

Interim Report

January–March 2014

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- Net sales decreased by 7.7% to SEK 45,912 million (49,732). For comparable units, i.e., excluding divested operations, sales decreased by 4.4%.
- The underlying operating profit¹ decreased by 22.1% to SEK 9,075 million (11,656). For comparable units, the underlying operating profit decreased by approximately 20%.
- Operating profit rose 9.2% to SEK 11,832 million (10,837), including capital gains of slightly more than SEK 3 billion.
- Profit for the period (after tax) rose 32.4% to SEK 8,205 million (6,195), mainly owing to capital gains and an improvement in net financial items.
- Electricity generation decreased by 4.0% to 50.1 TWh (52.2), mainly on account of warmer weather.

1) The underlying operating profit is defined as operating profit excluding items affecting comparability. For a specification of items affecting comparability, see page 6.

CEO's comments

In terms of production we had a good first quarter, with high availability at all of our plants. Our nuclear power plants achieved availability of nearly 100%, while wind power showed a significant increase. However, on account of warm weather, production decreased in our combined heat and power plants.

Wholesale electricity prices – both spot and futures prices – continued to fall in all of our markets, which had a negative impact on earnings. However, a significant share of the price decline was compensated by forward hedges we had secured in previous years.

The first three months of the year were characterised by considerably warmer weather, resulting in a near 30% reduction in our sales of heat and gas compared with the first quarter a year ago.

Operating profit, including capital gains of slightly more than SEK 3 billion, rose 9.2% to SEK 11.8 billion. However, the underlying operating profit, i.e., excluding items affecting comparability, decreased by 22.1% to SEK 9.1 billion, mainly due to lower prices achieved and lower volumes as a result of the warm weather. Net profit after tax amounted to SEK 8.2 billion, an increase of SEK 32.4% owing to capital gains, improved net financial items and a lower tax charge. Cash flow before financing activities was strong – largely owing to divestments – entailing a decrease in net debt by more than SEK 13 billion, to SEK 86 billion.

We carried out a number of asset divestments during the quarter. In February we sold our majority interest in the electricity grid in Hamburg to the City of Hamburg, generating a capital gain of approximately SEK 3 billion. The deal was consequence of a referendum held in Hamburg in September 2013, when a narrow majority voted in favour of the city buying back the energy grids. We are nevertheless continuing our partnership with the City of Hamburg on sustainable energy supply and will also retain our ownership in the district heating network until further notice. During the quarter we also completed the sale of the Amager combined heat and power station in Denmark, we sold our minority interest in the Polish energy company Enea S.A., and we divested our German engineering business. Together these sales brought in SEK 9.1 billion.

On 1 January 2014 we implemented our new, regional group structure as planned, and starting with this interim report our consolidated results are broken down into the two operating segments Nordic and Continental/UK.

Vattenfall has successfully cut its costs by more than SEK 9 billion since 2010, and our ongoing cost-savings programme totalling SEK 4.5 billion for the years 2014–2015 is on track, which compared with the cost base in 2010 would entail a cost reduction of approximately 25% by year-end. It is also positive to note that customer satisfaction continues to improve in Sweden and Finland. To meet our goals – both our financial and sustainability targets – we must continue to do everything we can to further streamline and reprioritise our operations and deliver under our cost-savings programme. We continue to face tough market conditions, and in the near and medium terms we cannot see any fundamental improvement in demand and prices for our products and services.



Øystein Løseth
President and CEO

Key data

Amounts in SEK million unless indicated otherwise	Q1 2014	Q1 2013 ¹	Change, %	Full year 2013 ¹	Last 12 months
Net sales	45 912	49 732	-7.7	172 253	168 433
Operating profit before depreciation and amortisation (EBITDA) and impairment losses	16 588	15 783	5.1	43 554	44 359
Operating profit (EBIT)	11 832	10 837	9.2	-6 218	-5 223
Underlying operating profit	9 075	11 656	-22.1	28 135	25 554
Profit for the period	8 205	6 195	32.4	-13 543	-11 533
Funds from operations (FFO)	10 792	12 598	-14.3	31 888	30 082
Net debt	85 694	99 495	-13.9	98 998	85 694
Adjusted net debt	147 296	152 101	-3.2	162 590	147 296
Return on capital employed, %	-1.7 ²	5.7 ²	—	-2.0 ²	-1.7
Net debt/equity %	58.8	65.2	—	75.7	58.8
Funds from operations (FFO)/adjusted net debt, %	20.4 ²	22.6 ²	—	19.6 ²	20.4
Adjusted net debt/operating profit before depreciation and amortisation (EBITDA), times	3.3 ²	3.3 ²	—	3.7 ²	3.3
Electricity generation, TWh	50.1	52.2	-4.0	181.7	179.6
Hydro power	10.6	11.2	-5.4	35.6	35.0
Nuclear power	14.8	14.5	2.1	51.9	52.2
Fossil-based power ³	22.9	25.0	-8.4	87.9	85.8
Wind power	1.4	1.0	40.0	3.9	4.3
Biomass, waste ³	0.4	0.5	-20.0	2.4	2.3
Sales of electricity, TWh	56.5	56.8	-0.5	203.3	203.1
Sales of heat, TWh	9.1	12.9	-29.5	30.2	26.4
Sales of gas, TWh	18.4	25.3	-27.3	55.8	48.9
Number of employees, full-time equivalents	31 261	32 721	-4.5	31 819	30 359

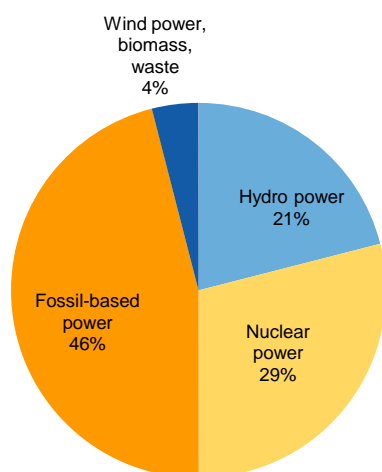
1) Certain values for 2013 have been recalculated compared with previously published information in Vattenfall's 2013 Year-End Report and Annual Report as a result of new accounting rules (IFRS 11) that took effect in 2014. See Note 4, page 30.

2) Last 12-month values.

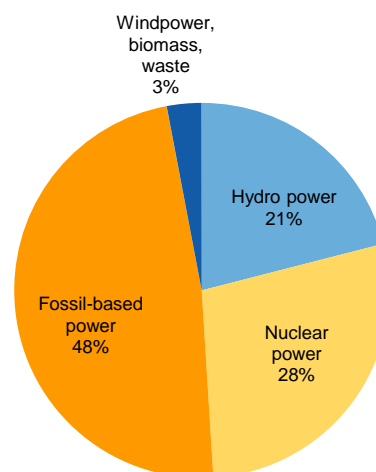
3) The figures for electricity generation in 2014 are preliminary.

See pages 36–38 for definitions and calculations of key ratios.

Electricity generation, % Q1 2014



Electricity generation, Q1 2013



Important events Q1

Sale of Amager combined heat and power station in Denmark

In early 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 approximately DKK 2 billion. The transaction did not give rise to any earnings impact during the quarter.

Sale of shareholding in Polish company Enea S.A.

On 14 January 2014, as part of the decision to divest non-core assets, 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. The price per share was PLN 12.50. Vattenfall acquired the shares in Enea S.A. in November 2008 for a sum equivalent to approximately SEK 4.6 billion. The sale did not have any material earnings effect, since Vattenfall continuously restated the shares to fair value and recognised impairment of the shares' value in previous book-closings.

Sale of electricity grid in Hamburg

On 7 February 2014 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 equity value of 100% of the company was preliminarily set at EUR 550 million, but not less than EUR 495 million. The definitive value will be determined by an independent valuation company. The sale resulted in a capital gain of EUR 338 million (approx. SEK 3 billion) during the first quarter. In addition to the purchase price, the City of Hamburg repaid a loan of EUR 243 million (approx. SEK 2.1 billion) to Vattenfall.

In addition to the electricity grid company Stromnetz Hamburg GmbH, the deal also included the traffic service company Vattenfall Europe Verkehrsanlagen GmbH, the City of Hamburg's interests in the metering company Vattenfall Europe Metering GmbH, and the network services company Vattenfall Europe Netzservice GmbH. The metering and network services companies will be transferred to the City of Hamburg no later than 1 January 2016. The transactions will affect a total of approximately 1,100 employees.

The City of Hamburg has also been granted an option to buy Vattenfall's majority shareholding of 74.9% in the district heating company Vattenfall Wärme Hamburg GmbH in 2019. The equity value of 100% of the district heating company will be determined by an independent auditing firm in 2018. However, the parties have agreed on a minimum price of EUR 1,150 million (approx. SEK 10.1 billion) or, alternatively, EUR 950 million (approx. SEK 8.4 billion) if Vattenfall decides to not build a new combined heat and power plant in Hamburg/Wedel.

Sale of Vattenfall Europe Power Consultant GmbH

During the quarter 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 by the parties. The transaction had no earnings effect during the quarter.

Sales, profit and cash flow

Net sales

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Net sales	45 912	49 732	-7.7	172 253	168 433

Comment: Consolidated net sales for the first quarter of 2014 decreased by SEK 3.8 billion compared with the corresponding period in 2013, mainly owing to lower electricity prices achieved and lower generation volumes.

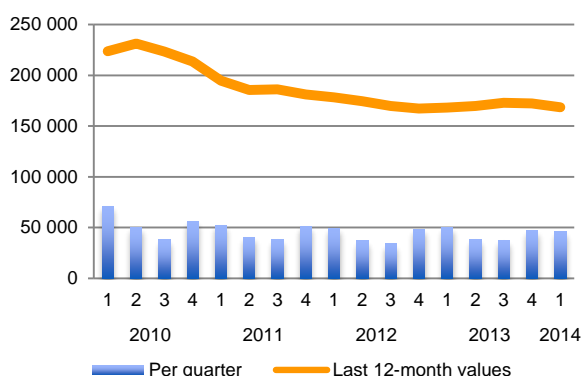
Earnings

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Operating profit before depreciation and amortisation (EBITDA) and impairment losses	16 588	15 783	5.1	43 554	44 359
Underlying operating profit before depreciation, amortisation and impairment losses	13 828	16 522	-16.3	47 760	45 066
Operating profit (EBIT)	11 832	10 837	9.2	-6 218	-5 223
Items affecting comparability	2 757	-819	—	-34 353	-30 777
Underlying operating profit	9 075	11 656	-22.1	28 135	25 554

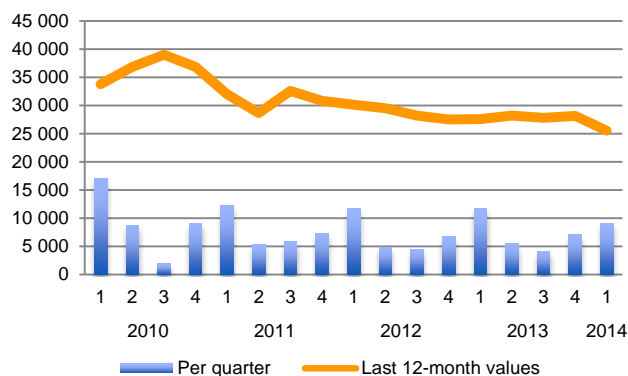
Comment: The underlying operating profit fell by SEK 2.6 billion compared with the same period in 2013, which is mainly explained by the following:

- Lower average electricity prices achieved (SEK -1.5 billion)
- Lower generation volumes (SEK -0.9 billion)
- Lost earnings contribution from divested operation – electricity distribution Hamburg (SEK -0.3 billion)

Net sales SEK million



Underlying operating profit SEK million



Items affecting comparability

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Items affecting comparability affecting operating profit (EBIT)					
Capital gains	3 036	7	—	189	3 215
Capital losses	—	-7	—	-133	-123
Impairment losses	-3	-80	-96.3	-30 147	-30 070
Unrealised changes in the fair value of energy derivatives	98	322	-69.6	-995	-1 219
Unrealised changes in the fair value of inventories	-272	-600	-54.7	281	609
Restructuring costs	-102	-461	-77.9	-1 568	-1 209
Other items affecting comparability	—	—	—	-1 980	-1 980
Total	2 757	-819	—	-34 353	-30 777

Comment: Items affecting comparability in the first quarter of 2014 amounted to SEK 2.8 billion. Capital gains of slightly more than SEK 3.0 billion pertain mainly to the sale of Vattenfall's electricity grid operation in Hamburg.

Profit for the period

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Profit for the period	8 205	6 195	32.4	-13 543	-11 533

Comment: Profit for the period (after tax) improved by SEK 2 billion, mainly owing to capital gains, improved net financial items and a lower tax charge.

Financial items

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Net financial items	-1 701	-2 476	-31.3	-9 037	-8 262
– of which, interest income	344	106	—	916	1154
– of which, interest expenses	-1 181	-760	55.4	-4 833	-5 254
– of which, impairment and provisions	-2	-254	-99.2	-492	-240
– of which, other	-862	-1 568	-45.0	-4 628	-3 922
Interest received	153	350	-56.3	725	528
Interest paid	-1 285	-1 399	-8.1	-4 086	-3 972

Comment: The improvement in financial items in the first quarter of 2014 compared with the same quarter in 2013 is mainly attributable to negative profit/loss items from 2013, including the impairment of Vattenfall's shareholding in the Polish energy company Enea S.A. and the final settlement for 2012 from the Swedish Nuclear Waste Fund. Higher interest expenses are mainly attributable to lower capitalised interest, i.e., lower amounts have been reclassified from the income statement to the balance sheet.

Cash flow

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Funds from operations (FFO)	10 792	12 598	-14.3	31 888	30 082
Cash flow from changes in operating assets and operating liabilities (working capital)	-3 305	-7 838	-57.8	5 955	10 488
Cash flow from operating activities	7 487	4 760	57.3	37 843	40 570

Comment: Funds from operations (FFO) decreased by SEK 1.8 billion. The decrease is mainly attributable to lower electricity prices achieved and lower volumes. This was slightly compensated by lower paid tax in Sweden and Germany.

Cash flow from changes in working capital was seasonally negative and amounted to SEK -3.3 billion during the quarter. The improvement compared with the first quarter of 2013 is mainly attributable to lower operating receivables.

Financial position

Amounts in SEK million	31 March 2014	31 Dec. 2013	Change, %
Cash and cash equivalents, and short-term investments	35 301	27 261	29.5
Receivable from Vattenfall's Swedish pension foundation	—	—	—
Committed credit facilities (unutilised) ¹	22 818	22 591	1.0

Comment: The increase in cash and cash equivalents, and short-term investments is mainly attributable to the sales of the electricity grid operation in Hamburg, the minority interest in the Polish company Enea S.A., the Amager combined heat and power station in Denmark, and Vattenfall Europe Power Consultant GmbH (together totalling SEK 9.1 billion).

Amounts in SEK million	31 March 2014	31 Dec. 2013	Change, %
Interest-bearing liabilities	121 588	126 488 ¹	-3.9
Net debt	85 694	98 998 ¹	-13.4
Adjusted net debt (see page 19)	147 296	162 590	-9.4
Average interest rate, % ²	3.6	3.5	—
Duration, years ²	3.1	2.9	—
Average time to maturity, years ²	5.7	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, page 30.

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

Comment: Total interest-bearing liabilities decreased by SEK 4.9 billion compared with the level at 31 December 2013. The decrease is mainly attributable to a reclassification of SEK 3.0 billion from interest-bearing liabilities to equity in connection with the sale of the electricity grid operation in Hamburg, and amortisation of external loans.

Net debt decreased by SEK 13.3 billion, mainly due to the sales of the electricity grid operation in Hamburg, the minority interest in Enea S.A., the Amager combined heat and power station and the German engineering business (together totalling SEK 9.1 billion), and the aforementioned reclassification of interest-bearing liabilities to equity (SEK 3.0 billion).

Adjusted net debt decreased by SEK 15.3 billion.

Credit ratings

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	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Maintenance investments	2 802	2 010	39.4	14 265	15 057
Growth investments	2 452	3 290	-25.5	13 496	12 658
– of which, shares	-85	7	—	-26	-118
Total investments	5 254	5 300	-0.9	27 761	27 715
Divestments	9 122	41	—	651	9 732
– of which, shares	8 122	4	—	271	8 389

Comment: Investments are specified in the table below. The negative value for shares under growth investments pertains to a shareholder contribution received. Divestments during the first quarter of 2014 pertain to the electricity grid operation in Hamburg, the minority shareholding in Enea S.A., the Amager combined heat and power plant, and the German engineering business.

Specification of investments

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Electricity generation					
Hydro power	198	163	21.5	1 300	1 336
Nuclear power	841	601	39.9	2 993	3 233
Coal power	573	662	-13.4	4 367	4 278
Gas	22	678	-96.8	1 622	966
Wind power	1 179	897	31.4	4 095	4 377
Biomass, waste	2	1	100.0	14	15
Other	146	500	-70.8	1 280	927
Total electricity generation	2 961	3 502	-15.4	15 671	15 132
CHP/Heat					
Fossil-based power	409	205	99.5	1 699	1 902
Biomass, waste	32	18	77.8	377	391
Other	143	122	17.2	1 022	1 043
Total CHP/Heat	584	345	69.3	3 098	3 336
Electricity networks					
Electricity networks	762	667	14.2	4 571	4 665
Total electricity networks	762	667	14.2	4 571	4 665
Purchases of shares	-85	7	—	50	-42
Other, excl. purchases of shares	1 032	779	32.5	4 371	4 624
Total	5 254	5 300	-0.9	27 761	27 715

Comment: Investments in wind power increased in connection with the construction and installation of turbines at the DanTysk wind farm in Germany. The increase in fossil-based investments in CHP/heat is attributable to the replacement investment that has begun for the combined heat and power plant in Berlin, where older plants are being replaced by new, more efficient gas-fired power plants.

Wholesale price trend

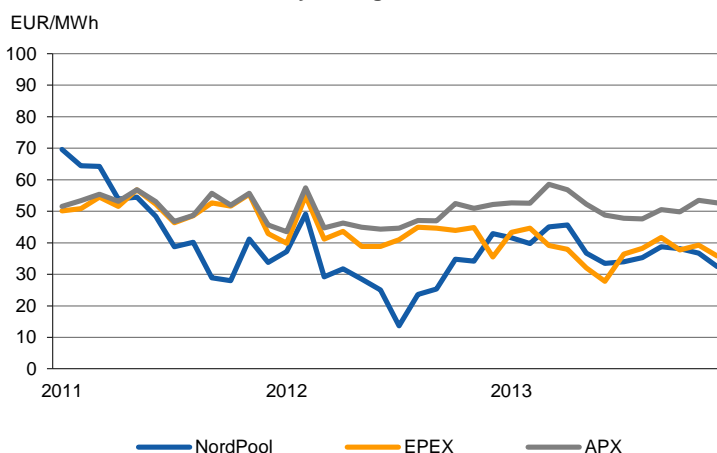
Spot prices – electricity

Average spot prices in the Nordic countries were 28% lower than the first quarter of 2013 as a result of the mild winter, with average temperatures that were considerably higher than normal, at the same time that the hydrological balance strengthened during the first quarter.

Average spot prices in Germany and the Netherlands were approximately 21% lower than in the first quarter of 2013.

Time period	Nord Pool Spot (Nordic countries)	EPEX (Germany)	APX (Netherlands)
Q1 2014	30.2	33.5	43.0
Q1 2013	42.1	42.3	54.6
%	-28.3	-20.8	-21.2

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

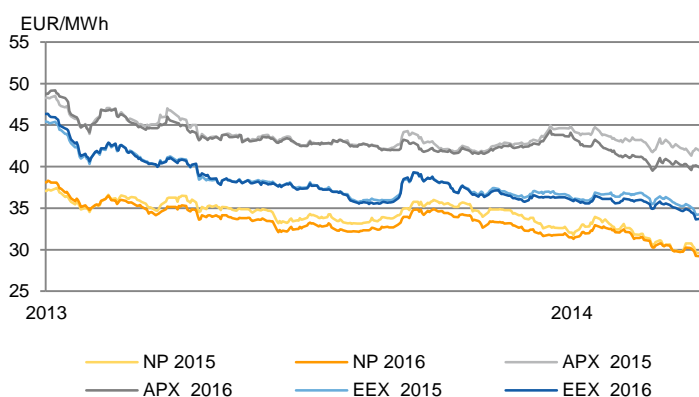


Futures prices – electricity

Electricity futures prices were 6%-16% lower than in the first quarter of 2013. This is mainly attributable to lower commodity prices (especially the price of coal) and considerably lower prices for CO₂ emission allowances. Compared with the first quarter of 2012, futures prices were 8%-21% lower.

Time period	Nordic countries (NP)		Germany (EEX)		Netherlands (APX)	
	2015	2016	2015	2016	2015	2016
Q1 2014	31.8	31.3	36.1	35.5	43.1	41.3
Q1 2013	35.9	35.8	42.1	42.2	46.1	46.1
%	-11.4	-12.6	-14.3	-15.9	-6.6	-10.4

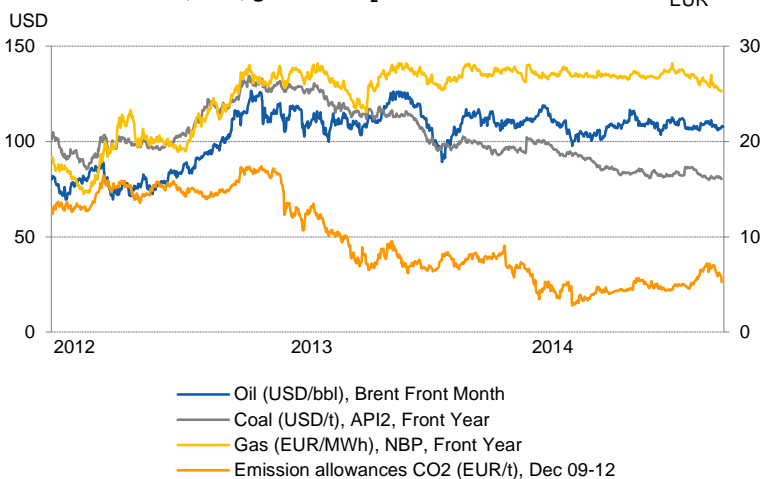
Electricity futures prices in the Nordic countries, Germany and the Netherlands



Commodity prices

Oil prices (Brent crude) were volatile during the first quarter, but on average they were level with the preceding quarter. Coal prices were unchanged compared with the preceding quarter. Low demand and large inventory as a result of the mild winter contributed to a drop in futures prices for gas during the quarter, which were 3% lower than the preceding quarter. The price of CO₂ emission allowances increased by 25% compared with the preceding quarter as a result of the European Parliament's decision to backload 900 million allowances starting in March 2014.

Price trend for oil, coal, gas and CO₂ emission allowances

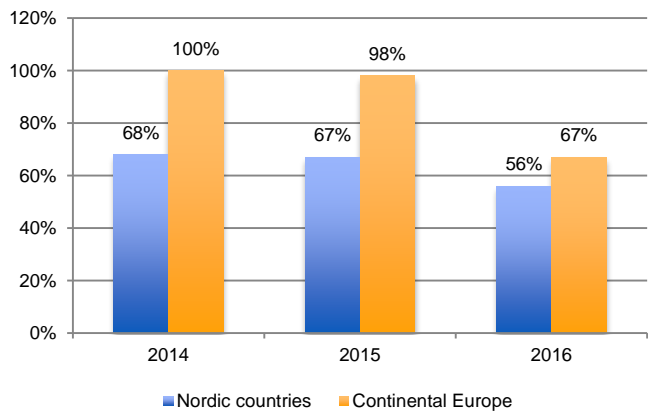


Vattenfall's price hedging

Vattenfall continuously hedges its planned future electricity generation through sales in the forward and futures markets. As a result, spot prices 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). The figures for 2014 show the remainder of the year. The hedge ratio in the Nordic countries is generally lower than in Continental Europe due to variations in water supply.

Compared with the level at 31 December 2013, Vattenfall's price hedge ratios have increased slightly for 2016. Price hedges in EUR are lower.

Vattenfall's hedge ratio (%) as per 31 March 2014



Average price hedges as per 31 March 2014

EUR/MWh	2014	2015	2016
Nordic countries	40	38	36
Continental Europe	50	44	39

Nordic operating segment

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Net sales	14 126	15 828	-10.8	55 358	53 656
External net sales ¹	13 522	14 894	-9.2	52 266	50 894
Underlying operating profit before depreciation, amortisation and impairment losses	6 067	7 479	-18.9	20 917	19 505
Underlying operating profit	4 418	6 001	-26.4	14 803	13 220
Electricity generation, TWh ²	25.3	25.5	-0.8	87.0	86.8
- of which, hydro power	9.8	10.4	-5.8	32.5	31.9
- of which, nuclear power	14.8	14.5	2.1	51.9	52.2
- of which, fossil-based power	—	—	—	—	—
- of which, wind power	0.6	0.4	50.0	1.5	1.7
- of which, biomass, waste	0.1	0.2	-50.0	1.1	1.0
Sales of electricity, TWh	27.9	28.6	-2.4	96.9	96.2
- of which, private customers	3.6	4.1	-12.2	11.0	10.5
- of which, resellers	2.2	2.4	-8.3	7.4	7.2
- of which, business customers	9.0	9.8	-8.2	35.9	35.1
Sales of heat, TWh	1.4	1.5	-6.7	4.1	4.0
Sales of gas, TWh	—	—	—	—	—
Number of employees, full-time equivalents	8 400	8 392	0.1	8 395	8 403

Combined heat and power stations in Denmark are reported in the Continental/UK operating segment.
The Nordic operating segment includes the part of the Asset Optimisation and Trading unit's earnings that are attributable to the Nordic countries.

1) Excluding intra-Group transactions.

2) Of electricity generation in Q1 2014, Vattenfall disposed over 5.0 TWh (5.1), while the rest went to minority owners or was deducted as replacement power.

Net sales: Net sales during the first quarter of 2014 decreased by 11%, or SEK 1.7 billion, compared with the corresponding quarter in 2013. This is mainly attributable to average lower prices achieved and lower sales of electricity and heat as a result of warmer weather.

Underlying operating profit: The underlying operating profit decreased by SEK 1.6 billion, which is mainly explained by a smaller gross margin as a result of lower average prices achieved and lower sales of electricity and heat.

Electricity generation and sales of electricity and heat: Hydro power generation decreased by 0.6 TWh to 9.8 TWh (10.4). Nordic reservoir levels improved gradually during the quarter and were filled to 30% (29%) capacity at the end of March 2014, which is 5 percentage points higher than normal.

Nuclear power generation increased by 0.3 TWh to 14.8 TWh (14.5). Combined availability of Vattenfall's nuclear power plants was 98.4% (97.1%) during the first quarter. Forsmark had availability of 99.8% (99.2%) and generation of 7.7 TWh (6.8). Availability at Ringhals was 97.1% (95.3%), and generation amounted to 7.1 TWh (7.7).

Wind power generation increased to 0.6 TWh (0.4).

Sales of heat to the various customer segments decreased by 8%-12%, mainly due to warmer weather.

Continental/UK operating segment

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Net sales	32 893	35 784	-8.1	124 889	121 998
External net sales ¹	32 344	34 788	-7.0	119 818	117 374
Underlying operating profit before depreciation, amortisation and impairment losses	7 862	9 289	-15.4	27 795	26 368
Underlying operating profit	4 857	6 097	-20.3	14 694	13 454
Electricity generation, TWh	24.8	26.6	-6.8	89.2	87.4
- of which, hydro power	0.8	0.8	—	3.1	3.1
- of which, nuclear power	—	—	—	—	—
- of which, fossil-based power	22.9	25.0	-8.4	82.6	80.5
- of which, wind power	0.8	0.6	33.3	2.4	2.6
- of which, biomass, waste	0.3	0.2	50.0	1.3	1.4
Sales of electricity, TWh	28.7	28.2	1.8	106.4	106.9
- of which, private customers	4.4	4.8	-8.3	17.2	16.8
- of which, resellers	5.9	5.0	18.0	19.7	20.6
- of which, business customers	8.0	8.7	-8.0	30.2	29.5
Sales of heat, TWh	7.7	11.5	-33.0	26.1	22.3
Sales of gas, TWh	18.4	25.3	-27.3	55.8	48.9
Number of employees, full-time equivalents	21 045	22 603	-6.9	21 811	20 253

¹⁾ Excluding intra-Group transactions.

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

The Continental/UK operating segment includes the part of the Asset Optimisation and Trading unit's earnings that are attributable to operations in Continental Europe and the UK.

Net sales: Net sales during the first quarter of 2014 decreased by 8%, or SEK 2.9 billion, compared with the corresponding quarter in 2013. This is mainly attributable to average lower prices achieved, lower production volumes and lower sales of heat and gas as a result of warmer weather. The sales of the electricity grid operation in Hamburg and the Amager combined heat and power station decreased net sales by a combined total of SEK 1.7 billion.

Underlying operating profit: The underlying operating profit decreased by SEK 1.2 billion, mainly owing to a smaller gross margin as a result of lower average prices achieved and lower production volumes. The sale of the electricity grid operation in Hamburg accounted of SEK 0.3 billion of the decrease.

Electricity generation and sales of electricity, heat and gas: Fossil-based generation decreased by 8.4% to 22.9 TWh (25.0) as a result of lower production in combined heat and power plants on account of warmer weather, and the sale of the Amager combined heat and power station.

Wind power generation increased to 0.8 TWh (0.6).

Sales of electricity to retail and business customers decreased as a result of warmer weather. However, sales of electricity to resellers increased, mainly in Germany.

Both sales of heat and gas decreased sharply as a result of warmer weather.

Other¹

Amounts in SEK million	Q1 2014	Q1 2013	Change, %	Full year 2013	Last 12 months
Net sales	737	742	-0.7	3 416	3 411
External net sales ²	45	50	-10.0	169	164
Underlying operating profit	-125	-441	-71.6	-1 371	-1 056
Number of employees, full-time equivalents	1 816	1 726	5.2	1 613	1 703

1) Other include all Staff functions including Treasury activities and Shared Service Centres.

2) Excluding intra-Group transactions.

Consolidated income statement

Amounts in SEK million	Q 1 2014	Q1 2013 ¹	Full year 2013 ¹	Last 12 months
Net sales	45 912	49 732	172 253	168 433
Cost of products sold ²	-32 905	-35 220	-158 569	-156 254
Gross profit	13 007	14 512	13 684	12 179
Selling expenses, administrative expenses and research and development costs ³	-4 267	-4 301	-21 595	-21 561
Other operating income and expenses, net	2 961	386	1 285	3 860
Participations in the results of associated companies ⁴	131	240	408	299
Operating profit (EBIT)⁵	11 832	10 837	-6 218	-5 223
Financial income ^{6,8}	690	158	1 416	1 948
Financial expenses ^{7,8}	-2 391	-2 634	-10 453	-10 210
Profit before tax	10 131	8 361	-15 255	-13 485
Income tax expense	-1 926	-2 166	1 712	1 952
Profit for the period	8 205	6 195	-13 543	-11 533
Profit for the period attributable to:				
Owner of the Parent Company	8 111	6 241	-13 668	-11 798
Non-controlling interests	94	-46	125	265
Total	8 205	6 195	-13 543	-11 533
Earnings per share				
Number of shares in Vattenfall AB, thousands	131 700	131 700	131 700	131 700
Earnings per share, basic and diluted (SEK)	61.59	47.39	-103.78	-89.58
Supplementary information				
Operating profit before depreciation and amortisation (EBITDA)	16 588	15 783	43 554	44 359
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-955	-1 288	-6 133	-5 800
Underlying operating profit	9 075	11 656	28 135	25 554
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, page 30.				
2) Of which, depreciation, amortisation and impairment losses pertaining to intangible assets (non-current) and property, plant and equipment	-4 635	-4 793	-48 342	-48 184
3) Of which, depreciation, amortisation and impairment losses pertaining to non-current assets	-121	-153	-953	-921
4) Of which impairment losses pertaining to non-current assets	—	—	-477	-477
5) Including items affecting comparability attributable to:				
Capital gains/losses, net	3 036	—	56	3 092
Impairment losses and reversed impairment losses, net, pertaining to non-current assets	-3	-80	-30 147	-30 070
Unrealised changes in the fair value of energy derivatives	98	322	-995	-1 219
Unrealised changes in the fair value of inventories	-272	-600	281	609
Restructuring costs	-102	-461	-1 568	-1 209
Other items affecting comparability	—	—	-1 980	-1 980
Total of items affecting comparability in Operating profit which also constitute the difference between Operating profit and Underlying operating profit	2 757	-819	-34 353	-30 777
6) Including return from the Swedish Nuclear Waste Fund	123	-398	363	884
7) Including interest components related to pension costs	-305	-275	-1 170	-1 200
7) Including discounting effects attributable to provisions	-869	-790	-3 267	-3 346
8) Items affecting comparability recognised as financial income and expenses, net	-14	-254	-469	-229

Consolidated statement of comprehensive income

Amounts in SEK million	Q 1 2014	Q1 2013 ¹	Full year 2013 ¹	Last 12 months
Profit for the period	8 205	6 195	-13 543	-11 533
Other comprehensive income:				
<i>Items that will be reclassified to profit or loss when specific conditions are met:</i>				
Cash flow hedges:				
Changes in fair value	3 627	1 863	12 510	14 274
Dissolved against the income statement	-2 209	-1 729	-9 920	-10 400
Transferred to cost of hedged item	10	-11	-7	14
Tax attributable to cash flow hedges	-414	-170	-736	-980
Total cash flow hedges	1 014	-47	1 847	2 908
Hedging of net investments in foreign operations	-914	2 688	-2 717	-6 319
Tax attributable to hedging of net investments in foreign operations	2 248	-591	598	3 437
Total hedging of net investments in foreign operations	1 334	2 097	-2 119	-2 882
Translation differences	2 103	-5 354	4 165	11 622
Remeasurement of available-for-sale financial assets	-182	—	182	—
Impairment of available-for-sale financial assets	—	-30	-30	—
Total	4 269	-3 334	4 045	11 648
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement pertaining to defined benefit obligations	—	-12	-1 200	-1 188
Tax attributable to remeasurement pertaining to defined benefit obligations	—	68	469	401
Total	—	56	-731	-787
Total other comprehensive income, net after tax	4 269	-3 278	3 314	10 861
Total comprehensive income for the period	12 474	2 917	-10 229	-672
Total comprehensive income for the period attributable to:				
Owner of the Parent Company	12 323	2 861	-10 722	-1 260
Non-controlling interests	151	56	493	588
Total	12 474	2 917	-10 229	-672

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, page 30.

Operating segments, Vattenfall Group

Amounts in SEK million	External net sales			Internal net sales			Total net sales		
	Q1 2014	Q1 2013 ³	Full year 2013 ³	Q1 2014	Q1 2013 ³	Full year 2013 ³	Q1 2014	Q1 2013 ³	Full year 2013 ³
Nordic	13 522	14 894	52 266	604	934	3 092	14 126	15 828	55 358
- of which, Generation	1 596	1 603	7 579	6 783	7 502	24 412	8 379	9 105	31 991
- of which, Distribution	2 577	2 665	9 157	138	136	562	2 715	2 801	9 719
- of which, Sales	6 295	7 537	23 819	220	349	956	6 515	7 886	24 775
- of which, Other operations	7 196	9 069	30 903	3 326	3 487	10 984	10 522	12 556	41 887
- of which, Eliminations	-4 142	-5 980	-19 192	-9 863	-10 540	-33 822	-14 005	-16 520	-53 014
Continental/UK	32 344	34 788	119 818	549	996	5 071	32 893	35 784	124 889
- of which, Generation	5 482	5 990	19 547	11 691	11 954	40 550	17 173	17 944	60 097
- of which, Distribution	1 119	1 485	6 232	1 111	1 729	6 447	2 230	3 214	12 679
- of which, Sales	19 342	22 065	69 990	229	383	1 343	19 571	22 448	71 333
- of which, Other operations	6 399	5 248	24 049	16 984	20 513	63 550	23 383	25 761	87 599
- of which, Eliminations	2	—	—	-29 466	-33 583	-106 819	-29 464	-33 583	-106 819
Other¹	45	50	169	692	692	3 247	737	742	3 416
Eliminations²	1	—	—	-1 845	-2 622	-11 410	-1 844	-2 622	-11 410
Total	45 912	49 732	172 253	—	—	—	45 912	49 732	172 253

Amounts in SEK million	EBITDA			Underlying EBITDA		
	Q1 2014	Q1 2013 ³	Full year 2013 ³	Q1 2014	Q1 2013 ³	Full year 2013 ³
Nordic	6 345	7 493	21 159	6 067	7 479	20 917
- of which, Generation	4 303	5 106	14 104	4 303	5 106	14 103
- of which, Distribution	1 622	1 598	5 077	1 622	1 598	5 076
- of which, Sales	561	637	1 224	561	637	1 220
- of which, Other operations	30	313	940	30	300	704
- of which, Eliminations	-171	-161	-186	-449	295	1 233
Continental/UK	7 371	8 799	23 491	7 862	9 289	27 795
- of which, Generation	6 845	6 220	12 852	6 842	6 300	15 264
- of which, Distribution	599	963	3 094	599	970	3 139
- of which, Sales	351	908	1 979	351	908	2 013
- of which, Other operations	-424	708	5 566	70	720	-181
- of which, Eliminations	—	—	—	—	391	7 560
Other¹	2 972	-509	-1 106	-24	-246	-962
Eliminations	-100	—	10	-77	—	10
Total	16 588	15 783	43 554	13 828	16 522	47 760

Operating segments, Vattenfall Group cont.

Amounts in SEK million	Profit			Underlying operating profit		
	Q1 2014	Q1 2013 ³	Full year 2013 ³	Q1 2014	Q1 2013 ³	Full year 2013 ³
Nordic	4 696	6 015	14 966	4 418	6 001	14 803
- of which, Generation	3 287	4 160	10 290	3 269	4 160	10 289
- of which, Distribution	1 089	1 085	2 989	1 087	1 085	2 988
- of which, Sales	450	523	750	450	523	756
- of which, Other operations	41	409	1 123	-36	395	956
- of which, Eliminations	-171	-162	-186	-352	-162	-186
Continental/UK	4 367	5 528	-19 662	4 857	6 097	14 694
- of which, Generation	4 273	3 508	-21 142	4 295	3 668	4 558
- of which, Distribution	412	717	2 072	421	724	2 117
- of which, Sales	141	622	823	148	622	1 022
- of which, Other operations	-459	681	-1 415	-7	1 083	6 997
Other¹	2 869	-706	-1 531	-125	-441	-1 371
Eliminations	-100	—	10	-75	-1	10
Operating profit (EBIT)	11 832	10 837	-6 218	9 075	11 656	28 135
Financial income and expenses	-1 701	-2 476	-9 037			
Profit before tax	10 131	8 361	-15 255			

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.

1) Mainly includes all Staff Functions including Treasury activities and Shared Service Centres

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

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, page 30.

Consolidated balance sheet

Amounts in SEK million	31 March 2014	31 March 2013 ¹	31 Dec. 2013 ¹
Assets			
Non-current assets			
Intangible assets: non-current	31 297	37 624	31 285
Property, plant and equipment	266 089	274 520	269 160
Investment property	478	472	479
Biological assets	20	11	20
Participations in associated companies and joint arrangements	8 474	8 253	8 391
Other shares and participations	299	2 691	2 699
Share in the Swedish Nuclear Waste Fund	30 881	29 673	30 600
Derivative assets	16 480	23 161	16 239
Current tax assets, non-current	641	795	627
Prepaid expenses	117	218	117
Deferred tax assets	6 892	1 589	5 978
Other non-current receivables	7 114	5 271	6 686
Total non-current assets	368 782	384 278	372 281
Current assets			
Inventories	17 425	21 188	18 596
Biological assets	5	3	5
Intangible assets: current	7 846	2 514	7 535
Trade receivables and other receivables	32 210	38 503	34 450
Advance payments paid	3 201	3 909	2 765
Derivative assets	16 773	11 595	10 967
Prepaid expenses and accrued income	7 554	10 673	6 285
Current tax assets	519	1 474	525
Short-term investments	22 142	21 820	11 460
Cash and cash equivalents	13 159	17 161	15 801
Assets held for sale	2 559	—	4 814
Total current assets	123 393	128 840	113 203
Total assets	492 175	513 118	485 484
Equity and liabilities			
Equity			
Attributable to owner of the Parent Company	134 852	143 625	120 370
Attributable to non-controlling interests	10 873	8 902	10 348
Total equity	145 725	152 527	130 718
Non-current liabilities			
Hybrid Capital	8 928	8 321	8 835
Other interest-bearing liabilities	90 477	100 684	90 374
Pension provisions	34 650	31 027	35 477
Other interest-bearing provisions	76 153	73 791	76 553
Derivative liabilities	10 087	14 128	9 734
Deferred tax liabilities	31 618	33 007	31 651
Other noninterest-bearing liabilities	5 383	7 273	6 000
Total non-current liabilities	257 296	268 231	258 624
Current liabilities			
Trade payables and other liabilities	25 104	26 649	30 002
Advance payments received	2 763	3 904	3 289
Derivative liabilities	8 449	5 255	4 280
Accrued expenses and deferred income	20 841	16 638	20 748
Current tax liabilities	1 836	2 650	1 496
Interest-bearing liabilities	22 183	30 808	27 279
Interest-bearing provisions	6 837	6 456	6 136
Liabilities associated with assets held for sale	1 141	—	2 912
Total current liabilities	89 154	92 360	96 142
Total equity and liabilities	492 175	513 118	485 484
Collateral	9 389	8 692	8 712
Contingent liabilities	2 845	1 789	2 799

Consolidated balance sheet, cont.

Supplementary information

Amounts in SEK million	31 March 2014	31 March 2013 ¹	31 Dec. 2013 ¹
Capital employed	298 977	312 841	299 471
Capital employed, average	303 207	315 136	305 626
Net debt			
Hybrid Capital	-8 928	-8 321	-8 835
Bond issues, commercial paper and liabilities to credit institutions	-75 098	-84 072	-78 109
Present value of liabilities pertaining to acquisitions of Group companies	-18 148	-26 477	-17 892
Liabilities to associated companies	-2 287	-1 439	-1 706
Liabilities to owners of non-controlling interests	-11 643	-12 275	-12 425
Other liabilities	-5 484	-7 229	-7 521
Total interest-bearing liabilities	-121 588	-139 813	-126 488
Cash and cash equivalents	13 159	17 161	15 801
Short-term investments	22 142	21 820	11 460
Receivable from Vattenfall's pension foundation	—	1 172	—
Loans to owners of non-controlling interests in foreign Group companies	593	165	229
Net debt	-85 694	-99 495	-98 998
Adjusted gross debt and net debt			
Total interest-bearing liabilities	-121 588	-139 813	-126 488
50% of Hybrid Capital	4 464	4 161	4 418
Present value of pension obligations	-34 650	-31 027	-35 477
Provisions for mining, gas and wind operations and other environment-related provisions	-11 962	-11 972	-11 760
Provisions for nuclear power (net)	-27 505	-25 965	-28 054
Currency derivatives for hedging of debt in foreign currency	1 309	1 750	1 212
Margin calls received	1 991	5 209	2 176
Liabilities to owners of non-controlling interests due to consortium agreements	11 303	10 858	10 866
Adjusted gross debt	-176 638	-186 799	-183 107
Reported cash and cash equivalents and short-term investments	35 301	38 981	27 261
Receivable from Vattenfall's pension foundation	—	1 172	—
Unavailable liquidity	-5 959	-5 455	-6 744
Adjusted cash and cash equivalents and short-term investments	29 342	34 698	20 517
Adjusted net debt	-147 296	-152 101	-162 590

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, page 30.

Consolidated statement of cash flows

Amounts in SEK million	Q1 2014	Q1 2013	Full year 2013	Last 12 months
Operating activities				
Profit before tax	10 131	8 361 ¹	-15 255 ¹	-13 485
Reversal of depreciation, amortisation and impairment losses	4 758	5 200	50 264 ¹	49 822
Tax paid	-537	-1 019	-4 090	-3 608
Capital gains/losses, net	-3 024	—	-79	-3 103
Other, incl. non-cash items	-536	56 ¹	1 048 ¹	456
Funds from operations (FFO)	10 792	12 598	31 888	30 082
Changes in inventories	1 171	1 388	1 361	1 144
Changes in operating receivables	2 070	-8 007 ¹	-3 959 ¹	6 118
Changes in operating liabilities	-5 627	-3 292	5 145	2 810
Other changes	-919	2 073 ¹	3 408	416
Cash flow from changes in operating assets and operating liabilities	-3 305	-7 838	5 955	10 488
Cash flow from operating activities	7 487	4 760	37 843	40 570
Investing activities				
Acquisitions in Group companies	—	—	-41	-41
Investments in associated companies and other shares and participations	85	-7	15	107
Other investments in non-current assets	-5 339	-5 293	-27 735	-27 781
Total investments	-5 254	-5 300	-27 761	-27 715
Divestments	9 122	41	651	9 732
Cash and cash equivalents in divested companies	-293	-4	-16	-305
Cash flow from investing activities	3 575	-5 263	-27 126	-18 288
Cash flow before financing activities	11 062	-503	10 717	22 282
Financing activities				
Changes in short-term investments	-10 477	6 136	17 948	1 335
Changes in loans to owners of non-controlling interests in foreign Group companies	-359	16	-75	-450
Loans raised ²	3 194	1 571	7 449	9 072
Amortisation of debt pertaining to acquisitions of Group companies	—	—	-10 257	-10 257
Amortisation of other debt	-6 346	-9 815	-27 362	-23 893
Payment from Vattenfall's pension foundation	—	53	2 911	2 858
Settlement of receivable from Vattenfall's pension foundation	—	1 574	1 807	233
Dividends paid to owners	—	—	-6 840	-6 840
Contribution from owners of non-controlling interests	233	241	1 275	1 267
Cash flow from financing activities	-13 755	-224	-13 144	-26 675
Cash flow for the period	-2 693	-727	-2 427	-4 393

Consolidated statement of cash flows, cont.

Amounts in SEK million	Q1 2014	Q1 2013	Full year 2013	Last 12 months
Cash and cash equivalents				
Cash and cash equivalents at start of period	15 801	18 045	18 045	17 161
Cash and cash equivalents included in assets held for sale	—	—	-1	-1
Cash flow for the period	-2 693	-727 ¹	-2 427 ¹	-4 393
Translation differences	51	-157	184	392
Cash and cash equivalents at end of period	13 159	17 161	15 801	13 159
 Supplementary information				
Cash flow before financing activities	11 062	-503	10 717	22 282
Financing activities				
Dividends paid to owners	—	—	-6 840	-6 840
Payment from Vattenfall's pension foundation	—	53	2 911	2 858
Contribution from owners of non-controlling interests	233	241	1 275	1 267
Cash flow after dividend	11 295	-209	8 063	19 567
Analysis of change in net debt				
Net debt at start of period	-98 998	-111 907	-111 907	-99 495
Change accounting principles	—	7 879	7 907	28
Cash flow after dividend	11 295	-209 ¹	8 063 ¹	19 567
Changes as a result of valuation at fair value	-130	303	2 126	1 693
Changes in interest-bearing liabilities for leasing	5	13	36	28
Interest-bearing liabilities/short-term investments acquired/divested	75	—	—	75
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	-89	-67	-408	-430
Cash and cash equivalents included in assets held for sale	—	—	-1	-1
Withdrawal from Vattenfall's pension foundation	—	904	—	-904
Transfer to liabilities due to changed shareholders' rights	2 983	—	-3 387	-404
Translation differences on net debt	-835	3 589	-1 427	-5 851
Net debt at end of period	-85 694	-99 495	-98 998	-85 694
 Free cash flow	 4 685	 2 750	 23 578	 25 513

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, page 30.

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 March 2014			31 March 2013 ¹			31 Dec. 2013 ¹		
	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	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity
Balance brought forward	120 370	10 348	130 718	140 764	8 608	149 372	140 764	8 608	149 372
Dividends paid to owners	—	—	—	—	—	—	-6 774	-66	-6 840
Group contributions from(+) /to(-) owners of non-controlling interests	—	—	—	—	—	—	—	505	505
Changes in ownership in Group companies on divestment of shares to owners of non-controlling interests	-109	—	-109	—	—	—	—	—	—
Other changes in ownership	-217	-124	-341	—	238	238	4	1 294	1 298
Transfer to liabilities due to changed shareholders' rights	2 485	498	2 983	—	—	—	-2 902	-486	-3 388
Cash flow hedges:									
Changes in fair value	3 629	-2	3 627	1 865	-2	1 863	12 503	7	12 510
Dissolved against income statement	-2 209	—	-2 209	-1 729	—	-1 729	-9 922	2	-9 920
Transferred to cost of hedged item	7	3	10	-11	—	-11	-11	4	-7
Tax attributable to cash flow hedges	-414	—	-414	-170	—	-170	-733	-3	-736
Total cash flow hedges	1 013	1	1 014	-45	-2	-47	1 837	10	1 847
Hedging of net investments in foreign operations	-914	—	-914	2 688	—	2 688	-2 717	—	-2 717
Tax attributable to hedging of net investments in foreign operations	2 248	—	2 248	-591	—	-591	598	—	598
Total hedging of net investments in foreign operations	1 334	—	1 334	2 097	—	2 097	-2 119	—	-2 119
Translation differences	2 047	56	2 103	-5 457	103	-5 354	3 820	345	4 165
Remeasurement of available-for-sale financial assets (unrealised)	-182	—	-182	—	—	—	182	—	182
Impairment of available-for-sale financial assets (unrealised)	—	—	—	-30	—	-30	-30	—	-30
Total	4 212	57	4 269	-3 435	101	-3 334	3 690	355	4 045
Remeasurement pertaining to defined benefit obligations	—	—	—	-13	1	-12	-1 213	13	-1 200
Tax attributable to remeasurement pertaining to defined benefit obligations	—	—	—	68	—	68	469	—	469
Total	—	—	—	55	1	56	-744	13	-731
Total other comprehensive income for the period	4 212	57	4 269	-3 380	102	-3 278	2 946	368	3 314
Profit for the period	8 111	94	8 205	6 241	-46	6 195	-13 668	125	-13 543
Total comprehensive income for the period	12 323	151	12 474	2 861	56	2 917	-10 722	493	-10 229
Balance carried forward	134 852¹	10 873¹	145 725¹	143 625¹	8 902¹	152 527¹	120 370¹	10 348¹	130 718¹
1) Of which, Reserve for cash flow hedges	6 327	-38	6 289	3 433	-50	3 383	5 315	-39	5 276

2) 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, page 30.

Key ratios, Vattenfall Group

(definitions and calculations of key ratios on pages 36-38)

In % unless otherwise stated. (x) means times	Q1 2014	Q1 2013 ¹	Full year 2013 ¹	Last 12 months
Operating margin	25.8	21.8	-3.6	-3.1
Operating margin ²	19.8	23.4	16.3	15.2
Pre-tax profit margin	22.1	16.8	-8.9	-8.0
Pre-tax profit margin ²	16.1	19.0	11.4	10.4
Return on equity	-9.9 ³	6.8 ³	-11.4 ³	-9.9
Return on capital employed	-1.7 ³	5.7 ³	-2.0 ³	-1.7
Return on capital employed ²	8.4 ³	8.7 ³	9.2 ³	8.4
EBIT interest cover, (x)	-0.6 ³	2.8 ³	-0.7 ³	-0.6
EBIT interest cover, (x) ²	3.9 ³	4.2 ³	4.1 ³	3.9
FFO interest cover, (x)	5.4 ³	6.0 ³	5.4 ³	5.4
FFO interest cover, net, (x)	6.2 ³	7.1 ³	6.2 ³	6.2
Cash flow interest cover after maintenance investments, (x)	5.5 ³	3.3 ³	4.9 ³	5.5
FFO/gross debt	24.7 ³	24.5 ³	25.2 ³	24.7
FFO/net debt	35.1 ³	34.5 ³	32.2 ³	35.1
FFO/adjusted net debt	20.4 ³	22.6 ³	19.6 ³	20.4
EBITDA/net financial items, (x)	17.4	12.3	7.1	7.6
EBITDA/net financial items, (x) ²	14.5	12.9	12.7	13.0
Equity/total assets	29.6	29.7	26.9	29.6
Gross debt/equity	83.4	91.7	96.8	83.4
Net debt/equity	58.8	65.2	75.7	58.8
Gross debt/gross debt plus equity	45.5	47.8	49.2	45.5
Net debt/net debt plus equity	37.0	39.5	43.1	37.0
Net debt/EBITDA, (x)	1.9 ³	2.2 ³	2.3 ³	1.9
Adjusted net debt/EBITDA, (x)	3.3 ³	3.3 ³	3.7 ³	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, page 30.

2) Based on Underlying operating profit.

3) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q1 2014	Q4 2013 ¹	Q3 2013 ¹	Q2 2013 ¹	Q1 2013 ¹
Income statement					
Net sales	45 912	47 156	37 057	38 308	49 732
Cost of products sold	-32 905	-37 104	-27 822	-58 423	-35 220
Other operating income and expenses, net	-1 306	-6 925	-4 163	-5 307	-3 915
Participations in the results of associated companies	131	767	-179	-420	240
Operating profit before depreciation and amortisation (EBITDA)	16 588	9 426	9 609	8 736	15 783
Operating profit (EBIT)	11 832	3 894	4 893	-25 842	10 837
Underlying operating profit	9 075	7 006	4 074	5 399	11 656
Financial items, net	-1 701	-2 139	-1 762	-2 660	-2 476
Profit before tax	10 131	1 755	3 131	-28 502	8 361
Profit for the period	8 205	1 983	1 538	-23 259	6 195
- of which, attributable to owner of the Parent Company	8 111	2 228	1 570	-23 707	6 241
- of which, attributable to non-controlling interests	94	-245	-32	448	-46
Balance sheet					
Non-current assets	368 782	372 281	359 319	362 415	384 278
Short-term investments	22 142	11 460	14 741	11 973	17 161
Cash and cash equivalents	13 159	15 801	14 849	23 109	17 161
Other current assets	88 092	85 942	78 813	89 418	94 518
Total assets	492 175	485 484	467 722	486 915	513 118
Equity	145 725	130 718	122 796	127 691	152 527
- of which, attributable to owner of the Parent Company	134 852	120 370	114 152	117 858	143 625
- of which, attributable to non-controlling interests (minority interests)	10 873	10 348	8 644	9 833	8 902
Hybrid Capital	8 928	8 835	8 630	8 746	8 321
Other interest-bearing liabilities	112 660	117 653	120 435	130 942	131 492
Pension provisions	34 650	35 477	33 093	33 329	31 027
Other interest-bearing provisions	82 990	82 689	81 771	81 839	80 247
Deferred tax liabilities	31 618	31 651	28 519	28 950	33 007
Other noninterest-bearing liabilities	75 604	78 461	72 478	75 418	76 497
Total equity and liabilities	492 175	485 484	467 722	486 915	513 118
Capital employed	298 977	299 471	288 607	294 605	312 841
Net debt	-85 694	-98 998	-99 033	-104 250	-99 495
Cash flow					
Funds from operations (FFO)	10 792	6 548	6 743	5 999	12 598
Cash flow from changes in operating assets and operating liabilities	-3 305	1 366	6 952	5 475	-7 838
Cash flow from operating activities	7 487	7 914	13 695	11 474	4 760
Cash flow from investing activities	3 575	-8 998	-6 444	-6 421	-5 263
Cash flow before financing activities	11 062	-1 084	7 251	5 053	-503
Changes in short-term investments	-10 477	3 773	-2 940	10 979	6 136
Loans raised/Amortisation of debt, net, etc.	-3 278	-1 885	-12 498	-3 509	-6 360
Dividends paid to owners	—	—	-3	-6 837	—
Cash flow from financing activities	-13 755	1 888	-15 441	633	-224
Cash flow for the period	-2 693	804	-8 190	5 686	-727
Free cash flow	4 685	2 251	10 214	8 363	2 750

Quarterly information, Vattenfall Group, cont.

Key ratios (definitions and calculations of key ratios on pages 36-38)

In % unless otherwise stated. (x) means times	Q1 2014	Q4 2013 ¹	Q3 2013 ¹	Q2 2013 ¹	Q1 2013 ¹
Return on equity ²	-9.9	-11.4	-7.6	-11.7	6.8
Return on capital employed ²	-1.7	-2.0	-1.7	-4.2	5.7
Return on capital employed ^{2,3}	8.4	9.2	9.5	9.2	8.7
EBIT interest cover, (x) ²	-0.6	-0.7	-0.7	-1.9	2.8
EBIT interest cover, (x) ^{2,3}	3.9	4.1	4.2	4.7	4.2
FFO/gross debt ²	24.7	25.2	28.6	26.0	24.5
FFO/net debt ²	35.1	32.2	37.3	34.9	34.5
FFO/adjusted net debt ²	20.4	19.6	23.4	21.9	22.6
Equity/assets ratio	29.6	26.9	26.3	26.2	29.7
Gross debt/equity	83.4	96.8	105.1	109.4	91.7
Net debt/equity	58.8	75.7	80.6	81.6	65.2
Net debt/net debt plus equity	37.0	43.1	44.6	44.9	39.5
Net debt/EBITDA, (x) ²	1.9	2.3	2.2	2.3	2.2
Adjusted net debt/EBITDA, (x) ²	3.3	3.7	3.6	3.7	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, page 30.

2) Last 12-month values.

3) Based on Underlying operating profit.

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 interim 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 interim 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 does not have 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 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. The amendments to IFRS 11 entails 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 a 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 new standard does not have any effect on Vattenfall's financial statements.

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 do not have any effect on 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 do not have any effect on 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 do not have any effect on 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 is not 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 is not affected by these amendments.

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:

	Q1 2014	Q1 2013	Full year 2013		31 March 2014	31 March 2013	31. Dec 2013
Average rate				Balance sheet date rate			
EUR	8.8777	8.5043	8.6625	EUR	8.9483	8.3553	8.8591
DKK	1.1897	1.1402	1.1615	DKK	1.1986	1.1207	1.1877
NOK	1.0633	1.1424	1.1081	NOK	1.0840	1.1123	1.0593
PLN	2.1212	2.0495	2.0615	PLN	2.1449	1.9987	2.1325
GBP	10.7302	10.0645	10.2250	GBP	10.8045	9.8809	10.6262
USD	6.4678	6.4587	6.5144	USD	6.4899	6.5250	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 March 2014		31. Dec 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Derivative assets	14 538	14 538	13 011	13 011
Short-term investments	20 172	20 172	9 774	9 774
Cash equivalents	1 893	1 893	52	52
Total	36 603	36 603	22 837	22 837
Derivative assets for hedging purposes for:				
Fair value hedges	2 381	2 381	1 954	1 954
Cash flow hedges	16 334	16 334	12 241	12 241
Total	18 715	18 715	14 195	14 195
Loans and receivables				
Share in the Swedish Nuclear Waste Fund	30 881	31 619	30 600	30 836
Other non-current receivables	7 114	7 442	6 686	6 700
Trade receivables and other receivables	32 210	32 210	34 450	34 450
Advance payments paid	2 689	2 689	2 368	2 368
Short-term investments	1 970	1 970	1 685	1 685
Cash and bank balances	11 266	11 266	15 749	15 749
Total	86 130	87 196	91 538	91 788
Available-for-sale financial assets				
Other shares and participations carried at fair value	—	—	2 389	2 389
Other shares and participations carried at cost	299	299	310	310
Total	299	299	2 699	2 699
Financial liabilities at fair value through profit or loss				
Derivative liabilities	11 954	11 954	9 815	9 815
Total	11 954	11 954	9 815	9 815
Derivative liabilities for hedging purposes for:				
Fair value hedges	489	489	459	459
Cash flow hedges	6 093	6 093	3 740	3 740
Total	6 582	6 582	4 199	4 199
Other financial liabilities				
Hybrid Capital	8 928	9 272	8 835	9 238
Other non-current interest-bearing liabilities	90 477	103 049	90 374	101 255
Other non-current noninterest-bearing liabilities	5 383	5 383	6 000	6 000
Current interest-bearing liabilities	22 183	21 847	27 279	26 978
Trade payables and other liabilities	23 851	23 851	30 113	30 113
Advance payments received	3 131	3 131	3 288	3 288
Total	153 953	166 533	165 889	176 872

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)

Note 3, cont.

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

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	32 225	1 029	33 254
Short-term investments and cash equivalents	15 472	6 593	—	22 065
Total assets	15 472	38 818	1 029	55 319
Liabilities				
Derivative liabilities	—	18 077	460	18 537
Total liabilities	—	18 077	460	18 537

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

	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	25 829	1 377	27 206
Short-term investments and cash equivalents	8 045	1 782	—	9 827
Other shares and participations	2 390	—	—	2 390
Total assets	10 435	27 611	1 377	39 423
Liabilities				
Derivative liabilities	—	13 629	385	14 014
Total liabilities	—	13 629	385	14 014

Changes in level 3 financial instruments

	Financial instruments at fair value through profit or loss			
	Derivative assets		Derivative liabilities	
	31 March 2014	31 Dec. 2013	31 March 2014	31 Dec. 2013
Balance brought forward	1 377	2 129	385	2 266
Transfers into an other level	—	44	—	-1 075
Revaluations recognised in operating profit (EBIT)	-356	-834	71	-836
Translation differences	8	38	4	30
Balance carried forward	1 029	1 377	460	385
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	663	655	441	-87

TGSA:

TGSA (Troll¹ Gas Sales Agreement) is a large gas supply agreement (coal priceindexed) 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 Markt; 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 March 2014 has been calculated at SEK +335 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 +/-15 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 CO₂ 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 March 2014 has been calculated at SEK -2 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 March 2014 has been calculated at SEK +27 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 +/- 76 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 net value as per 31 March 2014 has been calculated at SEK +82 million (+58) and is most sensitive to the optionality value. A change in the optionality value of +/- 5% would affect the total value by approximately +/- SEK 36 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).

The net value as per 31 March 2014 has been calculated at SEK -88 (+159) million and is most sensitive to the optionality value. A change in the optionality value of +/- 5% would affect the total value by approximately +/-SEK 6 million (+/-6).

Financial instruments: Effects on income by category

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

	31 March 2014			31 Dec. 2013		
	Net gains/ losses ¹	Interest income	Interest expenses	Net gains/ losses ¹	Interest income	Interest expenses
Derivative assets and derivative liabilities	956	18	-555	-3 026	406	-257
Available-for-sale financial assets	-15	—	—	-382	—	—
Loans and receivables	59	180	—	756	505	—
Financial liabilities measured at amortised cost	-435	—	-478	1 541	—	-4 239
Total	565	199	-1 033	-1 111	911	-4 496

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:

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
Balance sheet:						
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 payable 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	1 928	312 841	292 268	2 337	294 605
Capital employed, average	314 171	965	315 136	303 390	1 637	305 027
Net debt	107 379	-7 884	99 495	112 369	-8 120	104 249
Adjusted net debt	152 106	-5	152 101	162 507	-4	162 503
Income statement:						
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
Key ratios (in % unless otherwise stated (x) means times):						
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	-0.5	21.9
Adjusted net debt/EBITDA, (x)	3.3	—	3.3	3.6	0.1	3.7

Note 4, cont.

Amounts in SEK million	1 January-30 September 2013			1 January-31 December 2013		
	As reported previously	Adjustments	After adjustments	As reported previously	Adjustments	After adjustments
Balance sheet:						
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 payable and other liabilities	26 714	-2 229	24 485	31 908	-1 906	30 002
Interest-bearing provisions (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	2 425	288 607	297 178	2 293	299 471
Capital employed, average	290 561	1 212	291 773	303 000	2 626	305 626
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
Income statement:						
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	-790	-359	784	-376	408
Operating profit (EBIT)	-10 292	179	-10 113	-6 453	235	-6 218
Financial income and expenses	-6 678	-220	-6 898	-8 758	-279	-9 037
Income tax expense	1 444	41	1 485	1 668	44	1 712
Profit for the period	-15 526	—	-15 526	-13 543	—	-13 543
Key ratios (in % unless otherwise stated (x) means times):						
Return on capital employed	-1.8	0.1	-1.7	-2.1	0.1	-2.0
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 2012 Annual Report (Note 2 to the Parent Company accounts).

Full year 2013

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

- Sales amounted to SEK 8,888million (10,797).
- Profit before appropriations and tax was SEK 1,337million (15,921). During the first quarter of the year the entire shareholding in Enea S.A. was sold, giving rise to a capital loss of SEK 216 million, which was charged against profit.
- The balance sheet total was SEK 270,376 million (31 december: 269,944)
- Investments during the period amounted to SEK 32 million (465).
- Cash and cash equivalents and short-term investments amounted to SEK 25,884 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	Q1 2014	Q1 2013	Full year 2013
Net sales	8 888	10 797	37 197
Cost of products sold	-5 694	-5 954	-25 464
Gross profit	3 194	4 843	11 733
Selling expenses, administrative expenses and research and development costs	-636	-917	-2 645
Other operating income and expenses, net	-388	-135	-226
Operating profit (EBIT)	2 170	3 791	8 862
Result from participations in subsidiaries	—	10 908	-13 424
Result from participations in associated companies	—	—	6
Result from other shares and participations	-216	-254	-569
Other financial income	167	2 901	4 603
Other financial expenses	-784	-1 425	-4 691
Profit before appropriations and tax	1 337	15 921	-5 213
Appropriations	1 401	411	-4 068
Profit before tax	2 738	16 332	-9 281
Income tax expense	582	-1 300	-1 687
Profit for the period	3 320	15 032	-10 968

Parent Company statement of comprehensive income

Amounts in SEK million	Q1 2014	Q1 2013	Full year 2013
Profit for the period	3 320	15 032	-10 968
Total other comprehensive income	—	—	—
Total comprehensive income for the period	3 320	15 032	-10 968

Parent Company balance sheet

Amounts in SEK million	31 March 2014	31 March 2013	31 Dec. 2013
Assets			
Non-current assets			
Intangible assets: non-current	120	239	138
Property, plant and equipment	4 112	4 258	4 238
Shares and participations	133 090	162 702	135 479
Other non-current assets	86 003	88 437	92 276
Total non-current assets	223 325	255 636	232 131
Current assets			
Inventories	344	324	437
Intangible assets: current	371	551	86
Current receivables	20 294	25 099	20 450
Current tax assets	158	—	—
Short-term investments	18 211	18 683	7 697
Cash and cash equivalents	7 673	10 556	9 143
Total current assets	47 051	55 213	37 813
Total assets	270 376	310 849	269 944
Equity and liabilities			
Equity			
Restricted equity			
Share capital	6 585	6 585	6 585
Statutory reserve	1 286	1 286	1 286
Non-restricted equity			
Retained earnings	55 454	73 196	66 422
Profit for the period	3 320	15 032	-10 968
Total equity	66 645	96 099	63 325
Untaxed reserves	15 723	14 775	17 124
Provisions	4 336	3 068	4 241
Non-current liabilities			
Hybrid Capital	8 928	8 321	8 835
Other interest-bearing liabilities	83 163	95 678	83 874
Deferred tax liabilities	73	537	187
Other noninterest-bearing liabilities	33 126	6 476	33 096
Total non-current liabilities	125 290	111 012	125 992
Current liabilities			
Interest-bearing liabilities	51 823	56 364	52 596
Current tax liabilities	—	891	213
Other noninterest-bearing liabilities	6 559	28 640	6 453
Total current liabilities	58 382	85 895	59 262
Total equity and liabilities	270 376	310 849	269 944

Interim report signature

Stockholm, 29 April 2014

Øystein Løseth
President and Chief Executive Officer

This Interim report has not been reviewed by the company's auditor.

Financial calendar

Interim report January-June, 23 July 2014

Interim report January-September, 30 October 2014

Year end report, 5 February 2015

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Definitions and calculations of key ratios

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

EBIT	= Earnings Before Interest and Tax (Operating profit).
EBITDA	= Earnings Before Interest, Tax, Depreciation and Amortisation.
Items affecting comparability	= 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.
Underlying operating profit	= Operating profit (EBIT) excluding items affecting comparability.
FFO	= Funds From Operations
Free cash flow	= Cash flow from operating activities less maintenance investments.
Hybrid Capital	= Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments. Reported as interest-bearing non-current liabilities.
Capital employed	= Balance sheet total less financial assets and noninterest-bearing liabilities
Net debt	= Interest-bearing liabilities less loans to owners of non-controlling interests in Group companies, cash and cash equivalents, short-term investments.
Adjusted net debt	= For calculation, see page 19.

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

Key ratios based on last 12-month values April 2013 – March 2014

Operating margin, %	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}} = \frac{-5\,223}{168\,433}$	=	-3.1
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying operating profit}}{\text{Net sales}} = \frac{25\,554}{168\,433}$	=	15.2
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}} = \frac{-13\,485}{168\,433}$	=	-8.0
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}} = \frac{17\,521}{168\,433}$	=	10.4
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}} = \frac{-11\,798}{118\,670}$	=	-9.9

Return on capital employed, %	= 100 x	<u>Operating profit (EBIT)</u>	<u>-5 223</u>	=	-1.7
		Capital employed, average	303 207		
Return on capital employed excl. items affecting comparability, %	= 100 x	<u>Underlying operating profit</u>	<u>25 554</u>	=	8.4
		Capital employed, average	303 207		
EBIT interest cover, (x)	=	<u>Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund</u>	<u>-4 159</u>	=	-0.6
		Financial expenses excl. discounting effects attributable to provisions	6 864		
EBIT interest cover excl. Items affecting comparability, (x)	=	<u>Underlying operating profit + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund</u>	<u>26 618</u>	=	3.9
		Financial expenses excl. discounting effects attributable to provisions	6 864		
FFO interest cover, (x)	=	<u>Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions</u>	<u>36 946</u>	=	5.4
		Financial expenses excl. discounting effects attributable to provisions	6 864		
FFO interest cover, net, (x)	=	<u>Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund</u>	<u>35 882</u>	=	6.2
		Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	5 800		
Cash flow interest cover after maintenance investments, (x)	=	<u>Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs</u>	<u>31 177</u>	=	5.5
		Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	5 664		
FFO/gross debt, %	= 100 x	<u>Funds from operations (FFO)</u>	<u>30 082</u>	=	24.7
		Interest-bearing liabilities	121 588		
FFO/net debt, %	= 100 x	<u>Funds from operations (FFO)</u>	<u>30 082</u>	=	35.1
		Net debt	85 694		
FFO/adjusted net debt, %	= 100 x	<u>Funds from operations (FFO)</u>	<u>30 082</u>	=	20.4
		Adjusted net debt	147 296		
EBITDA/net financial items, (x)	=	<u>Operating profit before depreciation and amortisation (EBITDA)</u>	<u>44 359</u>	=	7.6
		Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	5 800		
EBITDA excl. items affecting comparability/net financial items, (x)	=	<u>Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability</u>	<u>75 136</u>	=	13.0
		Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	5 800		

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

Equity/total assets, %	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{145\,725}{492\,175}$	=	29.6
Gross debt/equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{121\,588}{145\,725}$	=	83.4
Net debt/equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	$\frac{85\,694}{145\,725}$	=	58.8
Gross debt/gross debt plus equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	$\frac{121\,588}{267\,313}$	=	45.5
Net debt/net debt plus equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	$\frac{85\,694}{231\,419}$	=	37.0
Net debt/EBITDA, (x)	=	$\frac{\text{Net debt}}{\text{Operating profit before depreciation and amortisation (EBITDA)}}$	$\frac{85\,694}{44\,359}$	=	1.9
Adjusted net debt/EBITDA, (x)	=	$\frac{\text{Adjusted net debt}}{\text{Operating profit before depreciation and amortisation (EBITDA)}}$	$\frac{147\,296}{44\,359}$	=	3.3