

Vattenfall reports continued strong earnings

Vattenfall's results for the first nine months of the year show a continued strong earnings ability.

- **Net sales: + 13% to SEK 91,878 million (2004: 80,961 million)**
- **Operating profit excl. items affecting comparability: + 22% to SEK 17,480 million (14,326 million)**
- **Net profit after tax: + 39% to SEK 10,343 million (7,432 million)**
- **Third quarter operating profit excl. items affecting comparability: +25.0% to SEK 3,276 million (2,621 million)**

Compared with the equivalent period in 2004, Vattenfall's operating profit increased by 31 per cent to SEK 17,466 million (13,322), excluding items affecting comparability by 22 per cent to SEK 17,480 million (14,326). In the third quarter 2005 operating profit increased by 58 per cent to SEK 3,266 million (2,062), excluding items affecting comparability by 25 per cent to SEK 3,276 million (2,621). The increase is mostly due to higher electricity market prices in Germany, increased hydro power generation in Sweden and improved hedging outcomes.

Net sales increased by 13.5 per cent the first nine months, closing at SEK 91,878 million (80,961), with the increase primarily attributable to Germany. Sales for the third quarter increased by 15 per cent to SEK 27,550 million (23,890), the increase almost entirely attributable to Germany.

Return on equity was 17.6 per cent on a rolling twelve-month basis while return on net assets was 15.0 per cent, in both cases excluding items affecting comparability. As a result of the new International Financial Reporting Standards (IFRS) adopted by Vattenfall as of this year, Vattenfall's reported equity has increased considerably, leading to a lower return on equity. The interest coverage ratio, excluding items affecting comparability, improved to 6.0 on a rolling twelve-month basis.

Net debt decreased by SEK 4,507 million during the third quarter, to SEK 63,800 million. On 31 December 2004 net debt amounted to SEK 55,411 million. Net debt increased during the first half of the year due to share acquisitions in Denmark and the distribution of a large dividend to the Swedish state. The net debt/equity ratio was 0.79 on 30 September, compared with 0.67 on 31 December 2004.

Vattenfall's total electricity generation increased marginally during the period January – September to 122.6 TWh, compared with 121.3 TWh for the equivalent period in 2004. Hydropower generation, on the other hand, increased by nearly 21 per cent to 29.1 TWh (24.1 TWh), the result of good water supply. Nuclear power and fossil-based power dropped somewhat. Heat production increased marginally to 23.2 TWh (22.9). The third quarter saw only

minor changes in electricity generation while heat production in Germany was higher than in the equivalent period in 2004.

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

Conference Call at 10:00h

At 10:00h (CET) Lars G Josefsson, President & CEO, and Matts Ekman, CFO, will host a conference call presenting the results, followed by a Question & Answer session. The conference call will be webcast.

To participate in the Conference Call please dial one of the following numbers a few minutes before 10:00 CET:

+44 (0) 20 7107 0611 (UK)
+46 (0)8 5069 2105 (Sweden)
+33 (0)1 7070 0543 (France)
+49 (0) 69 2 22220593 (Germany)

Playback: The playback will be available one hour after the conference call and for at least a further 72 hours. To access the playback please dial **+44 20 7108 6233** (number in UK) and enter the **ID code 425** followed by the **# sign**. Please note that the ID code has been changed.

Presentation slides: To download the presentation slides please go to <http://www.vattenfall.com/> and select Investors -> Presentations. Slides will be available at around 09:15 CET

Webcast

To follow Vattenfall's presentation on the Internet (audio + slides), please click on the link “webcast” to be found on www.vattenfall.com -> Investors -> Presentations. The presentation will be archived for several months. Please note that you will need “Real Player” or “Windows Media Player” to follow the presentations.

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