

Strong earnings for full year, but weak fourth quarter

- **Net sales rose 12.9% to SEK 145,815 million (129,158)**
- **Operating profit excluding items affecting comparability rose 8.5% to SEK 26,676 million (24,585), including items affecting comparability, operating profit fell 1.9% to SEK 27,049 million (27,571)**
- **Profit for the year (after tax) excluding items affecting comparability rose 12.1% to SEK 19,472 million (17,364), including items affecting comparability, profit for the year fell 3.2% to SEK 19,858 million (20,518)**
- **Operating profit for the fourth quarter excluding items affecting comparability decreased by 30.0% to SEK 5,258 million (7,510), including items affecting comparability, operating profit fell 50.3% to SEK 5,222 million (10,510)**

Items affecting comparability in 2006 amounted to SEK 373 million and consisted of capital gains/losses on shares and other fixed assets. Items affecting comparability in 2005 consisted mainly of compensation/impairment charges for the closure of Barsebäck 2 of SEK 3,057 million.

FULL YEAR 2006 - NET SALES, PROFIT, CASH FLOW AND DEBT

Improved underlying profit, strong cash flow and lower debt, but substantial provisions and write-downs

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 the Nordic operations, 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. The FFO interest coverage ratio after maintenance investments improved to 7.9 (5.5). Net debt decreased by SEK 14,936 million to SEK 49,407 million, from SEK 64,343 million on 31 December 2005. This is partly attributable to a strong cash flow and a sharp increase in liquid funds,

and to foreign exchange gains and an improved market valuation of loans in accordance with IAS 39. The net debt/equity ratio was 0.46 at 31 December 2006, compared with 0.71 on 31 December 2005. Cash flow before financing was SEK 19,560 million, compared with SEK 728 million in 2005. Free cash flow after maintenance investments was SEK 23,178 million, compared with SEK 14,341 million in 2005.

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, totalling SEK 1,019 million.

ELECTRICITY AND HEAT GENERATION IN 2006

Lower generation volumes despite acquisition in Denmark

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. 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. A breakdown by the respective markets is provided on pages 8-11.

FOURTH QUARTER 2006 - NET SALES, PROFIT, DEBT, CASH FLOW, AND ELECTRICITY AND HEAT GENERATION

Substantially weakened earnings due to higher provisions, higher power generation taxes, lower volumes and lower spot prices

Net sales rose 9.6% to SEK 40,864 million (37,280), while operating profit excluding items affecting comparability – mainly compensation for the closure of Barsebäck 2, totalling SEK 3,057 million net – decreased by 30.0% to SEK 5,258 million (7,510). Excluding items affecting comparability, profit for the period decreased by 6.1%, to SEK 6,579 million (7,011). Cash flow before financing activities was SEK 4,200 million, compared with SEK -275 million during the fourth quarter in 2005. Electricity generation decreased by 4.5%,

to 44.5 TWh (46.6). Hydro power generation decreased by 18.7%, nuclear power generation decreased by 6.3%, and fossil-based generation increased by 5.5%. Heat generation was unchanged. A breakdown by the respective markets is shown on pages 8-11.

MARKET DEVELOPMENT IN 2006

Major price fluctuations during the year

Substantial drop in prices during fourth quarter

Electricity prices, both spot and forward prices, fluctuated sharply during the year. Record-high oil and gas prices early in the year led to increased use of coal in electricity generation across Europe. This drove up prices of carbon dioxide emission allowances and thus electricity prices. After rising to approximately EUR 31/tonne, prices of emission allowances fell to roughly EUR 14/tonne at the end of April, when it was revealed that actual emissions in 2005 were lower than what had been previously assumed. Electricity prices quickly followed suit, both on the spot and forward markets. In September, prices of emission allowances fell further when it became increasingly likely that there would not be any shortage of emission allowances during the first trading period, which will conclude in 2007. The average price of emission allowances during the year was EUR 18.2/tonne.

Nordic spot prices in 2006 were an average of 66% higher than in 2005. However, the year was characterised by very wide price variations. Low water levels and the loss of nuclear power generation led to record-high spot prices during the summer, which peaked at EUR 80.4/MWh. For the year as a whole, the hydrological balance in the Nordic region was considerably worse on average than in the preceding year. However, toward the end of the year, the water supply improved dramatically, causing electricity prices to fall. At the end of December, the hydrological balance in the Nordic region showed a surplus of 10.7 TWh, compared with a deficit of 3.7 TWh at year-end 2005. This improvement has continued into early 2007, with further price falls as a result. German spot prices (EEX base load) in 2006 were an average of 10.4% higher than in 2005. The very warm summer on the Continent, with a shortage of cooling water, caused a drop in

production capacity and a surge in spot prices. For the fourth quarter, prices were approximately 25% higher than in the corresponding period in 2005. Prices fell gradually during the quarter.

Forward prices for contracts in 2007 and 2008 in the Nordic market closed the year at EUR 37.0/MWh and EUR 42.3/MWh, respectively. In Germany, corresponding forward prices closed at EUR 50.7/MWh and EUR 56.2/MWh, respectively. In Poland, the electricity market is still in a development stage, with low sales and limited liquidity. On average, Polish spot prices were 3.3% higher than in 2005. Price charts can be found under the respective market sections on pages 9-11.

IMPORTANT EVENTS DURING THE FOURTH QUARTER OF 2006

Significant initiatives on climate issue

In December, Vattenfall's CEO Lars G. Josefsson was appointed as German Chancellor Angela Merkel's advisor on climate issues. In early 2007 Vattenfall took two further steps in its work on reducing greenhouse gases. Together with leaders from more than 20 international corporations, a global corporate initiative entitled "3C – Combating Climate Change" was launched, which requires the incorporation of climate issues in marketing and commerce. In its comprehensive "Global Climate Impact Abatement Map" study, Vattenfall presents concrete suggestions for actions to curb emissions of greenhouse gases up until 2030 and thereby ensure that the temperature rise in the Earth's atmosphere does not exceed 2° C.

Authorities give green light for investment in Boxberg power plant in Germany

In December, regulatory approval was granted to build the Boxberg 2 lignite power station in eastern Germany. The plant, which is expected to be commissioned in 2011, will have a capacity of 675 MW and will be the world's most modern lignite power plant. The plant's high level of efficiency will reduce fuel needs as well as carbon dioxide emissions to substantially lower levels than existing lignite power plants. The investment is worth slightly more than SEK 7 billion.

IMPORTANT EVENTS EARLIER IN 2006

Higher power generation taxes in Sweden result in profit charge of approximately SEK 1.7 billion

1 January 2006, property taxes were raised for hydro power assets, as was the tax on installed nuclear power capacity. For Vattenfall this resulted in a higher annual tax charge of approximately SEK 1.7 billion.

Vattenfall brand introduced in Germany and Poland

On 1 January 2006, Vattenfall's German subsidiaries Bewag and HEW, and the Polish subsidiaries EW and GZE, changed their names to Vattenfall. This is an important step in the build-up of "One Vattenfall" and the introduction of a uniform, cohesive brand for all of Vattenfall, giving the organisation better opportunities to collaborate internally and externally and act as a strong player in the European market.

Squeeze out of minority shareholdings in Germany

In March 2006 an extraordinary general meeting of Vattenfall Europe AG resolved to redeem the minority shareholders' shares, corresponding to a total of 3.19% of the total shares outstanding. Vattenfall's offer was worth EUR 42.77 per share, for a total of approximately EUR 276 million (approx. SEK 2.5 billion).

Strong focus on climate issues

Early in the year, Vattenfall presented its "Curbing Climate Change" report. The report discusses a proposed model for global reductions in carbon dioxide emissions, combined with favourable conditions for investments in cost-effective and climate-friendly technology. Vattenfall's commitment to the climate issue has attracted a great deal of attention, with very positive feedback.

Groundbreaking for construction of the world's first CO₂ emission-free lignite power plant

In May, construction began on Vattenfall's pilot CO₂ emission-free lignite power plant, the first of its kind in the world. The plant is being built adjacent to Vattenfall's Schwarze Pumpe coal power station in eastern Germany, in an investment worth

approximately SEK 450 million. The plant is scheduled to be commissioned in 2008. The significance of this investment was highlighted by German Chancellor Angela Merkel's participation in the symbolic groundbreaking ceremony.

Open Annual General Meeting and revised financial targets for Vattenfall

On 26 April, Vattenfall held its second open Annual General Meeting. Following the formal part, visitors from the general public were invited to ask questions directly to Vattenfall's chairman and CEO. The entire meeting was aired live via webcast. The meeting set certain partially new financial targets for Vattenfall:

- The 15% required rate of return was kept, however, in the future it will be calculated on the basis of average equity instead of opening equity.
- The previous interest coverage ratio based on operating profit was changed to a required ratio based on cash flow after maintenance investments within a target interval of 3.5-4.5.
- The dividend policy was changed from a dividend payout corresponding to one-third of profit for the year to a target interval of 40%-60%.
- The goal of maintaining minimum credit ratings of A3 and A- from Moody's and Standard & Poor's, respectively, was reaffirmed.

Strong increase in future investments

In April Vattenfall announced an investment programme worth SEK 104 billion for the five-year period 2006-2010, of which SEK 54 billion in Germany, SEK 42 billion in the Nordic countries and SEK 8 billion in Poland. See page 7 of this report for the investment programme for the five-year period 2007-2011. Two major power plants are planned in Germany. In Hamburg (Moorburg) a 1,640 MWh coal-fired combined heat and power plant is planned with commissioning in 2012 and a total investment sum of slightly more than SEK 16 billion. In eastern Germany, the 675 MWh Boxberg 2 lignite plant is planned, with commissioning in 2011 and a total investment sum of slightly more than SEK 7 billion.

In May, Vattenfall presented a plan for greater investment in renewable electricity generation in Sweden. The goal is to increase annual generation of renewal energy by 10 TWh by 2016. This initiative is valued at approximately SEK 40 billion.

Completion of deal between Vattenfall and DONG in Denmark

Under an agreement between Vattenfall and DONG, on 1 July approximately 24% of the combined production capacity of the Danish companies Elsam A/S and Energi E2 A/S was transferred to Vattenfall in exchange for Vattenfall's 35.3% shareholding in Elsam A/S and participation in I/S Avedøre 2. The assets taken over consist primarily of combined heat and power plants and wind power plants. The takeover increases Vattenfall's annual production volume by approximately 6 TWh of electricity and 6 TWh of heat.

Success for Vattenfall's new "Trygghetsavtal" product

Vattenfall has improved its position in the household customer market in Sweden. Demand for the new "Trygghetsavtal" product has risen sharply. Vattenfall launched the product in June – a three-year fixed-price contract that shelters customers against rising electricity prices for three years at the same time that it gives them the right to sign a new three-year contract at a lower price if the price of electricity falls. Both existing and new customers have discovered that "Trygghetsavtalet" is by far the best offer in the market

Substantial loss of nuclear power generation caused by incident at Forsmark

On 25 July the Forsmark reactor 1 was scrammed. The scram was caused by a short circuit in a switchyard outside the power plant. A complicated series of events ensued and indicated a number of shortcomings in the facility's electricity supply and safety system. This led to considerable media attention, and to allay the public's fears, in September the Swedish Nuclear Power Inspectorate (SKI) issued the following statement: "The incident did not cause any damage to the reactor. The control room personnel acted according to instructions. Cooling of the reactor was present at all times and any risk of radioactive dis-

charge was never present." Before allowing a restart, SKI demanded that a number of safety measures be performed at Forsmark 1 and also at Forsmark 2, which was closed for an annual overhaul when the incident occurred.

On 28 September, SKI gave its clearance for a restart of both reactors. The restart of the Forsmark 2 reactor was delayed further by a leakage in the reactor containment and shortcomings in control documentation. Following repairs and a review of the documentation of the repair work, SKI granted clearance for a restart on 24 October. As a principal owner of Forsmark, Vattenfall has taken the events at Forsmark with the utmost gravity. In view of these events, a thorough review of safety routines has been carried out at all of Vattenfall's nuclear power plants and further safety improvements are under way. The incident caused a 2.3 TWh loss in generation. The total loss of income amounted to approximately SEK 1.4 billion, of which Vattenfall's share (66%) was approximately SEK 0.9 billion.

Sharp tariff reductions announced by German network regulator

In June Vattenfall was handed a decision by Bundesnetzagentur, the German network regulator, demanding sharp reductions in tariffs for the transmission operations. After Vattenfall appealed the decision, a German court overruled the regulator's demands for retroactive tariff reductions.

In September and October, Bundesnetzagentur announced its decision regarding tariff reductions for the distribution networks in Berlin and Hamburg, and for the subsidiary Wemag's network in northern Germany. As a result of the new rules for electricity network operations and Bundesnetzagentur's decision to lower Vattenfall's tariffs, following a thorough impairment test, Vattenfall's distribution network assets were written down by SEK 1,019 million (EUR 110 million).

Rating outlook changed from positive to stable

During the autumn, both Moody's and Standard & Poor's changed their outlook from positive to stable. Vattenfall's current long-term credit ratings are A2 from Moody's and A- from Standard & Poor's. For short-term borrowing, the corresponding ratings are P-1 and A-2, respectively.

SUMMARY OF VATTENFALL'S FINANCIAL PERFORMANCE, CASH FLOW AND BALANCE SHEET

Amounts in SEK million	Q 4			Full year		
	2006	2005	Change %	2006	2005	Change %
Net sales	40,864	37,280	9.6	145,815	129,158	12.9
Operating profit before depreciation and amortisation (EBITDA)	9,846	14,429	-31.8	43,166	42,383	1.8
Operating profit (EBIT)	5,222	10,510	-50.3	27,049	27,571	-1.9
Operating profit excl. items affecting comparability	5,258	7,510	-30.0	26,676	24,585	8.5
Financial items, net	-143	409	-	-1,524	-1,411	-8.0
Profit before tax	5,079	10,919	-53.5	25,525	26,160	-2.4
Profit for the period	6,609	10,175	-35.0	19,858	20,518	-3.2
- of which, attributable to equity holders of the Parent Company	6,318	9,444	-33.1	18,729	19,235	-2.6
- of which, attributable to minority interests	291	731	-60.2	1,129	1,283	-12.0
Return on equity excl. items affecting comparability	-	-	-	18.7	19.4	-
Return on net assets excl. items affecting comparability	-	-	-	16.3	15.8	-
Funds from operations (FFO)	9,527	12,674	-24.8	35,673	31,386	13.7
Cash flow before financing activities	4,200	-275	-	19,560	728	-
Free cash flow	5,714	389	-	23,178	14,341	61.6
Cash and cash equivalents plus short-term investments	-	-	-	22,168	14,074	57.5
Balance sheet total	-	-	-	323,166	325,068	-0.6
Equity incl. minority interests	-	-	-	107,674	90,909	18.4
Capital Securities	-	-	-	8,911	9,268	-3.9
Other interest-bearing liabilities	-	-	-	62,664	69,395	-9.7
Net debt	-	-	-	49,407	64,343	-23.2

Vattenfall's earnings vary sharply during the year. Normally, the large part of annual profit is generated during the first and fourth quarters, when demand for electricity and heat is at its highest.

For definitions, please see pages 23-24.

Stockholm, Sweden, 8 February 2007



Lars G. Josefsson
President and CEO

Amounts in SEK million

	Full year 2006	Full year 2005	Change %
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SALES, PROFIT AND CASH FLOW

Net sales	▲ 145,815	129,158	12.9
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Comment:

Sales increased despite a considerable drop in nuclear and hydro power generation, attributable to higher wholesale electricity prices and the consolidation of the combined heat and power assets acquired in Denmark.

Cost of products sold	▲ 106,857	93,636	14.1
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Comment:

The increase is mainly attributable to higher wholesale electricity prices, which raised the cost of purchased power. Higher property taxes on hydro power assets and a tax on installed nuclear power capacity, higher fuel costs and the impairment charges pertaining to network assets in Germany, contributed to the increase.

Operating profit	▼ 27,049	27,571	-1.9
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Operating profit excl. items affecting comparability	▲ 26,676	24,585	8.5
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Comment:

The increase in the underlying operating profit is mainly attributable to Germany and can be credited to higher wholesale electricity prices, a better outcome from hedged electricity generation, and slightly higher generation volumes in Germany.

Operating profit in the Nordic countries fell due to a sharp drop in nuclear and hydro power generation. Items affecting comparability consist primarily of compensation for the closure of Barsebäck 2, amounting to SEK 3,057 million net, which was booked in 2005.

Amounts in SEK million

	Full year 2006	Full year 2005	Change %
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Cash flow from operating activities	▲ 35,207	24,423	44.2
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Free cash flow ¹	▲ 23,178	14,341	61.6
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Cash flow before financing activities	▲ 19,560	728	-
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¹ Cash flow from operating activities less maintenance investments.

Comment:

The strong improvement in cash flow from operating activities is mainly attributable to higher electricity prices, corresponding to SEK 4.2 billion, and to margin calls on the Germany EEX electricity exchange, corresponding to 3.1 billion. In addition, cash flow was negatively affected in 2005 by a deposit of approximately SEK 2.4 billion for the squeeze out of minority shareholdings in the German subsidiary Vattenfall Europe AG. The SEK 18.8 billion increase in cash flow before financing activities is due to - apart from the aforementioned factors - a lower level of investment (cash flow in 2005 was charged with approximately SEK 10.3 billion pertaining to the acquisition of shares in the Danish company Elsam A/S).

Net financial items	▼ -1,524	-1,411	-8.0
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Interest income	▲ 1,341	980	36.8
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Interest expense	▲ 3,317	2,967	11.8
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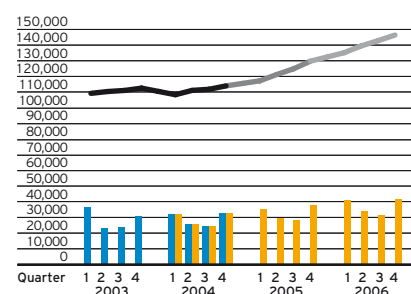
Interest received	▲ 1,054	875	20.5
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Interest paid	▲ 2,927	2,230	31.3
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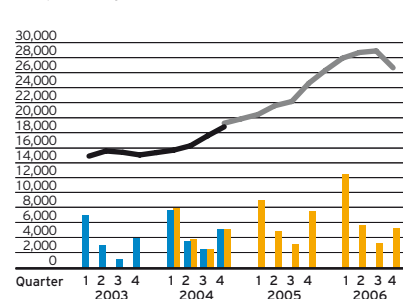
Comment:

Net interest income/expense was virtually unchanged compared with 2005. Net interest expense amounted to SEK -165 million per month (-166). The slight increase in interest expense is mainly due to a higher average borrowing interest rate.

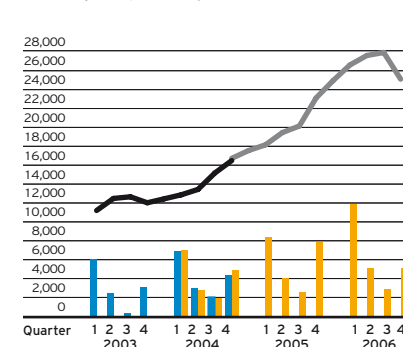
Net sales (SEK million)



Operating profit, excl. items affecting comparability (SEK million)



Profit before income tax, excl. items affecting comparability (SEK million)



■ Last 12-month figures (Sw GAAP)
 ■ Last 12-month figures (IFRS)
 ■ Quarterly figures (Sw GAAP)
 ■ Quarterly figures (IFRS)

Amounts in SEK million		Full year 2006	Full year 2005	Change %
INVESTMENTS				
Maintenance investments	▲	12,029	10,082	19.3
Growth investments	▼	5,191	14,415	-64.0
- of which shares	▼	1,865	11,709	-84.1
Total investments	▼	17,220	24,497	-29.7

Comment:

Maintenance investments in 2006 are broken down as follows: Nordic countries SEK 6,853 million, Germany SEK 4,574 million, Poland SEK 600 million, and other SEK 2 million.

Of growth investments, SEK 686 million represent net investments as a result of the deal between Vattenfall and DONG. The value of assets and shares acquired by Vattenfall is SEK 13,307 million, while the value of assets transferred to DONG (primarily shares in Elsam A/S and the participation in I/S Avedøre 2) amounts to SEK 12,621 million. Other growth investments are broken down as follows: Nordic countries SEK 2,518 million, Germany SEK 1,731 million, Poland SEK 245 million, and other SEK 11 million.

Investments in shares in 2006 consist mainly of share purchases in the Kentish Flats (UK) wind power farm and in the Wolin-North (Poland) wind power farm, and the acquisition of 50% of Enstedt Havn in Denmark.

Investment programme 2007-2011

During the five-year period 2007-2011, Vattenfall plans to invest SEK 134 billion, including 57 in the Nordic countries, 71 in Germany and 6 in Poland. The large part of investments, SEK 102 billion, is planned in generation, while SEK 31 billion has been earmarked for the network operations and the remaining SEK 1 billion in other operations.

		31 Dec 2006	31 Dec 2005	Change %
PERSONNEL (number of employees per primary segment, FTE)				
Nordic countries	▲	9,158	8,788	4.2
Germany	▼	19,821	20,096	-1.4
Poland	▼	2,836	3,029	-6.4
Others ¹	▲	493	317	55.5
Total	▲	32,308	32,231	0.2

¹ Includes Energy Trading, Treasury Operations and other Group Shared Services as well as Group functions.

Comment:

The increase in the Nordic region can be credited primarily to the extensive investment programmes for the renewal of Vattenfall's production plants and the transfer of more than 600 people in Denmark to Vattenfall as from 1 July. The increase in the Other segment is attributable to the transfer of Vattenfall Utveckling AB from the Nordic unit to the Group Strategies function. The decreases in Germany and Poland are attributable to ongoing rationalisation measures.

	Full year		Q 4	
	2006	2005	2006	2005
ELECTRICITY BALANCE (TWh)¹				
Sales				
Nordic countries	56.4	60.6	14.8	17.6
Germany	71.2	80.5	21.3	20.6
Poland	11.5	13.1	4.2	3.5
Other countries	3.9	5.1	1.2	1.1
Spot market	51.8	41.0	11.6	10.9
Total	194.8	200.3	53.1	53.7
Delivered to minority owners	18.7	19.7	5.0	5.3
Other	0.8	1.0	0.3	0.3
Total electricity sales	214.3	221.0	58.4	59.3

Comment:

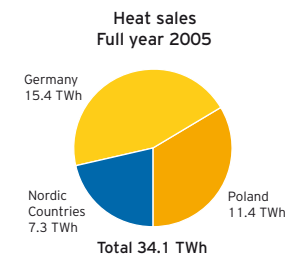
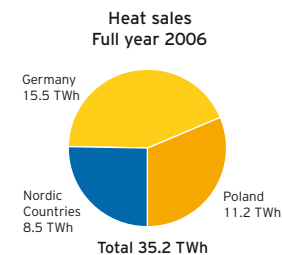
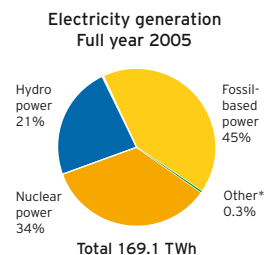
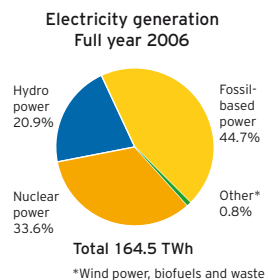
The sales decline of 3.0% for the full year is attributable to lower direct sales to end customers, which was for the most part compensated by higher sales on the electricity exchanges, mainly Nord Pool and EEX. During the fourth quarter, direct sales to customers in Germany and Poland rose, while in the Nordic countries a decrease was noted.

	Full year		Q 4	
	2006	2005	2006	2005
Internal generation and electricity input				
Hydro power	34.3	39.8	8.7	10.7
Nuclear power	55.2	58.9	14.8	15.8
Fossil fuels	73.6	69.9	20.5	20.0
Wind power, biofuels and waste	1.3	0.5	0.5	-
Total internal generation	164.5	169.1	44.5	46.6
Purchased power	52.1	56.9	16.1	14.2
Spot market	9.2	7.5	0.8	1.9
Total electricity input	225.8	233.5	61.4	62.7
Consumption within The Group	-11.5	-12.5	-2.9	-3.4
Total	214.3	221.0	58.4	59.3

¹ Due to rounding, deviations of 0.1 TWh occur on some items above.

Comment:

The 2.7% decline in generation is mainly attributable to a drop in hydro power generation caused by very low water supply during a large part of the year and the loss of nuclear power generation. Nuclear power generation decreased due to a number of serious shutdowns, mainly following the incident at Forsmark, but also due to a fire at Ringhals. Fossil-based generation increased by 5.3%, mainly due to the consolidation of the Danish combined heat and power assets. Generation derived from wind power, biofuels and waste rose 160%, mainly due to acquired wind power plants in Denmark.



Amounts in SEK million		Full year			Q 4		
		2006	2005	Change %	2006	2005	Change %
NORDIC COUNTRIES							
Sales	▲	49,205	42,021	17.1	13,625	11,609	17.4
Operating profit	▼	13,287	16,794	-20.9	3,336	7,121	-53.2
Operating profit excl. items affecting comparability	▼	13,217	13,704	-3.6	3,274	4,062	-19.4
Heat generation (TWh)	▲	8.5	7.3	16.4	3.7	2.2	68.2
Electricity generation (TWh) ¹	▼	84.9	89.8	-5.5	24.0	24.1	-0.4
- of which hydro power	▼	30.9	36.4	-15.1	7.8	9.8	-20.4
- of which nuclear power	▼	49.2	52.9	-7.0	13.1	14.1	-7.1
- of which fossil fuels	▲	3.9	-	-	2.6	0.2	-
- of which wind power, biofuels and waste	▲	0.9	0.5	80.0	0.4	-	-
Transmission volume excluding production transmission ² (TWh)	▼	81.9	83.5	-1.9	22.2	23.6	-5.9

¹ Of electricity generation, Vattenfall's pro rata share for the full year is 67.7 TWh (71.7), while the remainder pertains to minority owners.

² Production transmission pertains to intra group transmission from a power plant to Vattenfall's own network.

Full year 2006 - Sales and earnings trend

The sales increase is mainly attributable to higher wholesale electricity prices and the consolidation of the combined heat and power assets in Denmark. Operating profit, which should be measured exclusive of items affecting comparability, since the net compensation for the closure of Barsebäck 2 was booked in 2005, decreased by 3.6%.

The decrease is mainly attributable to higher property taxes on hydro power assets and a higher tax on installed nuclear power capacity - together totalling approximately SEK 1.7 billion - and substantially lower hydro power and nuclear power generation.

Electricity and heat generation in 2006

Hydro power generation was 5.5 TWh lower than in 2005 due to low water supply in dams throughout most of the year. Nuclear power generation was 3.7 TWh lower due to the incident at Forsmark, but also due to a fire at the

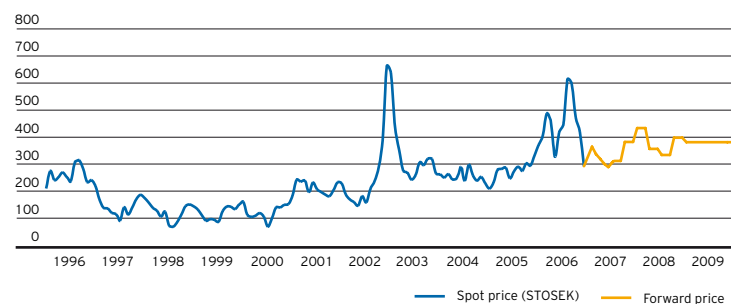
Ringhals nuclear power plant. Fossil-based generation increased by 3.9 TWh following the acquisition of the Danish combined heat and power assets. Altogether, electricity generation decreased by 4.9 TWh in 2006 compared with 2005. Heat generation was 1.8 TWh higher as a result of the acquired Danish combined heat and power assets.

Fourth quarter 2006

The 19.4% drop in operating profit (excluding items affecting comparability) compared with the fourth quarter of 2005 is mainly attributable to lower hydro and nuclear power generation, lower electricity prices at the end of the period, higher property taxes on hydro power assets and a higher tax on installed nuclear power capacity, for a combined total of SEK 469 million. Sales rose as a result of higher average wholesale electricity prices and the acquisition of Danish power generation assets.

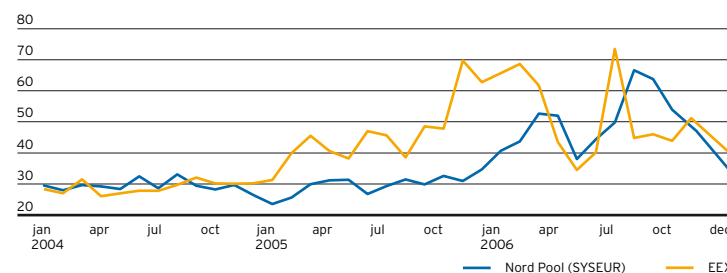
Swedish electricity prices 1996-2009
Monthly average, SEK/MWh

Source: Nord Pool
As of 31 December 2006



German and Nordic electricity spot prices
Monthly average, EUR/MWh

Source: Nord Pool and
European Energy Exchange (EEX)



Exchange rates
on page 22

Amounts in SEK million		Full year			Q 4		
		2006	2005	Change % ²	2006	2005	Change % ²
GERMANY							
Sales	▲	111,970	104,995	6.6	31,333	30,044	4.3
Operating profit	▲	13,059	10,113	29.1	1,607	2,906	-44.7
Operating profit excl. items affecting comparability	▲	12,886	10,251	25.7	1,704	3,010	-43.4
Heat generation (TWh)	▲	15.5	15.4	0.6	4.4	4.8	-8.3
Electricity generation (TWh)	▲	76.2	75.9	0.4	19.6	21.3	-8.0
- of which fossil fuel power	▲	66.5	66.4	0.2	17.0	18.7	-9.1
- of which nuclear power	▶	6.0	6.0	0	1.7	1.7	0
- of which hydro power	▼	3.4	3.5	-2.9	0.9	0.9	0
- of which biofuels and waste	▲	0.3	-	-	-	-	-
Transmitted volume (TWh) ¹	▼	27.2	28.2	-3.5	6.9	7.5	-8.0

¹ Distribution network only.

² Foreign exchange movements had a negligible impact on sales and earnings.

Full year 2006 - Sales and earnings trend

The sales increase and the improvement in operating profit are mainly attributable to higher wholesale electricity prices, a better outcome for hedged electricity generation and slightly higher production volumes. The Mining & Generation business unit, which accounts for the overwhelming majority of earnings, improved its operating profit by 64% compared with 2005. Sales contributed to a 22% rise in operating profit largely due to lower sales and administration costs. The Heat business unit improved its operating profit by approximately 33% despite stagnating heat volumes caused by warm weather. Distribution showed a strong decline of 56%. Following a ruling by the German network regulator, Bundesnetzagentur, Vattenfall was forced to lower its tariffs for the latter part of the year, which had an adverse impact on earnings. As a result of the new rules and the decision by Bundesnetzagentur, following an impairment test, the distribution assets were written down by SEK 1,019 million (EUR 110 million, of which EUR 10 million was in the fourth quarter). The Transmission business unit was also adversely affected by the new network regulations.

Fourth quarter 2006

Sales rose 4.3% compared with the fourth quarter of 2005, while operating profit fell sharply, by more than 40%. This drop is attributable in part to lower electricity and heat generation, to the write-down of network assets and certain

older real estate, for a combined total of SEK 370 million (EUR 40 million), and to various one-off provisions totalling approximately SEK 1,215 million (EUR 131 million). In December Bundesnetzagentur announced its decision regarding Vattenfall's transmission tariffs for 2007. The new tariff means a significant increase compared with the tariff for 2006.

Electricity and heat generation in 2006

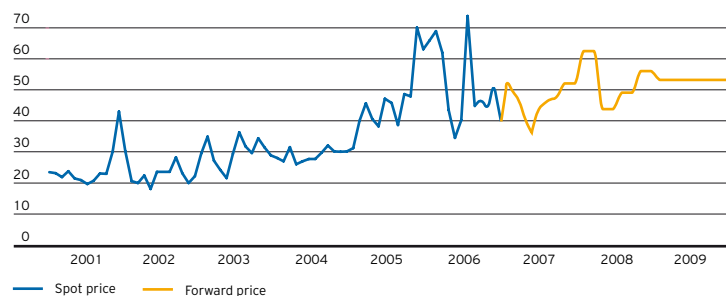
Electricity and heat generation was marginally higher in 2006 compared with 2005. Production facilities had generally favourable availability. However, heat generation was considerably lower at the end of the year due to warm weather.

Carbon dioxide emission allowances

Within the framework of the European trading system for carbon dioxide emission allowances, in Germany Vattenfall received essentially the required amount of emission allowances for the period 2005-2007. The German national allocation plan for emission allowances for the second trading period, 2008-2012, was rejected by the EU in November 2006, which is demanding a 6% reduction in emission volumes, to 453 million tonnes/year, and a ban on guaranteeing future emission allowances for new facilities.

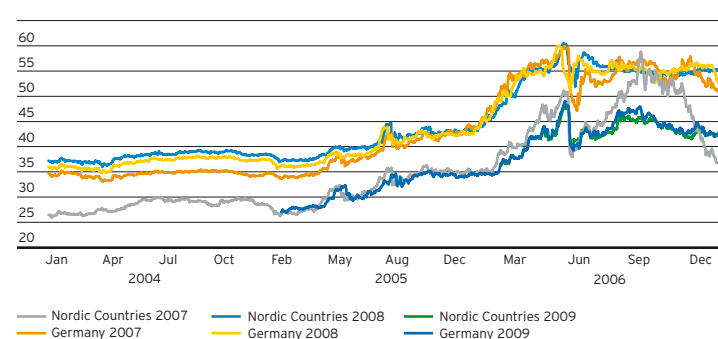
German electricity prices 2001-2009
Monthly average, EUR/MWh

Source: European Energy Exchange (EEX)
As of 31 December 2006



German and Nordic electricity futures prices
EUR/MWh

Source: Nord Pool and
European Energy Exchange (EEX)



Exchange rates
on page 22

Amounts in SEK million	Full year			Q 4		
	2006	2005	Change %	2006	2005	Change %
POLAND						
Sales	▲ 9,449	8,850	6.8	2,663	2,628	1.3
Operating profit	▲ 1,072	842	27.3	26	231	-88.7
Operating profit excl. items affecting comparability	▲ 942	808	16.6	27	186	-85.5
Heat generation (TWh)	▼ 11.2	11.4	-1.8	3.4	3.9	-12.8
Electricity generation (TWh)	▼ 3.3	3.4	-2.9	1.0	1.2	-16.7
- of which fossil fuel power	▼ 3.2	3.4	-5.9	1.0	1.2	-16.7
- of which wind power	▲ 0.1	-	-	-	-	-

Full year 2006 - Sales and earnings trend

Poland showed very favourable underlying earnings for 2006, which were up 16.6 % over 2005. Sales rose 6.8%. In local currency, the increases in sales and earnings were a few percentage points lower. The Heat business unit accounts for nearly two-thirds of operating profit. Slightly lower heat volumes caused by warm weather were compensated by higher heat tariffs and higher electricity prices. The Distribution business unit showed a considerable earnings improvement, mainly due to operational streamlining, improved gross margins, lower transmission losses and reduced electricity theft, i.e., illegal connection to the electricity network. Sales decreased due to lower volumes and poorer margins.

Fourth quarter 2006

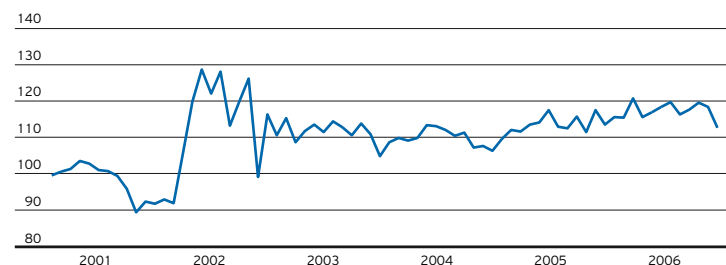
Operating profit was considerably lower in the fourth quarter compared with the same period in 2005. This is partly due to lower volumes of heat and electricity generation and partly to provisions for property taxes and waste management costs, together totalling approximately SEK 75 million. Currency movements did not have any material impact on sales and earnings.

Electricity and heat generation

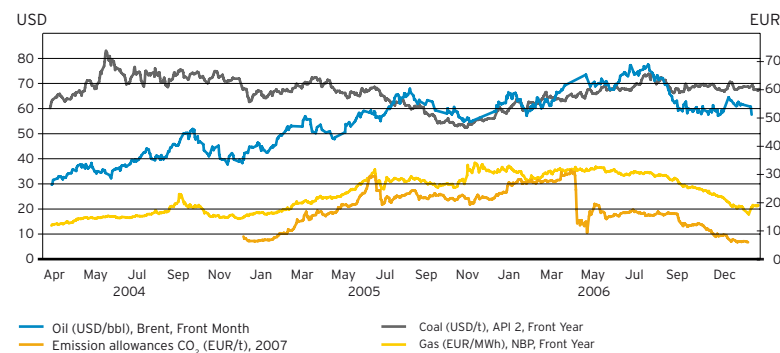
The volume of generated heat and electricity for the year as a whole was marginally lower compared with 2005. For the fourth quarter, heat as well as electricity generation was considerably lower, mainly due to warm weather.

Polish electricity prices 2001-2006
Monthly average, PLN/MWh

Source: Gielda Energii SA
As of 31 December 2006



Price development oil, coal, gas and CO₂ emissions



Exchange rates on page 22

Oil prices reached an all-time high in mid-July, but fell thereafter due to slower growth in demand, mild weather in the USA, and the absence of production disruptions in the Gulf of Mexico. Mild weather and very strong supply resulted in a sharp drop in natural gas prices. Prices of CO₂ emission allowances have fallen as a result of an over-allocation of emission allowances for the first trading period, which runs through 2007.

GROUP

Reappraisal decision by Swedish Tax Agency

Vattenfall AB has previously been the subject of an extensive tax audit focusing on Vattenfall's conversion from a public utility (affärsverk) to a limited liability company in 1992. The County Administrative Court and Administrative Court of Appeal, after appeals of previous rulings, have established that the Swedish Parliament's decision at the time of the conversion of Vattenfall into a limited liability company did not take applicable tax legislation into account to a sufficient extent.

One consequence of this, pursuant to the reappraisal decision, is that Vattenfall AB's opening balance sheet as a limited liability company has been corrected, entailing a reduction in the Group's deferred tax liability by SEK 2,443 million, with a corresponding increase in the Group's equity.

Acquisition of assets in Denmark

As per 1 July 2006, assets, liabilities and staff, etc., were transferred between Vattenfall and the Danish company DONG A/S. Assets, primarily in the form of combined heat and power plants and wind power plants, were transferred to Vattenfall from Elsam A/S and Energi E2 A/S (subsidiaries of DONG A/S) in exchange for Vattenfall's shares in Elsam A/S and Vattenfall's participation in I/S Avedöre 2.

The main parts of the new plants were acquired directly by Vattenfall A/S in Denmark (the company is 100%-owned by Vattenfall AB). Acquisitions of shares in some companies were made primarily by Vattenfall AB. The acquisition of the subsidiaries has been reported using the acquisition method of accounting, as defined in IFRS 3 – Business Combinations. As prescribed under this method, Vattenfall has allocated the total acquisition price, both for acquired assets and companies, to assets acquired and liabilities assumed based on their fair values. The fair values have been determined by applying generally accepted principles and procedures.

The value of transferred net assets amounted to SEK 13,307 million. After divestments (mainly Vattenfall's share-

holding in Elsam A/S and its participation in I/S Avedöre 2) valued at SEK 12,621 million, the net investment amounts to SEK 686 million. The valuation of assets acquired and liabilities is preliminary.

Operating profit of the acquired operations amounted to SEK 430 million for the second half of 2006.

ACCOUNTING PRINCIPLES

As of 1 January 2005, the Vattenfall Group applies International Financial Reporting Standards (IFRS) as adopted by the EU Commission for application within the EU.

The accounting principles applied are those described in Vattenfall's 2005 Annual Report (notes 2 and 3 to the consolidated accounts), apart from the following:

In the consolidated income statement, the Group's participations in associated companies' profit after tax and minority interests, adjusted for any depreciation, amortisation or utilisation of acquired surplus values and deficit values, is reported as from 2006 as "Participations in the results of associated companies". Previously the Group's share of associated companies' reported tax expense was reported as part of the Group's tax expense. All periods prior to 2006 have been restated to comply with this new principle.

Starting with Vattenfall's 2006 six-month interim report and onwards, an average of equity over the period is applied when calculating the key ratio Return on equity. Previously this same key ratio was based on equity brought forward for the period. All periods prior to the second quarter of 2006 have been restated to comply with this new principle.

In the 2006 year-end book-closing, the accounting principle for emission allowances has been changed in such way that purchased emission allowances are reported at cost as intangible assets under current assets, while emission allowances that have been received free of charge from the respective countries' authorities are stated at a value of SEK 0. As carbon dioxide is emitted, an obligation arises to deliver emission allowances to the authorities in the respective

countries. An expense and a liability are booked only in cases where the emission allowances that were received free of charge do not cover this obligation. This liability is valued in the amount at which it is expected to be settled. In previous periods, emission allowances received free of charge were stated at the time of their acquisition at fair value among inventories and as a government grant on the balance sheet, while purchased emission allowances were reported at cost among inventories. The government grant was realised as income over the year, and as carbon dioxide was emitted, an expense and a liability for the obligation to provide emission allowances was recognised. The liability was valued on the basis of inventory assets. Effects in previous periods of the above-mentioned change in accounting principle for emission allowances entails that the balance sheet total for the Vattenfall Group decreased by SEK 5,353 million as per 31 December 2005, by SEK 27,782 million as per 31 March 2006, by SEK 20,437 million as per 30 June 2006, and by SEK 20,576 million as per 30 September 2006. Gross profit and operating profit are not affected by the transition to new accounting principle.

PARENT COMPANY

The accounts of the Parent Company Vattenfall AB are prepared in accordance with Swedish GAAP, i.e., in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's Recommendation (RR 32:05) on accounting for legal entities. Vattenfall AB has adopted the exemption rule regarding IAS 39 according to RR 32:06.

Shares in subsidiaries are valued at cost. Other financial instruments are stated using the accounting principles that apply for the Group.

Sales amounted to SEK 33,049 million (26,843). This increase is due to higher price levels.

Profit before appropriations and tax was SEK 16,106 million (6,168). The increase is mainly attributable to a dividend

of approximately SEK 4.1 billion received from Ringhals AB regarding the compensation for Barsebäck 2, and to foreign exchange effects of approximately SEK 2.6 billion for hedging net investments in foreign subsidiaries.

Investments during the period amounted to SEK 2,364 million (13,052). Cash and cash equivalents totalled SEK 181 million (2,360). Funds in Group accounts managed by Vattenfall Treasury AB amounted to SEK 29,530 million (30,892).

DIVIDEND

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.

This report has not been examined by Vattenfall's auditors.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on 26 April 2007.

The Annual Report (in both Swedish and English) is expected to be published on www.vattenfall.se and www.vattenfall.com on 19 March 2007.

Printed versions of the Annual Report in Swedish and English will be distributed in early April. Copies of the printed Annual Report can be ordered from Vattenfall AB, SE-162 87 Stockholm, Sweden, telephone +46 (0)8-739 50 00, e-mail info@vattenfall.se or directly via Vattenfall's websites: www.vattenfall.se (Swedish) and www.vattenfall.com (English).

Stockholm, 8 February 2007

Vattenfall AB (publ)
The Board of Directors

Vattenfall's financial reporting in 2007

Thursday, 26 April
Interim report for January-March

Thursday, 26 July
Interim report for January-June

Wednesday, 31 October
Interim report for January-September

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www.vattenfall.com (English)
www.vattenfall.de (German)

INCOME STATEMENT

Amounts in SEK million	Q 4		Full year	
	2006	2005	2006	2005
Net sales	40,864	37,280	145,815	129,158
Cost of products sold ¹	-31,100	-26,991	-106,857	-93,636
Gross profit	9,764	10,289	38,958	35,522
Selling expenses, administrative expenses and research and development costs ²	-4,894	-4,580	-14,305	-13,134
Other operating income and expenses, net	53	4,456	1,062	4,649
Participations in the results of associated companies	299	345 ⁸	1,334	534 ⁸
Operating profit (EBIT)³	5,222	10,510 ⁸	27,049	27,571 ⁸
Financial income ⁴	1,520	1,903	3,839	3,810
Financial expenses ⁵	-1,663	-1,494	-5,363	-5,221
Profit before tax⁶	5,079	10,919 ⁸	25,525	26,160 ⁸
Income tax expense	1,530	-744 ⁸	-5,667	-5,642 ⁸
Profit for the period⁷	6,609	10,175	19,858	20,518
Attributable to				
Equity holders of the Parent Company	6,318	9,444	18,729	19,235
Minority interests	291	731	1,129	1,283
Total	6,609	10,175	19,858	20,518
Earnings per share				
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700
Earnings per share (SEK)	47.97	71.71	142.21	146.05
Additional information				
Operating profit before depreciation and amortisation (EBITDA)	9,846	14,429 ⁸	43,166	42,383 ⁸
Financial items, net excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	-470	-236	-1,618	-1,440
¹ Of which, depreciation, amortisation and impairment losses	-3,956	-3,713	-15,007	-14,290
² Of which, depreciation, amortisation and impairment losses	-668	-206	-1,110	-522
³ Including items affecting comparability attributable to:				
- capital gains/losses	-36	-57	373	-71
- closure of Barsebäck 2	-	3,057	-	3,057
⁴ Including returns from the Swedish Nuclear Waste Fund	756	1,151	2,106	2,089
⁵ Including discounting effects attributable to provisions excl. of pension provisions	-429	-465	-2,012	-2,060
⁶ Including items affecting comparability attributable to:				
- capital gains/losses	-25	-58	384	-63
- closure of Barsebäck 2	-	3,057	-	3,057
⁷ Including items affecting comparability stated above adjusted for tax	30	3,164	386	3,154

⁸ These figures are adjusted compared to previously published information in Vattenfall's 2005 Year-end Report and Annual Report. See page 12 under the heading Accounting Principles.

PRIMARY SEGMENTS

Amounts in SEK million	Net sales				Operating profit (EBIT)				Operating profit (EBIT) excl. items affecting comparability						
	2006	Q 4		Full year		2006	Q 4		Full year		2006	Q 4		Full year	
		2005 ³	2006	2005	2006		2005 ³	2006	2005 ³	2006		2005 ³	2006	2005 ³	
Nordic countries	13,625	11,609	49,205	42,021	3,336	7,121	13,287	16,794	3,274	4,062	13,217	13,704			
Germany	31,333	30,044	111,970	104,995	1,607	2,906	13,059	10,113	1,704	3,010	12,886	10,251			
Poland	2,663	2,628	9,449	8,850	26	231	1,072	842	27	186	942	808			
Other ¹	16,661	6,809	62,912	44,563	209	252	-413	-178	209	252	-413	-178			
Eliminations ²	-23,418	-13,810	-87,721	-71,271	44	-	44	-	44	-	44	-			
Total	40,864	37,280	145,815	129,158	5,222	10,510	27,049	27,571	5,258	7,510	26,676	24,585			

¹ Includes Energy Trading activities, Treasury operations and Other Group functions. Operating profit includes changes in market figures for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised, other segments are affected.

² Chiefly concerns trade between the Nordic countries and Germany and Energy Trading activities in the segment Other.

³ Certain figures are adjusted compared to previously published information in Vattenfall's 2005 Year-end Report and Annual Report. See page 12 under the heading Accounting Principles.

SECONDARY SEGMENTS

Amounts in SEK million	Net sales				Operating profit (EBIT)				Operating profit (EBIT) excl. items affecting comparability						
	2006	Q 4		Full year		2006	Q 4		Full year		2006	Q 4		Full year	
		2005	2006	2005	2006		2005 ³	2006	2005 ³	2006		2005 ³	2006	2005 ³	
Electricity Generation	20,033	16,667	75,265	57,414	5,058	8,596	19,762	19,751	5,049	5,559	19,776	16,742			
Electricity Markets ¹	23,912	22,137	93,766	73,262	-81	484	355	1,172	-118	484	169	1,171			
Electricity Networks	15,429	14,090	51,574	50,813	103	837	3,947	5,288	141	934	3,985	5,373			
Heat	6,527	6,636	23,262	20,925	874	1,279	4,130	3,494	917	1,329	4,250	3,540			
Other	2,350	2,212	7,299	7,278	-732	-686	-1,145	-2,134	-731	-796	-1,504	-2,241			
Eliminations ²	-27,387	-24,462	-105,351	-80,534	-	-	-	-	-	-	-	-			
Total	40,864	37,280	145,815	129,158	5,222	10,510	27,049	27,571	5,258	7,510	26,676	24,585			

¹ Includes Sales and Energy Trading activities. Operating profit includes changes in market figures for electricity trading. These are reported in Energy Trading until the amounts are realised. When the amounts are realised the segment Electricity Generation is the main segment affected.

² Chiefly concerns trade between Electricity Generation, Electricity Markets and Electricity Networks.

³ Certain figures are adjusted compared to previously published information in Vattenfall's 2005 Year-end Report and Annual Report. See page 12 under the heading Accounting Principles.

BALANCE SHEET

Amounts in SEK million	31 December	
	2006	2005
Assets		
Non-current assets		
Intangible assets: non-current	4,260	5,267
Property, plant and equipment	201,328	189,016
Other non-current assets	46,305	65,681
Total non-current assets	251,893	259,964
Current assets		
Inventories	9,384	7,314 ¹
Intangible assets: emission allowances	746	–
Trade receivables and other receivables	32,499	37,947
Prepaid expenses and accrued income	4,338	4,459
Current tax assets	2,138	1,310
Short-term investments	7,534	8,025
Cash and cash equivalents	14,634	6,049
Total current assets	71,273	65,104
Total assets	323,166	325,068
Equity and liabilities		
Equity		
Attributable to equity holders of the Parent Company	96,589	80,565 ¹
Attributable to minority interests	11,085	10,344
Total equity	107,674	90,909¹
Non-current liabilities		
Capital Securities	8,911	9,268
Other interest-bearing liabilities	46,868	59,865
Interest-bearing provisions	45,364	42,976
Pension provisions	16,877	17,432
Deferred tax liabilities	29,875	39,927 ¹
Other non-interest-bearing liabilities	2,320	2,425
Total non-current liabilities	150,215	171,893¹
Current liabilities		
Trade payables and other liabilities	27,676	33,906
Accrued expenses and deferred income	14,367	12,040 ¹
Current tax liabilities	3,585	2,075
Interest-bearing liabilities	15,796	9,530
Interest-bearing provisions	3,853	4,715
Total current liabilities	65,277	62,266
Total equity and liabilities	323,166	325,068
Pledged assets	4,129	2,254
Contingent liabilities	23,253	16,371

¹ These figures are adjusted compared to previously published information in Vattenfall's 2005 Year-end Report and Annual Report. See page 12 under the heading Reappraisal decision by Swedish Tax Agency and Accounting Principles, respectively.

ADDITIONAL INFORMATION
Net assets

Amounts in SEK million	31 December	
	2006	2005
Nordic countries	81,687	77,190
Germany	61,818	68,717
Poland	8,812	9,295
Other ¹	-4,405	-2,034
Eliminations	2,053	2,069
Total net assets on balance sheet date	149,965	155,237
Net assets, weighted average value	151,155	143,001

¹ Includes Energy Trading activities, Treasury operations and Other Group functions.

Net debt

Amounts in SEK million	31 December	
	2006	2005
Capital Securities	-8,911	-9,268
Other interest-bearing liabilities ¹	-62,664	-69,395
Cash and cash equivalents	14,634	6,049
Short-term investments	7,534	8,025
Loans to minority owners in foreign subsidiaries	-	246
Total net debt	-49,407	-64,343
	-10,951	-13,731

¹ Of which, loans from minority-owned German nuclear power companies.

CASH FLOW STATEMENT

Amounts in SEK million	Q 4		Full year	
	2006	2005	2006	2005
Operating activities				
Funds from operations (FFO)	9,527	12,674	35,673	31,386
Cash flow from changes in operating assets and operating liabilities	481	-8,698	-466	-6,963
Cash flow from operating activities	10,008	3,976	35,207	24,423
Investment activities				
Investments	-6,116	-4,729	-16,534	-24,497
Divestments	301	461	1,720	785
Net investments as a result of the deal between Vattenfall and DONG ¹	-	-	-686	-
Cash and cash equivalents in acquired/divested companies	7	17	-147	17
Cash flow from investment activities	-5,808	-4,251	-15,647	-23,695
Cash flow before financing activities	4,200	-275	19,560	728
Financing activities				
Changes in short-term investments	239	243	161	-25
Changes in loans to minority owners in foreign subsidiaries	104	88	242	3,864
Loans raised ²	6,979	-1,623	8,187	1,562
Amortisation of debt	-5,506	-1,007	-13,495	-9,667
Issue of Capital Securities	-	-	-	9,248
Contribution from minority intersets	2	-	55	-
Dividends paid to equity holders	-2	-3	-5,892	-5,778
Cash flow from financing activities	1,816	-2,302	-10,742	-796
Cash flow for the period	6,016	-2,577	8,818	-68
Cash and cash equivalents				
Cash and cash equivalents at the beginning of the period	8,790	8,596	6,049	5,916
Cash flow for the period	6,016	-2,577	8,818	-68
Exchange rate differences	-172	30	-233	201
Cash and cash equivalents at the end of the period	14,634	6,049	14,634	6,049
ADDITIONAL INFORMATION				
Cash flow before financing activities	4,200	-275	19,560	728
Financing activities				
Dividends paid to equity holders	-2	-3	-5,892	-5,778
Contribution from minority intersets	2	-	55	-
Cash flow after dividend	4,200	-278	13,723	-5,050
Analysis of change in net debt				
Net debt at beginning of the period	-55,380	-63,800	-64,343	-55,411
Transitional effect of adoption of new accounting principles (IAS 39)	-	-	-	-584
Cash flow after dividend	4,200	-278	13,723	-5,050
Changes as a result of valuation at fair value	370	434	1,458	-10
Interest-bearing liabilities acquired as a result of the deal between Vattenfall and DONG	122	-	-2,893	-
Exchange rate differences on net debt	1,281	-699	2,648	-3,288
Net debt at the end of the period	-49,407	-64,343	-49,407	-64,343
Free cash flow	5,714	389	23,178	14,341

¹ Net investments as a result of the deal between Vattenfall and DONG entails that Vattenfall acquired net assets and shares valued at SEK 13,307 million, which are reported net above against the value of sold assets (primarily shares in Elsam A/S and the participation in I/S Avedøre 2), which were transferred to DONG at a value of SEK 12,621 million.

² Net of short-term borrowings in which the duration is three months or shorter.

CHANGES IN EQUITY

Amounts in SEK million	Full year 2006		
	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity
Balance brought forward 2005	80,565	10,344	90,909
Cash flow hedges	4,577	6	4,583
Hedging of net investments in foreign operations	1,856	-	1,856
Translation differences	-3,338	-265	-3,603
Income, net, recognised directly in equity	3,095	-259	2,836
Profit for the period	18,729	1,129	19,858
Total recognised income and expense for the period	21,824	870	22,694
Dividends paid to equity holders	-5,800	-92	-5,892
Group contributions from/to(-) minority, net after tax	-	114	114
Changes in ownership	-	-151	-151
Balance carried forward	96,589²	11,085	107,674

Amounts in SEK million	Full year 2005		
	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity
Balance carried forward reported in 2004	72,994	10,114	83,108
Correction of retained earnings ¹	2,443	-	2,443
Transitional effect of adoption of new accounting principles (IAS 39)	-416	-24	-440
Cash flow hedges	-10,124	-116	-10,240
Hedging of net investments in foreign operations	-1,639	-	-1,639
Translation differences	3,765	291	4,056
Income, net, recognised directly in equity	-7,998	175	-7,823
Profit for the period	19,235	1,283	20,518
Total recognised income and expense for the period	11,237	1,458	12,695
Dividends paid to equity holders	-5,600	-178	-5,778
Transfers within equity	-93	93	-
Group contributions from/to(-) minority, net after tax	-	-119	-119
Changes in ownership	-	-1,000	-1,000
Balance carried forward	80,565³	10,344	90,909

¹ The balance brought forward has increased by 2,443 SEK million according to a reappraisal decision by Swedish Tax Agency. See page 12 under the heading Reappraisal decision by Swedish Tax Agency.

² Of which, Reserve for cash flow hedges, SEK -5,821 million.

³ Of which, Reserve for cash flow hedges, SEK -10,388 million.

KEY RATIOS (Definitions on pages 23 - 24)

(in % unless otherwise stated)	Q 4		Full year	
	2006	2005 ²	2006	2005 ²
Operating margin	12.8	28.2	18.6	21.3
Operating margin ¹	12.9	20.1	18.3	19.0
Pre-tax profit margin	12.4	29.3	17.5	20.3
Pre-tax profit margin ¹	12.5	21.2	17.2	17.9
Return on equity	-	-	19.1	23.2
Return on equity ¹	-	-	18.7	19.4
Return on net assets	-	-	16.6	17.8
Return on net assets ¹	-	-	16.3	15.8
Interest coverage ratio, times	4.9	11.0	8.6	9.3
Interest coverage ratio, times ¹	4.9	8.1	8.5	8.3
FFO interest coverage ratio, times	8.7	13.3	11.6	10.9
FFO interest coverage ratio, net, times	21.3	54.7	23.0	22.8
Cash flow interest coverage after maintenance investments, times	5.6	1.4	7.9	5.5
Equity/assets ratio	33.3	28.0	33.3	28.0
Net debt/equity ratio, times	0.46	0.71	0.46	0.71
Net debt/net debt plus equity	31.5	41.4	31.5	41.4
Interest-bearing liabilities/interest-bearing liabilities plus equity	39.9	46.4	39.9	46.4
FFO/interest-bearing liabilities	-	-	49.8	39.9
FFO/net debt	-	-	72.2	48.8
EBITDA/net financial items, times	20.9	61.1	26.7	29.4
EBITDA/net financial items, times ¹	21.0	48.4	26.4	27.4

¹ Excl. items affecting comparability.

² Certain figures are adjusted compared to previously published information in Vattenfall's 2005 Year-end Report and Annual Report.
See page 12 under the headings Reappraisal decision by Swedish Tax Agency and Accounting Principles, respectively.

QUARTERLY INFORMATION

Amounts in SEK million	Q 4 2006	Q 3 2006 ²	Q 2 2006 ²	Q 1 2006 ²	Q 4 2005 ²	Q 3 2005 ²	Q 2 2005 ²	Q 1 2005 ²
Income statement								
Net sales	40,864	30,875	33,644	40,432	37,280	27,550	29,292	35,036
Cost of products sold	-31,100	-24,841	-25,157	-25,759	-26,991	-21,455	-20,275	-24,915
Other operating expenses and operating revenues, net	-4,841	-2,798	-2,963	-2,641	-124	-3,088	-4,118	-1,155
Participations in the results of associated companies	299	68	310	657	345	56	7	126
Operating profit before depreciation and amortisation (EBITDA)	9,846	7,960	9,245	16,115	14,429	6,567	8,868	12,519
Operating profit (EBIT)	5,222	3,304	5,834	12,689	10,510	3,063	4,906	9,092
Financial items, net	-143	-343	-559	-479	409	-447	-783	-590
Financial items, net ¹	-470	-544	-348	-256	-236	-262	-559	-383
Profit before tax	5,079	2,961	5,275	12,210	10,919	2,616	4,123	8,502
Profit for the period								
- of which, attributable to equity holders of the Parent Company	6,318	1,726	3,183	7,502	9,444	1,814	2,793	5,184
- of which, attributable to minority interests	291	145	216	477	731	43	124	385
Balance sheet								
Non-current assets	251,893	266,242	259,325	261,725	259,964	254,392	260,230	241,525
Short-term investments	7,534	7,948	7,628	7,692	8,025	8,219	9,300	7,465
Cash and cash equivalents	14,634	8,790	7,077	10,234	6,049	8,596	5,653	8,485
Other current assets	49,105	44,805	44,820	54,473	51,030	45,896	44,176	40,984
Total assets	323,166	327,785	318,850	334,124	325,068	317,103	319,359	298,459
Equity	107,674	94,118	92,865	93,386	90,909	82,940	82,041	88,987
- of which, attributable to equity holders of the Parent Company	96,589	83,480	82,430	82,722	80,565	73,331	71,398	78,449
- of which, attributable to minority interests	11,085	10,638	10,435	10,664	10,344	9,609	10,643	10,538
Capital Securities	8,911	9,120	9,074	9,241	9,268	9,176	9,248	-
Other interest-bearing liabilities	62,664	63,102	59,968	65,396	69,395	71,745	78,110	71,389
Interest-bearing provisions	49,217	48,412	46,899	47,479	47,691	45,466	45,787	45,372
Pension provisions	16,877	17,345	17,211	17,486	17,432	17,222	17,337	16,720
Deferred tax liabilities	29,875	40,104	39,202	39,354	39,927	42,191	41,784	40,056
Other non-interest-bearing liabilities	47,948	55,584	53,631	61,782	50,446	48,363	45,052	35,935
Total equity and liabilities	323,166	327,785	318,850	334,124	325,068	317,103	319,359	298,459
Net assets	149,965	150,369	147,383	154,266	155,237	145,834	148,946	133,796
Net debt	-49,407	-55,380	-54,179	-56,474	-64,343	-63,800	-68,307	-51,395
Cash flow								
Funds from operations (FFO)	9,527	5,625	7,240	13,281	12,674	3,921	6,020	8,771
Cash flow from changes in operating assets and operating liabilities	481	1,769	1,889	-4,605	-8,698	3,817	-816	-1,266
Cash flow from operating activities	10,008	7,394	9,129	8,676	3,976	7,738	5,204	7,505
Cash flow from investment activities	-5,808	-5,107	-2,647	-2,085	-4,251	-4,359	-13,374	-1,711
Cash flow before financing activities	4,200	2,287	6,482	6,591	-275	3,379	-8,170	5,794
Changes in short-term investments	239	-287	-97	306	243	1,086	-1,709	355
Loans raised/Amortisation of debt, net	1,579	-325	-3,564	-2,701	-2,542	-1,550	3,465	-3,614
Issue of Capital Securities	-	-	-	-	-	-	9,248	-
Dividend paid to shareholders	-2	-22	-5,867	-1	-3	-4	-5,771	-
Cash flow from financing activities	1,816	-634	-9,528	-2,396	-2,302	-468	5,233	-3,259
Cash flow for the period	6,016	1,653	-3,046	4,195	-2,577	2,911	-2,937	2,535
Free cash flow	5,714	3,722	6,729	7,013	389	5,129	2,809	6,014

¹ Excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund.

² Certain figures are adjusted compared to previously published information. See page 12.

KEY RATIOS (Definitions on pages 23 - 24)

(in % unless otherwise stated)	Q 4 2006	Q 3 2006 ³	Q 2 2006 ³	Q 1 2006 ³	Q 4 2005 ³	Q 3 2005 ³	Q 2 2005 ³	Q 1 2005 ³
Return on equity ²	19.1	23.0	24.1	24.7	23.2	14.8	14.1	12.7
Return on equity ^{1, 2}	18.7	19.3	20.2	20.9	19.4	15.7	15.5	14.2
Return on net assets ²	16.6	20.0	19.9	19.6	17.8	13.9	13.5	12.6
Return on net assets ^{1, 2}	16.3	17.7	17.7	17.4	15.8	14.8	14.8	14.1
Interest coverage ratio, times	4.9	5.3	8.5	17.5	11.0	5.1	6.2	15.2
Interest coverage ratio, times ¹	4.9	5.3	8.3	17.2	8.1	5.1	6.2	15.2
Equity/assets ratio	33.3	28.7	29.1	27.9	28.0	26.2	25.7	29.8
Net debt/equity ratio, times	0.46	0.59	0.58	0.60	0.71	0.77	0.83	0.58
Net debt/net debt plus equity	31.5	37.0	36.8	37.7	41.4	43.5	45.4	36.6
FFO/interest-bearing liabilities ²	49.8	53.8	53.8	48.1	39.9	31.5	27.9	33.7
FFO/net debt ²	72.2	70.1	68.5	63.6	48.8	40.0	35.7	46.8

¹ Excl. items affecting comparability.

² Last 12-month figures.

³ Certain figures are adjusted compared to previously published information. See page 12.

KEY RATIOS RENEWABLE ENERGY GENERATION IN THE NORDIC COUNTRIES

Amount in SEK million	Wind power		Hydro power ¹		Heat		Total	
	Full year 2006	Full year 2005	Full year 2006	Full year 2005	Full year 2006	Full year 2005	Full year 2006	Full year 2005
Operating profit	61.5	3.8	117.1	70.3	253.2	285.3	431.7	359.4
Investments	3,793.4	18.4	23.3	21.0	315.1	512.3	4,131.8	551.7
Non-current assets	5,627.9	380.0	271.8	239.2	3,822.0	3,754.9	9,721.7	4,374.1
Return on non-current assets, (%)	2.0	1.0	43.1	29.4	6.6	7.6	6.1	8.2

¹ Hydro power that is entitled to Swedish electricity certificates.

The profit for the Heat operations varies considerably during the year. The greater part of the year's profit is generated during the first and fourth quarters, when demand for heating is at its highest. Return calculations take into account the consolidation of the Danish operations (wind power and heat) as from 1 July.

EXCHANGE RATES

Key exchange rates applied in the accounts of the Vattenfall Group:

	Q 4		Full year		31 December	
	2006	2005	2006	2005	2006	2005
Average rate						
EUR	9.1518	9.4613	9.2617	9.2812	9.0500	9.4300
DKK	1.2278	1.2683	1.2418	1.2456	1.2135	1.2640
NOK	1.1091	1.1968	1.1516	1.1559	1.0945	1.1760
PLN	2.3575	2.4150	2.3769	2.3062	2.3600	2.4400
USD	7.0833	7.9290	7.3794	7.4455	6.8700	7.9530
Balance sheet date rate						
EUR					9.0500	9.4300
DKK					1.2135	1.2640
NOK					1.0945	1.1760
PLN					2.3600	2.4400
USD					6.8700	7.9530

DEFINITIONS

EBIT	=	Earnings Before Interest and Tax.		
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation.		
FFO	=	Funds From Operations.		
Items affecting comparability	=	Non-recurring capital gains and capital losses from shares and other non-current assets. For 2005, the compensation received from the Swedish state for the closure of Barsebäck 2 and relevant costs for the impairment losses of the assets are also reported as items affecting comparability.		
Free cash flow	=	Cash flow from operating activities minus maintenance investments.		
Capital Securities	=	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt. Reported as interest-bearing non-current liabilities.		
Net assets	=	Balance sheet total minus non-interest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, short-term investments.		
Net debt	=	Interest-bearing liabilities minus long-term loans to minority owners in foreign subsidiaries, cash and cash equivalents, short-term investments.		
Operating margin, %	= 100x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{27,049}{145,815}$	= 18.6
Operating margin excl. items affecting comparability, %	= 100x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{26,676}{145,815}$	= 18.3
Pre-tax profit margin, %	= 100x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{25,525}{145,815}$	= 17.5
Pre-tax profit margin excl. items affecting comparability, %	= 100x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{25,141}{145,815}$	= 17.2
Return on equity, %	= 100x	$\frac{\text{Profit for the period attributable to equity holders of the Parent Company}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{18,729}{97,951}$	= 19.1
Return on equity excl. items affecting comparability, %	= 100x	$\frac{\text{Profit for the period attributable to equity holders of the Parent Company excl. Items affecting comparability}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{18,343}{97,951}$	= 18.7
Return on net assets, %	= 100x	$\frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of the net assets for the period}}$	$\frac{25,037}{151,155}$	= 16.6
Return on net assets excl. items affecting comparability, %	= 100x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of the net assets for the period}}$	$\frac{24,664}{151,155}$	= 16.3
Interest coverage ratio, times	=	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{28,782}{3,351}$	= 8.6

Interest coverage ratio excl. items affecting comparability, times	=	Operating profit (EBIT) excl. items affecting comparability + financial income excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	28,409	= 8.5
		Financial expenses excl. discounting effects attributable to provisions	3,351	
FFO interest coverage ratio, times	=	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	39,024	= 11.6
		Financial expenses excl. discounting effects attributable to provisions	3,351	
FFO interest coverage ratio, net, times	=	Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	37,291	= 23.0
		Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	1,618	
Cash flow interest coverage after maintenance investments, times	=	Cash flow from operating activities minus maintenance investments + financial expenses excl. discounting effects attributable to provisions	26,529	= 7.9
		Financial expenses excl. discounting effects attributable to provisions	3,351	
Equity/assets ratio, %	= 100x	Equity	107,674	= 33.3
		Balance sheet total	323,166	
Net debt/equity ratio, times	=	Net debt	49,407	= 0.46
		Equity	107,674	
Net debt/net debt plus equity, %	= 100x	Net debt	49,407	= 31.5
		Net debt + equity	157,081	
Interest-bearing liabilities/interest-bearing liabilities plus equity, %	= 100x	Interest-bearing liabilities	71,575	= 39.9
		Interest-bearing liabilities + equity	179,249	
FFO/interest-bearing liabilities, %	= 100x	Funds from operations (FFO)	35,673	= 49.8
		Interest-bearing liabilities	71,575	
FFO/net debt, %	= 100x	Funds from operations (FFO)	35,673	= 72.2
		Net debt	49,407	
EBITDA/net financial items, times	=	Operating profit before depreciation and amortisation (EBITDA)	43,166	= 26.7
		Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	1,618	
EBITDA excl. items affecting comparability/net financial items, times	=	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	42,793	= 26.4
		Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	1,618	