

# Year-end report 2014

## January–December 2014

- Net sales of SEK 165,945 million (172,253).
- Underlying operating profit<sup>1</sup> of SEK 24,133 million (28,135).
- Operating profit of SEK -2,195 million (-6,218). Operating profit was negatively affected by impairment losses of SEK 23,800 million.
- Profit the year of SEK -8,284 million (-13,543). Profit includes impairment losses of SEK 20,400 million, net.
- Electricity generation decreased by 4.8% to 172.9 TWh (181.7).
- The Board of Directors proposes, in accordance with Vattenfall's dividend policy, that no dividend be paid for 2014.

## October–December 2014

- Net sales of SEK 48,725 million (47,156).
- Underlying operating profit<sup>1</sup> of SEK 8,223 million (7,006).
- Operating profit of SEK 7,045 million (3,894).
- Profit after tax for the period of SEK 3,900 million (1,983).
- Electricity generation decreased by 3.1% to 46.2 TWh (47.7).

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1) Underlying operating profit is defined as operating profit excluding items affecting comparability. For a specification of items affecting comparability, see page 8.

*Vattenfall discloses the information provided in this year-end report pursuant to the Swedish Securities Market Act.*

## CEO's comments

"2014 was an eventful and challenging year that was characterised by weak demand, a surplus of production capacity and falling electricity prices. Demand was further dampened by warm weather, which led to lower consumption of electricity, gas and heat. Lower production margins and lower production volumes were partly compensated by successful cost-cutting measures. During the last four-year period we have carried out measures which, compared with the cost base in 2010, have resulted in savings of SEK 13.7 billion on a yearly basis.

All in all, Vattenfall reports an underlying operating profit of SEK 24.1 billion for the full-year 2014, which is SEK 4 billion lower than in 2013. Cash flow after investments amounted to SEK 22.7 billion, which includes net proceeds of SEK 11.6 billion from sales of assets. This has helped reduce our net debt by SEK 19.5 billion to SEK 79.5 billion. Adjusted net debt decreased by only slightly more than SEK 4 billion due to higher provisions for pensions and nuclear power, mainly due to lower market interest rates.

During the year, against the background of the difficult market situation, we recognised impairment losses which were charged against the reported operating profit by a total of SEK 23.8 billion, which is the main reason why Vattenfall is reporting a negative result after tax of SEK -8.3 billion, compared with SEK -13.5 billion in 2013.

During the fourth quarter the underlying operating profit improved by SEK 1.2 billion to SEK 8.2 billion, and profit for the period after tax increased by SEK 1.9 billion to SEK 3.9 billion.

We increased our investments in new wind power during the year. These amounted to SEK 6.5 billion and thereby made up Vattenfall's largest investment item in 2014.

To tackle the business challenges and opportunities we are facing, we have decided to establish a new organisational structure comprising six new cross-border Business Areas, which will replace the current regional organisation<sup>1</sup> effective from 1 April 2015. A new executive management team has been appointed. In line with Vattenfall's ambitions to find new owners for the German lignite mining operations in Mining & Generation, these operations will be placed in a separate unit. The change in the Group structure is part of the ongoing overhaul of the Vattenfall Group's strategy. Certain parts of this strategy are already clear. To be able to develop our customer offerings towards more sustainable solutions, we will uphold our position as an European company. We will also be an electricity producer that focuses on emissions-free or emissions-efficient solutions. This strategy will be developed step by step, and it will be an important duty for the new executive management team to execute it and adapt it to each Business Area at the same time that major emphasis must be put on continued efficiency improvements in our operations."



Magnus Hall  
President and CEO

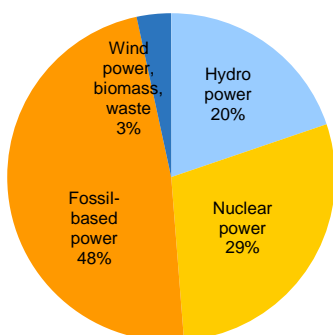
1) For further information on Vattenfall's new organisation, see page 6.

# Key data

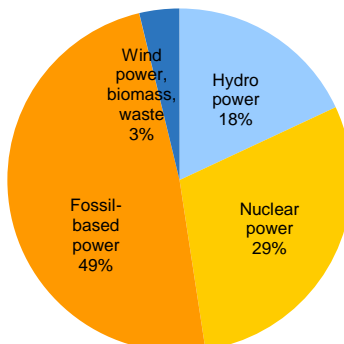
Amounts in SEK million unless indicated otherwise	Q4 2014	Q4 2013 <sup>1</sup>	Full year 2014	Full year 2013 <sup>1</sup>
Net sales	48 725	47 156	165 945	172 253
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	12 120	9 426	41 038	43 554
Operating profit (EBIT)	7 045	3 894	-2 195	-6 218
Underlying operating profit (EBIT)	8 223	7 006	24 133	28 135
Profit for the period	3 900	1 983	-8 284	-13 543
Funds from operations (FFO)	12 476	6 548	32 131	31 888
Net debt	79 473	98 998	79 473	98 998
Adjusted net debt	158 291	162 590	158 291	162 590
Return on capital employed, %	- 0.7 <sup>2</sup>	- 2.1 <sup>2</sup>	- 0.7	- 2.1
Net debt/equity, %	61.9	75.7	61.9	75.7
Funds from operations (FFO)/adjusted net debt, %	20.3 <sup>2</sup>	19.6 <sup>2</sup>	20.3	19.6
Adjusted net debt/operating profit before depreciation, amortisation and impairment losses (EBITDA), times	3.9 <sup>2</sup>	3.7 <sup>2</sup>	3.9	3.7
Electricity generation, TWh	46.2	47.7	172.9	181.7
- of which, hydro power	8.4	8.6	34.3	35.6
- of which, nuclear power	13.4	14.1	49.9	51.9
- of which, fossil-based power <sup>3</sup>	22.9	23.2	82.9	87.9
- of which, wind power	1.2	1.3	4.1	3.9
- of which, biomass, waste <sup>3</sup>	0.3	0.5	1.8	2.4
Sales of electricity, TWh	53.4	54.8	199.0	203.3
Sales of heat, TWh	7.8	7.7	24.1	30.3
Sales of gas, TWh	15.3	16.0	45.5	55.8
Number of employees, full-time equivalents	30 181	31 818	30 181	31 818

- 1) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.
- 2) Last 12-month values.
- 3) The figures for electricity generation in 2014 are preliminary.

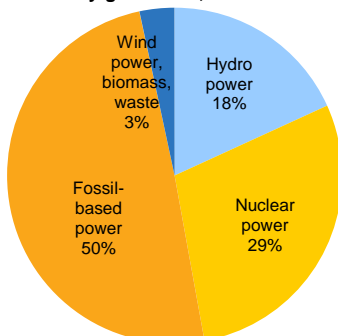
Electricity generation, Full Year 2014 %



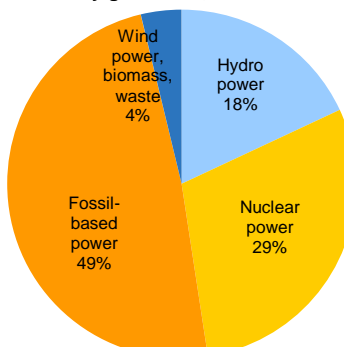
Electricity generation, Full Year 2013 %



Electricity generation, Q4 2014 %



Electricity generation, Q4 2013 %



# Important events 2014

## Q1

### **Sale of Amager combined heat and power station**

In January Vattenfall completed the sale of the Amager combined heat and power station in Denmark to the Danish municipal-owned company HOFOR. The enterprise value was DKK 2 billion.

### **Sale of shareholding in Polish company Enea S.A.**

In January Vattenfall sold its minority interest, corresponding to 18.67% of the shares, in the Polish energy company Enea S.A., for approximately SEK 2.2 billion

### **Sale of electricity grid in Hamburg**

In February Vattenfall completed the sale of its majority interest of 74.9% in the electricity grid company Stromnetz Hamburg GmbH to the City of Hamburg. The purchase price was preliminarily set at EUR 550 million for 100% of the company. An external appraisal company will determine the final value of the company, which at a minimum can amount to EUR 495 million. The sale resulted in a capital gain of approximately SEK 3 billion. In addition to the purchase price, the City of Hamburg repaid a loan of approximately SEK 2.1 billion to Vattenfall. The City of Hamburg has an option to buy Vattenfall's majority shareholding of 74.9% in the district heating company Vattenfall Wärme Hamburg GmbH in 2019.

### **Sale of Vattenfall Europe Power Consultant GmbH**

In February Vattenfall completed the sale of its German engineering business Vattenfall Europe Power Consultant GmbH (VPC) to the investment company Palero Capital GmbH. The sales price has not been disclosed.

## Q2

### **Sale of Kalix Värmeverk**

In April Vattenfall sold its 94% shareholding in Kalix Värmeverk AB to Vasa Värmeverk AB. The heating plant has annual heat production of 120 GWh. The sales price has not been disclosed.

### **Higher provisions due to lower market interest rates**

During the second quarter Vattenfall lowered the discount rate it uses to calculate provisions for future expenses for nuclear power and the mining operations in Germany. In addition, during the second and fourth quarters, Vattenfall lowered the discount rate it uses to calculate pension provisions in Sweden and Germany. Together these measures led to an increase in adjusted net debt by SEK 15 billion. Cash flow and the underlying operating profit were not affected.

### **New wind farm inaugurated in Falkenberg**

In May Vattenfall's largest onshore wind farm in southern Sweden, Hjuleberg (36 MW), was inaugurated. The Hjuleberg wind farm comprises 12 wind turbines that can generate electricity equivalent to the consumption of more than 18,000 homes. The total investment sum was SEK 500 million.

### **Start of construction of Lichterfelde CHP plant in Berlin**

In May, construction was started on the new Berlin–Lichterfelde gas-fired combined heat and power plant, which will replace an older facility. The power plant will have capacity of 300 MW electricity and 230 MW heat, and is expected to be commissioned at the end of 2016.

### **Purchase of hydro power plant on the Lule River**

In June Vattenfall acquired the Rimojokk power plant, a small run-of-river hydro power plant on the Lule River, from the company Picab. Through this acquisition Vattenfall now owns all of the hydro power plants on the Lule River. The purchase price has not been disclosed.

## Q3

### **Impairment losses**

During the third quarter Vattenfall recognised impairment losses of SEK 23.1 billion for asset values as a result of continued deteriorating market conditions. Profit after tax was charged with SEK 19.9 billion. Vattenfall's cash flow and net debt were not affected by the impairment losses. Geographically, the impairment losses are broken down into SEK 13.8 billion in the Netherlands, SEK 6.9 billion in Germany, SEK 1.4 billion in the Nordic countries, and SEK 1.0 billion in the UK.

### **Sale of waste incineration plant in Germany**

In September Vattenfall sold its 85.5% majority shareholding in Müllverwertung Borsigstraße GmbH, a waste incineration plant in Hamburg, to the city's waste management company. The sales price was EUR 67 million (slightly more than SEK 600 million).

### **Vattenfall makes continued investments in offshore wind power in Germany**

In August Vattenfall decided to proceed with construction of the Sandbank offshore wind farm (288 MW) just west of the existing DanTysk wind farm. Sandbank will comprise 72 wind turbines and is expected to be commissioned in 2017. Like DanTysk, Vattenfall owns 51% of Sandbank, with Stadtwerke München owning the remaining 49%. The combined investment sum is approximately SEK 11 billion.

### **Two new onshore wind farms in Sweden**

In September Vattenfall decided to build an additional two onshore wind farms in Sweden: Juktan (29 MW), in northern Sweden, will comprise nine wind turbines, and Höge Väg (38 MW), in southern Sweden, will comprise 18 turbines. The combined investment sum is SEK 860 million. The wind farms are expected to be commissioned at the end of 2015.

### **Vattenfall establishes fast-charging network for electric vehicles**

In September Vattenfall established three fast-charging stations for electric vehicles in Stockholm. The charging stations are the first in the company's fast-charging network in Stockholm and Uppsala, which at year-end had been expanded to seven stations. In Berlin, Vattenfall also installed two fast-charging stations as part of the "Schnell-Laden Berlin" project.

## **Q4**

### **Magnus Hall new President and CEO of Vattenfall**

On 1 October Magnus Hall took office as Vattenfall's new President and CEO.

### **Sale of combined heat and power operations in the Netherlands**

In October Vattenfall signed an agreement to sell – via the subsidiary N.V. Nuon Energy – its combined heat and power assets in Utrecht to the Dutch energy company Eneco. The sale was completed on 1 January 2015. The agreement covers Nuon's district heating network in Utrecht and the Lage Weide and Merwedekanaal CHP stations. The sales price has not been disclosed.

### **Vattenfall studies alternatives to ownership of lignite mining operation**

In October Vattenfall announced that the company has decided to look into various alternatives for a new ownership structure for the lignite mining operations in Germany. The goal is to shift the production portfolio towards more renewable production and reduce the company's CO<sub>2</sub> emissions. Vattenfall's commitment to continue running the Group's other operations in Germany, including district heating, distribution, sales, trading, wind power and other types of power generation, is unchanged.

### **Vattenfall to build more wind power outside Falkenberg**

In November Vattenfall decided to build yet another wind farm, Högabjär–Kärsås (38 MW), east of Falkenberg. It comprises 12 wind turbines and is expected to be commissioned at the end of 2015. The combined investment sum is approximately SEK 500 million.

### **Sale of service business in Germany**

Vattenfall decided in November to sell its facility services business in Germany to ISS Facility Services GmbH. In conjunction with this, Vattenfall signed a five-year agreement with the buyer for facility management services. The sale affects slightly more than 500 employees. The sales price has not been disclosed.

### **DanTysk wind farm operational**

In early December the DanTysk offshore wind farm (288 MW) in Germany began delivering electricity. The wind farm comprises 80 wind turbines and can generate 1.3 TWh of electricity per year. In July an historic milestone was passed at DanTysk, when Vattenfall installed its 1,000th wind turbine.

### **Vattenfall and Skandia invest in wind power**

In December Vattenfall announced that, in partnership with the insurance and banking company Skandia, it will be investing approximately SEK 2 billion to build four new wind farms in Sweden with combined capacity of 141 MW. The plants will be run by a jointly owned company. The four wind farm projects are Hjuleberg (36 MW), Höge Väg (38 MW), Juktan (29 MW) and Högabjär–Kärsås (38 MW). The first of these is already in operation and has been transferred to the jointly owned holding company as per 1 January 2015. The other three wind farms are being built by Vattenfall and will be transferred to the jointly owned company during the first quarter of 2016. This marks the first time that a Swedish financial investor is directly financing the construction of new wind power. The partnership will enable faster expansion of wind power for Vattenfall.

### **Sale of Fyn coal-fired power plant in Denmark**

In December Vattenfall announced that the Danish district heating company Fjernverme Fyn is acquiring the Fyn combined heat and power station in Denmark as well as a waste incineration plant. The enterprise value was DKK 1.1 billion, corresponding to approximately SEK 1.4 billion. The combined investment sum is DKK 600 million in cash consideration, corresponding to SEK 760 million. In addition, the buyer is taking over the decommissioning obligations and environmental liabilities of the plants. The sale is expected to be completed during the first quarter of 2015.

### **Sale of transmission cable to Thanet**

In accordance with unbundling regulations, in December Vattenfall completed the sale of transmission infrastructure between the UK mainland and the Thanet wind farm (300 MW) offshore the east coast of England to the electricity grid company Balfour Beatty. The sales sum was SEK 2 billion.

### **Changes in Vattenfall's board of directors and Executive Group Management**

- At Vattenfall's Annual General Meeting on 28 April 2014, Lars G. Nordström was re-elected as Chairman of the Board. Eli Arnstad, Gunilla Berg, Håkan Buskhe, Håkan Erixon, Jenny Lahrin and Åsa Söderström Jerring were re-elected as board members. Fredrik Arp was elected as a new board member.
- Øystein Løseth left the Executive Group Management on 1 October 2014 in connection with his departure as President and CEO of Vattenfall.
- Olof Gertz, Head of Staff Function Human Resources, left the Executive Group Management on 1 December 2014.

## **Important events after the balance sheet date**

### **New organisation and changes in Executive Group Management**

On 15 January Vattenfall announced a new organisation and new executive management team. Effective 1 April 2015 the current regional structure will be replaced by six cross-border Business Areas. These are:

- Heat All heat operations including all thermal operations except for the lignite operations
- Wind All wind power operations
- Customers & Solutions Sales to end customers
- Generation All hydro and nuclear power operations
- Markets Corresponds to the current Business Division Asset Optimisation and Trading
- Distribution Distribution operations in Sweden and Germany\*

The lignite operations are in a separate unit, Mining & Generation.

The heads of the six Business Areas will form the new Executive Group Management (EGM), together with the heads of the four Staff Functions. The new Executive Group Management is made up of the following people:

- Magnus Hall, President and CEO
- Ingrid Bonde, CFO, Head of Staff Function Finance and Deputy CEO
- Kerstin Ahlfont, Head of Staff Function Human Resources
- Anne Gynnerstedt, General Counsel, Head of Staff Function Legal & CEO Office
- Andreas Regnell, Head of Staff Function Strategic Development
- Tuomo Hatakka, Head of Business Area Heat and Mining & Generation
- Gunnar Groebler, Head of Business Area Wind
- Martijn Hagens, Head of Business Area Customers & Solutions
- Torbjörn Wahlborg, Head of Business Area Generation
- Stefan Dohler, Head of Business Area Markets
- Annika Viklund, Head of Business Area Distribution

\* The electricity distribution operations are regulated by the Swedish Electricity Act and the German Energy Industry Act (Energiewirtschaftsgesetz) and are separated from Vattenfall's other operations.

# Sales, profit and cash flow

## Net sales

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	48 725	47 156	165 945	172 253

**Comment, full year 2014:** Consolidated net sales for 2014 decreased by SEK 6.4 billion. This is mainly attributable to the divested electricity distribution operation in Hamburg (SEK 5.3 billion), average lower electricity prices achieved and lower volumes. Currency effects on net sales were positive by approximately SEK 5.6 billion, due to a weaker Swedish krona compared with 2013.

**Comment, Q4:** Consolidated net sales for the fourth quarter of 2014 increased by SEK 1.5 billion compared with the corresponding period in 2013. Currency effects on net sales were positive by SEK 1.7 billion, due to a weaker Swedish krona compared with the corresponding quarter in 2013.

## Earnings

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	12 120	9 426	41 038	43 554
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	13 243	12 243	43 558	47 760
Operating profit (EBIT)	7 045	3 894	- 2 195	- 6 218
Items affecting comparability	-1 178	- 3 112	- 26 328	- 34 353
Underlying operating profit (EBIT)	8 223	7 006	24 133	28 135

**Comment, full year 2014:** The underlying operating profit decreased by SEK 4.0 billion, which is explained by the following:

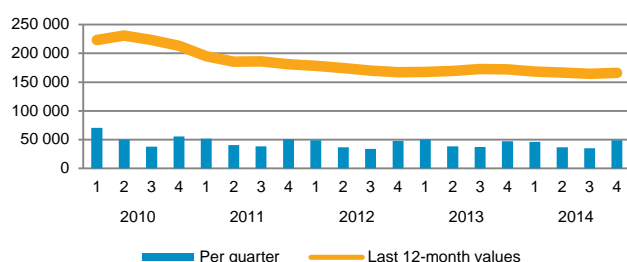
- Lower production margins (SEK -2.1 billion)
- Lower generation volumes (SEK -3.0 billion)
- Lost earnings contribution from divested operations – mainly electricity distribution in Hamburg (SEK -0.6 billion)
- Lower operating expenses (SEK 2.4 billion)
- Other items, net (SEK -0.7 billion), of which lower depreciation (SEK 0.2 billion) and currency effects of the weaker Swedish krona compared with 2013 (SEK 0.4 billion)

**Comment, Q4:** The underlying operating profit increased by SEK 1.2 billion, which is explained by the following:

- Higher production margins (SEK 1.0 billion)
- Lower generation volumes (SEK -1.0 billion)
- Lost earnings contribution from divested operations – mainly electricity distribution in Hamburg (SEK -0.1 billion)
- Lower operating expenses (SEK 0.3 billion)
- Other items, net (SEK 1.0 billion), of which lower depreciation (SEK 0.2 billion), improved earnings contribution from sale activities (SEK 0.2 billion), and improved earnings contribution from the trading operations (SEK 0.1 billion)

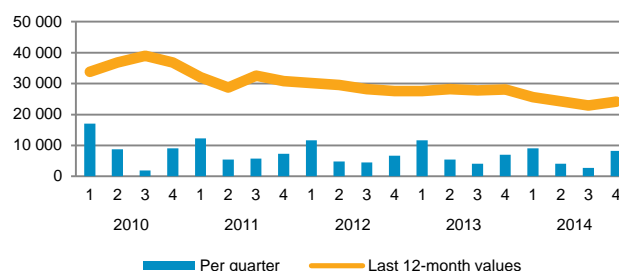
### Net sales

SEK million



### Underlying operating profit

SEK million



## Items affecting comparability

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Items affecting comparability affecting operating profit (EBIT)				
Capital gains	66	152	3 227	189
Capital losses	- 156	- 51	- 185	- 132
Impairment losses	- 55	- 295	- 23 808	- 30 147
Unrealised changes in the fair value of energy derivatives	- 677	- 978	819	- 995
Unrealised changes in the fair value of inventories	- 31	431	72	281
Restructuring costs	- 190	- 792	- 765	- 1 568
Other items affecting comparability	- 135	- 1 579	- 5 688	- 1 981
<b>Total</b>	<b>- 1 178</b>	<b>- 3 112</b>	<b>- 26 328</b>	<b>- 34 353</b>

**Comment, full year 2014:** Items affecting comparability in 2014 amounted to SEK -26.3 billion (-34.4). Impairment losses amounted to SEK 23.8 billion. Capital gains pertain primarily to the sale of Vattenfall's electricity distribution operation in Hamburg. Other items affecting comparability pertain to higher provisions primarily for future expenses for the decommissioning of nuclear power in Germany.

**Comment, Q4:** Items affecting comparability in the fourth quarter of 2014 amounted to SEK -1.2 billion (-3.1). The item "Other items affecting comparability" includes higher provisions for the decommissioning of nuclear power in Germany (SEK -0.7 billion) and a reversal of a provision related to the German Renewable Energy Act (EEG) (SEK 0.9 billion).

## Profit for the period

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Profit for the period	3 900	1 983	- 8 284	- 13 543

**Comment, full year 2014:** Profit for the period amounted to SEK -8.3 billion (-13.5). The item "Other items affecting comparability" includes higher provisions for the decommissioning of nuclear power in Germany (SEK -0.7 billion) and a reversal of a provision related to the German Renewable Energy Act (EEG) (SEK 0.9 billion).

**Comment, Q4:** Profit for the period amounted to SEK 3.9 billion (2.0).



## Financial items

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net financial items	- 1 560	- 2 139	- 6 045	- 9 037
- of which, interest income	141	550	772	916
- of which, interest expenses	- 1 038	- 1 634	- 3 832	- 4 833
- of which, impairment and provisions	—	—	- 37	- 492
- of which, other	- 663	- 1 055	- 2 948	- 4 628
Interest received <sup>1</sup>	27	158	537	725
Interest paid <sup>1</sup>	- 160	- 875	- 3 074	- 4 086

1) Pertains to cash flows.

**Comment, full year 2014:** The improvement in financial items for 2014 compared with 2013 is mainly attributable to lower interest costs and changes in the market value of financial derivatives as well as to the fact the net financial items in 2013 were charged with impairment losses for Vattenfall's shareholding at the time in the Polish energy company Enea S.A. and impairment losses pertaining to loans to one of Vattenfall's project companies in the UK.

**Comment, Q4:** The improvement in financial items for the fourth quarter of 2014 compared with the corresponding quarter in 2013 is mainly attributable to lower interest costs.

## Cash flow

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Funds from operations (FFO)	12 476	6 548	32 131	31 888
Cash flow from changes in operating assets and operating liabilities (working capital)	1 857	1 366	8 015	5 955
Cash flow from operating activities	14 333	7 914	40 146	37 843

**Comment, full year 2014:** Funds from operations (FFO) increased by SEK 0.2 billion compared with 2013.

Cash flow from changes in working capital amounted to SEK -8.0 billion during 2014. This is mainly attributable to changes in margin calls (SEK 2.6 billion), a change in inventories (SEK 1.1 billion), and a net change in operating receivables and operating liabilities (SEK 4.3 billion).

**Comment, Q4:** Funds from operations (FFO) increased by SEK 6.0 billion compared with the corresponding quarter of 2013. The increase is mainly attributable to an improved gross margin (SEK 2.3 billion), lower operating expenses (SEK 2.2 billion), lower paid tax (SEK 0.9 billion) and lower interest payments (SEK 0.6 billion).

Cash flow from changes in working capital amounted to SEK -1.9 billion during the quarter. This is mainly attributable to changes in margin calls (SEK 2.8 billion), a change in inventories (SEK 1.1 billion), and a net change in operating receivables and operating liabilities (SEK -2.2 billion).

# Financial position

Amounts in SEK million	31 Dec. 2014	31 Dec. 2013	Change, %
Cash and cash equivalents, and short-term investments	45 068	27 261	65.3
Committed credit facilities (unutilised)	18 786	22 591	—

**Comment:** The increase in cash and cash equivalents, and short-term investments is mainly attributable to the sales of the electricity distribution operation in Hamburg, the minority shareholding in the Polish company Enea S.A., the Amager combined heat and power station in Denmark, and the MVB waste incineration plant in Hamburg (together totalling SEK 11.6 billion, net). The increase is also attributable to a positive cash flow from operating activities and currency effects from the weaker Swedish krona.

Committed credit facilities consist of a EUR 2.0 billion Revolving Credit Facility that expires on 10 December 2019, with an option for two one-year extensions. This credit facility, which replaced the previous EUR 2.55 billion facility, was contracted on 10 December 2014 and has better terms than the previous facility. As per 31 December 2014, available liquid assets and/or committed credit facilities amounted to 34% of net sales. Vattenfall's target is to maintain a level at no less than 10% of the Group's net sales, but at least the equivalent of the next 90 days' maturities.

Amounts in SEK million	31 Dec. 2014	31 Dec. 2013	Change, %
Interest-bearing liabilities	125 928	126 488	-0.4 <sup>1</sup>
Net debt	79 473	98 998	-19.7 <sup>1</sup>
Adjusted net debt (see page 23)	158 291	162 590	-2.6
Average interest rate, % <sup>2</sup>	3.6	3.5	—
Duration, years <sup>2</sup>	2.8	2.9	—
Average time to maturity, years <sup>2</sup>	5.6	5.7	—

1) Values for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

2) Including Hybrid Capital and loans from owners with non-controlling interests and associated companies.

**Comment:** Compared with the level on 31 December 2013, total interest-bearing liabilities decreased by SEK 0.6 billion. The decrease is mainly attributable to amortisation of external loans. Currency effects of the weaker Swedish krona were negative in the amount of SEK 7 billion.

Net debt decreased by SEK 19.5 billion compared with the level on 31 December 2013, mainly due to the sales of the electricity distribution operation in Hamburg, the minority shareholding in Enea S.A., the Amager combined heat and power station in Denmark, and the MVB waste incineration plan in Hamburg (together totalling SEK 11.6 billion, net). The decrease is also attributable to higher cash flow from operating activities.

Adjusted net debt decreased by SEK 4.3 billion compared with the level on 31 December 2013. A positive cash flow from sales of assets and from operating activities was largely offset by higher provisions. As a result of falling market interest rates, Vattenfall lowered the discount rate it uses to calculate provisions for pensions in both Sweden and Germany as well as for other provisions in Germany, mainly for future expenses for decommissioning of nuclear power in Germany.

## Credit ratings

No changes took place in Vattenfall's credit ratings during 2014. The current credit ratings for Vattenfall's long-term borrowing are A- (Standard & Poor's) and A3 (Moody's). Vattenfall's rating outlook is "stable" from both Standard & Poor's and Moody's.

## Investments and divestments

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Maintenance investments	6 197	5 662	16 912	14 264
Growth investments	3 647	3 747	12 120	13 497
- of which, shares and shareholder contributions	- 75	30	- 212	26
<b>Total investments</b>	<b>9 844</b>	<b>9 409</b>	<b>29 032</b>	<b>27 761</b>
<b>Divestments</b>	<b>2 579</b>	<b>411</b>	<b>12 054</b>	<b>651</b>
- of which, shares	599	218	8 875	271

**Comment:** Investments are specified in the table below. Divestments pertain to the electricity distribution operation in Hamburg, the minority shareholding in Enea S.A., and the Amager combined heat and power plant in Denmark during the first quarter of 2014; Kalix Värmeverk AB and tangible assets during the second quarter of 2014; and the MVB waste incineration plan in Hamburg during the third quarter of 2014.

### Specification of investments

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
<b>Electricity generation</b>				
Hydro power	660	527	1 441	1 300
Nuclear power	960	879	3 674	2 993
Coal power	2 319	1 209	5 282	4 367
Gas	21	46	188	1 622
Wind power	2 053	876	6 522	4 095
Biomass, waste	8	10	14	14
Other	—	214	753	1 280
<b>Total electricity generation</b>	<b>6 021</b>	<b>3 761</b>	<b>17 874</b>	<b>15 671</b>
<b>CHP/heat</b>				
Fossil-based power	771	633	2 110	1 699
Biomass, waste	127	133	297	377
Other	636	420	1 312	1 022
<b>Total CHP/heat</b>	<b>1 534</b>	<b>1 186</b>	<b>3 719</b>	<b>3 098</b>
<b>Electricity networks</b>				
Electricity networks	2 101	1 871	5 057	4 571
<b>Total Electricity networks</b>	<b>2 101</b>	<b>1 871</b>	<b>5 057</b>	<b>4 571</b>
Purchases of shares, shareholder contributions	—	- 64	- 137	- 15
Other, excl. purchases of shares	188	2 655	2 519	4 436
<b>Total</b>	<b>9 844</b>	<b>9 409</b>	<b>29 032</b>	<b>27 761</b>

### Vattenfall's investment plan 2015-2016

Vattenfall plans to invest a total of SEK 41 billion for the years 2015–2016, of which SEK 30.8 billion, or 75%, pertains to investments in electricity and heat production. Vattenfall plans to invest the remainder, SEK 10.2 billion, primarily in electricity and heating networks. Of the investments in electricity and heat production, SEK 11.1 billion, or 36%, consist of growth investments, i.e., expansion of production capacity. The biggest share of growth investments, SEK 9.1 billion or 82%, is planned for investment in renewable energy generation, mainly wind power.

## Wholesale price trend

### Spot prices – electricity

Average Nordic spot prices were 22% lower in 2014 compared with 2013, mainly owing to lower demand and lower commodity prices. In Germany, average spot prices were 13% lower compared with 2013, mainly owing to lower coal prices. In the Netherlands, average spot prices were 15% lower than in 2013, mainly owing to lower gas prices. Compared with the corresponding period in 2013, average spot prices during the fourth quarter were 15% lower in the Nordic countries, 7% lower in Germany and 15% lower in the Netherlands.

Time period	Nord Pool Spot (Nordic countries)	EPEX (Germany)	APX (Netherlands)
EUR/MWh			
Full year 2014	29.6	32.8	41.2
Full year 2013	38.1	37.8	51.9
%	-22%	-13%	-21%
Q4 2014	30.7	34.8	44.4
Q4 2013	36.0	37.6	52.1
%	-15%	-7%	-15%
Q3 2014	31.8	31.3	38.6
%	-3%	11%	15%

### Futures prices – electricity

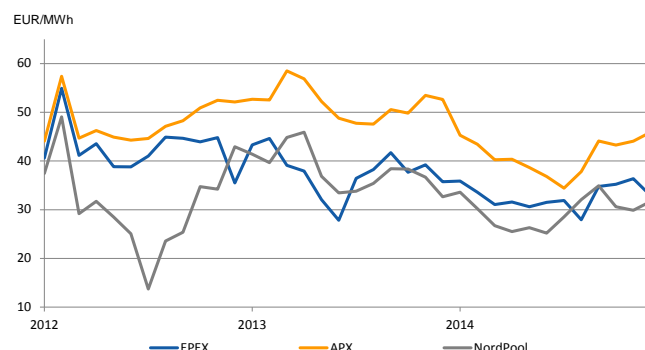
Electricity futures prices were 9%–11% lower in the Nordic countries and Germany than in 2013. This is mainly attributable to continued expectations for lower commodity prices. In the Netherlands the decrease was between 1% and 5%.

Time period	Nordic countries (NPX)		Germany (EEX)		Netherlands (APX)	
	2015	2016	2015	2016	2015	2016
EUR/MWh						
Full year 2014	31.5	30.8	35.1	34.3	43.5	41.2
Full year 2013	34.8	33.9	38.7	38.6	43.9	43.6
%	-9%	-9%	-9%	-11%	-1%	-5%

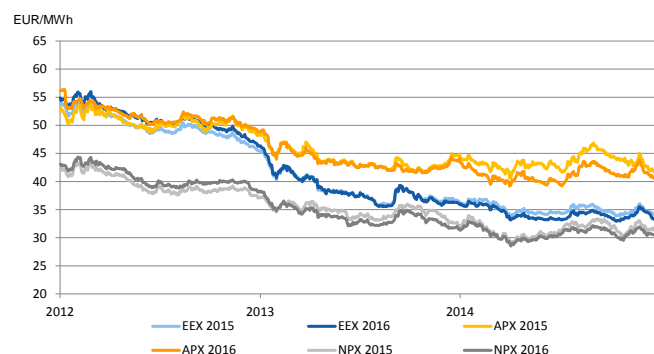
### Commodity prices

Oil prices (Brent crude) were an average of 9% lower in 2014 than in 2013, mainly owing to higher supply, weak demand and the stronger US dollar. For the same reasons, coal prices also decreased, by an average of 12% compared with 2013. Gas prices were 8% lower in 2014 than in 2013, while the price of CO<sub>2</sub> emission allowances was 33% higher. For the fourth quarter of 2014, oil prices (Brent crude) were 30% lower than in the corresponding period in 2013. Coal and gas prices were 14% lower. The price of CO<sub>2</sub> emission allowances was 39% higher.

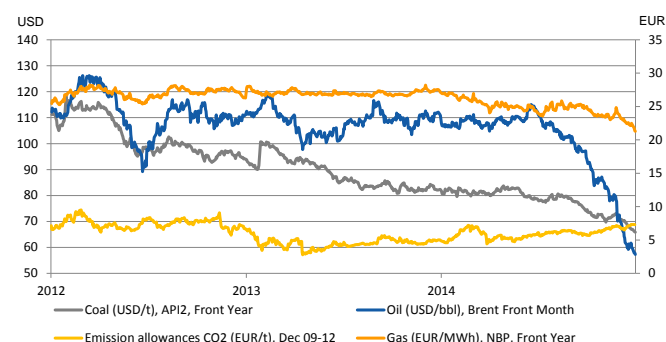
### Electricity spot prices in the Nordic countries, Germany and the Netherlands, monthly averages



### Electricity futures prices in the Nordic countries, Germany and the Netherlands



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



## Vattenfall's price hedging

Vattenfall continuously hedges its future electricity generation through sales in the forward and futures markets. Spot prices therefore have only a limited impact on Vattenfall's earnings in the near term.

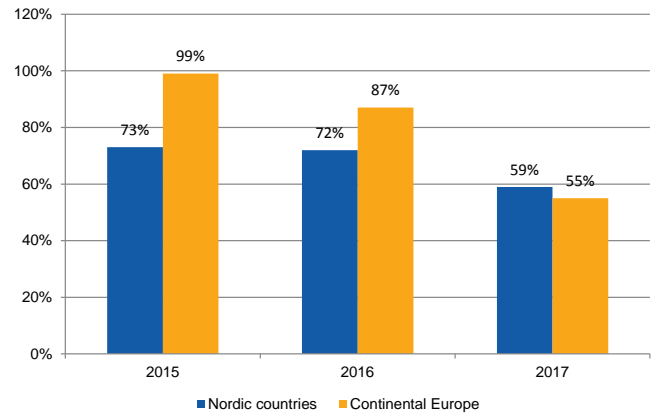
The chart at right shows the share of planned electricity generation that Vattenfall has hedged in the Nordic countries and Continental Europe (Germany and the Netherlands).

Compared with the level on 30 September 2014, the hedge ratio percentage increased slightly. The price hedges (in EUR/MWh) have decreased slightly for the Nordic countries but are unchanged for Continental Europe.

### Average price hedges as per 31 December 2014

EUR/MWh	2015	2016	2017
Nordic countries	36	34	32
Continental Europe	45	39	36

### Vattenfall's hedge ratios (%) as per 31 December 2014



# Nordic operating segment

Amounts in SEK million unless indicated otherwise	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	15 104	15 529	51 974	55 965
External net sales <sup>1</sup>	14 144	14 403	49 217	52 266
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	5 291	5 586	18 643	21 485
Underlying operating profit (EBIT)	3 603	4 016	12 040	15 371
Electricity generation, TWh <sup>2</sup>	21.5	22.6	83.1	87.0
- of which, hydro power	7.6	7.9	31.2	32.5
- of which, nuclear power	13.4	14.1	49.9	51.9
- of which, fossil-based power	0.0	—	0.0	—
- of which, wind power	0.5	0.5	1.7	1.5
- of which, biomass, waste	0.1	0.1	0.2	1.1
Sales of electricity, TWh	23.9	25.7	93.3	96.9
- of which, private customers	3.1	3.2	10.4	11.0
- of which, resellers	1.8	2.0	6.9	7.4
- of which, business customers	8.0	8.8	33.0	35.9
Sales of heat, TWh	1.1	1.2	3.7	4.1
Sales of gas, TWh	—	—	—	—
Number of employees, full-time equivalents	8 508	8 395	8 508	8 395

1) Excluding intra-Group transactions

2) Combined heat and power stations in Denmark are reported in the Continental/UK operating segment

## Net sales, full year 2014

Net sales during 2014 decreased by SEK 4.0 billion compared to 2013. This is mainly explained by average lower electricity prices achieved, lower production volumes, and lower sales of electricity and heat as a result of warmer weather.

## Net sales, Q4

Net sales during the fourth quarter of 2014 decreased by SEK 0.4 billion compared with the corresponding period in 2013. This is mainly due to average lower electricity prices achieved, lower production volumes and lower sales of electricity and heat as a result of warmer weather.

## Underlying operating profit, full year 2014

The underlying operating profit for 2014 decreased by SEK 3.4 billion compared to 2013. This is mainly attributable to average lower electricity prices achieved and lower production volumes, which were partly compensated by lower operating expenses.

## Underlying operating profit, Q4

The underlying operating profit decreased by SEK 0.4 billion compared with the corresponding period in 2013. This is mainly attributable to average lower electricity prices achieved and lower production volumes.

## Electricity generation and sales of electricity and heat, full year 2014

Hydro power generation decreased by 1.3 TWh to 31.2 TWh (32.5). Nordic reservoirs were filled to 56.0% (67.6%) capacity at the end of 2014, which is 1 percentage point below the normal level. Nuclear power generation decreased by 2.0 TWh to 49.9 TWh (51.9) on account of a larger number of outage days in 2014 compared with a year earlier. Combined availability of Vattenfall's nuclear power plants was 82.8% (86.3%) during 2014. Forsmark had availability of 88.9% (89.5%) and generation of 25.3 TWh (25.2). Availability at Ringhals was 77.3% (83.4%), and generation amounted to 24.6 TWh (26.7). Wind power generation increased by 0.2 TWh to 1.7 TWh (1.5). Sales of electricity and heat decreased as a result of warmer weather.

## Electricity generation and sales of electricity and heat, Q4

Hydro power generation decreased by 0.3 TWh to 7.6 TWh (7.9). Nuclear power generation decreased by 0.7 TWh to 13.4 TWh (14.1). Combined availability of Vattenfall's nuclear power plants was 87.6% (92.4%) during the fourth quarter of 2014. Forsmark had availability of 98% (97.7%) and generation of 7.2 TWh (7.1). Availability at Ringhals was 76.7% (87.6%), and generation amounted to 6.2 TWh (7.1). Wind power generation was unchanged at 0.5 TWh (0.5). Sales of electricity and heat decreased as a result of warmer weather.

## Continental/UK operating segment

Amounts in SEK million unless indicated otherwise	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	36 011	34 454	120 633	124 282
External net sales <sup>1</sup>	34 556	32 720	116 630	119 818
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	7 977	6 717	25 085	26 759
Underlying operating profit (EBIT)	4 753	3 207	12 692	13 658
Electricity generation, TWh	24.7	25.1	89.9	94.7
- of which, hydro power	0.8	0.8	3.1	3.1
- of which, nuclear power	—	—	—	—
- of which, fossil-based power	22.9	23.1	82.9	87.9
- of which, wind power	0.7	0.9	2.3	2.4
- of which, biomass, waste	0.2	0.3	1.6	1.3
Sales of electricity, TWh	29.4	29.1	105.7	106.4
- of which, private customers	4.2	4.7	15.7	17.2
- of which, resellers	5.8	5.3	22.3	19.7
- of which, business customers	8.0	8.3	30.4	30.2
Sales of heat, TWh	6.6	6.5	20.5	26.1
Sales of gas, TWh	15.3	16.1	45.5	55.8
Number of employees, full-time equivalents	19 952	21 811	19 952	21 811

1) Excluding intra-Group transactions.

### Net sales, full year 2014

Net sales decreased by SEK 3.7 billion compared to 2013. Currency effects on net sales were positive by approximately SEK 5.8 billion as a result of the weaker Swedish krona compared with 2013.

### Net sales, Q4

Net sales increased by SEK 1.5 billion compared with the corresponding period in 2013. This is partly attributable to higher revenue following the completion of DanTysk offshore wind farm in Germany. Currency effects on net sales were positive by approximately SEK 2.0 billion as a result of the weaker Swedish krona compared with the corresponding period in 2013.

### Underlying operating profit, full year 2014

The underlying operating profit decreased by SEK 1.0 billion compared with the corresponding period in 2013. This is mainly attributable to lower production margins, lower production volumes and a lower earnings contribution from the Trading operation. The lost earnings contribution from the divested electricity distribution operation in Hamburg amounted to approximately SEK 0.6 billion.

### Underlying operating profit, Q4

The underlying operating profit increased by SEK 1.6 billion compared with the corresponding period in 2013. This is attributable in part to higher revenue in association with the completion of the DanTysk offshore wind farm in Germany, lower operating expenses and an improved gross margin resulting from lower prices for fuel and CO<sub>2</sub> emission allowances.

### Sales of electricity, gas and heat, and electricity generation, full year 2014

Fossil-based generation decreased by 5.0 TWh to 82.9 TWh (87.9), mainly owing to the sale of the Amager combined heat and power station in Denmark and lower production from combined heat and power plants as a result of warmer weather. Wind power generation was essentially unchanged at 2.3 TWh (2.4). Sales of electricity decreased slightly. Sales of gas and heat decreased as a result of warmer weather.

### Sales of electricity, gas and heat, and electricity generation, Q4

Fossil-based generation decreased by 0.2 TWh to 22.9 TWh (23.1). Wind power generation was essentially unchanged at 0.7 TWh (0.9). Sales of gas decreased slightly, while sales of electricity and heat were virtually unchanged.

# Other<sup>1</sup>

Amounts in SEK million unless indicated otherwise	Q4 2014	Q4 2013	Full year 2014	Full year 2013
Net sales	1 047	1 016	3 357	3 416
External net sales <sup>2</sup>	23	33	92	169
Underlying operating profit	- 290	- 217	- 599	- 894
Number of employees, full-time equivalents	1 721	1 614	1 721	1 614

- 1) Other is all Staff functions including Treasury activities and Shared Service Centres.  
2) Excluding intra-Group transactions.



# Consolidated income statement

Amounts in SEK million	Q4 2014	Q4 2013 <sup>9</sup>	Full year 2014	Full year 2013 <sup>9</sup>
Net sales	48 725	47 156	165 945	172 253
Cost of products sold <sup>1</sup>	- 35 284	- 37 104	- 149 395	- 158 569
<b>Gross profit</b>	<b>13 441</b>	<b>10 052</b>	<b>16 550</b>	<b>13 684</b>
Selling expenses, administrative expenses and research and development costs <sup>2</sup>	- 5 910	- 7 405	- 20 220	- 21 595
Other operating income and expenses, net	- 622	481	1 913	1 285
Participations in the results of associated companies <sup>3</sup>	136	766	- 438	408
<b>Operating profit (EBIT)<sup>4</sup></b>	<b>7 045</b>	<b>3 894</b>	<b>- 2 195</b>	<b>- 6 218</b>
Financial income <sup>5,8</sup>	697	711	2 590	1 416
Financial expenses <sup>6,7,8</sup>	- 2 257	- 2 850	- 8 635	- 10 453
<b>Profit before tax</b>	<b>5 485</b>	<b>1 755</b>	<b>- 8 240</b>	<b>- 15 255</b>
Income tax expense	- 1 585	228	- 44	1 712
<b>Profit for the period</b>	<b>3 900</b>	<b>1 983</b>	<b>- 8 284</b>	<b>- 13 543</b>
Attributable to owner of the Parent Company	3 663	2 228	- 8 178	- 13 668
Attributable to non-controlling interests	237	- 245	- 106	125
<b>Earnings per share</b>				
Number of shares in Vattenfall AB, thousands	131 700	131 700	131 700	131 700
Earnings per share, basic and diluted (SEK)	27.81	16.92	-62.10	-103.78

## Supplementary information

Operating profit before depreciation, amortisation and impairment losses (EBITDA)	12 120	9 426	41 038	43 554
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 824	- 1 485	- 3 516	- 6 132
Underlying operating profit (EBIT)	8 223	7 006	24 133	28 135
1) Of which, depreciation, amortisation and impairment losses pertaining to intangible assets (non-current) and property, plant and equipment	- 4 751	- 5 134	- 42 398	- 48 342
2) Of which, depreciation, amortisation and impairment losses pertaining to non-current assets	- 324	- 395	- 679	- 953
3) Of which impairment losses pertaining to non-current assets	- 1	- 3	- 155	- 477
4) Including items affecting comparability	- 1 178	- 3 112	- 26 328	- 34 353
5) Including return from the Swedish Nuclear Waste Fund	169	183	962	363
6) Including interest components related to pension costs	- 314	- 312	- 1 240	- 1 170
7) Including discounting effects attributable to provisions	- 905	- 837	- 3 491	- 3 268
8) Items affecting comparability recognised as financial income and expenses, net	- 4	—	- 52	- 469

9) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

# Consolidated statement of comprehensive income

Amounts in SEK million	Q4 2014	Q4 2013 <sup>1</sup>	Full year 2014	Full year 2013 <sup>1</sup>
<b>Profit for the period</b>	<b>3 900</b>	<b>1 983</b>	<b>- 8 284</b>	<b>- 13 543</b>
<b>Other comprehensive income:</b>				
<b>Items that will be reclassified to profit or loss when specific conditions are met</b>				
Cash flow hedges:				
- Changes in fair value	529	6 820	5 243	12 510
- Dissolved against the income statement	2 074	- 2 704	- 5 871	- 9 920
- Transferred to cost of hedged item	5	13	- 3	- 7
- Tax attributable to cash flow hedges	- 670	- 1 012	184	- 736
Hedging of net investments in foreign operations:				
- Hedging of net investments in foreign operations	- 2 249	- 2 129	- 5 452	- 2 717
- Tax attributable to hedging of net investments in foreign operations	393	469	3 058	598
Other:				
- Translation differences	3 923	3 546	10 453	4 165
- Translation differences and exchange rate effects net, divested companies	52	—	101	—
- Remeasurement of available-for-sale financial assets	—	3	- 182	182
- Impairment of available-for-sale financial assets	—	—	—	- 30
<b>Total Items that will be reclassified to profit or loss when specific conditions are met</b>	<b>4 057</b>	<b>5 006</b>	<b>7 531</b>	<b>4 045</b>
<b>Items that will not be reclassified to profit or loss:</b>				
Remeasurement pertaining to defined benefit obligations	- 5 722	- 165	- 9 130	- 1 200
Tax attributable to remeasurement pertaining to defined benefit obligations	1 631	93	2 587	469
<b>Total Items that will not be reclassified to profit or loss</b>	<b>- 4 091</b>	<b>- 72</b>	<b>- 6 543</b>	<b>- 731</b>
<b>Total other comprehensive income, net after tax</b>	<b>- 34</b>	<b>4 934</b>	<b>988</b>	<b>3 314</b>
<b>Total comprehensive income for the period</b>	<b>3 866</b>	<b>6 917</b>	<b>- 7 296</b>	<b>- 10 229</b>
Attributable to owner of the Parent Company	3 641	7 027	- 7 412	- 10 722
Attributable to non-controlling interests	225	- 110	116	493

1) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

# Operating segments, Vattenfall Group

Amounts in SEK million	Q4 2014	Q4 2013 <sup>3</sup>	Full year 2014	Full year 2013 <sup>3</sup>
<b>External net sales</b>				
<b>Nordic</b>	<b>14 144</b>	<b>14 403</b>	<b>49 217</b>	<b>52 266</b>
- of which, Generation	2 730	2 807	7 413	7 579
- of which, Distribution	2 479	2 453	9 024	9 157
- of which, Sales	5 736	6 190	21 050	23 819
- of which, Other operations	7 270	7 742	26 808	30 903
- of which, Eliminations <sup>1</sup>	- 4 071	- 4 789	- 15 078	- 19 192
<b>Continental/UK</b>	<b>34 556</b>	<b>32 720</b>	<b>116 630</b>	<b>119 818</b>
- of which, Generation	6 432	4 874	19 649	19 547
- of which, Distribution	1 619	1 668	5 149	6 232
- of which, Sales	19 454	19 076	66 973	69 990
- of which, Other operations	7 048	7 102	24 851	24 049
- of which, Eliminations	3	—	8	—
<b>Other<sup>2</sup></b>	<b>23</b>	<b>33</b>	<b>92</b>	<b>169</b>
<b>Eliminations</b>	<b>2</b>	<b>—</b>	<b>6</b>	<b>—</b>
<b>Total</b>	<b>48 725</b>	<b>47 156</b>	<b>165 945</b>	<b>172 253</b>
<b>Internal net sales</b>				
<b>Nordic</b>	<b>960</b>	<b>1 126</b>	<b>2 757</b>	<b>3 699</b>
- of which, Generation	5 989	7 008	23 580	26 753
- of which, Distribution	151	188	549	562
- of which, Sales	223	263	767	956
- of which, Other operations	2 901	2 439	11 393	9 250
- of which, Eliminations	- 8 304	- 8 772	- 33 532	- 33 822
<b>Continental/UK</b>	<b>1 455</b>	<b>1 734</b>	<b>4 003</b>	<b>4 464</b>
- of which, Generation	11 411	13 395	42 525	48 339
- of which, Distribution	1 085	1 807	4 060	6 447
- of which, Sales	208	329	864	1 343
- of which, Other operations	16 887	15 874	56 668	55 154
- of which, Eliminations	- 28 136	- 29 671	- 100 114	- 106 819
<b>Other<sup>2</sup></b>	<b>1 024</b>	<b>983</b>	<b>3 265</b>	<b>3 247</b>
<b>Eliminations</b>	<b>- 3 439</b>	<b>- 3 843</b>	<b>- 10 025</b>	<b>- 11 410</b>
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total net sales</b>				
<b>Nordic</b>	<b>15 104</b>	<b>15 529</b>	<b>51 974</b>	<b>55 965</b>
- of which, Generation	8 719	9 815	30 993	34 332
- of which, Distribution	2 630	2 641	9 573	9 719
- of which, Sales	5 959	6 453	21 817	24 775
- of which, Other operations	10 171	10 181	38 201	40 153
- of which, Eliminations	- 12 375	- 13 561	- 48 610	- 53 014
<b>Continental/UK</b>	<b>36 011</b>	<b>34 454</b>	<b>120 633</b>	<b>124 282</b>
- of which, Generation	17 843	18 269	62 174	67 886
- of which, Distribution	2 704	3 475	9 209	12 679
- of which, Sales	19 662	19 405	67 837	71 333
- of which, Other operations	23 935	22 976	81 519	79 203
- of which, Eliminations	- 28 133	- 29 671	- 100 106	- 106 819
<b>Other<sup>2</sup></b>	<b>1 047</b>	<b>1 016</b>	<b>3 357</b>	<b>3 416</b>
<b>Eliminations</b>	<b>- 3 437</b>	<b>- 3 843</b>	<b>- 10 019</b>	<b>- 11 410</b>
<b>Total</b>	<b>48 725</b>	<b>47 156</b>	<b>165 945</b>	<b>172 253</b>

## Operating segments, Vattenfall Group cont.

Amounts in SEK million	Q4 2014	Q4 2013 <sup>3</sup>	Full year 2014	Full year 2013 <sup>3</sup>
<b>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</b>				
<b>Nordic</b>	<b>5 613</b>	<b>5 363</b>	<b>18 914</b>	<b>21 727</b>
- of which, Generation	3 212	4 247	12 858	16 393
- of which, Distribution	1 495	1 291	5 275	5 056
- of which, Sales	339	303	1 200	1 211
- of which, Other operations	302	- 475	- 387	- 749
- of which, Eliminations	265	- 3	- 32	- 184
<b>Continental/UK</b>	<b>6 539</b>	<b>4 234</b>	<b>19 304</b>	<b>22 454</b>
- of which, Generation	6 032	3 157	15 475	18 655
- of which, Distribution	664	756	2 008	2 955
- of which, Sales	434	300	1 246	1 897
- of which, Other operations	- 591	21	575	—
- of which, Eliminations	—	—	—	- 1 053
<b>Other<sup>1</sup></b>	<b>- 164</b>	<b>- 171</b>	<b>2 866</b>	<b>- 627</b>
<b>Eliminations</b>	<b>132</b>	<b>—</b>	<b>- 46</b>	<b>—</b>
<b>Total</b>	<b>12 120</b>	<b>9 426</b>	<b>41 038</b>	<b>43 554</b>
<b>Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)</b>				
<b>Nordic</b>	<b>5 291</b>	<b>5 586</b>	<b>18 643</b>	<b>21 485</b>
- of which, Generation	3 220	4 249	12 848	16 392
- of which, Distribution	1 496	1 289	5 275	5 054
- of which, Sales	345	303	1 165	1 207
- of which, Other operations	- 36	- 256	- 613	- 986
- of which, Eliminations	266	1	- 32	- 182
<b>Continental/UK</b>	<b>7 977</b>	<b>6 717</b>	<b>25 085</b>	<b>26 759</b>
- of which, Generation	6 036	4 895	21 105	21 067
- of which, Distribution	752	749	2 137	3 000
- of which, Sales	574	318	1 600	1 930
- of which, Other operations	615	755	243	762
<b>Other<sup>1</sup></b>	<b>- 181</b>	<b>- 60</b>	<b>- 171</b>	<b>- 484</b>
<b>Eliminations</b>	<b>156</b>	<b>—</b>	<b>1</b>	<b>—</b>
<b>Total</b>	<b>13 243</b>	<b>12 243</b>	<b>43 558</b>	<b>47 760</b>

# Operating segments, Vattenfall Group cont.

Amounts in SEK million	Q4 2014	Q4 2013 <sup>3</sup>	Full year 2014	Full year 2013 <sup>3</sup>
<b>Operating profit (EBIT)</b>				
<b>Nordic</b>	<b>3 926</b>	<b>3 783</b>	<b>10 961</b>	<b>15 534</b>
- of which, Generation	2 258	3 258	7 596	12 579
- of which, Distribution	922	751	3 075	2 968
- of which, Sales	218	172	715	737
- of which, Other operations	262	- 396	- 393	- 566
- of which, Eliminations	266	- 2	- 32	- 184
<b>Continental/UK</b>	<b>3 123</b>	<b>441</b>	<b>- 13 940</b>	<b>- 20 699</b>
- of which, Generation	3 143	- 26	- 5 663	- 15 339
- of which, Distribution	461	486	1 231	1 933
- of which, Sales	222	88	103	740
- of which, Other operations	- 703	- 107	- 9 611	- 8 033
<b>Other<sup>1</sup></b>	<b>- 136</b>	<b>- 330</b>	<b>831</b>	<b>- 1 053</b>
<b>Eliminations</b>	<b>132</b>	<b>—</b>	<b>- 47</b>	<b>—</b>
<b>Operating profit (EBIT)</b>	<b>7 045</b>	<b>3 894</b>	<b>- 2 195</b>	<b>- 6 218</b>
Financial income and expenses	- 1 560	- 2 139	- 6 045	- 9 037
<b>Profit before tax</b>	<b>5 485</b>	<b>1 755</b>	<b>- 8 240</b>	<b>- 15 255</b>
<b>Underlying operating profit (EBIT)</b>				
<b>Nordic</b>	<b>3 603</b>	<b>4 016</b>	<b>12 040</b>	<b>15 371</b>
- of which, Generation	2 266	3 260	8 937	12 578
- of which, Distribution	924	751	3 075	2 966
- of which, Sales	224	182	679	743
- of which, Other operations	- 77	- 176	- 618	- 734
- of which, Eliminations	266	- 1	- 33	- 182
<b>Continental/UK</b>	<b>4 753</b>	<b>3 207</b>	<b>12 692</b>	<b>13 658</b>
- of which, Generation	3 269	1 950	10 508	10 361
- of which, Distribution	549	480	1 361	1 978
- of which, Sales	363	108	747	939
- of which, Other operations	572	669	76	380
<b>Other<sup>1</sup></b>	<b>- 290</b>	<b>- 217</b>	<b>- 599</b>	<b>- 894</b>
<b>Eliminations</b>	<b>157</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Underlying operating profit (EBIT)</b>	<b>8 223</b>	<b>7 006</b>	<b>24 133</b>	<b>28 135</b>

1) For external net sales, the elimination pertains to sales to the Nordic electricity exchange.

2) Other mainly includes all Staff Functions including Treasury activities and Shared Service Centers.

3) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

The result of the hedging activities carried out by the Asset Optimisation and Trading unit is reported under the item "Generation" for the respective segments. Asset Optimisation and Trading's other activities are reported under the item "Other activities" for the respective segments.

Heating activities are reported under the item "Sales" for the Nordic segment and under the item "Generation" for the Continental/UK segment.

# Consolidated balance sheet

Amounts in SEK million	31 Dec. 2014	31 Dec. 2013 <sup>1</sup>
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets: non-current	19 586	31 285
Property, plant and equipment	271 306	269 160
Investment property	461	479
Biological assets	29	20
Participations in associated companies and joint arrangements	7 765	8 391
Other shares and participations	284	2 699
Share in the Swedish Nuclear Waste Fund	31 984	30 600
Derivative assets	18 366	16 239
Current tax assets, non-current	449	627
Prepaid expenses	115	117
Deferred tax assets	9 310	5 978
Other non-current receivables	8 407	6 686
<b>Total non-current assets</b>	<b>368 062</b>	<b>372 281</b>
<b>Current assets</b>		
Inventories	18 502	18 596
Biological assets	11	5
Intangible assets: current	4 885	7 535
Trade receivables and other receivables	31 217	34 450
Advance payments paid	2 617	2 765
Derivative assets	13 342	10 967
Prepaid expenses and accrued income	5 622	6 285
Current tax assets	2 390	525
Short-term investments	32 785	11 460
Cash and cash equivalents	12 283	15 801
Assets held for sale	4 717	4 814
<b>Total current assets</b>	<b>128 371</b>	<b>113 203</b>
<b>Total assets</b>	<b>496 433</b>	<b>485 484</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Attributable to owner of the Parent Company	115 260	120 370
Attributable to non-controlling interests	13 202	10 348
<b>Total equity</b>	<b>128 462</b>	<b>130 718</b>
<b>Non-current liabilities</b>		
Hybrid Capital	—	8 835
Other interest-bearing liabilities	78 807	90 374
Pension provisions	45 298	35 477
Other interest-bearing provisions	86 487	76 553
Derivative liabilities	11 760	9 734
Deferred tax liabilities	27 595	31 651
Other noninterest-bearing liabilities	5 756	6 000
<b>Total non-current liabilities</b>	<b>255 703</b>	<b>258 624</b>
<b>Current liabilities</b>		
Trade payables and other liabilities	30 641	30 002
Advance payments received	2 397	3 289
Derivative liabilities	5 065	4 280
Accrued expenses and deferred income	17 406	20 748
Current tax liabilities	1 135	1 496
Hybrid Capital	9 385	—
Interest-bearing liabilities	37 736	27 279
Interest-bearing provisions	6 782	6 136
Liabilities associated with assets held for sale	1 721	2 912
<b>Total current liabilities</b>	<b>112 268</b>	<b>96 142</b>
<b>Total equity and liabilities</b>	<b>496 433</b>	<b>485 484</b>

# Consolidated balance sheet, cont.

## Supplementary Information

Amounts in SEK million	31 Dec. 2014	31 Dec. 2013 <sup>1</sup>
Capital employed	294 278	293 706
Capital employed, average	293 992	302 743
<b>Net debt</b>		
Hybrid Capital	- 9 385	- 8 835
Bond issues, commercial paper and liabilities to credit institutions	- 72 461	- 78 109
Present value of liabilities pertaining to acquisitions of Group companies	- 19 293	- 17 892
Liabilities to associated companies	- 2 617	- 1 706
Liabilities to owners of non-controlling interests	- 12 384	- 12 425
Other liabilities	- 9 788	- 7 521
<b>Total interest-bearing liabilities</b>	<b>- 125 928</b>	<b>- 126 488</b>
Cash and cash equivalents	12 283	15 801
Short-term investments	32 785	11 460
Loans to owners of non-controlling interests in foreign Group companies	1 387	229
<b>Net debt</b>	<b>- 79 473</b>	<b>- 98 998</b>
<b>Adjusted gross debt and net debt</b>		
Total interest-bearing liabilities	- 125 928	- 126 488
50% of Hybrid Capital	4 693	4 418
Present value of pension obligations	- 45 298	- 35 477
Provisions for mining, gas and wind operations and other environment-related provisions	- 14 497	- 11 760
Provisions for nuclear power (net)	- 33 696	- 28 054
Currency derivatives for hedging of debt in foreign currency	—	1 212
Margin calls received	7 013	2 176
Liabilities to owners of non-controlling interests due to consortium agreements	11 626	10 866
<b>Adjusted gross debt</b>	<b>- 196 087</b>	<b>- 183 107</b>
Reported cash and cash equivalents and short-term investments	45 068	27 261
Unavailable liquidity	- 7 272	- 6 744
<b>Adjusted cash and cash equivalents and short-term investments</b>	<b>37 796</b>	<b>20 517</b>
<b>Adjusted net debt</b>	<b>- 158 291</b>	<b>- 162 590</b>

1) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

# Consolidated statement of cash flows

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
<b>Operating activities</b>				
Profit before tax	5 485	1 755 <sup>1</sup>	- 8 240	- 15 255 <sup>1</sup>
Reversal of depreciation, amortisation and impairment losses	5 076	5 533	43 270	50 264
Tax paid	- 361	- 1 225	- 3 168	- 4 090
Capital gains/losses, net	94	- 100	- 3 028	- 79
Other, incl. non-cash items	2 182	585 <sup>1</sup>	3 297	1 048 <sup>1</sup>
<b>Funds from operations (FFO)</b>	<b>12 476</b>	<b>6 548</b>	<b>32 131</b>	<b>31 888</b>
Changes in inventories	1 109	391	1 080	1 361
Changes in operating receivables	- 11 464	- 10 705 <sup>1</sup>	3 421	- 3 959 <sup>1</sup>
Changes in operating liabilities	9 377	9 938	909	5 145
Other changes	2 835	1 742 <sup>1</sup>	2 605	3 408 <sup>1</sup>
<b>Cash flow from changes in operating assets and operating liabilities</b>	<b>1 857</b>	<b>1 366</b>	<b>8 015</b>	<b>5 955</b>
<b>Cash flow from operating activities</b>	<b>14 333</b>	<b>7 914</b>	<b>40 146</b>	<b>37 843</b>
<b>Investing activities</b>				
Acquisitions in Group companies	- 2	- 41	- 10	- 41
Investments in associated companies and other shares and participations	77	- 30	222	15
Other investments in non-current assets	- 9 919	- 9 338	- 29 244	- 27 735
<b>Total investments</b>	<b>- 9 844</b>	<b>- 9 409</b>	<b>- 29 032</b>	<b>- 27 761</b>
Divestments	2 579	411	12 054	651
Cash and cash equivalents in acquired companies	35	—	35	—
Cash and cash equivalents in divested companies	- 211	—	- 513	- 16
<b>Cash flow from investing activities</b>	<b>- 7 441</b>	<b>- 8 998</b>	<b>- 17 456</b>	<b>- 27 126</b>
<b>Cash flow before financing activities</b>	<b>6 892</b>	<b>- 1 084</b>	<b>22 690</b>	<b>10 717</b>
<b>Financing activities</b>				
Changes in short-term investments	- 7 179	3 773	- 19 921	17 948
Changes in loans to owners of non-controlling interests in foreign Group companies	122	147	- 1 109	- 75
Loans raised <sup>2</sup>	5 137	4 592	21 259	7 449
Amortisation of debt pertaining to acquisitions of Group companies	—	—	—	- 10 257
Amortisation of other debt	- 4 106	- 9 045	- 29 024	- 27 362
Divestment of shares in Group companies to owners of non-controlling interests	3	—	491	—
Payment from Vattenfall's pension foundation	—	1 921	—	2 911
Settlement of receivable from Vattenfall's pension foundation	—	—	—	1 807
Dividends paid to owners	- 28	—	- 104	- 6 840
Contribution from owners of non-controlling interests	341	500	1 912	1 275
<b>Cash flow from financing activities</b>	<b>- 5 710</b>	<b>1 888</b>	<b>- 26 496</b>	<b>- 13 144</b>
<b>Cash flow for the period</b>	<b>1 182</b>	<b>804</b>	<b>- 3 806</b>	<b>- 2 427</b>



## Consolidated statement of cash flows, cont.

Amounts in SEK million	Q4 2014	Q4 2013	Full year 2014	Full year 2013
<b>Cash and cash equivalents</b>				
Cash and cash equivalents at start of period	10 984	14 849	15 801	18 045
Cash and cash equivalents included in assets held for sale	—	1	—	- 1
Cash flow for the period	1 182	804 <sup>1</sup>	- 3 806	- 2 427 <sup>1</sup>
Translation differences	117	147	288	184
<b>Cash and cash equivalents at end of period</b>	<b>12 283</b>	<b>15 801</b>	<b>12 283</b>	<b>15 801</b>
<b>Supplementary information</b>				
<b>Cash flow before financing activities</b>	<b>6 892</b>	<b>- 1 084</b>	<b>22 690</b>	<b>10 717</b>
<b>Financing activities</b>				
Divestment of shares in Group companies to owners of non-controlling interests	3	—	491	—
Dividends paid to owners	- 28	—	- 104	- 6 840
Payment from Vattenfall's pension foundation	—	1 921	—	2 911
Contribution from owners of non-controlling interests	341	500	1 912	1 275
<b>Cash flow after dividend</b>	<b>7 208</b>	<b>1 337</b>	<b>24 989</b>	<b>8 063</b>
<b>Analysis of change in net debt</b>				
Net debt at start of period	- 83 403	- 99 033	- 98 998	- 111 907
Change accounting principles	—	17	—	7 907
Cash flow after dividend	7 208	1 337 <sup>1</sup>	24 989	8 063 <sup>1</sup>
Changes as a result of valuation at fair value	- 1 657	690	- 2 739	2 126
Changes in interest-bearing liabilities for leasing	1	14	34	36
Interest-bearing liabilities/short-term investments acquired/divested	70	—	145	—
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	- 87	- 105	- 322	- 408
Cash and cash equivalents included in assets held for sale	—	1	—	- 1
Transfer to liabilities due to changed shareholders' rights	6	- 23	3 043	- 3 387
Translation differences on net debt	- 1 611	- 1 896	- 5 625	- 1 427
<b>Net debt at end of period</b>	<b>- 79 473</b>	<b>- 98 998</b>	<b>- 79 473</b>	<b>- 98 998</b>
<b>Free cash flow</b>	<b>8 136</b>	<b>2 252</b>	<b>23 234</b>	<b>23 579</b>

1) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

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	31 Dec. 2014			31 Dec. 2013 <sup>1</sup>		
	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity
Balance brought forward	120 370	10 348	<b>130 718</b>	140 764	8 608	<b>149 372</b>
Dividends paid to owners	—	- 104	<b>- 104</b>	- 6 774	- 66	<b>- 6 840</b>
Group contributions from(+)/to(-) owners of non-controlling interests	—	484	<b>484</b>	—	505	<b>505</b>
Changes in ownership in Group companies on divestments of shares to owners of non-controlling interests	- 33	387	<b>354</b>	—	—	<b>—</b>
Contribution from minority interest	—	1 913	<b>1 913</b>	—	1 297	<b>1 297</b>
Other changes in ownership	2 335	58	<b>2 393</b>	4	- 3	<b>1</b>
Changes as a result of changed ownership	—	—	<b>—</b>	- 2 902	- 486	<b>- 3 388</b>
Cash flow hedges:						
Changes in fair value	5 209	34	<b>5 243</b>	12 503	7	<b>12 510</b>
Dissolved against income statement	- 5 871	—	<b>- 5 871</b>	- 9 922	2	<b>- 9 920</b>
Transferred to cost of hedged item	- 6	3	<b>- 3</b>	- 11	4	<b>- 7</b>
Tax attributable to cash flow hedges	181	3	<b>184</b>	- 733	- 3	<b>- 736</b>
<b>Total cash flow hedges</b>	<b>- 487</b>	<b>40</b>	<b>- 447</b>	<b>1 837</b>	<b>10</b>	<b>1 847</b>
Hedging of net investments in foreign operations	- 5 452	—	<b>- 5 452</b>	- 2 717	—	<b>- 2 717</b>
Tax attributable to hedging of net investments in foreign operations	3 058	—	<b>3 058</b>	598	—	<b>598</b>
<b>Total hedging of net investments in foreign operations</b>	<b>- 2 394</b>	<b>—</b>	<b>- 2 394</b>	<b>- 2 119</b>	<b>—</b>	<b>- 2 119</b>
Translation differences	10 056	397	<b>10 453</b>	3 820	345	<b>4 165</b>
Translation differences and exchange rate effects net, divested companies	101	—	<b>101</b>	—	—	<b>—</b>
Remeasurement of available-for-sale financial assets (unrealised)	- 182	—	<b>- 182</b>	182	—	<b>182</b>
Impairment of available-for-sale financial assets (unrealised)	—	—	<b>—</b>	- 30	—	<b>- 30</b>
<b>Total</b>	<b>7 094</b>	<b>437</b>	<b>7 531</b>	<b>3 690</b>	<b>355</b>	<b>4 045</b>
Remeasurement pertaining to defined benefit obligations	- 8 841	- 289	<b>- 9 130</b>	- 1 213	13	<b>- 1 200</b>
Tax attributable to remeasurement pertaining to defined benefit obligations	2 513	74	<b>2 587</b>	469	—	<b>469</b>
<b>Total</b>	<b>- 6 328</b>	<b>- 215</b>	<b>- 6 543</b>	<b>- 744</b>	<b>13</b>	<b>- 731</b>
<b>Total other comprehensive income for the period</b>	<b>766</b>	<b>222</b>	<b>988</b>	<b>2 946</b>	<b>368</b>	<b>3 314</b>
Profit for the period	- 8 178	- 106	<b>- 8 284</b>	- 13 668	125	<b>- 13 543</b>
<b>Total comprehensive income for the period</b>	<b>- 7 412</b>	<b>116</b>	<b>- 7 296</b>	<b>- 10 722</b>	<b>493</b>	<b>- 10 229</b>
<b>Balance carried forward</b>	<b>115 260</b>	<b>13 202</b>	<b>128 462</b>	<b>120 370</b>	<b>10 348</b>	<b>130 718</b>
- Of which, Reserve for cash flow hedges	4 827	1	<b>4 828</b>	5 315	- 39	<b>5 276</b>

1) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

# Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times	Q4 2014	Q4 2013 <sup>1</sup>	Full year 2014	Full year 2013 <sup>1</sup>
Operating margin	14.5	8.3	- 1.3	- 3.6
Operating margin <sup>2</sup>	16.9	14.9	14.5	16.3
Pre-tax profit margin	11.3	3.7	- 5.0	- 8.9
Pre-tax profit margin <sup>2</sup>	13.7	10.3	10.9	11.4
Return on equity	- 6.9 <sup>3</sup>	- 11.4 <sup>3</sup>	- 6.9	- 11.4
Return on capital employed	- 0.7 <sup>3</sup>	- 2.1 <sup>3</sup>	- 0.7	- 2.1
Return on capital employed <sup>2</sup>	8.2 <sup>3</sup>	9.3 <sup>3</sup>	8.2	9.3
EBIT interest cover, (x)	- 0.1 <sup>3</sup>	- 0.7 <sup>3</sup>	- 0.1	- 0.7
EBIT interest cover, (x) <sup>2</sup>	5.0 <sup>3</sup>	4.1 <sup>3</sup>	5.0	4.1
FFO interest cover, (x)	7.2 <sup>3</sup>	5.4 <sup>3</sup>	7.2	5.4
FFO interest cover, net, (x)	10.1 <sup>3</sup>	6.2 <sup>3</sup>	10.1	6.2
Cash flow interest cover after maintenance investments, (x)	7.0 <sup>3</sup>	4.9 <sup>3</sup>	7.0	4.9
FFO/gross debt	25.5 <sup>3</sup>	25.2 <sup>3</sup>	25.5	25.2
FFO/net debt	40.4 <sup>3</sup>	32.2 <sup>3</sup>	40.4	32.2
FFO/adjusted net debt	20.3 <sup>3</sup>	19.6 <sup>3</sup>	20.3	19.6
EBITDA/net financial items, (x)	14.7	6.3	11.7	7.1
EBITDA/net financial items, (x) <sup>2</sup>	16.1	8.4	19.2	12.7
Equity/total assets	25.9	26.9	25.9	26.9
Gross debt/equity	98.0	96.8	98.0	96.8
Net debt/equity	61.9	75.7	61.9	75.7
Gross debt/gross debt plus equity	49.5	49.2	49.5	49.2
Net debt/net debt plus equity	38.2	43.1	38.2	43.1
Net debt/EBITDA, (x)	1.9 <sup>3</sup>	2.3 <sup>3</sup>	1.9	2.3
Adjusted net debt/EBITDA, (x)	3.9 <sup>3</sup>	3.7 <sup>3</sup>	3.9	3.7

1) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

2) Based on Underlying operating profit.

3) Last 12-month values.

# Quarterly information, Vattenfall Group

Amounts in SEK million	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013 <sup>1</sup>	Q3 2013 <sup>1</sup>	Q2 2013 <sup>1</sup>	Q1 2013 <sup>1</sup>
<b>Income statement</b>								
Net sales	48 725	34 734	36 575	45 912	47 156	37 057	38 308	49 732
Cost of products sold	- 35 284	- 49 148	- 32 059	- 32 905	- 37 104	- 27 822	- 58 423	- 35 220
Other operating income and expenses, net	- 6 532	- 4 828	- 5 642	- 1 306	- 6 924	- 4 164	- 5 307	- 3 915
Participations in the results of associated companies	136	- 194	- 511	131	766	- 178	- 420	240
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	12 120	8 438	3 890	16 588	9 426	9 609	8 736	15 783
Operating profit (EBIT)	7 045	- 19 436	- 1 637	11 832	3 894	4 893	- 25 842	10 837
Underlying operating profit (EBIT)	8 223	2 750	4 086	9 075	7 006	4 074	5 399	11 656
Financial items, net	- 1 560	- 1 362	- 1 421	- 1 701	- 2 139	- 1 762	- 2 660	- 2 476
Profit before tax	5 485	- 20 798	- 3 058	10 131	1 755	3 131	- 28 502	8 361
<b>Profit for the period</b>	<b>3 900</b>	<b>- 18 065</b>	<b>- 2 323</b>	<b>8 205</b>	<b>1 983</b>	<b>1 538</b>	<b>- 23 259</b>	<b>6 195</b>
- of which, attributable to owner of the Parent Company	3 663	- 18 122	- 1 830	8 111	2 228	1 570	- 23 707	6 241
- of which, attributable to non-controlling interests	237	57	- 493	94	- 245	- 32	448	- 46
<b>Balance sheet</b>								
Non-current assets	368 062	353 346	375 661	368 782	372 281	359 319	362 415	384 278
Short-term investments	32 785	24 810	19 884	22 142	11 460	14 741	11 973	21 820
Cash and cash equivalents	12 283	10 984	10 263	13 159	15 801	14 849	23 109	17 161
Other current assets	83 303	74 089	79 941	88 091	85 942	78 813	89 418	89 859
<b>Total assets</b>	<b>496 433</b>	<b>463 229</b>	<b>485 749</b>	<b>492 174</b>	<b>485 484</b>	<b>467 722</b>	<b>486 915</b>	<b>513 118</b>
Equity	128 462	123 864	142 387	145 723	130 718	122 796	127 691	152 527
- of which, attributable to owner of the Parent Company	115 260	111 603	131 567	134 850	120 370	114 152	117 858	143 625
- of which, attributable to non-controlling interests	13 202	12 261	10 820	10 873	10 348	8 644	9 833	8 902
Hybrid Capital	9 385	9 134	9 160	8 928	8 835	8 630	8 746	8 321
Other interest-bearing liabilities	116 543	111 546	107 458	112 660	117 653	120 435	130 941	131 492
Pension provisions	45 298	38 827	38 842	34 650	35 477	33 093	33 329	31 027
Other interest-bearing provisions	93 269	89 651	89 718	82 990	82 689	81 771	81 839	80 247
Deferred tax liabilities	27 595	28 454	30 952	31 618	31 651	28 519	28 950	33 007
Other noninterest-bearing liabilities	75 881	61 753	67 232	75 605	78 461	72 478	75 419	76 497
<b>Total equity and liabilities</b>	<b>496 433</b>	<b>463 229</b>	<b>485 749</b>	<b>492 174</b>	<b>485 484</b>	<b>467 722</b>	<b>486 915</b>	<b>513 118</b>
Capital employed	294 278	281 801	305 096	298 862	293 706	282 978	288 720	307 240
Net debt	- 79 473	- 83 403	- 85 872	- 85 694	- 98 998	- 99 033	- 104 249	- 99 494
<b>Cash flow</b>								
Funds from operations (FFO)	12 476	5 008	3 854	10 792	6 548	6 743	5 999	12 598
Cash flow from changes in operating assets and operating liabilities	1 857	4 984	4 479	- 3 305	1 366	6 952	5 475	- 7 838
Cash flow from operating activities	14 333	9 992	8 333	7 487	7 914	13 695	11 474	4 760
Cash flow from investing activities	- 7 441	- 7 805	- 5 785	3 574	- 8 998	- 6 444	- 6 421	- 5 263
Cash flow before financing activities	6 892	2 187	2 548	11 061	- 1 084	7 251	5 053	- 503
Changes in short-term investments	- 7 179	- 4 828	2 563	- 10 477	3 773	- 2 940	10 979	6 136
Loans raised/Amortisation of debt, net, etc.	1 497	3 415	- 8 104	- 3 277	- 1 885	- 12 499	- 3 509	- 6 360
Dividends paid to owners	- 28	- 29	- 47	—	—	- 2	- 6 838	—
Cash flow from financing activities	- 5 710	- 1 442	- 5 588	- 13 754	1 888	- 15 441	633	- 224
<b>Cash flow for the period</b>	<b>1 182</b>	<b>745</b>	<b>- 3 040</b>	<b>- 2 693</b>	<b>804</b>	<b>- 8 190</b>	<b>5 686</b>	<b>- 727</b>
<b>Free cash flow</b>	<b>8 136</b>	<b>6 083</b>	<b>4 330</b>	<b>4 685</b>	<b>2 252</b>	<b>10 214</b>	<b>8 363</b>	<b>2 750</b>

## Quarterly information, Vattenfall Group, cont.

In % unless otherwise stated. (x) means times	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013 <sup>1</sup>	Q3 2013 <sup>1</sup>	Q2 2013 <sup>1</sup>	Q1 2013 <sup>1</sup>
<b>Key ratios</b>								
Return on equity <sup>3</sup>	- 6.9	- 8.0	8.4	- 10.1	- 11.4	- 7.6	- 11.7	6.8
Return on capital employed <sup>3</sup>	- 0.7	- 1.9	6.4	- 1.7	- 2.1	- 1.7	- 4.2	5.7
Return on capital employed <sup>2,3</sup>	8.2	8.1	8.2	8.4	9.3	9.5	9.3	8.7
EBIT interest cover, (x) <sup>3</sup>	- 0.1	- 0.6	3.3	- 0.6	- 0.7	- 0.7	- 4.1	2.8
EBIT interest cover, (x) <sup>2,3</sup>	5.0	4.2	4.2	3.9	4.1	4.2	6.3	4.2
FFO/gross debt <sup>3</sup>	25.5	21.7	24.0	24.7	25.2	28.6	26.0	24.5
FFO/net debt <sup>3</sup>	40.4	31.4	32.5	35.1	32.2	37.3	34.9	34.5
FFO/adjusted net debt <sup>3</sup>	20.3	17.3	17.9	20.4	19.6	23.4	22.4	22.6
Equity/assets ratio	25.9	26.7	29.3	29.6	26.9	26.3	26.2	29.7
Gross debt/equity	98.0	97.4	81.9	83.4	96.8	105.1	109.4	91.7
Net debt/equity	61.9	67.3	60.3	58.8	75.7	80.6	81.6	65.2
Net debt/net debt plus equity	38.2	40.2	37.6	37.0	43.1	44.6	44.9	39.5
Net debt/EBITDA, (x) <sup>3</sup>	1.9	2.2	2.2	1.9	2.3	2.2	2.3	2.2
Adjusted net debt/EBITDA, (x) <sup>3</sup>	3.9	4.0	4.0	3.3	3.7	3.6	3.6	3.3

1) Certain amounts for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

2) Based on Underlying operating profit.

3) Last 12-month values.

## Note 1 Accounting policies, risks and uncertainties

### Accounting policies

The consolidated accounts for 2014 have been prepared, as for the 2013 year-end accounts, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission for application within the EU, and the Swedish Annual Accounts Act. This year-end report for the Group has been prepared in accordance with IAS 34 – *Interim Financial Reporting*, and the Swedish Annual Accounts Act. The accounting policies and calculation methods applied in this year-end report are the same as those described in Vattenfall's 2013 Annual Report (Note 3 to the consolidated accounts), except for the amended IFRSs endorsed by the EU and described below, which are effective as of the 2014 financial year.

**IFRS 10 – Consolidated Financial Statements.** The standard contains uniform rules for determining which units are to be consolidated and supersedes major parts of IAS 27 – *Consolidated and Separate Financial Statements* and SIC 12, which addresses Special Purpose Entities. The rules in IFRS 10 on consolidation and on when consolidated financial statements are to be prepared have been transferred unchanged from IAS 27. The new standard has not had any effect on Vattenfall's financial statements.

**IFRS 11 – Joint Arrangements.** The standard addresses the reporting of joint arrangements, i.e., arrangements in which two or more parties have joint control, and supersedes IAS 31 – *Interests in Joint Ventures* and SIC 13 – *Jointly Controlled Entities – Non-monetary Contributions by Ventures*. Under IFRS 11, the Krümmel nuclear power plant in Germany shall be classified as a "joint operation". This leads to a change from application of the equity method to recognition of Vattenfall's share in the assets, liabilities as well as revenues and expenses in Krümmel. The amendments to IFRS 11 entail that the Group's financial statements for 2013 have been restated, and the effects of the restatement are reported in Note 4, Adjustments to the 2013 financial statements as an effect of the new standards IFRS 11, of this report.

**IFRS 12 – Disclosures of Interests in Other Entities.** Expanded disclosure requirements regarding subsidiaries, joint arrangements and associates have been gathered in a single standard. The disclosures address the effects of holdings on the financial statements and risks associated with the current holdings. The scope of the disclosures has increased to some extent as a result of IFRS 12.

Amendment and change of name for IAS 27 – *Separate Financial Statements*, where the requirements concerning separate financial statements are unchanged, while other parts of IAS 27 are superseded by IFRS 10. The amendments have not affected Vattenfall's financial statements.

Amendment of IAS 28 – *Investments in Associates and Joint Ventures*, which has been adapted to IFRS 10, IFRS 11 and IFRS 12. The amendments do not have any effect on Vattenfall's financial statements. The amendments have not affected Vattenfall's financial statements.

Amendments in IAS 32 – *Financial Instruments: Presentation* and amendments in IFRS 7 – *Financial Instruments: Disclosures* clarifying some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments have not affected Vattenfall's financial statements.

*Investment Entities* (Amendments to IFRS 10, IFRS 12 and IAS 27) provides an exception to the consolidation requirements for companies that meet the definition of an investment entity. Vattenfall has not been affected by these amendments.

Amendments to IAS 39 regarding *Novation of Derivatives and Continuation of Hedge Accounting*. The amendment provides relief by allowing continuing hedge accounting when novation, or transferral, to a central counterparty of a derivative designated as a hedging instrument meets certain criteria, including a requirement by law or regulation, such as EMIR. The amendment is not applicable for transactions where derivatives are voluntarily transferred to a central counterparty. Vattenfall has not been affected by these amendments.

### Important estimations and assumptions

During the third quarter of 2014 the estimated useful life for the nuclear power plants Ringhals 3 and 4 and Forsmark 1, 2 and 3 was extended to 60 years from the previous 50 years. As a result, lower depreciation is reported as from the third quarter. During Q3 and Q4 2014 this entails lower depreciation by approximately SEK 290 million. The full-year effect for 2015 will be lower depreciation by approximately SEK 570 million. As previously, components within nuclear power plants have a shorter useful life.

### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2013 Annual Report, pages 50-55. No other material changes have taken place since publication of the 2013 Annual Report.

### Other

Significant related-party transactions are described in Note 55 to the consolidated accounts in Vattenfall's 2013 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2013 Annual Report.

## Note 2 Exchange rates

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

	Q4 2014	Q4 2013	Full year 2014	Full year 2013
<b>Average rate</b>				
EUR	9.2680	8.8073	9.1004	8.6625
DKK	1.2451	1.1808	1.2207	1.1615
NOK	1.0806	1.0709	1.0848	1.1081
PLN	2.1998	2.1012	2.1715	2.0615
GBP	11.8232	10.5087	11.3091	10.2250
USD	7.4568	6.4584	6.8837	6.5144
<b>Balance sheet date rate</b>				
EUR			9.3930	8.8591
DKK			1.2616	1.1877
NOK			1.0388	1.0593
PLN			2.1981	2.1325
GBP			12.0593	10.6262
USD			7.7366	6.4238

## Note 3 Financial instruments by category and related effects on income

### Financial instruments by category: Carrying amount and fair value

Amounts in SEK million	31 Dec. 2014		31 Dec. 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at fair value through profit or loss</b>				
Derivative assets	17 126	17 126	13 011	13 011
Short-term investments	29 735	29 735	9 774	9 774
Cash equivalents	444	444	52	52
<b>Total</b>	<b>47 305</b>	<b>47 305</b>	<b>22 837</b>	<b>22 837</b>
<b>Derivative assets for hedging purposes for</b>				
Fair value hedges	4 850	4 850	1 954	1 954
Cash flow hedges	9 732	9 732	12 241	12 241
<b>Total</b>	<b>14 582</b>	<b>14 582</b>	<b>14 195</b>	<b>14 195</b>
<b>Loans and receivables</b>				
Share in the Swedish Nuclear Waste Fund	31 984	34 569	30 600	30 836
Other non-current receivables	8 407	8 429	6 686	6 700
Trade receivables and other receivables	31 217	31 282	34 450	34 450
Advance payments paid	2 150	2 150	2 368	2 368
Short-term investments	3 050	3 049	1 685	1 685
Cash and bank balances	11 839	11 839	15 749	15 749
<b>Total</b>	<b>88 647</b>	<b>91 318</b>	<b>91 538</b>	<b>91 788</b>
<b>Available-for-sale financial assets</b>				
Other shares and participations carried at fair value	—	—	2 389	2 389
Other shares and participations carried at cost	284	284	310	310
<b>Total</b>	<b>284</b>	<b>284</b>	<b>2 699</b>	<b>2 699</b>
<b>Financial liabilities at fair value through profit or loss</b>				
Derivative liabilities	13 837	13 837	9 815	9 815
<b>Total</b>	<b>13 837</b>	<b>13 837</b>	<b>9 815</b>	<b>9 815</b>
<b>Derivative liabilities for hedging purposes for</b>				
Fair value hedges	2	2	459	459
Cash flow hedges	2 986	2 986	3 740	3 740
<b>Total</b>	<b>2 988</b>	<b>2 988</b>	<b>4 199</b>	<b>4 199</b>
<b>Other financial liabilities</b>				
Hybrid Capital, non-current interest-bearing liability	—	—	8 835	9 238
Other non-current interest-bearing liabilities	78 807	89 800	90 374	101 255
Other non-current noninterest-bearing liabilities	5 756	5 756	6 000	6 000
Hybrid Capital, current interest-bearing liability	9 385	9 551	—	—
Current interest-bearing liabilities	37 736	38 420	27 279	26 978
Trade payables and other liabilities	28 094	28 094	30 113	30 113
Advance payments received	2 371	2 371	3 288	3 288
<b>Total</b>	<b>162 149</b>	<b>173 992</b>	<b>165 889</b>	<b>176 872</b>



For assets and liabilities with a remaining maturity of less than three months (e.g., cash and bank balances, trade receivables and other receivables, and trade payables and other payables), fair value is considered to be equal to the carrying amount. For other shares and participations carried at cost, in the absence of fair value, this is considered to be equal to the carrying amount.

Financial instruments that are measured at fair value on the balance sheet are described below according to the fair value hierarchy (levels), which in IFRS 13 is defined as:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). In Level 2 Vattenfall reports mainly commodity derivatives and interest rate swaps

**Level 3:** Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

#### Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2014

Amounts in SEK million	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative assets	—	31 058	650	<b>31 708</b>
Short-term investments and cash equivalents	25 071	5 108	—	<b>30 179</b>
Other shares and participations	—	—	—	—
<b>Total assets</b>	<b>25 071</b>	<b>36 166</b>	<b>650</b>	<b>61 887</b>
<b>Liabilities</b>				
Derivative liabilities	—	16 155	670	<b>16 825</b>
<b>Total liabilities</b>	<b>—</b>	<b>16 155</b>	<b>670</b>	<b>16 825</b>

#### Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2013

Amounts in SEK million	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative assets	—	25 829	1 377	<b>27 206</b>
Short-term investments and cash equivalents	8 045	1 781	—	<b>9 826</b>
Other shares and participations	2 389	—	—	<b>2 389</b>
<b>Total assets</b>	<b>10 434</b>	<b>27 610</b>	<b>1 377</b>	<b>39 421</b>
<b>Liabilities</b>				
Derivative liabilities	—	13 629	385	<b>14 014</b>
<b>Total liabilities</b>	<b>—</b>	<b>13 629</b>	<b>385</b>	<b>14 014</b>

## Changes in level 3 financial instruments

Financial instruments at fair value through profit or loss

Amounts in SEK million	Derivative assets		Derivative liabilities	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
Balance brought forward	1 377	2 129	385	2 266
Transfers into an other level	—	- 184	—	- 1 085
Transfers from an other level	4	228	—	10
Revaluations recognised in operating profit (EBIT)	- 776	- 834	254	- 836
Translation differences	45	38	31	30
<b>Balance carried forward</b>	<b>650</b>	<b>1 377</b>	<b>670</b>	<b>385</b>
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	389	655	117	- 87

### Sensitivity analysis for Level 3 contracts

For the determination of Fair value of Financial instruments, Vattenfall strives to use valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Entity-specific estimates are based on internal valuation models that are subject to a defined process of validation, approval and monitoring. In the first step the model is designed by the business. The valuation model is then independently reviewed and approved by Vattenfall's risk organisation. If deemed necessary, adjustments are required and implemented. Afterwards, Vattenfall's risk organisation continuously monitors whether the application of the method is still appropriate. This is made by usage of several backward estimation tools. In order to reduce valuation risks, the application of the model can be restricted to a limited scope.

**TGSA:** TGSA (Troll<sup>1</sup> Gas Sales Agreement) is a large gas supply agreement (coal price-indexed) that extends further ahead in time than liquid trading in the gas market. Valuation of the agreement is against the market price, as long as a market price can be observed. Modelled prices are used for commodity deliveries beyond the market horizon or deliveries with uncommon terms and options. TGSA is hedged with OTC forward trades of underlying products. These trades are also marked against the same market and modelled prices. The modelled prices are benchmarked against reliable financial information obtained from the company Markit; this information is well-known and is used by many energy companies, offering a fair valuation of the portion of the large gas supply contract that cannot be valued against market prices (Level 3).

TGSA is also hedged with OTC forward trades of underlying products, which were also marked against modelled prices until 2012. In 2013, all OTC forward contracts have been transferred from Level 3 to Level 2 since, starting in 2013, the market price input can be observed and derived from the market.

The net value as per 31 December 2014 has been calculated at SEK +111 million (+634). The price of the coal price index used in the model (API#2) has a large impact on the modelled price. A change in this index of +/-5% would affect the total value by approximately SEK +/-6 million (+/-25).

1) Troll is a gas field in the North Sea west of Norway.

**CDM:** Clean Development Mechanism (CDM) is a flexible mechanism under the Kyoto Protocol and overseen by the UNFCCC under which projects set up in developing countries to reduce CO<sub>2</sub> emissions can generate tradable carbon credits called CERs (Certified Emission Reductions). Once CERs are issued by the UNFCCC they can be used by companies and governments in industrialised nations as carbon offsets at home to meet their reduction targets, either under the EU ETS in the case of a company or under the Kyoto Protocol in case of countries. In terms of valuation of the CDM projects in Vattenfall's CDM portfolio, the non-observable input factor is an estimation of the volume of CERs that is expected to be delivered from each project annually. This estimation is derived from six defined Risk Adjustment Factors (RAFs) that have the same weighting. These project specific factors are calculated using the Carbon Valuation Tool developed by Point Carbon to quantify the risk by adjusting the volume based on these six risks and calculating the fair value based on these six risk adjusted volumes against the CER forward curve on the exchange (Inter Continental Exchange – ICE). The tool is based on Point Carbon's valuation methodology, which was developed in cooperation with several experienced market players. The valuation methodology is strictly empirical, and all risk parameters are extracted from Point Carbon's proprietary databases of CDM project data, which entails a correct valuation of the contracts. The results are validated based on monitoring reports for the respective CDM projects, which are publicly available on the website of the UNFCCC.

The net value as per 31 December 2014 has been calculated at SEK -3 million (-1). The fair value is mainly determined and correlated with the observable price of CER, meaning a higher price of CER leads to a higher value of the CDM contract and vice versa. A change in the modelled price of CERs of +/-5% would affect the total value by approximately SEK +/-3 million (+/-3).

**Long-term electricity contracts:** Vattenfall has long-term electricity contracts with a customer extending until 2019 that include embedded derivatives in which the electricity price for the customer is coupled to the price development of aluminium and exchange rate movements of the Norwegian krone (NOK) in relation to the US dollar (USD). Reliable market quotations for aluminium are available for a period of 27 months forward in time. Vattenfall has estimated that the use of modelled prices provides reliable values for valuation of the period beyond 27 months, that is, the time horizon during which market quotations are not available until the contracts' expiration date. For modelling the prices, a Monte-Carlo simulation is used. Valuation is done on a monthly basis. The value of the embedded derivative is defined as the difference between the total contract value and the fair value of a fixed price agreement concluded at the same time and for same time horizon as the actual contract was concluded. Furthermore, changes in fair value are analysed every month by comparing changes in market price for aluminium and the USD/NOK exchange rate.

The value as per 31 December 2014 has been calculated at SEK +99 million (+142). The price of aluminium is the factor that has the greatest bearing on the modelled price. An increase of the price for aluminium leads to a higher fair value and vice versa. A change in the price of aluminium of +/-5% would affect the total value by approximately SEK +/-48 million (+/-90).

**Virtual Gas Storage contracts:** A virtual gas storage contract is a contract, which allows Vattenfall to store gas without owning a gas storage facility. The virtual gas storage contracts include constraints to the maximum storage capacity and the maximum injection and withdrawal per day. The valuation of the contract is based on the storage, injections and withdrawal fees included in the contract, the expected spread between gas prices in the summer and winter which is observable and the optionality value, which is marked to model (Level 3). The valuation methodology is based on a backward estimation of the value of the contracts under different price and operational scenarios and a forward step that selects the optimal exercise. The price scenarios are based on simulating the forward prices until the beginning of their respective delivery periods and the simulation of the daily spot prices during the delivery period. The spot prices are simulated using the forward prices as a starting point. Finally, the spot volatility is calibrated using three years of historical data. The valuation models and calibration of the valuation models are approved and validated by Group Risk Management.

The net value as per 31 December 2014 has been calculated at SEK 97 million (+58) and is most sensitive to the optionality volatility. A change in the value of the daily volatility of +/-5% would affect the total value by approximately +/- SEK 69 million (+/-31).

**Gas Swing contracts:** A gas swing contract is a contract which provides flexibility on the timing and amount of gas purchases. The contract is based on a price formula with a maximum and minimum annual and daily gas quantity. The valuation of the contract is based on observable price difference between the contract prices and indexes and the optional value, which is marked to model (Level 3). As well as with the Virtual gas storage contracts the valuation methodology is based on a backward estimation of the value of the contracts under different price and operational scenarios and a forward step that selects the optimal exercise. The price scenarios are based on simulating the forward prices until the beginning of their respective delivery periods and the simulation of the daily spot prices during the delivery period. The spot prices are simulated using the forward prices as a starting point. Finally, the spot volatility is calibrated using three years of historical data. The valuation models and calibration of the valuation models are approved and validated by Group Risk Management.

The net value as per 31 December 2014 has been calculated at SEK -328 million (+159) and is most sensitive to the optionality volatility. A change in the value of the daily volatility of +/-5% would affect the total value by approximately +/- SEK 8 million (+/-6).

**Virtual Power Plants:** A Virtual Power Plant (VPP) is a form of power delivery contract providing the buyer with the option to optimize a fictitious power plant without the technical risks and operational procedures involved in running a real-life plant. VPPs are means of balancing out the fuel exposure of a company's portfolio and of extracting value through optimization of the plant. The valuation of the contract is based on underlying commodities defined in the contract and a daily optionality value, which is marked to model (Level 3). The valuation methodology is based on a backward estimation of the value of the contracts under different price and operational scenarios and a forward step that selects the optimal exercise. The price scenarios are based on simulating the forward prices until the beginning of their respective delivery periods and the simulation of the daily spot prices during the delivery period. The spot prices are simulated using the forward prices as a starting point. Finally, the spot volatility is calibrated using three years of historical data. The valuation models and calibration of the valuation models are approved and validated by Group Risk Management.

The net value as per 31 December 2014 has been calculated at SEK 4 million and is most sensitive to the optionality volatility. A change in the value of the daily volatility of +/-5% would affect the total value by approximately +/- SEK 0.2 million.

**Financial instruments: Effects on income by category**

Net gains (+)/losses (-) and interest income and expenses for financial instruments recognised in the income statement:

Amounts in SEK million	31 Dec. 2014			31 Dec. 2013		
	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses
Derivative assets and derivative liabilities	5 024	186	- 122	- 3 026	406	- 257
Available-for-sale financial assets	- 25	—	—	- 382	—	—
Loans and receivables	- 184	1 116	—	756	505	—
Financial liabilities measured at amortised cost	- 2 675	—	- 3 624	1 541	—	- 4 239
<b>Total</b>	<b>2 140</b>	<b>1 302</b>	<b>- 3 746</b>	<b>- 1 111</b>	<b>911</b>	<b>- 4 496</b>

1) Exchange rate gains and losses are included in net gains/losses.

## Note 4 Adjustments of 2013 financial statements as an effect of the new standard IFRS 11

As described in Note 1, Accounting policies, risks and uncertainties, new accounting rules apply as of 2014 according to IFRS 11 — Joint Arrangements. Under IFRS 11, the Krümmel nuclear power plant in Germany will be classified as a “joint operation”. This leads to a change from application of the equity method to recognition of Vattenfall’s share in the assets, liabilities as well as revenues and expenses in Krümmel which have had the following significant impact on Vattenfall’s financial statements:

Amounts in SEK million	1 January - 31 March 2013			1 January - 30 June 2013		
	As reported previously	Adjustments	After adjustments	As reported previously	Adjustments	After adjustments
<b>Balance sheet:</b>						
Participations in associated companies and joint arrangements	11 566	- 3 313	8 253	12 304	- 4 262	8 042
Other non-current receivables	5 138	133	5 271	3 924	53	3 977
Inventories	20 961	227	21 188	18 495	238	18 733
Trade receivables and other receivables	36 668	1 835	38 503	32 426	2 447	34 873
Total assets	514 186	- 1 068	513 118	488 385	- 1 470	486 915
Interest-bearing liabilities (non-current)	108 263	- 7 579	100 684	98 896	- 7 884	91 012
Interest-bearing provisions (non-current)	66 684	7 107	73 791	67 784	7 515	75 299
Deferred tax liabilities	32 622	385	33 007	28 642	308	28 950
Trade payables and other liabilities	28 289	- 1 640	26 649	28 098	- 2 250	25 848
Interest-bearing provisions (current)	5 838	618	6 456	5 846	694	6 540
Interest-bearing liabilities (current)	30 975	- 167	30 808	40 105	- 175	39 930
Total equity and liabilities	514 186	- 1 068	513 118	488 385	- 1 470	486 915
Capital employed	310 913	- 3 673	307 240	292 268	- 3 548	288 720
Capital employed, average	314 171	- 1 836	312 335	303 390	- 1 306	302 084
Net debt	107 379	- 7 885	99 494	112 369	- 8 120	104 249
Adjusted net debt	152 106	- 5	152 101	162 507	- 4	162 503
<b>Income statement:</b>						
Net sales	49 659	73	49 732	86 925	1 115	88 040
Cost of products sold	- 35 243	23	- 35 220	- 93 472	- 171	- 93 643
Participation in the results of associated companies	296	- 56	240	638	- 818	- 180
Operating profit (EBIT)	10 806	31	10 837	- 15 110	105	- 15 005
Financial income and expenses	- 2 406	- 70	- 2 476	- 4 990	- 146	- 5 136
Income tax expense	- 2 205	39	- 2 166	3 036	41	3 077
Profit for the period	6 195	—	6 195	- 17 064	—	- 17 064
<b>Key ratios (in % unless otherwise stated (x) means times):</b>						
Return on capital employed	5.7	—	5.7	- 4.2	—	- 4.2
Gross debt/equity	96.7	- 5.0	91.7	115.7	- 6.3	109.4
Net debt/equity	70.4	- 5.2	65.2	88.0	- 6.4	81.6
Gross debt/gross debt plus equity	49.2	- 1.4	47.8	53.6	- 1.4	52.2
Net debt/net debt plus equity	41.3	- 1.8	39.5	46.8	- 1.9	44.9
FFO/gross debt	23.2	1.3	24.5	24.6	1.4	26.0
FFO/net debt	31.9	2.6	34.5	32.4	2.5	34.9
FFO/adjusted net debt	22.6	—	22.6	22.4	—	22.4
Adjusted net debt/EBITDA, (x)	3.3	—	3.3	3.6	—	3.6

Amounts in SEK million	1 January - 30 September 2013			January - 31 December 2013		
	As reported previously	Adjustments	After adjustments	As reported previously	Adjustments	After adjustments
<b>Balance sheet:</b>						
Participations in associated companies and joint arrangements	11 770	- 4 172	7 598	12 076	- 3 685	8 391
Other non-current receivables	3 620	166	3 786	6 587	99	6 686
Inventories	18 719	236	18 955	18 448	148	18 596
Trade receivables and other receivables	29 558	2 426	31 984	32 042	2 408	34 450
Total assets	469 004	- 1 282	467 722	486 426	- 942	485 484
Interest-bearing liabilities (non-current)	97 568	- 7 551	90 017	98 004	- 7 630	90 374
Interest-bearing provisions (non-current)	67 265	7 331	74 596	69 282	7 271	76 553
Deferred tax liabilities	28 216	303	28 519	31 285	366	31 651
Trade payables and other liabilities	26 714	- 2 229	24 485	31 908	- 1 906	30 002
Interest-bearing liabilities (current)	6 458	717	7 175	5 429	707	6 136
Interest-bearing liabilities (current)	30 591	- 173	30 418	27 456	- 177	27 279
Total equity and liabilities	469 004	- 1 282	467 722	486 426	- 942	485 484
Capital employed	286 182	- 3 204	282 978	297 178	- 3 472	293 706
Capital employed, average	290 561	- 1 602	288 959	303 000	- 257	302 743
Net debt	106 923	- 7 890	99 033	106 912	- 7 914	98 998
Adjusted net debt	157 996	—	157 996	162 597	- 7	162 590
<b>Income statement:</b>						
Net sales	123 922	1 175	125 097	171 684	569	172 253
Cost of products sold	- 121 292	- 173	- 121 465	- 158 693	124	- 158 569
Participation in the results of associated companies	431	- 789	- 358	784	- 376	408
Operating profit (EBIT)	- 10 292	180	- 10 112	- 6 453	235	- 6 218
Financial income and expenses	- 6 678	- 220	- 6 898	- 8 758	- 279	- 9 037
Income tax expense	1 444	40	1 484	1 668	44	1 712
Profit for the period	- 15 526	—	- 15 526	- 13 543	—	- 13 543
<b>Key ratios (in % unless otherwise stated (x) means times):</b>						
Return on capital employed	- 1.7	—	- 1.7	- 2.1	—	- 2.1
Gross debt/equity	111.4	- 6.3	105.1	102.7	- 5.9	96.8
Net debt/equity	87.1	- 6.5	80.6	81.8	- 6.1	75.7
Gross debt/gross debt plus equity	52.7	- 1.5	51.2	50.7	- 1.5	49.2
Net debt/net debt plus equity	46.5	- 1.9	44.6	45.0	- 1.9	43.1
FFO/gross debt	27.0	1.6	28.6	23.7	1.5	25.2
FFO/net debt	34.5	2.8	37.3	29.8	2.4	32.2
FFO/adjusted net debt	23.4	—	23.4	19.6	—	19.6
Adjusted net debt/EBITDA, (x)	3.6	—	3.6	3.8	- 0.1	3.7

# The Parent Company Vattenfall AB

## Accounting policies

The Parent Company Vattenfall AB's accounts are prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. The accounting policies used in this report are the same as those described in Vattenfall's 2013 Annual Report (Note 2 to the Parent Company accounts).

## Full year 2014

A condensed income statement and balance sheet for the Parent Company are presented below.

- Net sales amounted to SEK 31,676 million (37,197)
- Profit before appropriations and tax was SEK -12,884 million (-5,213)
- The result was affected by:
  - Impairment loss for shares in N.V. Nuon Energy, totalling SEK 14,593 million (23,631) as a consequence of the Group's impairment of assets in the Netherlands
  - Dividends of SEK 679 million
  - Capital gain of SEK 84 million from the sale of the entire shareholding in Kalix Fjärrvärme AB
  - Capital loss of SEK 216 million from the sale of the entire shareholding in Enea S.A.
  - Tax income of SEK 1,272 million has been accounted for, pertaining to an adjustment of previous years' exchange rate effects
- The balance sheet total was SEK 267,526 million (31 December: 269,944)
- Investments during the period amounted to SEK 461 million (465)
- Cash, cash equivalents and short-term investments amounted to SEK 35,059 million (31 December: 16,840)

## Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2013 Annual Report, pages 50-55. No material changes have taken place since publication of the 2013 Annual Report.

## Other

Significant related-party transactions are described in Note 39 to the Parent Company accounts in Vattenfall's 2013 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2013 Annual Report.

## Parent Company income statement

Amounts in SEK million	Full year 2014	Full year 2013
Net sales	31 676	37 197
Cost of products sold	- 22 470	- 25 464
<b>Gross profit</b>	<b>9 206</b>	<b>11 733</b>
Selling expenses, administrative expenses and research and development costs	- 2 626	- 2 645
Other operating income and expenses, net	- 1 610	- 226
<b>Operating profit (EBIT)</b>	<b>4 970</b>	<b>8 862</b>
Result from participations in subsidiaries	- 13 830	- 13 424
Result from participations in associated companies	—	6
Result from other shares and participations	- 213	- 569
Other financial income	1 075	4 603
Other financial expenses	- 4 886	- 4 691
<b>Profit before appropriations and tax</b>	<b>- 12 884</b>	<b>- 5 213</b>
Appropriations	418	- 4 068
<b>Profit before tax</b>	<b>- 12 466</b>	<b>- 9 281</b>
Income tax expense	748	- 1 687
<b>Profit for the period</b>	<b>- 11 718</b>	<b>- 10 968</b>

## Parent Company statement of comprehensive income

Amounts in SEK million	Full year 2014	Full year 2013
Profit for the period	- 11 718	- 10 968
Total other comprehensive income	—	—
<b>Total comprehensive income for the period</b>	<b>- 11 718</b>	<b>- 10 968</b>



# Parent Company balance sheet

Amounts in SEK million	31 Dec. 2014	31 Dec. 2013
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets: non-current	118	138
Property, plant and equipment	4 128	4 238
Shares and participations	118 473	135 479
Other non-current assets	90 478	92 276
<b>Total non-current assets</b>	<b>213 197</b>	<b>232 131</b>
<b>Current assets</b>		
Inventories	385	437
Intangible assets: current	68	86
Current receivables	18 055	20 450
Current tax assets	762	—
Short-term investments	26 724	7 697
Cash and cash equivalents	8 335	9 143
<b>Total current assets</b>	<b>54 329</b>	<b>37 813</b>
<b>Total assets</b>	<b>267 526</b>	<b>269 944</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Restricted equity		
Share capital	6 585	6 585
Statutory reserve	1 286	1 286
Non-restricted equity		
Retained earnings	55 454	66 422
Profit for the period	- 11 718	- 10 968
<b>Total equity</b>	<b>51 607</b>	<b>63 325</b>
<b>Untaxed reserves</b>	<b>16 227</b>	<b>17 124</b>
<b>Provisions</b>	<b>4 278</b>	<b>4 241</b>
<b>Non-current liabilities</b>		
Hybrid Capital	—	8 835
Other interest-bearing liabilities	63 962	83 874
Deferred tax liabilities	165	187
Other noninterest-bearing liabilities	36 421	33 096
<b>Total non-current liabilities</b>	<b>100 548</b>	<b>125 992</b>
<b>Current liabilities</b>		
Hybrid Capital	9 385	—
Interest-bearing liabilities	78 379	52 596
Current tax liabilities	—	213
Other noninterest-bearing liabilities	7 102	6 453
<b>Total current liabilities</b>	<b>94 866</b>	<b>59 262</b>
<b>Total equity and liabilities</b>	<b>267 526</b>	<b>269 944</b>

## Definitions and calculations of key ratios

Figures for the Group in 2014. Amounts in SEK million unless indicated otherwise.

<b>EBIT:</b>	Earnings Before Interest and Tax (Operating profit)
<b>EBITDA:</b>	Earnings Before Interest, Tax, Depreciation, Amortisation. (Operating profit before depreciation, amortisation and impairment losses)
<b>Items affecting comparability:</b>	Capital gains and capital losses from shares and other non-current assets, impairment losses and impairment losses reversed pertaining to non-current assets, and other non-recurring items. Also included here are, for trading activities, unrealised changes in the fair value of energy derivatives, which according to IAS 39 can not be recognised using hedge accounting and unrealised changes in the fair value of inventories
<b>Underlying operating profit:</b>	Operating profit (EBIT) excluding items affecting comparability
<b>FFO:</b>	Funds From Operations
<b>Free cash flow:</b>	Cash flow from operating activities less maintenance investments
<b>Hybrid capital:</b>	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments. Reported as interest-bearing non-current liabilities
<b>Capital employed:</b>	Balance sheet total less financial assets and noninterest-bearing liabilities
<b>Net debt:</b>	Interest-bearing liabilities less loans to owners of non-controlling interests in Group companies, cash and cash equivalents, short-term investments
<b>Adjusted net debt:</b>	For calculation, see Consolidated balance sheet - Supplementary Information

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

Key ratios based on last 12-month values January 2014 – December 2014.

<b>Operating margin, %</b>	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}} = \frac{-2\,195}{165\,945}$	=	-1.3
<b>Operating margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}} = \frac{24\,133}{165\,945}$	=	14.5
<b>Pre-tax profit margin, %</b>	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}} = \frac{-8\,240}{165\,945}$	=	-5.0
<b>Pre-tax profit margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}} = \frac{18\,140}{165\,945}$	=	10.9
<b>Return on equity, %</b>	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}} = \frac{-8\,178}{118\,618}$	=	-6.9
<b>Return on capital employed, %</b>	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}} = \frac{-2\,195}{293\,992}$	=	-0.7
<b>Return on capital employed excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}} = \frac{24\,133}{293\,992}$	=	8.2
<b>EBIT interest cover, (x)</b>	=	$\frac{\text{EBIT + financial income excl. return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{-567}{5\,144}$	=	-0.1
<b>EBIT interest cover excl. Items affecting comparability, (x)</b>	=	$\frac{\text{Underlying operating profit + financial income excl. Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{25\,761}{5\,144}$	=	5.0
<b>FFO interest cover, (x)</b>	=	$\frac{\text{FFO + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{37\,275}{5\,144}$	=	7.2
<b>FFO interest cover, net, (x)</b>	=	$\frac{\text{FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}} = \frac{35\,647}{3\,516}$	=	10.1

<b>Cash flow interest cover after maintenance investments, (x)</b>	=	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl. Discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}$	$\frac{27\,138}{3\,904} = 7.0$
<b>FFO/gross debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Interest-bearing liabilities}}$	$\frac{32\,131}{125\,928} = 25.5$
<b>FFO/net debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Net debt}}$	$\frac{32\,131}{79\,473} = 40.4$
<b>FFO/adjusted net debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Adjusted net debt}}$	$\frac{32\,131}{158\,291} = 20.3$
<b>EBITDA/net financial items, (x)</b>	=	$\frac{\text{EBITDA}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{41\,038}{3\,516} = 11.7$
<b>EBITDA excl. items affecting comparability/net financial items, (x)</b>	=	$\frac{\text{EBITDA excl. items affecting comparability}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{67\,366}{3\,516} = 19.2$

Key ratios based on the balance sheet per 31 December 2014:

<b>Equity/total assets, %</b>	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{128\,462}{496\,433} = 25.9$
<b>Gross debt/equity, %</b>	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{125\,928}{128\,462} = 98.0$
<b>Net debt/equity, %</b>	= 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	$\frac{79\,473}{128\,462} = 61.9$
<b>Gross debt/gross debt equity, %</b>	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	$\frac{125\,928}{254\,390} = 49.5$
<b>Net debt/net debt plus equity, %</b>	= 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	$\frac{79\,473}{207\,935} = 38.2$
<b>Net debt/EBITDA, (x)</b>	=	$\frac{\text{Net debt}}{\text{EBITDA}}$	$\frac{79\,473}{41\,038} = 1.9$
<b>Adjusted net debt/EBITDA, (x)</b>	=	$\frac{\text{Adjusted net debt}}{\text{EBITDA}}$	$\frac{158\,291}{41\,038} = 3.9$

# Year-end report signature, dividend and Annual General Meeting

## Dividend

Consolidated profit attributable to shareholders of the Parent Company amounted to SEK -8,178 million (-13,668), or SEK -62.10 per share (-103.78). The Board of Directors proposes, in accordance with Vattenfall's dividend policy, that no dividend be paid for 2014.

## Annual General Meeting

The Annual General Meeting will be held on 27 April 2015, in Solna. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English) is expected to be published on [www.vattenfall.se](http://www.vattenfall.se) and [www.vattenfall.com](http://www.vattenfall.com), respectively, on 25 March 2015.

Solna, 5 February 2015

Vattenfall AB (publ)  
The Board of Directors

This year-end report has not been reviewed by the company's auditor.

## Financial calendar

Annual and sustainability report 2014, 25 March 2015

Annual General Meeting, 27 April 2015

Interim report January-March, 28 April 2015

Interim report January-June, 21 July 2015

Interim report January-September, 27 October 2015

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