



# 2007

## YEAR-END REPORT 2007

- Net sales rose 5.8% to SEK 143,639 million (135,802)
- Operating profit rose 2.7% to SEK 28,583 million (27,821)
- Profit for the year (after tax) rose 4.2% to SEK 20,686 million (19,858)
- Operating profit for the fourth quarter rose 24.7% to SEK 6,752 million (5,413)

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## Financial calendar 2008

Year-end report 2007

7 February

Interim report January–March

29 April

Interim report January–June

30 July

Interim report January–September

30 October

## 2008 Annual General Meeting

29 April in Stockholm

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This is a translation of the Swedish original.  
In the event of any discrepancy, the Swedish  
version shall take precedence.

All comparison figures in this report pertain  
to the full year 2006, unless indicated otherwise.

Cover photo: Leszek Merta, foreman at Vattenfall's  
Siekierki combined heat and power plant in Poland.

Production: Vattenfall AB in co-operation  
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# STABLE EARNINGS, BUT MOUNTING CHALLENGES

- Net sales rose 5.8% to SEK 143,639 million (135,802)
- Operating profit rose 2.7% to SEK 28,583 million (27,821)<sup>1</sup>
- Profit for the year (after tax) rose 4.2% to SEK 20,686 million (19,858)
- Operating profit for the fourth quarter rose 24.7% to SEK 6,752 million (5,413)<sup>1</sup>

<sup>1</sup>) Operating profit for 2006 and for quarters 1–3 in 2007 has been restated compared with what was reported in previous reports, due to the fact that the interest component of pension costs has been reclassified from an operating expense to a financial expense. For the full year 2007 and 2006, this cost amounted to SEK 811 million and SEK 772 million, respectively, while for the fourth quarter it amounted to SEK 205 million and SEK 191 million, respectively.

## Full year 2007 – net sales, profit, cash flow and debt Stable earnings and lower debt

Operating profit rose 2.7% to SEK 28,583 million (27,821). The earnings improvement is attributable primarily to German electricity generation and is explained by a high level of available capacity of coal-fired plants and better prices received on the European Energy Exchange in Germany. In the Nordic countries, hedging also helped offset the effects of lower spot prices, but operating profit nevertheless decreased by 5.2%. Costs for the major storm “Per” at the start of the year, restructuring costs in the Distribution business unit and impairment losses for a combined heat and power plant in Finland – together totalling SEK 645 million – burdened profit for the Nordic countries. Earnings for Poland improved slightly, mainly due to currency effects. Consolidated net sales rose 5.8% to SEK 143,639 million (135,802). Profit for the year (after tax) rose 4.2% to SEK 20,686 million (19,858). Return on equity was 17.6% (19.1%), and the return on net assets was 16.6% (17.1%). The FFO cash flow interest coverage ratio after maintenance investments decreased to 6.4% (7.9%). Net debt decreased by SEK 5,667 million to SEK 43,740 million. The net debt/equity ratio was 35.2% (45.9%) at 31 December 2007. Cash flow before financing decreased to SEK 14,294 million (19,560), and free cash flow decreased

to SEK 19,650 million (23,178). This is mainly due to higher investments, SEK 2,430 million, and a change in margin calls on the European Energy Exchange (EEX) in Germany, of SEK 1,100 million.

Earnings were charged with one-off impairment losses totalling SEK 1,770 million, mainly in Electricity Generation in Germany (SEK 1,100 million) and Distribution Germany (SEK 462 million).

## Electricity and heat generation in 2007

### Sharp rise in wind power generation

Vattenfall’s total electricity generation increased by 1.3% in 2007, to 167.6 TWh (165.4). Hydro power generation increased by 4.0% to 36.6 TWh (35.2), due to improved water levels. Nuclear power generation decreased by 7.1% to 51.3 TWh (55.2), mainly due to the outage at the Brunsbüttel plant in Germany during the second half of the year. (The outage at the 50%-owned Krümmel nuclear power plant in Germany did not affect consolidated volumes, since the plant is not consolidated in Vattenfall’s accounts.) Fossil-based power increased by 5.3% to 77.7 TWh (73.9), and wind power increased by 117% to 1.3 TWh (0.6). Electricity generation based on biofuels and waste was unchanged at 0.6 TWh. Heat production increased by 2.8% to 36.2 TWh (35.2). The increases in

fossil-based power, wind power and heat production are mainly attributable to the combined heat and power and wind power assets that were acquired in Denmark. These have been consolidated by Vattenfall as from 1 July 2006 and were therefore included only for six months in the 2006 year-end accounts. For more information on the respective markets, see pages 11–14.

## Fourth quarter 2007

### Operating profit up nearly 25%

Net sales decreased by 2.8% to SEK 38,329 million (39,428), while operating profit rose 24.7% to SEK 6,752 million (5,413). All business groups showed improved earnings. Profit for the period (after tax) decreased by 44.4% to SEK 3,676 million (6,609), mainly due to a major tax refund in Germany that was received during the fourth quarter of 2006, which resulted in a positive tax effect of SEK 1,530 million for the Group. Cash flow before financing activities was SEK 1,919 million, compared with SEK 4,200 million a year earlier. The decrease is mainly due to higher investments and a change in margin calls on EEX.

Electricity generation decreased marginally to 44.7 TWh (44.8). Hydro power decreased by 8.9%, nuclear power decreased by 5.4%, and fossil-based power increased by 5.8%. Wind power generation was unchanged. Heat

production rose 17.4%. The exact figures and a breakdown by the respective markets are provided on pages 11–14.

## Market trend 2007

### Fluctuating spot prices and rising forward prices

Spot prices for electricity fluctuated sharply during the year. High water levels, mild weather and lower prices for CO<sub>2</sub> emission allowances led to a sharp drop in electricity prices in the Nordic countries and also in Germany to a lesser extent. During the fourth quarter, prices turned upward as a result of limited generation capacity on the Continent, higher coal and oil prices, and slightly lower water levels in the Nordic countries. The hydrological balance in the Nordic countries showed an average surplus of 12.7 TWh for the full year 2007, compared with a deficit of 18.2 TWh in 2006. The average spot price on Nord Pool in 2007 was EUR 27.95/MWh, which was 43% lower than in 2006. The average price during the fourth quarter was EUR 42.7/MWh, which is roughly the same as the corresponding period in 2006. In Germany the average spot price (EEX base load) in 2007 was EUR 38.0/MWh, which was 25% lower than in 2006. The average spot price in Germany for the fourth quarter was EUR 57.8/MWh, which was 29% higher than the corresponding period in 2006. In Poland, the electricity market is still in a development stage, with low turnover and limited liquidity. Polish spot prices were essentially unchanged compared with 2006.

Forward prices showed a rising trend during the entire year, both in the Nordic countries and in Germany, mainly due to a steady rise in coal and oil prices. Forward prices for contracts in 2008 and 2009 in the Nordic market closed the year at EUR 50.0/MWh and EUR 51.7/MWh, respectively. In Germany, corresponding forward prices closed the year at EUR 61.3/MWh and EUR 61.5/MWh, respectively. The forward price for emission allowances for 2008 closed at year-end 2007 at EUR 22.3/tonne, which is 24% higher than the quotation for the same contacts at year-end 2006.

Price charts can be found under the respective market sections on pages 12–14.

## Important events during the fourth quarter of 2007

### New joint unit for coal purchasing established in Copenhagen

In October Vattenfall announced that all purchases of hard coal will be centralised in the Group's trading unit, Vattenfall Trading Services. The new purchasing function, which was started on 1 January 2008 in Copenhagen, is responsible for all physical and financial coal and freight transactions on behalf of the entire Vattenfall Group. Through this move, Vattenfall has taken advantage of cross-border synergies gained through the optimisation of storage and freight capacities.

### Lillgrund wind farm on stream

At the end of the year, Vattenfall finished construction of Sweden's largest wind farm and the world's third-largest offshore wind farm – Lillgrund – located in the Oresund Strait between Malmö and Copenhagen. The plant comprises 48 wind turbines with combined installed capacity of 110 MW and production output equivalent to the electricity consumption of 60,000 Swedish households. The Lillgrund wind farm is a key part of Vattenfall's investment in renewable electricity generation.

## Vattenfall and Sveaskog announce Sweden's largest wind power venture

Vattenfall and the forestry company Sveaskog announced in November a co-operation arrangement for the largest wind power investment ever in Sweden. The venture could result in 550 wind power turbines with combined capacity of 1,500 MW and electricity production output of 4 TWh, which would account for approximately 3% of Sweden's total electricity generation and meet the electricity consumption of 800,000 households.

## Vattenfall integrates operations in Germany and Poland

In December Vattenfall announced that it is integrating its German and Polish operations into the new Business Group Central Europe, effective 1 January 2008. As integration of the European energy market gains momentum, Vattenfall must anticipate future challenges and adapt its organisational and leadership structure accordingly. The European energy market is developing from national markets toward regional markets as a step towards a totally integrated market. It is therefore natural that we further integrate our activities in Germany and Poland and thereby strengthen our position for continued growth in Central Europe. Tuomo Hatakka, previously Head of Business Group Poland, has been appointed Head of the new Business Group Central Europe.

Strategic ambition	Long-term goal	Goal 2008–2010
Number One for the Customer	Customer Satisfaction Index score of 70 for retail customers.	Customer Satisfaction Index score of 63 for retail customers.
Number One for the Environment	Halve CO <sub>2</sub> emissions by 2030 compared with 1990 levels (g/kWh.)	3% reduction in CO <sub>2</sub> emissions (approx. 1 million tonnes/year).
Profitable Growth	10% market share in the future, integrated European energy market.	10% increase in market share in electricity and heat generation.
Benchmark for the Industry	Vattenfall will belong to the upper quartile in the industry.	11% improvement in productivity, corresponding to cost reduction of SEK 5 billion from 2006 level.
Employer of Choice	Commitment score of 81.	Commitment score of 75.

### **New operational targets for Vattenfall's five strategic ambitions**

Vattenfall has adopted long- and medium-term targets for each of the Group's strategic ambitions (see table on page 4). (Further information will be provided in Vattenfall's 2007 Annual Report.)

### **Important events earlier in 2007**

#### **Strongly expanded investment programme**

Early in the year, Vattenfall unveiled an investment programme worth SEK 134 billion for the period 2007–2011 – an increase of SEK 30 billion compared with the five-year period 2006–2010. See page 10 for the investment programme for the five-year period 2008–2012.

#### **Vattenfall launches global 3C initiative and Global Climate Impact Abatement Map**

In January 2007 Vattenfall took two more steps in its work on curbing greenhouse gas emissions toward the goal of contributing to a long-term solution to climate change. Together with representatives from a number of international corporations we presented the global 3C initiative – Combating Climate Change – which calls for climate issues to be integrated into the world of markets and trade. To date more than 50 companies have joined us on this initiative. (Read more at [www.combatclimatechange.org](http://www.combatclimatechange.org).) In connection with this, we launched an in-depth study – the “Global Climate Impact Abatement Map” – where Vattenfall, in co-operation with McKinsey & Company, has identified a host of potential measures that can be taken around the world to reduce CO<sub>2</sub> emissions by 2030. Our analysis shows that the measures needed to curb climate change are feasible and that they can be done at a reasonable cost. If these measures are put into action, emissions of greenhouse gases can be stabilised at a level that would make it possible to limit the long-term temperature rise

on Earth to less than 2°C. A temperature rise above this level would very likely have catastrophic and unacceptable effects, including drought, epidemics and starvation.

#### **Halving of Vattenfall's CO<sub>2</sub> emissions**

In April Vattenfall set the goal of cutting the Group's CO<sub>2</sub> emissions in half by 2030, expressed in g/kWh, using 1990 as the base year – representing a further 20% decrease from today's levels. We are developing technologies to enable this. For example, in Germany we are currently building a pilot lignite-fired power plant that that will be virtually free of CO<sub>2</sub> emissions. Also, Vattenfall and EEG, a subsidiary of Gaz de France, signed an agreement to work on a joint carbon dioxide storage project in Altmark in Germany. And in June we signed an agreement with the Norwegian Ministry of Petroleum and Energy and an industrial syndicate to participate in the work on building a test installation in Mongstad for separating carbon dioxide using post-combustion technology.

#### **Strengthened safety work in nuclear power following incident at Forsmark in July 2006**

The outage that occurred at the Forsmark nuclear power plant in Sweden in 25 July 2006 resulted in a comprehensive review of safety issues and the safety culture of our nuclear power operations. In February Vattenfall strengthened its board representation in Forsmarks Kraftgrupp AB (66%-owned by Vattenfall), and a new managing director of that company was installed. Vattenfall's board established a safety committee with the primary task of closely monitoring and reviewing nuclear power safety in the Group, with initial, primary focus on operations at Forsmark. The Board also co-opted an independent, internationally renowned external expert who on behalf of the Board has conducted an in-depth review of management systems, safety, reporting and management functions at Vattenfall's nuclear power facilities.

#### **Outages at German nuclear power plants**

On 28 June Vattenfall's German nuclear power plants – Brunsbüttel and Krümmel – were both scrammed independent of each other. In Brunsbüttel, the scram was caused by a short circuit in a switchyard outside of the power plant, while the shutdown at Krümmel was caused by a fire in a transformer outside of the reactor building. Both events were classified as a zero on the seven degree International Nuclear Event Scale (INES)<sup>1</sup>, i.e., deviations with “No safety significance”. The scrams at the nuclear plants worked properly, and no risks arose to people or the environment. Despite this, Vattenfall came under sharp criticism for deficient handling of the disruption at the Krümmel plant. Although immediate and extensive information was provided to the authorities, information to the general public was inadequate. Vattenfall appointed an independent commission of technological and scientific experts who, based on the events that occurred, were assigned the task to conduct an analysis and to draft suggestions for improvement.

The causes of the scrams have been rectified, but it is not yet clear when the reactors can be restarted. It is Vattenfall's absolute conviction that safety work must always be given top priority, and the plants will not be restarted until all outstanding issues have been addressed and rectified. The outages cost Vattenfall approximately SEK 1,900 million in 2007.

In Sweden, too, our nuclear operations were affected by an outage. In connection with the installation of a new generator at Ringhals 3, a short circuit occurred which resulted in a month-long outage.

<sup>1</sup> The International Nuclear Events Scale is a means for promptly communicating to the public in consistent terms the safety significance of events reported at nuclear installations. For more information, visit: [www.iaea.org/Our work/Nuclear safety&security](http://www.iaea.org/Our work/Nuclear safety&security).



### Changes in Executive Group Management

As a result of the crisis in confidence that arose for Vattenfall in Germany, which was caused by the German management's poor handling of the events at the Brunsbüttel and Krümmel nuclear power plants as well as by the handling of price increases in the retail market, Klaus Rauscher, Head of Vattenfall's German operation, resigned in July. Hans-Jürgen Cramer was appointed acting Head of Business Group Germany.

In August, Helmar Rendez, previously Managing Director of Vattenfall's German subsidiary WEMAG, was appointed as the new Head of Vattenfall's Group Strategies staff. He succeeded Lennart Billfalk, who retired. This appointment further internationalises Vattenfall's Executive Group Management.

### Lower allocation of CO<sub>2</sub> emission allowances

The national allocation plan for the second trading period, 2008–2012, was decided on during the autumn. In Germany Vattenfall is expected to have an emission allowance deficit of approximately 28–33 million tonnes/year. Assuming a price of EUR 20/tonne, this will give rise to a higher annual net cost for Vattenfall of approximately EUR 400–500 million (SEK 3.8–4.7 billion). In Denmark the deficit is expected to amount to 1.8 million tonnes, corresponding to an annual cost of approximately SEK 250 million. In Poland the deficit is estimated to be 0.7–1.0 million tonnes, corresponding to an annual cost of approximately SEK 170 million. Vattenfall's electricity generation in Sweden will be only marginally affected by the new allocation levels, since it is virtually free of CO<sub>2</sub> emissions. However, the Group's heat production in Sweden, which is partly based on fossil fuels, will have added costs of approximately SEK 50 million. In its "Green Package" announced in January 2008, the EU has proposed the full auctioning of CO<sub>2</sub> emission allowances for the power sector starting in 2013, i.e., no free allocation

whatsoever. In general, the higher price of emission allowances will result in higher electricity prices.

### Fierce competition for electricity customers in Germany

In 2007 Vattenfall lost nearly 250,000 retail customers in Germany. This customer exodus was triggered by the price increase announced by Vattenfall as per 1 July and was accelerated by the mounting competition in the retail market and by a growing propensity among German consumers to switch electricity suppliers. The poor handling of information to the public on the scrams at the Krümmel and Brunsbüttel nuclear power plants also contributed to the loss of customers. This notwithstanding, the number of customers lost should be seen in the context of Vattenfall's very high market share to date (more than 80%, corresponding to approximately 2.9 million customers) in Germany's two largest cities, Hamburg and Berlin. Vattenfall is addressing this through a number of confidence-building measures and an improved product offer, including a very attractively priced product that is offered online. To attract new customers, Vattenfall is intensifying its marketing in areas outside Hamburg and Berlin.

### Higher market shares in Nordic countries

In the Nordic countries, Vattenfall's concerted effort to improve products and offer attractive contract terms has proved successful. Vattenfall has gained market shares from its competitors and now have more than 1 million electricity customers in the Nordic countries. Our market share among retail customers in Sweden rose from 13% to 15% during the year, and our customer satisfaction index scores have improved.

### Important events after the end of the year

On 1 January 2008 the nuclear power tax and property taxes

on hydro power assets were increased in Sweden, adding approximately SEK 1 billion to Vattenfall's annual costs.

Per-Olof Waessman was named as Vattenfall's Chief Nuclear Officer (CNO).

Carolina Wallenius took office as Vattenfall's new Head of Communications.

### Effective 1 February 2008, Vattenfall's Executive Group Management has the following composition:

Lars G. Josefsson	CEO
Jan Erik Back	CFO
Tuomo Hatakka	Head of Business Group Central Europe
Hans-Jürgen Meyer <sup>1</sup>	Vattenfall Europe AG
Hans von Uthmann	Head of Business Group Nordic
Hélène Biström <sup>1</sup>	Business Group Nordic
Helmar Rendez	Head of Group Function Strategies
Ann-Charlotte Dahlström	Head of Group Function Human Resources
Carolina Wallenius <sup>2</sup>	Head of Group Function Communication

1) Newly appointed

2) Succeeds Knut Leman, who has retired

Lars G. Josefsson  
President and CEO

## Summary of Vattenfall's consolidated financial performance, cash flow and balance sheet

Amounts in SEK million unless otherwise stated	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
Net sales	38,329	39,428	-2.8	143,639	135,802	5.8
Operating profit before depreciation and amortisation (EBITDA)	12,502	10,037	24.6	45,821	43,938	4.3
<b>Operating profit (EBIT)</b>	<b>6,752</b>	<b>5,413</b>	<b>24.7</b>	<b>28,583</b>	<b>27,821</b>	<b>2.7</b>
<b>Operating profit excl. items affecting comparability</b>	<b>6,776</b>	<b>5,449</b>	<b>24.4</b>	<b>28,497</b>	<b>27,448</b>	<b>3.8</b>
Financial items, net	-2,052	-334	-	-4,650	-2,296	-102.5
<b>Profit before tax</b>	<b>4,700</b>	<b>5,079</b>	<b>-7.5</b>	<b>23,933</b>	<b>25,525</b>	<b>-6.2</b>
<b>Profit for the period</b>	<b>3,676</b>	<b>6,609</b>	<b>-44.4</b>	<b>20,686</b>	<b>19,858</b>	<b>4.2</b>
- of which, attributable to equity holders of the Parent Company	3,795	6,318	-39.9	19,769	18,729	5.6
- of which, attributable to minority interests	-119	291	-	917	1,129	-18.8
Return on equity, %	-	-	-	17.6	19.1	-
Return on net assets, %	-	-	-	16.6	17.1	-
Funds from operations (FFO)	10,909	9,527	14.5	34,049	35,673	-4.6
<b>Cash flow before financing activities</b>	<b>1,919</b>	<b>4,200</b>	<b>-54.3</b>	<b>14,294</b>	<b>19,560</b>	<b>-26.9</b>
Free cash flow	3,838	5,714	-32.8	19,650	23,178	-15.2
Cash and cash equivalents plus short-term investments	22,659	22,168	2.2	22,659	22,168	2.2
Balance sheet total	338,236	323,166	4.7	338,236	323,166	4.7
<b>Equity incl. minority interests</b>	<b>124,132</b>	<b>107,674</b>	<b>15.3</b>	<b>124,132</b>	<b>107,674</b>	<b>15.3</b>
Capital Securities	9,341	8,911	4.8	9,341	8,911	4.8
Other interest-bearing liabilities	57,848	62,664	-7.7	57,848	62,664	-7.7
<b>Net debt</b>	<b>43,740</b>	<b>49,407</b>	<b>-11.5</b>	<b>43,740</b>	<b>49,407</b>	<b>-11.5</b>

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

See pages 28-29 for definitions.

## Sales, profit and cash flow

Amounts in SEK million	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
<b>Net sales</b>	<b>38,329</b>	<b>39,428</b>	<b>-2.8</b>	<b>143,639</b>	<b>135,802</b>	<b>5.8</b>

**Comment:** Adjusted for intra-Group transactions, net sales in Germany increased by SEK 7.6 billion for the full year 2007, while net sales in the Nordic countries decreased by SEK 3.8 billion. Sales for the "Other" segment, which includes Energy Trading, increased by SEK 4.1 billion. See also pages 12–14.

Amounts in SEK million	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
<b>Cost of products sold</b>	<b>27,791</b>	<b>29,561</b>	<b>-6.0</b>	<b>103,404</b>	<b>96,428</b>	<b>7.2</b>

**Comment:** The increase in costs for the full year 2007 compared with 2006 is mainly attributable to so-called EEG<sup>1</sup> costs. These costs, which stem from the wind power feed-in to Vattenfall's transmission grid in Germany, are passed on to end customers with a certain time delay and are thus essentially earnings-neutral. See also pages 12–14.

1) Erneuerbare-Energien-Gestz (Germany's Renewable Energy Act).

Amounts in SEK million	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
<b>Operating profit</b>	<b>6,752</b>	<b>5,413</b>	<b>24.7</b>	<b>28,583</b>	<b>27,821</b>	<b>2.7</b>
<b>Operating profit excl. items affecting comparability</b>	<b>6,776</b>	<b>5,449</b>	<b>24.4</b>	<b>28,497</b>	<b>27,448</b>	<b>3.8</b>

**Comment:** The improved operating profit is attributable primarily to the Mining & Generation and Distribution business units in Germany. Operating profit for the Nordic countries decreased compared with a year earlier. Poland showed a marginal improvement. Vattenfall Trading Services improved its earnings by SEK 577 million compared with 2006. See also pages 12–14.

Amounts in SEK million	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
<b>Chash flow from operating activities</b>	<b>8,382</b>	<b>10,008</b>	<b>-16.2</b>	<b>32,331</b>	<b>35,207</b>	<b>-8.2</b>
<b>Free cash flow<sup>1</sup></b>	<b>3,838</b>	<b>5,714</b>	<b>-32.8</b>	<b>19,650</b>	<b>23,178</b>	<b>-15.2</b>
<b>Cash flow before financing activities</b>	<b>1,919</b>	<b>4,200</b>	<b>-54.3</b>	<b>14,294</b>	<b>19,560</b>	<b>-26.9</b>

1) Cash flow from operating activities less maintenance investments.

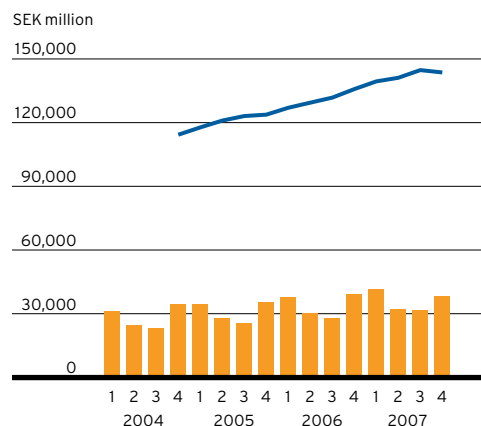
**Comment:** The decrease in cash flow is mainly attributable to higher investments, SEK 2,430 million, and a change in margin calls on the European Energy Exchange in Germany, of SEK 1,100 million

Amounts in SEK million	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
<b>Net financial items</b>	<b>-2,052</b>	<b>-334</b>	<b>-</b>	<b>-4,650</b>	<b>-2,296</b>	<b>-102.5</b>
<b>Interest income from financial investments</b>	<b>288</b>	<b>668</b>	<b>-56.9</b>	<b>1,331</b>	<b>1,341</b>	<b>-0.8</b>
<b>Interest expense from loans</b>	<b>-1,073</b>	<b>-1,216</b>	<b>11.8</b>	<b>-3,325</b>	<b>3,317</b>	<b>-0.2</b>
<b>Interest received</b>	<b>349</b>	<b>330</b>	<b>5.9</b>	<b>1,420</b>	<b>1,054</b>	<b>34.8</b>
<b>Interest paid</b>	<b>449</b>	<b>394</b>	<b>-14.0</b>	<b>-2,902</b>	<b>-2,927</b>	<b>0.9</b>

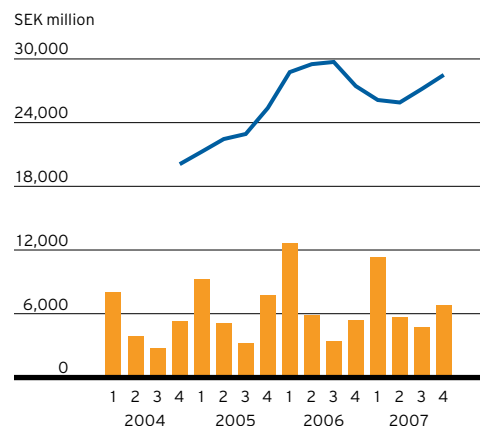
**Comment:** Net financial items deteriorated compared with 2006 due to a lower return from the Swedish nuclear waste fund, and to a change in the market value of derivatives.

Average monthly net interest income/expense amounted to SEK -166 million (-165).

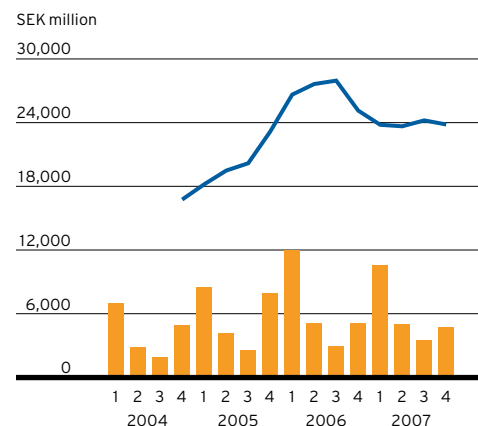
### Net sales



### Operating profit, excl. items affecting comparability



### Profit before tax, excl. items affecting comparability



■ Last 12-month values  
■ Quarterly values



## Financial position

Amounts in SEK million	31 Dec. 2007	31 Dec. 2006	Change, %
<b>Cash and cash equivalents plus short-term investments</b>	<b>22,659</b>	<b>22,168</b>	<b>2.2</b>
<b>Committed credit facilities (unutilised)</b>	<b>9,574</b>	<b>9,421</b>	<b>1.6</b>
<b>Other credit facilities (unutilised)</b>	<b>11,413</b>	<b>10,059</b>	<b>13.5</b>

**Comment:** Committed credit facilities consist of a seven-year, EUR 1 billion Revolving Credit Facility which expires in February 2013, and a SEK 100 million bank overdraft facility.

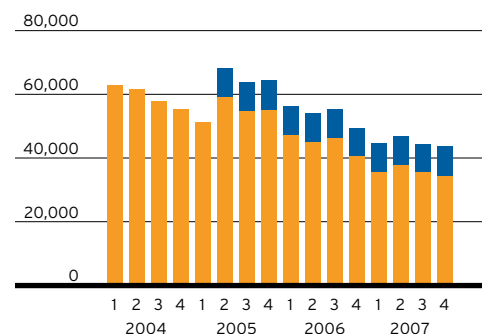
<b>Net debt</b>	<b>43,740</b>	<b>49,407</b>	<b>-11.5</b>
<b>Total interest-bearing liabilities</b>	<b>67,189</b>	<b>71,575</b>	<b>-6.1</b>
<b>Average fixed interest period (duration, years)<sup>1</sup></b>	<b>3.3</b>	<b>3.3</b>	<b>-</b>
<b>Average maturity, years</b>	<b>6.7</b>	<b>6.6</b>	<b>-</b>

1) Excluding Capital Securities of SEK 9,341 million, net debt stands at SEK 34,399 million, the average fixed interest period is 2.6 years, and the average maturity is 6.5 years. These figures pertain to 31 December 2007 and are exclusive of loans from associated companies and minority owners.

**Comment:** Compared with 31 December 2006, net debt has decreased by SEK 5,667 million and total interest-bearing liabilities by SEK 4,386 million. Compared with 30 September 2007, net debt decreased by SEK 784 million, and total interest-bearing liabilities decreased by SEK 848 million. The net debt/equity ratio was 35.2% as per 31 December, compared with 45.9% on 31 December 2006. The effect of exchange rate changes on net debt was an increase of SEK 1,618 million for the full year 2007 and SEK 989 million for the fourth quarter. No change took place in Vattenfall's ratings during the year. Vattenfall's current long-term credit ratings are A2 from Moody's and A- from Standard & Poor's.

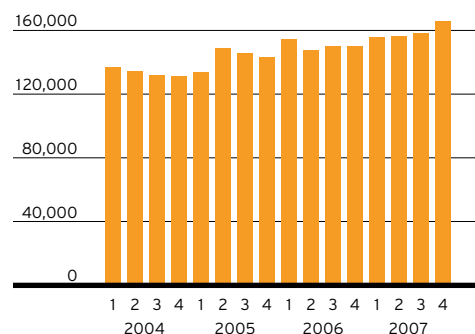
### Net debt

SEK million  
100,000



### Net assets

SEK million  
200,000



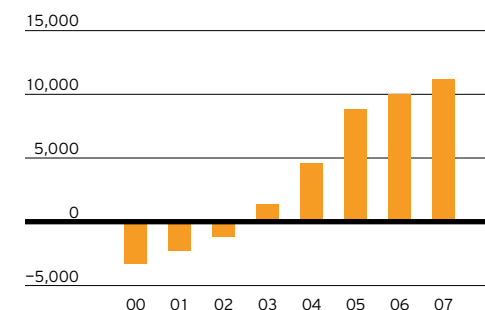
Amounts in SEK million	31 Dec. 2007	31 Dec. 2006	Change, %
<b>Equity attributable to</b>			
Equity holders of the Parent Company	111,709	96,589	15.7
Minority interests	12,423	11,085	12.1
<b>Total</b>	<b>124,132</b>	<b>107,674</b>	<b>15.3</b>

**Comment:** Changes in equity are specified on page 20.

## Value creation

Difference between achieved results and the Group's required rate of return – 11% return on net assets (last 12 months)

SEK million  
20,000



■ Quarterly values  
■ Capital Securities

## Investments

Amounts in SEK million	Q4 2007	Q4 2006	Change, %	Full year 2007	Full year 2006	Change, %
Maintenance investments	4,544	4,294	5.8	12,681	12,029	5.1
Growth investments	2,209	1,822	21.2	6,283	5,191	17.4
– of which, shares	–126	1,745	–92.8	113	1,865	–
<b>Total investments</b>	<b>6,753</b>	<b>6,116</b>	<b>10.4</b>	<b>18,964</b>	<b>17,220</b>	<b>9.2</b>

**Comment:** Maintenance investments in 2007 are broken down as follows: Nordic countries SEK 7,138 million, Germany SEK 4,716 million, Poland SEK 791 million, and Other SEK 36 million. Growth investments in 2007 are broken down as follows: Nordic countries SEK 3,670 million, Germany SEK 2,526 million, Poland SEK 85 million, and Other SEK 2 million. Investments in shares in 2007 consist mainly of investments in off-shore wind farms. The negative value of investments in shares during the fourth quarter of 2007 pertains mainly to a repayment of SEK 96 million under the asset swap agreement with the Danish company Dong.

### Investment programme 2008–2012

During the five-year period 2008–2012 Vattenfall plans to invest SEK 173 billion, including SEK 55 billion in the Nordic countries, SEK 107 billion in Germany and SEK 11 billion in Poland. Of total investments, SEK 133 billion is planned in generation and SEK 40 billion in network activities. The main explanation for the increase in the investment programme compared with the preceding five-year plan (SEK 134 billion) is higher costs in all markets, CO<sub>2</sub>-related investments including demonstration plants, and higher amounts for connecting wind power plants and other grid installations.

## Personnel (number of employees, full-time equivalent)

By Business Group	31 Dec. 2007	31 Dec. 2006	Change, %
Nordic countries	9,489	9,158	3.6
Germany	19,656	19,821	–0.8
Poland	2,740	2,836	–3.4
Others	511	493	3.7
<b>Total</b>	<b>32,396</b>	<b>32,308</b>	<b>0.3</b>

**Comment:** The decrease in Germany is mainly due to divested operations. The increase in the Nordic countries can be credited to the extensive investment programme for the renewal of Vattenfall's production plants and the transfer of employees from the nuclear power company Oskarshamns Kraftgrupp AB (OKG) to Vattenfall's majority-owned company Svensk Kärnbränslehantering AB (SKB).

## Sales

Amounts in SEK million	Q4 2007	Q4 2006	Change%	Full year 2007	Full year 2006	Change %
Sales	291	301	–3.3	925	1,720	–46.2
– of which, shares	52	168	–69.0	442	834	–47.0

**Comment:** Divestments in 2007 pertain primarily to heat plants in Sweden and Estonia, and the sale of the subsidiary Vattenfall Europe Contracting GmbH.

## Electricity balance<sup>1</sup>, TWh

	Q4 2007	Q4 2006	Full year 2007	Full year 2006
<b>Internal generation and electricity input</b>				
Hydro power	8.2	8.7	36.6	35.2
Nuclear power	14.0	14.8	51.3	55.2
Fossil fuels	21.8	20.6	77.7	73.8
Wind power	0.4	0.4	1.3	0.6
Biofuels	0.2	0.0	0.5	0.6
Waste	0.0	0.0	0.1	0.0
<b>Total internal generation</b>	<b>44.7</b>	<b>44.5</b>	<b>167.6</b>	<b>165.4</b>
Purchased power	12.8	16.2	56.7	51.3
Spot market	-0.1	-0.2	0.8	5.4
<b>Total electricity input</b>	<b>57.4</b>	<b>60.4</b>	<b>225.1</b>	<b>222.1</b>
Consumption within the Group	3.3	3.0	12.8	11.5
<b>Total</b>	<b>54.1</b>	<b>57.4</b>	<b>212.3</b>	<b>210.5</b>
<b>Sales</b>				
Nordic countries	14.8	14.9	55.7	56.4
Germany	21.9	21.3	85.6	71.2
Poland	3.0	4.2	13.5	11.5
Other countries	1.2	1.2	3.8	3.9
Spot market	8.3	10.6	35.2	48.1
<b>Total electricity sales</b>	<b>49.1</b>	<b>52.1</b>	<b>193.8</b>	<b>191.1</b>
Delivered to minority owners	4.8	5.0	17.6	18.7
Other	0.2	0.2	1.0	0.8
<b>Total</b>	<b>54.1</b>	<b>57.4</b>	<b>212.3</b>	<b>210.5</b>

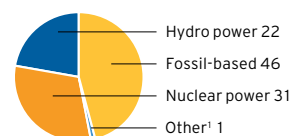
1) Rounding differences of 0.1 TWh exist for some items. Certain values for 2006 have been adjusted compared with previously published information.

## Heat sales, TWh

	Q4 2007	Q4 2006	Full year 2007	Full year 2006
Nordic countries	3.2	3.2	10.7	8.5
Germany <sup>2</sup>	5.6	4.4	14.8	15.5
Poland	4.1	3.3	10.7	11.2
<b>Total</b>	<b>12.8</b>	<b>10.9</b>	<b>36.2</b>	<b>35.2</b>

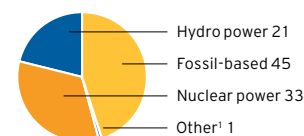
2) Incl. deliveries of so-called ready heat.

Electricity generation,  
Full year 2007, %



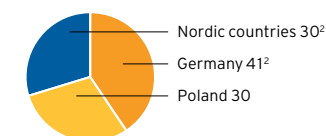
1) Wind power, biofuels and waste.

Electricity generation,  
Full year 2006, %



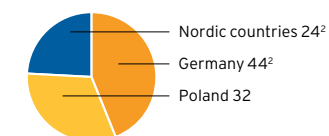
1) Wind power, biofuels and waste.

Heat sales,  
Full year 2007, %



2) Incl. deliveries of so-called ready heat.

Heat sales,  
Full year 2006, %



2) Incl. deliveries of so-called ready heat.

## Nordic countries

Amounts in SEK million	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
Net sales	12,928	12,007	7.7	46,713	40,118	16.4
External net sales	14,052	13,257	6.0	44,429	48,235	-7.9
Operating profit	4,030	3,336	20.8	12,591	13,287	-5.2
Operating profit excl. items affecting comparability	3,915	3,274	19.6	12,418	13,217	-6.0
<b>Heat generation, TWh</b>	<b>3.2</b>	<b>3.2</b>	<b>-</b>	<b>10.7</b>	<b>8.5</b>	<b>25.9</b>
<b>Electricity generation, TWh</b>	<b>24.1</b>	<b>24.1</b>	<b>-</b>	<b>91.1<sup>2</sup></b>	<b>85.8<sup>2</sup></b>	<b>6.2</b>
- of which, hydro power	7.4	8.1	-8.6	33.6	31.7	6.0
- of which, nuclear power	14.0	13.1	6.9	48.8	49.2	-0.8
- of which, fossil-based power	2.2	2.6	-15.4	7.1	3.9	82.1
- of which, wind power	0.3	0.4	-25.0	1.2	0.5	140.0
- of which, biofuels	0.1	-0.1	-	0.4	0.4	-
Transited volume excl. generation transmission, TWh <sup>3</sup>	22.0	22.2	-0.9	80.5	81.9	-1.7

1) Excluding intra-Group transactions.

2) Of electricity generation, Vattenfall disposes over 73.4 TWh (67.5), while the rest goes to minority part-owners or is deducted as replacement power.

3) Pertains to intra-Group transfers from power plants to Vattenfall's own electricity grid.

Rounding differences of 0.1 TWh exist for some items. Certain values for 2006 have been adjusted compared with previously published information

### Full year 2007 – Sales and earnings trend

External net sales, i.e., excluding intra-Group transactions, decreased by 7.9%. The drop in operating profit is mainly attributable to the Distribution business unit and pertains mainly to the major storm "Per" at the start of the year (SEK 290 million) and a provision of SEK 160 million

for restructuring costs. In the Heat business unit, operating profit was charged with an impairment loss of SEK 195 million for a combined heat and power plant in Finland. The Generation business unit improved its earnings as a result of greater hydro power generation and the contribution made by the CHP assets acquired in Denmark.

### Electricity and heat generation 2007

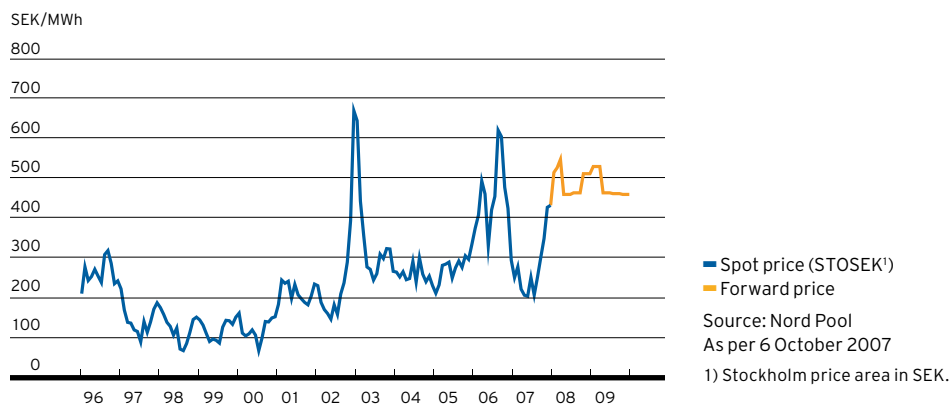
The increase in electricity generation is mainly attributable to higher hydro- and fossil-based generation resulting from higher water levels and acquired assets in Denmark. Wind power increased considerably as a result of the wind power plants acquired in Denmark.

The increase in heat production is attributable to the CHP assets that were acquired in Denmark, which have been consolidated as from July 2006.

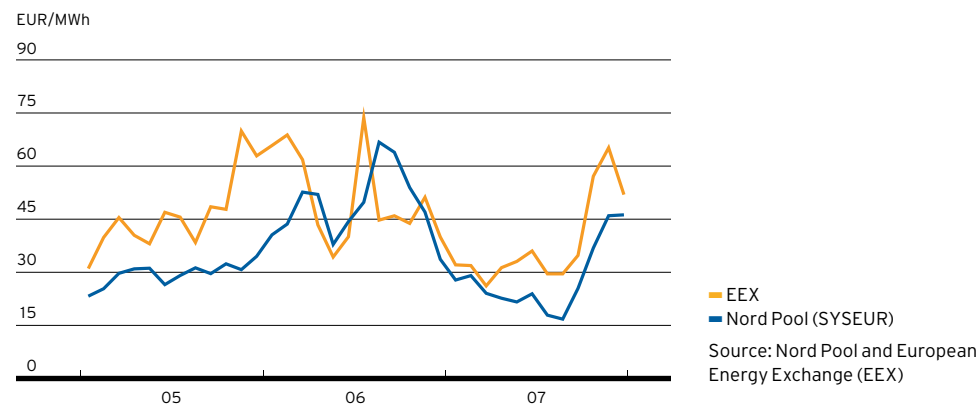
### Fourth quarter 2007

Electricity prices increased during the quarter, which gave rise to a positive price effect for the Generation business unit compared with the fourth quarter of 2006. During the quarter, the Heat business unit sold a number of small heat plants in Sweden, which resulted in lower volumes compared with 2006. Good availability at nuclear power plants during the fourth quarter compensated for a slight decline in hydro power and fossil-based generation compared with 2006.

### Swedish electricity prices 1996–2009, monthly averages



### German and Nordic spot prices, monthly averages



## Germany

Amounts in SEK million	Q4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
Net sales	29,824	28,541	4.5	112,460	101,538	10.8
External net sales	20,645	19,936	3.6	77,471	69,905	10.8
Operating profit	2,695	1,811	48.8	15,338	13,884	10.5
Operating profit excl. items affecting comparability	2,825	1,908	48.1	15,440	13,711	12.6
<b>Heat generation, TWh</b>	<b>5.6</b>	<b>4.4</b>	<b>27.3</b>	<b>14.8</b>	<b>15.5</b>	<b>-4.5</b>
<b>Electricity generation, TWh</b>	<b>19.2</b>	<b>19.6</b>	<b>-2.0</b>	<b>72.8<sup>2</sup></b>	<b>76.2<sup>2</sup></b>	<b>-4.5</b>
– of which, fossil-based power	18.3	17.0	7.6	66.9	66.6	0.5
– of which, nuclear power	0.0	1.7	–	2.5	6.0	-58.3
– of which, hydro power	0.8	0.9	-11.1	3.1	3.4	-8.8
– of which, wind power	0.0	0.0	–	0.0	0.0	–
– of which, biofuels	0.0	0.0	–	0.2	0.2	–
– of which, waste	0.0	0.0	–	0.1	0.0	–
Transmission volume (excl. national grid)	7.7	6.9	11.6	28.1	27.2	3.3

1) Excluding intra-Group transactions.

2) Of electricity generation, Vattenfall disposes over 72.0 TWh (74.2), while the rest goes to minority part-owners. Rounding differences of 0.1 TWh exist for some items.

### Full year 2007 – Sales and earnings trend

Wind power feed-in was higher in 2007 than in 2006, which led to higher costs for Vattenfall's Transmission business. These so-called EEG costs stem from the feed-in of wind power to Vattenfall's transmission grid in Germany. These are passed on to customers with a slight time delay and are thus essentially earnings-neutral over time.

The increase in operating profit is attributable to the Mining & Generation business unit and can be credited to successful hedging. Earnings for the Distribution business unit fell as a result of a decision by the German network regulator (Bundesnetzagentur) to lower transmission tariffs.

### Electricity and heat generation 2007

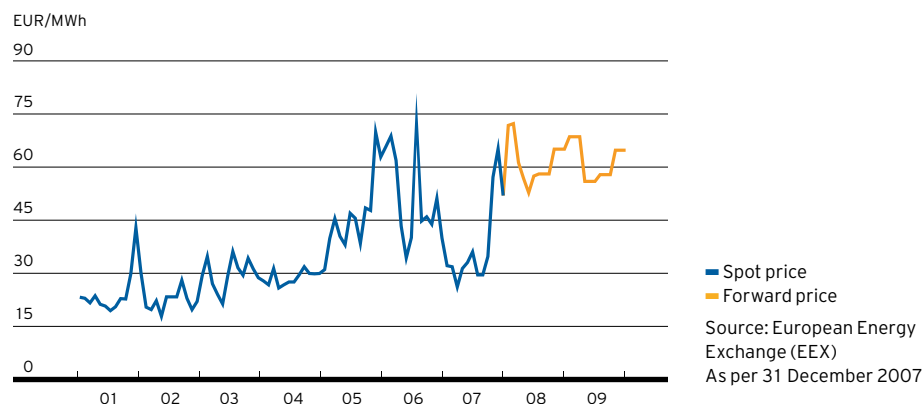
Electricity generation decreased by 3.4 TWh as a result of the outage at the Brunsbüttel nuclear power plant since 28 June 2007. Heat production decreased as a result of higher average temperatures in 2007 than in 2006.

### Fourth quarter 2007

The Mining & Generation business posted an impairment loss of SEK 1,100 million (EUR 116 million) for its pumped storage power plants due to forthcoming cost increases stemming from new network fees. An impairment charge was also taken in the Distribution unit as a result of tariff reductions announced by Bundesnetzagentur, the German network regulator. The subsidiary WEMAG's network assets were written down by SEK 473 million (EUR 50 million). Despite these impairment charges, Business Group Germany as a whole reported a strong earnings improvement as a result of hedging.

During the fourth quarter, an increase in fossil-based generation partly compensated for the loss of nuclear power generation, and total electricity generation was affected only marginally. Heat production increased as a result of colder weather.

### German electricity prices 2001–2009, monthly averages



### German and Nordic futures prices



## Poland

Amounts in SEK million	Q 4 2007	Q4 2006	Change %	Full year 2007	Full year 2006	Change %
Net sales	2,798	2,663	5,1	9,796	9,449	3.7
External net sales	2,646	2,495	6,1	9,265	8,981	3.2
Operating profit	340	26	1 207,7	1,092	1,072	1.9
Operating profit excl. items affecting comparability	349	27	1,192.6	1,077	942	14.3
<b>Heat generation, TWh</b>	<b>4.1</b>	<b>3.3</b>	<b>24.2</b>	<b>10.7</b>	<b>11.2</b>	<b>-4.5</b>
<b>Electricity generation, TWh</b>	<b>1.3</b>	<b>1.0</b>	<b>30.0</b>	<b>3.8<sup>2</sup></b>	<b>3.3<sup>2</sup></b>	<b>15.2</b>
– of which, fossil-based power	1.3	1.0	30.0	3.7	3.3	12.1
– of which, wind power	0.0	0.0	–	0.1	0.1	–

1) Excluding intra-Group transactions.

2) Vattenfall has disposal over 100% of electricity generation.

Rounding differences of 0.1 TWh exist for some items.

### Full year 2007 – Sales and earnings trend

Sales increased for the Heat and Sales business units. The improved operating profit is attributable to exchange rate effects (weaker SEK versus PLN). Operating profit fell 1.1% in local currency. The earnings decline was experienced mainly in the Electricity Networks business unit compared with 2006, due to lower tariffs.

### Electricity and heat generation 2007

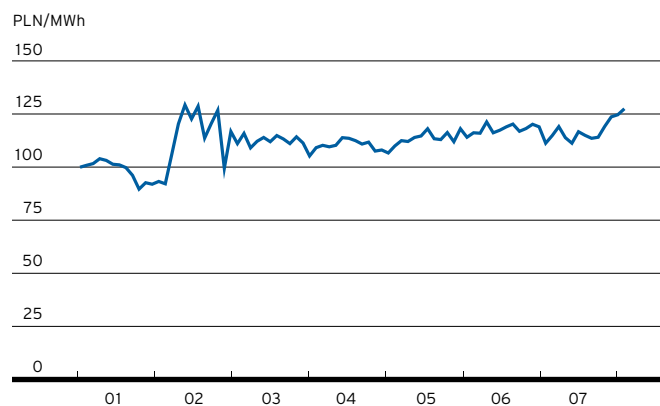
Higher average temperatures during the year resulted in lower heat production. However, electricity generation was higher due to higher deliveries to PSE, Poland's grid operator.

### Fourth quarter 2007

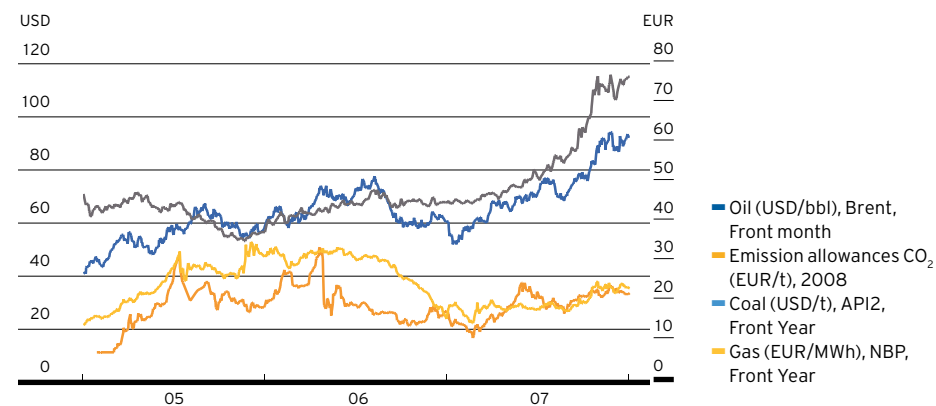
The strong earnings improvement during the fourth quarter is partly due to sold CO<sub>2</sub> allowances and higher sales of heat. Coal prices rose during the quarter, which resulted in higher fuel costs for the Heat business unit.

Electricity and heat generation increased as a result of colder weather.

### Polish electricity prices 2001–2007, monthly averages



### Price development oil, coal, gas and CO<sub>2</sub> emission allowances



Global market prices for oil and coal climbed sharply during the second half of 2007. The rise in oil prices is mainly attributable to lower stocks of crude in the US and the weak US dollar. Coal prices rose sharply despite relatively low European demand for coal. Major logistical problems outside Europe have led to a dramatic rise in freight rates, which has driven up European coal prices. Gas prices and forward prices for CO<sub>2</sub> emission allowances also showed a rising trend in 2007.



## Consolidated income statement

Amounts in SEK million	Q4 2007	Q4 2006	Full year 2007	Full year 2006
Net sales	38,329	39,428 <sup>8</sup>	143,639	135,802 <sup>8</sup>
Cost of products sold <sup>1</sup>	-27,791	-29,561 <sup>8,9</sup>	-103,404	-96,428 <sup>8,9</sup>
<b>Gross profit</b>	<b>10,538</b>	<b>9,867</b>	<b>40,235</b>	<b>39,374</b>
Selling expenses, administrative expenses and research and development costs <sup>2</sup>	-4,153	-4,806 <sup>9</sup>	-13,508	-13,949 <sup>9</sup>
Other operating income and expenses, net	186	53	858	1,062
Participations in the results of associated companies	181	299	998	1,334
<b>Operating profit (EBIT)<sup>3</sup></b>	<b>6,752</b>	<b>5,413</b>	<b>28,583</b>	<b>27,821</b>
Financial income <sup>4</sup>	173	1,520	2,276	3,839
Financial expenses <sup>5</sup>	-2,225	-1,854 <sup>9</sup>	-6,926	-6,135 <sup>9</sup>
<b>Profit before tax<sup>6</sup></b>	<b>4,700</b>	<b>5,079</b>	<b>23,933</b>	<b>25,525</b>
Income tax expense	-1,024	1,530	-3,247	-5,667
<b>Profit for the period<sup>7</sup></b>	<b>3,676</b>	<b>6,609</b>	<b>20,686</b>	<b>19,858</b>
Attributable to				
Equity holders of the Parent Company	3,795	6,318	19,769	18,729
Minority interests	-119	291	917	1,129
<b>Total</b>	<b>3,676</b>	<b>6,609</b>	<b>20,686</b>	<b>19,858</b>
<b>Earnings per share</b>				
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700
Earnings per share (SEK)	28.82	47.97	150.11	142.21
<b>Supplementary information</b>				
Operating profit before depreciation and amortisation (EBITDA)	12,502	10,037	45,821	43,938
Financial items, net excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	-1,203	-661	-3,040	-2,390
1) Of which, depreciation, amortisation and impairment losses	-5,597	-3,956	-16,486	-15,007
2) Of which, depreciation, amortisation and impairment losses	-153	-668	-752	-1,110
3) Including items affecting comparability attributable to: Capital gains/losses, net	-24	-36	86	373
4) Including returns from the Swedish Nuclear Waste Fund	-132	756	843	2,106
5) Including interest components related to pension costs	-205	-191	-811	-772
5) Including discounting effects attributable to provisions	-717	-429	-2,453	-2,012
6) Including items affecting comparability attributable to: Capital gains/losses, net	-21	-25	97	384
7) Including items affecting comparability stated above adjusted for tax	50	30	136	386
8) Net sales and Cost of products sold for 2006 are adjusted compared to previously published information in Vattenfall's 2006 nine-month interim report and Annual Report. See page 26 under the heading Accounting Principles.				
9) Interest components related to pension costs for 2006 are reclassified compared to previously published information in Vattenfall's 2006 Annual Report. See page 26 under the heading Accounting Principles.				

## Primary segments, Vattenfall Group

Amounts in SEK million	Net sales				Operating profit (EBIT)				Operating profit (EBIT) excl. items affecting comparability			
	Q4 2007	Q4 2006 <sup>3</sup>	Full year 2007	Full year 2006 <sup>3</sup>	Q4 2007	Q4 2006	Full year 2007	Full year 2006	Q4 2007	Q4 2006	Full year 2007	Full year 2006
Nordic countries	12,928	12,007	46,713	40,118	4,030	3,336	12,591	13,287	3,915	3,274	12,418	13,217
Germany	29,824	28,541	112,460	101,538	2,695	1,811	15,338	13,884	2,825	1,908	15,440	13,711
Poland	2,798	2,663	9,796	9,449	340	26	1,092	1,072	349	27	1,077	942
Other <sup>1</sup>	8,283	10,093	41,439	29,185	-313	196	-438	-466	-313	196	-438	-466
Eliminations <sup>2</sup>	-15,504	-13,876	-66,769	-44,488	-	44	-	44	-	44	-	44
<b>Total</b>	<b>38,329</b>	<b>39,428</b>	<b>143,639</b>	<b>135,802</b>	<b>6,752</b>	<b>5,413</b>	<b>28,583</b>	<b>27,821</b>	<b>6,776</b>	<b>5,449</b>	<b>28,497</b>	<b>27,448</b>

1) Includes Energy Trading activities, Treasury operations and Other Group functions. Operating profit includes changes in market values 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) Net sales for 2006 are adjusted compared to previously published information in Vattenfall's 2006 Annual Report. See page 26 under the heading Accounting Principles.

## Secondary segments, Vattenfall Group

Amounts in SEK million	Net sales				Operating profit (EBIT)				Operating profit (EBIT) excl. items affecting comparability			
	Q4 2007	Q4 2006 <sup>3</sup>	Full year 2007	Full year 2006 <sup>3</sup>	Q4 2007	Q4 2006	Full year 2007	Full year 2006	Q4 2007	Q4 2006	Full year 2007	Full year 2006
Electricity Generation	18,351	17,570	66,112	62,876	4,691	5,058	22,064	19,762	4,722	5,049	22,094	19,776
Electricity Markets <sup>1</sup>	18,368	19,434	72,261	69,303	343	-81	314	355	343	-118	314	169
Electricity Networks	14,409	15,429	55,074	51,574	465	103	3,035	3,947	488	141	3,071	3,985
Heat	6,553	6,053	20,260	21,542	2,088	874	4,179	4,130	2,051	917	4,118	4,250
Other	2,643	2,350	9,073	7,299	-835	-541	-1,009	-373	-828	-540	-1,100	-732
Elimination <sup>2</sup>	-21,995	-21,408	-79,141	-76,792	-	-	-	-	-	-	-	-
<b>Total</b>	<b>38,329</b>	<b>39,428</b>	<b>143,639</b>	<b>135,802</b>	<b>6,752</b>	<b>5,413</b>	<b>28,583</b>	<b>27,821</b>	<b>6,776</b>	<b>5,449</b>	<b>28,497</b>	<b>27,448</b>

1) Includes Sales and Energy Trading activities. Operating profit includes changes in market values 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) Net sales for 2006 are adjusted compared to previously published information in Vattenfall's 2006 Annual Report. See page 26 under the heading Accounting Principles.

## Consolidated balance sheet

Amounts in SEK million	31 December 2007	31 December 2006
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets: non-current	4,346	4,260
Property, plant and equipment	214,208	201,328
Other non-current assets	46,310	46,305
<b>Total non-current assets</b>	<b>264,864</b>	<b>251,893</b>
<b>Current assets</b>		
Inventories	9,537	9,384
Intangible assets: current	750	746
Trade receivables and other receivables	28,120	26,444
Advance payment to suppliers	672	685
Derivatives with positive fair values	5,442	5,370
Prepaid expenses and accrued income	4,834	4,338
Current tax assets	1,358	2,138
Short-term investments	12,096	7,534
Cash and cash equivalents	10,563	14,634
<b>Total current assets</b>	<b>73,372</b>	<b>71,273</b>
<b>Total assets</b>	<b>338,236</b>	<b>323,166</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Attributable to equity holders of the Parent Company	111,709	96,589
Attributable to minority interests	12,423	11,085
<b>Total equity</b>	<b>124,132</b>	<b>107,674</b>
<b>Non-current liabilities</b>		
Capital Securities	9,341	8,911
Other interest-bearing liabilities	42,643	46,868
Pension provisions	17,735	16,877
Other interest-bearing provisions	51,614	45,364
Deferred tax liabilities	23,704	29,875
Other noninterest-bearing liabilities	3,285	2,320
<b>Total non-current liabilities</b>	<b>148,322</b>	<b>150,215</b>
<b>Current liabilities</b>		
Trade payables and other liabilities	15,408	14,628
Advance payments from customers	395	225
Derivatives with negative fair values	14,242	12,823
Accrued expenses and deferred income	12,968	14,367
Current tax liabilities	2,928	3,585
Interest-bearing liabilities	15,205	15,796
Interest-bearing provisions	4,636	3,853
<b>Total current liabilities</b>	<b>65,782</b>	<b>65,277</b>
<b>Total equity and liabilities</b>	<b>338,236</b>	<b>323,166</b>
Pledged assets	4,498	4,129
Contingent liabilities	17,478	18,275 <sup>1)</sup>

1) Adjusted value compared with previously published information in Vattenfall's 2006 Annual Report.

## Supplementary information

### Net assets

Amounts in SEK million	31 December 2007	31 December 2006
Nordic countries	91,122	81,687
Germany	67,849	61,818
Poland	10,865	8,812
Other <sup>1</sup>	-5,750	-4,405
Eliminations	2,034	2,053
<b>Total net assets on balance sheet date</b>	<b>166,120</b>	<b>149,965</b>
Net assets, weighted average value	157,252	151,155

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

### Net debt

Amounts in SEK million	31 December 2007	31 December 2006
Capital Securities	-9,341	-8,911
Other interest-bearing liabilities <sup>1</sup>	-57,848	-62,664
Cash and cash equivalents	10,563	14,634
Short-term investments	12,096	7,534
Loans to minority owners in foreign subsidiaries	790	-
<b>Total net debt</b>	<b>-43,740</b>	<b>-49,407</b>
1) Of which, loans from minority-owned German nuclear power companies.	-11,083	-10,951

## Consolidated cash flow statement

Amounts in SEK million	Q4 2007	Q4 2006	Full year 2007	Full year 2006
<b>Operating activities</b>				
Funds from operations (FFO)	10,909	9,527	34,049	35,673
Cash flow from changes in operating assets and operating liabilities	-2,527	481	-1,718	-466
<b>Cash flow from operating activities</b>	<b>8,382</b>	<b>10,008</b>	<b>32,331</b>	<b>35,207</b>
<b>Investing activities</b>				
Investments	-6,753	-6,116	-18,964	-16,534
Divestments	291	301	925	1,720
Net investments as a result of the deal between Vattenfall and DONG <sup>1</sup>	-	-	-	-686
Cash and cash equivalents in acquired/divested companies	-1	7	2	-147
<b>Cash flow from investing activities</b>	<b>-6,463</b>	<b>-5,808</b>	<b>-18,037</b>	<b>-15,647</b>
<b>Cash flow before financing activities</b>	<b>1,919</b>	<b>4,200</b>	<b>14,294</b>	<b>19,560</b>
<b>Financing activities</b>				
Changes in short-term investments	3,179	239	-4,155	161
Changes in loans to minority owners in foreign subsidiaries	-435	104	-773	242
Loans raised <sup>2</sup>	1,524	6,979	4,434	8,187
Amortisation of debt	-2,243	-5,506	-10,570	-13,495
Contribution from minority intersets	-	2	9	55
Dividends paid to equity holders	-1	-2	-7,607	-5,892
<b>Cash flow from financing activities</b>	<b>2,024</b>	<b>1,816</b>	<b>-18,662</b>	<b>-10,742</b>
<b>Cash flow for the period</b>	<b>3,943</b>	<b>6,016</b>	<b>-4,368</b>	<b>8,818</b>
<b>Cash and cash equivalents</b>				
Cash and cash equivalents at the beginning of the period	6,481	8,790	14,634	6,049
Cash flow for the period	3,943	6,016	-4,368	8,818
Translation differences	139	-172	297	-233
<b>Cash and cash equivalents at the end of the period</b>	<b>10,563</b>	<b>14,634</b>	<b>10,563</b>	<b>14,634</b>
<b>Supplementary information</b>				
<b>Cash flow before financing activities</b>	<b>1,919</b>	<b>4,200</b>	<b>14,294</b>	<b>19,560</b>
<b>Financing activities</b>				
Dividends paid to equity holders	-1	-2	-7,607	-5,892
Contribution from minority intersets	-	2	9	55
<b>Cash flow after dividend</b>	<b>1,918</b>	<b>4,200</b>	<b>6,696</b>	<b>13,723</b>
<b>Analysis of change in net debt</b>				
Net debt at beginning of the period	-44,524	-55,380	-49,407	-64,343
Cash flow after dividend	1,918	4,200	6,696	13,723
Changes as a result of valuation at fair value	49	370	783	1,458
Increase of interest-bearing liabilities for leasing	-194	-	-194	-
Interest-bearing liabilities acquired as a result of the deal between Vattenfall and DONG	-	122	-	-2,893
Translation differences on net debt	-989	1,281	-1,618	2,648
<b>Net debt at the end of the period</b>	<b>-43,740</b>	<b>-49,407</b>	<b>-43,740</b>	<b>-49,407</b>
Free cash flow	3,838	5,714	19,650	23,178

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 Avedöre 2), which were transferred to DONG at a value of SEK 12,621 million.

2) Short-term borrowings in which the duration is three months or shorter are reported net.

## Consolidated statement of changes in equity

Amounts in SEK million	Full year 2007			Full year 2006		
	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity
Balance brought forward	96,589	11,085	107,674	80,565	10,344	90,909
Cash flow hedges, net	-574	59	-515	4,577	6	4,583
Hedging of net investments in foreign operations	-2,048	-	-2,048	1,856	-	1,856
Translation differences	5,473	383	5,856	-3,338	-265	-3,603
<b>Income, net, recognised directly in equity</b>	<b>2,851</b>	<b>442</b>	<b>3,293</b>	<b>3,095</b>	<b>-259</b>	<b>2,836</b>
Profit for the period	19,769	917	20,686	18,729	1,129	19,858
<b>Total recognised income and expense for the period</b>	<b>22,620</b>	<b>1,359</b>	<b>23,979</b>	<b>21,824</b>	<b>870</b>	<b>22,694</b>
Dividends paid to equity holders	-7,500	-107	-7,607	-5,800	-92	-5,892
Group contributions from/to(-) minority, net after tax	-	87	87	-	114	114
Changes in ownership	-	-1	-1	-	-151	-151
<b>Balance carried forward</b>	<b>111,709<sup>1</sup></b>	<b>12,423</b>	<b>124,132</b>	<b>96,589<sup>1</sup></b>	<b>11,085</b>	<b>107,674</b>
	-6,385			-5,811		

1) Of which, Reserve for cash flow hedges.



## Key ratios, Vattenfall Group (definitions on pages 28–29)

In % unless otherwise stated. (x) means times	Q4 2007	Q4 2006	Full year 2007	Full year 2006
Operating margin	17.6	13.7 <sup>2</sup>	19.9	20.5 <sup>2</sup>
Operating margin <sup>1</sup>	17.7	13.8 <sup>2</sup>	19.8	20.2 <sup>2</sup>
Pre-tax profit margin	12.3	12.9 <sup>2</sup>	16.7	18.8 <sup>2</sup>
Pre-tax profit margin <sup>1</sup>	12.3	12.9 <sup>2</sup>	16.6	18.5 <sup>2</sup>
Return on equity	–	–	17.6	19.1
Return on equity <sup>1</sup>	–	–	17.5	18.7
Return on net assets	–	–	16.6	17.1 <sup>2</sup>
Return on net assets <sup>1</sup>	–	–	16.6	16.8 <sup>2</sup>
EBIT interest cover, (x)	4.7	4.3 <sup>2</sup>	6.7	7.2 <sup>2</sup>
EBIT interest cover, (x) <sup>1</sup>	4.7	4.4 <sup>2</sup>	6.7	7.1 <sup>2</sup>
FFO interest cover, (x)	8.2	7.7 <sup>2</sup>	8.6	9.7 <sup>2</sup>
FFO interest cover, net (x)	10.1	15.4 <sup>2</sup>	12.2	15.9
Cash flow interest cover after maintenance investments, (x)	3.9	5.6	6.4	7.9
FFO/gross debt	–	–	50.7	49.8
FFO/net debt	–	–	77.8	72.2
EBITDA/net financial items, (x)	10.4	15.2 <sup>2</sup>	15.1	18.4 <sup>2</sup>
EBITDA/net financial items, (x) <sup>1</sup>	10.4	15.2 <sup>2</sup>	15.0	18.2 <sup>2</sup>
Equity/total assets	36.7	33.3	36.7	33.3
Gross debt/equity	54.1	66.5	54.1	66.5
Net debt/equity	35.2	45.9	35.2	45.9
Gross debt/gross debt plus equity	35.1	39.9	35.1	39.9
Net debt/net debt plus equity	26.1	31.5	26.1	31.5

1) Excl. items affecting comparability.

2) Adjusted value compared to previously published information in Vattenfall's 2006 Annual Report. See page 26 under the heading Accounting Principles.

## Quarterly information, Vattenfall Group

Amounts in SEK million	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
<b>Income statement</b>								
Net sales <sup>1</sup>	38,329	31,589	32,077	41,644	39,428	27,990	30,371	38,013
Cost of products sold <sup>2</sup>	-27,791	-24,236	-23,740	-27,637	-29,561	-21,853	-21,780	-23,234
Other operating income and expenses, net <sup>2</sup>	-3,967	-2,929	-2,922	-2,832	-4,753	-2,708	-2,876	-2,550
Participations in the results of associated companies	181	336	257	224	299	68	310	657
Operating profit before depreciation and amortisation (EBITDA) <sup>2</sup>	12,502	8,768	9,432	15,119	10,037	8,153	9,436	16,312
Operating profit (EBIT) <sup>2</sup>	6,752	4,760	5,672	11,399	5,413	3,497	6,025	12,886
Financial items, net <sup>2</sup>	-2,052	-1,246	-657	-695	-334	-536	-750	-676
Financial items, net <sup>2,3</sup>	-1,203	-939	-403	-495	-661	-737	-539	-453
Profit before tax	4,700	3,514	5,015	10,704	5,079	2,961	5,275	12,210
<b>Profit for the period</b>	<b>3,676</b>	<b>3,523</b>	<b>6,252</b>	<b>7,235</b>	<b>6,609</b>	<b>1,871</b>	<b>3,399</b>	<b>7,979</b>
- of which, attributable to equity holders of the Parent Company	3,795	3,145	5,963	6,866	6,318	1,726	3,183	7,502
- of which, attributable to minority interests	-119	378	289	369	291	145	216	477
<b>Balance sheet</b>								
Non-current assets	264,864	257,489	256,030	256,845	251,893	266,242	259,325	261,725
Short-term investments	12,096	14,999	8,258	9,770	7,534	7,948	7,628	7,692
Cash and cash equivalents	10,563	6,481	12,591	18,095	14,634	8,790	7,077	10,234
Other current assets	50,713	45,647	45,602	50,251	49,105	44,805	44,820	54,473
<b>Total assets</b>	<b>338,236</b>	<b>324,616</b>	<b>322,481</b>	<b>334,961</b>	<b>323,166</b>	<b>327,785</b>	<b>318,850</b>	<b>334,124</b>
Equity	124,132	119,679	116,102	118,455	107,674	94,118	92,865	93,386
- of which, attributable to equity holders of the Parent Company	111,709	107,403	104,145	106,898	96,589	83,480	82,430	82,722
- of which, attributable to minority interests	12,423	12,276	11,957	11,557	11,085	10,638	10,435	10,664
Capital Securities	9,341	9,082	9,110	9,190	8,911	9,120	9,074	9,241
Other interest-bearing liabilities	57,848	57,259	58,886	63,584	62,664	63,102	59,968	65,396
Pension provisions	17,735	17,424	17,415	17,505	16,877	17,345	17,211	17,486
Other interest-bearing provisions	56,250	52,280	50,401	50,399	49,217	48,412	46,899	47,479
Deferred tax liabilities	23,704	25,403	29,247	30,450	29,875	40,104	39,202	39,354
Other noninterest-bearing liabilities	49,226	43,489	41,320	45,378	47,948	55,584	53,631	61,782
<b>Total equity and liabilities</b>	<b>338,236</b>	<b>324,616</b>	<b>322,481</b>	<b>334,961</b>	<b>323,166</b>	<b>327,785</b>	<b>318,850</b>	<b>334,124</b>
Net assets	166,120	158,698	156,723	155,556	149,965	150,369	147,383	154,266
Net debt	-43,740	-44,524	-46,765	-44,828	-49,407	-55,380	-54,179	-56,474
<b>Cash flow</b>								
Funds from operations (FFO)	10,909	6,002	4,932	12,206	9,527	5,625	7,240	13,281
Cash flow from changes in operating assets and operating liabilities	-2,527	261	3,514	-2,966	481	1,769	1,889	-4,605
Cash flow from operating activities	8,382	6,263	8,446	9,240	10,008	7,394	9,129	8,676
Cash flow from investing activities	-6,463	-4,069	-4,272	-3,233	-5,808	-5,107	-2,647	-2,085
Cash flow before financing activities	1,919	2,194	4,174	6,007	4,200	2,287	6,482	6,591
Changes in short-term investments	3,179	-6,766	1,443	-2,011	239	-287	-97	306
Loans raised/Amortisation of debt, net, etc.	-1,154	-1,470	-3,496	-780	1,579	-325	-3,564	-2,701
Dividends paid to equity holders	-1	-23	-7,572	-11	-2	-22	-5,867	-1
Cash flow from financing activities	2,024	-8,259	-9,625	-2,802	1,816	-634	-9,528	-2,396
<b>Cash flow for the period</b>	<b>3,943</b>	<b>-6,065</b>	<b>-5,451</b>	<b>3,205</b>	<b>6,016</b>	<b>1,653</b>	<b>-3,046</b>	<b>4,195</b>
Free cash flow	3,838	3,231	5,311	7,270	5,714	3,722	6,729	7,013

1) For 2006 adjusted values compared to previously published information. See page 26 under the heading Accounting Principles.

2) Values prior to quarter 4, 2007 are adjusted compared to previously published information. See page 26 under the heading Accounting Principles.

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

## Key ratios (definitions on pages 28–29)

In % unless otherwise stated. (x) means times.	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Return on equity <sup>1</sup>	17.6	20.5	19.9	17.9	19.1	23.0	24.1	24.7
Return on equity <sup>1,2</sup>	17.5	20.4	19.8	17.6	18.7	19.3	20.2	20.9
Return on net assets <sup>1-3</sup>	16.6	16.3	15.7	16.1	17.1	20.5	20.4	20.1
Return on net assets <sup>1,2,3</sup>	16.6	16.2	15.7	16.0	16.8	18.3	18.2	18.0
EBIT interest cover, (x) <sup>3</sup>	4.7	4.5	6.7	12.4	4.3	4.3	7.0	14.1
EBIT interest cover, (x) <sup>2,3</sup>	4.7	4.5	6.7	12.3	4.4	4.3	6.8	13.8
FFO interest cover, (x) <sup>1</sup>	50.7	49.2	47.5	47.5	49.8	53.8	53.8	48.1
FFO interest cover, net, (x) <sup>1</sup>	77.8	73.4	69.0	77.2	72.2	70.1	68.5	63.6
Equity/assets ratio	36.7	36.9	36.0	35.4	33.3	28.7	29.1	27.9
Gross debt/equity	54.1	55.4	58.6	61.4	66.5	76.7	74.3	79.9
Net debt/equity	35.2	37.2	40.3	37.8	45.9	58.8	58.3	60.5
Net debt/net debt plus equity	26.1	27.1	28.7	27.5	31.5	37.0	36.8	37.7

1) Last 12-month values.

2) Excl. items affecting comparability.

3) Values prior to quarter 4, 2007 are adjusted compared to previously published information. See page 26 under the heading Accounting Principles.

## Key ratios – energy generation in the Nordic countries qualifying for electricity certificates<sup>1</sup>

Amounts in SEK million	Wind power		Hydro power <sup>2</sup>		Heat		Total	
	Full year 2007	Full year 2006	Full year 2007	Full year 2006	Full year 2007	Full year 2006	Full year 2007	Full year 2006
Operating profit	165.6	61.5	133.8	117.1	179.3	253.2	478,7	431,7
Investments	1,011.7	3,793.4	71.5	23.3	1,271.3	315.1	2 354,5	4 131,8
Non-current assets <sup>3</sup>	5,993.2	3,108.4	287.3	255.0	4,333.7	3,741.0	10 614,3	7 104,1
Return on non-current assets, (%)	2.8	2.0	46.6	45.9	4.1	6.8	4,5	6,1

1) By renewable energy is meant electricity and heat generation in the Nordic countries according to the official rules that apply for electricity certificates in Sweden.

2) Small-scale hydro power + efficiency increases.

3) The value of non-current assets is calculated as a yearly average. Values for 2006 have been adjusted compared with previously published information.

**Comments:** In comparisons with the preceding year, it should be commented that the acquired assets in Denmark had not been consolidated until after mid-year 2006.

## Exchange rates

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

	Q4 2007	Q4 2006	Full year 2007	Full year 2006		31 December 2007	31 December 2006
<b>Average rate</b>					<b>Balance sheet date rate</b>		
EUR	9.3161	9.1518	9.2464	9.2617	EUR	9.4700	9.0500
DKK	1.2495	1.2278	1.2409	1.2418	DKK	1.2705	1.2135
NOK	1.1834	1.1091	1.1530	1.1516	NOK	1.1875	1.0945
PLN	2.5475	2.3575	2.4477	2.3769	PLN	2.6300	2.3600
USD	6.4250	7.0833	6.7439	7.3794	USD	6.4700	6.8700

## Parent Company income statement

Amounts in SEK million	Full year 2007	Full year 2006
Net sales	25,223	26,244 <sup>1</sup>
Cost of products sold	-14,974	-15,530 <sup>1</sup>
<b>Gross profit</b>	<b>10,249</b>	<b>10,714</b>
Selling expenses, administrative expenses and research and development costs	-2,794	-2,615
Other operating income and expenses, net	-17	226
<b>Operating profit (EBIT)</b>	<b>7,438</b>	<b>8,325</b>
Result from participations in Group companies	1,038	4,829
Result from participations in associated companies	-2	160
Result from other shares and participations	-5	11
Interest income and similar profit/loss items	1,545	3,752
Interest expenses and similar profit/loss items	-6,046	-3,039
Group contributions	1,564	2,068
<b>Profit before appropriations and tax</b>	<b>5,532</b>	<b>16,106</b>
Appropriations	452	-2,071
<b>Profit before tax</b>	<b>5,984</b>	<b>14,035</b>
Income tax expense	-1,529	-2,486
<b>Profit for the year</b>	<b>4,455</b>	<b>11,549</b>

1) Net sales and Cost of products sold for 2006 are adjusted compared to previously published information in Vattenfall's 2006 nine-month interim report and Annual Report. See page 26 under the heading Accounting Principles.

## Parent Company balance sheet

Amounts in SEK million	31 December 2007	31 December 2006
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets: non-current	89	153
Property, plant and equipment	19,807	19,819
Other non-current assets	65,602	65,688
<b>Total non-current assets</b>	<b>85,498</b>	<b>85,660</b>
<b>Current assets</b>		
Inventories	310	770
Intangible assets: current	432	5
Current receivables	40,032	50,215
Current tax assets	274	–
Cash and cash equivalents	352	181
<b>Total current assets</b>	<b>41,400</b>	<b>51,171</b>
<b>Total assets</b>	<b>126,898</b>	<b>136,831</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Restricted equity		
Share capital	6,585	6,585
Statutory reserve	1,286	1,286
Non-restricted equity		
Retained earnings	19,667	16,295
Profit for the year	4,455	11,549
<b>Total equity</b>	<b>31,993</b>	<b>35,715</b>
<b>Untaxed reserves</b>	<b>10,993</b>	<b>11,445</b>
<b>Provisions</b>	<b>144</b>	<b>184</b>
<b>Non-current liabilities</b>		
Non-current interest-bearing liabilities	58,214	63,904
Non-current noninterest-bearing liabilities	2,643	2,592
<b>Total non-current liabilities</b>	<b>60,857</b>	<b>66,496</b>
<b>Current liabilities</b>		
Current interest-bearing liabilities	7,197	8,763
Current tax liabilities	–	663
Other current noninterest-bearing liabilities	15,714	13,565
<b>Total current liabilities</b>	<b>22,911</b>	<b>22,991</b>
<b>Total equity and liabilities</b>	<b>126,898</b>	<b>136,831</b>

## Accounting principles, Risks, etc.

### Group

#### 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. In addition, recommendation RFR 1.1 – Supplementary Accounting Principles for Groups of Companies, issued by the Swedish Financial Reporting Board, has been applied. RFR 1.1, which will become mandatory for the Group's 2008 financial statements but has been applied prospectively, specifies the necessary additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act.

This year-end report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting, which is compatible with the requirements made by recommendation RR 31 – Interim Financial Reporting for Groups, issued by the Swedish Financial Accounting Standards Council.

The accounting principles applied in this year-end report are those described in Vattenfall's 2006 Annual Report (Note 2 to the consolidated accounts). However, changes in accounting principles are applied in two areas.

Reporting in the income statement of cash flow hedges on sales and purchases of electricity and other commodities has been changed. Previously, the effect of cash flow hedges was reported in the income statement under the item Net sales in the event of a positive outcome and under the item Cost of products sold in the event of a negative outcome. Starting in 2007, the effect of cash flow hedges is reported in the same way as the hedged item is reported. Comparison figures for 2006 have been restated in accordance with the new principle. The effect in previous periods of the above-mentioned change in accounting principle entails that Net sales and Cost of products sold for the Vattenfall Group have decreased by SEK 10,013 million for the full year 2006.

Also, comparison figures for 2005 and 2004 have been restated by SEK 5,364 million and SEK 2,350 million, respectively. Gross profit and Operating profit are not affected by the transition to this new accounting principle.

In addition, reporting in the consolidated income statement of the interest component of pension costs, net after deductions for the anticipated return on plan assets, has been reclassified as a financial expense. Previously, these costs were included in operating profit. A uniform classification of all interest items related to provisions is thereby achieved. Comparison figures as of 2004 have been restated in accordance with the new principle. The effect of this change in accounting principle entails for the full year 2007 an increase in operating profit by SEK 811 million along with an increase in financial expenses by the same amount. The corresponding effect is SEK 772 million for the full year 2006, SEK 792 million for the full year 2005 and SEK 830 million for the full year 2004.

The above-stated effects have also entailed a recalculation of most key ratios as from 2004.

#### Reduced income tax in Germany

The calculation of deferred tax takes into account the German authorities' decision in July 2007 on reduced corporate income tax by approximately 10 percentage points starting in 2008. This explains the relatively low effective tax rate that was reported for 2007.

#### Risks and uncertainties

For a description of risks, uncertainty factors and risk management, please refer to Vattenfall's 2006 Annual Report, pages 66–69, and Note 34 to the consolidated accounts. No material changes, other than what is stated in this report, have taken place since publication of the 2006 Annual Report.

#### Other

Significant related-party transactions are described in Note 48 to the consolidated accounts in Vattenfall's 2006 Annual Report. No material changes have taken place in relations or transactions with related parties compared with what was described in the 2006 Annual Report.

### Parent Company Vattenfall AB

#### Accounting principles

The accounts of Vattenfall AB, the Parent Company, are prepared in accordance with Swedish GAAP, i.e., in accordance with the Swedish Annual Accounts Act and recommendation RFR 2.1 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. RFR 2.1, which will become mandatory as of 2008, has been applied prospectively. Vattenfall has adopted the exemption rule regarding IAS 39, in accordance with RFR 2.1.

The accounting principles used in this report are the same as those described in Vattenfall's 2006 Annual Report (Note 2 to the Parent Company accounts). However, reporting in the income statement of the effect of cash flow hedges on sales and purchases of electricity and other commodities has been changed (see the Group section on accounting principles above).

#### Full year 2007

A condensed income statement and balance sheet for the Parent Company are presented on pages 24 and 25 of this report.

Sales amounted to SEK 25,233 million (26,244).

Profit before appropriations and tax was SEK 5,532 million (16,106). The decrease is mainly attributable to a lower profit from participations in Group companies, accounting for SEK –4 billion (dividend received in 2006 from Ringhals AB related to the closure of Barsebäck 2), and changes in exchange rate effects of SEK –5.4 billion stemming from hedges of the Parent Company's net invest-



ments in foreign currency. The exchange rate effect is eliminated in equity on the consolidated level.

Investments for the year amounted to SEK 1,106 million (1,319).

Cash and cash equivalents amounted to SEK 352 million (181). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 22,667 million (30,965).

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#### **Risks and uncertainties**

For a description of risks, uncertainty factors and risk management, please refer to Vattenfall's 2006 Annual Report, pages 66–69. No material changes, other than what is stated in this report, have taken place since publication of the 2006 Annual Report.

#### **Other**

Significant related-party transactions are described in Note 40 to the Parent Company accounts in Vattenfall's 2006 Annual Report. No material changes have taken place in relations or transactions with related parties compared with what was described in the 2006 Annual Report.

Of the Parent Company's total sales revenue and purchasing costs, 9% (12%) of sales and 35% (41%) of purchases pertain to transactions with other companies in the Group.

#### **Dividend**

Profit attributable to shareholders in the Parent Company amounted to SEK 19,769 million (18,729) or SEK 150.11 (142.21) per share. The Board of Directors proposes a dividend of SEK 8,000 million, corresponding to SEK 60.74 per share.

#### **Annual General Meeting**

The Annual General Meeting will be held on 29 April 2008 in Stockholm. Location: Nalen. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English) is expected to be published on [www.vattenfall.se](http://www.vattenfall.se) and [www.vattenfall.com](http://www.vattenfall.com), respectively, on 28 March 2008. 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, e-mail: [info@vattenfall.se](mailto:info@vattenfall.se) or directly via Vattenfall's websites: [www.vattenfall.se](http://www.vattenfall.se) (Swedish) and [www.vattenfall.com](http://www.vattenfall.com) (English).

Stockholm, 7 February 2008

Vattenfall AB (publ)

The Board of Directors

This report has not been subjected to a review by the company's auditors.

Vattenfall discloses the information provided herein pursuant to the Swedish Securities Market Act.

## 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.
Free cash flow =	Cash flow from operating activities less 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 less noninterest-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 less loans to minority owners in foreign subsidiaries, cash and cash equivalents, short-term investments.

The key ratios are presented as percentages (%) or times (x)

### Key ratios based on full year 2007:

Operating margin, % =	100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{28,583}{143,639}$	=	19.9
Operating margin excl. items affecting comparability, % =	100 x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{28,497}{143,639}$	=	19.8
Pre-tax profit margin, % =	100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{23,933}{143,639}$	=	16.7
Pre-tax profit margin excl. items affecting comparability, % =	100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{23,836}{143,639}$	=	16.6
Return on equity, % =	100 x	$\frac{\text{Profit for the period attributable to equity holders of the Parent Company}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{19,769}{112,446}$	=	17.6
Return on equity excl. items affecting comparability, % =	100 x	$\frac{\text{Profit for the period attributable to equity holders of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{19,633}{112,446}$	=	17.5
Return on net assets, % =	100 x	$\frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{26,130}{157,252}$	=	16.6
Return on net assets excl. items affecting comparability, % =	100 x	$\frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{26,044}{157,252}$	=	16.6
EBIT interest cover, (x) =		$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{30,016}{4,473}$	=	6.7

<b>EBIT interest cover excl. items affecting comparability, (x) =</b>	Operating profit (EBIT) excl. items affecting comparability + financial income excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	29,930	=	<b>6.7</b>
	Financial expenses excl. discounting effects attributable to provisions	4,473		
<b>FFO interest cover, (x) =</b>	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	38,522		
	Financial expenses excl. discounting effects attributable to provisions	4,473	=	<b>8.6</b>
<b>FFO interest cover, net, (x) =</b>	Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	37,089	=	<b>12.2</b>
	Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	3,040		
<b>Cash flow interest cover after maintenance maintenance, (x) =</b>	Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	23,312	=	<b>6.4</b>
	Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	3,662		
<b>FFO/gross debt, % =</b>	Funds from operations (FFO)	34,049	=	<b>50.7</b>
	Interest-bearing liabilities	67,189		
<b>FFO/net debt, % =</b>	100 x Funds from operations (FFO)	34,049	=	<b>77.8</b>
	100 x Net debt	43,740		
<b>EBITDA/net financial items, (x) =</b>	100 x Operating profit before depreciation and amortisation (EBITDA)	45,821	=	<b>15.1</b>
	100 x Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	3,040		
<b>EBITDA excl. items affecting comparability/net financial items, (x) =</b>	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	45,735		
	Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	3,040	=	<b>15.0</b>

**Key ratios based on the balance sheet per 31 December, 2007:**

<b>Equity/total assets, % =</b>	100 x Equity	124,132	=	<b>36.7</b>
	100 x Balance sheet total	338,236		
<b>Gross debt/equity, % =</b>	100 x Interest-bearing liabilities	67,189	=	<b>54.1</b>
	100 x Equity	124,132		
<b>Net debt/equity, % =</b>	100 x Net debt	43,740	=	<b>35.2</b>
	100 x Equity	124,132		
<b>Gross debt/gross debt plus equity, % =</b>	100 x Interest-bearing liabilities	67,189	=	<b>35.1</b>
	100 x Interest-bearing liabilities + equity	191,321		
<b>Net debt/net debt plus equity, % =</b>	100 x Net debt	43,740	=	<b>26.1</b>
	100 x Net debt + equity	167,847		

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