

PRESS RELEASE 2007-02-08

Vattenfall reports strong earnings for the full year - but weak fourth quarter

Vattenfall shows improved underlying profit for the year 2006, strong cash flow and lower debt, but substantial provisions and write-downs.

- **Net sales rose 12.9% to SEK 145,815 million (129,158)**
- **Operating profit (EBIT) excluding items affecting comparability rose 8.5% to SEK 26,676 million (24,585)**
- **Profit for the year (after tax) excluding items affecting comparability rose 12.1% to SEK 19,472 million (17,364)**
- **Operating profit for the fourth quarter excluding items affecting comparability decreased by 30.0% to SEK 5,258 million (7,510)**

Operating profit excluding items affecting comparability rose 8.5% to SEK 26,676 million (24,585). The increase pertains mainly to Germany and can be credited to higher wholesale electricity prices, a better outcome of hedged electricity generation and slightly higher generation volumes in Germany. In Nordic, operating profit fell by 3.6%, mainly due to higher power generation taxes and a sharp reduction in hydro and nuclear power generation.

Consolidated net sales rose 12.9% to SEK 145,815 million (129,158). Profit for the year (after tax) decreased by 3.2%, to SEK 19,858 million (20,518). However, excluding items affecting comparability profit for the year rose 12.1%, to SEK 19,472 million (17,364).

Return on equity was 18.7% (19.4%), and the return on net assets was 16.3% (15.8%) - in both cases excluding items affecting comparability. Net debt decreased by SEK 14,936 million to SEK 49,407 million, from SEK 64,343 million on 31 December 2005. Cash flow before financing was SEK 19,560 million (728). Free cash flow after maintenance investments was SEK 23,178 million (14,341).

Profit was charged with approximately SEK 1,445 million in one-off provisions and impairment charges of SEK 1,568 million - mainly German network assets, totaling SEK 1,019 million.

Electricity generation decreased by 2.7% in 2006, to 164.5 TWh, compared with 169.1 TWh in 2005. Hydro power generation decreased by 13.8%, to 34.3 TWh (39.8) due to low water supply for a large part of the year. Nuclear power generation decreased by 6.3%, to 55.2 TWh (58.9), mainly due to an incident at the Forsmark nuclear power plant in July 2006.

Fossil based power increased by 5.3%, to 73.6 TWh (69.9), and wind power generation increased by 500.0%, to 0.6 TWh (0.1). Electricity generation based on biofuels and waste increased by 75.0%, to 0.7 TWh (0.4). Heat generation increased by 3.2%, to 35.2 TWh (34.1). The increases in fossil-based power, wind power and heat generation are mainly attributable to the acquired Danish combined heat and power assets, which were consolidated by Vattenfall with effect from 1 July 2006.

Profit attributable to shareholders in the Parent Company amounted to SEK 18,729 million (19,235) or SEK 142.21 (146.05) per share. The Board of Directors proposes a dividend of SEK 7,500 million, corresponding to SEK 56.95 per share.

The entire report is available at www.vattenfall.com.

Press and Analysts' conference

Commencing at 12:00 (CET) the results will be presented at a press and analysts' conference to be held at Operaterassen, King Karl XII's square, Stockholm. The results will be presented by CEO Lars G Josefsson and CFO Jan Erik Back, followed by a questions & answers session. The event will be webcast live. The

presentations will be held in English.

Conference Call

To participate in the Conference Call please dial one of the following numbers a few minutes before 12:00h CET.

+44 (0)20 7107 0611 (UK)

+46 (0)8 5069 2105 (Sweden)

+33 (0)1 7070 0543 (France)

+49 (0)69 2 2220593 (Germany)

Playback

The conference will be recorded and a playback will be available one hour after the conference and for at least a further 72 hours. Participants requesting the playback should dial: +44 (2) 207 108 6233 and enter the ID code 297#.

Webcast

To follow Vattenfall's presentation on the Internet (video and slides), please click on the link "webcast" which will be displayed on www.vattenfall.com select Investors -> Presentations. Alternatively you can access the webcast via www.financialhearings.com select "Vattenfall 8 February". The presentation will be available on the archive for several months. Please note that you will need "Real Player" or "Windows Media Player" to follow the presentations.

To download the presentation slides please go to www.vattenfall.com and select Investors -> Presentations.

For further information, please contact:

Knut Leman, Senior Vice President Communications, telephone: +46 (0) 8 739 50 31

Klaus Aurich, Head of Investor Relations, telephone: +46 (0) 8 739 65 14

Martin May, Head of Media Relations, telephone: +46 (0) 8 739 52 70.

From Vattenfall's Press Office, telephone: +46 (0)8 739 50 10.