

Research engineer in Vattenfall laboratory analysing boiler performance in the combustion process with an acid-based method.



- Net sales rose 14.2 % to SEK 104,951 million (91,878)
- Operating profit excluding items affecting comparability rose by 25.4 % to SEK 21,418 million (17,075)
- For the third quarter, operating profit excluding items affecting comparability rose by 6.9 % to SEK 3,286 million (3,073)
- Profit for the period rose by 28.1 % to SEK 13,249 million (10,343)

Comments by the CEO	3
Group	4
Segments	8
Accounting principles etc.	11
Income statement	12
Segment reporting	13
Balance sheet	14
Cash flow statement	16
Equity	17
Key ratios	18
Quarterly information	19
Definitions and exchange rates	21

Lars G Josefsson
President and CEO

Strong third quarter despite drop in Nordic electricity generation

Operating profit for the first nine months, excluding items affecting comparability, rose 25.4 % to SEK 21,418 million (17,075). Net sales rose 14.2 % to SEK 104,951 million (91,878).

During the third quarter, operating profit excluding items affecting comparability rose 6.9 % to SEK 3,286 million (3,073). This can be credited primarily to a strong improvement in the German electricity generation operations. The Nordic operations showed a lower operating profit – despite higher electricity prices and an earnings contribution from the combined heat and power assets acquired in Denmark – mainly due to a substantial loss of nuclear power generation, considerably lower hydro power generation due to low precipitation, and higher costs in the electricity sales and network operations. Poland has once again contributed with a strongly improved operating profit, mainly from distribution activities.

Return on equity was 19.3 %, and the return on net assets was 17.7 % – in both cases excluding items affecting comparability. Net debt increased during the third quarter by SEK 1,201 million, to SEK 55,380 million. Gross debt increased by SEK 3,180 million to SEK 72,222 million. The increase is mainly attributable to the takeover of SEK 3,015 million in liabilities as a result of the deal between Vattenfall and DONG. The net debt/equity ratio was 0.59, compared with 0.58 as per 30 June 2006 and 0.71 at the start of the year.

Vattenfall's total electricity generation during the third quarter decreased by 2.5 TWh to 34.5 TWh, compared with 37.0 TWh for the corresponding period a year ago. Hydro power generation was 6.7 TWh (8.9), nuclear power generation was 10.6 TWh (12.8), and fossil-based and other power amounted to 17.2 TWh (15.3). Of the increase, Denmark accounted for approximately 1.5 TWh. In the Nordic region as a whole, reservoir storage levels during the third

quarter hit their lowest level since 1996. The deficit in the Nordic hydrological balance was approximately 20 TWh at the end of September.

Substantial loss of nuclear power generation

The substantial loss of nuclear power generation during the third quarter was due to an incident that occurred on 25 July, when the Forsmark reactor 1 was scrammed. The incident caused a 2.3 TWh loss in generation. The total loss of income amounted to approximately SEK 1.4 billion, of which Vattenfall's share (66 %) was approximately SEK 0.9 billion.

The scram was caused by a short circuit in a switchyard outside the power plant. Although the safety system did not work as intended, the reactor was automatically shut down, and adequate cooling of the fuel was maintained. The incident was classified as a 2 on the 7-degree INES scale, where 1–3 represent incidents without off-site risk, and 4 or higher signifies a discharge with impact on the environment and people. Much of the speculation that circulated after the incident was strongly over-exaggerated, and to allay the public's fears, in September the Swedish Nuclear Power Inspectorate (SKI) stated the following: "The incident did not cause any damage to the reactor. The control room personnel acted according to instructions. Cooling of the reactor was present at all times and any risk of radioactive discharge was never present."

Before allowing a restart, SKI demanded that a number of safety measures be performed at Forsmark 1 and also at Forsmark 2, which was closed for an annual overhaul when the incident occurred. On 28 September, SKI gave its clearance for a restart of both reactors.

The restart of the Forsmark 2 reactor was delayed further by a leakage in the reactor containment and shortcomings in control documentation. Following repairs and a review of the documentation of the repair work, SKI granted clearance for a restart on 24 October.

As a principal owner of Forsmark, Vattenfall has taken the events at Forsmark with the utmost gravity. In view of these events, a thorough review of safety routines has been initiated at all of Vattenfall's nuclear power plants.

Decision by Germany network regulator on distribution activities

In June Vattenfall was handed a decision by Bundesnetzagentur (BnetzA), the German network regulator, demanding sharp reductions in tariffs for the transmission operations. The outcome of the regulator's other demands for lower tariffs are expected to be determined by a court ruling in spring 2007.

On 18 September, Bundesnetzagentur announced its decision regarding the distribution networks in Berlin and Hamburg, and on 1 October it announced its decision regarding the subsidiary Wemag's network in northern Germany. These decisions entail tariff reductions of roughly 15 % for the period up until 31 December 2007. This corresponds to approximately SEK 1,575 million (EUR 170 million) on an annual basis.

Together the decisions on tariff reductions for the transmission and distribution operations entail an operating profit shortfall of approximately SEK 930 million (approx. EUR 100 million) for 2006. As a result of these tariff reductions and the new rules introduced by Bundesnetzagentur, pending a thorough impairment test Vattenfall has made a write-down of SEK 931 million (EUR 100 million) in the third quarter book-closing for its German network assets.

Danish combined heat and power assets consolidated as from 1 July

Under an agreement between Vattenfall and DONG, on 1 July approximately 24 % of the combined production capacity of the Danish companies Elsam A/S and Energi E2 A/S was transferred to Vattenfall in exchange for Vatten-

fall's 35.3 % shareholding in Elsam A/S and participation in Avedøre 2. The assets have been consolidated in Business Group Nordic. The takeover increases Vattenfall's annual production volume by approximately 6 TWh of electricity and 6 TWh of heat.

Vattenfall strengthening its position in the end customer market

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

In Germany a successful energy conservation campaign called *Stromfresser gesucht* ("Wanted: Energy Guzzlers") has been carried out. Households in Berlin and Hamburg were urged to identify and send in information about their old, energy-inefficient household appliances. Vattenfall would then send them an energy checklist with concrete energy-saving tips, plus a lottery ticket for a new, energy-efficient household appliance. The campaign, which was also directed at schools and which aimed to highlight the potential for energy savings, raise environmental awareness and boost confidence in Vattenfall, exceeded all expectations.



Lars G Josefsson
President and Chief Executive Officer

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

Amounts in SEK million	Q 3			Q 1-3			Latest 12 months (LTM)
	2006	2005	Change %	2006	2005	Change %	
Net sales	30,875	27,550	12.1	104,951	91,878	14.2	142,231
Operating profit before depreciation and amortisation (EBITDA)	7,960	6,567	21.2	33,320	27,954	19.2	47,749
Operating profit (EBIT)	3,304	3,063	7.9	21,827	17,061	27.9	32,337
Operating profit excl items affecting comparability	3,286	3,073	6.9	21,418	17,075	25.4	28,928
Financial items, net	-343	-447	23.3	-1,381	-1,820	24.1	-972
Profit before tax	2,961	2,616	13.2	20,446	15,241	34.2	31,365
Profit for the period	1,871	1,857	0.8	13,249	10,343	28.1	23,424
– of which attributable to equity holders of the Parent Company	1,726	1,814	-4.9	12,411	9,791	26.8	21,855
– of which attributable to minority interests	145	43	237.2	838	552	51.8	1,569
Return on equity excl items affecting comparability	–	–	–	–	–	–	19.3
Return on net assets excl items affecting comparability	–	–	–	–	–	–	17.7
Funds from operations (FFO)	5,625	3,921	43.5	26,146	18,712	39.7	38,820
Cash flow before financing activities	2,287	3,379	-32.3	15,360	1,003	–	15,085
Free cash flow	3,722	5,129	-27.4	17,464	13,952	25.2	17,853
Cash and cash equivalents plus short-term investments	–	–	–	16,738	16,815	-0.5	–
Balance sheet total	–	–	–	348,361	322,720	7.9	–
Equity incl minority interests	–	–	–	94,118	82,940	13.5	–
Capital Securities	–	–	–	9,120	9,176	-0.6	–
Other interest-bearing liabilities	–	–	–	63,102	71,745	-12.0	–
Net debt	–	–	–	55,380	63,800	-13.2	–

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 pages 21–22 for definitions.

Amounts in SEK million	Q 3		
	2006	2005	Change %
SALES, PROFIT AND CASH FLOW			
Net sales	▲ 30,875	27,550	12.1

Comment:

Sales increased despite a lower volume of electricity generation and can be credited to higher electricity wholesale prices and the consolidation of the combined heat and power assets acquired in Denmark.

Cost of products sold	▲ 24,841	21,455	15.8
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Comment:

The increase is attributable primarily to higher electricity wholesale prices and the write-down (SEK 931 million) of network assets in Germany, which was made pending a thorough impairment test.

Operating profit	▲ 3,304	3,063	7.9
Operating profit excl items affecting comparability	▲ 3,286	3,073	6.9

Comment:

The increase is mainly due to a sharp improvement in the German electricity generation operations. The Nordic operations showed a lower operating profit – despite higher electricity prices and earnings from the combined heat and power assets acquired in Denmark – mainly due to a substantial loss of nuclear power generation, considerably lower hydro power generation due to low precipitation, and higher costs in the electricity sales and network operations. Poland has once again contributed with a strongly improved operating profit, which was derived almost exclusively from its network operations.

Amounts in SEK million	Q 3		
	2006	2005	Change %
Cash flow from operating activities	▼ 7,394	7,738	-4.4
Free cash flow ¹	▼ 3,722	5,129	-27.4
Cash flow before financing activities	▼ 2,287	3,379	-32.3

¹ Cash flow from operating activities less maintenance investments.

Comment:

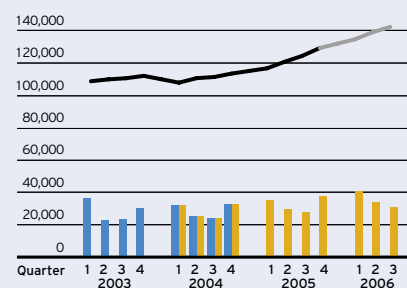
Cash flow from operating activities decreased slightly despite improved profit. This is mainly due to a negative change in working capital, SEK 1,769 million (3,817).

Net financial items	▲ -343	-447	23.3
Interest income	▼ 181	214	-15.4
Interest expense	▲ -687	-686	-
Interest received	▼ 143	197	-27.4
Interest paid	▲ -305	-247	23.5

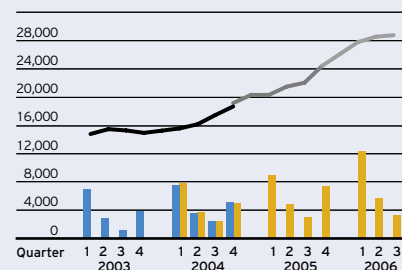
Comment:

Interest expense increased mainly due to slightly higher borrowing rates. Net interest income for the first nine months averaged SEK 159 million per month (153).

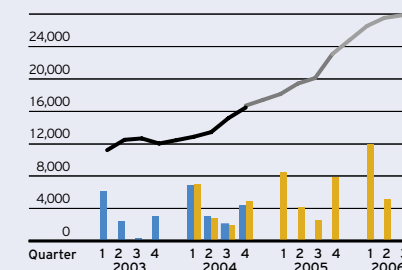
Net sales (SEK m)



Operating profit, excl items affecting comparability (SEK m)



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



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

Amounts in SEK million 30 Sept 2006 30 Sept 2005 Change %

FINANCIAL POSITION

Cash and cash equivalents plus short-term investments	▼	16,738	16,815	-0.5
Committed credit facilities (unused)	▼	9,506	15,704	-39.5
Other credit facilities (unused)	▲	10,388	10,215	1.7

Comment:

Committed credit facilities consist of a seven-year, EUR 1 billion Revolving Credit Facility that matures in February 2013, and a SEK 239 million overdraft facility.

Net debt ¹	▼	55,380	63,800	-13.2
Average fixed interest period (duration, years) ^{1,2}	▲	3.7	3.3	-
Average maturity ^{1,2}	▼	6.1	6.5	-

¹ Excluding Capital Securities of SEK 9,120 million, net debt stands at SEK 46,260 million, the average fixed interest period is 3 years, and the average maturity is 5.6 years. These figures refer to 30 September 2006.

² Excluding loans from associated companies and minority owners.

Comment:

Net debt, including Capital Securities, increased by SEK 1.2 billion to SEK 55.4 billion during the third quarter, due to the takeover of SEK 3,015 million in liabilities as part of the deal between Vattenfall and DONG. Compared with the start of the year, net debt decreased by approximately SEK 9 billion. Total interest-bearing liabilities, including Capital Securities, decreased by SEK 6.4 billion from the start of the year, to SEK 72.2 billion. Compared with the third quarter of 2005, total interest-bearing liabilities decreased by SEK 8.7 billion.

Vattenfall's current rating is A-/A-2 from Standard & Poor's and A2/P-1 from Moody's. Both Standard & Poor's and Moody's changed their respective outlooks from positive to stable during the third quarter.

Amounts in SEK million 30 Sept 2006 30 Sept 2005 Change %

Equity attributable to

Equity holders of the Parent Company	▲	83,480	73,331	13.8
Minority interests	▲	10,638	9,609	10.7
Total	▲	94,118	82,940	13.5

Comment:

Changes in equity are specified on page 17.

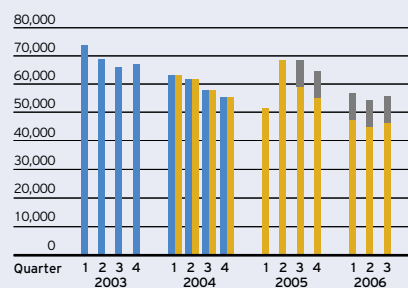
Current assets and current liabilities

Inventories	▲	27,717	13,033	112.7
Trade receivables and other receivables	▼	29,204	32,684	-10.6
Trade payables and other liabilities	▲	36,105	32,702	10.4
Accrued expenses and deferred income	▲	31,416	15,954	96.9

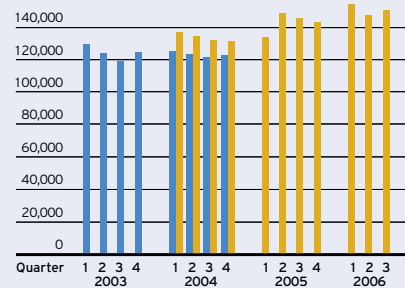
Comment:

Carbon dioxide emission allowances have increased the value of Inventories and Deferred income.

Net debt (SEK m)

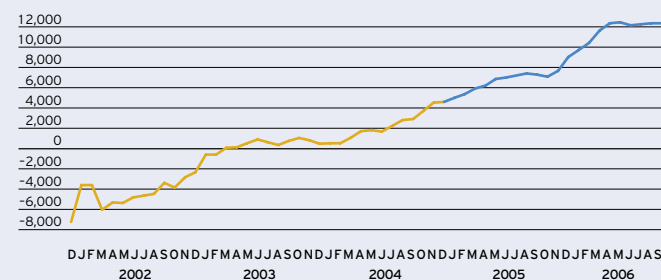


Net assets (SEK m)



Value creation (SEK m)

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



		Q 3		
Amounts in SEK million		2006	2005	Change %
INVESTMENTS				
Maintenance investments	▲	3,672	2,609	40.7
Growth investments	▼	1,763	1,823	-3.3
– of which shares	▼	116	1,186	-90.2
Total investments	▲	5,435	4,432	22.6

Comment:

Of growth investments, SEK 686 million represent net investments as a result of the deal between Vattenfall and DONG. The value of assets and shares acquired by Vattenfall totals SEK 12,705 million while the value of assets sold to DONG (primarily shares in Elsam A/S and the participation in I/S Avedøre 2) totals SEK 12,019 million.

		30 Sept 2006	30 Sept 2005	Change %
PERSONNEL (number of employees per primary segment, FTE)				
Nordic Countries	▲	9,477	8,820	7.4
Germany	▼	20,025	20,224	-1.0
Poland	▼	2,824	3,073	-8.1
Others ¹	▲	485	311	55.9
Total	▼	32,811	32,428	1.2

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

Comment:

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

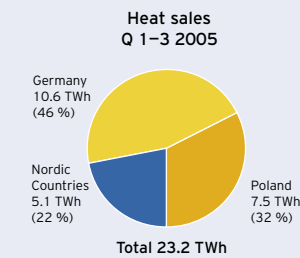
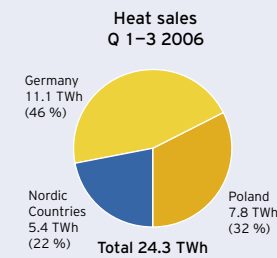
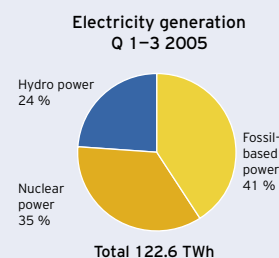
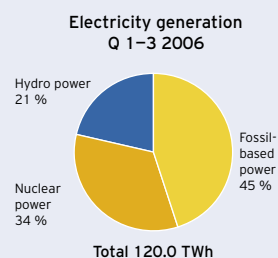
ELECTRICITY BALANCE (TWH)

	Q 1–3	
	2006	2005
Sale		
Nordic Countries	41.6	43.0
Germany	49.9	59.9
Poland	7.3	9.7
Other countries	2.7	3.9
Spot market	40.2	30.1
Total electricity sales	141.7	146.6
Delivered to minority owners	13.6	14.2
Other	0.6	0.8
Total	155.9	161.6

	Q 3	
	2006	2005
Sale		
Nordic Countries	12.5	12.1
Germany	15.1	18.9
Poland	2.1	2.8
Other countries	0.8	0.8
Spot market	12.0	9.9
Total electricity sales	42.5	44.5
Delivered to minority owners	3.5	4.4
Other	0.1	0.3
Total	46.1	49.2

	Q 1–3	
	2006	2005
Internal generation and electricity input		
Hydro power	25.6	29.1
Nuclear power	40.4	43.1
Fossil fuels and other	54.0	50.4
Total internal generation	120.0	122.6
Purchased power	35.9	42.7
Spot market	8.5	5.5
Total electricity input	164.4	170.8
Consumption within The Group	-8.5	-9.2
Total	155.9	161.6

	Q 3	
	2006	2005
Internal generation and electricity input		
Hydro power	6.7	8.9
Nuclear power	10.6	12.8
Fossil fuels and other	17.2	15.3
Total internal generation	34.5	37.0
Purchased power	11.5	13.1
Spot market	2.7	2.0
Total electricity input	48.7	52.1
Consumption within The Group	-2.6	-2.9
Total	46.1	49.2



Amounts in SEK million		Q 3			Q 1–3			Full year 2005	Latest 12 months
		2006	2005	Change %	2006	2005	Change %		
NORDIC COUNTRIES									
Sales	▲	10,687	8,501	25.7	35,580	30,412	17.0	42,021	47,189
Operating profit	▼	1,551	2,429	-36.1	9,951	9,673	2.9	16,794	17,072
Operating profit excl items affecting comparability	▼	1,565	2,424	-35.4	9,943	9,642	3.1	13,704	14,005
Heat generation (TWh)	▲	1.1	1.0	10.0	5.4	5.1	5.9	7.3	7.6
Electricity generation (TWh) ¹	▼	16.4	19.8	-17.2	61.1	65.7	-7.0	89.8	85.2
– of which hydro power	▼	5.9	8.0	-26.3	23.1	26.6	-13.2	36.4	32.9
– of which nuclear power	▼	9.0	11.8	-23.7	36.1	38.8	-7.0	52.9	50.2
– other	▲	1.5	0.0 ³	–	1.9	0.3	–	0.5	2.1
Transmission volume (TWh) ²	▼	15.7	17.5	-10.3	59.7	60.0	-0.5	83.5	83.2

¹ Of electricity generation, Vattenfall's pro rata share is 48.5 TWh (52.6), while the remainder goes to minority owners (refers to the period January–September).

² Excluding production transmission (intra group transmission from a power plant to Vattenfall's own network).

³ Rounding.

Sales and earnings trend during third quarter

The sales increase can be credited to higher electricity prices and the consolidation of the combined heat and power assets in Denmark.

The Electricity Generation business unit accounts for essentially the entire operating profit of the Nordic operations. Operating profit was lower, despite higher electricity prices and a positive contribution of SEK 268 million from the acquired Danish assets. This is mainly due to the substantial production loss (2.3 TWh) caused by the shutdown of the Forsmark 1 reactor during a large part of the third quarter and the delayed restart of Forsmark 2, which had been shut down for annual overhaul. Earnings for the Nordic operations were also charged with higher taxes and considerably lower hydro power generation. Higher property taxes on hydro power assets and a tax on installed nuclear power capacity lowered earnings by SEK 444 million compared with the third quarter of 2005. The Distribution business unit's operations showed a decline caused by higher depreciation and costs for the implementation of new business systems.

Total electricity generation was 3.4 TWh lower. Hydro power generation was down 2.1 TWh due to lower water supply, nuclear power generation was 2.8 TWh lower, while fossil-based generation was 1.5 TWh higher due

to the consolidation of the Danish combined heat and power assets. Heat generation was virtually unchanged.

Market trend

Average spot prices on Nord Pool (SYSEUR) during the third quarter were roughly twice as high as in the corresponding period a year ago, EUR 59.88/MWh compared with EUR 29.74/MWh. This dramatic rise is mainly attributable to very low water supply during the entire quarter, combined with higher electricity prices in Germany and the incident at the Forsmark nuclear power plant, which had consequences for an additional three reactors (Forsmark 2 and Oskarshamn 1 and 2). At the close of September the deficit in the hydrological balance was approximately 20TWh, compared with a surplus of approximately 10 TWh at the end of September a year ago.

Forward prices also rose during the third quarter due to low water supply, the loss of nuclear power generation and rising forward prices in Germany. Forward prices for contracts in 2007 and 2008 closed at the end of September at EUR 53.05/MWh and EUR 45/MWh respectively, compared with closing prices of EUR 46.95/MWh and EUR 43.7/MWh, respectively, at the end of June.

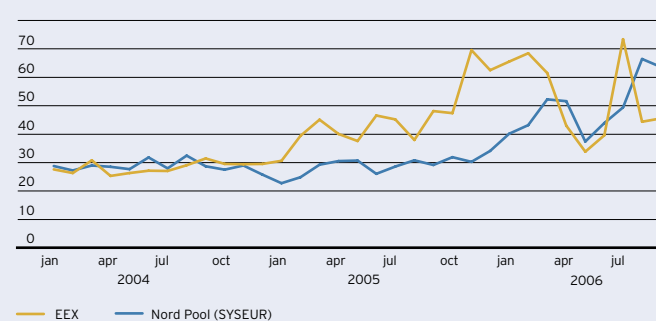
Swedish electricity prices 1996–2009
Monthly average, SEK/MWh

Source: Nord Pool
As of 12 October 2006



German and Nordic electricity spot prices
Average month EUR/MWh

Source: Nord Pool and
European Energy Exchange (EEX)



Amounts in SEK million		Q 3			Q 1-3			Full year 2005	Latest 12 months
		2006	2005	Change %	2006	2005	Change %		
GERMANY									
Sales	▲	24,350	23,271	4.6	80,637	74,951	7.6	104,995	110,681
Operating profit	▲	1,894	732	158.7	11,452	7,207	58.9	10,113	14,358
Operating profit excl items affecting comparability	▲	1,854	744	149.2	11,182	7,241	54.4	10,251	14,192
Heat generation (TWh)	▼	1.2	1.8	-33.3	11.1	10.6	4.7	15.4	15.9
Electricity generation (TWh)	▲	17.7	16.8	5.4	56.6	54.6	3.7	75.9	77.9
– of which fossil fuel power	▲	15.2	14.9	2.0	49.8	47.8	4.2	66.4	68.4
– of which nuclear power	▲	1.6	1.0	60.0	4.3	4.3	–	6.0	6.0
– of which hydro power	►	0.9	0.9	–	2.5	2.5	–	3.5	3.5
Transmission volume	►	6.6	6.6	–	20.3	20.7	-2.0	28.2	27.8

Sales and earnings trend during third quarter

The sales increase is mainly attributable to higher prices and a higher volume of electricity generation. Operating profit improved considerably, mainly due to very strong earnings from the Mining & Generation business unit. Earnings declined for the network operations in the Transmission and Distribution business units. Tariff reductions resulting from a decision by the German network regulator (Bundesnetzagentur) have had a negative impact on Transmission's earnings starting on 1 June and on Distribution's earnings starting on 18 September. In addition, earnings for the Distribution unit were charged with a SEK 931 million (EUR 100 million) write-down of network assets. The write-down was made pending completion of a thorough impairment test. Currency effects did not have any material impact in the translation of sales and operating profit to SEK.

Total electricity generation was 0.9 TWh higher, while heat generation was 0.6 TWh lower.

Market trend

Average spot prices on Germany's EEX exchange during the third quarter were slightly more than 24 % higher than in the corresponding period a year ago – EUR 54.53/MWh compared with EUR 43.91/MWh. The price rise is attributable to a shortage of cooling water caused by the warm summer, which forced a reduction in the capacity of base load power, and to low wind power generation. Wind power generation and reservoir storage levels increased at the end of the quarter, which contributed to falling electricity prices. During most of the quarter, Nordic spot prices were higher than those in Germany, resulting in net imports from Germany to the Nordic region.

Forward prices for contracts in 2007 and 2008 closed at the end of September at EUR 54.06/MWh and EUR 58.60/MWh respectively, compared with closing prices of EUR 53.32/MWh and EUR 54.45/MWh, respectively, at the end of June.

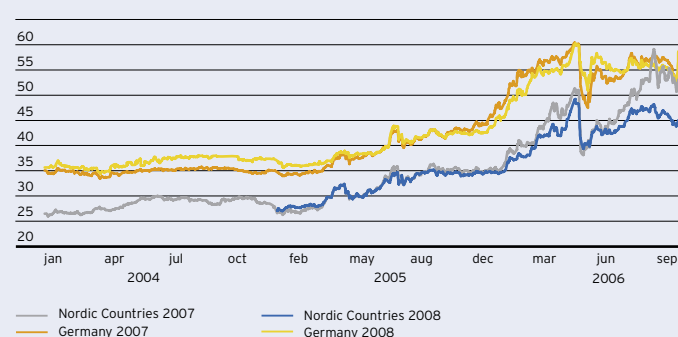
German electricity prices 2001–2009
Monthly average, EUR/MWh

Source: European Energy Exchange (EEX)
As of 12 October 2006



German and Nordic electricity futures prices
EUR/MWh

Source: Nord Pool and
European Energy Exchange (EEX)



Exchange rates,
see page 22

		Q 3			Q 1-3				
Amounts in SEK million		2006	2005	Change %	2006	2005	Change %	Full year 2005	Latest 12 months
POLAND									
Sales	▲	1,864	1,859	0.3	6,786	6,222	9.1	8,850	9,414
Operating profit	▲	125	94	33.0	1,046	611	71.2	842	1,277
Operating profit excl items affecting comparability	▲	133	97	37.1	915	622	47.1	808	1,101
Heat generation (TWh)	▼	0.7	0.8	-12.5	7.8	7.5	4.0	11.4	11.7
Electricity generation (TWh) ¹	▶	0.3	0.3	-	2.3	2.2	4.5	3.4	3.5

¹ 100 % fossil fuel power.

Sales and earnings during third quarter

Sales were virtually unchanged compared with the corresponding period in 2005. Operating profit excluding items affecting comparability rose nearly 37 % (51 % in local currency). Starting in 2006 the Polish operations are organised into three business units: Heat, Sales and Distribution. On a full-year basis, Heat accounts for most of operating profit (approx. 65 %), and Distribution for approximately 35 %. The Sales unit continues to show poor profitability. During the third quarter, when heat generation was at a seasonable ebb, Distribution accounted for essentially the entire operating profit. Through operational streamlining, more favourable tariffs and reduced electricity theft (illegal connection to the electricity network), the Distribution unit succeeded in lifting its operating profit by more than 20 %. The Sales unit also improved its earnings compared with 2005. Earnings for the Heat unit fell, however, mainly due to lower volume.

Heat generation was 0.1 TWh lower, while electricity generation was unchanged during the third quarter compared with a year ago.

Market trend

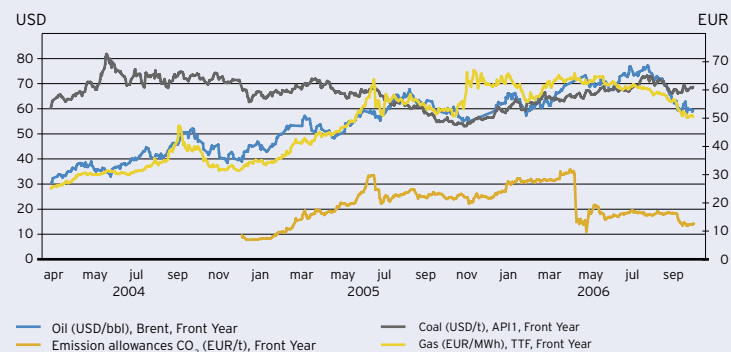
Sales on the Polish electricity exchange (POLPX), especially in the forwards market, are still very low compared with Nord Pool and the EEX. Average spot prices on the POLPX during the third quarter were approximately 4 % higher than a year ago - PLN 118/MWh, compared with PLN 113.7/MWh.

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

Source: Gielda Energii SA
As of 12 October 2006



Price development oil, coal, gas and CO₂ emissions



Oil prices were driven up by political unrest in Iran and Nigeria. Gas prices followed as many long-term gas contracts are indexed to the oil price. The prices of CO₂ emissions allowances is somewhat lower than last year. After having reached 30 EUR at the end of April, CO₂ prices dropped dramatically as actual emissions were lower than forecasted. Coal prices are more or less at the same level as last year.

GROUP

Reappraisal decision by Swedish Tax Agency

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

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

Acquisition of assets in Denmark

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

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

and liabilities assumed based on their fair values. The fair values have been determined by applying generally accepted principles and procedures.

The acquisition price, as well as the allocation of the acquisition price to assets acquired and liabilities assumed, is preliminary pending the final agreement with DONG. The preliminary acquisition price is SEK 12,705 million. After divestments (mainly Vattenfall's shareholding in Elsam A/S and its participation in Avedøre 2) valued at SEK 12,019 million, the net investment amounts to SEK 686 million.

Operating profit of the acquired operations amounted to SEK 268 million for the third quarter.

Accounting principles

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

This consolidated interim report has been prepared in accordance with IAS 34 – Interim Financial Reporting, which meets the requirements set in Recommendation RR 31 on interim reports for groups by the Swedish Financial Accounting Standards Council.

The accounting principles applied are those described in Vattenfall's 2005 Annual Report (notes 2 and 3 to the consolidated accounts), apart from the fact that in the consolidated income statement, the Group's participations in associated companies' profit after tax and minority interests, adjusted for any depreciation, amortisation or utilisation of acquired surplus values and deficit values, is reported as from 2006 as "Participations in the results of associated companies". Previously the Group's share of associated companies' reported tax expense was reported as part of the Group's tax expense. All periods prior to 2006 have been restated to comply with this new principle.

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

As from 1 April 2006 Vattenfall has replaced its intra-group physical electricity transactions between the Nordic generation operations and the Nordic sales operations with transactions against Nord Pool. Purchases made by the Nordic sales operations from Nord Pool are netted against sales from the Nordic generation operations to Nord Pool in reporting of the Nordic segment and at the Group level. This is a change compared with the presentation in Vattenfall's six-month interim report in 2006, where transactions with Nord Pool were not netted. As a result of this netting, revenues for the second quarter decreased by SEK 4,426 million compared with the six-month interim report for 2006. Netting for the third quarter amounted to SEK 5,623 million. Gross profit and operating profit are not affected by this netting.

PARENT COMPANY

The accounts of the parent company Vattenfall AB are prepared according to Swedish GAAP, i.e., in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's Recommendation RR 32:05 on accounting for legal entities.

Shares in subsidiaries are valued at cost. Other financial instruments are stated using the accounting principles that apply for the Group. Comparative figures for 2005 have been restated.

Sales amounted to SEK 24,622 million (19,023). This increase is due to higher price levels.

Profit before appropriations and tax was SEK 10,780 million (3,810). The increase is attributable to a dividend of approximately SEK

4.1 billion received from Ringhals AB regarding the compensation for Barsebäck 2, and to foreign exchange effects of approximately 2.8 billion for hedging net investments in foreign subsidiaries. Investments during the period amounted to SEK 16,713 million (13,156). Cash and cash equivalents totalled SEK 207 million (3,299). Funds in Group accounts managed by Vattenfall Treasury AB amounted to SEK 29,530 million (31,255).



Stockholm, 31 October 2006

Lars G Josefsson
President and CEO

VATTENFALL'S FINANCIAL REPORTS FOR 2006

Year-end report as per 31 December
Thursday, 8 February 2007

ANNUAL GENERAL MEETING

Thursday, 26 April 2007

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INCOME STATEMENT

Amounts in SEK million	Q 3		Q 1-3		Full year	Latest 12
	2006	2005	2006	2005	2005	months (LTM)
Net sales	30,875	27,550	104,951	91,878	129,158	142,231
Cost of products sold ¹	-24,841	-21,455	-75,757	-66,645	-93,636	-102,748
Gross profit	6,034	6,095	29,194	25,233	35,522	39,483
Selling expenses, administrative expenses and research and development costs ²	-3,233	-2,972	-9,411	-8,554	-13,134	-13,991
Other operating income and expenses, net	435	-116	1,009	193	4,649	5,465
Participations in the results of associated companies	68	56 ^a	1,035	189 ^a	534 ^a	1,380
Operating profit (EBIT) ³	3,304	3,063 ^a	21,827	17,061 ^a	27,571 ^a	32,337
Financial income ⁴	841	771	2,319	1,907	3,810	4,222
Financial expenses ⁵	-1,184	-1,218	-3,700	-3,727	-5,221	-5,194
Profit before tax ⁶	2,961	2,616 ^a	20,446	15,241 ^a	26,160 ^a	31,365
Income tax expense	-1,090	-759 ^a	-7,197	-4,898 ^a	-5,642 ^a	-7,941
Profit for the period ⁷	1,871	1,857	13,249	10,343	20,518	23,424
Attributable to						
Equity holders of the Parent Company	1,726	1,814	12,411	9,791	19,235	21,855
Minority interests	145	43	838	552	1,283	1,569
Total	1,871	1,857	13,249	10,343	20,518	23,424
Earnings per share						
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700	131,700	131,700
Earnings per share (SEK)	13.11	13.77	94.24	74.34	146.05	165.95
Additional information						
Operating profit before depreciation and amortisation (EBITDA)	7,960	6,567 ^a	33,320	27,954 ^a	42,383 ^a	47,749
Financial items, net excl discounting effects attributable to provisions and return on the Swedish Nuclear Waste Fund	-544	-262	-1,148	-1,204	-1,440	-1,384
¹ Of which depreciation, amortisation and impairment losses	-4,500	-3,390	-11,051	-10,577	-14,290	-14,764
² Of which depreciation, amortisation and impairment losses	-156	-114	-442	-316	-522	-648
³ Including items affecting comparability attributable to:						
- capital gains/losses	18	-10	409	-14	-71	352
- closure of Barsebäck 2					3,057	3,057
⁴ Including returns from the Swedish Nuclear Waste Fund	750	313	1,350	938	2,089	2,501
⁵ Including discounting effects attributable to provisions excl of pension provisions	-549	-538	-1,583	-1,595	-2,060	-2,048
⁶ Including items affecting comparability attributable to:						
- capital gains/losses	19	-9	409	-5	-63	351
- closure of Barsebäck 2					3,057	3,057
⁷ Including items affecting comparability stated above adjusted for tax	27	-15	356	-10	3,154	3,520

^a These values are adjusted compared to previously published information in Vattenfall's nine-month interim report for 2005 and Annual Report for 2005. See page 11 under the heading Accounting Principles.

PRIMARY SEGMENTS

Amounts in SEK million	Net sales					Operating profit (EBIT)					Operating profit (EBIT) excl items affecting comparability				
	Q 3		Q 1-3		Full year	Q 3		Q 1-3		Full year	Q 3		Q 1-3		Full year
	2006	2005 ³	2006	2005 ³	2005	2006	2005 ⁴	2006	2005 ⁴	2005 ⁴	2006	2005 ⁴	2006	2005 ⁴	2005 ⁴
Nordic Countries	10,687	8,501	35,580	30,412	42,021	1,551	2,429	9,951	9,673	16,794	1,565	2,424	9,943	9,642	13,704
Germany	24,350	23,271	80,637	74,951	104,995	1,894	732	11,452	7,207	10,113	1,854	744	11,182	7,241	10,251
Poland	1,864	1,859	6,786	6,222	8,850	125	94	1,046	611	842	133	97	915	622	808
Other ¹	14,678	13,121	46,251	37,754	44,563	-266	-192	-622	-430	-178	-266	-192	-622	-430	-178
Eliminations ²	-20,704	-19,202	-64,303	-57,461	-71,271	-	-	-	-	-	-	-	-	-	-
Total	30,875	27,550	104,951	91,878	129,158	3,304	3,063	21,827	17,061	27,571	3,286	3,073	21,418	17,075	24,585

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 the Germany segment plus Eliminations have been adjusted compared to what was published in Vattenfall's nine-month interim report for 2005.

⁴ Certain values are adjusted compared to previously published information in Vattenfall's nine-month interim report for 2005 and Annual Report for 2005. See page 11 under the heading Accounting Principles.

SECONDARY SEGMENTS

Amounts in SEK million	Net sales					Operating profit (EBIT)					Operating profit (EBIT) excl items affecting comparability				
	Q 3		Q 1-3		Full year	Q 3		Q 1-3		Helår	Q 3		Q 1-3		Full year
	2006	2005	2006	2005	2005	2006	2005 ³	2006	2005 ³	2005 ³	2006	2005 ³	2006	2005 ³	2005 ³
Electricity Generation	18,217	13,026	55,232	40,747	57,414	3,423	2,648	14,704	11,155	19,751	3,430	2,674	14,727	11,183	16,742
Electricity Markets ¹	22,526	16,867	69,854	51,125	73,262	208	106	436	688	1,172	208	106	287	687	1,171
Electricity Networks	10,592	10,524	36,145	36,723	50,813	84	1,047	3,844	4,451	5,288	94	1,056	3,844	4,439	5,373
Heat	3,892	3,644	16,735	14,289	20,925	1	-184	3,256	2,215	3,494	-22	-190	3,333	2,211	3,540
Other	1,667	1,796	4,949	5,066	7,278	-412	-554	-413	-1,448	-2,134	-424	-573	-773	-1,445	-2,241
Eliminations ²	-26,019	-18,307	-77,964	-56,072	-80,534	-	-	-	-	-	-	-	-	-	-
Total	30,875	27,550	104,951	91,878	129,158	3,304	3,063	21,827	17,061	27,571	3,286	3,073	21,418	17,075	24,585

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 Certain values are adjusted compared to previously published information in Vattenfall's nine-month interim report for 2005 and Annual Report for 2005. See page 11 under the heading Accounting Principles.

BALANCE SHEET

Amounts in SEK million	2006	30 September 2005 ¹	31 December 2005
Assets			
Non-current assets			
Intangible assets	4,850	5,213	5,267
Property, plant and equipment	202,578	184,411	189,016
Other non-current assets	58,814	64,768	65,681
Total non-current assets	266,242	254,392	259,964
Current assets			
Inventories	27,717	13,033	12,667
Trade receivables and other receivables	29,204	32,684	37,947
Prepaid expenses and accrued income	5,886	3,392	4,459
Current tax assets	2,574	2,404	1,310
Short-term investments	7,948	8,219	8,025
Cash and cash equivalents	8,790	8,596	6,049
Total current assets	82,119	68,328	70,457
Total assets	348,361	322,720	330,421
Equity and liabilities			
Equity			
Attributable to equity holders of the Parent Company	83,480	73,331	80,565 ²
Attributable to minority interests	10,638	9,609	10,344
Total equity	94,118	82,940	90,909 ²
Non-current liabilities			
Capital Securities	9,120	9,176	9,268
Other interest-bearing liabilities	50,251	63,694	59,865
Interest-bearing provisions	44,278	41,254	42,976
Pension provisions	17,345	17,222	17,432
Deferred tax liabilities	40,104	42,191	39,927 ²
Other non-interest-bearing liabilities	2,286	2,119	2,425
Total non-current liabilities	163,384	175,656	171,893 ²
Current liabilities			
Trade payables and other liabilities	36,105	32,702	33,906
Accrued expenses and deferred income	31,416	15,954	17,393
Current tax liabilities	6,353	3,205	2,075
Interest-bearing liabilities	12,851	8,051	9,530
Interest-bearing provisions	4,134	4,212	4,715
Total current liabilities	90,859	64,124	67,619
Total equity and liabilities	348,361	322,720	330,421
Pledged assets	4,306	3,260	2,254
Contingent liabilities	24,171	15,166	16,371

¹ Certain values are adjusted compared to previously published information in Vattenfall's nine-month interim report for 2005.

² These values are adjusted compared to previously published information in Vattenfall's Annual Report for 2005. See page 11 under the heading Reappraisal decision by Swedish Tax Agency.

ADDITIONAL INFORMATION

Net assets

Amounts in SEK million	30 September		31 December
	2006	2005 ²	2005
Nordic Countries	81,100	70,894	77,190
Germany	62,391	66,976	68,717
Poland	8,341	9,160	9,295
Other ¹	-422	-1,483	-2,034
Eliminations	-1,041	287	2,069
Total net assets on balance sheet date	150,369	145,834	155,237
Net assets, weighted average value	151,247	138,307	143,001

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

² Certain values are adjusted compared to previously published information in Vattenfall's nine-month interim report for 2005.

Net debt

Amounts in SEK million	30 September		31 December
	2006	2005	2005
Capital Securities	-9,120	-9,176	-9,268
Other interest-bearing liabilities ¹	-63,102	-71,745	-69,395
Cash and cash equivalents	8,790	8,596	6,049
Short-term investments	7,948	8,219	8,025
Loans to minority owners in foreign subsidiaries	104	306	246
Total net debt	-55,380	-63,800	-64,343
	-9,012	-12,719	-13,731

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

CASH FLOW STATEMENT

Amounts in SEK million	Q 3		Q 1-3		Full year	Latest 12
	2006	2005	2006	2005	2005	months (LTM)
Operating activities						
Funds from operations (FFO)	5,625	3,921	26,146	18,712	31,386	38,820
Cash flow from changes in operating assets and operating liabilities	1,769	3,817	-947	1,735	-6,963	-9,645
Cash flow from operating activities	7,394	7,738	25,199	20,447	24,423	29,175
Investment activities						
Investments	-4,749	-4,432	-10,418	-19,768	-24,497	-15,147
Divestments	289	73	1,419	324	785	1,880
Net investments as a result of the deal between Vattenfall and DONG ¹	-686	-	-686	-	-	-686
Cash and cash equivalents in acquired/divested companies	39	-	-154	-	17	-137
Cash flow from investment activities	-5,107	-4,359	-9,839	-19,444	-23,695	-14,090
Cash flow before financing activities	2,287	3,379	15,360	1,003	728	15,085
Financing activities						
Changes in short-term investments	-287	1,086	-78	-268	-25	165
Decrease in loans to minority owners in foreign subsidiaries	54	3,776	138	3,776	3,864	226
Loans raised ²	-438	-2,832	1,208	3,185	1,562	-415
Amortisation of debt	6	-2,494	-7,989	-8,660	-9,667	-8,996
Issue of Capital Securities	-	-	-	9,248	9,248	-
Contribution from minority interests	53	-	53	-	-	53
Dividend paid to shareholders	-22	-4	-5,890	-5,775	-5,778	-5,893
Cash flow from financing activities	-634	-468	-12,558	1,506	-796	-14,860
Cash flow for the period	1,653	2,911	2,802	2,509	-68	225
Cash and cash equivalents						
Cash and cash equivalents at the beginning of the period	7,077	5,653	6,049	5,916	5,916	8,596
Cash flow for the period	1,653	2,911	2,802	2,509	-68	225
Exchange rate differences	60	32	-61	171	201	-31
Cash and cash equivalents at the end of the period	8,790	8,596	8,790	8,596	6,049	8,790
ADDITIONAL INFORMATION						
Cash flow before financing activities	2,287	3,379	15,360	1,003	728	15,085
Financing activities						
Dividend paid to shareholders	-22	-4	-5,890	-5,775	-5,778	-5,893
Contribution from minority intersets	53	-	53	-	-	53
Cash flow after dividend	2,318	3,375	9,523	-4,772	-5,050	9,245
Analysis of change in net debt						
Net debt at beginning of the period	-54,179	-68,307	-64,343	-55,411	-55,411	-63,800
Transitional effect on adoption of new accounting principles (IAS 39)	-	-	-	-584	-584	-
Cash flow after dividend	2,318	3,375	9,523	-4,772	-5,050	9,245
Changes as a result of valuation at fair value	-392	364	1,088	-444	-10	1,522
Interest-bearing liabilities acquired as a result of the deal between Vattenfall and DONG	-3,015	-	-3,015	-	-	-3,015
Exchange rate differences on net debt	-112	768	1,367	-2,589	-3,288	668
Net debt at the end of the period	-55,380	-63,800	-55,380	-63,800	-64,343	-55,380
Free cash flow	3,722	5,129	17,464	13,952	14,341	17,853

¹ The investment as a result of the deal between Vattenfall and DONG entails that Vattenfall acquired assets and shares valued at SEK 12,705 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 12,019 million.

² Net for short-term borrowing in which the duration is three months or shorter.

CHANGES IN EQUITY

Amounts in SEK million	Q 1–3 2006			Q 1–3 2005			Full year 2005		
	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	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity
Balance brought forward ¹	80,565	10,344	90,909	75,437	10,114	85,551	75,437	10,114	85,551
Transitional effect on adoption of new accounting principles (IAS 39)	–	–	–	-416	-24	-440	-416	-24	-440
Cash flow hedges	-2,755	-38	-2,793	-7,443	-89	-7,532	-10,124	-116	-10,240
Hedging of net investments in foreign operations	808	–	808	-1,031	–	-1,031	-1,639	–	-1,639
Translation differences	-1,749	-227	-1,976	2,677	391	3,068	3,765	291	4,056
Income, net, recognised directly in equity	-3,696	-265	-3,961	-5,797	302	-5,495	-7,998	175	-7,823
Profit for the period	12,411	838	13,249	9,791	552	10,343	19,235	1,283	20,518
Total recognised income and expense for the period	8,715	573	9,288	3,994	854	4,848	11,237	1,458	12,695
Dividend to shareholders	-5,800	-90	-5,890	-5,600	-175	-5,775	-5,600	-178	-5,778
Transfers within equity	–	–	–	-84	84	–	-93	93	–
Group contributions to minority, net after tax	–	–	–	–	–	–	–	-119	-119
Changes in ownership	–	-189	-189	–	-1,244	-1,244	–	-1,000	-1,000
Balance carried forward	83,480 ²	10,638	94,118	73,331 ³	9,609	82,940	80,565 ⁴	10,344	90,909

¹ The balance brought forward has increased by 2,443 SEK million according to a reappraisal decision by Swedish Tax Agency. See further page 11 under the heading Reappraisal decision by Swedish Tax Agency.

² Of which Reserve for cash flow hedges, SEK -13,143 million.

³ Of which Reserve for cash flow hedges, SEK -7,716 million.

⁴ Of which Reserve for cash flow hedges, SEK -10,388 million.

KEY RATIOS (Definitions on pages 21–22)

(in % unless otherwise stated)	Q 3		Q 1–3		Full year 2005 ²	Latest 12 months (LTM)
	2006	2005 ²	2006	2005 ²		
Operating margin	10.7	11.1	20.8	18.6	21.3	22.7
Operating margin ¹	10.6	11.2	20.4	18.6	19.0	20.3
Pre-tax profit margin	9.6	9.5	19.5	16.6	20.3	22.1
Pre-tax profit margin ¹	9.5	9.5	19.1	16.6	17.9	19.7
Return on equity	–	–	–	–	23.2	23.0
Return on equity ¹	–	–	–	–	19.4	19.3
Return on net assets	–	–	–	–	17.8	20.0
Return on net assets ¹	–	–	–	–	15.8	17.7
Interest coverage ratio, times	5.3	5.1	10.8	8.4	9.3	10.8
Interest coverage ratio, times ¹	5.3	5.1	10.6	8.4	8.3	9.8
FFO interest coverage ratio, times	9.9	6.8	13.4	9.8	10.9	13.3
FFO interest coverage ratio, net, times	11.3	16.0	23.8	16.5	22.8	29.0
Cash flow interest coverage after maintenance investments, times	6.9	8.5	9.2	7.5	5.5	6.7
Equity/assets ratio	27.0	25.7	27.0	25.7	27.5	27.0
Net debt/equity ratio, times	0.59	0.77	0.59	0.77	0.71	0.59
Net debt/net debt plus equity	37.0	43.5	37.0	43.5	41.4	37.0
Interest-bearing liabilities/interest-bearing liabilities plus equity	43.4	49.4	43.4	49.4	46.4	43.4
FFO/interest-bearing liabilities	–	–	–	–	39.9	53.8
FFO/net debt	–	–	–	–	48.8	70.1
EBITDA/net financial items, times	14.6	25.1	29.0	23.2	29.4	34.5
EBITDA/net financial items, times ¹	14.6	25.1	28.7	23.2	27.4	32.0

¹ Excl items affecting comparability.

² Certain values are adjusted compared to previously published information in Vattenfall's nine-month interim report for 2005 and Annual Report for 2005.
See page 11 under the headings Reappraisal decision by Swedish Tax Agency and Accounting Principles, respectively.

QUARTERLY INFORMATION

Amounts in SEK million	Q 3 2006	Q 2 2006 ²	Q 1 2006 ²	Q 4 2005 ²	Q 3 2005 ²	Q 2 2005 ²	Q 1 2005 ²
Income statement							
Net sales	30,875	33,644	40,432	37,280	27,550	29,292	35,036
Cost of products sold	-24,841	-25,157	-25,759	-26,991	-21,455	-20,275	-24,915
Other operating expenses and operating revenues, net	-2,798	-2,963	-2,641	-124	-3,088	-4,118	-1,155
Participations in the results of associated companies	68	310	657	345	56	7	126
Operating profit before depreciation and amortisation (EBITDA)	7,960	9,245	16,115	14,429	6,567	8,868	12,519
Operating profit (EBIT)	3,304	5,834	12,689	10,510	3,063	4,906	9,092
Financial items, net	-343	-559	-479	409	-447	-783	-590
Financial items, net ¹	-544	-348	-256	-236	-262	-559	-383
Profit before tax	2,961	5,275	12,210	10,919	2,616	4,123	8,502
Profit for the period	1,871	3,399	7,979	10,175	1,857	2,917	5,569
- of which attributable to equity holders of the Parent Company	1,726	3,183	7,502	9,444	1,814	2,793	5,184
- of which attributable to minority interests	145	216	477	731	43	124	385
Balance sheet							
Non-current assets	266,242	259,325	261,725	259,964	254,392	260,230	241,525
Short-term investments	7,948	7,628	7,692	8,025	8,219	9,300	7,465
Cash and cash equivalents	8,790	7,077	10,234	6,049	8,596	5,653	8,485
Other current assets	65,381	65,257	82,255	56,383	51,513	49,853	46,493
Total assets	348,361	339,287	361,906	330,421	322,720	325,036	303,968
Equity	94,118	92,865	93,386	90,909	82,940	82,041	88,987
- of which attributable to equity holders of the Parent Company	83,480	82,430	82,722	80,565	73,331	71,398	78,449
- of which attributable to minority interests	10,638	10,435	10,664	10,344	9,609	10,643	10,538
Capital Securities	9,120	9,074	9,241	9,268	9,176	9,248	-
Other interest-bearing liabilities	63,102	59,968	65,396	69,395	71,745	78,110	71,389
Interest-bearing provisions	48,412	46,899	47,479	47,691	45,466	45,787	45,372
Pension provisions	17,345	17,211	17,486	17,432	17,222	17,337	16,720
Deferred tax liabilities	40,104	39,202	39,354	39,927	42,191	41,784	40,056
Other non-interest-bearing liabilities	76,160	74,068	89,564	55,799	53,980	50,729	41,444
Total equity and liabilities	348,361	339,287	361,906	330,421	322,720	325,036	303,968
Net assets	150,369	147,383	154,266	155,237	145,834	148,946	133,796
Net debt	-55,380	-54,179	-56,474	-64,343	-63,800	-68,307	-51,395
Cash flow							
Funds from operations (FFO)	5,625	7,240	13,281	12,674	3,921	6,020	8,771
Cash flow from changes in operating assets and operating liabilities	1,769	1,889	-4,605	-8,698	3,817	-816	-1,266
Cash flow from operating activities	7,394	9,129	8,676	3,976	7,738	5,204	7,505
Cash flow from investment activities	-5,107	-2,647	-2,085	-4,251	-4,359	-13,374	-1,711
Cash flow before financing activities	2,287	6,482	6,591	-275	3,379	-8,170	5,794
Changes in short-term investments	-287	-97	306	243	1,086	-1,709	355
Loans raised/Amortisation of debt, net	-325	-3,564	-2,701	-2,542	-1,550	3,465	-3,614
Issue of Capital Securities	-	-	-	-	-	9,248	-
Dividend paid to shareholders	-22	-5,867	-1	-3	-4	-5,771	-
Cash flow from financing activities	-634	-9,528	-2,396	-2,302	-468	5,233	-3,259
Cash flow for the period	1,653	-3,046	4,195	-2,577	2,911	-2,937	2,535
Free cash flow	3,722	6,729	7,013	389	5,129	2,809	6,014

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

² Certain values are adjusted compared to previously published information in Vattenfall's interim reports and Annual Report for 2005. See page 11.

KEY RATIOS (Definitions on pages 21–22)

(in % unless otherwise stated)	Q 3 2006	Q 2 2006	Q 1 2006 ³	Q 4 2005 ³	Q 3 2005 ³	Q 2 2005 ³	Q 1 2005 ³
Return on equity ²	23.0	24.1	24.7	23.2	14.8	14.1	12.7
Return on equity ^{1,2}	19.3	20.2	20.9	19.4	15.7	15.5	14.2
Return on net assets ²	20.0	19.9	19.6	17.8	13.9	13.5	12.6
Return on net assets ^{1,2}	17.7	17.7	17.4	15.8	14.8	14.8	14.1
Interest coverage ratio, times	5.3	8.5	17.5	11.0	5.1	6.2	15.2
Interest coverage ratio, times ¹	5.3	8.3	17.2	8.1	5.1	6.2	15.2
Equity/assets ratio	27.0	27.4	25.8	27.5	25.7	25.2	29.3
Net debt/equity ratio, times	0.59	0.58	0.60	0.71	0.77	0.83	0.58
Net debt/net debt plus equity	37.0	36.8	37.7	41.4	43.5	45.4	36.6
FFO/interest-bearing liabilities ²	53.8	53.8	48.1	39.9	31.5	27.9	33.7
FFO/net debt ²	70.1	68.5	63.6	48.8	40.0	35.7	46.8

¹ Excl items affecting comparability.

² Rolling 12-month values.

³ Certain values are adjusted compared to previously published information in Vattenfall's interim reports and Annual Report for 2005. See page 11.

KEY RATIOS RENEWABLE ENERGY GENERATION IN THE NORDIC COUNTRIES

(in SEK million unless otherwise stated)	Wind power		Hydro power ¹		Heat		Total	
	Q 1–3, 2006	Full year 2005	Q 1–3, 2006	Full year 2005	Q 1–3, 2006	Full year 2005	Q 1–3, 2006	Full year 2005
Operating profit	0.1	3.8	79.2	70.3	184.7	285.3	264.0	359.4
Investments	3,649.1	18.4	21.1	21.0	316.2	512.3	3,986.4	551.7
Non-current assets	5,433.9	380.0	252.4	239.2	3,906.4	3,754.9	9,592.7	4,374.1
Return on non-current assets, (%)	–	1.0	41.9	29.4	6.3	7.6	3.7	8.2

¹ Hydro power that is entitled to so-called green certificates.

Wind power typically exhibits a lower profit during the summer period due to less favourable wind conditions. The greater part of the wind power reported above is attributable to the acquisition of the Danish windfarms and refer to only to the third quarter.

The profit for heating operations varies considerably over the year. The greater part of the year's profit is generated during the first and fourth quarters when demand for heating peaks.

EBIT	=	Earnings Before Interest and Tax.
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation.
FFO	=	Funds From Operations.
Items affecting comparability	=	Non-recurring capital gains and capital losses from shares and other non-current assets. For 2005, the compensation received from the Swedish state for the closure of Barsebäck 2 and relevant costs for the impairment losses of the assets are also reported as items affecting comparability.
Free cash flow	=	Cash flow from operating activities minus maintenance investments.
Capital Securities	=	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt. Reported as interest-bearing non-current liabilities.
Net assets	=	Balance sheet total minus non-interest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, short-term investments.
Net debt	=	Interest-bearing liabilities minus long-term loans to minority owners in foreign subsidiaries, cash and cash equivalents, short-term investments.
Operating margin, per cent	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$
Pre-tax profit margin, per cent	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$
Return on equity, per cent	= 100 x	$\frac{\text{Profit for the period attributable to equity holders of the Parent Company}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl the Reserve for cash flow hedges}}$
Return on net assets, per cent	= 100 x	$\frac{\text{Operating profit (EBIT) plus discounting effects attributable to provisions}}{\text{Weighted average of the net assets for the period}}$
Interest coverage ratio, times	=	$\frac{\text{Operating profit (EBIT) + financial income excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl discounting effects attributable to provisions}}$
FFO interest coverage ratio, times	=	$\frac{\text{Funds from operations (FFO) + financial expenses excl discounting effects attributable to provisions}}{\text{Financial expenses excl discounting effects attributable to provisions}}$
FFO interest coverage ratio, net, times	=	$\frac{\text{Funds from operations (FFO) + net financial items excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund}}{\text{Financial items excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund}}$
Cash flow interest coverage after maintenance investments, times	=	$\frac{\text{Cash flow from operating activities minus maintenance investments + financial expenses excl discounting effects attributable to provisions}}{\text{Financial expenses excl discounting effects attributable to provisions}}$
Equity/assets ratio, per cent	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$

Net debt/equity ratio, times	=	$\frac{\text{Net debt}}{\text{Equity}}$
Net debt/net debt plus equity, per cent	= 100 x	$\frac{\text{Net debt}}{\text{Net debt} + \text{equity}}$
Interest-bearing liabilities / interest-bearing liabilities plus equity, per cent	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities} + \text{equity}}$
FFO / interest-bearing liabilities, per cent	= 100 x	$\frac{\text{Funds from operations (FFO)}}{\text{Interest-bearing liabilities}}$
FFO / net debt, per cent	= 100 x	$\frac{\text{Funds from operations (FFO)}}{\text{Net debt}}$
EBITDA / net financial items, times	=	$\frac{\text{Operating profit before depreciation and amortisation (EBITDA)}}{\text{Financial items excl discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund}}$

EXCHANGE RATES

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

	Q 3		Q 1-3		Full year	30 Sept		31 Dec
	2006	2005	2006	2005	2005	2006	2005	2005
Average rates								
EUR	9.2430	9.3805	9.3063	9.2152	9.2812	9.2670	9.3410	9.4300
DKK	1.2391	1.2579	1.2475	1.2372	1.2456	1.2425	1.2515	1.2640
NOK	1.1510	1.1888	1.1660	1.1431	1.1559	1.1260	1.1910	1.1760
PLN	2.3225	2.3375	2.3790	2.2710	2.3062	2.3200	2.3900	2.4400
USD	7.2490	7.7510	7.4913	7.2855	7.4455	7.3130	7.7800	7.9530
Balance sheet date rates								
EUR	9.2670	9.3410	9.3063	9.2152	9.2812	9.2670	9.3410	9.4300
DKK	1.2425	1.2515	1.2475	1.2372	1.2456	1.2425	1.2515	1.2640
NOK	1.1260	1.1910	1.1660	1.1431	1.1559	1.1260	1.1910	1.1760
PLN	2.3200	2.3900	2.3790	2.2710	2.3062	2.3200	2.3900	2.4400
USD	7.3130	7.7800	7.4913	7.2855	7.4455	7.3130	7.7800	7.9530

This report has not been examined by Vattenfall's auditors.
This report has been translated from the Swedish original.

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