



INTERIM REPORT JANUARY-SEPTEMBER 2007

3/07

- Net sales rose 9.3% to SEK 105,310 million (96,374)
- Operating profit decreased by 2.8% to SEK 21,225 million (21,827)
- Profit for the period (after tax) rose 28.4% to SEK 17,010 million (13,249)
- Operating profit for the third quarter increased by 37.9%, to SEK 4,557 million (3,304)

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Financial calendar 2008

Year-end report 2007
7 February

Interim report January–March
29 April

Interim report January–June
30 July

Interim report January–September
30 October

2008 Annual General Meeting

29 April in Stockholm

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

All comparison figures in this report pertain
to the third quarter of 2006, unless indicated
otherwise.

Cover photo: Ari Lehtonen, mechanic at Vattenfall Heat,
(Heinola in Vuorikatu, Finland)

STRONG EARNINGS, GREATER CHALLENGES

Strong third quarter

Operating profit for the third quarter increased by 37.9%, to SEK 4,557 million (3,304). The increase is entirely attributable to Germany, but is largely due to an impairment loss of SEK 931 million for the German Distribution unit for the corresponding period in 2006. In the Nordic countries, earnings for the third quarter of 2007 were charged with an impairment loss of SEK 195 million, pertaining to a combined heat and power plant in Finland, and to a provision for restructuring costs in Distribution.

Operating profit for the first three quarters of the year was slightly lower than the corresponding period a year ago, falling 2.8% to SEK 21,225 million (21,827). The decrease is mainly attributable to the Nordic countries, however, Poland also posted a decline. Germany, on the other hand, improved its result.

Sales rose 12.9% during the third quarter and 9.3% for the period January–September.

The sharp drop in spot prices in our largest markets, the Nordic countries and Germany, has not had an impact on our earnings thanks to successful hedging of electricity generation. However, the heat operations have delivered lower earnings due to unseasonably warm weather, especially early in the year.

Profit for the third quarter (after tax) was SEK 3,523 million (1,871). Profit for the period January–September (after tax) was SEK 17,010 million (13,249). The improvement can be credited primarily to a positive tax effect of approximately SEK 2,850 million (of which SEK 950 million pertaining to the third quarter) resulting from reduced corporate income taxes in Germany (p. 23). Return on equity was 20.5%, and the return on net assets was 15.7%, both calculated on a last 12-month basis. The cash flow interest coverage ratio after maintenance investments was 7.0 on a last 12-month basis.

Net debt as per 30 September was SEK 44,524 million, a decrease of SEK 4,883 million compared with 31 December 2006 and a decrease of SEK 2,241 million compared with 30 June 2007.

Lower electricity spot prices resulting from good water supply and lower prices for CO₂ emission allowances

Average spot prices on Nord Pool (SYSEUR) during the third quarter were roughly a third of the price compared with the corresponding period a year ago – EUR 19.74/MWh compared with EUR 59.88/MWh. This is mainly due to very high water levels in Norway during the entire quarter. On the EEX exchange in Germany, average spot prices for the third quarter were 43% lower than the corresponding period a year ago – EUR 31.01/MWh compared with EUR 54.53/MWh. This is mainly due to normal or sub-normal summer temperatures combined with considerably lower prices for emission allowances in 2007. However, forward prices for 2008 and 2009 were relatively unchanged, both in the Nordic countries and Germany. Forward prices are significantly higher than spot prices, which reflects the market's expectations for rising spot prices.

Strong increase in wind and hydro power

Vattenfall's total electricity generation increased by 3.0 TWh, to 123.0 TWh, during the period January–September. The increase is broken down into hydro power +2.8 TWh, nuclear power -3.1 TWh, fossil-based power +2.8 TWh, and wind power, biofuel-based power and waste-based power +0.6 TWh. Wind power accounted for a very strong increase, from 0.2 TWh to 0.9 TWh. During the third quarter total electricity generation increased



by 2.8 TWh, to 37.3 TWh. This increase is broken down into hydro power +1.0 TWh, nuclear power -0.1 TWh and fossil-based power +1.9 TWh. Wind power, biofuel-based power and waste-based power were unchanged at 0.4 TWh.

Heat sales decreased by 0.9 TWh, to 23.4 TWh, for the period January–September, but increased by 0.8 TWh during the third quarter, to 3.8 TWh.

Continued major challenges for Vattenfall

In our electricity network and sales operations we are facing continued major challenges against the backdrop of mounting pressure on margins and continued high operating costs. Competition is intensifying in the retail market, and customers are growing increasingly inclined to change electricity suppliers, which is both a threat and opportunity for Vattenfall. The conditions in our business environment are also becoming increasingly challenging. This applies to the price and market trends as well as to the political framework. In Sweden the government has proposed further increases in production taxes for Swedish hydro and nuclear power. For Vattenfall this will give rise to approximately SEK 0.9 billion in additional costs per year on top of the tax hike that was announced in 2006, which added approximately SEK 1.8 billion to our annual cost base. Moreover, from a climate and environmental perspective, it is unfortunate that these forms of energy, which are free from CO₂ emissions and hence are climate-neutral, are being burdened with new taxes.

Fierce competition for electricity customers

In recent months Vattenfall has lost nearly 200,000 retail customers in Germany. This is a result of the crisis in confidence that Vattenfall experienced mainly in the wake of the events at the Krümmel and Brunsbüttel nuclear power plants, but it can also be attributed to mounting competition in the retail market and a growing inclination among customers to switch electricity suppliers. Vattenfall,

which to date has had very high market shares (more than 80%, corresponding to roughly 2.9 million customers) in Germany's two largest cities, Hamburg and Berlin, has experienced significant reductions. We are addressing this through a number of confidence-building measures and an improved product offer, including a very attractively priced product that is offered online. To attract new customers, Vattenfall is intensifying its marketing in areas outside Hamburg and Berlin.

In the Nordic countries, our concerted efforts to improve products and offer attractive contract terms have proved successful. We have gained market shares from our competitors and now have more than 1 million customers in the Nordic countries. Our market share among retail customers in Sweden has grown from 13% to 15%, and our customer satisfaction index scores have improved.

Focus on safe nuclear power

Following the scrams on 28 June at Brunsbüttel and Krümmel, our two German nuclear power facilities, a heated debate was sparked on the future of nuclear power in Germany, and Vattenfall was justifiably criticised for providing insufficient information to the general public. Both events were classified as a zero on the seven degree INES scale¹, and no risks were posed to people or the environment. The causes of the scrams have been rectified, but it is still unclear if the plants can be restarted before year-end. This is because a couple of deviant anchors were detected in connection with subsequent inspections. Vattenfall is firmly resolved to always giving top priority to safety work, and we will not restart the facilities until all outstanding issues have been addressed and rectified. Vattenfall has taken a number of measures: in July a new CEO was appointed for Vattenfall Germany, a telephone hotline was set up to provide maximum information to the general public, and an independent expert commission has been appointed to analyse the events that took place and come up with suggestions for improvement. The outages have cost Vattenfall

approximately EUR 0.8 million per day, which translated to an earnings charge for the third quarter of approximately SEK 555 million.

In Sweden, too, our nuclear operations have been affected by an outage. In connection with the installation of a new generator at Ringhals 3, the generator supplier left a tool in the generator, which caused a short circuit and a month-long outage. Following the successful replacement of the generator, the reactor is once again fully operating since 18 September.

EU's 3rd Energy Package – development of the energy market

On 19 September the EU Commission presented concrete suggestions for how the electricity market must be changed in order to achieve the goals that were set in the so-called Energy Package that was launched in January this year. Vattenfall sees this as a unique opportunity to further improve the market's function. It is also an ideal opportunity to speed up market development through integration of national markets into regional markets with the long-term goal of creating the Internal Market for Energy.

- Vattenfall believes that integration of the energy market is a prerequisite for the competitiveness of Europe. Above all, this is important to also achieve the goals that have been formulated for renewable energy and the reduction of CO₂ emissions in a cost-effective manner.
- Vattenfall is of the opinion that Regional Independent System Operators (RIOs) are the most powerful tool for integrating regional markets. The market's players should work together with the Member States to bring about this solution.
- Vattenfall is positive to the harmonisation of the competence and powers of national regulators. Even though a European regulator would have been preferable, the form of integration proposed at the EU level is positive.
- The proposed European Network for Transmission System Operators (ENTSO) is positive. However, the

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

Amounts in SEK million	Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %	Last 12 months (LTM)
Net sales	31,589	27,990	12.9	105,310	96,374	9.3	144,738
Operating profit before depreciation and amortisation (EBITDA)	8,565	7,960	7.6	32,713	33,320	-1.8	42,559
Operating profit (EBIT)	4,557	3,304	37.9	21,225	21,827	-2.8	26,447
Operating profit excl. items affecting comparability	4,542	3,286	38.2	21,115	21,418	-1.4	26,373
Financial items, net	-1,043	-343	-204.1	-1,992	-1,381	-44.2	-2,135
Profit before tax	3,514	2,961	18.7	19,233	20,446	-5.9	24,312
Profit for the period	3,523	1,871	88.3	17,010	13,249	28.4	23,619
- of which, attributable to equity holders of the Parent Company	3,145	1,726	82.2	15,974	12,411	28.7	22,292
- of which, attributable to minority interests	378	145	160.7	1,036	838	23.6	1,327
Return on equity	-	-	-	-	-	-	20.5
Return on net assets	-	-	-	-	-	-	15.7
Funds from operations (FFO)	6,002	5,625	6.7	23,140	26,146	-11.5	32,667
Cash flow before financing activities	2,194	2,287	-4.1	12,375	15,360	-19.4	16,575
Free cash flow	3,231	3,722	-13.2	15,812	17,464	-9.5	21,526
Cash and cash equivalents plus short-term investments	21,480	16,738	28.3	21,480	16,738	28.3	
Balance sheet total	324,616	327,785	-1.0	324,616	327,785	-1.0	
Equity incl. minority interests	119,679	94,118	27.2	119,679	94,118	27.2	
Capital Securities	9,082	9,120	-0.4	9,082	9,120	-0.4	
Other interest-bearing liabilities	57,259	63,102	-9.3	57,259	63,102	-9.3	
Net debt	44,524	55,380	-19.6	44,524	55,380	-19.6	

Vattenfall's earnings vary sharply during the year. Normally, the large part of annual profit is generated during the first and fourth quarters, when demand for electricity and heat is at its highest. See pages 24-25 for definitions.

regulators have an important function of ensuring roles and responsibilities as well as working for greater market integration.

- Harmonised transparency rules are a precondition for a well-working market.

Sticking to our growth strategy

Vattenfall's vision to be a leading European energy company remains firm. We aim to be both Number One for the Customer and Number One for the Environment, and profitable growth is a prerequisite for this. Our strategy is to remain an integrated energy company with focus on electricity and heat generation. Growth will take place primarily in geographically close markets in which we can create value. Growth may take place through acquisitions, but also organically through investments in new power and heat generation. The UK market has captured

our particular interest, where we are engaged in discussions on nuclear power renewal and where we are seeking to participate both as an owner and operator, and in the development of expertise in this area. We are also studying other growth opportunities in the UK and in power and heat generation in northern Europe. In the course of executing our strategy, we have started a programme to increase operational efficiency and take advantage of synergies that exist between our various geographic markets and product areas, and thereby create additional resources for continued growth.

Lars G. Josefsson
President and CEO

- 1) The International Nuclear Event Scale (INES) is a means for promptly communicating to the public in consistent terms the safety significance of events reported at nuclear installations. A zero (0) on the scale refers to an event that has "no safety significance". For more information, visit: [www.iaea.org/Ourwork/Nuclear safety&Security](http://www.iaea.org/Ourwork/Nuclear%20safety&Security).

Sales, profit and cash flow

Amounts in SEK million	Q3 2007	Q3 2006	Change %
Net sales	31,589	27,990	12.9

Comment: Adjusted for intra-Group transactions, sales in Germany increased by SEK 2.7 billion, while sales in the Nordic countries decreased by SEK 1.8 billion. Sales for the "Other" segment, which includes Energy Trading, increased by SEK 2.6 billion. See also pages 9–11.

Amounts in SEK million	Q3 2007	Q3 2006	Change %
Cost of products sold	24,335	21,956	10.8

Comment: Continued high EEG¹ costs have contributed to a rise in costs of products sold. These costs, which stem entirely from the wind power feed-in to Vattenfall's transmission grid in Germany, are passed on to end customers with a certain time delay and are thus essentially earnings-neutral.

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

Amounts in SEK million	Q3 2007	Q3 2006	Change %
Operating profit	4,557	3,304	37.9
Operating profit excl. items affecting comparability	4,542	3,286	38.2

Comment: The improved operating profit is attributable primarily to the Mining & Generation and Distribution business units in Germany. The improvement for Distribution is mainly attributable to write-downs of SEK 931 million for the third quarter of 2006 (see also p. 10).

Vattenfall Trading Services contributed with an earnings improvement of SEK 122 million. The corresponding amount for the period January–September 2007 was SEK 756 million.

Amounts in SEK million	Q3 2007	Q3 2006	Change %
Cash flow from operating activities	6,263	7,394	-15.3
Free cash flow¹	3,231	3,722	-13.2
Cash flow before financing activities	2,194	2,287	-4.1

1) Cash flow from operating activities less maintenance investments.

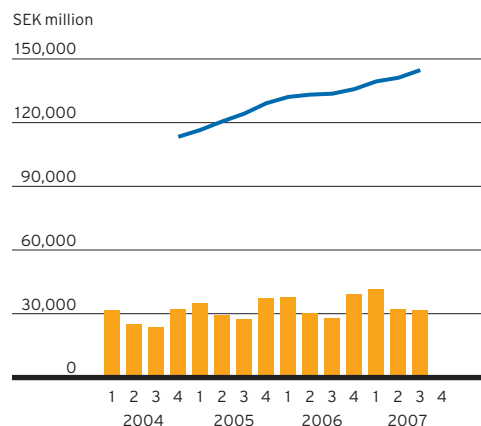
Comment: Despite an improved operating profit, cash flow from operating activities as well as free cash flow decreased. This is mainly due to a negative change in working capital. However, the reduction of free cash flow was mitigated by a decrease in maintenance investments.

Amounts in SEK million	Q3 2007	Q3 2006	Change %
Net financial items	-1,043	-343	-204.1
Interest income	307	181	69.6
Interest expense	-784	-687	-14.1
Interest received	253	143	76.9
Interest paid	-194	-305	36.4

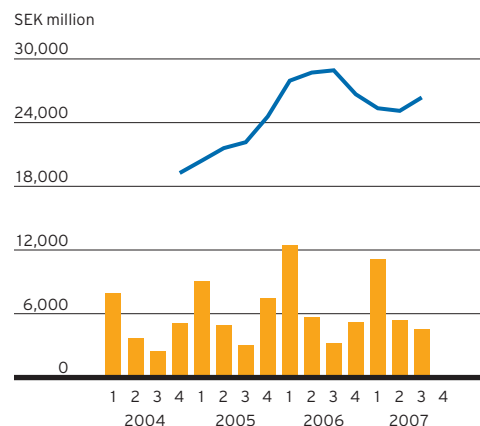
Comment: Net financial items deteriorated mainly due to a lower return from the Swedish Nuclear Waste Fund, but also due to market value adjustments of derivatives and discounting effects attributable to provisions.

Average monthly net interest income/expense for the first nine months amounted to SEK -134 million (-159).

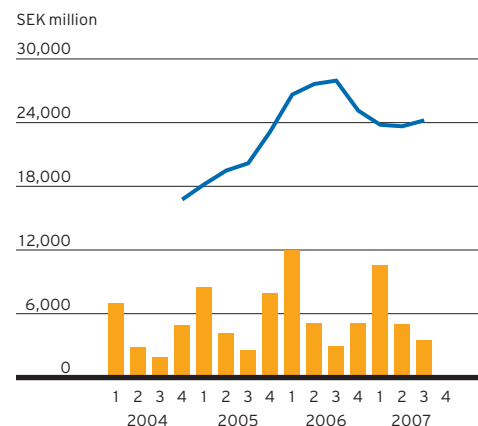
Net sales



Operating profit, excl. items affecting comparability



Profit before tax, excl. items affecting comparability



■ Last 12-month values
■ Quarterly values

Financial position

Amounts in SEK million		30 Sept. 2007	30 Sept. 2006	Change %
Cash and cash equivalents plus short-term investments	▲	21,480	16,738	28.3
Committed credit facilities (unutilised)	▲	9,577	9,506	0.7
Other credit facilities (unutilised)	▲	10,859	10,388	4.5

Comment: Committed credit facilities consist of a seven-year, EUR 1 billion Revolving Credit Facility which expires in February 2013, and a SEK 366 million bank overdraft facility. Vattenfall has not been adversely affected by the credit and liquidity crisis in the financial markets.

Net debt	▼	44,524	55,380	-19.6
Total interest-bearing liabilities	▼	66,341	72,222	-8.1
Average fixed interest period (duration, years)¹	▶	3.7	3.7	
Average maturity	▲	6.5	6.1	

1) Excluding Capital Securities of SEK 9,082 million, net debt stands at SEK 35,442 million, the average fixed interest period is 3.1 years, and the average maturity is 6.3 years. These figures pertain to 30 September 2007.

Comment: Compared with 31 December 2006, net debt has decreased by SEK 4,883 million and total interest-bearing liabilities by SEK 5,234 million. Compared with 30 June 2007, net debt has decreased by SEK 2,241 million, and total interest-bearing liabilities have decreased by SEK 1,655 million. The net debt/equity ratio was 0.37 as per 30 September, compared with 0.46 on 31 December 2006. Net debt decreased by SEK 133 million during the third quarter as a result of exchange rate effects.

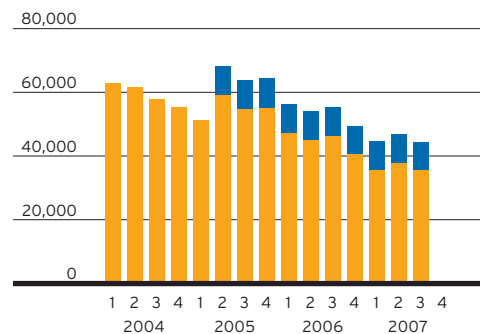
No change took place in Vattenfall's ratings during the period. Vattenfall's current long-term credit ratings are A2 from Moody's and A- from Standard & Poor's.

Amounts in SEK million		30 Sept. 2007	30 Sept. 2006	Change %
Equity attributable to equity holders of the Parent Company	▲	107,403	83,480	28.7
Minority interests	▲	12,276	10,638	15.4
Total	▲	119,679	94,118	27.2

Comment: Changes in equity are specified on page 17.

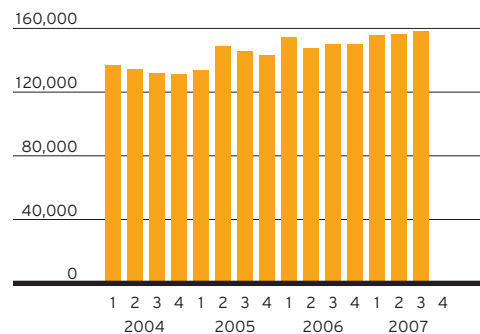
Net debt

SEK million
100,000



Net assets

SEK million
200,000

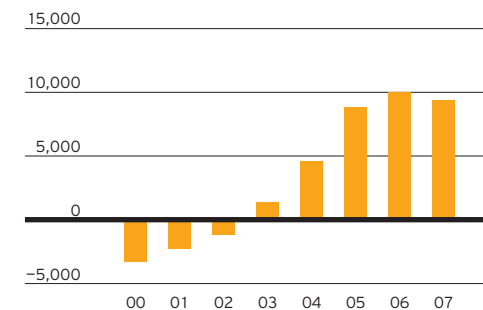


■ Quarterly values
■ Capital Securities

Value creation

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

SEK million
20,000



Investments

Amounts in SEK million		Q3 2007	Q3 2006	Change %
Maintenance investments	▼	3,032	3,672	-17.4
Growth investments	▼	1,278	1,763	-27.5
– of which, shares	▼	109	116	-6.0
Total investments	▼	4,310	5,435	-20.7

Personnel (number of employees, full-time equivalent)

		30 Sept. 2007	30 Sept. 2006	Change %
Nordic countries	▲	9,540	9,477	0.7
Germany	▼	19,742	20,025	-1.4
Poland	▼	2,736	2,824	-3.1
Others	▲	505	485	4.1
Total	▼	32,523	32,811	-0.9

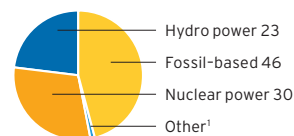
Electricity balance¹, TWh

	Q3 2007	Q3 2006	Q1–3 2007	Q1–3 2006	2006
Internal generation and electricity input					
Hydro power	7.7	6.7	28.4	25.6	34.3
Nuclear power	10.5	10.6	37.3	40.4	55.2
Fossil fuels	18.7	16.8	55.9	53.1	73.8
Wind power	0.3	0.2	0.9	0.2	0.6
Biofuels	0.1	0.2	0.4	0.6	0.6
Waste	0.0	0.0	0.1	0.0	0.0
Total internal generation	37.3	34.5	123.0	120.0	164.5
Purchased power	13.7	11.5	43.8	36.0	52.1
Spot market	0.1	1.8	0.8	5.6	5.4
Total electricity input	51.1	47.8	167.7	161.6	222.1
Consumption within the Group	3.9	2.6	9.5	8.5	11.5
Total	47.2	45.3	158.2	153.1	210.5
Sales					
Nordic countries	12.7	12.4	40.9	41.6	56.4
Germany	20.9	15.1	63.8	49.9	71.2
Poland	3.2	2.1	10.5	7.4	11.5
Other countries	0.8	0.8	2.6	2.7	3.9
Spot market	5.7	11.2	26.9	37.4	48.1
Total electricity sales	43.3	41.7	144.7	138.9	191.1
Delivered to minority owners	3.6	3.5	12.8	13.6	18.7
Other	0.3	0.1	0.8	0.6	0.8
Total	47.2	45.3	158.2	153.1	210.5
Heat sales, TWh					
Nordic countries ²	1.2	1.1	7.6	5.4	8.5
Germany ²	1.8	1.2	9.2	11.1	15.5
Poland	0.9	0.7	6.6	7.9	11.2
Total	3.8	3.0	23.4	24.3	35.2

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

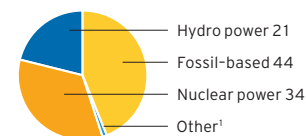
2) Incl. deliveries of so-called ready heat.

Electricity generation, Q1–3 2007, %



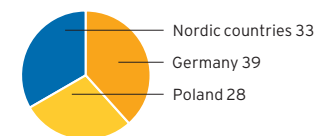
1) Wind power, Biofuels and waste.

Electricity generation, Q1–3 2006, %

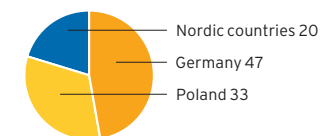


1) Wind power, Biofuels and waste.

Heat sales, Q1–3 2007, TWh



Heat sales, Q1–3 2006, TWh



Nordic countries

Amounts in SEK million		Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %	Full year 2006	Last 12 months
Net sales	▲	9,152	7,399	23.7	33,785	28,111	20.2	40,118	45,792
External net sales	▼	8,553	10,375	-17.6	30,377	34,978	-13.2	48,235	43,634
Operating profit	▼	1,534	1,551	-1.1	8,561	9,951	-14.0	13,287	11,897
Operating profit excl. items affecting comparability	▼	1,531	1,565	-2.2	8,503	9,943	-14.5	13,217	11,777
Heat generation, TWh	▲	1.2	1.1	9.1	7.6	5.4	40.7	8.5	10.8
Electricity generation, TWh	▲	18.9	16.4	15.2	67.0 ²	61.1	9.7	84.9	90.8
– of which, hydro power	▲	6.9	5.9	16.9	26.2	23.1	13.4	30.9	34.0
– of which, nuclear power	▲	10.3	9.0	14.4	34.8	36.1	3.6	49.2	47.9
– of which, fossil-based power	▲	1.4	1.3	7.7	4.9	1.3	276.9	7.5	
– of which, wind power	▲	0.3	0.2	50.0	0.9	0.2	350.0	0.5	1.2
– of which, biofuels	▼	0.0	0.1		0.2	0.5	-60.0	0.4	0.2
Transmission volume excl. generation transmission, TWh ³	▲	16.9	15.9	6.3	58.4	59.7	-2.2	81.9	80.6

1) Excluding intra-Group transactions.

2) Excluding minority owners 54.7 TWh (48.5).

3) Generation transmission pertains to intra-Group transfers from power plants to Vattenfall's own electricity network.

Sales and earnings trend during the third quarter

External net sales, i.e., excluding intra-Group transactions, decreased by 17.6%. Operating profit was charged with an impairment loss of a combined heat and power plant in Finland, totalling SEK 195 million, and a provision for restructuring costs in Distribution, totalling slightly approximately SEK 100 million. Excluding these items, operating

profit was approximately SEK 280 million higher, mainly due to higher volumes in the Generation business unit.

Electricity and heat generation

The increase in electricity generation is explained by last year's outage of the Forsmark nuclear power plant and by an increase in hydro

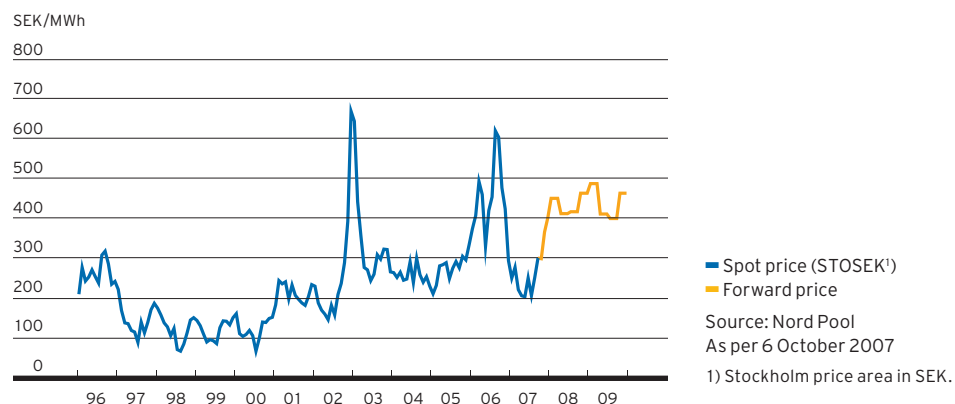
power generation as a result of higher water levels. A very sharp rise in wind power was noted for the period January–September.

The increase in heat production during the third quarter is attributable to colder weather. The increase in heat production during the period January–September is attributable to greater heat production from the acquired CHP assets in Denmark, which have been consolidated as from July 2006.

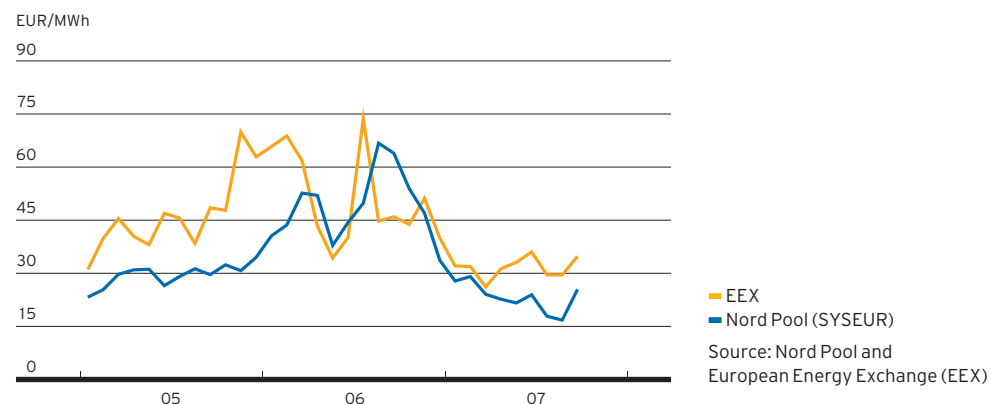
Market development

The average spot price on the Nordic Power Exchange, Nord Pool (SYSEUR), during the third quarter was roughly a third of the price compared with the same period a year ago – EUR 19.74/MWh compared with EUR 59.88/MWh. This is mainly attributable to very high water levels in Norway during the entire quarter. Particularly during August, high reservoir levels resulting from high precipitation resulted in a sharp reduction in both the system price and the southern Norwegian price area. The hydrological balance during the period July–September was approximately 11.4 TWh above normal, compared with a balance that was roughly 26.8 TWh below the normal value during the same period a year ago. Forward prices for future yearly contracts have risen slightly compared with the third quarter a year ago, mainly due to higher prices of CO₂ emission allowances. At the end of September these closed at EUR 47.30/MWh and EUR 47.50/MWh, respectively, compared with closing prices of EUR 45.00/MWh and EUR 44.70/MWh at the end of September 2006.

Swedish electricity prices 1996–2009, monthly averages



German and Nordic electricity spot prices, monthly averages



Germany

Amounts in SEK million		Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %	Full year 2006	Last 12 months
Net sales	▲	25,991	22,003	18.1	82,636	72,997	13.2	101,538	111,177
External net sales ¹	▲	17,925	15,173	18.1	56,826	49,969	13.7	69,905	76,762
Operating profit	▲	3,173	1,894	67.5	11,987	11,452	4.7	13,059	13,594
Operating profit excl. items affecting comparability	▲	3,174	1,854	71.2	11,959	11,182	6.9	12,886	13,663
Heat generation, TWh	▲	1.8	1.2	50.0	9.2	11.1	17.1	15.5	13.6
Electricity generation, TWh	▶	17.7	17.7	–	53.6	56.6	–5.3	76.2	73.2
– of which, fossil-based power	▲	16.7	15.2	9.9	48.6	49.6	–2.0	66.6	65.6
– of which, nuclear power	▼	0.2	1.6	–87.5	2.5	4.3	–41.9	6.0	4.2
– of which, hydro power	▼	0.7	0.9	–22.2	2.2	2.5	–12.0	3.4	3.1
– of which, wind power	▶	0.0	0.0	–	0.0	0.0	–	0.0	0.0
– of which, biofuels	▶	0.0	0.1	–	0.1	0.1	–	0.2	0.2
– of which, waste	▶	0.0	0.0	–	0.1	0.0	–	0.0	0.1
Transmission volume (excl. national grid)	▲	6.9	6.6	4.5	20.5	20.3	1.0	27.2	27.4

1) Excluding intra-Group transactions.

Sales and earnings trend during the third quarter

The increase in sales was primarily attributable to the higher feed-in of wind power to Vattenfall's German transmission network, which led to higher so-called EEG costs. These are passed on to customers with a slight time delay and subsequently lead to higher revenues. In principle, all of these EEG costs are to be earnings-neutral. The increase in operating profit is explained by a large impairment loss during the third quarter of 2006 that was made by the Distribution business unit,

totalling SEK 931 million, and by very strong earnings delivered by the Mining and Generation unit on account of hedges which compensated for low spot market prices. The outages at the Brunsbüttel and Krümmel nuclear power plants have been compensated by higher generation of fossil-based power. In addition, the Transmission business unit contributed to the improvement through lower maintenance costs. However, the German network regulator (Bundesnetzagentur) is putting continued pressure on transmission tariffs.

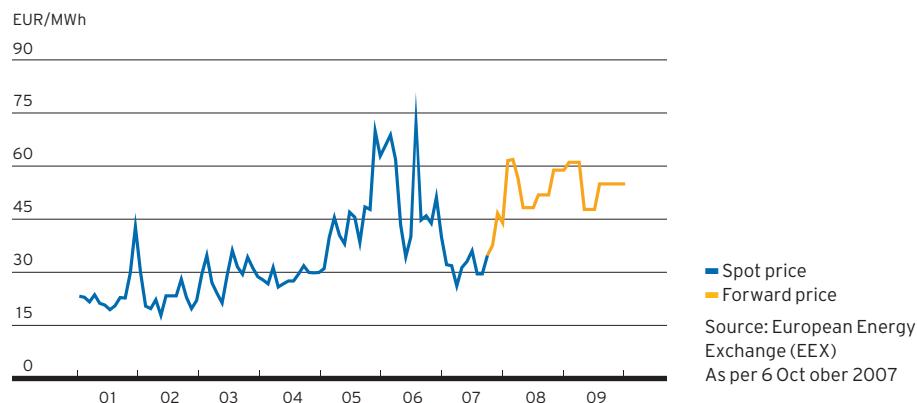
Electricity and heat generation during the third quarter

Nuclear power generation decreased due to the outages at the Krümmel and Brunsbüttel nuclear power plants, however, this is being compensated by an increase in fossil-based generation. Heat production rose as a result of colder weather.

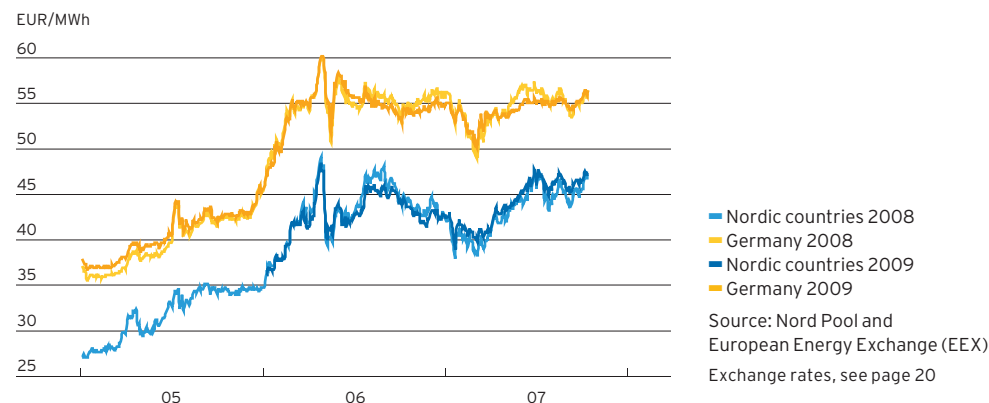
Market development

The average spot price on the EEX exchange in Germany during the third quarter was 43% lower than during the same period a year ago – EUR 31.01/MWh compared with EUR 54.53/MWh. This is partly due to normal or sub-normal summer temperatures compared with the same period a year ago. During the period July–September, prices on the German forward market rose slightly in parity with the price of CO₂ emission allowances. Forward prices for 2008 and 2009 contracts closed at the end of September at EUR 56.60/MWh and EUR 56.60/MWh, respectively, compared with closing prices of EUR 56.65/MWh and EUR 55.45/MWh, respectively, at the end of June.

German electricity prices 2001–2009, monthly averages



German and Nordic electricity futures prices



Poland

Amounts in SEK million		Q3 2007	Q3 2006	Change %	Q1-3 2007	Q1-3 2006	Change %	Full year 2006	Last 12 months
Net sales	▲	1,921	1,864	3.1	6,998	6,786	3.1	9,449	9,661
External net sales ¹	▲	1,878	1,773	5.9	6,619	6,486	2.1	8,981	9,114
Operating profit	▼	79	125	-36.8	752	1,046	-28.1	1,072	778
Operating profit excl. items affecting comparability	▼	66	133	-50.4	728	915	-20.4	942	755
Heat generation, TWh	▲	0.9	0.7	28.6	6.6	7.9	-16.5	11.2	10.0
Electricity generation, TWh	▲	0.6	0.3	100.0	2.5	2.3	8.7	3.3	3.5
– of which, fossil-based power	▲	0.6	0.3	100.0	2.4	2.3	4.3	3.3	3.4
– of which, wind power	▶	0.0	0.0	–	0.1	0.0	–	0.1	0.1

1) Excluding intra-Group transactions.

Sales and earnings trend during the third quarter

The increase in sales was attributable primarily to an increase in the Corporate segment of the Sales business unit. The decrease in operating profit is largely attributable to the electricity network business, which showed lower distribution volumes. The Heat business unit showed a marginally lower operating profit, while the Sales unit showed a small improvement compared with 2006.

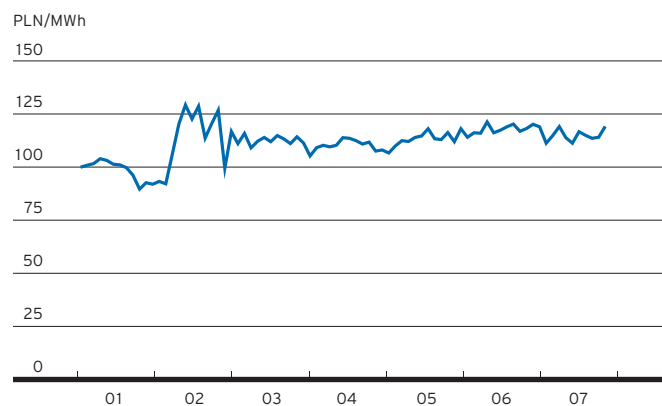
Electricity and heat generation during the third quarter

Both electricity and heat generation were higher than in 2006, but normal for the season.

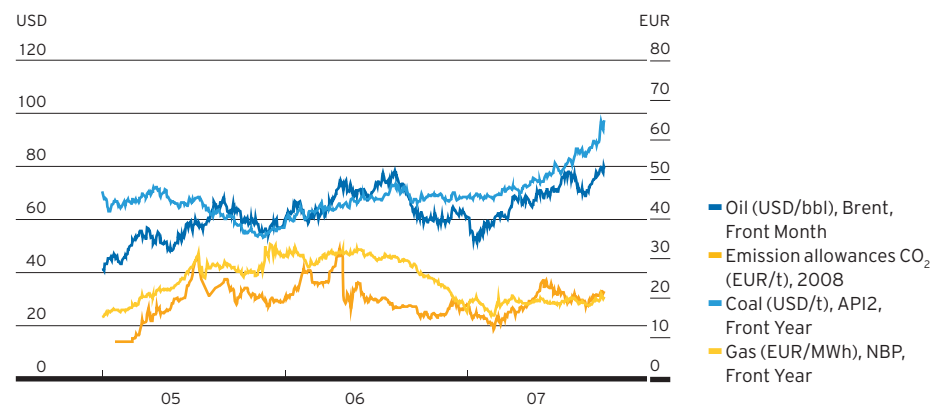
Market development

Turnover on the Polish energy exchange, especially in the forward market, is still low compared with the Nord Pool and EEX exchanges. Average spot prices on Poland's POLPX exchange during the third quarter were 2.5% lower than the third quarter a year ago – PLN 115.1/MWh compared with PLN 118.0/MWh.

Polish electricity prices 2001–2007, monthly averages



Price development oil, coal, gas and CO₂ emission allowances



Oil prices at the end of the third quarter of 2007 were somewhat higher than the price at the end of the same period a year ago and at the end of June this year. Coal prices rose dramatically during the third quarter, and together with freight rates, they are at a historically high level. The price of coal for delivery next year closed at the end of September at nearly USD 100/tonne, which is nearly USD 30/tonne higher than at the same time a year ago. The price of gas was lower compared with a year ago. The price of CO₂ emission rights for the second trading period, 2008–2012, is approximately 10% higher than a year ago.

Consolidated income statement

Amounts in SEK million	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006	Last 12 months (LTM)
Net sales	31,589	27,990 ⁸	105,310	96,374	135,802 ⁸	144,738
Cost of products sold ¹	-24,335	-21,956 ⁸	-75,911	-67,180	-96,844 ⁸	-105,575
Gross profit	7,254	6,034	29,399	29,194	38,958	39,163
Selling expenses, administrative expenses and research and development costs ²	-3,288	-3,233	-9,663	-9,411	-14,305	-14,557
Other operating income and expenses, net	255	435	672	1,009	1,062	725
Participations in the results of associated companies	336	68	817	1,035	1,334	1,116
Operating profit (EBIT)³	4,557	3,304	21,225	21,827	27,049	26,447
Financial income ⁴	472	841	2,103	2,319	3,839	3,623
Financial expenses ⁵	-1,515	-1,184	-4,095	-3,700	-5,363	-5,758
Profit before tax⁶	3,514	2,961	19,233	20,446	25,525	24,312
Income tax expense	9	-1,090	-2,223	-7,197	-5,667	-693
Profit for the period⁷	3,523	1,871	17,010	13,249	19,858	23,619
Attributable to						
Equity holders of the Parent Company	3,145	1,726	15,974	12,411	18,729	22,292
Minority interests	378	145	1,036	838	1,129	1,327
Total	3,523	1,871	17,010	13,249	19,858	23,619
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)	23.88	13.11	121.29	94.24	142.21	169.26
Supplementary information						
Operating profit before depreciation and amortisation (EBITDA)	8,565	7,960	32,713	33,320	43,166	42,559
Financial items, net excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	-736	-544	-1,231	-1,148	-1,618	-1,701
1) Of which, depreciation, amortisation and impairment losses	-3,808	-4,500	-10,889	-11,051	-15,007	-14,845
2) Of which, depreciation, amortisation and impairment losses	-200	-156	-599	-442	-1,110	-1,267
3) Including items affecting comparability attributable to:						
Capital gains/losses, net	15	18	110	409	373	74
4) Including returns from the Swedish Nuclear Waste Fund	325	750	975	1,350	2,106	1,731
5) Including discounting effects attributable to provisions excl. of pension provisions	-632	-549	-1,736	-1,583	-2,012	-2,165
6) Including items affecting comparability attributable to:						
Capital gains/losses, net	17	19	118	409	384	93
7) Including items affecting comparability stated above adjusted for tax	3	27	86	356	386	116
8) Net sales and Cost of products sold for 2006 are adjusted compared with previously published information in Vattenfall's 2006 nine-month interim report and Annual Report. See page 23 under the heading Accounting Principles.						

Primary segments, Vattenfall Group

Amounts in SEK million	Net sales					Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q3 2007	Q3 2006 ³	Q1-3 2007	Q1-3 2006 ³	Full year 2006 ³	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006
Nordic countries	9,152	7,399	33,785	28,111	40,118	1,534	1,551	8,561	9,951	13,287	1,531	1,565	8,503	9,943	13,217
Germany	25,991	22,003	82,636	72,997	101,538	3,173	1,894	11,987	11,452	13,059	3,174	1,854	11,959	11,182	12,886
Poland	1,921	1,864	6,998	6,786	9,449	79	125	752	1,046	1,072	66	133	728	915	942
Other ¹	9,883	4,597	33,156	19,092	29,185	-229	-266	-75	-622	-413	-229	-266	-75	-622	-413
Eliminations ²	-15,358	-7,873	-51,265	-30,612	-44,488	-	-	-	-	44	-	-	-	-	44
Total	31,589	27,990	105,310	96,374	135,802	4,557	3,304	21,225	21,827	27,049	4,542	3,286	21,115	21,418	26,676

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

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

3) Net sales for 2006 are adjusted compared with previously published information in Vattenfall's 2006 nine-month interim report and Annual Report. See page 23 under the heading Accounting Principles.

Secondary segments, Vattenfall Group

Amounts in SEK million	Net sales					Operating profit (EBIT)					Operating profit (EBIT) excl. items affecting comparability				
	Q3 2007	Q3 2006 ³	Q1-3 2007	Q1-3 2006 ³	Full year 2006 ³	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006
Electricity Generation	14,468	13,738	47,761	45,306	62,876	4,322	3,423	17,373	14,704	19,762	4,319	3,430	17,372	14,727	19,776
Electricity Markets ¹	16,821	14,557	53,893	49,869	69,303	136	208	-29	436	355	136	208	-29	287	169
Electricity Networks	12,273	10,592	40,665	36,145	51,574	640	84	2,570	3,844	3,947	658	94	2,583	3,844	3,985
Heat	3,290	3,381	13,707	15,489	21,542	-347	1	2,091	3,256	4,130	-335	-22	2,067	3,333	4,250
Other	2,116	1,667	6,430	4,949	7,299	-194	-412	-780	-413	-1,145	-236	-424	-878	-773	-1,504
Eliminations ²	-17,379	-15,945	-57,146	-55,384	-76,792	-	-	-	-	-	-	-	-	-	-
Total	31,589	27,990	105,310	96,374	135,802	4,557	3,304	21,225	21,827	27,049	4,542	3,286	21,115	21,418	26,676

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, Electricity Generation is the main segment that is affected.

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

3) Net sales for 2006 are adjusted compared with previously published information in Vattenfall's 2006 nine-month interim report and Annual Report. See page 23 under the heading Accounting Principles.

Consolidated balance sheet

Amounts in SEK million	30 Sept. 2007	30 Sept. 2006	31 Dec. 2006
Assets			
Non-current assets			
Intangible assets: non-current	4,262	4,850	4,260
Property, plant and equipment	207,367	202,578	201,328
Other non-current assets	45,860	58,814	46,305
Total non-current assets	257,489	266,242	251,893
Current assets			
Inventories	10,385	8,828	9,384
Intangible assets: emission allowances	282	–	746
Trade receivables and other receivables	29,324	29,204	32,499
Prepaid expenses and accrued income	3,657	4,199	4,338
Current tax assets	1,999	2,574	2,138
Short-term investments	14,999	7,948	7,534
Cash and cash equivalents	6,481	8,790	14,634
Total current assets	67,127	61,543	71,273
Total assets	324,616	327,785	323,166
Equity and liabilities			
Equity			
Attributable to equity holders of the Parent Company	107,403	83,480	96,589
Attributable to minority interests	12,276	10,638	11,085
Total equity	119,679	94,118	107,674
Non-current liabilities			
Capital Securities	9,082	9,120	8,911
Other interest-bearing liabilities	45,741	50,251	46,868
Interest-bearing provisions	48,154	44,278	45,364
Pension provisions	17,424	17,345	16,877
Deferred tax liabilities	25,403	40,104	29,875
Other noninterest-bearing liabilities	2,311	2,286	2,320
Total non-current liabilities	148,115	163,384	150,215
Current liabilities			
Trade payables and other liabilities	24,104	36,105	27,676
Accrued expenses and deferred income	13,859	10,840	14,367
Current tax liabilities	3,215	6,353	3,585
Interest-bearing liabilities	11,518	12,851	15,796
Interest-bearing provisions	4,126	4,134	3,853
Total current liabilities	56,822	70,283	65,277
Total equity and liabilities	324,616	327,785	323,166
Pledged assets	4,306	4,306	4,129
Contingent liabilities	23,910	24,171	23,253

Supplementary information

Net assets

Amounts in SEK million	30 Sept. 2007	30 Sept. 2006	31 Sept. 2006
Nordic countries	87,001	81,100	81,687
Germany	67,348	62,391	61,818
Poland	10,038	8,341	8,812
Other ¹	-5,195	-422	-4,405
Eliminations	-494	-1,041	2,053
Total net assets on balance sheet date	158,698	150,369	149,965
Net assets, weighted average value	154,194	151,247	151,155

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

Net debt

Amounts in SEK million	30 Sept. 2007	30 Sept. 2006	31 Sept. 2006
Capital Securities	-9,082	-9,120	-8,911
Other interest-bearing liabilities ¹	-57,259	-63,102	-62,664
Cash and cash equivalents	6,481	8,790	14,634
Short-term investments	14,999	7,948	7,534
Loans to minority owners in foreign subsidiaries	337	104	-
Total net debt	-44,524	-55,380	-49,407
1) Of which, loans from minority-owned German nuclear power companies	-11,150	-9,012	-10,951

Consolidated cash flow statement

Amounts in SEK million	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006	Last 12 months
Operating activities						
Funds from operations (FFO)	6,002	5,625	23,140	26,146	35,673	32,667
Cash flow from changes in operating assets and operating liabilities	261	1,769	809	-947	-466	1,290
Cash flow from operating activities	6,263	7,394	23,949	25,199	35,207	33,957
Investing activities						
Investments	-4,310	-4,749	-12,211	-10,418	-16,534	-18,327
Divestments	239	289	634	1,419	1,720	935
Net investments as a result of the deal between Vattenfall and DONG ¹	-	-686	-	-686	-686	-
Cash and cash equivalents in acquired/divested companies	2	39	3	-154	-147	10
Cash flow from investing activities	-4,069	-5,107	-11,574	-9,839	-15,647	-17,382
Cash flow before financing activities	2,194	2,287	12,375	15,360	19,560	16,575
Financing activities						
Changes in short-term investments	-6,766	-287	-7,334	-78	161	-7,095
Changes in loans to minority owners in foreign subsidiaries	43	54	-338	138	242	-234
Loans raised ²	1,625	-438	2,910	1,208	8,187	9,889
Amortisation of debt	-3,147	6	-8,327	-7,989	-13,495	-13,833
Contribution from minority interests	9	53	9	53	55	11
Dividends paid to equity holders	-23	-22	-7,606	-5,890	-5,892	-7,608
Cash flow from financing activities	-8,259	-634	-20,686	-12,558	-10,742	-18,870
Cash flow for the period	-6,065	1,653	-8,311	2,802	8,818	-2,295
Cash and cash equivalents						
Cash and cash equivalents at the beginning of the period	12,591	7,077	14,634	6,049	6,049	8,790
Cash flow for the period	-6,065	1,653	-8,311	2,802	8,818	-2,295
Translation differences	-45	60	158	-61	-233	-14
Cash and cash equivalents at the end of the period	6,481	8,790	6,481	8,790	14,634	6,481
Supplementary information						
Cash flow before financing activities	2,194	2,287	12,375	15,360	19,560	16,575
Financing activities						
Dividends paid to equity holders	-23	-22	-7,606	-5,890	-5,892	-7,608
Contribution from minority intersets	9	53	9	53	55	11
Cash flow after dividend	2,180	2,318	4,778	9,523	13,723	8,978
Analysis of change in net debt						
Net debt at beginning of the period	-46,765	-54,179	-49,407	-64,343	-64,343	-55,380
Cash flow after dividend	2,180	2,318	4,778	9,523	13,723	8,978
Changes as a result of valuation at fair value	-72	-392	734	1,088	1,458	1,104
Interest-bearing liabilities acquired as a result of the deal between Vattenfall and DONG	-	-3,015	-	-3,015	-2,893	122
Translation differences on net debt	133	-112	-629	1,367	2,648	652
Net debt at the end of the period	-44,524	-55,380	-44,524	-55,380	-49,407	-44,524
Free cash flow	3,231	3,722	15,812	17,464	23,178	21,526

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

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

Consolidated statement of changes in equity

Amounts in SEK million	Q1-3 2007			Q1-3 2006			Full year 2006		
	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity	Attributable to equity holders of the Parent Company	Attributable to minority interests	Total equity
Balance brought forward	96,589	11,085	107,674	80,565	10,344	90,909	80,565	10,344	90,909
Cash flow hedges, net	1,356	71	1,427	-2,755	-38	-2,793	4,577	6	4,583
Hedging of net investments in foreign operations	-763	-	-763	808	-	808	1,856	-	1,856
Translation differences	1,747	193	1,940	-1,749	-227	-1,976	-3,338	-265	-3,603
Income, net, recognised directly in equity	2,340	264	2,604	-3,696	-265	-3,961	3,095	-259	2,836
Profit for the period	15,974	1,036	17,010	12,411	838	13,249	18,729	1,129	19,858
Total recognised income and expense for the period	18,314	1,300	19,614	8,715	573	9,288	21,824	870	22,694
Dividends paid to equity holders	-7,500	-106	-7,606	-5,800	-90	-5,890	-5,800	-92	-5,892
Group contributions from/to (-) minority, net after tax	-	-	-	-	-	-	-	114	114
Changes in ownership	-	-3	-3	-	-189	-189	-	-151	-151
Balance carried forward	107,403¹	12,276	119,679	83,480¹	10,638	94,118	96,589¹	11,085	107,674
1) Of which, Reserve for cash flow hedges	-4,455			-13,143			-5,811		

Key ratios, Vattenfall Group (definitions on pages 24–25)

(in % unless otherwise stated)	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006	Last 12 months (LTM)
Operating margin	14.4	11.8 ²	20.2	22.6 ²	19.9 ²	18.3
Operating margin ¹	14.4	11.7 ²	20.1	22.2 ²	19.6 ²	18.2
Pre-tax profit margin	11.1	10.6 ²	18.3	21.2 ²	18.8 ²	16.8
Pre-tax profit margin ¹	11.1	10.5 ²	18.2	20.8 ²	18.5 ²	16.7
Return on equity	–	–	–	–	19.1	20.5
Return on equity ¹	–	–	–	–	18.7	20.4
Return on net assets	–	–	–	–	16.6	15.7
Return on net assets ¹	–	–	–	–	16.3	15.7
Interest coverage ratio, times	5.3	5.3	9.5	10.8	8.6	7.9
Interest coverage ratio, times ¹	5.3	5.3	9.4	10.6	8.5	7.9
FFO interest coverage ratio, times	7.8	9.9	10.8	13.4	11.6	10.1
FFO interest coverage ratio, net, times	9.2	11.3	19.8	23.8	23.0	20.2
Cash flow interest coverage ratio after maintenance investments, times	4.7	6.9	7.7	9.2	7.9	7.0
Equity/assets ratio	36.9	28.7	36.9	28.7	33.3	36.9
Net debt/equity ratio, times	0.37	0.59	0.37	0.59	0.46	0.37
Net debt/net debt plus equity	27.1	37.0	27.1	37.0	31.5	27.1
Interest-bearing liabilities/interest-bearing liabilities plus equity	35.7	43.4	35.7	43.4	39.9	35.7
FFO/interest-bearing liabilities	–	–	–	–	49.8	49.2
FFO/net debt	–	–	–	–	72.2	73.4
EBITDA/net financial items, times	11.6	14.6	26.6	29.0	26.7	25.0
EBITDA/net financial items, times ¹	11.6	14.6	26.5	28.7	26.4	25.0

1) Excl. items affecting comparability.

2) Adjusted value compared to previously published information in Vattenfall's 2006 Annual Report. See page 23 under the heading Accounting Principles.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q3 2007	Q2 2007	Q1 2007	Q4 2006 ²	Q3 2006 ²	Q2 2006 ²	Q1 2006 ²
Income statement							
Net sales	31,589	32,077	41,644	39,428	27,990	30,371	38,013
Cost of products sold	-24,335	-23,841	-27,735	-29,664	-21,956	-21,884	-23,340
Other operating income and expenses, net	-3,033	-3,023	-2,935	-4,841	-2,798	-2,963	-2,641
Participations in the results of associated companies	336	257	224	299	68	310	657
Operating profit before depreciation and amortisation (EBITDA)	8,565	9,230	14,918	9,846	7,960	9,245	16,115
Operating profit (EBIT)	4,557	5,470	11,198	5,222	3,304	5,834	12,689
Financial items, net	-1,043	-455	-494	-143	-343	-559	-479
Financial items, net ¹	-736	-201	-294	-470	-544	-348	-256
Profit before tax	3,514	5,015	10,704	5,079	2,961	5,275	12,210
Profit for the period	3,523	6,252	7,235	6,609	1,871	3,399	7,979
– of which, attributable to equity holders of the Parent Company	3,145	5,963	6,866	6,318	1,726	3,183	7,502
– of which, attributable to minority interests	378	289	369	291	145	216	477
Balance sheet							
Non-current assets	257,489	256,030	256,845	251,893	266,242	259,325	261,725
Short-term investments	14,999	8,258	9,770	7,534	7,948	7,628	7,692
Cash and cash equivalents	6,481	12,591	18,095	14,634	8,790	7,077	10,234
Other current assets	45,647	45,602	50,251	49,105	44,805	44,820	54,473
Total assets	324,616	322,481	334,961	323,166	327,785	318,850	334,124
Equity	119,679	116,102	118,455	107,674	94,118	92,865	93,386
– of which, attributable to equity holders of the Parent Company	107,403	104,145	106,898	96,589	83,480	82,430	82,722
– of which, attributable to minority interests	12,276	11,957	11,557	11,085	10,638	10,435	10,664
Capital Securities	9,082	9,110	9,190	8,911	9,120	9,074	9,241
Other interest-bearing liabilities	57,259	58,886	63,584	62,664	63,102	59,968	65,396
Interest-bearing provisions	52,280	50,401	50,399	49,217	48,412	46,899	47,479
Pension provisions	17,424	17,415	17,505	16,877	17,345	17,211	17,486
Deferred tax liabilities	25,403	26,726 ³	30,450	29,875	40,104	39,202	39,354
Other noninterest-bearing liabilities	43,489	43,841 ³	45,378	47,948	55,584	53,631	61,782
Total equity and liabilities	324,616	322,481	334,961	323,166	327,785	318,850	334,124
Net assets	158,698	156,723	155,556	149,965	150,369	147,383	154,266
Net debt	-44,524	-46,765	-44,828	-49,407	-55,380	-54,179	-56,474
Cash flow							
Funds from operations (FFO)	6,002	4,932	12,206	9,527	5,625	7,240	13,281
Cash flow from changes in operating assets and operating liabilities	261	3,514	-2,966	481	1,769	1,889	-4,605
Cash flow from operating activities	6,263	8,446	9,240	10,008	7,394	9,129	8,676
Cash flow from investing activities	-4,069	-4,272	-3,233	-5,808	-5,107	-2,647	-2,085
Cash flow before financing activities	2,194	4,174	6,007	4,200	2,287	6,482	6,591
Changes in short-term investments	-6,766	1,443	-2,011	239	-287	-97	306
Loans raised/Amortisation of debt, etc.	-1,470	-3,496	-780	1,579	-325	-3,564	-2,701
Dividends paid to equity holders	-23	-7,572	-11	-2	-22	-5,867	-1
Cash flow from financing activities	-8,259	-9,625	-2,802	1,816	-634	-9,528	-2,396
Cash flow for the period	-6,065	-5,451	3,205	6,016	1,653	-3,046	4,195
Free cash flow	3,231	5,311	7,270	5,714	3,722	6,729	7,013

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

2) Net sales and Cost of products sold are adjusted compared to previously published information. See page 23 under the heading Accounting Principles.

3) Deferred tax liabilities and Current tax liabilities are adjusted compared to previously published information.

Quarterly information, Vattenfall Group (cont.)

Key ratios (definitions on pages 24–25)

(in % unless otherwise stated)	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Return on equity ²	20.5	19.9	17.9	19.1	23.0	24.1	24.7
Return on equity ^{1,2}	20.4	19.8	17.6	18.7	19.3	20.2	20.9
Return on net assets ²	15.7	15.2	15.6	16.6	20.0	19.9	19.6
Return on net assets ^{1,2}	15.7	15.2	15.5	16.3	17.7	17.7	17.4
Interest coverage ratio, times	5.3	8.3	15.4	4.9	5.3	8.5	17.5
Interest coverage ratio, times ¹	5.3	8.3	15.3	4.9	5.3	8.3	17.2
Equity/assets ratio	36.9	36.0	35.4	33.3	28.7	29.1	27.9
Net debt/equity ratio, times	0.37	0.40	0.38	0.46	0.59	0.58	0.60
Net debt/net debt plus equity	27.1	28.7	27.5	31.5	37.0	36.8	37.7
FFO/interest-bearing liabilities ²	49.2	47.5	47.5	49.8	53.8	53.8	48.1
FFO/net debt ²	73.4	69.0	77.2	72.2	70.1	68.5	63.6

1) Excl. items affecting comparability.

2) Last 12-month values.

Key ratios on renewable energy generation in the Nordic countries

Amounts in SEK million	Wind power		Hydro power ¹		Heat		Total	
	Sept. 2007	Sept. 2006	Sept. 2007	Sept. 2006	Sept. 2007	Sept. 2006	Sept. 2007	Sept. 2006
Operating profit	169.2	0.1	91.1	79.2	130.7	184.7	391.0	264.0
Investments	489.3	3 649.1	42.7	21.1	373.3	316.2	905.4	3 986.4
Non-current assets	5,887.7	5,433.9	289.8	252.4	4,031.3	3,906.4	10,208.8	9,592.7
Return on non-current assets, %	3.8	0.002	41.9	43.0	4.3	6.3	5.1	3.7

1) Hydro power that is entitled to Swedish electricity certificates.

Comment: Earnings for the Heat business unit vary sharply during the year. Most of profit for the year is generated during the first and fourth quarters, when demand for heat is highest. Compared with the preceding year, it should be noted that the facilities acquired in Denmark were consolidated in the Group as of July 2006. This explains the major differences in many items with respect to wind power and heat.

Exchange rates

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

	Q3 2007	Q3 2006	Q1-3 2007	Q1-3 2006	Full year 2006		30 Sept. 2007	30 Sept. 2006	31 Dec. 2006
Average rate						Balance sheet date rate			
EUR	9.2501	9.2430	9.2150	9.3063	9.2617	EUR	9.2115	9.2670	9.0500
DKK	1.2421	1.2391	1.2369	1.2475	1.2418	DKK	1.2355	1.2425	1.2135
NOK	1.1728	1.1510	1.1455	1.1660	1.1516	NOK	1.1985	1.1260	1.0945
PLN	2.4450	2.3225	2.4070	2.3790	2.3769	PLN	2.4400	2.3200	2.3600
USD	6.7306	7.2490	6.8465	7.4913	7.3794	USD	6.4950	7.3130	6.8700

Parent Company income statement

Amounts in SEK million	Q1-3 2007	Q1-3 2006	Full year 2006
Net sales	19,136	19,240	33,049
Cost of products sold	-11,684	-11,197	-22,335
Gross profit	7,452	8,043	10,714
Selling expenses, administrative expenses and research and development costs	-1,849	-1,677	-2,615
Other operating income and expenses, net	86	44	226
Operating profit (EBIT)	5,689	6,410	8,325
Result from participations in Group companies	813	4,829	4,829
Result from participations in associated companies	9	1	160
Result from other shares and participations	-	2	11
Interest income and similar profit/loss items	824	2,017	3,752
Interest expenses and similar profit/loss items	-3,179	-2,294	-3,039
Group contributions	-	-	2,068
Profit before appropriations and tax	4,156	10,965	16,106
Appropriations	465	-30	-2,071
Profit before tax	4,621	10,935	14,035
Income tax expense	-924	-1,485	-2,486
Profit for the period	3,697	9,450	11,549

Parent Company balance sheet

Amounts in SEK million	30 Sept. 2007	30 Sept. 2006	31 Dec. 2006
Assets			
Non-current assets			
Intangible assets: non-current	113	286	153
Property, plant and equipment	20,006	19,523	19,819
Other non-current assets	64,504	64,764	65,688
Total non-current assets	84,623	84,573	85,660
Current assets			
Inventories	980	442	770
Intangible assets: emission allowances	1	2	5
Current receivables	40,946	44,230	50,215
Cash and cash equivalents	129	207	181
Total current assets	42,056	44,881	51,171
Total assets	126,679	129,454	136,831
Equity and liabilities			
Equity			
Restricted equity			
Share capital	6,585	6,585	6,585
Statutory reserve	1,286	1,286	1,286
Non-restricted equity			
Retained earnings	20,336	16,731	16,295
Profit for the period	3,697	9,450	11,549
Total equity	31,904	34,052	35,715
Untaxed reserves	10,980	9,404	11,445
Provisions	95	100	115
Non-current			
Non-current interest-bearing liabilities	66,267	63,826	63,904
Non-current noninterest-bearing liabilities	2,629	2,579	2,661
Total non-current liabilities	68,896	66,405	66,565
Current liabilities			
Current interest-bearing liabilities	2,088	4,044	8,763
Current tax liabilities	125	1,678	663
Other current noninterest-bearing liabilities	12,591	13,771	13,565
Total current liabilities	14,804	19,493	22,991
Total equity and liabilities	126,679	129,454	136,831

Accounting principles, Risks, etc.

The Group

Accounting principles

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

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 issued by the Swedish Financial Accounting Standards Council.

The accounting principles applied in this report are those described in Vattenfall's 2006 Annual Report (Note 2 to the consolidated accounts). However, reporting in the income statement of cash flow hedges on sales and purchases of electricity and other commodities has been changed.

Previously, the effect of cash flow hedges was reported in the income statement under the item Net sales in the event of a positive outcome and under the item Cost of products sold in the event of a negative outcome. Starting in 2007, the effect of cash flow hedges is reported in the same way as the hedged item is reported. Comparison figures for 2006 have been restated in accordance with the new principle.

Effects in previous periods of the above-mentioned change in accounting principle mean that Net sales and Cost of products sold for the Vattenfall Group have decreased by SEK 10,013 million for the full year 2006, by SEK 8,577 million for the period 1 January–30 September 2006, by SEK 5,692 million for the period 1 January–30 June 2006, and by SEK 2,419 million for the period 1 January–31 March 2006. Gross profit and Operating profit are not affected by the transition to the new accounting principle.

Reduced income tax in Germany

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

tax rate that has been used for the period January–September 2007.

Risks and uncertainties

A description of risks, factors of uncertainty and risk management can be found in Vattenfall's 2006 Annual Report on pages 66–69 and in Note 34 to the consolidated accounts. Apart from what has been described in this report, no significant changes have taken place since publication of the 2006 Annual Report.

Other

Significant related party transactions are disclosed in Vattenfall's 2006 Annual Report in Note 48 to the consolidated accounts. No significant changes have taken place in related party relations or transactions, compared with what has been described in the 2006 Annual Report.

Parent Company Vattenfall AB

Accounting principles

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

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

First three quarters of 2007

A condensed income statement and balance sheet for the Parent Company are presented on pages 21 and 22 of this report.

Sales amounted to SEK 19,136 million (19,240).

Profit before appropriations and tax was SEK 4,156 million (10,965). The decrease is attributable to a lower gross profit stemming from a loss of generation and lower electricity prices, accounting for SEK –0.6 billion, a lower profit from participations in Group companies, accounting for SEK –4 billion (dividend of SEK 4 billion received in 2006 from Ringhals AB related to the closure of Barsebäck 2), and negative exchange rate effects of SEK –2 billion stemming from hedges of the Parent Company's net investments in foreign currency.

Investments for the year amounted to SEK 764 million (4,008).

Cash and cash equivalents amounted to SEK 129 million (207). Funds in the Group account managed by Vattenfall Treasury AB amounted to SEK 30,530 million (29,530).

Risks and uncertainties

A description of risks, factors of uncertainty and risk management can be found on pages 66–69 in Vattenfall's 2006 Annual Report. Apart from what has been described in this report, no significant changes have taken place since publication of the 2006 Annual Report.

Other

Significant related party transactions are disclosed in Vattenfall's 2006 Annual Report in Note 40 to the Parent Company accounts. No significant changes have taken place in related party relations or transactions compared with what has been described in the 2006 Annual Report.

Of the Parent Company's total income from sales and total purchase costs, transactions with Group companies accounted for 8% (9%) of sales and 38% (33%) of purchase costs.



Stockholm, 31 October 2007

Lars G. Josefsson, President and CEO

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

Definitions

EBIT =	Earnings Before Interest and Tax
EBITDA =	Earnings Before Interest, Tax, Depreciation and Amortisation
FFO =	Funds From Operations
Items affecting comparability =	Non-recurring capital gains and capital losses from shares and other non-current assets
Free cash flow =	Cash flow from operating activities less maintenance investments
Capital Securities =	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt. Reported as interest-bearing non-current liabilities
Net assets =	Balance sheet total less noninterest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, and short-term investments
Net debt =	Interest-bearing liabilities less long-term loans to minority owners in foreign subsidiaries, cash and cash equivalents, and short-term investments

Key ratios based on last 12-month values (October 2006–September 2007)

Operating margin, % =	$100 \times \frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{26,447}{144,738}$	=	18.3
Operating margin excl. items affecting comparability, % =	$100 \times \frac{\text{Operating profit (EBIT) excl. items affecting comparability}}{\text{Net sales}}$	$\frac{26,373}{144,738}$	=	18.2
Pre-tax profit margin, % =	$100 \times \frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{24,312}{144,738}$	=	16.8
Pre-tax profit margin excl. items affecting comparability, % =	$100 \times \frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{24,219}{144,738}$	=	16.7
Return on equity, % =	$100 \times \frac{\text{Profit for the period attributable to equity holders of the Parent Company}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{22,292}{108,523}$	=	20.5
Return on equity excl. items affecting comparability, % =	$100 \times \frac{\text{Profit for the period attributable to equity holders of the Parent Company excl. items affecting comparability}}{\text{Average equity for the period attributable to equity holders of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{22,176}{108,523}$	=	20.4
Return on net assets, % =	$100 \times \frac{\text{Operating profit (EBIT) + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{24,282}{154,194}$	=	15.7
Return on net assets excl. items affecting comparability, % =	$100 \times \frac{\text{Operating profit (EBIT) excl. items affecting comparability + discounting effects attributable to provisions}}{\text{Weighted average of net assets for the period}}$	$\frac{24,208}{154,194}$	=	15.7
Interest coverage ratio, times =	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{28,339}{3,593}$	=	7.9

Interest coverage ratio excl. items affecting comparability, times =	Operating profit (EBIT) excl. items affecting comparability + financial income excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	28,265	=	7.9
	Financial expenses excl. discounting effects attributable to provisions	3,593		
FFO interest coverage ratio, times =	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	36,260	=	10.1
	Financial expenses excl. discounting effects attributable to provisions	3,593		
FFO interest coverage ratio, net, times =	Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	34,368	=	20.2
	Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	1,701		
Cash flow interest coverage ratio after maintenance investments, times =	Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions	25,119	=	7.0
	Financial expenses excl. discounting effects attributable to provisions	3,593		
FFO/interest-bearing liabilities, % =	100 x $\frac{\text{Funds from operations (FFO)}}{\text{Interest-bearing liabilities}}$	32,667	=	49.2
		66,341		
FFO/net debt, % =	100 x $\frac{\text{Funds from operations (FFO)}}{\text{Net debt}}$	32,667	=	73.4
		44,524		
EBITDA/net financial items, times =	Operating profit before depreciation and amortisation (EBITDA)	42,559	=	25.0
	Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	1,701		
EBITDA excl. items affecting comparability/net financial items, times =	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	42,485	=	25.0
	Financial items excl. discounting effects attributable to provisions and returns from the Swedish Nuclear Waste Fund	1,701		
Key ratios based on the balance sheet as per 30 September 2007				
Equity/assets ratio, % =	100 x $\frac{\text{Equity}}{\text{Balance sheet total}}$	119,679	=	36.9
		324,616		
Net debt/equity ratio, times =	$\frac{\text{Net debt}}{\text{Equity}}$	44,524	=	0.37
		119,679		
Net debt/net debt plus equity, % =	100 x $\frac{\text{Net debt}}{\text{Net debt + equity}}$	44,524	=	27.1
		164,203		
Interest-bearing liabilities/interest bearing liabilities plus equity, % =	100 x $\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	66,341	=	35.7
		186,020		

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