King Karl XII’s torg in central Stockholm, by CEO Lars G Josefsson and CFO Matts Ekman. A live web-cast of the presentation will be available on the Internet (video and slides). Please click on the link “webcast” which will be displayed on www.vattenfall.com (select Investors -> Presentations). Alternatively, the live web-cast can be accessed via www.financialhearings.com (select “Vattenfall 8 February”).

You may also follow the presentation via Conference Call. To participate, please dial one of the following numbers a few minutes before 12:00 CET. Dial-In numbers:

+44 (0) 20 7107 0611 (UK)

+46 (0)8 5069 2105 (Sweden)

+33 (0)1 7070 0543 (France)

+49 (0) 69 2 22220593 (Germany)

(Average exchange rates 2005: EUR 1 = SEK 9.4300; PLN 1 = SEK 2.4400)

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