

YEAR-END REPORT 8 FEBRUARY 2006

Best results ever

- **Net sales increased by 13.9 % to SEK 129,158 million (113,366)**
- **Operating profit, excluding items affecting comparability¹ increased by 28.0 % to SEK 24,744 million (19,327)**
- **Net profit after tax excluding items affecting comparability increased by 59.2 % to SEK 17,364 million (10 909)**
- **Operating profit excluding items affecting comparability, for the fourth quarter increased by 45.3 % to SEK 7,264 million (5,001)**

¹ For 2005, items affecting comparability consist chiefly of compensation/write-down costs for the closing of Barsebäck 2 of SEK 3,057 million net and, for 2004, restructuring costs in Germany of SEK -3,034 million as well as capital gains/losses of SEK 819 million net.

NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW IN 2005

2005 was a new record year for Vattenfall. Compared with 2004, operating profit increased by 62.1 % to SEK 27,730 million (17,112), excluding items affecting comparability by 28.0 % to SEK 24,744 million (19,327). The increase is mostly due to higher electricity wholesale prices, greatly increased hydro power generation in Sweden and improved hedging outcomes. Financial performance improved in all Vattenfall segments apart from electricity networks. Net sales increased by 13.9 % to SEK 129,158 million (113,366), primarily attributable to Germany.

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

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

The interest coverage ratio, excluding items affecting comparability, improved to 8.4 (5.9).

Net debt increased by SEK 8,932 million to SEK 64,343 million from SEK 55,411 million on 31 December 2004. This is primarily due to the purchase of shares in the

Danish power company Elsam A/S (SEK 10.4 billion) and the distribution of a large dividend to the shareholders the Swedish state (SEK 5.6 billion). The net debt/equity ratio was 0.73 on 31 December 2005, compared with 0.67 on 31 December 2004.

Cash flow before financing amounted to SEK 728 million compared with SEK 13,472 million in 2004. Free cash flow, after maintenance investments, amounted to SEK 14,341 million compared with SEK 15,684 million.

All targets established at Group level were achieved. Major investment programmes are underway in both electricity generation and electricity distribution and extensive efforts are being made to improve security of supply and customer service.

ELECTRICITY AND HEAT GENERATION IN 2005

Vattenfall's total electricity generation increased in 2005 by 1.2 % to 169,1 TWh compared with 167.1 TWh for 2004. Hydro power generation, on the other hand, increased by more than 18 % to 39.8 TWh (33.6), the result of good water supply. Nuclear power generation decreased by 5.6 % to 58.9 TWh (62.4) mainly due to the closing of Barsebäck 2. Fossil-based power decreased somewhat to

70.4 TWh (71.1). Heat production decreased by 1.2 % to 34.1 TWh (34.5), mainly due to warmer weather.

NET SALES, FINANCIAL PERFORMANCE, CASH FLOW AND ELECTRICITY AND HEAT GENERATION IN THE FOURTH QUARTER

Net sales increased by 15.0 % to SEK 37,280 million (32,405) while operating profit increased by 171 % to SEK 10,264 million (3,790). Excluding items affecting comparability, operating profit increased by 45.2 % to SEK 7,264 million (5,001). Net profit increased by 368 % to SEK 10,175 million (2,172). Excluding items affecting comparability, net profit increased by 141 % to SEK 7,011 million (2,907). Cash flow before financing activities amounted to SEK -275 million compared with SEK 1,889 million for the equivalent period in 2004. Net debt increased by SEK 543 million mainly due to a deposit of approx. SEK 2.4 billion SEK for the squeeze-out of shares in Vattenfall Europe AG.

Total electricity generation increased by 1.7 % to 46.6 TWh (45.8). Hydro power increased by 12.6 %, fossil-based power increased by 4.2 % while nuclear power fell by 20.6 %. Heat production decreased by 6 % to 10.9 TWh (11.6).

MARKET DEVELOPMENT IN 2005

Electricity wholesale prices rose steeply in Europe, primarily explained by dry weather in Southern Europe and record high oil and gas prices which have led to increased coal use in electricity generation. This drove up the price of emission allowances for carbon dioxide and thus electricity prices. The European trading system for emission allowances was launched in January 2005 and has functioned well but prices, due to the high oil and gas prices, have stayed much higher than most analysts expected. In the Nordic countries, the electricity price increase was mitigated by good water supply.

Compared with 2004, spot prices (base load) on the Nordic electricity exchange, Nord Pool, were on average slightly higher; SEK 272 per MWh compared with SEK 264 per MWh. For the fourth quarter, the corresponding average Nordic spot price was SEK 306 per MWh compared with SEK 249 per MWh. In Germany, the spot price in 2005 on the EEX European Energy Exchange was on average about 61 % higher than in 2004; EUR 46.0 per MWh compared with EUR 28.5 per MWh. For the fourth quarter, the average German spot price was EUR 60.0 per MWh compared with EUR 29.7 per MWh. Forward prices for 2006 and 2007 closed at year-end in the Nordic countries at EUR 37.4 per MWh and EUR 36.7 per MWh respectively compared with last year's average closing prices of slightly more than EUR 28 per MWh.

In Germany, corresponding forward agreements closed at EUR 53.6 per MWh and EUR 48.9 per MWh respectively, compared with last year's average closing prices of slightly more than EUR 34.1 per MWh and EUR 34.9 per MWh. The market in Poland is still at the development stage with low turnover and restricted liquidity. In 2005, the average spot price on the Polish electricity exchange, POLPX, was slightly higher than for the previous year: PLN 114 per MWh compared with PLN 110 per MWh. (Exchange rates, see page 24).

In 2005, the price of emission allowances was initially below EUR 10 per ton but has since risen dramatically to a highest level in July of EUR 29 per ton. Thereafter the market stabilised at about EUR 22 per ton. On average,

the price of emission allowances was EUR 16 per ton.

During the year, the hydrological balance for the Nordic countries as a whole was on average significantly better compared with the previous year: a surplus of 7 TWh compared with a deficit of 13.8 TWh. However, during the last quarter, the hydrological balance deteriorated and, at the end of December, the hydrological balance demonstrated a deficit of 1.5 TWh compared with a surplus of 4.3 TWh at the end of 2004.

Total electricity consumption in 2005 in the Nordic countries, excluding Iceland, amounted to 393.2 TWh, an increase of 0.6 % compared with 2004. Corresponding statistics for Germany and Poland are not yet available.

IMPORTANT EVENTS IN THE FOURTH QUARTER

Agreement concerning compensation for Barsebäck 2

Following negotiations between the Swedish state, E.ON Sverige and Vattenfall, an agreement in principle was reached in November regarding market compensation for the loss of generation at Barsebäck 2. The second reactor at the Swedish Barsebäck nuclear power plant was closed down on 31 May in accordance with the government's decision and current legislation. Vattenfall has received compensation for future production losses amounting to SEK 4,100 million. Vattenfall's costs for the write-down of the assets concerned amount to SEK 1,043 million which means that the consolidated income statement for 2005 has been credited with the resultant net, SEK 3,057 million. The state compensation will be paid to Vattenfall in four instalments during 2006-2009.

Decision regarding the wind power park at Lillgrund

In November, Vattenfall decided to build a wind power farm at Lillgrund in Öresund. Lillgrund represents the largest investment in wind power in Sweden and one of the largest in Europe. The plant will have a capacity of 110 MW corresponding to approx. 0.3 TWh per annum. The installation is expected to be put into operation in 2007.

A decision was also made to build the Rüdersdorf waste

incineration plant outside Berlin with a capacity of 30 MW and an estimated electricity output of approx. 0.2 TWh.

Squeeze-out of minority shares in Germany

In August, Vattenfall announced that its shareholding in the listed German subsidiary Vattenfall Europe AG exceeds 95 %. In December, the decision was made to hold an extra general meeting in March 2006 at Vattenfall Europe AG for a decision on the squeeze-out of the minority owners' shares. This is the final stage of our successful establishment in the German market which began in November 1999 with the acquisition of 25.1 % of HEW AG. We are emphasising the fact that Vattenfall's involvement in Germany is long-term and creating stable conditions for continued growth in the European energy market.

Increased energy taxes in Sweden

The Swedish parliament decided to increase property tax on hydro power and the tax on installed nuclear power capacity, with effect from 1 January 2006. For Vattenfall, this entails increased annual costs of approx. SEK 1.5 billion.

Vattenfall receives several awards

- First prize in the Stockholm Stock Exchange's prestigious annual report competition "Best annual report 2004".
- International Epica Award, Media Trendy and EFFIE Award for creativity, media innovation and performance in our well-received introductory campaign in Poland, respectively.
- The CEO, Lars Josefsson, was elected by TIME Magazine as one of the TIME European Heroes 2005 for his strong commitment to the issue of climate change.

New unit for capacity management

Vattenfall faces a period of major capital expenditures. A new joint group function, Capacity Management, has been formed to coordinate these investments in heat and electricity generation.

A common brand is being built

On 1 January 2006, Vattenfall's German subsidiaries Bewag and HEW as well as the Polish subsidiaries EW and GZE were renamed Vattenfall. This is an important step in the establishment of "One Vattenfall" and the introduction of a common, cohesive brand for the whole of Vattenfall which offers better opportunities for the organisation to operate as a strong European player, both internally and externally.

IMPORTANT EVENTS EARLIER IN 2005

Storm caused major network disruptions

At the beginning of January 2005, southern Sweden was hit by a widespread storm with hurricane-force winds. The damage to forests, infrastructure and the electricity network was enormous. Vattenfall's costs for electricity network repairs, disruption guarantees, repairs and additional work amounted to more than SEK 500 million.

Long-term agreements with basic industries

During the year, Vattenfall signed several large, long-term supply agreements – up to 10 years – with major Swedish basic industries. We have worked hard to meet the requirements of the electricity intensive industries and are pleased with the confidence these industries have shown in us.

Acquisition in Denmark

In April, Vattenfall acquired 35.3 % of the shares in the Danish company Elsam for approx. SEK 10.4 billion. In June, an agreement in principle was signed with the Danish oil and gas company Dong according to which Vattenfall, will take over approx. 24 % of the total generation capacity of Elsam and Energi E2, the Danish companies acquired by Dong, in exchange for the shareholding in Elsam. The EU's anti-trust authority gave its approval to Vattenfall's part in the business deal on 23 December. The ruling on Dong's acquisitions in Denmark is still pending.

Vattenfall gathers the Group's energy trading under one name

Vattenfall's energy trading unit was gathered under one name, Vattenfall Trading Services, after Vattenfall's trading

units in Hamburg and Stockholm were merged. The new unit has its headquarters in Hamburg. Activities in the Nordic market are managed from the regional office in Stockholm. A new regional office was established in Gliwice in southern Poland.

Open annual general meeting and amended articles of association

On 26 April, Vattenfall held its first ever open annual general meeting. Previously, the meeting had only been open to members of the Swedish parliament. More than 250 people attended the meeting. After the formal procedures, the public was offered the opportunity to pose questions directly to Vattenfall's Chairman of the Board and Chief Executive Officer. The meeting decided on an addition to the articles of association stating that "the Company shall, within the framework of businesslike operations, be the leading company in the transition to an ecologically and economically sustainable Swedish energy supply".

Pilot installation for carbon dioxide-free coal-fired power plant

In May, Vattenfall announced that it is to build the world's first pilot installation for a carbon dioxide-free coal-fired power plant based on so-called oxyfuel technology. The installation is being built in conjunction with Vattenfall's coal-fired power plant Schwarze Pumpe in eastern Germany with an investment of approx. SEK 370 million. The installation is expected to be put into operation in 2008.

Investment in wind power

Vattenfall has acquired the rights to develop the Swedish part of Kriegers Flak, an area in the southern part of the Baltic Sea, where there is the opportunity to build a wind power farm of 100–150 wind turbines totalling 600 MW, corresponding to approx. 1.6 TWh per annum. The project is currently under appraisal.

Innovative issue of Capital Securities

In June, Vattenfall secured funding in the form of Capital

Securities of EUR 1 billion. The tenor of the Capital Securities is perpetual and they are junior to all of Vattenfall's unsubordinated debt instruments. Due to the fact that the rating agencies regard the greater part of the amount as equity, Vattenfall's financial flexibility has been enhanced. The transaction is generally considered to be a pioneering one and the bonds have been in great demand among investors. In polls conducted among banks and investors, Vattenfall received several awards.

Improved credit rating

In June, both Moody's and Standard & Poor's "outlook" was changed from stable to positive. Moody's also raised its rating for long-term borrowings from A3 to A2 and for short-term borrowing from P-2 to P-1 as a result of its new GRI method (Government Related Issuer). The credit rating from Standard & Poor's is A- for long-term borrowing and A-2 for short-term borrowing.

New energy law in Germany

On 13 July the new German energy law (EnWG) came into force. As a result, the new German network regulator, Bundesnetzagentur, was able to begin its work. Initially, all tariff changes must be approved by the regulator in advance. The aim is to make the transition to an incentive-based regulatory model in 2007.

Poland reorganised as Business Group

Operations in Poland were reorganised in August into Business Group Poland and sub-divided into three business units, Distribution, Sales and Heat. This puts Poland on the same level in the Group as Business Group Vattenfall Nordic and Business Group Vattenfall Europe in Germany.

New Code of Conduct

Vattenfall's core values, corporate philosophy and ethical attitude has been summarised in a Code of Conduct and approved by Vattenfall's Board. It describes how the employees of the Vattenfall Group should work and is an important tool in attaining our strategic goals.

SUMMARY OF VATTENFALL'S FINANCIAL PERFORMANCE, CASH FLOW AND BALANCE SHEET (IFRS) ¹

Amounts in SEK millions	2005	2004	Change %
Net sales	129,158	113,366	13.9
Operating profit before depreciation (EBITDA)	42,542	32,386	31.4
Operating profit (EBIT)	27,730	17,112	62.1
Operating profit excl items affecting comparability	24,744	19,327	28.0
Financial items, net	-1,411	-2,498	43.5
Profit before income tax	26,319	14,614	80.1
Profit for the year	20,518	9,604	113.6
- Of which attributable to shareholders of the parent	19,235	8,944	115.1
- Of which attributable to minority interests	1,283	660	94.4
Return on equity excl items affecting comparability	22.0	15.6	-
Return on net assets excl items affecting comparability	15.9	13.3	-
Funds from operations (FFO)	31,386	24,302	29.1
Cash flow before financing activities	728	13,472	-94.1
Free cash flow	14,341	15,684	-8.6
Cash and cash equivalents plus short-term investments	14,074	13,616	3.4
Balance sheet total	330,421	285,205	15.9
Equity incl minority interests	88,466	83,108	6.4
Capital Securities	9,268	-	-
Other interest-bearing liabilities	69,395	73,013	-5.0
Net debt	64,343	55,411	16.1

¹ As of 2005, the Vattenfall Group applies international accounting standards, International Financial Reporting Standards (IFRS), as approved by the EU.

Vattenfall's financial performance varies considerably over the year. The greater part of the year's profit is normally generated during the first and fourth quarters when demand for electricity and heating peaks. See page 24 for definitions.

Stockholm, 8 February 2006



Lars G Josefsson
President and Chief Executive Officer

Amounts in SEK millions (all figures according to IFRS)

January-December 2005

January-December 2004

Change %

NET SALES, FINANCIAL PERFORMANCE AND CASH FLOW

Net sales	▲	129,158	113,366	13.9
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Comments:

Sales increased primarily as a result of higher electricity wholesale prices in Germany, somewhat higher sales volumes in the Nordic countries and Poland and exchange rate effects: stronger EUR and PLN.

Cost of products sold	▲	93,636	83,848	11.7
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Comments:

The increase in costs is mainly due to increased costs for electricity and fuel purchases as well as increased operating and maintenance costs.

EBIT	▲	27,730	17,112	62.1
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Operating profit excl items affecting comparability	▲	24,744	19,327	28.0
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Comments:

A large part of the improvement in financial performance comprises compensation for the closing of Barsebäck 2 of SEK 3,057 million net which is treated as an item affecting comparability. Otherwise, the improvement in financial performance is primarily attributable to Germany. The Nordic countries and Poland also report improved operating profits. The improvement in Poland, however, is mainly due to exchange rate fluctuations. Operating profit excluding items affecting comparability for 2004 excludes mainly restructuring costs in Germany of SEK 3,034 million.

Cash flow from operating activities	▲	24,423	24,103	1.3
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Free cash flow ¹	▼	14,341	15,684	-8.6
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Cash flow before financing activities	▼	728	13,472	-94.6
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¹ Cash flow from operating activities minus maintenance investments.

Comments:

Cash flow from operating activities was affected negatively, partly through the compensation from the Swedish state for the closing of Barsebäck 2 being recorded as a receivable and partly due to a deposit of approx. SEK 2.4 billion for the squeeze-out of shares in the German subsidiary Vattenfall Europe AG. Higher tax payments in 2005 compared with 2004 have also contributed to the reduction. The reduction in free cash flow was also due to higher maintenance investments. Higher growth investments, primarily the acquisition of shares in the Danish company Elsam A/S, explain the weakened cash flow before financing activities.

Financial items, net	▲	-1,411	-2,498	43.5
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Interest income	▼	980	1,030	-4.9
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Interest expenses	▼	2,967	3,431	-13.5
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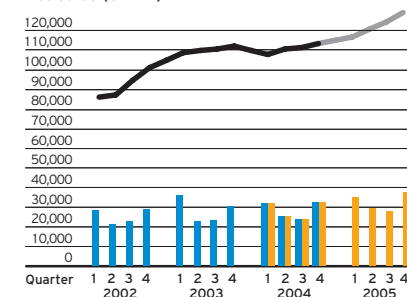
Interest received	▼	875	1,256	-30.3
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Interest paid	▼	2,230	3,693	-39.6
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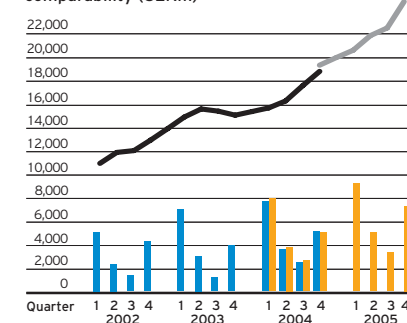
Comments:

Net interest items for the year amounted to an average of SEK -166 (-200). The lower interest expense is chiefly attributable to reduced average interest rate.

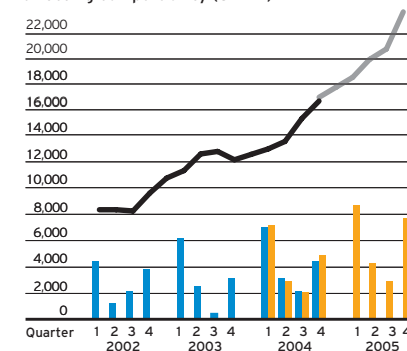
Net sales (SEKm)



Operating profit, excl items affecting comparability (SEKm)



Profit before income tax, excl items affecting comparability (SEKm)



■ Rolling 12-month values (Sw GAAP) ■ Rolling 12-month values (IFRS)

■ Quarterly values (Sw GAAP) ■ Quarterly values (IFRS)

Amounts in SEK millions (all figures according to IFRS)

31 December 2005

31 December 2004

Change %

FINANCIAL POSITION

Cash and cash equivalents plus short-term investments	▲	14,074	13,616	3.4
Committed credit facilities (unused)	▲	17,752	5,606	216.7
Uncommitted credit facilities (unused)	▲	10,198	8,192	24.5

Comments:

Committed credit facilities comprise a five-year Revolving Credit Facility of EUR 600 million payable on maturity in December 2009, 364-day credit facilities totalling EUR 1,260 million payable on maturity in April 2006 and a bank overdraft facility of SEK 212 million.

Net debt ¹	▲	64,343	55,411	16.1
Average duration (years) ^{1, 2}	▲	3.4	2.0	–
Average maturity ^{1, 2}	▼	6.6	6.7	–

¹ Excluding Capital Securities of SEK 9,268 million, net debt amounts to SEK 55,075 million, the average duration is 2.5 years and the average maturity is 6.0 years. These figures are as of 31 December 2005.

² Excluding loans from associated companies and minority owners.

Comments:

Net debt, including Capital Securities, increased by SEK 8,932 million to SEK 64,343 million compared with 31 December 2004. Compared with 30 September 2005, net debt increased by SEK 543 million. Since year-end, total interest-bearing debt, including Capital Securities, has increased by SEK 5,650 million to total SEK 78,663 million. Compared with 30 September 2005, total interest-bearing debt was reduced by SEK 2,258 million.

No change was seen in Vattenfall's credit ratings during the fourth quarter. The current rating is A-/A-2 from Standard & Poor's and A2/P-1 from Moody's, both with a positive outlook.

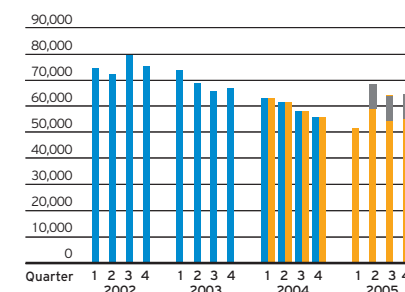
Equity attributable to

Shareholders in the Parent Company	▲	78,122	72,994	7.0
Minority interests	▲	10,344	10,114	2.3
Total	▲	88,466	83,108	6.4

Comments:

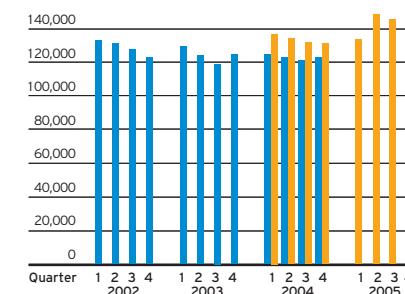
Changes in equity are specified on page 19.

Net debt (SEKm)



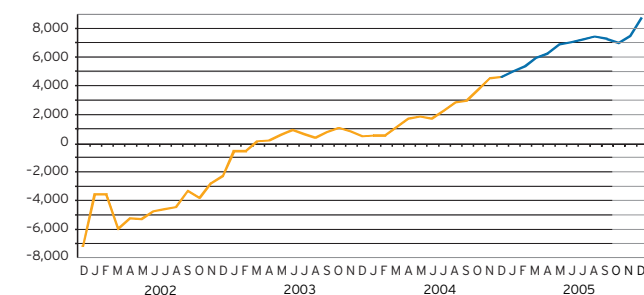
■ Quarterly values (Sw GAAP) ■ Quarterly values (IFRS) ■ Capital Securities

Net assets (SEKm)



Value creation (SEKm)

(Difference between results achieved and the Group's required return, 11 % on net assets)



Amounts in SEK millions (all figures according to IFRS)		January-December 2005	January-December 2004	Change %
INVESTMENTS				
Maintenance investments	▲	10,082	8,419	19.8
Growth investments	▲	14,415	4,312	234.3
- of which shares	▲	11,709	2,433	381.3
Total investments	▲	24,497	12,731	92.4

Comments:

The substantial increase is chiefly due to the acquisition of 35.3 % of the shares in the Danish company Elsam. According to an agreement in principle with the Danish company Dong, these shares will be exchanged for power assets. This is expected to take place during the second or third quarter of 2006 (see page 12 under the heading Elsam, Denmark).

		31 December 2005	31 December 2004	Change %
PERSONNEL (Number of employees, expressed as full-time equivalents)				
Nordic Countries	▲	8,896	8,744	1.7
Germany	▼	20,199	20,864	-3.2
Poland	▼	3,031	3,309	-8.4
Other countries	▲	105	100	5.0
Total	▼	32,231	33,017	-2.4

Comments:

The reductions in Poland and Germany are the result of rationalisation initiatives. The increase in the Nordic Countries is explained by the extensive investment programmes for the maintenance of our generation plants and newly acquired operations in the Services Nordic Countries business unit.

January-Dec 2005 January-Dec 2004

ELECTRICITY BALANCE, TWh

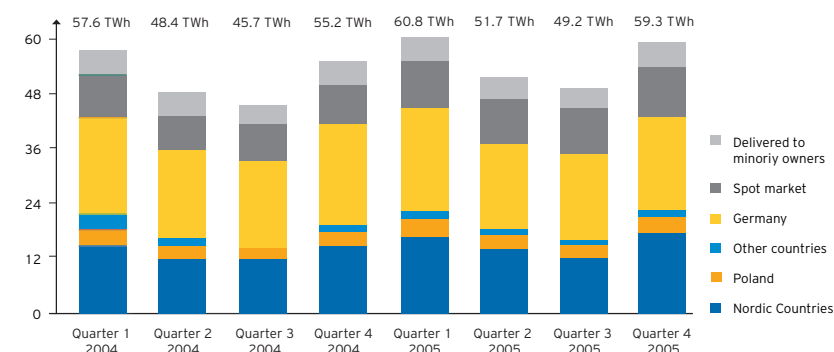
Sales

Nordic Countries	60.6	53.9
Germany	80.5	82.4
Poland	13.1	12.0
Other countries	5.1	4.7
Spot market	41.0	33.4
Total	200.3	186.4
Delivered to minority owners	19.7	19.5
Other	1.0	1.0
Total electricity sales	221.0	206.9

Internal generation and electricity input

Hydro power	39.8	33.6
Nuclear power	58.9	62.4
Fossil-based power and other	70.4	71.1
Total internal generation	169.1	167.1
Purchased power	56.9	43.2
Spot market	7.5	8.8
Total electricity input	233.5	219.1
Internal consumption	-12.5	-12.2
Total	221.0	206.9

Electricity sales per quarter, TWh

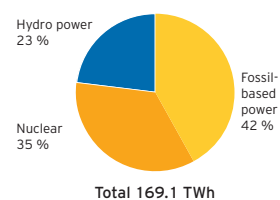


Comments:

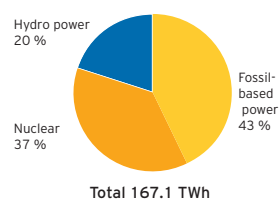
The increase in sales totalling 6.8 % is explained by increased bilateral sales mainly in the Nordic countries and increased sales in the spot market.

The increase in production is explained by a substantial increase in hydro power generation due to good water supply. The production of nuclear power fell due to the closing of Barsebäck 2 as well as a number of production disruptions in Ringhals. Fossil-based power fell somewhat due to a number of production outages in Germany.

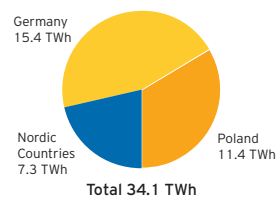
Electricity generation
January-December 2005



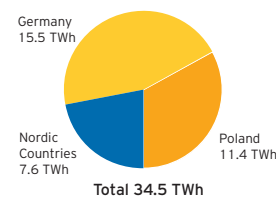
Electricity generation
January-December 2004



Heat sales
January-December 2005



Heat sales
January-December 2004



Amounts in SEK millions (all figures according to IFRS)		January-December			October-December		
		2005	2004	Change %	2005	2004	Change %
NORDIC COUNTRIES							
Net sales	▲	42,021	39,962	5.2	11,609	11,079	4.8
EBIT	▲	16,845	12,215	37.9	7,091	3,442	106.0
EBIT excl items affecting comparability	▲	13,755	12,246	12.3	4,032	3,421	17.9
Heat production (TWh)	▼	7.3	7.6	-3.9	2.2	2.3	-4.4
Electricity generation (TWh)	▲	89.8 ¹	88.4	1.6	24.1	24.6	-2.0
- of which hydro power	▲	36.4	30.3	20.1	9.8	8.6	14.0
- of which nuclear power	▼	52.9	57.5	-8.0	14.1	15.8	-10.2
- other	▼	0.5	0.6	-16.7	0.2	0.2	-
Transmitted volumes excl production transmission (TWh)	▲	83.5	80.3	4.0	23.5	22.8	3.1

¹ Of electricity generation, Vattenfall has 72 TWh (71) at its disposal, with the remainder going to minority owners.

Sales and earnings trend 2005

Sales and operating profit report an increase compared with 2004. The Generation, Heat and Services business units show improved operating profit. Distribution shows a deterioration while operating profit for Sales is largely unchanged.

Electricity Generation shows the greatest improvement in financial performance with SEK 5,098 million. The increase is partly due to compensation for lost production connected with the closure of Barsebäck 2 (SEK 3,057 million net) and partly due to increased generation volumes, higher wholesale prices and better hedging outcomes.

Heat, too, exhibits considerable improvements in financial performance due to increased income of Swedish electricity certificates and that the result for the previous year is burdened in the amount of SEK 100 million for the winding up of Härjedalens Mineral AB.

Distribution shows weakened operating profit due to the severe storm Gudrun that affected southern Sweden in January, and which burdened the result by more than SEK 500 million. In addition, costs for greatly increased measures to improve the electricity network has reduced profitability.

Electricity and heat generation 2005

Hydro power generation was 6.1 TWh higher than 2004 and nuclear power generation 4.6 TWh lower. Overall, generation increased by 1.4 TWh in 2005 compared with 2004. The increase in hydro power is explained by improved water supply while the reduction in nuclear power is due to the closing of Barsebäck 2 in May as well as a number of production disruptions at Ringhals.

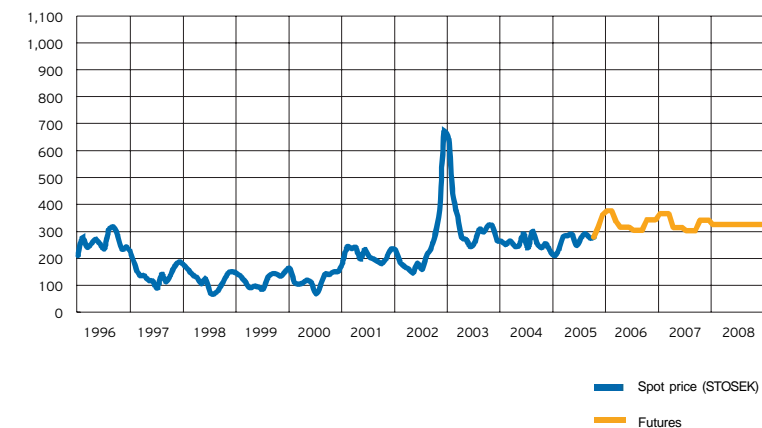
Heat production was 0.3 TWh lower than the previous year due to warmer weather.

Fourth quarter 2005

Of the profit increase compared with last year, the fourth quarter alone stood for SEK 591 million excluding the Barsebäck arrangement. Electricity generation showed a dramatic increase in profit due primarily to greater hydro power generation and higher wholesale prices. Electricity distribution showed poorer results due to increased measures in the network.

Swedish electricity prices 1996-2008
Monthly average, SEK/MWh

Source: Nord Pool
Updated to 30 September 2005



Amounts in SEK millions (all figures according to IFRS)		January-December			October-December		
		2005	2004	Change % ²	2005	2004	Change % ²
GERMANY							
Net sales	▲	104,995	92,945	13.0 (11.0)	22,594	25,877	-12.7 (-17.3)
EBIT	▲	10,221	4,591	122.6 (118.9)	2,690	575	367.8 (345.6)
EBIT excl items affecting comparability	▲	10,359	7,208	43.7 (41.7)	2,794	1,800	55.2 (47.9)
Heat production (TWh)	▼	15.4	15.5	-0.6	4.8	5.5	-12.7
Electricity generation (TWh)	▲	75.9	75.4	0.7	21.3	20.0	6.5
- of which fossil-based	▼	66.4	67.2	-0.1	18.7	17.9	4.5
- of which nuclear power	▲	6.0	4.9	22.4	1.7	1.2	41.7
- of which hydro power	▲	3.5	3.3	6.0	0.9	0.9	-
Transmitted volume (TWh) ¹	▼	28.2	28.5	-1.0	7.5	7.4	1.4

¹ Excl transmission grid.

² Numbers within brackets indicate percentage change in local currency.

Sales and earnings trend 2005

The increase in sales is mainly attributable to higher electricity wholesale prices. Operating profit should be judged excluding items affecting comparability: chiefly restructuring costs in 2004 of SEK 3,034 million. Excluding items affecting comparability, operating profit increased by almost 44 % which is chiefly explained by excellent generation performance in both electricity and heat production as well as better electricity wholesale prices. A smaller proportion of the increase in sales and profit is also due to exchange rate effects; stronger EUR. The operating profit of all business units, apart from Distribution, improved. The Mining and Generation business unit, responsible for the greater proportion of profit earned, saw an improvement in operating profit of 34 % in local currency compared with 2004. Sales turned the negative result of 2004 into a positive operating profit through reduced sales and administration costs as well as through alignment to market terms of a number of large sales agreements. The Heat business unit was able to increase its operating profit by approx. 7 % in local currency despite stagnant heat generation volumes due to warm weather. Distribution showed a deterioration of 21 % which is chiefly explained by lower connection fees and increased costs for the upstream network.

Fourth quarter 2005

Net sales decreased by nearly 13 % (17 % in local currency) compared with the fourth quarter 2004. This is due to the fact that some electricity contracts previously were accounted for on a gross basis. Adjusting for this, net sales increased by 11 % in local currency. The net accounting has no impact on profit. Neither does this affect total consolidated net sales nor cash flow. On the other hand, operating profit, excl items affecting comparability, increased by 55.2 %. In local currency, the profit increase was somewhat lower.

Electricity and heat generation

The generation of nuclear power and hydro power was higher in 2005 than 2004 while fossil-based power fell somewhat. Overall, electricity generation increased by 0.7 %. The 3,000 MWe Jämschwalde plant achieved its best generation results ever. Heat generation was marginally lower.

In the fourth quarter, all electricity generation plants showed higher availability and generation, increased by almost 7 % compared with the same period in 2004. On the other hand, heat generation fell by approx. 13 % due to relatively warm weather.

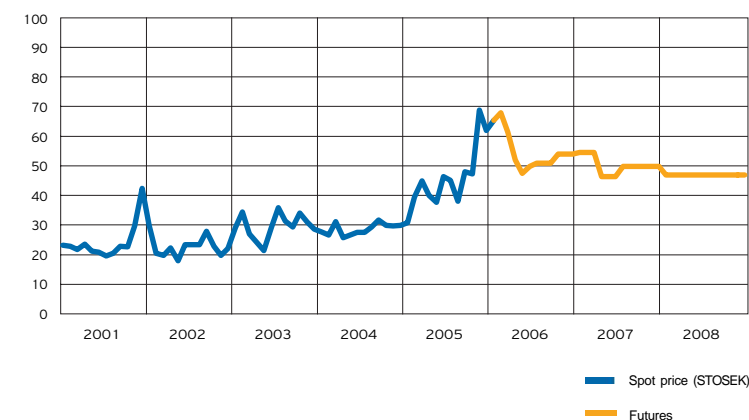
Other

Within the framework of the European trading system for emission allowances for carbon dioxide, Vattenfall in Germany has essentially obtained all necessary emission allowances for the period 2005-2007. The allocation process of emission allowances for the second trading period 2008-2012 will begin in 2006.

The new German network regulator, Bundesnetzagentur, started operations in July. This means that all changes to tariffs have to be approved by the regulator before they can be implemented. Vattenfall's profit for 2005 has not been affected by the new regulatory model.

German electricity prices 2001-2008
Monthly average, EUR/MWh

Source: European Energy Exchange (EEX)
Updated to 31 December 2005



Exchange rates on page 24

Amounts in SEK millions (all figures according to IFRS)	January-December			October-December		
	2005	2004	Change %	2005	2004	Change % ²
POLAND						
Net sales	▲ 8,850	7,427	19.2 (4.3)	2,628	2,129	23.4 (9.0)
EBIT	▲ 842	711	18.4 (3.6)	231	183	26.2 (11.4)
EBIT excl items affecting comparability	▲ 808	691	16.9 (2.3)	186	179	3.9 (-8.3)
Heat production (TWh)	▶ 11.4	11.4	–	3.9	3.9	–
Electricity generation (TWh) ¹	▲ 3.4	3.2	6.3	1.2	1.2	–

¹ 100 % fossil-based power.

² Numbers within brackets indicate percentage change in local currency.

Sales and earnings trend 2005

Poland shows a stable underlying result for 2005. The Heat business unit is responsible for approx. two thirds of operating profit. The major part of the reported increase in sales and improvement in operating profit for Poland is due to exchange rate effects as the Swedish krona weakened against the Polish currency in 2005. In local currency, the improvement in sales and operating profit to approx. 4 %.

Fourth quarter 2005

For the fourth quarter, sales and operating profit in local currency improved by 9 and 11 % respectively. Operating profit was burdened in the amount of PLN 35 million (approx. SEK 84 million) concerning provisions for future payments to pensioners in the energy sector.

Electricity and heat generation

Generated heat volumes were unchanged compared with 2004 while electricity generation increased somewhat. In the fourth quarter, heat and electricity generation remained unchanged compared with the same period in 2004.

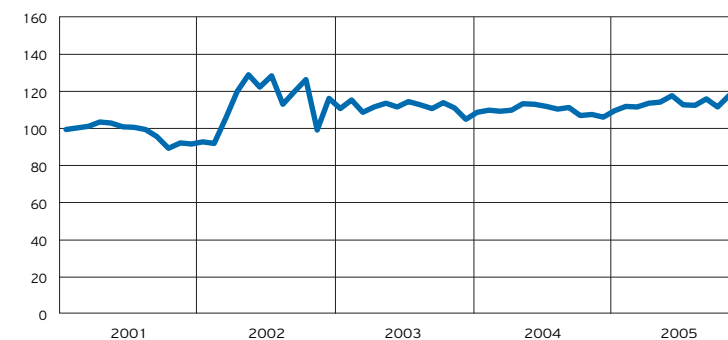
Other

In August, operations in Poland were reorganised into Business Group Poland and sub-divided into three business units, Distribution, Sales and Heat. Unbundling of operations and preparations for opening up of the Polish electricity market to full competition has continued. The EW and GZE companies have been renamed Vattenfall as of 1 January 2006.

The national Polish allocation plan concerning emission allowances for carbon dioxide has been implemented. Vattenfall Poland has obtained necessary emission allowances for the first trading period 2005-2007.

Polish electricity prices 2001-2005
Monthly average, PLN/MWh

Source: Gielda Energii SA
Updated to 31 December 2005



Exchange rates on page 24

THE PARENT COMPANY

The accounts of Vattenfall AB, the parent company, are prepared in accordance with Swedish GAAP, that is, in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation (RR 32) on reporting for legal entities. The Parent Company does not apply IAS 39 concerning Financial Instruments to the accounts for 2005.

Net sales amounted to SEK 26,843 million (SEK 26,046). Profit after financial items was SEK 6,167 million (11,502) and net profit was SEK 3,585 million (7,035). Investments for the year amounted to SEK 13,052 million (3,671). Cash and cash equivalents amounted to SEK 2,360 million (142). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 30,892 million (22,533).

THE GROUP

Closure of Barsebäck 2

The negotiations between Vattenfall and the Swedish state on compensation to Vattenfall for the closure of Barsebäck 2 have been completed. The agreement was approved by the Swedish government, the Board of E.ON Sverige AB and the Board Vattenfall AB. The approval of Malmö district court is expected in spring 2006.

The Vattenfall Group will receive compensation for future production losses amounting to SEK 4,100 million, which is reported under the heading Other operating income in the consolidated income statement. Vattenfall's costs for the write-down of assets attributable to Barsebäck Kraft AB amount to SEK 1,043 million which has burdened the consolidated income statement for 2005.

Provisions

The various provisions made in the Vattenfall Group's balance sheet have been reviewed. This review has led to changes in earlier assumptions about discount rates in the calculation of these provisions.

For pension provisions, the discount rate was adjusted from 5.0 % to 3.75 % for the Swedish operations and from 5.0 % to 4.25 % for the operations in Germany.

For other provisions than for pensions, the discount rate was adjusted from 5.5 % to 5.0 %. To this end, provisions in the balance sheet were increased by SEK 2,588 million. Consolidated income statement for 2005 was burdened in the amount of SEK 650 million.

Elsam, Denmark

Vattenfall's shareholding, 35.3 %, in the Danish energy company Elsam A/S is reported in accordance with the equity method. According to an agreement in principle signed with majority-owner Dong A/S, Vattenfall shall exchange the shares for production capacity in Elsam and the company Energi E2 A/S. This transaction requires the approval of the EU Commission. In December 2005, Vattenfall was given its approval for the acquisition of generation capacity. The transaction also requires Dong A/S to receive the approval of the EU Commission which is expected in March 2006. Once approval has been given, Vattenfall and Dong have agreed to the passing of a certain number of days before the transaction is completed. With consideration for this, the transfer of assets to Vattenfall is expected to be completed in the second or third quarter of 2006.

ACCOUNTING PRINCIPLES

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the statements of interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU. Also included are the International Accounting Standards (IAS) issued by IASB's predecessor the International Accounting Standards Committee (IASC) and the interpretive statements of interpretation issued by IFRIC's predecessor the Standing Interpretations Committee (SIC).

The accounting principles applied are those described in Vattenfall's Annual Report for 2004 (Notes 2 and 3 of the consolidated accounts). There it is stipulated that the IFRS are applied as of 2005 and that comparative figures for the year 2004 are restated in accordance with the new principles, with the exception of that which applies to financial instruments (IAS 39).

In accordance with the regulations for the transition to IFRS, the new principles are applied to financial instruments only in those parts of the accounts that concern 2005. The effect on equity at the start of the year from restatement in accordance with the new principles for the reporting of financial instruments is specified under the heading Consolidated Change in Equity.

The effects of the restatement to IFRS regarding the result for the fourth quarter of 2004 and the full year 2004 and equity as of 1 January 2004 and 31 December 2004 are described on page 23 under the heading Transition to International Financial Reporting Standards (IFRS).

Restatements

As previously announced in Vattenfall's nine-month report 2005, a renewed review of the transition to IFRS as regards obligations for decommissioning etc. within Swedish nuclear power operations showed that the provisions made should have been higher as of June 2004 compared with the calculations Vattenfall presented in its Annual Report for 2004 (Note 3 of the consolidated accounts) and in its interim reports for the first and second quarters of 2005. As of Vattenfall's nine-month report 2005, a higher provision is reported in the opening balance for 2005 for said provisions, with an equivalent effect on profit before tax for 2004.

For the full year 2004, the provisions adjustment amounts to SEK 684 million which implies an increase in the financial expenses by a corresponding amount and a reduction in net profit of SEK 491 million. EBIT and cash flow are not affected by the adjustment. Detailed information about the adjustment is available on Vattenfall's website www.vattenfall.se and www.vattenfall.com.

Capital Securities

In June 2005 Vattenfall issued Capital Securities, which are reported as interest-bearing non-current liabilities. The tenor of the Capital Securities is perpetual and they are junior to all of Vattenfall's unsubordinated debt instruments. There is no redemption requirement. The interest rate of the Capital Securities is fixed for the initial ten-year period, thereafter a floating rate is applied. Interest payment is conditional upon, among other things, Vattenfall's means of paying dividends to shareholders and the fulfilment of certain key ratios.

Emission allowances

As of 2005, a trading system applies in the EU with the purpose of reducing emissions of the greenhouse gas carbon dioxide. Within the framework of this system, concerned plants have received, without payment or for prices below fair value, so-called emission allowances from the authorities in each country.

Received and purchased emission allowances are reported as inventories.

Emission allowances received, or acquired, from the authorities in each country at a value lower than fair value are reported at the time of acquisition at fair value as a government grant and inventory asset in the balance sheet. The government grant is carried as income over the year and as carbon dioxide is emitted a cost and a liability for the obligation to provide emission allowances are reported. The liability is valued on the basis of inventory assets.

DIVIDEND

Profit attributable to shareholders in the Parent Company amounted to SEK 19,235 million (8,944) i.e. to SEK 146.05 (67.91) per share. The Board of Directors proposes a dividend of SEK 5,800 million, corresponding to SEK 44.04 per share.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in Stockholm on 27 April 2006.

The Annual Report, in both Swedish and English, are expected to be published on www.vattenfall.se and www.vattenfall.com on 17 March 2006. The printed Annual Report in Swedish and English will be distributed at the beginning of April. 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 homepages www.vattenfall.se (Swedish) or www.vattenfall.com (English).

Stockholm, 8 February 2006

Vattenfall AB (publ)
The Board of Directors

Vattenfall financial reports in 2006

Three-month Interim Report
Thursday, 27 April

Six-month Interim Report
Thursday, 27 July

Nine-month Interim Report
Tuesday, 31 October

For additional information:

Lars G Josefsson, President and CEO,
tel. +46 (0)8 739 50 05.

Matts Ekman, First Senior Executive Vice President, CFO,
tel. +46 (0)8 739 50 08.

Knut Leman, Senior Vice President Communications,
tel. +46 (0)8 739 50 31 or +46 (0)70 539 50 01.

Klaus Aurich, Head of Investor Relations,
tel. +46 (0)8 739 65 14 or +46 (0)70 539 65 14.

INCOME STATEMENT

Amounts in SEK millions	Full year			October-December		
	2005 IFRS	2004 IFRS ⁸	2004 Sw GAAP	2005 IFRS	2004 IFRS	2004 Sw GAAP
Net sales	129,158	113,366	113,366	37,280	32,405	32,405
Cost of products sold ¹	-93,636	-83,848	-81,992	-26,991	-24,545	-23,100
Gross profit	35,522	29,518	31,374	10,289	7,860	9,305
Selling expenses, administrative expenses, research and development costs ²	-13,134	-12,572	-12,139	-4,580	-3,803	-3,654
Other operating income and expenses, net	4,649	1,126	1,126	4,456	409	409
Result from participations in associated companies	693	-960	-754	99	-676	-625
Operating profit (EBIT) ³	27,730	17,112	19,607	10,264	3,790	5,435
Financial income ⁴	3,810	2,969	1,772	1,903	1,289	541
Financial expenses ⁵	-5,221	-5,467	-4,020	-1,494	-1,438	-1,252
Profit before tax ⁶	26,319	14,614	17,359	10,673	3,641	4,724
Taxes	-5,801	-5,010	-5,011	-498	-1,469	-1,359
Profit for the year ⁷	20,518	9,604	12,348	10,175	2,172	3,365
Attributable to						
Shareholders in the Parent Company	19,235	8,944	11,776	9,444	1,904	3,212
Minority interests	1,283	660	572	731	268	153
Total	20,518	9,604	12,348	10,175	2,172	3,365
Earnings per share						
Number of shares (thousands)	131,700	131,700	131,700	131,700	131,700	131,700
Earnings per share (SEK)	146.05	67.91	89.42	71.71	14.46	24.39
Additional information						
Operating profit before depreciation (EBITDA)	42,542	32,386	31,453	14,183	8,432	8,449
Financial items, net excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	-1,440	-2,248	-2,248	-236	-711	-711
¹ Including depreciation and impairment losses	-14,290	-14,745	-14,505	-3,713	-4,435	-4,368
¹ Including dissolution of negative goodwill	-	-	3,034	-	-	1,520
² Including depreciation and impairment losses	-522	-529	-375	-206	-207	-166
³ Including items affecting comparability concerning:						
- capital gains/losses	-71	819	819	-57	309	309
- restructuring costs	-	-3,034	-	-	-1,520	-
- closing of Barsebäck 2	3,057	-	-	3,057	-	-
⁴ Including discounting effects attributable to provisions	-	491	-	-41	229	-
Including returns from the Swedish Nuclear Waste Fund	2,089	1,253	-	1,151	747	-
⁵ Including discounting effects attributable to provisions excl pension provisions	-2,060	-1,994	-	-465	-414	-
⁶ Including items affecting comparability	2,994	-2,217	817	2,999	-1,210	310
⁷ Including items affecting comparability adjusted for tax	3,154	-1,305	546	3,164	-735	192

⁸ Certain values have been corrected compared with previously published information in Vattenfall's Annual Report for 2004. See page 12 under the heading Accounting Principles.

PRIMARY SEGMENTS ¹

Amounts in SEK millions	Net sales				Operating profit (EBIT)				Operating profit (EBIT) excl items affecting comparability			
	Full year		October-December		Full year		October-December		Full year		October-December	
	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS
Nordic Countries	42,021	39,962	11,609	11,079	16,845	12,215	7,091	3,442	13,755	12,246	4,032	3,421
Germany	104,995	92,945	22,594	25,877	10,221	4,591	2,690	575	10,359	7,208	2,794	1,800
Poland	8,850	7,427	2,628	2,129	842	711	231	183	808	691	186	179
Other ²	44,562	35,363	6,808	9,401	-178	-392	252	-397	-178	-805	252	-386
Eliminations ³	-71,270	-62,331	-6,359	-16,081	-	-13	-	-13	-	-13	-	-13
Total	129,158	113,366	37,280	32,405	27,730	17,112	10,264	3,790	24,744	19,327	7,264	5,001

¹ Compared with the segments reported in Vattenfall's Annual Report for 2004 (Note 5 of the consolidated accounts), segments as of 2005 have been modified to reflect changes in the organisation and management structure as well as internal reporting.

² Includes energy trading, treasury activities and other Group functions. Operating profit for 2005 includes changes in fair values for electricity trading under IAS 39, totalling SEK 466 million. These are reported in Energy Trading until the amount is realised. When the amount is realised other segments are affected.

³ Chiefly concerns trade between the Nordic countries and Germany and energy trading activities in the segment Other.

SECONDARY SEGMENTS ¹

Amounts in SEK millions	Net sales				Operating profit (EBIT)				Operating profit (EBIT) excl items affecting comparability			
	Full year		October-December		Full year		October-December		Full year		October-December	
	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS	2005 IFRS	2004 IFRS
Electricity Generation	57,414	51,128	16,667	13,679	19,651	12,417	8,299	3,921	16,642	13,106	5,262	3,985
Electricity Markets ²	73,262	61,725	22,137	16,598	1,282	-839	512	-143	1,281	-322	512	-44
Electricity Networks	50,813	44,761	14,090	12,935	5,293	6,129	839	1,232	5,378	6,365	936	1,305
Heat	20,926	18,320	6,637	5,698	3,495	2,622	1,279	1,034	3,541	3,023	1,329	1,233
Other	7,278	6,262	2,212	1,944	-1,991	-3,205	-665	-2,242	-2,098	-2,833	-775	-1,466
Eliminations ³	-80,535	-68,830	-24,463	-18,449	-	-12	-	-12	-	-12	-	-12
Total	129,158	113,366	37,280	32,405	27,730	17,112	10,264	3,790	24,744	19,327	7,264	5,001

¹ Compared with the segments reported in Vattenfall's Annual Report for 2004 (Note 5 of the consolidated accounts), segments as of 2005 have been modified to reflect changes in the organisation and management structure as well as internal reporting.

² Includes sales and energy trading. Operating profit for 2005 includes changes in fair values for electricity trading under IAS 39, totalling SEK 466 million. These are reported in Energy Trading until the amount is realised. When the amount is realised the segment Electricity Generation is affected.

³ Chiefly concerns trade between Electricity Generation, Electricity Markets and Electricity Networks.

BALANCE SHEET

		31 December	
	2005	2004	2004
Amounts in SEK millions	IFRS	IFRS ¹	Sw GAAP
Assets			
Non-current assets			
Intangible assets	5,267	5,185	4,587
Property, plant and equipment	189,016	181,738	179,507
Other non-current assets	65,681	51,989	26,681
Total non-current assets	259,964	238,912	210,775
Current assets			
Inventories	12,667	7,577	7,470
Accounts receivable and other receivables	37,947	20,785	20,739
Prepaid expenses and accrued income	4,459	3,051	3,051
Current tax assets	1,310	1,264	1,264
Short-term investments	8,025	7,700	7,700
Cash and cash equivalents	6,049	5,916	5,916
Total current assets	70,457	46,293	46,140
Total assets	330,421	285,205	256,915
Equity and liabilities			
Equity			
Attributable to shareholders in the Parent Company	78,122	72,994	62,316
Attributable to minority interests	10,344	10,114	9,188
Total equity	88,466	83,108	71,504
Long-term liabilities			
Capital Securities	9,268	–	–
Other interest-bearing liabilities	59,865	64,119	64,119
Interest-bearing provisions	42,976	40,621	23,965
Pension provisions	17,432	16,450	16,450
Deferred tax liabilities	42,370	41,646	34,688
Other non-interest-bearing liabilities	2,425	2,135	2,135
Negative goodwill	–	–	6,928
Total non-current liabilities	174,336	164,971	148,285
Current liabilities			
Trade and other liabilities	33,906	11,409	11,409
Accrued expenses and deferred income	17,393	9,954	9,954
Current tax liabilities	2,075	1,999	1,999
Interest-bearing liabilities	9,530	8,894	8,894
Interest-bearing provisions	4,715	4,870	4,870
Total current liabilities	67,619	37,126	37,126
Total equity and liabilities	330,421	285,205	256,915
Pledged assets	2,254	247	247
Contingent liabilities	16,371	10,441	10,441

¹ Certain values have been corrected compared with previously published information in Vattenfall's Annual Report for 2004.
See page 12 under the heading Accounting Principles.

ADDITIONAL INFORMATION
Net assets

Amounts in SEK millions	2005 IFRS	31 December	
		2004 IFRS ²	2004 Sw GAAP
Nordic Countries	77,190	57,377	57,950
Germany	68,717	68,040	57,953
Poland	9,295	7,321	7,187
Other ¹	-2,034	-3,409	-2,430
Eliminations	2,069	2,293	2,292
Total net assets on balance sheet date	155,237	131,622	122,952
Net assets, weighted average value ²	143,001	134,125	123,423

¹ Includes energy trading, treasury activities and other Group functions.

² Certain values have been corrected compared with previously published information in Vattenfall's Annual Report for 2004.
See page 12 under the heading Accounting Principles.

Net debt

Amounts in SEK millions	2005 IFRS	31 December	
		2004 IFRS	2004 Sw GAAP
Capital Securities	-9,268	-	-
Other interest-bearing liabilities ¹	-69,395	-73,013	-73,013
Cash and cash equivalents	6,049	5,916	5,916
Short-term investments	8,025	7,700	7,700
Loans to minority owners in foreign subsidiaries	246	3,986	3,986
Total net debt	-64,343	-55,411	-55,411

¹ Of which loans from minority owned German nuclear power companies. -13,731 -14,458 -14,458

CASH FLOW STATEMENT

	2005 IFRS	Full year 2004 IFRS	2004 Sw GAAP	2005 IFRS	October-December 2004 IFRS	2004 Sw GAAP
Amounts in SEK millions						
Operating activities						
Funds from operations (FFO)	31,386	24,302	24,159	12,674	6,780	6,685
Cash flow from changes in operating assets and operating liabilities	-6,963	-199	-186	-8,698	-1,863	-1,763
Cash flow from operating activities	24,423	24,103	23,973	3,976	4,917	4,922
Investment activities						
Investments	-24,497	-12,731	-12,601	-4,729	-4,046	-4,051
Divestments	785	2,120	2,120	461	1,022	1,022
Cash and cash equivalents in acquired/sold companies	17	-20	-20	17	-4	-4
Cash flow from investment activities	-23,695	-10,631	-10,501	-4,251	-3,028	-3,033
Cash flow before financing activities	728	13,472	13,472	-275	1,889	1,889
Financing activities						
Changes in short-term investments	-25	-439	-439	243	313	313
Decrease in loans to minority owners in foreign subsidiaries	3,864	-	-	88	-	-
Loans raised ¹	1,562	7,984	7,984	-1,623	230	230
Amortisation of debt	-9,667	-20,229	-20,229	-1,007	-4,658	-4,658
Issue of Capital Securities	9,248	-	-	-	-	-
Dividend paid to shareholders	-5,778	-2,600	-2,600	-3	6	6
Cash flow from financing activities	-796	-15,284	-15,284	-2,302	-4,109	-4,109
Cash flow for the year	-68	-1,812	-1,812	-2,577	-2,220	-2,220
Cash and cash equivalents						
Cash and cash equivalents at the beginning of the year	5,916	7,301	7,301	8,596	7,774	7,774
Cash flow for the year	-68	-1,812	-1,812	-2,577	-2,220	-2,220
Exchange rate differences	201	427	427	30	362	362
Cash and cash equivalents at the end of the year	6,049	5,916	5,916	6,049	5,916	5,916
ADDITIONAL INFORMATION						
Cash flow before financing activities	728	13,472	13,472	-275	1,889	1,889
Financing activities						
Dividend paid to shareholders	-5,778	-2,600	-2,600	-3	6	6
Cash flow after dividend	-5,050	10,872	10,872	-278	1,895	1,895
Analysis of changes in net debt						
Net debt at beginning of the year	-55,411	-66,890	-66,890	-63,800	-57,850	-57,850
Transition effect on application of new accounting principles (IAS 39)	-584	-	-	-	-	-
Effect of altered classification of interest in pension provision	-	84	84	-	-	-
Cash flow after dividend	-5,050	10,872	10,872	-278	1,895	1,895
Changes as a result of valuation at fair value	-10	-	-	434	-	-
Exchange rate differences on net debt	-3,288	523	523	-699	544	544
Net debt at the end of the year	-64,343	-55,411	-55,411	-64,343	-55,411	-55,411
Free cash flow	14,341	15,684	15,554	389	1,552	1,552

¹ Net for short-term borrowing where maturity is three months or less.

CHANGE IN EQUITY

Amounts in SEK millions	January–December 2005 (IFRS)		
	Attributable to equity holders of the parent	Attributable to minority holders	Total equity
Balance brought forward	72,994	10,114	83,108
Transition effect on application of new accounting principles (IAS 39)	-416	-24	-440
Dividend to shareholders	-5,600	-178	-5,778
Cash flow hedges	-10,124	-140	-10,264
Currency hedges related to foreign equity	-1,639	–	-1,639
Transfers between equity attributable to shareholders in the Parent Company and equity attributable to minority interests	-93	93	–
Translation differences	3,765	291	4,056
Group contributions to minority, net after tax	–	-119	-119
Changes in ownership	–	-976	-976
Profit for the year	19,235	1,283	20,518
Balance carried forward	78,122	10,344	88,466 ¹

¹ Of which provision for cash flow hedge, -10,388 MSEK

Amounts in SEK millions	January–December 2004 (IFRS) ¹		
	Attributable to equity holders of the parent	Attributable to minority holders	Total equity
Balance brought forward	65,502	10,227	75,729
Dividend to shareholders	-2,400	-200	-2,600
Translation differences	616	251	867
Currency hedges related to foreign equity	332	–	332
Group contributions from minority, net after tax	–	192	192
Changes in ownership	–	-1,016	-1,016
Profit for the year	8,944	660	9,604
Balance carried forward	72,994	10,114	83,108

¹ Certain values have been corrected compared with previously published information in Vattenfall's Annual Report for 2004.
See page 12 under the heading Accounting Principles.

KEY RATIOS (definitions on page 24)

		Full year		October-December	
	2005	2004	2004	2005	2004
(in percent unless otherwise stated)	IFRS	IFRS ²	Sw GAAP	IFRS	IFRS
Operating margin	21.5	15.1	17.3	27.5	11.7
Operating margin ¹	19.2	17.0	16.6	19.5	15.4
Pre-tax profit margin	20.4	12.9	15.3	28.6	11.2
Pre-tax profit margin ¹	18.1	14.8	14.6	20.6	15.0
Return on equity	26.4	13.7	22.4	–	–
Return on equity ¹	22.0	15.6	21.4	–	–
Return on net assets	18.0	11.6	15.9	–	–
Return on net assets ¹	15.9	13.3	15.2	–	–
Interest coverage ratio, times	9.3	5.3	5.3	10.7	4.0
Interest coverage ratio, times ¹	8.4	5.9	5.1	7.8	5.2
FFO interest coverage ratio, times	10.9	8.0	7.0	13.3	7.6
FFO interest coverage ratio, net, times	22.8	11.8	11.7	54.7	10.5
Equity/assets ratio	26.8	29.1	27.8	26.8	29.1
Net debt/equity, net times	0.73	0.67	0.77	0.73	0.67
Net debt/equity plus net debt	42.1	40.0	43.7	42.2	40.0
Interest-bearing liabilities/interest-bearing liabilities plus equity	47.1	46.8	50.5	47.1	46.8
FFO/interest-bearing liabilities	39.9	33.3	33.1	–	–
FFO/net debt	48.8	43.9	43.6	–	–
EBITDA/net financial items, times	29.5	14.4	14.0	60.1	11.9
EBITDA/net financial items, times ¹	27.5	15.4	13.6	47.4	13.6

¹ Excl items affecting comparability.

² Certain values adjusted compared to previously published information in Vattenfall's Annual Report for 2004.
See page 12 under the heading Accounting Principles.

QUARTERLY INFORMATION	Quarter 4 2005 IFRS	Quarter 3 2005 IFRS	Quarter 2 2005 IFRS ²	Quarter 1 2005 IFRS ²	Quarter 4 2004 IFRS ²	Quarter 3 2004 IFRS ²	Quarter 2 2004 IFRS ²	Quarter 1 2004 IFRS
Amounts in SEK millions								
Income statement								
Net sales	37,280	27,550	29,292	35,036	32,405	23,890	25,261	31,810
Cost of products sold	-26,991	-21,455	-20,275	-24,915	-24,545	-18,830	-18,936	-21,537
Other expenses and revenues, net	-124	-3,088	-4,118	-1,155	-3,394	-2,493	-2,771	-2,788
Participations in the results of associated companies	99	259	82	253	-676	-505	65	156
Operating profit before depreciation (EBITDA)	14,183	6,770	8,943	12,646	8,432	5,477	7,299	11,178
Operating profit (EBIT)	10,264	3,266	4,981	9,219	3,790	2,062	3,619	7,641
Financial items, net	409	-447	-783	-590	-149	-579	-907	-863
Financial items, net ¹	-236	-262	-559	-383	-711	-334	-513	-690
Profit before income tax	10,673	2,819	4,198	8,629	3,641	1,483	2,712	6,778
Profit for the year	10,175	1,857	2,917	5,569	2,172	873	1,666	4,893
- Of which attributable to equity holders of the parent	9,444	1,814	2,793	5,184	1,904	990	1,525	4,525
- Of which attributable to minority interests	731	43	124	385	268	-117	141	368
Balance sheet								
Non-current assets	259,964	254,392	260,230	241,525	238,912	240,908	242,700	246,237
Short-term investments	8,025	8,219	9,300	7,465	7,700	8,094	8,146	5,546
Cash and cash equivalents	6,049	8,596	5,653	8,485	5,916	7,774	8,412	7,482
Other current assets	56,383	51,513	49,853	46,493	32,677	32,956	34,986	37,941
Total assets	330,421	322,720	325,036	303,968	285,205	289,732	294,244	297,206
Equity	88,466	80,497	79,598	86,544	83,108	80,260	79,261	80,712
- Of which attributable to share holders in the Parent Company	78,122	70,888	68,955	76,006	72,994	70,701	69,541	70,944
- Of which attributable to minority interests	10,344	9,609	10,643	10,538	10,114	9,559	9,720	9,768
Capital Securities	9,268	9,176	9,248	-	-	-	-	-
Other interest-bearing liabilities	69,395	71,745	78,110	71,389	73,013	77,703	82,141	80,124
Interest-bearing provisions	47,691	45,466	45,787	45,372	45,491	46,061	47,761	48,234
Pension provisions	17,432	17,222	17,337	16,720	16,450	16,533	16,425	16,555
Deferred tax liabilities	42,370	44,634	44,227	42,499	41,646	41,544	41,237	41,879
Other non-interest-bearing liabilities	55,799	53,980	50,729	41,444	25,497	27,631	27,419	29,702
Total equity and liabilities	330,421	322,720	325,036	303,968	285,205	289,732	294,244	297,206
Net assets	155,237	145,834	148,946	133,796	131,622	131,892	134,571	137,162
Net debt	-64,343	-63,800	-68,307	-51,395	-55,411	-57,850	-61,512	-62,916
Cash flow								
Funds from operations (FFO)	12,674	3,921	6,020	8,771	6,780	2,794	5,719	9,009
Cash flow from changes in operating assets and operating liabilities	-8,698	3,817	-816	-1,266	-1,863	3,115	-108	-1,343
Cash flow from operating activities	3,976	7,738	5,204	7,505	4,917	5,909	5,611	7,666
Cash flow from investment activities	-4,251	-4,359	-13,374	-1,711	-3,028	-2,281	-2,236	-3,086
Cash flow before financing activities	-275	3,379	-8,170	5,794	1,889	3,628	3,375	4,580
Changes in short-term investments	243	1,086	-1,709	355	313	36	-2,661	1,873
Loans raised/Amortisation of debt, net	-2,542	-1,550	3,465	-3,614	-4,428	-4,259	2,781	-6,339
Issue of Capital Securities	-	-	9,248	-	-	-	-	-
Dividend paid to shareholders	-3	-4	-5,771	-	6	-	-2,590	-16
Cash flow from financing activities	-2,302	-468	5,233	-3,259	-4,109	-4,223	-2,470	-4,482
Cash flow for the year	-2,577	2,911	-2,937	2,535	-2,220	-595	905	98
Free cash flow	389	5,129	2,809	6,014	1,552	3,856	3,771	6,505

¹ Excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund.

² Certain values adjusted compared to previously published information. See page 12 under the heading Accounting Principles.

KEY RATIOS (definitions on page 24)

	Quarter 4 2005 IFRS	Quarter 3 2005 IFRS	Quarter 2 2005 IFRS ³	Quarter 1 2005 IFRS ³	Quarter 4 2004 IFRS ³	Quarter 3 2004 IFRS ³	Quarter 2 2004 IFRS ³	Quarter 1 2004 IFRS
(in percent unless otherwise stated)								
Return on equity ²	26.4	16.5	15.6	13.5	–	–	–	–
Return on equity ^{1, 2}	22.0	17.6	17.1	15.1	–	–	–	–
Return on net assets ²	18.0	14.1	13.7	12.8	–	–	–	–
Return on net assets ^{1, 2}	15.9	15.0	15.0	14.2	–	–	–	–
Interest coverage ratio, times	10.7	5.4	6.3	15.4	4.0	3.8	4.6	8.2
Interest coverage ratio, times ¹	7.8	5.4	6.3	15.4	5.2	4.7	4.8	8.6
Equity/assets ratio	26.8	24.9	24.5	28.5	29.1	27.8	27.0	27.2
Net debt/equity ratio, net, times	0.73	0.79	0.86	0.59	0.67	0.72	0.78	0.78
Net debt/equity plus net debt	42.2	44.2	46.2	37.3	40.0	41.9	43.7	43.8
FFO/interest-bearing debt ²	39.9	31.5	27.9	33.7	–	–	–	–
FFO/net debt ²	48.8	40.0	35.7	46.8	–	–	–	–

¹ Excl items affecting comparability.

² Rolling 12-months values (IFRS information for 2003 has not been calculated).

³ Certain values have been corrected compared with previously published information.
See page 12 under the heading Accounting Principles.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

For further information see Vattenfall's Annual Report for 2004, Note 3 of the consolidated accounts.

Summarised reconciliation of consolidated equity ¹

Amounts in SEK millions	1 January 2004	31 December 2004
Equity according to Swedish GAAP	51,836	62,316
Negative goodwill	10,123	6,928
Amortisation of goodwill	–	134
Obligations for decommissioning, restoration etc.		
– nuclear power operations	3,284	3,538
– mining operations	2,748	2,763
Development costs	547	464
Deferred tax	-2,188	-2,223
Minority interests	9,379	9,188
Total change according to IFRS	28,893	20,792
Equity according to IFRS	75,729	83,108

Summarised reconciliation of consolidated net profit ¹

Amounts in SEK millions	January–December 2004	October–December 2004
Net profit according to Swedish GAAP	11,776	3,212
Negative goodwill	-3,034	-1,520
Amortisation of goodwill	122	32
Obligations for decommissioning, restoration etc.		
– nuclear power operations	204	538
– mining operations	42	-90
Development costs	-77	-40
Deferred tax	-1	-113
Minority interests	572	153
Total change according to IFRS	-2,172	-1,040
Net profit according to IFRS	9,604	2,172

¹ Certain values have been corrected compared with previously published information in Vattenfall's Annual Report for 2004.
See page 12 under the heading Accounting Principles.

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 as well as restructuring costs for 2004 which, according to Swedish GAAP, were recorded as an offset of negative goodwill. For 2005, the compensation received from the Swedish state for the closing of Barsebäck and relevant costs for the write-down of the assets are also reported as items affecting comparability.

Net assets

Balance sheet total less non interest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents plus short-term investments.

Net debt

Interest-bearing liabilities less long-term loans to minority owners in foreign subsidiaries and cash and cash equivalents plus short-term investments.

Operating margin, per cent

Operating profit (EBIT) in relation to net sales.

Pre-tax profit margin, per cent

Profit before tax in relation to net sales.

Return on equity, per cent

Profit for the period attributable to shareholders in the Parent Company in relation to the opening balance of equity attributable to shareholders in the Parent Company. Equity is reported here excl cash flow hedges.

Return on net assets, per cent

Operating profit (EBIT) plus discounting effects attributable to provisions in relation to a weighted average of net assets for the period.

Interest coverage ratio, times

Operating profit (EBIT) plus financial income excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund in relation to financial expenses excl discounting effects attributable to provisions.

FFO interest coverage ratio, times

Funds from operations (FFO) plus financial expenses excl discounting effects attributable to provisions in relation to financial expenses excl discounting effects attributable to provisions.

FFO interest coverage ratio, net, times

Funds from operations (FFO) plus financial items excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund in relation to financial items excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund.

Equity/assets ratio, per cent

Equity in relation to the balance sheet total less interest arbitrage transactions.

Net debt/equity ratio, net, times

Net debt in relation to equity.

Net debt/equity plus net debt, per cent

Net debt in relation to equity plus net debt.

Interest-bearing liabilities/interest-bearing liabilities plus equity, per cent

Interest-bearing liabilities in relation to interest-bearing liabilities plus equity.

FFO/interest-bearing liabilities, per cent

Funds from operations (FFO) in relation to interest-bearing liabilities.

FFO/net debt, per cent

Funds from operations (FFO) in relation to net debt.

EBITDA/net financial items, times

Operating profit before depreciation (EBITDA) in relation to financial items excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund.

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.

EXCHANGE RATES

For the Vattenfall Group, key exchange rates applied in the accounts:

	Full year	
	2005	2004
Average rates		
EUR	9.2812	9.1193
DKK	1.2456	1.2260
NOK	1.1559	1.0887
PLN	2.3062	2.0192
USD	7.4455	7.3314
Closing day rates		
31 December		
	2005	2004
EUR	9.4300	9.0070
DKK	1.2640	1.2115
NOK	1.1760	1.0880
PLN	2.4400	2.2100
USD	7.9530	6.6130

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Vattenfall AB (publ)

Company No. 556036-2138

Postal address: SE 162 87 Stockholm, Sweden

Tel +46 8 739 50 00 www.vattenfall.com