

Interim Report

January–June 2014

April–June 2014

- Net sales amounted to SEK 36,575 million (38,308).
- The underlying operating profit¹ amounted to SEK 4,086 million (5,399).
- Operating profit amounted to SEK -1,637 million (-25,842). Greater provisions primarily for future expenses for the decommissioning of nuclear power in Germany had a negative impact on operating profit, by SEK 5.5 billion. Operating profit for the corresponding quarter in 2013 was charged with SEK 29.7 billion in impairment losses.
- Profit for the period (after tax) amounted to SEK -2,323 million (-23,259). Greater provisions primarily for future expenses for the decommissioning of nuclear power in Germany had a negative impact on profit for the period, by SEK 4.0 billion. Profit for the period for the corresponding quarter in 2013 was charged with SEK 24.5 billion in impairment losses.
- Electricity generation decreased by 5.0% to 39.7 TWh (41.8), mainly as a result of lower nuclear power generation.

January–June 2014

- Net sales amounted to SEK 82,486 million (88,040).
- The underlying operating profit¹ amounted to SEK 13,163 million (17,055).
- Operating profit amounted to SEK 10,197 million (-15,005). Greater provisions primarily for future expenses for the decommissioning of nuclear power in Germany had a negative impact on operating profit, by SEK 5.5 billion. Operating profit for the corresponding period in 2013 was charged with SEK 29.7 billion in impairment losses.
- Profit for the period (after tax) amounted to SEK 5,882 million (-17,064). Greater provisions primarily for future expenses for the decommissioning of nuclear power in Germany had a negative impact on profit for the period, by SEK 4.0 billion. Profit for the period for the corresponding period in 2013 was charged with SEK 24.5 billion in impairment losses.
- Electricity generation decreased by 4.3% to 89.8 TWh (93.9), mainly as a result of lower fossil-based power generation.

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

“Vattenfall reports an underlying operating profit of SEK 4.1 billion for the second quarter, which is a decrease of SEK 1.3 billion compared with the corresponding quarter in 2013. For the first half of the year, the underlying operating profit was SEK 13.2 billion, a decrease of SEK 3.9 billion. The earnings decrease, which reflects the tough market conditions for the energy sector, is mainly attributable to average lower prices achieved, lower volumes and a lower earnings contribution from trading and gas sourcing. Demand for electricity, gas and heat was considerably lower than in 2013, which has had a negative impact on Vattenfall's profit. Lower operating expenses have had a positive effect.

Profit after tax for the second quarter amounted to SEK -2.3 billion. Profit was negatively affected by SEK 4.0 billion attributable to higher provisions primarily for future expenses for the decommissioning of nuclear power in Germany. Following an extended period of falling interest rates, Vattenfall decided to lower the discount rate it uses to calculate provisions, resulting in an increase in these.

As previously announced, I will be leaving Vattenfall, and Magnus Hall will take office as CEO on 1 October 2014. Major changes in the market have been part of everyday life for Vattenfall as one of Europe's largest energy companies, which I have had the benefit of working with for nearly five years. I can affirm that the Group's operations are performing well, with good availability for all types of our generation. However, demand continues to be weak, the surplus of generation capacity remains, electricity prices have fallen further in 2014, and CO2 prices are low. This is a pattern in the market that we have lived with for quite some time. We have managed to counteract this trend to some extent through substantial cost-cutting and by lowering our debt through the sale of some of the company's non-core businesses. We have improved efficiency and increased the availability of our power plants, particularly in nuclear power, and we have strengthened our cash flow by scaling back on investments. Our ongoing cost-cutting programme is on track, and by year-end our accumulated cost reductions are expected to amount to approximately 25% compared with the cost base in 2010.

This is my last quarterly report, and I would like to thank all of Vattenfall's employees for their commitment and commendable efforts during my time with the company. I am proud about what we have achieved at Vattenfall.”



Øystein Løseth
President and CEO

Key data

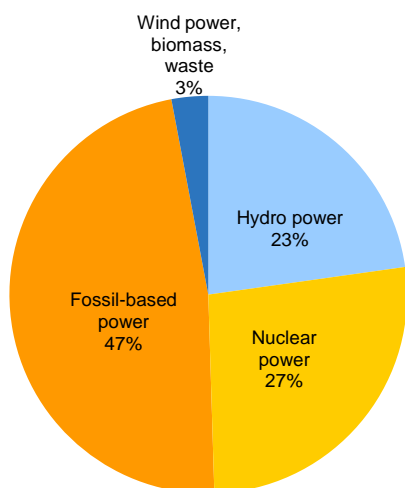
Amounts in SEK million unless indicated otherwise	Q2 2014	Q2 2013 ¹	Q1-2 2014	Q1-2 2013 ¹	Full year 2013 ¹	Last 12 months
Net sales	36 575	38 308	82 486	88 040	172 253	166 699
Operating profit before depreciation and amortisation (EBITDA)	3 890	8 736	20 480	24 519	43 554	39 515
Operating profit (EBIT)	-1 637	-25 842	10 197	-15 005	-6 218	18 984
Underlying operating profit	4 086	5 399	13 163	17 055	28 135	24 243
Profit for the period	-2 323	-23 259	5 882	-17 064	-13 543	9 403
Funds from operations (FFO)	3 854	5 999	14 647	18 597	31 888	27 938
Net debt	85 872	104 249	85 872	104 249	98 998	
Adjusted net debt	156 124	162 503	156 124	162 503	162 590	
Return on capital employed, %	6.4 ²	- 4.2 ²	6.4 ²	- 4.2 ²	- 2.1	
Net debt/equity, %	60.3	81.6	60.3	81.6	75.7	
Funds from operations (FFO)/adjusted net debt, %	17.9 ²	22.4 ²	17.9 ²	22.4 ²	19.6	
Adjusted net debt/operating profit before depreciation and amortisation (EBITDA), times	4.0 ²	3.6 ²	4.0 ²	3.6 ²	3.7	
Electricity generation, TWh	39.7	41.8	89.8	93.9	181.7	177.6
- of which, hydro power	9.1	8.2	19.7	19.4	35.6	35.9
- of which, nuclear power	10.6	12.0	25.5	26.5	51.9	50.9
- of which, fossil-based power ³	19.0	20.5	41.9	45.4	87.9	84.4
- of which, wind power	0.7	0.8	2.1	1.8	3.9	4.1
- of which, biomass, waste ³	0.2	0.3	0.6	0.7	2.4	2.3
Sales of electricity, TWh	46.6	45.6	103.1	103.7	203.3	202.7
Sales of heat, TWh	4.7	5.8	13.8	18.7	30.3	25.4
Sales of gas, TWh	7.0	9.7	25.4	35.0	55.8	46.2
Number of employees, full-time equivalents	30 544	32 467	30 544	32 467	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 new accounting rules (IFRS 11) that took effect in 2014. See Note 4.

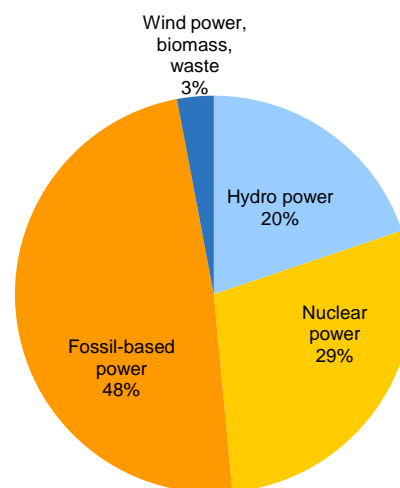
2) Last 12-month values.

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

Electricity generation, Q2 2014 %



Electricity generation, Q2 2013 %



Important events Q2

Changes in the Board of Directors

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 directors. Fredrik Arp was elected as a new director.

Magnus Hall new President and CEO of Vattenfall

On 7 May Vattenfall's board announced that Magnus Hall has been appointed as the new President and CEO of Vattenfall. He succeeds Øystein Løseth and will assume his duties on 1 October 2014.

Vattenfall sells Kalix Värmeverk

On 23 April Vattenfall announced that the company is selling 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 made public.

Vattenfall inaugurates wind farm in Falkenberg

On 20 May Vattenfall's largest land-based wind farm in southern Sweden, Hjuleberg, was inaugurated. The Hjuleberg wind farm comprises 12 wind turbines with combined capacity of 36 MW and will generate electricity equivalent to the consumption of more than 18,000 homes. The total investment cost was SEK 500 million.

Start of construction of Lichterfelde combined heat and power plant in Berlin

In May, construction was started on the new gas-fired combined heat and power plant, Berlin–Lichterfelde, which will replace an older plant. The combined heat and power plant will have capacity of 300 MW electricity and 230 MW heat, and is expected to be commissioned at the end of 2016. The new combined heat and power plant is expected to have a fuel efficiency level of 85% and will result in lower CO₂ emissions by 100,000 tonnes per year.

Vattenfall buys hydro power plant

On 4 June Vattenfall acquired the Rimojokk power plant, a small run-of-river hydro power plant in 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 made public.

Danish coal-fired power plant to be decommissioned in 2016

In June Vattenfall announced that the coal-fired Fyn power station in Denmark will have reached the end of its operational life in 2016 and that Vattenfall has decided to decommission it. The decision is in line with Vattenfall's strategy to reduce CO₂ emissions and invest in renewable energy.

Higher provisions due to lower market interest rates

Due to continued falling market interest rates, Vattenfall has lowered the discount rate it uses for calculating pension provisions in Sweden and Germany as well as for other provisions in Germany – mainly expenses for nuclear power. As a result, provisions on the balance sheet have risen by SEK 8.7 billion and adjusted net debt has increased by SEK 9.3 billion.

The discount rate for pensions has been reduced from 4.0% to 3.5% in Sweden and from 3.5% to 3.0% in Germany. The reduction has no impact on operating profit. The discount rate for calculation of other provisions in Germany, mainly pertaining to expenses for nuclear power, has been reduced from 4.75% to 4.0%. The reduction had a negative impact on operating profit of SEK 5.5 billion and on profit after tax of SEK 4.0 billion. Cash flow and the underlying operating profit are not affected.

Sales, profit and cash flow

Net sales

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Net sales	36 575	38 308	82 486	88 040	172 253	166 699

Comment, Q2: Consolidated net sales for the second quarter of 2014 decreased by SEK 1.7 billion compared with the corresponding period in 2013, of which SEK 1.2 billion is attributable to the divested electricity grid operation in Hamburg.

Comment, Q1-2: Consolidated net sales for the first half of 2014 decreased by SEK 5.5 billion. This is mainly attributable to the divested electricity grid operation in Hamburg (SEK 2.5 billion), average lower prices achieved and lower volumes.

Earnings

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Operating profit before depreciation and amortisation (EBITDA)	3 890	8 736	20 480	24 519	43 554	39 515
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	8 942	10 360	22 772	26 882	47 760	43 650
Operating profit (EBIT)	- 1 637	- 25 842	10 197	- 15 005	- 6 218	18 984
Items affecting comparability	- 5 723	- 31 241	- 2 966	- 32 060	- 34 353	- 5 259
Underlying operating profit	4 086	5 399	13 163	17 055	28 135	24 243

Comment, Q2: The underlying operating profit decreased by SEK 1.3 billion, which is explained by the following:

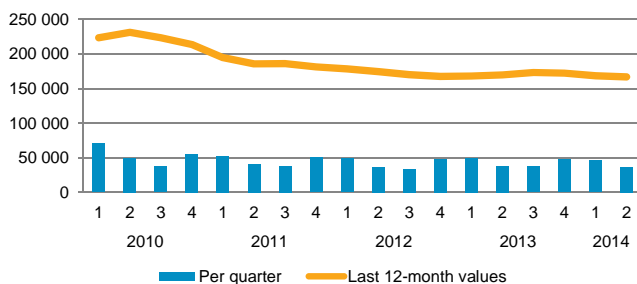
- Lower production margins (SEK -0.8 billion)
- Lower generation volumes (SEK -0.2 billion)
- Lower earnings contribution from trading and gas sourcing (SEK -0.7 billion)
- Lost earnings contribution from divested operation – electricity distribution Hamburg (SEK -0.1 billion)
- Lower operating expenses (SEK 0.4 billion)
- Other items, net (SEK 0.1 billion), mainly lower depreciation

Comment, Q1–2: The underlying operating profit decreased by SEK 3.9 billion, which is explained by the following:

- Lower production margins (SEK -2.1 billion)
- Lower generation volumes (SEK -1.1 billion)
- Lower earnings contribution from trading and gas sourcing (SEK -0.9 billion)
- Lost earnings contribution from divested operation – electricity distribution Hamburg (SEK -0.4 billion)
- Lower operating expenses (SEK 0.9 billion)
- Other items, net (SEK -0.3 billion)

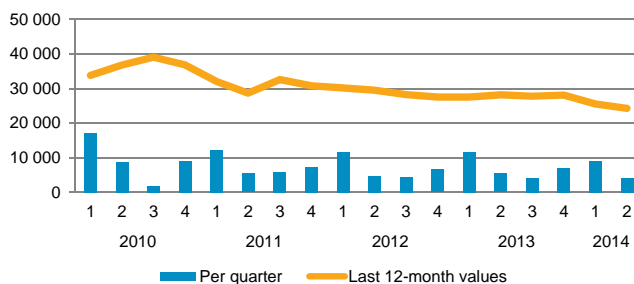
Net sales

SEK million



Underlying operating profit

SEK million



Items affecting comparability

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Items affecting comparability affecting operating profit (EBIT)						
Capital gains	96	24	3 130	31	189	3 288
Capital losses	- 21	- 60	- 18	- 67	- 132	- 83
Impairment losses	- 670	- 29 617	- 673	- 29 697	- 30 147	- 1 124
Unrealised changes in the fair value of energy derivatives	582	- 934	681	- 611	- 995	296
Unrealised changes in the fair value of inventories	61	- 32	- 211	- 633	281	702
Restructuring costs	- 255	- 220	- 357	- 681	- 1 567	- 1 244
Other items affecting comparability	- 5 516	- 402	- 5 516	- 402	- 1 981	- 7 095
Total	- 5 723	- 31 241	- 2 966	- 32 060	- 34 353	- 5 259
					0	

Comment, Q2: Items affecting comparability in the second quarter of 2014 amounted to SEK -5.7 billion. Other items affecting comparability pertain to greater provisions primarily for future expenses for the decommissioning of nuclear power in Germany (SEK -5.5 billion). Remaining items affecting comparability pertain mainly to impairment losses on assets held for sale (SEK -0.7 billion), unrealised changes in the market value of energy derivatives and inventories (SEK 0.6 billion), and restructuring costs (SEK -0.3 billion).

Comment, Q1-2: Items affecting comparability in the first half of 2014 amounted to SEK -3.0 billion. Capital gains of slightly more than SEK 3.1 billion pertain mainly to the sale of Vattenfall's electricity grid operation in Hamburg. Other items affecting comparability pertain to greater provisions primarily for future expenses for the decommissioning of nuclear power in Germany (SEK -5.5 billion). Remaining items affecting comparability pertain mainly to impairment losses on assets held for sale (SEK -0.7 billion), unrealised changes in the market value of energy derivatives and inventories (SEK 0.5 billion), and restructuring costs (SEK -0.4 billion).

Profit for the period

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Profit for the period	- 2 323	- 23 259	5 882	- 17 064	- 13 543	9 403

Comment, Q2: Profit for the period (after tax) amounted to SEK -2,323 million (-23,259). Greater provisions primarily for future expenses for the decommissioning of nuclear power in Germany had a negative impact on profit for the period, by SEK 4.0 billion. Profit for the period for the corresponding quarter in 2013 was charged with impairment losses of SEK 24.5 billion.

Comment, Q1-2: Profit for the period (after tax) amounted to SEK 5,882 million (-17,064).

Financial items

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Net financial items	- 1 421	- 2 660	- 3 122	- 5 136	- 9 037	- 7 023
- of which, interest income	119	113	463	218	916	1 161
- of which, interest expenses	- 853	- 957	- 2 034	- 1 717	- 4 833	- 5 150
- of which, impairment and provisions	—	- 238	- 2	- 492	- 492	- 2
- of which, other	- 687	- 1 578	- 1 549	- 3 145	- 4 628	- 3 032
Interest received ¹	183	183	336	533	725	528
Interest paid ¹	- 1 618	- 1 037	- 2 904	- 2 436	- 4 086	- 4 554

1) Pertains to cash flows.

Comment: The improvement in financial items in the second quarter of 2014 compared with the same quarter in 2013 is mainly attributable to a positive change in the value of financial derivatives and impairment of Vattenfall's shareholding in the Polish energy company Enea S.A. during the second quarter of 2013.

Cash flow

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Funds from operations (FFO)	3 854	5 999	14 647	18 597	31 888	27 938
Cash flow from changes in operating assets and operating liabilities (working capital)	4 479	5 475	1 174	- 2 363	5 955	9 492
Cash flow from operating activities	8 333	11 474	15 821	16 234	37 843	37 430

Comment, Q2: Funds from operations (FFO) decreased by SEK 2.1 billion compared with the second quarter of 2013. The decrease is mainly attributable to average lower electricity prices achieved, higher interest payments, and a lower earnings contribution from trading and gas sourcing.

Cash flow from changes in working capital amounted to SEK 4.5 billion during the quarter, which is mainly attributable to a seasonal reduction in operating receivables.

Comment, Q1-2: Funds from operations (FFO) decreased by SEK 4.0 billion compared with the corresponding period of 2013. The decrease is mainly attributable to average lower electricity prices achieved, higher interest payments, and a lower earnings contribution from trading and gas sourcing.

Cash flow from changes in working capital amounted to SEK 1.2 billion and included a seasonal, negative change in working capital during the first quarter of the year. The difference compared with the change in working capital during the first half of 2013 is mainly attributable to changes in operating receivables, which decreased more in 2014 than in 2013.

Financial position

Amounts in SEK million	30 June 2014	31 Dec. 2013	Change, %
Cash and cash equivalents, and short-term investments	30 147	27 261	10.6
Committed credit facilities (unutilised)	23 399	22 591	3.6

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., and the Amager combined heat and power station in Denmark (together totalling SEK 9.1 billion) during the first quarter of 2014.

Committed credit facilities consist of a EUR 2.55 billion Revolving Credit Facility that expires on 20 January 2016. As per 31 December 2013, available liquid assets and/or committed credit facilities amounted to 29% of net sales. Vattenfall's target is to maintain this 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	30 June 2014	31 Dec. 2013	Change, %
Interest-bearing liabilities	116 618	126 488	-7.8 ¹
Net debt	85 872	98 998	-13.3 ¹
Adjusted net debt (see page 21)	156 124	162 590	-4.0
Average interest rate, % ²	3.7	3.5	—
Duration, years ²	3.1	2.9	—
Average time to maturity, years ²	6.1	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 9.9 billion. The decrease is mainly attributable to amortisation of external loans. Currency effects were negative in the amount of SEK 4.5 billion.

Net debt decreased by SEK 13.1 billion compared with the level on 31 December 2013, mainly due to the sales of the electricity grid operation in Hamburg, the minority interest in Enea S.A., and the Amager combined heat and power station in Denmark (together totalling SEK 9.1 billion). Net debt was unchanged compared with the level on 31 March 2014.

Adjusted net debt decreased by SEK 6.5 billion compared with the level on 31 December 2013. Compared with the level on 31 March 2014, adjusted net debt increased by SEK 8.8 billion. In response to falling market interest rates, Vattenfall has lowered the discount rate it uses to calculate pension provisions in both Sweden and Germany, as well as for other provisions in Germany – mainly expenses for nuclear power. This has led to an increase in provision, which in turn has entailed an increase in adjusted net debt (SEK 9.3 billion).

Credit ratings

No changes have taken 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	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Maintenance investments	4 003	3 111	6 805	5 121	14 264	15 948
Growth investments	2 041	3 455	4 493	6 745	13 497	11 245
- of which, shares	- 50	4	- 135	11	- 15	- 161
Total investments	6 044	6 566	11 298	11 866	27 761	27 193
Divestments	269	157	9 391	198	651	9 844
- of which, shares	174	48	8 295	52	271	8 514

Comment: Investments are specified in the table below. Divestments pertain to the electricity grid 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, and to the sale of Kalix Värmeverk AB and tangible assets during the second quarter of 2014.

According to Vattenfall's sustainability target, the company's rate of growth in newly installed renewable capacity is to be higher than the average rate of growth for ten defined countries in northern and central Europe during the period 2013–2020. In 2013 Vattenfall installed 145 MW of new capacity, which corresponds to an increase of 9.1% compared with 2012. Vattenfall has decided to follow up the rate of growth in the ten countries that make up the reference market for the growth target through the use of official, national statistics. Since such official statistics were not available for all countries ahead of this interim report's publication, the company expects to be able to present a conclusive follow-up in Vattenfall's nine-month interim report or at the latest in the Annual and Sustainability Report for 2014.

Specification of investments

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Electricity generation						
Hydro power	269	266	468	428	1 300	1 340
Nuclear power	1 115	807	1 956	1 409	2 993	3 540
Coal power	1 155	1 080	1 728	1 743	4 367	4 352
Gas	136	429	158	1 107	1 622	673
Wind power	735	1 240	1 914	2 138	4 095	3 871
Biomass, waste	1 2		4	1	14	17
Other	931	457	1 077	957	1 280	1 400
Total electricity generation	4 343	4 280	7 305	7 783	15 671	15 193
CHP/heat						
Fossil-based power	296	297	704	502	1 699	1 901
Biomass, waste	69	154	100	171	377	306
Other	291	190	433	312	1 022	1 143
Total CHP/heat	656	641	1 237	985	3 098	3 350
Electricity networks						
Electricity networks	1 200	1 029	1 962	1 697	4 571	4 836
Total Electricity networks	1 200	1 029	1 962	1 697	4 571	4 836
Purchases of shares	- 50	4	- 135	11	- 15	- 161
Other, excl. purchases of shares	- 105	612	929	1 390	4 436	3 975
Total	6 044	6 566	11 298	11 866	27 761	27 193

Wholesale price trend

Spot prices – electricity

The spot price on Nord Pool continued to fall during the second quarter due to historically low water levels at the end of the first quarter. On average, the spot price for the second quarter was EUR 25.6/MWh (38.9). The hydrological balance was slightly lower than normal at the end of the second quarter. For the period January–June 2014, the average spot price was EUR 27.9/MWh (40.4). In Germany the average spot price for the second quarter was EUR 31.2/MWh (32.8), while it was EUR 32.4/MWh for the period January–June (37.4). In the Netherlands, the average spot price for the second quarter was EUR 38.6/MWh (52.8). The decrease compared with the corresponding period in 2013 is mainly due to lower gas prices. For the period January–June, the average spot price was SEK 40.8/MWh (53.6).

Time period	Nord Pool Spot EUR/MWh (Nordic countries)	EEX EUR/MWh (Germany)	APX EUR/MWh (Netherlands)
Q2 2014	25.6	31.2	38.6
Q2 2013	38.9	32.8	52.8
%	-34.0%	-4.8%	-26.8%
Q1-2 2014	27.9	32.4	40.8
Q1-2 2013	40.4	37.4	53.6
%	-30.8%	-13.5%	-24.0%

Futures prices – electricity

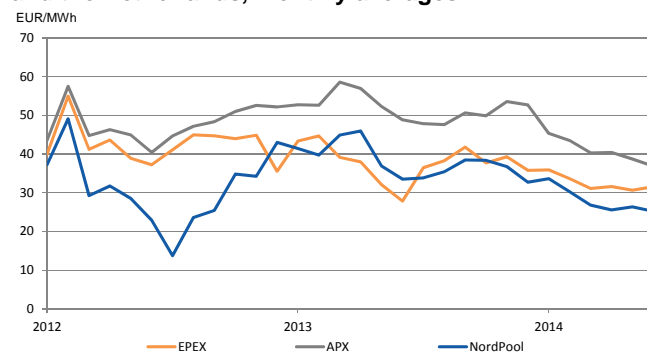
Electricity futures prices in the second quarter of 2014 were 2%–13% lower than in the corresponding quarter of 2013. This is mainly attributable to falling coal prices (Germany) and gas prices (Netherlands), which were partially offset by rising prices for CO₂ emission allowances. Compared with the first quarter of 2014, futures prices were 1%–5% lower.

Time period	Nordic countries (NPX)		Germany (EEX)		Netherlands (APX)	
	2015	2016	2015	2016	2015	2016
Q2 2014	30.2	29.8	34.4	33.5	42.8	40.3
Q1 2014	31.8	31.2	36.1	35.5	43.0	41.2
%	-4.8%	-4.8%	-4.6%	-5.6%	-0.6%	-2.3%
Q2 2013	34.8	33.7	38.5	38.5	43.7	43.5
%	-13.1%	-11.6%	-10.6%	-12.9%	-2.2%	-7.3%

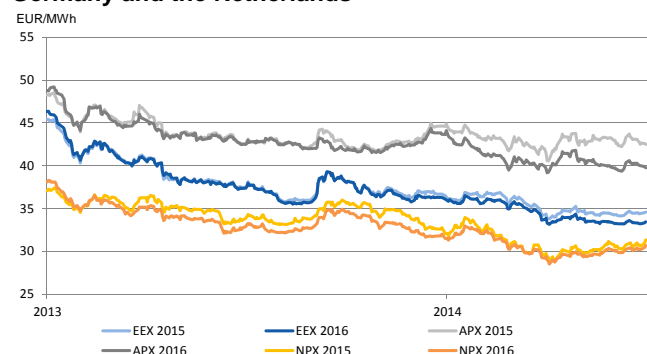
Commodity prices

The price of oil (Brent crude) rose 6% during the second quarter of 2014 compared with the corresponding period in 2013. Unrest in Ukraine and Iraq along with supply disruptions kept prices up. The price of coal weakened during the second quarter, mainly due to oversupply combined with weak demand and higher competition from renewable energy sources. The price of gas fell 8% compared with the corresponding period in 2013. A high level of gas inventory and earlier-than-scheduled imports of Russian gas as a result of unrest in Ukraine put pressure on gas prices. The price of CO₂ emission allowances increased by 36% during the second quarter compared with the same quarter in 2013 as a result of expectations for a positive outcome from the European Council's meeting in October 2014 on climate strategy targets for 2030 and the proposal to introduce a Market Stability Reserve (MSR).

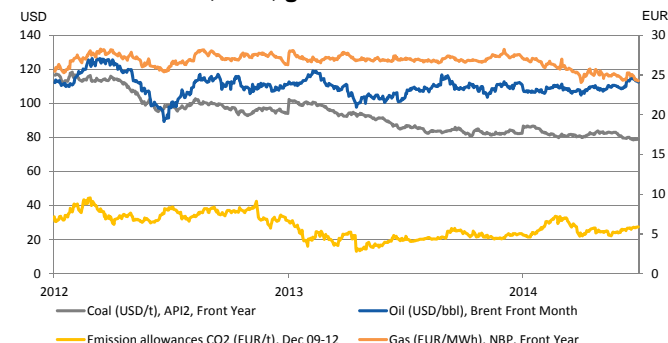
Electricity spot prices in the Nordic countries, Germany and the Netherlands, monthly averages



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



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



Vattenfall's price hedging

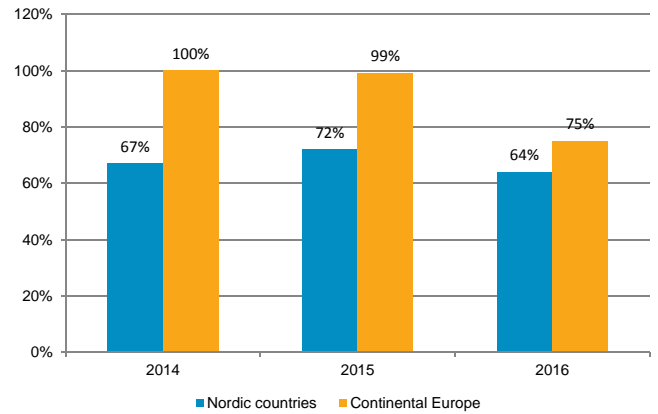
Since Vattenfall continuously hedges its future electricity generation through sales in the forward and futures markets, spot prices have only a limited impact on Vattenfall's earnings in the near term.

The chart shows the share of planned electricity generation that Vattenfall has hedged in the Nordic countries and Continental Europe (Germany and the Netherlands). The figure for 2014 shows the remainder of the year.

Average price hedges as per 30 June 2014

EUR/MWh	2014	2015	2016
Nordic countries	39	37	35
Continental Europe	50	44	39

Vattenfall's hedge ratios (%) as per 30 June 2014



Nordic operating segment

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Net sales	12 109	12 852	26 235	28 627	55 965	53 573
External net sales ¹	11 528	11 925	25 051	26 819	52 266	50 498
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	4 145	4 415	10 212	11 841	21 485	19 856
Underlying operating profit	2 439	2 888	6 857	8 837	15 371	13 391
Electricity generation, TWh ²	19.5	19.7	44.8	45.2	87.0	86.6
- of which, hydro power	8.5	7.3	18.3	17.7	32.5	33.1
- of which, nuclear power	10.6	12.0	25.5	26.5	51.9	50.9
- of which, fossil-based power	—	—	—	—	—	—
- of which, wind power	0.3	0.3	0.9	0.7	1.5	1.7
- of which, biomass, waste	0.1	0.1	0.2	0.2	1.1	1.1
Sales of electricity, TWh	22.1	22.2	49.9	50.7	96.9	96.1
- of which, private customers	2.1	2.1	5.7	6.2	11.0	10.5
- of which, resellers	1.5	1.6	3.7	3.9	7.4	7.2
- of which, business customers	8.1	8.9	17.1	18.7	35.9	34.3
Sales of heat, TWh	0.7	1.0	2.1	2.4	4.1	3.8
Sales of gas, TWh	—	—	—	—	—	—
Number of employees, full-time equivalents	8 467	8 435	8 467	8 435	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, Q2

Net sales were essentially at the same level as in the corresponding period in 2013.

Net sales, Q1–2

Net sales during the first half of the year decreased by SEK 2.4 billion compared with the corresponding period in 2013. This is explained mainly by average lower prices achieved, lower production volumes, and lower sales of electricity and heat as a result of warmer weather.

Underlying operating profit, Q2

The underlying operating profit decreased by SEK 0.5 billion compared with the corresponding period in 2013. This is mainly attributable to average lower prices achieved.

Underlying operating profit, Q1–2

The underlying operating profit for the first half of the year decreased by SEK 1.9 billion compared with the corresponding period in 2013. This is mainly attributable to average lower prices achieved.

Electricity generation and sales of electricity and heat, Q2

Hydro power generation increased by 1.2 TWh to 8.5 TWh (7.3) as a result of good water supply. Nordic reservoirs were filled to 60.0% (62.9%) capacity at the end of the second quarter, which is 1 percentage point below the normal level. Nuclear power generation decreased by 1.3 TWh to 10.6 TWh (12.0). Combined availability of Vattenfall's nuclear power plants was 71.6% (79.2%) during the second quarter. Forsmark had availability of 77.7% (81.5%) and generation of 5.5 TWh (5.8). Availability at Ringhals was 64.7% (76.6%), and generation amounted to 5.1 TWh (6.2). The lower availability is mainly explained by the earlier scheduling of the year's plant audits compared with 2013. Wind power generation was unchanged at 0.3 TWh (0.3). Sales of electricity were unchanged, while sales of heat were down slightly.

Continental/UK operating segment

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Net sales	26 003	27 123	58 896	62 960	124 282	120 218
External net sales ¹	25 040	26 336	57 384	61 124	119 818	116 078
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	4 760	6 026	12 618	15 352	26 759	24 025
Underlying operating profit	1 717	2 662	6 574	8 795	13 658	11 437
Electricity generation, TWh	20.2	22.1	45.0	48.7	94.7	91.0
- of which, hydro power	0.6	0.9	1.4	1.7	3.1	2.8
- of which, nuclear power	—	—	—	—	—	—
- of which, fossil-based power	19.0	20.4	41.9	45.4	87.9	84.4
- of which, wind power	0.4	0.5	1.2	1.1	2.4	2.5
- of which, biomass, waste	0.2	0.2	0.4	0.5	1.3	1.2
Sales of electricity, TWh	24.5	23.6	53.1	53.2	106.4	106.3
- of which, private customers	3.6	3.9	8.1	8.7	17.2	16.6
- of which, resellers	5.3	4.8	11.2	9.8	19.7	21.1
- of which, business customers	7.3	6.8	15.3	15.6	30.2	29.9
Sales of heat, TWh	4.0	4.9	11.8	16.3	26.1	21.6
Sales of gas, TWh	7.0	9.7	25.4	35.0	55.8	46.2
Number of employees, full-time equivalents	20 345	22 332	20 345	22 332	21 811	

1) Excluding intra-Group transactions.

Net sales, Q2

Net sales decreased by SEK 1.1 billion compared with the corresponding period in 2013. This is mainly attributable to average lower prices achieved and lower volumes.

Net sales, Q1–2

Net sales decreased by SEK 4.1 billion compared with the corresponding period in 2013. This is mainly attributable to average lower prices achieved and lower volumes.

Underlying operating profit, Q2

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 and lower volumes.

Underlying operating profit, Q1–2

The underlying operating profit decreased by SEK 2.2 billion compared with the corresponding period in 2013. This is mainly attributable to lower production margins, lower volumes and a lower earnings contribution from trading and gas sourcing. The lost earnings contribution from the divested electricity grid operation in Hamburg amounted to approximately SEK 0.4 billion.

Sales of electricity, gas and heat, and electricity generation, Q2

Fossil-based generation decreased by 6.9% to 19.0 TWh (20.4), mainly owing to the sale of the Amager combined heat and power station in Denmark. Wind power generation was essentially unchanged at 0.4 TWh (0.5). Sales of electricity increased by 0.9 TWh to 24.5 TWh (23.6). Sales of both heat and gas decreased.

Other¹

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Net sales	775	831	1 511	1 573	3 416	3 354
External net sales ²	5	47	50	97	169	122
Underlying operating profit	- 29	- 152	- 152	- 577	- 894	- 469
Number of employees, full-time equivalents	1 733	1 700	1 733	1 700	1 613	

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	Q2 2014	Q2 2013 ⁹	Q1-2 2014	Q1-2 2013 ⁹	Full year 2013 ⁹	Last 12 months
Net sales	36 575	38 308	82 486	88 040	172 253	166 699
Cost of products sold ¹	- 32 059	- 58 423	- 64 963	- 93 643	- 158 569	- 129 889
Gross profit	4 516	- 20 115	17 523	- 5 603	13 684	36 810
Selling expenses, administrative expenses and research and development costs ²	- 5 148	- 5 490	- 9 415	- 9 791	- 21 595	- 21 219
Other operating income and expenses, net	- 494	183	2 469	569	1 285	3 185
Participations in the results of associated companies ³	- 511	- 420	- 380	- 180	408	208
Operating profit (EBIT) ⁴	- 1 637	- 25 842	10 197	- 15 005	- 6 218	18 984
Financial income ^{5,8}	623	163	1 315	321	1 416	2 410
Financial expenses ^{6,7,8}	- 2 044	- 2 823	- 4 438	- 5 457	- 10 453	- 9 434
Profit before tax	- 3 058	- 28 502	7 074	- 20 141	- 15 255	11 960
Income tax expense	735	5 243	- 1 192	3 077	1 712	- 2 557
Profit for the period	- 2 323	- 23 259	5 882	- 17 064	- 13 543	9 403
Attributable to non-controlling interests	- 493	448	- 399	402	125	- 676
Attributable to owner of the Parent Company	- 1 830	- 23 707	6 281	- 17 466	- 13 668	10 079
Earnings per share						
Number of shares in Vattenfall AB, thousands	131 700	131 700	131 700	131 700	131 700	131 700
Earnings per share, basic and diluted (SEK)	-13.90	-180.01	47.69	-132.62	-103.78	76.53

Supplementary information

Operating profit before depreciation and amortisation (EBITDA)	3 890	8 736	20 480	24 519	43 554	39 515
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 932	- 2 057	- 1 888	- 3 346	- 6 132	- 4 674
Underlying operating profit	4 086	5 399	13 163	17 055	28 135	24 243
1) Of which, depreciation, amortisation and impairment losses pertaining to intangible assets (non-current) and property, plant and equipment	- 5 409	- 33 805	- 10 044	- 38 598	- 48 342	- 19 788
2) Of which, depreciation, amortisation and impairment losses pertaining to non-current assets	- 117	- 301	- 239	- 454	- 953	- 738
3) Of which impairment losses pertaining to non-current assets	—	- 472	—	- 472	- 477	- 5
4) Including items affecting comparability	- 5 723	- 31 241	- 2 966	- 32 060	- 34 353	- 5 259
5) Including return from the Swedish Nuclear Waste Fund	394	358	517	- 40	363	920
6) Including interest components related to pension costs	- 310	- 286	- 615	- 561	- 1 170	- 1 224
7) Including discounting effects attributable to provisions	- 883	- 960	- 1 752	- 1 750	- 3 268	- 3 270
8) Items affecting comparability recognised as financial income and expenses, net	2	- 215	- 13	- 469	- 469	- 13

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	Q2 2014	Q2 2013 ¹	Q1-2 2014	Q1-2 2013 ¹	Full year 2013 ¹	Last 12 months
Profit for the period	- 2 323	- 23 259	5 882	- 17 064	- 13 543	9 403
Other comprehensive income:						
Items that will be reclassified to profit or loss when specific conditions are met						
Cash flow hedges:						
- Changes in fair value	877	5 093	4 504	6 956	12 510	10 058
- Dissolved against the income statement	- 3 000	- 2 858	- 5 209	- 4 587	- 9 920	- 10 542
- Transferred to cost of hedged item	- 5	- 17	5	- 28	- 7	26
- Tax attributable to cash flow hedges	565	- 609	151	- 779	- 736	194
Hedging of net investments in foreign operations:						
- Hedging of net investments in foreign operations	- 2 388	- 4 452	- 3 302	- 1 764	- 2 717	- 4 255
- Tax attributable to hedging of net investments in foreign operations	426	979	2 674	388	598	2 884
Other:						
- Translation differences	4 631	7 506	6 732	2 152	4 165	8 745
- Remeasurement of available-for-sale financial assets	—	—	- 182	—	182	—
- Impairment of available-for-sale financial assets	—	—	—	- 30	- 30	—
Total Items that will be reclassified to profit or loss when specific conditions are met	1 106	5 642	5 373	2 308	4 045	7 110
Items that will not be reclassified to profit or loss:						
Remeasurement pertaining to defined benefit obligations	- 3 391	- 1 017	- 3 391	- 1 029	- 1 200	- 3 562
Tax attributable to remeasurement pertaining to defined benefit obligations	951	306	951	374	469	1 046
Total Items that will not be reclassified to profit or loss	- 2 440	- 711	- 2 440	- 655	- 731	- 2 516
Total other comprehensive income, net after tax	- 1 334	4 931	2 933	1 653	3 314	4 594
Total comprehensive income for the period	- 3 657	- 18 328	8 815	- 15 411	- 10 229	13 997
Attributable to owner of the Parent Company	- 3 317	- 18 990	9 004	- 16 129	- 10 722	14 411
Attributable to non-controlling interests	- 340	662	- 189	718	493	- 414

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	Q2 2014	Q2 2013 ³	Q1-2 2014	Q1-2 2013 ³	Full year 2013 ³	Last 12 months
External net sales						
Nordic	11 528	11 925	25 051	26 819	52 266	50 498
- of which, Generation	1 551	1 701	3 147	3 304	7 579	7 422
- of which, Distribution	2 022	2 120	4 599	4 785	9 157	8 971
- of which, Sales	4 700	5 314	10 996	12 850	23 819	21 965
- of which, Other operations	6 640	7 100	13 837	16 169	30 903	28 571
- of which, Eliminations	- 3 385	- 4 310	- 7 528	- 10 289	- 19 192	- 16 431
Continental/UK	25 040	26 336	57 384	61 124	119 818	116 078
- of which, Generation	4 037	4 792	9 518	10 782	19 547	18 283
- of which, Distribution	1 141	1 478	2 260	2 963	6 232	5 529
- of which, Sales	14 558	15 115	33 901	37 180	69 990	66 711
- of which, Other operations	5 304	4 951	11 705	10 199	24 049	25 555
Other¹	5	47	50	97	169	122
Eliminations²	2	—	1	—	—	1
Total	36 575	38 308	82 486	88 040	172 253	166 699
Internal net sales						
Nordic	581	927	1 184	1 808	3 699	3 075
- of which, Generation	5 830	6 017	12 612	13 859	26 753	25 506
- of which, Distribution	130	121	267	257	562	572
- of which, Sales	168	167	387	518	956	825
- of which, Other operations	3 199	2 199	6 525	5 293	9 250	10 482
- of which, Eliminations	- 8 746	- 7 577	- 18 607	- 18 119	- 33 822	- 34 310
Continental/UK	963	787	1 512	1 836	4 464	4 140
- of which, Generation	9 741	11 197	21 433	24 548	48 339	45 224
- of which, Distribution	941	1 426	2 052	3 155	6 447	5 344
- of which, Sales	258	335	486	718	1 343	1 111
- of which, Other operations	11 603	10 774	28 585	29 943	55 154	53 796
- of which, Eliminations	- 21 580	- 22 945	- 51 044	- 56 528	- 106 819	- 101 335
Other¹	770	784	1 461	1 476	3 247	3 232
Eliminations²	- 2 314	- 2 498	- 4 157	- 5 120	- 11 410	- 10 447
Total	—	—	—	—	—	—
Total net sales						
Nordic	12 109	12 852	26 235	28 627	55 965	53 573
- of which, Generation	7 381	7 718	15 759	17 163	34 332	32 928
- of which, Distribution	2 152	2 241	4 866	5 042	9 719	9 543
- of which, Sales	4 868	5 481	11 383	13 368	24 775	22 790
- of which, Other operations	9 839	9 299	20 362	21 462	40 153	39 053
- of which, Eliminations	- 12 131	- 11 887	- 26 135	- 28 408	- 53 014	- 50 741
Continental/UK	26 003	27 123	58 896	62 960	124 282	120 218
- of which, Generation	13 778	15 989	30 951	35 330	67 886	63 507
- of which, Distribution	2 082	2 904	4 312	6 118	12 679	10 873
- of which, Sales	14 816	15 450	34 387	37 898	71 333	67 822
- of which, Other operations	16 907	15 725	40 290	40 142	79 203	79 351
- of which, Eliminations	- 21 580	- 22 945	- 51 044	- 56 528	- 106 819	- 101 335
Other¹	775	831	1 511	1 573	3 416	3 354
Eliminations²	- 2 312	- 2 498	- 4 156	- 5 120	- 11 410	- 10 446
Total	36 575	38 308	82 486	88 040	172 253	166 699

Operating segments, Vattenfall Group cont.

Amounts in SEK million	Q2 2014	Q2 2013 ³	Q1-2 2014	Q1-2 2013 ³	Full year 2013 ³	Last 12 months
Earnings before interest, Tax, Depreciation and Amortisation (EBITDA)						
Nordic	3 764	4 615	10 109	12 056	21 727	19 780
- of which, Generation	3 017	3 352	7 320	8 798	16 393	14 915
- of which, Distribution	1 096	1 203	2 719	2 801	5 056	4 974
- of which, Sales	254	178	815	815	1 211	1 211
- of which, Other operations	- 478	- 23	- 449	- 99	- 749	- 1 099
- of which, Eliminations	- 125	- 95	- 296	- 259	- 184	- 221
Continental/UK	64	3 956	7 435	12 791	22 454	17 098
- of which, Generation	- 1 234	4 363	5 612	11 981	18 655	12 286
- of which, Distribution	289	632	888	1 550	2 955	2 293
- of which, Sales	273	413	623	1 157	1 897	1 363
- of which, Other operations	736	- 1 452	312	- 1 897	- 1 053	1 156
Other¹	102	165	3 075	- 328	- 627	2 776
Eliminations	- 40	—	- 139	—	—	- 139
Total	3 890	8 736	20 480	24 519	43 554	39 515
Underlying Earnings before interest, Tax, Depreciation and Amortisation (EBITDA)						
Nordic	4 145	4 415	10 212	11 841	21 485	19 856
- of which, Generation	3 016	3 358	7 302	8 802	16 392	14 892
- of which, Distribution	1 096	1 201	2 717	2 799	5 054	4 972
- of which, Sales	212	174	773	811	1 207	1 169
- of which, Other operations	- 236	- 223	- 284	- 313	- 986	- 957
- of which, Eliminations	57	- 95	- 296	- 258	- 182	- 220
Continental/UK	4 760	6 026	12 618	15 352	26 759	24 025
- of which, Generation	4 303	4 908	11 169	12 607	21 067	19 629
- of which, Distribution	305	663	913	1 588	3 000	2 325
- of which, Sales	398	423	754	1 167	1 930	1 517
- of which, Other operations	- 246	32	- 218	- 10	762	554
Other¹	79	- 83	59	- 313	- 484	- 112
Eliminations	- 41	1	- 116	—	—	- 116
Total	8 943	10 359	22 773	26 880	47 760	43 653

Operating segments, Vattenfall Group cont.

Amounts in SEK million	Q2 2014	Q2 2013 ³	Q1-2 2014	Q1-2 2013 ³	Full year 2013 ³	Last 12 months
Operating profit (EBIT)						
Nordic	2 058	3 019	6 754	8 983	15 534	13 305
- of which, Generation	1 982	2 434	5 269	6 934	12 579	10 914
- of which, Distribution	550	687	1 639	1 772	2 968	2 835
- of which, Sales	117	63	567	586	737	718
- of which, Other operations	- 467	- 70	- 425	- 51	- 566	- 940
- of which, Eliminations	- 124	- 95	- 296	- 258	- 184	- 222
Continental/UK	- 2 994	- 28 941	1 373	- 23 380	- 20 699	4 054
- of which, Generation	- 3 834	- 20 855	439	- 15 950	- 15 339	1 050
- of which, Distribution	97	381	509	1 053	1 933	1 389
- of which, Sales	53	- 414	194	45	740	889
- of which, Other operations	690	- 8 053	231	- 8 528	- 8 033	726
Other¹	- 661	80	2 209	- 608	- 1 053	1 764
Eliminations	- 40	—	- 139	—	—	- 139
Operating profit (EBIT)	- 1 637	- 25 842	10 197	- 15 005	- 6 218	18 984
Financial income and expenses	- 1 421	- 2 660	- 3 123	- 5 136	- 9 037	- 7 024
Profit before tax	- 3 058	- 28 502	7 074	- 20 141	- 15 255	11 960
Underlying operating profit (EBIT)						
Nordic	2 439	2 888	6 857	8 837	15 371	13 391
- of which, Generation	1 981	2 440	5 251	6 938	12 578	10 891
- of which, Distribution	550	685	1 637	1 770	2 966	2 833
- of which, Sales	75	59	525	582	743	686
- of which, Other operations	- 225	- 201	- 260	- 196	- 734	- 798
- of which, Eliminations	58	- 95	- 296	- 257	- 182	- 221
Continental/UK	1 717	2 662	6 574	8 795	13 658	11 437
- of which, Generation	1 718	2 167	6 014	7 234	10 361	9 141
- of which, Distribution	113	412	534	1 091	1 978	1 421
- of which, Sales	178	133	325	592	939	672
- of which, Other operations	- 292	- 50	- 299	- 122	379	202
Other¹	- 29	- 152	- 152	- 577	- 894	- 469
Eliminations	- 41	1	- 116	—	—	- 116
Underlying operating profit (EBIT)	4 086	5 399	13 163	17 055	28 135	24 243

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

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.

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	30 June 2014	30 June 2013 ¹	31 Dec. 2013 ¹
Assets			
Non-current assets			
Intangible assets: non-current	31 922	31 983	31 285
Property, plant and equipment	270 371	259 021	269 160
Investment property	482	479	479
Biological assets	21	12	20
Participations in associated companies and joint arrangements	8 056	8 042	8 391
Other shares and participations	286	2 475	2 699
Share in the Swedish Nuclear Waste Fund	31 362	30 064	30 600
Derivative assets	16 014	20 662	16 239
Current tax asstes, non-current	666	845	627
Prepaid expenses	117	225	117
Deferred tax assets	9 341	4 630	5 978
Other non-current receivables	7 023	3 977	6 686
Total non-current assets	375 661	362 415	372 281
Current assets			
Inventories	19 002	18 733	18 596
Biological assets	4 8		5
Intangible assets: current	1 532	3 952	7 535
Trade receivables and other receivables	29 182	34 873	34 450
Advance payments paid	2 800	3 825	2 765
Derivative assets	17 456	14 878	10 967
Prepaid expenses and accrued income	4 513	6 871	6 285
Current tax assets	884	1 454	525
Short-term investments	19 884	11 973	11 460
Cash and cash equivalents	10 263	23 109	15 801
Assets held for sale	4 564	4 828	4 814
Total current assets	110 088	124 500	113 203
Total assets	485 749	486 915	485 484
Equity and liabilities			
Equity			
Attributable to owner of the Parent Company	131 567	117 858	120 370
Attributable to non-controlling interests	10 820	9 833	10 348
Total equity	142 387	127 691	130 718
Non-current liabilities			
Hybrid Capital	9 160	8 746	8 835
Other interest-bearing liabilities	73 723	91 012	90 374
Pension provisions	38 842	33 329	35 477
Other interest-bearing provisions	82 942	75 299	76 553
Derivative liabilities	10 779	12 044	9 734
Deferred tax liabilities	30 952	28 950	31 651
Other noninterest-bearing liabilities	5 528	5 837	6 000
Total non-current liabilities	251 926	255 217	258 624
Current liabilities			
Trade payables and other liabilities	22 927	25 849	30 002
Advance payments received	2 630	4 616	3 289
Derivative liabilities	9 561	6 420	4 280
Accrued expenses and deferred income	13 391	14 466	20 748
Current tax liabilities	1 253	3 259	1 496
Interest-bearing liabilities	33 735	39 929	27 279
Interest-bearing provisions	6 776	6 540	6 136
Liabilities associated with assets held for sale	1 163	2 928	2 912
Total current liabilities	91 436	104 007	96 142
Total equity and liabilities	485 749	486 915	485 484
Collateral	9 707	8 951	8 712
Contingent liabilities	2 848	1 918	2 799

Consolidated balance sheet, cont.

Supplementary Information

Amounts in SEK million	30 June 2014	30 June 2013 ¹	31 Dec. 2013 ¹
Capital employed	305 096	288 720	293 706
Capital employed, average	296 908	302 084	302 743
Net debt			
Hybrid Capital	- 9 160	- 8 746	- 8 835
Bond issues, commercial paper and liabilities to credit institutions	- 67 722	- 83 346	- 78 109
Present value of liabilities pertaining to acquisitions of Group companies	- 18 689	- 27 931	- 17 892
Liabilities to associated companies	- 3 355	- 1 820	- 1 706
Liabilities to owners of non-controlling interests	- 12 567	- 12 304	- 12 425
Other liabilities	- 5 125	- 5 540	- 7 521
Total interest-bearing liabilities	- 116 618	- 139 687	- 126 488
Cash and cash equivalents	10 263	23 109	15 801
Short-term investments	19 884	11 973	11 460
Receivable from Vattenfall's pension foundation	—	—	—
Loans to owners of non-controlling interests in foreign Group companies	599	356	229
Net debt	- 85 872	- 104 249	- 98 998
Adjusted gross debt and net debt			
Total interest-bearing liabilities	- 116 618	- 139 687	- 126 488
50% of Hybrid Capital	4 580	4 373	4 418
Present value of pension obligations	- 38 842	- 33 329	- 35 477
Provisions for mining, gas and wind operations and other environment-related provisions	- 13 255	- 11 505	- 11 760
Provisions for nuclear power (net)	- 31 720	- 26 764	- 28 054
Currency derivatives for hedging of debt in foreign currency	1 576	1 380	1 212
Margin calls received	2 234	3 459	2 176
Liabilities to owners of non-controlling interests due to consortium agreements	11 513	10 858	10 866
Adjusted gross debt	- 180 532	- 191 215	- 183 108
Reported cash and cash equivalents and short-term investments	30 147	35 082	27 261
Receivable from Vattenfall's pension foundation	—	—	—
Unavailable liquidity	- 5 739	- 6 370	- 6 744
Adjusted cash and cash equivalents and short-term investments	24 408	28 712	20 517
Adjusted net debt	- 156 124	- 162 503	- 162 591

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	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Operating activities						
Profit before tax	- 3 058	- 28 502 ¹	7 074 ¹	- 20 141 ¹	- 15 255 ¹	11 960
Reversal of depreciation, amortisation and impairment losses	5 527	34 817	10 285	40 017	50 264 ¹	20 532
Tax paid	- 1 239	- 896	- 1 776	- 1 915	- 4 090	- 3 951
Capital gains/losses, net	- 77	13	- 3 101	13	- 79	- 3 193
Other, incl. non-cash items	2 701	567 ¹	2 165 ¹	623 ¹	1 048 ¹	2 590
Funds from operations (FFO)	3 854	5 999	14 647	18 597	31 888	27 938
Changes in inventories	- 1 032	- 597	137	791	1 361	707
Changes in operating receivables	7 065	8 869 ¹	9 137 ¹	862 ¹	- 3 959 ¹	4 316
Changes in operating liabilities	- 2 938	- 1 871	- 8 565	- 5 163	5 145	1 743
Other changes	1 384	- 926 ¹	465 ¹	1 147 ¹	3 408	2 726
Cash flow from changes in operating assets and operating liabilities	4 479	5 475	1 174	- 2 363	5 955	9 492
Cash flow from operating activities	8 333	11 474	15 821	16 234	37 843	37 430
Investing activities						
Acquisitions in Group companies	—	—	—	—	- 41	- 41
Investments in associated companies and other shares and participations	50	- 4	135	- 11	15	161
Other investments in non-current assets	- 6 094	- 6 562	- 11 433	- 11 855	- 27 735	- 27 313
Total investments	- 6 044	- 6 566	- 11 298	- 11 866	- 27 761	- 27 193
Divestments	269	157	9 391	198	651	9 844
Cash and cash equivalents in divested companies	- 10	- 12	- 303	- 16	- 16	- 303
Cash flow from investing activities	- 5 785	- 6 421	- 2 210	- 11 684	- 27 126	- 17 652
Cash flow before financing activities	2 548	5 053	13 611	4 550	10 717	19 778
Financing activities						
Changes in short-term investments	2 563	10 979	- 7 914	17 115	17 948	- 7 081
Changes in loans to owners of non-controlling interests in foreign Group companies	5	- 260	- 354	- 244	- 75	- 185
Loans raised ²	5 819	2 168	9 014	3 739	7 449	12 724
Amortisation of debt pertaining to acquisitions of Group companies	—	—	—	—	- 10 257	- 10 257
Amortisation of other debt	- 14 263	- 6 919	- 20 610	- 16 734	- 27 362	- 31 238
Payment from Vattenfall's pension foundation	—	937	—	990	2 911	1 921
Settlement of receivable from Vattenfall's pension foundation	—	233	—	1 807	1 807	—
Dividends paid to owners	- 47	- 6 837	- 47	- 6 837	- 6 840	- 50
Contribution from owners of non-controlling interests	335	332	567	573	1 275	1 269
Cash flow from financing activities	- 5 588	633	- 19 344	409	- 13 144	- 32 897
Cash flow for the period	- 3 040	5 686	- 5 733	4 959	- 2 427	- 13 119

Consolidated statement of cash flows, cont.

Amounts in SEK million	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013	Last 12 months
Cash and cash equivalents						
Cash and cash equivalents at start of period	13 159	17 161	15 801	18 045	18 045	15 801
Cash and cash equivalents included in assets held for sale	—	1	—	1	- 1	- 2
Cash flow for the period	- 3 039	5 686 ¹	- 5 733 ¹	4 959 ¹	- 2 427 ¹	- 13 119
Translation differences	143	261	195	104	184	275
Cash and cash equivalents at end of period	10 263	23 109	10 263	23 109	15 801	2 955
Supplementary information						
Cash flow before financing activities	2 548	5 053	13 611	4 550	10 717	19 778
Financing activities						
Dividends paid to owners	- 47	- 6 837	- 47	- 6 837	- 6 840	- 50
Payment from Vattenfall's pension foundation	—	937	—	990	2 911	1 921
Contribution from owners of non-controlling interests	335	332	567	573	1 275	1 269
Cash flow after dividend	2 836	- 515	14 131	- 724	8 063	22 918
Analysis of change in net debt						
Net debt at start of period	- 85 694	- 99 495	- 98 998	- 111 907	- 111 907	- 98 998
Change accounting principles	—	235 ¹	—	8 114 ¹	7 907 ¹	- 207
Cash flow after dividend	2 836	- 515	14 131	- 724	8 063	22 918
Changes as a result of valuation at fair value	- 41	894	- 171	1 197	2 126	758
Changes in interest-bearing liabilities for leasing	20	9	24	22	36	38
Interest-bearing liabilities/short-term investments acquired/divested	—	—	75	—	—	75
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	- 67	- 206	- 157	- 273	- 408	- 292
Cash and cash equivalents included in assets held for sale	—	1	—	1	- 1	- 2
Withdrawal from Vattenfall's pension foundation	—	- 904	—	—	—	—
Transfer to liabilities due to changed shareholders' rights	33	—	3 016	—	- 3 387	- 371
Translation differences on net debt	- 2 959	- 4 268	- 3 792	- 679	- 1 427	- 4 540
Net debt at end of period	- 85 872	- 104 249	- 85 872	- 104 249	- 98 998	- 80 621
Free cash flow	4 330	8 363	9 016	11 113	23 579	21 482

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	30 June 2014			30 June 2013			31 Dec. 2013		
	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	—	- 47	- 47	- 6 774	- 63	- 6 837	- 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	- 110	—	- 110	—	—	—	—	—	—
Other changes in ownership	- 703	204	- 499	- 3	570	567	4	1 294	1 298
Transfer to liabilities due to changed shareholders' rights	3 006	504	3 510	—	—	—	- 2 902	- 486	- 3 388
Cash flow hedges:									
Changes in fair value	4 490	14	4 504	6 951	5	6 956	12 503	7	12 510
Dissolved against income statement	- 5 209	—	- 5 209	- 4 587	—	- 4 587	- 9 922	2	- 9 920
Transferred to cost of hedged item	2	3	5	- 28	—	- 28	- 11	4	- 7
Tax attributable to cash flow hedges	153	- 2	151	- 778	- 1	- 779	- 733	- 3	- 736
Total cash flow hedges	- 564	15	- 549	1 558	4	1 562	1 837	10	1 847
Hedging of net investments in foreign operations	- 3 302	—	- 3 302	- 1 764	—	- 1 764	- 2 717	—	- 2 717
Tax attributable to hedging of net investments in foreign operations	2 674	—	2 674	388	—	388	598	—	598
Total hedging of net investments in foreign operations	- 628	—	- 628	- 1 376	—	- 1 376	- 2 119	—	- 2 119
Translation differences	6 537	195	6 732	1 841	311	2 152	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	5 163	210	5 373	1 993	315	2 308	3 690	355	4 045
Remeasurement pertaining to defined benefit obligations	- 3 391	—	- 3 391	- 1 030	1	- 1 029	- 1 213	13	- 1 200
Tax attributable to remeasurement pertaining to defined benefit obligations	951	—	951	374	—	374	469	—	469
Total	- 2 440	—	- 2 440	- 656	1	- 655	- 744	13	- 731
Total other comprehensive income for the period	2 723	210	2 933	1 337	316	1 653	2 946	368	3 314
Profit for the period	6 281	- 399	5 882	- 17 466	402	- 17 064	- 13 668	125	- 13 543
Total comprehensive income for the period	9 004	- 189	8 815	- 16 129	718	- 15 411	- 10 722	493	- 10 229
Balance carried forward	131 567	10 820	142 387	117 858	9 833	127 691	120 370	10 348	130 718
- Of which, Reserve for cash flow hedges	4 751	- 24	4 727	5 036	- 44	4 992	5 315	- 39	5 276

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	Q2 2014	Q2 2013 ¹	Q1-2 2014 ¹	Q1-2 2013 ¹	Full year 2013 ¹	Last 12 months
Operating margin	- 4.5	- 67.5	12.4	- 17.0	- 3.6	11.4
Operating margin ²	11.2	14.1	16.0	19.4	16.3	14.5
Pre-tax profit margin	- 8.4	- 74.4	8.6	- 22.9	- 8.9	7.2
Pre-tax profit margin ²	7.3	7.7	12.2	14.1	11.4	10.3
Return on equity	8.4 ³	- 11.7 ³	8.4 ³	- 11.7 ³	- 11.4	8.4
Return on capital employed	6.4 ³	- 4.2 ³	6.4 ³	- 4.2 ³	- 2.1	6.4
Return on capital employed ²	8.2 ³	9.3 ³	8.2 ³	9.3 ³	9.3	8.2
EBIT interest cover, (x)	3.3 ³	- 4.1 ³	3.3 ³	- 4.1 ³	- 0.7	3.3
EBIT interest cover, (x) ²	4.2 ³	6.3 ³	4.2 ³	6.3 ³	4.1	4.2
FFO interest cover, (x)	5.5 ³	6.9 ³	5.5 ³	6.9 ³	5.4	5.5
FFO interest cover, net, (x)	5.0 ³	5.7 ³	5.0 ³	5.7 ³	4.2	5.0
Cash flow interest cover after maintenance investments, (x)	5.3 ³	4.4 ³	5.3 ³	4.4 ³	4.9	5.3
FFO/gross debt	24.0 ³	26.0 ³	24.0 ³	26.0 ³	25.2	24.0
FFO/net debt	32.5 ³	34.9 ³	32.5 ³	34.9 ³	32.2	32.5
FFO/adjusted net debt	17.9 ³	22.4 ³	17.9 ³	22.4 ³	19.6	17.9
EBITDA/net financial items, (x)	4.2	4.2	10.8	7.3	7.1	8.5
EBITDA/net financial items, (x) ²	10.3	19.4	12.4	16.9	12.7	9.6
Equity/total assets	29.3	26.2	29.3	26.2	26.9	29.3
Gross debt/equity	81.9	109.4	81.9	109.4	96.8	81.9
Net debt/equity	60.3	81.6	60.3	81.6	75.7	60.3
Gross debt/gross debt plus equity	45.0	52.2	45.0	52.2	49.2	45.0
Net debt/net debt plus equity	37.6	44.9	37.6	44.9	43.1	37.6
Net debt/EBITDA, (x)	2.2 ³	2.3 ³	2.2 ³	2.3 ³	2.3	2.2
Adjusted net debt/EBITDA, (x)	4.0 ³	3.6 ³	4.0 ³	3.6 ³	3.7	4.0

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	Q2 2014	Q1 2014	Q4 2013 ¹	Q3 2013 ¹	Q2 2013 ¹	Q1 2013 ¹
Income statement						
Net sales	36 575	45 912	47 156	37 057	38 308	49 732
Cost of products sold	- 32 059	- 32 905	- 37 104	- 27 822	- 58 423	- 35 220
Other operating income and expenses, net	- 5 642	- 1 306	- 6 924	- 4 164	- 5 307	- 3 915
Participations in the results of associated companies	- 511	131	767	- 178	- 420	240
Operating profit before depreciation and amortisation (EBITDA)	3 890	16 588	9 424	9 607	8 736	15 783
Operating profit (EBIT)	- 1 637	11 832	3 895	4 893	- 25 842	10 837
Underlying operating profit	4 086	9 075	7 007	4 073	5 399	11 656
Financial items, net	- 1 421	- 1 701	- 2 139	- 1 762	- 2 660	- 2 476
Profit before tax	- 3 058	10 131	1 756	3 131	- 28 502	8 361
Profit for the period	- 2 323	8 205	1 983	1 538	- 23 259	6 195
- of which, attributable to non-controlling interests	- 493	94	- 244	- 32	448	- 46
- of which, attributable to owner of the Parent Company	- 1 830	8 111	2 227	1 570	- 23 707	6 241
Balance sheet						
Non-current assets	375 661	368 782	372 281	359 319	362 415	384 278
Short-term investments	19 884	22 142	11 460	14 741	11 973	21 820
Cash and cash equivalents	10 263	13 159	15 801	14 849	23 109	17 161
Other current assets	79 941	88 091	85 942	78 813	89 418	89 859
Total assets	485 749	492 174	485 484	467 722	486 915	513 118
Equity	142 387	145 723	130 718	122 796	127 691	152 527
- of which, attributable to owner of the Parent Company	131 567	134 850	120 369	114 152	117 858	143 625
- of which, attributable to non-controlling interests (minority interests)	10 820	10 873	10 349	8 644	9 833	8 902
Hybrid Capital	9 160	8 928	8 835	8 630	8 746	8 321
Other interest-bearing liabilities	107 458	112 660	117 653	120 435	130 941	131 492
Pension provisions	38 842	34 650	35 477	33 093	33 329	31 027
Other interest-bearing provisions	89 718	82 990	82 689	81 771	81 839	80 247
Deferred tax liabilities	30 952	31 618	31 651	28 519	28 950	33 007
Other noninterest-bearing liabilities	67 232	75 605	78 461	72 478	75 419	76 497
Total equity and liabilities	485 749	492 174	485 484	467 722	486 915	513 118
Capital employed	305 096	298 862	293 706	282 978	288 720	307 240
Net debt	- 85 872	- 85 694	- 98 998	- 99 033	- 104 249	- 99 494
Cash flow						
Funds from operations (FFO)	3 854	10 792	6 548	6 743	5 999	12 598
Cash flow from changes in operating assets and operating liabilities	4 479	- 3 305	1 366	6 952	5 475	- 7 838
Cash flow from operating activities	8 333	7 487	7 914	13 695	11 474	4 760
Cash flow from investing activities	- 5 785	3 574	- 8 998	- 6 444	- 6 421	- 5 263
Cash flow before financing activities	2 548	11 061	- 1 084	7 251	5 053	- 503
Changes in short-term investments	2 563	- 10 477	3 773	- 2 940	10 979	6 136
Loans raised/Amortisation of debt, net, etc.	- 8 104	- 3 277	- 1 885	- 12 499	- 3 509	- 6 360
Dividends paid to owners	- 47	—	—	- 2	- 6 837	—
Cash flow from financing activities	- 5 588	- 13 754	1 888	- 15 441	633	- 224
Cash flow for the period	- 3 040	- 2 693	804	- 8 190	5 686	- 727
Free cash flow	4 330	4 685	2 252	10 214	8 363	2 750

Quarterly information, Vattenfall Group, cont.

Key ratios

In % unless otherwise stated. (x) means times	Q2 2014	Q1 2014	Q4 2013 ¹	Q3 2013 ¹	Q2 2013 ¹	Q1 2013 ¹
Return on equity ²	8.4	- 9.9	- 11.4	- 7.6	- 11.7	6.8
Return on capital employed ²	6.4	- 1.7	- 2.1	- 1.7	- 4.2	5.7
Return on capital employed ^{2,3}	8.2	8.4	9.3	9.5	9.3	8.7
EBIT interest cover, (x) ²	3.3	- 0.6	- 0.7	- 0.7	- 4.1	2.8
EBIT interest cover, (x) ^{2,3}	4.2	3.9	4.1	4.2	6.3	4.2
FFO/gross debt ²	24.0	24.7	25.2	28.6	26.0	24.5
FFO/net debt ²	32.5	35.1	32.2	37.3	34.9	34.5
FFO/adjusted net debt ²	17.9	20.4	19.6	23.4	22.4	22.6
Equity/assets ratio	29.3	29.6	26.9	26.3	26.2	29.7
Gross debt/equity	81.9	83.4	96.8	105.1	109.4	91.7
Net debt/equity	60.3	58.8	75.7	80.6	81.6	65.2
Net debt/net debt plus equity	37.6	37.0	43.1	44.6	45.0	39.5
Net debt/EBITDA, (x) ²	2.2	1.9	2.3	2.2	2.3	2.2
Adjusted net debt/EBITDA, (x) ²	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) 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 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 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 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 standard 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 has not had 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 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.

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:

	Q2 2014	Q2 2013	Q1-2 2014	Q1-2 2013	Full year 2013
Average rate					
EUR	9.0698	8.5644	8.9774	8.5599	8.6625
DKK	1.2154	1.1486	1.2031	1.1478	1.1615
NOK	1.0970	1.1189	1.0796	1.1333	1.1081
PLN	2.1761	2.0215	2.1492	2.0408	2.0615
GBP	11.1117	10.0730	10.9376	10.0956	10.2250
USD	6.6084	6.5923	6.5450	6.5255	6.5144
Balance sheet date rate					
	30 June 2014	30 June 2013	31 Dec. 2013		
EUR	9.1762	8.7773	8.8591		
DKK	1.2308	1.1768	1.1877		
NOK	1.0920	1.1132	1.0593		
PLN	2.2075	2.0235	2.1325		
GBP	11.4488	10.2395	10.6262		
USD	6.7186	6.7105	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	30 June 2014		31 Dec. 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Derivative assets	18 092	18 092	13 011	13 011
Short-term investments	18 073	18 073	9 774	9 774
Cash equivalents	38	38	52	52
Total	36 203	36 203	22 837	22 837
Derivative assets for hedging purposes for				
Fair value hedges	1 685	1 685	1 954	1 954
Cash flow hedges	13 693	13 693	12 241	12 241
Total	15 378	15 378	14 195	14 195
Loans and receivables				
Share in the Swedish Nuclear Waste Fund	31 362	32 778	30 600	30 836
Other non-current receivables	7 023	7 023	6 686	6 700
Trade receivables and other receivables	29 182	29 166	34 450	34 450
Advance payments paid	2 196	2 196	2 368	2 368
Short-term investments	1 811	1 811	1 685	1 685
Cash and bank balances	10 225	10 225	15 749	15 749
Total	81 799	83 199	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	286	286	310	310
Total	286	286	2 699	2 699
Financial liabilities at fair value through profit or loss				
Derivative liabilities	14 644	14 644	9 815	9 815
Total	14 644	14 644	9 815	9 815
Derivative liabilities for hedging purposes for				
Fair value hedges	—	—	459	459
Cash flow hedges	5 696	5 696	3 740	3 740
Total	5 696	5 696	4 199	4 199
Other financial liabilities				
Hybrid Capital	9 160	9 503	8 835	9 238
Other non-current interest-bearing liabilities	73 723	89 329	90 374	101 255
Other non-current noninterest-bearing liabilities	5 528	5 528	6 000	6 000
Current interest-bearing liabilities	33 735	37 864	27 279	26 978
Trade payables and other liabilities	20 917	20 917	30 113	30 113
Advance payments received	2 630	2 630	3 288	3 288
Total	145 693	165 771	165 889	176 872

Note 3, cont.

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 30 June 2014

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	31 608	1 862	33 470
Short-term investments and cash equivalents	14 534	3 753	—	18 287
Other shares and participations	—	—	—	—
Total assets	14 534	35 361	1 862	51 757
Liabilities				
Derivative liabilities	—	19 644	695	20 339
Total liabilities	—	19 644	695	20 339

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
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

Note 3, cont.

Changes in level 3 financial instruments

Financial instruments at fair value through profit or loss

Amounts in SEK million	Derivative assets		Derivative liabilities	
	30 June 2014	31 Dec. 2013	30 June 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	—	228	—	10
Revaluations recognised in operating profit (EBIT)	437	- 834	290	- 836
Translation differences	48	38	20	30
Balance carried forward	1 862	1 377	695	385
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	634	655	458	- 87

Sensitivity analysis for Level 3 contracts

TGSA: TGSA (Troll¹ 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 30 June 2014 has been calculated at SEK +273 million (31 December 2013: +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 +/- 13 million (31 December 2013: +/- 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 30 June 2014 has been calculated at SEK -4 million (31 December 2013: -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 +/- 2 million (31 December 2013: +/-3).

Note 3, cont.

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 30 June 2014 has been calculated at SEK +29 million (31 December 2013: +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 +/- 67 million (31 December 2013: +/-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 includes 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 30 June 2014 has been calculated at SEK +555 million (31 December 2013: +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 91 million (31 December 2013: +/-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 differences between the contract prices and indexes and the optional value, which is marked to model (Level 3).

The net value as per 30 June 2014 has been calculated at SEK +95 million (31 December 2013: +159) and is most sensitive to the optionality value. A change in the optionality value of +/- 5% would affect the total value by approximately +/- SEK 14 million (31 December 2013: -/+6).

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	30 June 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	3 362	110	- 558	- 3 026	406	- 257
Available-for-sale financial assets	- 3	—	—	- 382	—	—
Loans and receivables	- 13	577	—	756	505	—
Financial liabilities measured at amortised cost	- 1 963	—	- 1 420	1 541	—	- 4 239
Total	1 383	687	- 1 978	- 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 has 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
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	- 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	- 7 884	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	—	22.4
Adjusted net debt/EBITDA, (x)	3.3	—	3.3	3.6	—	3.6

Note 4, cont.

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
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	- 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
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	- 1.7	—	- 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).

First half of 2014

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

- Sales amounted to SEK 22,230 million (17,388).
- Profit before appropriations and tax was SEK 1,448 million (-9,191). 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.
- Profit includes a dividend of SEK 616 million from Vattenfall A/S.
- During the period, tax income has been accounted for by SEK 1,270 million related to adjustment of previous years' exchange rate effects.
- The balance sheet total was SEK 262,712 million (31 december: 269,944)
- Investments during the period amounted to SEK 142 million (133).
- Cash and cash equivalents and short-term investments amounted to SEK 20,851 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	Q1-2 2014	Q1-2 2013	Full year 2013
Net sales	22 230	17 388	37 197
Cost of products sold	- 16 889	- 11 396	- 25 464
Gross profit	5 341	5 992	11 733
Selling expenses, administrative expenses and research and development costs	- 1 300	- 1 503	- 2 645
Other operating income and expenses, net	- 1 122	- 208	- 226
Operating profit (EBIT)	2 919	4 281	8 862
Result from participations in subsidiaries	762	- 15 909	- 13 424
Result from participations in associated companies	—	6	6
Result from other shares and participations	- 214	- 803	- 569
Other financial income	630	5 833	4 603
Other financial expenses	- 2 649	- 2 599	- 4 691
Profit before appropriations and tax	1 448	- 9 191	- 5 213
Appropriations	1 436	827	- 4 068
Profit before tax	2 884	- 8 364	- 9 281
Income tax expense	698	- 1 132	- 1 687
Profit for the period	3 582	- 9 496	- 10 968

Parent Company statement of comprehensive income

Amounts in SEK million	Q1-2 2014	Q1-2 2013	Full year 2013
Profit for the period	3 582	- 9 496	- 10 968
Total other comprehensive income	—	—	—
Total comprehensive income for the period	3 582	- 9 496	- 10 968

Parent Company balance sheet

Amounts in SEK million	30 June 2014	30 June 2013	31 Dec. 2013
Assets			
Non-current assets			
Intangible assets: non-current	130	148	138
Property, plant and equipment	4 064	4 247	4 238
Shares and participations	133 065	133 063	135 479
Deferred tax assets	33	470	—
Other non-current assets	89 417	97 270	92 276
Total non-current assets	226 709	235 198	232 131
Current assets			
Inventories	364	346	437
Intangible assets: current	42	86	86
Current receivables	14 342	16 611	20 450
Current tax assets	404	—	—
Short-term investments	16 127	8 275	7 697
Cash and cash equivalents	4 724	17 693	9 143
Total current assets	36 003	43 011	37 813
Total assets	262 712	278 209	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	66 422	66 422
Profit for the period	3 582	- 9 496	- 10 968
Total equity	66 907	64 797	63 325
Untaxed reserves	15 688	14 359	17 124
Provisions	4 317	2 781	4 241
Non-current liabilities			
Hybrid Capital	9 160	8 746	8 835
Other interest-bearing liabilities	61 747	84 843	83 874
Deferred tax liabilities	—	—	187
Other noninterest-bearing liabilities	33 491	6 605	33 096
Total non-current liabilities	104 398	100 194	125 992
Current liabilities			
Interest-bearing liabilities	66 439	68 664	52 596
Current tax liabilities	—	366	213
Other noninterest-bearing liabilities	4 963	27 048	6 453
Total current liabilities	71 402	96 078	59 262
Total equity and liabilities	262 712	278 209	269 944

Interim report signature

The Board of Directors and the President certify that this half-year interim report presents a true and fair overview of the Vattenfall Group's and the Parent Company Vattenfall AB's operations, financial position and results of operations, and describes the significant risks and uncertainties facing the Parent Company and the companies belonging to the Group.

Solna, 22 July 2014

Lars G. Nordström
Chairman of the Board

Øystein Løseth
President and CEO

Carl-Gustaf Angelin

Eli Arnstad

Fredrik Arp

Gunilla Berg

Johnny Bernhardsson

Håkan Buskhe

Ronny Ekwall

Håkan Erixon

Jenny Lahrin

Åsa Söderström Jerring

Financial calendar

Interim report January-September, 30 October 2014
Year-end report, 5 February 2015

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Review report

Introduction

We have reviewed the condensed interim report for Vattenfall AB (publ) as at 30 June, 2014 and for the six months period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 22 July, 2014
Ernst & Young AB

Hamish Mabon
Authorised Public Accountant