

# Year-End Report



## 2013

### Higher underlying operating profit – impairment losses in second quarter had negative effect on profit for full year

#### January–December 2013

- Net sales rose 2.6% to SEK 171,684 million (167,313).
- The underlying operating profit<sup>1</sup> rose 1.3% to SEK 27,900 million (27,530).
- Operating profit amounted to SEK -6,453 million (25,958). As a result of poorer market conditions and higher business risks, Vattenfall recognised SEK 30.1 billion in impairment losses in 2013, which were charged against operating profit.
- Profit for the year (after tax) amounted to SEK -13,543 million (17,047). The impairment losses during the second quarter of 2013 resulted in a charge against profit for the period of SEK 24.8 billion after tax effects and exchange rate effects.
- Return on capital employed was -2.1%. Excluding items affecting comparability, the return on capital employed was 9.2%.
- Electricity generation increased by 1.6%, to 181.7 TWh (178.9). For the nuclear power operations, with generation of 51.9 TWh, 2013 was the second-best year since the start of generation nearly 40 years ago.
- Due to the negative result after tax, the Board of Directors proposes – in accordance with Vattenfall's dividend policy – that no dividend be paid for 2013. The dividend for 2012 was SEK 6,774 million.

<sup>1</sup> The underlying operating profit is defined as operating profit excluding items affecting comparability (for specification of items affecting comparability, see page 7).

#### October–December 2013

- Net sales were essentially unchanged at SEK 47,762 million (47,937).
- The underlying operating profit<sup>1</sup> rose 4.4% to SEK 6,951 million (6,655).
- Operating profit decreased by 24.7% to SEK 3,839 million (5,097), mainly owing to higher provisions in the German operations.
- Profit for the period (after tax) amounted to SEK 1,983 million (6,342). The fourth quarter of 2012 included a large, positive tax effect as a result of the lowered corporate tax rate in Sweden.
- Electricity generation decreased by 4.4%, to 47.7 TWh (49.9)

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

## CEO's comments

I am pleased to report a higher underlying operating profit for 2013, despite the challenging market conditions. The positive outcome from previous years' forward hedges and successful cost-cutting measures have compensated for the negative effect of lower wholesale electricity prices in Germany and higher costs for purchases of CO<sub>2</sub> emission allowances. During the year we cut our annual operating expenses by a further SEK 3.2 billion, mainly through lower costs for operations and maintenance, and lower costs for sales and administration. In total, during the last three years we have reduced our annual operating expenses by more than SEK 9 billion, which corresponds to 18% of our cost base in 2010. Vattenfall is also showing strong cash flow after investments.

In terms of production, 2013 was a very good year, with high availability at our plants, especially in nuclear power, where generation of nearly 52 TWh was the second-highest level of electricity generation since our nuclear power generation was started 40 years ago. This can be credited in large part to recent years' modernisation work at the nuclear power plants. In Germany, Vattenfall's lignite-fired generation showed very good availability, and the Group's wind power generation increased. Hydro power generation decreased, however, due to lower water supply.

In 2013 it became increasingly clear that the entire European energy industry is undergoing a fundamental structural change. Apart from the fact that we have seen continued falling prices due to a surplus of generation capacity and weak demand for electricity, the entire, traditional business model, based on large-scale electricity generation in conventional power plants, is now also being challenged. Large volumes of subsidised renewable energy (wind and solar power) have emerged and are putting pressure on conventional gas- and hard coal-based electricity production. Due to the elevated business risks for the industry, the estimated value of some of our assets in hard coal and gas-fired plants has

been impaired. As a result, in the 2013 half-year report we recognised SEK 29.7 billion in losses for impaired assets. Due to these impairment losses, we fell short of our profitability and dividend goals. However, we did achieve our target for the debt-equity ratio.

To adapt Vattenfall to the new market conditions, which we call "the new normal", we are taking a number of measures. We are cutting costs, strengthening our cash flow, and we are developing new, sustainable, and smart products and services that society and our customers are demanding. Starting on 1 January 2014 we have also – as previously communicated – reorganised the company in two regions: Nordic and Continental/UK.

Our current production portfolio, with large shares of hydro power, nuclear power and lignite-based power, is very profitable, and through our efficiency improvement measures we have created a solid foundation for the successful continuation of our shift to environmentally sustainable energy production. This does not mean, however, that we can now sit back, but rather that we must take advantage of the growing strength and flexibility that this hard work at adapting the company has generated, so that we can forge an even better position for the future.



Øystein Løseth  
President and CEO

# Key data

Amounts in SEK million unless indicated otherwise	Q4 2013	Q4 2012 <sup>1</sup>	Change, %	Full year 2013	Full year 2012 <sup>1</sup>	Change, %
Net sales	47,762	47,937	-0.4	171,684	167,313	2.6
Operating profit before depreciation and amortisation (EBITDA)	9,368	10,286	-8.9	42,842	54,271	-21.1
Operating profit (EBIT)	3,839	5,097	-24.7	-6,453	25,958	—
Underlying operating profit	6,951	6,655	4.4	27,900	27,530	1.3
Profit for the period	1,983	6,342	-68.7	-13,543	17,047	—
Funds from operations (FFO)	6,548	11,583	-43.5	31,888	34,419	-7.4
Net debt	106,912	111,907	-4.5	106,912	111,907	-4.5
Adjusted net debt	162,597	153,943	5.6	162,597	153,943	5.6
Return on capital employed, %	-2.1 <sup>2</sup>	8.3 <sup>2</sup>	—	-2.1	8.3	—
Net debt/equity, %	81.8	74.9	—	81.8	74.9	—
Funds from operations (FFO)/adjusted net debt, %	19.6 <sup>2</sup>	22.4 <sup>2</sup>	—	19.6	22.4	—
Adjusted net debt/operating profit before depreciation and amortisation (EBITDA), times	3.8 <sup>2</sup>	2.8 <sup>2</sup>	—	3.8	2.8	—
Electricity generation, TWh	47.7	49.9	-4.4	181.7	178.9	1.6
Hydro power	8.6	10.6	-18.9	35.6	42.2	-15.6
Nuclear power	14.1	14.0	0.7	51.9	48.9	6.1
Fossil-based power <sup>3</sup>	23.1	23.5	-1.7	87.9	81.7	7.6
Wind power	1.3	1.1	18.2	3.9	3.6	8.3
Biomass, waste <sup>3</sup>	0.7	0.7	—	2.4	2.5	-4.0
Sales of electricity, TWh	54.8	57.3	-4.4	203.3	205.5	-1.1
Sales of heat, TWh	8.8	10.2	-13.7	30.2	29.8	1.3
Sales of gas, TWh	16.0	17.1	-6.4	55.8	52.4	6.5
Number of employees, full-time equivalents	31,819	32,794	-3.0	31,819	32,794	-3.0

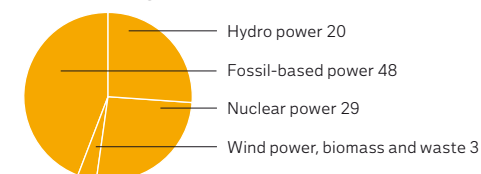
1) Certain values for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.

2) Last 12-month values.

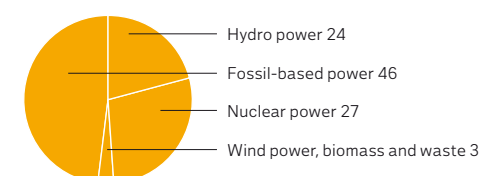
3) The figures for electricity generation in 2013 are preliminary.

See pages 35-36 for definitions and calculations of key ratios.

Electricity generation 2013, %



Electricity generation 2012, %



# Important events 2013 – Group

## Higher output at Forsmark

Capacity of reactor 2 at the Forsmark nuclear power plant was raised by 114 MW (12%), to 1,120 MW, thereby enabling Forsmark to generate roughly 1 TWh more electricity per year than previously. This corresponds to the annual electricity consumption of nearly 100,000 households.

## Limited operation of the Magnum gas-fired power plant

In late February the first deliveries of electricity were made from the Magnum gas-fired power plant (total installed capacity of 1,311 MW) in Eemshaven, the Netherlands. As a result of deteriorated market conditions, Vattenfall decided, starting in 2014, to put only one of the three units into full commercial operation.

## Staff reductions

On 6 March Vattenfall announced that the number of employees would be reduced by approximately 2,500 persons by year-end 2014, including approximately 1,500 in Germany, approximately 500 in the Netherlands, and 400 in Sweden. At year-end 2013 the number of employees had been reduced by approximately 850 persons.

## Vattenfall builds new wind farms

During the first quarter, construction was started on two new wind farms: Bajlum (15 MW) in Denmark and Hjuleberg (33 MW) in Sweden. Hjuleberg will be the largest land-based wind farm in southern Sweden. Both wind farms are expected to be commissioned in mid-2014.

In July Vattenfall announced its decision to build two new wind farms in the UK. Pen y Cymoedd (228 MW), in southern Wales, comprises 76 wind turbines and is expected to come on stream at the end of 2016. Clashindarroch Windfarm

(36.9 MW), in Scotland, comprises 18 turbines and is expected to be completed in early 2015. The combined investment amounts to approximately SEK 4.7 billion.

During the second quarter, the land-based Princess Alexia Wind Farm (150 MW, formerly Zuidlob) in the Netherlands was commissioned. The wind farm comprises 36 wind turbines.

During the fourth quarter Vattenfall decided to expand the Kentish Flats wind farm offshore England's south-east coast by 15 new wind turbines, from 30 at present. Construction start is planned for mid-2015.

## Extensive modernisation of nuclear power plants

In May Vattenfall announced that as a result of the extensive upgrade of the nuclear reactors at Forsmark and Ringhals, Vattenfall can now plan for an operating time of up to 60 years for five reactors (Ringhals 3 and 4, and all three reactors at Forsmark). The previously planned operating time for Vattenfall's reactors was 50 years.

## Lifting of special oversight of Ringhals

In June the Swedish Radiation Safety Authority (SSM) lifted its special oversight of the Ringhals nuclear power plant, citing the significant impact on operations that the change work performed by the company has had. Ringhals had been under special oversight since July 2009.

## Further cost-cutting and scaled-back investment programme

Vattenfall decided in summer 2013 to increase its cost reductions for 2014 from SEK 1.5 billion to SEK 2.5 billion, and set a new savings target of SEK 2 billion for 2015. The investment programme for the five-year period 2014–2018

was scaled back to SEK 105 billion, compared with SEK 123 billion for the period 2013–2017.

## Impairment losses

As a result of deteriorated market conditions and higher business risks in the industry, in the half-year book-closing for 2013 Vattenfall recognised impairment losses of SEK 29.7 billion, which were charged against operating profit. Of the total impairment losses, SEK 14.5 billion pertained to hard coal and gas power plants in the Netherlands, SEK 4.1 billion to hard coal power plants in Germany, SEK 2.5 billion to combined heat and power plants in the Nordic countries, SEK 6.8 billion to goodwill primarily in the Trading operations, and SEK 1.8 billion to other assets.

## Payment for shares in N.V. Nuon Energy

On 1 July Vattenfall made payment, pursuant to previous agreement, of EUR 1,180 million (corresponding to SEK 10.3 billion) for 15% of the shares in N.V. Nuon Energy. Vattenfall thereafter owns 79% of the shares. The remaining 21% is payable on 1 July 2015.

## Sale of Amager CHP station in Denmark

In July Vattenfall announced the sale of the Amager combined heat and power station in Denmark to the municipal utility HOFOR for an enterprise value of approximately DKK 2 billion. The deal was completed in early January 2014.

## Referendum on grid buyback

On 22 September a referendum was held in Hamburg on the issue of whether the city should take all measures necessary to repurchase all electricity, gas and district heating grids in the city. Vattenfall acquired the city's electricity and

heating grids in 2001 in connection with its purchase of the City of Hamburg's shares in the energy company HEW. In 2011 Vattenfall sold 25.1% of the electricity grid and district heating network to the city. The gas grid is owned by E.ON. A narrow majority, 50.9%, voted in favour of repurchasing the grids. The concession to conduct electricity grid operations expires at the end of 2014. The company that wins the concession will be able to acquire the grids. After the referendum, the City of Hamburg and Vattenfall initiated negotiations on the sale of the remaining 74.9% of the electricity and heating grids (see further under "Important events after the balance sheet date").

#### Changes in Vattenfall's board of directors

- At Vattenfall's Annual General Meeting on 24 April 2013, Lars G. Nordström was re-elected as Chairman of the Board. Eli Arnstad, Gunilla Berg, Håkan Buskhe, Håkan Erixon, Jan-Åke Jonsson and Patrik Jönsson were re-elected as directors on the Board, while Cecilia Vieweg declined re-election.
- Jan-Åke Jonsson resigned from the Board on 29 May 2013.
- At an extraordinary general meeting on 18 December, Jenny Lahrin and Åsa Söderström Jerring were elected as new directors on the Board. Patrick Jönsson resigned from the Board.

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

A change was carried out of Vattenfall's organisation with

effect from 1 January 2014. Vattenfall's operations have been split up into two regions – Nordic and Continental/UK.

The Executive Group Management was reduced to seven persons and now includes the following persons:

- Øystein Løseth, President and CEO
- Ingrid Bonde, CFO
- Stefan Dohler, Head of Asset Optimisation & Trading
- Olof Gertz, Head of Human Resources
- Anne Gynnerstedt, General Counsel
- Tuomo Hatakka, Head of Continental/UK region
- Torbjörn Wahlborg, Head of Nordic region

#### Important events after the balance sheet date

##### Vattenfall sells its stake in Polish company Enea

On 14 January, as part of the decision to divest non-core assets, Vattenfall sold its minority interest, corresponding to 18.67% of the shares, in the Polish energy company Enea for approximately SEK 2.2 billion. The price per share was PLN 12.50. Vattenfall acquired the shares in Enea in November 2008 for a sum equivalent to approximately SEK 4.6 billion. The sale will be recognised in the book-closing for the first quarter of 2014. The sale will not have any material earnings effect, since Vattenfall has continuously restated the shares to fair value and recognised impairment of the shares' value in previous book-closings.

##### Vattenfall sells electricity grid in Hamburg

On 15 January Vattenfall reached an agreement to sell its majority shares of 74.9% in the electricity grid company Stromnetz Hamburg GmbH to the City of Hamburg. The

equity value of 100% of the electricity grid company has been preliminarily set at EUR 550 million (approx. SEK 4.8 billion). The definitive value will be determined by an independent auditing firm. However, the parties have agreed that the value cannot be below EUR 495 million (approx. SEK 3.6 billion). In addition to the purchase price, the City of Hamburg will repay loans to Vattenfall of EUR 243 million (approx. SEK 2.1 billion). The deal will be completed by 14 February 2014 at the latest. Through the sale of the electricity grid, Vattenfall estimates that it will recognise a capital gain of at least EUR 300 million (approx. SEK 2.6 billion) in the book-closing for the first quarter of 2014.

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

# Sales, profit and cash flow

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
<b>Net sales</b>	<b>47,762</b>	<b>47,937</b>	<b>-0.4</b>	<b>171,684</b>	<b>167,313</b>	<b>2.6</b>

**Comment, full year:** Consolidated net sales increased to SEK 4.4 billion, mainly owing to higher electricity generation and higher average electricity prices achieved.

**Comment, Q4:** Consolidated net sales for the fourth quarter of 2013 decreased by SEK 0.2 billion compared with the corresponding period in 2012.

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
<b>Operating profit (EBIT)</b>	<b>3,839</b>	<b>5,097</b>	<b>-24.7</b>	<b>-6,453</b>	<b>25,958</b>	<b>—</b>
Items affecting comparability	-3,112	-1,558	99.7	-34,353	-1,572	—
<b>Underlying operating profit</b>	<b>6,951</b>	<b>6,655</b>	<b>4.4</b>	<b>27,900</b>	<b>27,530</b>	<b>1.3</b>

**Comment, full year:** The underlying operating profit improved by SEK 0.4 billion, which is mainly explained by the following:

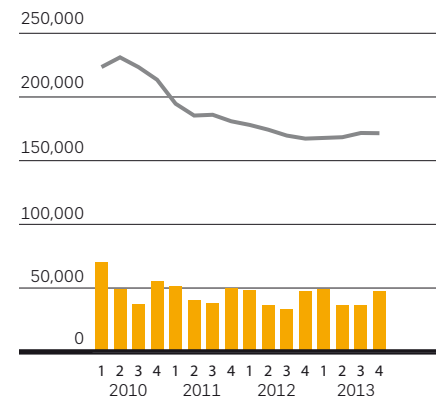
- Higher average electricity prices achieved (SEK 1.3 billion)
- Higher generation volumes (SEK 1.5 billion)
- Higher heat prices achieved and higher heat production (SEK 0.6 billion)
- Higher costs for purchases of CO<sub>2</sub> emission allowances and fuel (SEK -5.4 billion)
- Lower operating expenses (SEK 1.1 billion, net). Excluding growth projects, the cost savings amounted to SEK 3.2 billion, mainly owing to lower costs for operations and maintenance, and lower costs for sales and administration
- Other items (SEK 1.3 billion, net), mainly as a result of improved earnings from associated companies, improved earnings from the Trading operations, higher taxes on hydro power assets and higher earnings from sales of electricity to end customers

**Comment, Q4:** The underlying operating profit decreased by SEK 0.3 billion, which is mainly explained by the following:

- Higher average electricity prices achieved (SEK 0.3 billion)
- Volume effects, mainly owing to lower hydro power generation (SEK -0.5 billion)
- Improved earnings from the heating operations (SEK 0.3 billion)
- Higher costs for CO<sub>2</sub> emission allowances and fuel (SEK -0.3 billion)
- Higher operating expenses (SEK -0.3 billion, net)
- Improved earnings from associated companies (SEK 0.4 billion)
- Other items (SEK 0.4 billion)

## Net sales

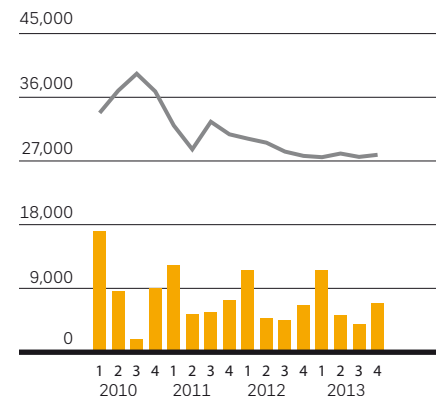
SEK million



■ Last 12-month values ■ Quarterly values

## Underlying operating profit

SEK million



■ Last 12-month values ■ Quarterly values

## Sales, profit and cash flow, cont.

Amounts in SEK million	Q4 2013	Q4 2012	Full year 2013	Full year 2012
<b>Items affecting comparability affecting operating profit (EBIT):</b>				
Capital gains	151	70	189	8,399
Capital losses	-51	-315	-133	-389
Impairment losses	-295	-6	-30,147	-8,648
Unrealised changes in the fair value of energy derivatives	-978	-271	-995	729
Unrealised changes in the fair value of inventories	431	-377	281	-395
Restructuring costs	-792	-696	-1,568	-824
Other items affecting comparability	-1,578	37	-1,980	-444
<b>Total</b>	<b>-3,112</b>	<b>-1,558</b>	<b>-34,353</b>	<b>-1,572</b>

**Comment, full year:** Items affecting comparability for the full year 2013 amounted to SEK -34.4 billion. Impairment losses (SEK 30.1 billion) pertain to the impairment losses of SEK 29.7 billion that were recognised in the half-year book-closing in 2013 and exchange rate effects. Restructuring costs (SEK -1.6 billion) are mainly attributable to staff reductions. Other items affecting comparability consist mainly of a provision related to the German Renewable Energy Act (EEG) (SEK -0.9 billion) and higher provisions in the German nuclear power operations (SEK -0.9 billion).

Items affecting comparability for 2012 amounted to SEK -1.6 billion. Capital gains (SEK 8.4 billion) pertain mainly to the sale of the company's Finnish electricity network and heat assets. Impairment losses (SEK 8.6 billion) pertain to impairment of goodwill and production assets in Thermal Power.

**Comment, Q4:** Items affecting comparability in the fourth quarter of 2013 amounted to SEK -3.1 billion. The impairment losses of SEK 0.3 billion pertain mainly to exchange rate effects on the impairment losses that were recognised in the half-year book-closing in 2013. Restructuring costs (SEK -0.8 billion) are mainly attributable to ongoing staff reductions. Other items affecting comparability consist mainly of a provision related to the German Renewable Energy Act (EEG) (SEK -1.0 billion) and higher provisions in the German nuclear power operations (SEK -0.6 billion).

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
<b>Profit for the period</b>	<b>1,983</b>	<b>6,342</b>	<b>-68.7</b>	<b>-13,543</b>	<b>17,047</b>	<b>—</b>

**Comment, full year:** Profit for the period (after tax) decreased by SEK 30.6 billion, mainly owing to the impairment losses recognised in the second quarter of 2013 (SEK 24.8 billion), higher restructuring costs and higher provisions.

**Comment, Q4:** Profit for the period (after tax) decreased by SEK 4.4 billion, mainly attributable to higher provisions and a large, positive tax effect during the fourth quarter of 2012.

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
<b>Net financial items</b>	<b>-2,080</b>	<b>-1,373</b>	<b>-51.5</b>	<b>-8,758</b>	<b>-7,840</b>	<b>-11.7</b>
– of which, interest income	395	119	—	696	812	-14.3
– of which, interest expenses	-1,520	-1,263	-20.3	-4,719	-5,244	10.0
– of which, impairment and provisions	—	15	—	-492	-1,090	54.9
– of which, other	-956	-243	—	-4,243	-2,317	-83.1
Interest received <sup>1</sup>	158	23	—	725	426	70.2
Interest paid <sup>1</sup>	-875	-312	—	-4,086	-3,798	-7.6

1) Pertains to cash flows.

**Comment, full year:** The worsening of financial items for the full year 2013 compared with the full year 2012 is mainly attributable to changes in the fair value of financial derivatives and a lower return from the Swedish Nuclear Waste Fund.

**Comment, Q4:** The worsening of financial items for the fourth quarter of 2013 is mainly attributable to a lower return from the Swedish Nuclear Waste Fund.

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
<b>Funds from operations (FFO)</b>	<b>6,548</b>	<b>11,583</b>	<b>-43.5</b>	<b>31,888</b>	<b>34,419</b>	<b>-7.4</b>
<b>Cash flow from changes in operating assets and operating liabilities (working capital)</b>	<b>1,359</b>	<b>-6,320</b>	<b>—</b>	<b>5,948</b>	<b>-5,934</b>	<b>—</b>
<b>Cash flow from operating activities</b>	<b>7,907</b>	<b>5,263</b>	<b>50.2</b>	<b>37,836</b>	<b>28,485</b>	<b>32.8</b>

**Comment, full year:** Funds from operations (FFO) decreased by SEK 2.5 billion. The decrease is mainly attributable to higher costs for CO<sub>2</sub> emission allowances and fuel, and higher paid tax.

Cash flow from changes in working capital increased by SEK 5.9 billion during the year. Working capital was positively affected by higher operating liabilities (SEK 5.1 billion), changes in margin calls (SEK 3.4 billion) and a change in inventories (SEK 1.4 billion). Higher operating receivables (SEK -3.9 billion) had a negative impact on working capital. In 2012, cash flow from changes in working capital decreased by SEK 5.9 billion, mainly due to a net increase in operating receivables and operating liabilities, and an increase in inventories.

**Comment, Q4:** Funds from operations (FFO) decreased by SEK -5.0 billion compared with the fourth quarter of 2012. The decrease is mainly attributable to higher costs for CO<sub>2</sub> emission allowances and fuel, higher interest payments and higher paid tax. The latter is mainly attributable to the repayment of preliminary tax during the fourth quarter of 2012.

Cash flow from changes in working capital increased by SEK 1.4 billion during the quarter. This is mainly attributable to a change in margin calls (SEK 1.7 billion), a change in inventories (SEK 0.4 billion), and a net change in operating receivables and liabilities (SEK -0.8 billion).

# Financial position

Amounts in SEK million	31 Dec. 2013	31 Dec. 2012	Change, %
<b>Cash and cash equivalents, and short-term investments</b>	<b>27,254</b>	<b>46,495</b>	<b>-41.4</b>
Receivable attributable to Vattenfall's Swedish pension foundation	—	1,807	—
Committed credit facilities (unutilised)	22,591	32,172	-29.8

**Comment:** The decrease in cash and cash equivalents, and short-term investments, is mainly attributable to amortisation of external loans, payment of the shareholder dividend, and payment for an additional 15% of the shares in N.V. Nuon Energy.

Committed credit facilities consist of a EUR 2.55 billion Revolving Credit Facility that expires on 20 January 2016. Vattenfall's 12-month revolving Multi Option Credit Facility was renegotiated in October 2013 and is no longer classified as a committed credit facility.

As per 31 December 2013, available liquid assets and/or committed credit facilities amounted to 24% 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	31 Dec. 2013	31 Dec. 2012	Change, %
<b>Interest-bearing liabilities</b>	<b>134,295</b>	<b>160,261</b>	<b>-16.2</b>
<b>Net debt</b>	<b>106,912</b>	<b>111,907</b>	<b>-4.5</b>
<b>Adjusted net debt (see page 20)</b>	<b>162,597</b>	<b>153,943</b>	<b>5.6</b>
<b>Average interest rate, %<sup>1</sup></b>	<b>3.5</b>	<b>3.4</b>	<b>—</b>
<b>Duration, years<sup>1</sup></b>	<b>2.9</b>	<b>3.3</b>	<b>—</b>
<b>Average time to maturity, years<sup>1</sup></b>	<b>5.7</b>	<b>5.3</b>	<b>—</b>

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

**Comment:** Total interest-bearing liabilities decreased by SEK 26 billion compared with the level at 31 December 2012, mainly as a result of amortisation of external loans and amortisation of debt to the minority owners of N.V. Nuon Energy.

Net debt compared with the level at 31 December 2012 decreased by SEK 5.0 billion. Net debt was unchanged during the fourth quarter.

Adjusted net debt increased by SEK 8.7 billion compared with the level at 31 December 2012, mainly due to a higher pension liability, higher provisions for nuclear power and lower margin calls received. During the fourth quarter, adjusted net debt increased by SEK 4.6 billion.

## Credit ratings

The current credit ratings for Vattenfall's long-term borrowing are A- (Standard & Poor's) and A3 (Moody's). Vattenfall's rating outlook is "stable" from both Standard & Poor's and Moody's. On 27 September 2013 Moody's announced that it had downgraded Vattenfall's long-term rating from A2 to A3 and changed its outlook to stable (previously negative).



# Investments and divestments

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
Maintenance/replacement investments	5,663	7,156	-20.9	14,265	15,866	-10.1
Growth investments <sup>1</sup>	3,746	2,842	31.8	13,496	13,715	-1.6
– of which, shares	-76	107	—	-26	345	—
<b>Total investments</b>	<b>9,409</b>	<b>9,998</b>	<b>-5.9</b>	<b>27,761</b>	<b>29,581</b>	<b>-6.2</b>
<b>Divestments</b>	<b>411</b>	<b>87</b>	<b>372.4</b>	<b>651</b>	<b>22,836</b>	<b>-97.1</b>
– of which, shares	218	23	847.8	271	20,969	-98.7

1) Investments in new capacity.

**Comment:** Investments are specified in the table below.

Divestments in 2012 pertain to the proceeds received during the first quarter of 2012 from the sales of Vattenfall's electricity distribution and heat business in Finland (SEK 13.2 billion), Vattenfall's heat operation in Poland (SEK 5.8 billion), and Vattenfall's operations in Belgium (SEK 1.9 billion).

## Specification of investments

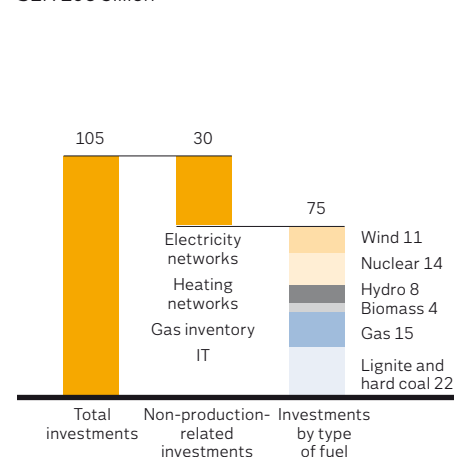
Amounts in SEK million	Q4 2013	Q4 2012	Change %	Full year 2013	Full year 2012	Change %
<b>Electricity generation</b>						
Hydro power	527	489	7.9	1,300	1,245	4.4
Nuclear power	879	905	-2.9	2,993	3,011	-0.6
Coal power	1,210	1,487	-18.6	4,367	4,977	-12.3
Gas	46	829	-94.4	1,622	4,511	-64.0
Wind power	876	1,343	-34.8	4,095	2,716	50.8
Biomass, waste	10	5	97.9	14	16	-15.6
Other	453	186	—	1,280	1,170	9.4
<b>Total electricity generation</b>	<b>4,001</b>	<b>5,244</b>	<b>-23.7</b>	<b>15,671</b>	<b>17,646</b>	<b>-11.2</b>
<b>CHP/heat</b>						
Fossil-based power	633	925	-31.6	1,699	2,264	-25.0
Biomass, waste	133	204	-34.8	377	334	12.8
Other	420	409	2.7	1,022	1,003	1.9
<b>Total CHP/heat</b>	<b>1,186</b>	<b>1,538</b>	<b>-22.9</b>	<b>3,098</b>	<b>3,601</b>	<b>-14.0</b>
<b>Electricity networks</b>						
Electricity networks	1,871	2,270	-17.6	4,571	4,658	-1.9
<b>Total electricity networks</b>	<b>1,871</b>	<b>2,270</b>	<b>-17.6</b>	<b>4,571</b>	<b>4,658</b>	<b>-1.9</b>
Purchases of shares	—	107	—	50	345	-85.5
Other, excl. purchases of shares	2,351	839	—	4,371	3,331	31.2
<b>Total</b>	<b>9,409</b>	<b>9,998</b>	<b>-5.9</b>	<b>27,761</b>	<b>29,581</b>	<b>-6.2</b>

## Vattenfall's investment plan for the period 2014–2018

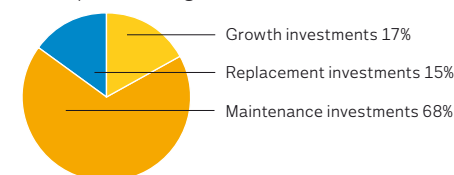
Vattenfall's investment plan for the coming five-years (2014–2018) amounts to SEK 105 billion. The lower level compared with the plan for 2013–2017 (SEK 123 billion) is mainly explained by a decrease in growth investments, by approximately SEK 17 billion. Maintenance and replacement investments, and investments in non-production-related assets, such as electricity and heating networks and IT, are essentially unchanged.

Investments in non-production-related activities, such as electricity and heating networks, and IT, amount to SEK 30 billion. Of these, SEK 3 billion are growth investments that pertain mainly to the construction of new connections to existing district heating networks. Most of the investments in nuclear power, hydro power, gas and biomass are investments that are needed to meet laws and regulations, or maintenance investments to enable continued operation of safe plants with a high level of availability. Approximately SEK 1 billion is being invested in new gas-fired heating plants in Hamburg and Berlin (replacement investments). Most of the investments in lignite- and hard coal-fired plants are maintenance investments. Approximately SEK 3 billion of a total SEK 22 billion are growth investments in the hard coal-fired Moorburg plant, which is currently being built outside of Hamburg, Germany. Construction of the Moorburg plant will be completed in 2014.

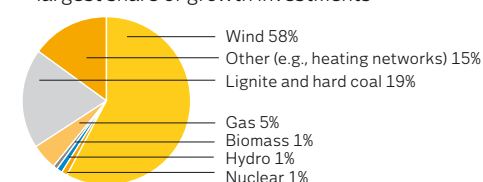
Investment plan 2014–2018, SEK 105 billion



17% pertains to growth investments



Wind power still accounts for the largest share of growth investments

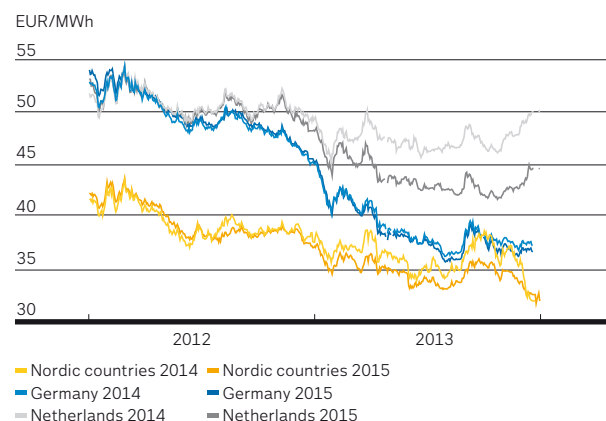


# Wholesale price trend

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



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



Sources: NASDAQ OMX Commodities, European Energy Exchange (EEX) and APX.

The hydrological balance in the Nordic market strengthened during the fourth quarter, which led to slightly higher average Nordic spot prices compared with the fourth quarter of 2012. For the year as a whole, Nordic spot prices were 22% higher in 2013 compared with 2012 as a result of a lower hydrological balance during the year.

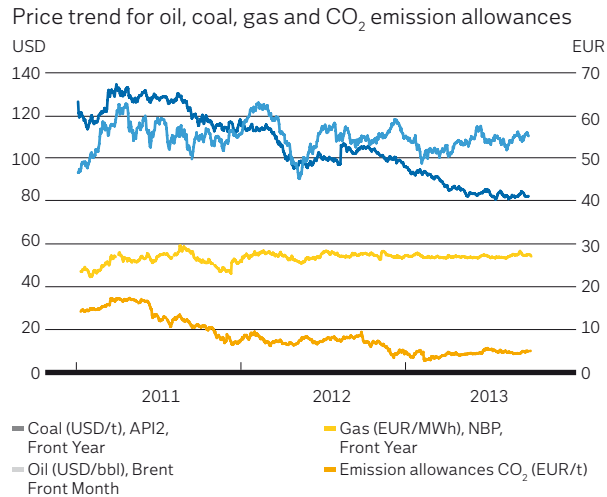
Average spot prices in Vattenfall's markets in Continental Europe (Germany and the Netherlands) moved in different directions. In Germany, spot prices fell by 9% compared with the fourth quarter of 2012, owing to lower prices for coal and CO<sub>2</sub> emission allowances. Overall, spot prices in Germany were 11% lower in 2013 than in 2012. In the Netherlands, spot prices were virtually unchanged compared with the fourth quarter of 2012 and 8% higher compared with the full year 2012.

Time period	Nord Pool Spot (Nordic countries)	EPEX (Germany)	APX (Netherlands)
EUR/MWh			
Q4 2013	35.8	37.6	52.0
Q4 2012	37.3	41.4	51.9
Change (%)	-4.1	-9.3	0.3
Full year 2013	38.1	37.8	52.0
Full year 2012	31.3	42.7	48.0
Change (%)	21.9	-11.4	8.4

Electricity futures prices fell during the year in all of Vattenfall's markets compared with 2012. In the Nordic countries, futures prices fell by 8%–12% (for deliveries in 2014 and 2015) compared with the full year 2012. Futures prices were 21%–23% lower in Germany and 5%–13% lower in the Netherlands.

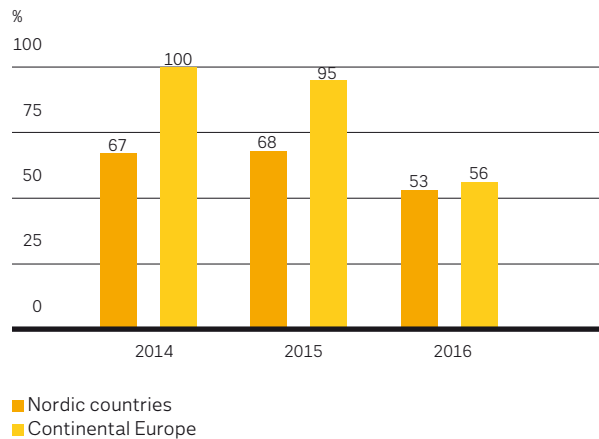
Time period	Nordic countries		Germany		Netherlands	
	2014	2015	2014	2015	2014	2015
EUR/MWh						
Full year 2013	36.2	34.7	39.1	38.7	47.5	43.9
Full year 2012	39.6	39.6	49.6	50.0	50.1	50.7
Change (%)	-8.5	-12.4	-21.2	-22.6	-6.7	-13.5

## Wholesale price trend, cont.



Oil prices (Brent crude) were volatile during the fourth quarter, but on average they were at the same level as in the preceding quarter. Coal prices continued to fall during the year and were 2% lower compared with the preceding quarter, but a full 21% lower compared with the fourth quarter of 2012. Gas prices were on average at the same level as during the third quarter of 2013. The price of CO<sub>2</sub> emission allowances was essentially unchanged compared with the preceding quarter and hovered around EUR 5/tonne at the end of the fourth quarter.

Vattenfall's hedge ratios (%) as per 31 December 2013



### 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).

#### Average price hedges as per 31 December 2013

EUR/MWh	2014	2015	2016
Nordic countries	40	39	37
Continental Europe	50	44	40

Compared with the level at 30 September 2013, Vattenfall's price hedge ratios increased for both markets for 2014 and 2015. Price hedges in EUR were slightly lower.

## Vattenfall's operating segments – Generation

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
Net sales	34,072	34,623	-1.6	121,236	118,956	1.9
External net sales <sup>1</sup>	19,154	18,138	5.6	67,798	61,159	10.9
Underlying operating profit	5,403	4,406	22.6	22,048	20,484	7.6
Sales of heat, TWh	2.5	3.3	-24.2	9.4	9.4	—
Electricity generation <sup>2</sup> , TWh	44.8	46.7	-4.1	170.8	167.9	1.7
– of which, hydro power	8.6	10.6	-18.9	35.6	42.2	-15.6
– of which, nuclear power	14.1	14.0	0.7	51.9	48.9	6.1
– of which, fossil-based power	20.6	20.7	-0.5	78.8	72.5	8.7
– of which, wind power	1.3	1.1	18.2	3.9	3.6	8.3
– of which, biomass, waste	0.2	0.3	-33.3	0.6	0.7	-14.3
Sales of electricity, TWh	22.6	23.4	-3.4	81.0	79.5	1.9
Number of employees, full-time equivalents	16,948	16,928	0.1	16,948	16,928	0.1

1) Excluding intra-Group transactions.

2) Of electricity generation during Q1–4 2013, Vattenfall disposed over 152.8 TWh (150.1), while the rest went to the minority part-owners or was deducted as replacement power.

The Generation operating segment is Vattenfall's interface towards the wholesale market and includes BD Sustainable Energy Projects, BD Production, BD Asset Optimisation and Trading, and BD Nuclear Power. Operations during the fourth quarter of 2013 were conducted in Sweden, Denmark, Finland, Germany, the Netherlands and the UK.

**Underlying operating profit 2013:** The underlying operating profit improved by SEK 1.6 billion, mainly owing to higher production and lower operating expenses.

**Underlying operating profit Q4:** The underlying operating profit improved by SEK 1.0 billion.

### Electricity production and sales of heat, 2013

Hydro power generation decreased by 15.6%, to 35.6 TWh (42.2), mainly owing to exceptionally high hydro power generation in 2012 as a result of high water supply. Nordic reservoirs were filled to 67.6% capacity (69.6%) at the year-end, which is slightly lower than normal.

Nuclear power generation increased by 3.0 TWh to 51.9 TWh (48.9). Combined availability of Vattenfall's nuclear power plants was 86% (82%). Forsmark had availability of 89.5% (89.3%) and generated 25.2 TWh (24.6). Availability at Ringhals was 83.4% (75.4%), and generation amounted to 26.7 TWh (24.4).

Fossil-based generation increased by 8.7% to 78.8 TWh (72.5). Electricity generation in Germany increased by 3.2%, to 57.3 TWh (55.5), mainly owing to the fact that unit R at the Boxberg power plant was in full operation. Electricity generation in the Netherlands increased to 16.0 TWh (12.8), mainly owing to the commissioning of the Magnum, Diemen 34 and Hemweg 9 gas power plants for commercial operation. As a result of low margins for gas-fired power generation, as previously communicated, Vattenfall has decided for the time being to not put the Magnum plant into full commercial operation. Due to lower water supply in the Nordic reservoirs, fossil-based generation in Denmark increased by 1.3 TWh, to 5.5 TWh.

Wind power generation increased by 8.3% to 3.9 TWh, mainly in the UK and the Netherlands.

Sales of heat were unchanged at 9.4 TWh.

# Vattenfall's operating segments – Distribution and Sales

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
Net sales	34,969	37,007	-5.5	128,720	130,671	-1.5
External net sales <sup>1</sup>	33,315	34,970	-4.7	122,776	123,495	-0.6
– of which, Distribution	4,120	3,755	9.7	15,389	14,216	8.3
– of which, Heat	4,293	4,481	-4.2	15,030	14,785	1.7
Underlying operating profit	2,216	2,526	-12.3	8,667	7,855	10.3
– of which, Distribution	1,304	1,649	-20.9	5,059	5,428	-6.8
– of which, Heat	674	866	-22.2	2,283	2,727	-16.3
Sales of gas, TWh	16.0	17.1	-6.4	55.8	52.4	6.5
Sales of heat, TWh	6.3	6.9	-8.7	20.8	20.4	2.0
Electricity generation <sup>2</sup> , TWh	3.0	3.3	-9.1	10.9	11.0	-0.9
– of which, fossil-based power	2.5	2.8	-10.7	9.1	9.2	-1.1
– of which, biomass, waste	0.5	0.5	—	1.7	1.8	-5.6
Sales of electricity, TWh	32.2	33.9	-5.0	122.3	126.0	-2.9
– of which, private customers	7.8	8.4	-7.1	28.1	29.5	-4.7
– of which, resellers	7.3	7.0	4.3	27.1	25.3	7.1
– of which, business customers	17.1	18.5	-7.6	67.1	71.3	-5.9
Transited volume, excl. production transiting	25.7	26.9	-4.5	98.4	99.9	-1.5
Number of employees, full-time equivalents	10,694	11,235	-4.8	10,694	11,235	-4.8

1) Excluding intra-Group transactions.

2) Of electricity generation during Q1–4 2013, Vattenfall disposed over 10.9 TWh (11.0 TWh).

The Distribution and Sales operating segment and Business Division is responsible for Vattenfall's electricity sales and heat businesses, electricity distribution and other downstream businesses. The Division is responsible for all relationships with Vattenfall's end customers. Operations during the fourth quarter of 2013 were conducted in Sweden, Denmark, Finland, Norway, Germany, France and the Netherlands.

**Underlying operating profit 2013:** The underlying operating profit improved by SEK 0.8 billion, mainly as a result of lower operating expenses.

**Underlying operating profit Q4:** The underlying operating profit decreased by SEK 0.3 billion, mainly as a result of higher operating expenses.

## Sales of electricity, gas and heat, 2013

Total sales of electricity decreased by 3.7 TWh to 122.3 TWh (126).

Sales to private customers decreased by 1.4 TWh to 28.1 TWh (29.5).

Sales to resellers increased by 1.8 TWh to 27.1 TWh (25.3).

Sales to business customers decreased by 4.2 TWh to 67.1 TWh (71.3).

Sales of gas increased by 3.4 TWh to 55.8 TWh (52.4), mainly owing to a larger number of customers in Germany (both private and business customers).

Sales of heat increased to 20.8 TWh (20.4).

## Other

Amounts in SEK million	Q4 2013	Q4 2012	Change, %	Full year 2013	Full year 2012	Change, %
Net sales	1,555	1,437	8.2	5,477	5,445	0.6
External net sales <sup>1</sup>	81	88	-8.0	302	245	23.3
Underlying operating profit	-665	-277	140.1	-2,812	-809	247.6
Number of employees, full-time equivalents	4,177	4,631	-9.8	4,177	4,631	-9.8
1) Excluding intra-Group transactions.						

"Other" comprises all Staff Functions including Treasury activities and Shared Service Centres.

**Underlying operating profit, 2013:** The underlying operating profit decreased by SEK 2.0 billion.

**Underlying operating profit, Q4:** The underlying operating profit decreased by SEK 0.4 billion.

# Consolidated income statement

Amounts in SEK	Q4 2013	Q4 2012 <sup>1</sup>	Full year 2013	Full year 2012 <sup>1</sup>
Net sales	47,762	47,937	171,684	167,313
Cost of products sold <sup>2</sup>	-37,401	-37,519	-158,693	-131,698
<b>Gross profit</b>	<b>10,361</b>	<b>10,418</b>	<b>12,991</b>	<b>35,615</b>
Selling expenses, administrative expenses and research and development costs <sup>3</sup>	-7,357	-5,314	-21,511	-18,501
Other operating income and expenses, net	482	11	1,283	8,708
Participations in the results of associated companies	353	-18	784	136
<b>Operating profit (EBIT)<sup>4</sup></b>	<b>3,839</b>	<b>5,097</b>	<b>-6,453</b>	<b>25,958</b>
Financial income <sup>5,7</sup>	556	754	1,196	2,636
Financial expenses <sup>6,7</sup>	-2,636	-2,127	-9,954	-10,476
<b>Profit before tax</b>	<b>1,759</b>	<b>3,724</b>	<b>-15,211</b>	<b>18,118</b>
Income tax expense	224	2,618	1,668	-1,071
<b>Profit for the period</b>	<b>1,983</b>	<b>6,342</b>	<b>-13,543</b>	<b>17,047</b>
Profit for the period attributable to:				
Owners of the Parent Company	2,228	6,405	-13,668	16,759
Non-controlling interests	-245	-63	125	288
<b>Total</b>	<b>1,983</b>	<b>6,342</b>	<b>-13,543</b>	<b>17,047</b>
<b>Earnings per share</b>				
Number of shares in Vattenfall AB, thousands	131,700	131,700	131,700	131,700
Earnings per share, basic and diluted (SEK)	16,92	48,63	-103,78	127,25
<b>Supplementary information</b>				
Operating profit before depreciation and amortisation (EBITDA)	9,368	10,286	42,842	54,271
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	-1,527	-1,517	-6,239	-6,190
Underlying operating profit (Operating profit (EBIT) excluding items affecting comparability)	6,951	6,655	27,900	27,530
1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.				
2) Of which, depreciation, amortisation and impairment losses related to intangible assets (non-current) and property, plant and equipment	-5,134	-5,024	-48,342	-27,712
3) Of which, depreciation, amortisation and impairment losses related to intangible assets (non-current) and property, plant and equipment	-395	-165	-953	-601
4) Including items affecting comparability attributable to:				
Capital gains/losses, net	100	-245	56	8,010
Impairment losses and impairment losses reversed, net, pertaining intangible assets (non-current) and property, plant and equipment	-295	-6	-30,147	-8,648
Unrealised changes in the fair value of energy derivatives	-978	-271	-995	729
Unrealised changes in the fair value of inventories	431	-377	281	-395
Restructuring costs	-792	-696	-1,568	-824
Other items affecting comparability	-1,578	37	-1,980	-444
<b>Total of items affecting comparability in Operating profit which also constitute the difference between Operating profit and Underlying operating profit</b>	<b>-3,112</b>	<b>-1,558</b>	<b>-34 353</b>	<b>-1,572</b>
5) Including return from the Swedish Nuclear Waste Fund	182	762	363	1,430
6) Including interest components related to pension costs	-313	-249	-1,170	-1,021
6) Including discounting effects attributable to provisions	-735	-618	-2,882	-3,080
7) Items affecting comparability recognised as financial income and expenses, net	—	15	-469	-1,090

# Consolidated statement of comprehensive income

Amounts in SEK	Q4 2013	Q4 2012 <sup>1</sup>	Full year 2013	Full year 2012 <sup>1</sup>
<b>Profit for the period</b>	<b>1,983</b>	<b>6,342</b>	<b>-13,543</b>	<b>17,047</b>
<b>Other comprehensive income:</b>				
<i>Items that will be reclassified to profit or loss when specific conditions are met:</i>				
Cash flow hedges:				
Changes in fair value	6,820	-338	12,510	7,025
Dissolved against the income statement	-2,704	2,192	-9,920	-2,476
Transferred to cost of hedged item	13	-27	-7	70
Tax attributable to cash flow hedges	-1,012	-580	-736	-1,381
<b>Total cash flow hedges</b>	<b>3,117</b>	<b>1,247</b>	<b>1,847</b>	<b>3,238</b>
Hedging of net investments in foreign operations	-2,129	-1,353	-2,717	4,035
Tax attributable to hedging of net investments in foreign operations	469	336	598	-1,049
<b>Total hedging of net investments in foreign operations</b>	<b>-1,660</b>	<b>-1,017</b>	<b>-2,119</b>	<b>2,986</b>
Translation differences	3,546	2,466	4,165	-7,242
Translation differences and exchange rate effects net, divested companies	—	—	—	79
Remeasurement of available-for-sale financial assets	3	-44	182	30
Impairment of available-for-sale financial assets	—	—	-30	—
<b>Total</b>	<b>5,006</b>	<b>2,652</b>	<b>4,045</b>	<b>-909</b>
<i>Items that will not be reclassified to profit or loss:</i>				
Remeasurement pertaining to defined benefit obligations	-165	-3,848	-1,200	-3,759
Tax attributable to remeasurement pertaining to defined benefit obligations	93	1,218	469	1,230
<b>Total</b>	<b>-72</b>	<b>-2,630</b>	<b>-731</b>	<b>-2,529</b>
<b>Total other comprehensive income, net after tax</b>	<b>4,934</b>	<b>22</b>	<b>3,314</b>	<b>-3,438</b>
<b>Total comprehensive income for the period</b>	<b>6,917</b>	<b>6,364</b>	<b>-10,229</b>	<b>13,609</b>
Total comprehensive income for the period attributable to:				
Owner of the Parent Company	7,027	6,437	-10,722	13,591
Non-controlling interests	-110	-73	493	18
<b>Total</b>	<b>6,917</b>	<b>6,364</b>	<b>-10,229</b>	<b>13,609</b>

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.



# Operating segments, Vattenfall Group

Amounts in SEK million	External net sales				Internal net sales				Total net sales			
	Q4 2013	Q4 2012	Full year 2013	Full year 2012	Q4 2013	Q4 2012	Full year 2013	Full year 2012	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Generation	19,154	18,138	67,798	61,159	14,918	16,485	53,438	57,797	34,072	34,623	121,236	118,956
Distribution and Sales	33,315	34,970	122,776	123,495	1,654	2,037	5,944	7,176	34,969	37,007	128,720	130,671
Other <sup>1</sup>	81	88	302	245	1,474	1,349	5,175	5,200	1,555	1,437	5,477	5,445
Eliminations <sup>2</sup>	-4,788	-5,259	-19,192	-17,586	-18,046	-19,871	-64,557	-70,173	-22,834	-25,130	-83,749	-87,759
<b>Total</b>	<b>47,762</b>	<b>47,937</b>	<b>171,684</b>	<b>167,313</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>47,762</b>	<b>47,937</b>	<b>171,684</b>	<b>167,313</b>

Amounts in SEK million	Profit				Underlying operating profit			
	Q4 2013	Q4 2012 <sup>3</sup>	Full year 2013	Full year 2012 <sup>3</sup>	Q4 2013	Q4 2012 <sup>3</sup>	Full year 2013	Full year 2012 <sup>3</sup>
Generation	2,806	3,024	-9,757	11,011	5,403	4,406	22,048	20,484
Distribution and Sales	2,098	2,531	6,996	7,926	2,216	2,526	8,667	7,855
Other <sup>1</sup>	-1,065	-458	-3,692	7,021	-668	-277	-2,815	-809
<b>Operating profit (EBIT)</b>	<b>3,839</b>	<b>5,097</b>	<b>-6,453</b>	<b>25,958</b>	<b>6,951</b>	<b>6,655</b>	<b>27,900</b>	<b>27,530</b>
Financial income and expenses	-2,080	-1,373	-8,758	-7,840				
<b>Profit before tax</b>	<b>1,759</b>	<b>3,724</b>	<b>-15,211</b>	<b>18,118</b>				

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

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

3) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.

# Vattenfall Group, information about geographical areas<sup>1</sup>

Amounts in SEK million	External net sales				Internal net sales				Total net sales			
	Q4 2013	Q4 2012	Full year 2013	Full year 2012	Q4 2013	Q4 2012	Full year 2013	Full year 2012	Q4 2013	Q4 2012	Full year 2013	Full year 2012
Sweden	13,522	15,090	48,551	49,483	1,341	1,493	3,971	6,940	14,863	16,583	52,522	56,423
Germany	23,622	20,871	84,805	77,205	17,070	17,754	50,239	38,061	40,692	38,625	135,044	115,266
Netherlands	8,779	9,696	31,585	33,537	18,924	17,411	49,585	35,323	27,703	27,107	81,170	68,860
Other countries	2,861	3,354	10,614	10,678	1,202	762	3,713	2,171	4,063	4,116	14,327	12,849
Eliminations	-1,022	-1,074	-3,871	-3,590	-38,537	-37,420	-107,508	-82,495	-39,559	-38,494	-111,379	-86,085
<b>Total</b>	<b>47,762</b>	<b>47,937</b>	<b>171,684</b>	<b>167,313</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>47,762</b>	<b>47,937</b>	<b>171,684</b>	<b>167,313</b>

Amounts in SEK million	Operating profit (EBIT)				Underlying operating profit			
	Q4 2013	Q4 2012 <sup>2</sup>	Full year 2013	Full year 2012 <sup>2</sup>	Q4 2013	Q4 2012 <sup>2</sup>	Full year 2013	Full year 2012 <sup>2</sup>
Sweden	3,143	4,631	13,618	23,461	3,481	4,408	13,584	15,779
Germany	18	1,243	3,583	11,569	2,390	1,195	13,429	10,970
Netherlands	384	-1,399	-21,326	-9,999	674	394	121	-2
Other countries	294	622	-2,328	927	406	658	766	783
<b>Total</b>	<b>3,839</b>	<b>5,097</b>	<b>-6,453</b>	<b>25,958</b>	<b>6,951</b>	<b>6,655</b>	<b>27,900</b>	<b>27,530</b>

1) Pertains to consolidated financial information allocated to geographical areas.

2) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.

# Consolidated balance sheet

Amounts in SEK million	31 Dec. 2013	31 Dec. 2012 <sup>1</sup>	1 Jan. 2012 <sup>1</sup>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	31,285	39,045	46,229
Property, plant and equipment	269,160	279,284	279,445
Investment property	479	489	539
Biological assets	20	11	8
Participations in associated companies and joint ventures	12,076	11,620	12,344
Other shares and participations	2,699	2,980	3,235
Share in the Swedish Nuclear Waste Fund	30,600	29,954	28,430
Derivative assets	16,239	23,756	20,691
Current tax assets, non-current	627	807	990
Prepaid expenses	117	168	188
Deferred tax assets	5,977	1,018	1,303
Other non-current receivables	6,587	5,249	5,732
<b>Total non-current assets</b>	<b>375,866</b>	<b>394,381</b>	<b>399,134</b>
<b>Current assets</b>			
Inventories	18,448	19,463	18,564
Biological assets	5	3	1
Intangible assets: current	7,531	6,083	5,627
Trade receivables and other receivables	32,042	34,409	41,880
Advance payments paid	2,710	5,396	6,368
Derivative assets	10,967	12,498	9,408
Prepaid expenses and accrued income	6,264	7,806	6,450
Current tax assets	525	1,830	1,853
Short-term investments	11,460	28,450	17,417
Cash and cash equivalents	15,794	18,045	11,268
Assets held for sale	4,814	—	6,588
<b>Total current assets</b>	<b>110,560</b>	<b>133,983</b>	<b>125,424</b>
<b>Total assets</b>	<b>486,426</b>	<b>528,364</b>	<b>524,558</b>

Amounts in SEK million	31 Dec. 2013	31 Dec. 2012 <sup>1</sup>	1 Jan. 2012 <sup>1</sup>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Attributable to owner of the Parent Company	120,370	140,764	128,964
Attributable to non-controlling interests	10,348	8,608	6,827
<b>Total equity</b>	<b>130,718</b>	<b>149,372</b>	<b>135,791</b>
<b>Non-current liabilities</b>			
Hybrid Capital	8,835	8,543	8,883
Other interest-bearing liabilities	98,004	112,524	149,602
Pension provisions	35,477	30,584	22,904
Other interest-bearing provisions	69,282	67,640	65,632
Derivative liabilities	9,734	15,193	12,590
Deferred tax liabilities	31,285	32,537	34,510
Other noninterest-bearing liabilities	6,000	7,534	8,238
<b>Total non-current liabilities</b>	<b>258,617</b>	<b>274,555</b>	<b>302,359</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	31,908	35,219	35,108
Advance payments received	3,289	2,138	1,142
Derivative liabilities	4,280	5,612	9,864
Accrued expenses and deferred income	20,382	15,812	18,489
Current tax liabilities	1,435	854	844
Interest-bearing liabilities	27,456	39,194	11,865
Interest-bearing provisions	5,429	5,608	7,237
Liabilities associated with assets held for sale	2,912	—	1,859
<b>Total current liabilities</b>	<b>97,091</b>	<b>104,437</b>	<b>86,408</b>
<b>Total equity and liabilities</b>	<b>486,426</b>	<b>528,364</b>	<b>524,558</b>
Collateral	8,712	6,672	
Contingent liabilities	2,799	1,905	

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.

## Consolidated balance sheet, cont.

Amounts in SEK million	31 Dec. 2013	31 Dec. 2012
<b>Supplementary information</b>		
Capital employed	297,178	311,780
Capital employed, average	304,479	314,602
<b>Net debt</b>		
Hybrid Capital	-8,835	-8,543
Bond issues, commercial paper and liabilities to credit institutions	-78,109	-94,254
Present value of liabilities pertaining to acquisitions of Group companies	-17,892	-27,080
Liabilities to associated companies	-9,513	-9,308
Liabilities to owners of non-controlling interests	-12,425	-11,876
Other liabilities	-7,521	-9,200
<b>Total interest-bearing liabilities</b>	<b>-134,295</b>	<b>-160,261</b>
Cash and cash equivalents	15,794	18,045
Short-term investments	11,460	28,450
Receivable from Vattenfall's pension foundation	—	1,807
Loans to owners of non-controlling interests in foreign Group companies	129	52
<b>Net debt</b>	<b>-106,912</b>	<b>-111,907</b>

Amounts in SEK million	31 Dec. 2013	31 Dec. 2012
<b>Adjusted gross debt and net debt</b>		
Total interest-bearing liabilities	-134,295	-160,261
50% of Hybrid Capital	4,418	4,272
Present value of pension obligations	-35,477	-30,192
Provisions for mining, gas and wind operations and other environment-related provisions	-11,760	-12,229
Provisions for nuclear power (net)	-20,247	-18,463
Currency derivatives for hedging of debt in foreign currency	1,212	3,027
Margin calls received	2,176	7,170
Liabilities to owners of non-controlling interests due to consortium agreements	10,866	10,495
<b>Adjusted gross debt</b>	<b>-183,107</b>	<b>-196,181</b>
Reported cash and cash equivalents and short-term investments	27,254	46,495
Receivable from Vattenfall's pension foundation	—	1,807
Unavailable liquidity	-6,744	-6,064
<b>Adjusted cash and cash equivalents and short-term investments</b>	<b>20,510</b>	<b>42,238</b>
<b>Adjusted net debt</b>	<b>-162,597</b>	<b>-153,943</b>

# Consolidated statement of cash flows

Amounts in SEK million	Q4 2013	Q4 2012	Full year 2013	Full year 2012
<b>Operating activities</b>				
Profit before tax	1,759	3,724 <sup>1</sup>	-15,211	18,118 <sup>1</sup>
Reversal of depreciation, amortisation and impairment losses	5,529	5,189	49,787	28,624
Tax paid	-1,225	536	-4,090	-3,545
Capital gains/losses, net	-100	241	-79	-8,031
Other, incl. non-cash items	585	1,893 <sup>1</sup>	1,481	-747 <sup>1</sup>
<b>Funds from operations (FFO)</b>	<b>6,548</b>	<b>11,583</b>	<b>31,888</b>	<b>34,419</b>
Changes in inventories	391	-1,019	1,361	-1,657
Changes in operating receivables	-10,712	-14,398	-3,966	-6,348
Changes in operating liabilities	9,938	12,163	5,145	2,505
Other changes	1,742	-3,066	3,408	-434
<b>Cash flow from changes in operating assets and operating liabilities</b>	<b>1,359</b>	<b>-6,320</b>	<b>5,948</b>	<b>-5,934</b>
<b>Cash flow from operating activities</b>	<b>7,907</b>	<b>5,263</b>	<b>37,836</b>	<b>28,485</b>
<b>Investing activities</b>				
Acquisitions in Group companies	-41	—	-41	—
Investments in associated companies and other shares and participations	-30	-107	15	-345
Other investments in non-current assets	-9,338	-9,891	-27,735	-29,236
<b>Total investments</b>	<b>-9,409</b>	<b>-9,998</b>	<b>-27,761</b>	<b>-29,581</b>
Divestments	411	87	651	22,836
Cash and cash equivalents in divested companies	—	-2	-16	-145
<b>Cash flow from investing activities</b>	<b>-8,998</b>	<b>-9,913</b>	<b>-27,126</b>	<b>-6,890</b>
<b>Cash flow before financing activities</b>	<b>-1,091</b>	<b>-4,650</b>	<b>10,710</b>	<b>21,595</b>
<b>Financing activities</b>				
Changes in short-term investments	3,773	4,055	17,948	-11,830
Changes in loans to owners of non-controlling interests in foreign Group companies	147	140	-75	510
Loans raised <sup>2</sup>	4,592	492	7,449	1,427
Amortisation of debt pertaining to acquisitions of Group companies	—	—	-10,257	-2,738
Amortisation of other debt	-9,044	-2,928	-27,362	-5,265
Divestment of shares in Group companies to owners of non-controlling interests (minority owners)	—	2,917	—	4,113
Payment from Vattenfall's pension foundation	1,921	2,800	2,911	2,800
Settlement of receivable from Vattenfall's pension foundation	—	—	1,807	—
Dividends paid to owners	—	—	-6,840	-4,500
Contribution from owners of non-controlling interests	499	261	1,275	737
<b>Cash flow from financing activities</b>	<b>1,888</b>	<b>7,737</b>	<b>-13,144</b>	<b>-14,746</b>
<b>Cash flow for the period</b>	<b>797</b>	<b>3,087</b>	<b>-2 434</b>	<b>6,849</b>

1) The amount for 2012 has been recalculated compared with previously published information. See Note 5, page 32.

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

## Consolidated statement of cash flows, cont.

Amounts in SEK million	Q4 2013	Q4 2012	Full year 2013	Full year 2012
<b>Cash and cash equivalents</b>				
Cash and cash equivalents at start of period	14,849	14 863	18,045	11,268
Cash and cash equivalents included in assets held for sale	1	—	-1	—
Cash flow for the period	797	3,087	-2,434	6,849
Translation differences	147	95	184	-72
<b>Cash and cash equivalents at end of period</b>	<b>15,794</b>	<b>18,045</b>	<b>15,794</b>	<b>18,045</b>
<b>Supplementary information</b>				
<b>Cash flow before financing activities</b>	<b>-1,091</b>	<b>-4,650</b>	<b>10,710</b>	<b>21,595</b>
<b>Financing activities</b>				
Dividends paid to owners	—	—	-6,840	-4,500
Payment from Vattenfall's pension foundation	1,921	2,800	2,911	2,800
Divestment of shares in Group companies to owners of non-controlling interests	—	2,917	—	4,113
Contribution from owners of non-controlling interests	499	261	1,275	737
<b>Cash flow after dividend</b>	<b>-1,329</b>	<b>1,328</b>	<b>8,056</b>	<b>24,745</b>
<b>Analysis of change in net debt</b>				
Net debt at start of period	-106,923	-114,143	-111,907	-141,089
Cash flow after dividend	-1,329	1,328	8,056	24,745
Changes as a result of valuation at fair value	690	309	2,126	316
Changes in interest-bearing liabilities for leasing	14	96	36	-621
Interest-bearing liabilities/short-term investments acquired/divested	—	—	—	344
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	-104	-144	-408	-520
Cash and cash equivalents included in assets held for sale	1	—	-1	—
Receivable from Vattenfall's pension foundation	—	1,807	—	1,807
Interest-bearing liability for future dividend	—	-665	—	-984
Interest-bearing liabilities associated with assets held for sale	—	—	—	-344
Transfer to liabilities due to changed shareholders' rights	-23	—	-3,387	—
Translation differences on net debt	-1,896	-495	-1,427	4,439
<b>Net debt at end of period</b>	<b>-106,912</b>	<b>-111,907</b>	<b>-106,912</b>	<b>-111,907</b>
Free cash flow	2,244	-1,893	23,571	12,619

# Consolidated statement of changes in equity

	31 Dec. 2013			31 Dec. 2012 <sup>1</sup>		
	Attributable to owner of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests (minority interests)	Total equity
Amounts in SEK million						
Balance brought forward	140,764	8,608	149,372	131,988	6,943	138,931
Transitional effect of adoption of new accounting rules (IAS 19)	—	—	—	-3,024	-116	-3,140
Dividends paid to owners	-6,774	-66	-6,840	-4,433	-67	-4,500
Group contributions from(+)/to(-) owners of non-controlling interests, net after tax	—	505	505	—	532	532
Changes in ownership in Group companies on divestment of shares to owners of non-controlling interests	—	—	—	2,642	572	3,214
Other changes in ownership	4	1,294	1,298	—	726	726
Transfer to liabilities due to changed shareholders' rights	-2,902	-486	-3,388	—	—	—
Cash flow hedges:						
Changes in fair value	12,503	7	12,510	7,031	-6	7,025
Dissolved against income statement	-9,922	2	-9,920	-2,478	2	-2,476
Transferred to cost of hedged item	-11	4	-7	58	12	70
Tax attributable to cash flow hedges	-733	-3	-736	-1,378	-3	-1,381
<b>Total cash flow hedges</b>	<b>1,837</b>	<b>10</b>	<b>1,847</b>	<b>3,233</b>	<b>5</b>	<b>3,238</b>
Hedging of net investments in foreign operations	-2,717	—	-2,717	4,035	—	4,035
Tax attributable to hedging of net investments in foreign operations	598	—	598	-1,049	—	-1,049
<b>Total hedging of net investments in foreign operations</b>	<b>-2,119</b>	<b>—</b>	<b>-2,119</b>	<b>2,986</b>	<b>—</b>	<b>2,986</b>
Translation differences	3,820	345	4,165	-7,033	-209	-7,242
Translation differences and exchange rate effects net, divested companies	—	—	—	79	—	79
Remeasurement of available-for-sale financial assets	182	—	182	30	—	30
Impairment of available-for-sale financial assets	-30	—	-30	—	—	—
<b>Total</b>	<b>3,690</b>	<b>355</b>	<b>4,045</b>	<b>-705</b>	<b>-204</b>	<b>-909</b>
Remeasurement pertaining to defined benefit obligations	-1,213	13	-1,200	-3,693	-66	-3,759
Tax attributable to remeasurement pertaining to defined benefit obligations	469	—	469	1,230	—	1,230
<b>Total</b>	<b>-744</b>	<b>13</b>	<b>-731</b>	<b>-2,463</b>	<b>-66</b>	<b>-2,529</b>
<b>Total other comprehensive income for the period</b>	<b>2,946</b>	<b>368</b>	<b>3,314</b>	<b>-3,168</b>	<b>-270</b>	<b>-3,438</b>
Profit for the period	-13,668	125	-13,543	16,759	288	17,047
<b>Total comprehensive income for the period</b>	<b>-10,722</b>	<b>493</b>	<b>-10,229</b>	<b>13,591</b>	<b>18</b>	<b>13,609</b>
<b>Balance carried forward</b>	<b>120,370<sup>2</sup></b>	<b>10,348<sup>2</sup></b>	<b>130,718<sup>2</sup></b>	<b>140,764<sup>2</sup></b>	<b>8,608<sup>2</sup></b>	<b>149,372<sup>2</sup></b>
1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.						
2) Of which, Reserve for cash flow hedges	5,315	-39	5,276	3,478	-48	3,430

## Key ratios, Vattenfall Group (definitions and calculations of key ratios on pages 35-36)

In % unless otherwise stated. (x) means times	Q4 2013	Q4 2012 <sup>1</sup>	Full year 2013	Full year 2012 <sup>1</sup>
Operating margin	8.0	10.6	-3.8	15.5
Operating margin <sup>2</sup>	14.6	13.9	16.3	16.5
Pre-tax profit margin	3.7	7.8	-8.9	10.8
Pre-tax profit margin <sup>2</sup>	10.2	11.0	11.4	12.4
Return on equity	-11.4 <sup>3</sup>	12.3 <sup>3</sup>	-11.4 <sup>3</sup>	12.3
Return on capital employed	-2.1 <sup>3</sup>	8.3 <sup>3</sup>	-2.1 <sup>3</sup>	8.3
Return on capital employed <sup>2</sup>	9.2 <sup>3</sup>	8.8 <sup>3</sup>	9.2 <sup>3</sup>	8.8
EBIT interest cover, (x)	-0.8 <sup>3</sup>	3.7 <sup>3</sup>	-0.8 <sup>3</sup>	3.7
EBIT interest cover, (x) <sup>2</sup>	4.1 <sup>3</sup>	3.9 <sup>3</sup>	4.1 <sup>3</sup>	3.9
FFO interest cover, (x)	5.5 <sup>3</sup>	5.7 <sup>3</sup>	5.5 <sup>3</sup>	5.7
FFO interest cover, net, (x)	6.1 <sup>3</sup>	6.6 <sup>3</sup>	6.1 <sup>3</sup>	6.6
Cash flow interest cover after maintenance investments, (x)	5.0 <sup>3</sup>	3.0 <sup>3</sup>	5.0 <sup>3</sup>	3.0
FFO/gross debt	23.7 <sup>3</sup>	21.5 <sup>3</sup>	23.7 <sup>3</sup>	21.5
FFO/net debt	29.8 <sup>3</sup>	30.8 <sup>3</sup>	29.8 <sup>3</sup>	30.8
FFO/adjusted net debt	19.6 <sup>3</sup>	22.4 <sup>3</sup>	19.6 <sup>3</sup>	22.4
EBITDA/net financial items, (x)	6.1	6.8	6.9	8.8
EBITDA/net financial items, (x) <sup>2</sup>	8.2	7.8	12.4	9.0
Equity/total assets	26.9	28.3	26.9	28.3
Gross debt/equity	102.7	107.3	102.7	107.3
Net debt/equity	81.8	74.9	81.8	74.9
Gross debt/gross debt plus equity	50.7	51.8	50.7	51.8
Net debt/net debt plus equity	45.0	42.8	45.0	42.8
Net debt/EBITDA, (x)	2.5 <sup>3</sup>	2.1 <sup>3</sup>	2.5 <sup>3</sup>	2.1
Adjusted net debt/EBITDA, (x)	3.8 <sup>3</sup>	2.8 <sup>3</sup>	3.8 <sup>3</sup>	2.8

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.

2) Based on Underlying operating profit.

3) Last 12-month values.



# Quarterly information, Vattenfall Group

Amounts in SEK million	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012 <sup>1</sup>	Q3 2012 <sup>1</sup>	Q2 2012 <sup>1</sup>	Q1 2012 <sup>1</sup>
<b>Income statement</b>								
Net sales	47,762	36,997	37,266	49,659	47,937	33,679	36,703	48,994
Cost of products sold	-37,401	-27,820	-58,229	-35,243	-37,519	-32,946	-27,477	-33,756
Other operating income and expenses, net	-6,875	-4,152	-5,295	-3,906	-5,303	-3,555	-4,619	3,684
Participations in the results of associated companies	353	-207	342	296	-18	44	122	-12
Operating profit before depreciation and amortisation (EBITDA)	9,368	9,532	8,190	15,752	10,286	10,521	9,684	23,780
Operating profit (EBIT)	3,839	4,818	-25,916	10,806	5,097	-2,778	4,729	18,910
Underlying operating profit	6,951	3,999	5,325	11,625	6,655	4,474	4,772	11,629
Financial items, net	-2,080	-1,688	-2,584	-2,406	-1,373	-827	-3,195	-2,445
Profit before tax	1,759	3,130	-28,500	8,400	3,724	-3,605	1,534	16,465
<b>Profit for the period</b>	<b>1,983</b>	<b>1,538</b>	<b>-23,259</b>	<b>6,195</b>	<b>6,342</b>	<b>-3,975</b>	<b>852</b>	<b>13,828</b>
– of which, attributable to owner of the Parent Company	2,228	1,570	-23,707	6,241	6,405	-4,216	874	13,696
– of which, attributable to non-controlling interests	-245	-32	448	-46	-63	241	-22	132
<b>Balance sheet</b>								
Non-current assets	375,866	363,325	366,624	387,459	394,381	386,637	398,651	396,640
Short-term investments	11,460	14,741	11,973	21,820	28,450	32,103	25,767	28,254
Cash and cash equivalents	15,794	14,849	23,103	17,156	18,045	14,863	16,547	17,456
Other current assets	83,306	76,089	86,685	87,751	87,488	65,933	72,668	84,153
<b>Total assets</b>	<b>486,426</b>	<b>469,004</b>	<b>488,385</b>	<b>514,186</b>	<b>528,364</b>	<b>499,536</b>	<b>513,633</b>	<b>526,503</b>
Equity	130,718	122,796	127,691	152,527	149,372	139,840	147,752	150,711
– of which, attributable to owner of the Parent Company	120,370	114,152	117,858	143,625	140,764	132,039	140,394	143,719
– of which, attributable to non-controlling interests (minority interests)	10,348	8,644	9,833	8,902	8,608	7,801	7,358	6,992
Hybrid Capital	8,835	8,630	8,746	8,321	8,543	8,408	8,725	8,793
Other interest-bearing liabilities	125,460	128,159	139,001	139,238	151,718	152,889	157,014	157,752
Pension provisions	35,477	33,093	33,329	31,027	30,584	22,099	22,676	22,764
Other interest-bearing provisions	74,711	73,723	73,630	72,522	73,248	70,401	71,870	73,368
Deferred tax liabilities	31,285	28,216	28,642	32,622	32,537	34,047	34,842	34,825
Other noninterest-bearing liabilities	79,940	74,387	77,346	77,929	82,362	71,852	70,754	78,290
<b>Total equity and liabilities</b>	<b>486,426</b>	<b>469,004</b>	<b>488,385</b>	<b>514,186</b>	<b>528,364</b>	<b>499,536</b>	<b>513,633</b>	<b>526,503</b>
Capital employed	297,178	286,182	292,268	310,913	311,780	294,939	315,448	317,430
Net debt	-106,912	-106,923	-112,369	-107,379	-111,907	-114,143	-123,207	-120,597

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.

## Quarterly information, Vattenfall Group, cont.

Amounts in SEK million	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012 <sup>1</sup>	Q3 2012 <sup>1</sup>	Q2 2012 <sup>1</sup>	Q1 2012 <sup>1</sup>
<b>Cash flow</b>								
Funds from operations (FFO)	6,548	6,743	5,999	12,598	11,583	6,172	3,947	12,717
Cash flow from changes in operating assets and operating liabilities	1,359	6,958	5,474	-7,843	-6,320	4,471	4,441	-8,526
Cash flow from operating activities	7,907	13,701	11,473	4,755	5,263	10,643	8,388	4,191
Cash flow from investing activities	-8,998	-6,444	-6,421	-5,263	-9,913	-6,372	-5,700	15,095
Cash flow before financing activities	-1,091	7,257	5,052	-508	-4,650	4,271	2,688	19,286
Changes in short-term investments	3,773	-2,940	10,979	6,136	4,055	-7,196	2,300	-10,989
Loans raised/Amortisation of debt, net, etc.	-1,885	-12,498	-3,509	-6,360	3,681	1,033	-996	-2,134
Dividends paid to owners	—	-3	-6,837	—	1	-1	-4,489	-11
Cash flow from financing activities	1,888	-15,441	633	-224	7,737	-6,164	-3,185	-13,134
<b>Cash flow for the period</b>	<b>797</b>	<b>-8,184</b>	<b>5,685</b>	<b>-732</b>	<b>3,087</b>	<b>-1,893</b>	<b>-497</b>	<b>6,152</b>
Free cash flow	2,244	10,220	8,362	2,745	-1,893	7,928	4,543	2,041
<b>Key ratios (definitions and calculations of key ratios on pages 35-36)</b>								
In % unless otherwise stated. (x) means times								
Return on equity <sup>2</sup>	-11.4	-7.6	-11.7	6.8	12.3	11.8	15.8	13.4
Return on capital employed <sup>2</sup>	-2.1	-1.8	-4.2	5.7	8.3	10.2	12.0	9.5
Return on capital employed <sup>2,3</sup>	9.2	9.5	9.3	8.8	8.8	9.3	9.2	9.4
EBIT interest cover, (x) <sup>2</sup>	-0.8	-0.7	-2.0	2.8	3.7	3.7	3.6	3.2
EBIT interest cover, (x) <sup>2,3</sup>	4.1	4.2	4.7	4.2	3.9	3.4	2.8	3.1
FFO/gross debt <sup>2</sup>	23.7	27.0	24.6	23.2	21.5	20.4	22.1	23.3
FFO/net debt <sup>2</sup>	29.8	34.5	32.4	31.9	30.8	28.9	29.7	32.2
FFO/adjusted net debt <sup>2</sup>	19.6	23.4	22.4	22.6	22.4	22.8	23.4	25.0
Equity/assets ratio	26.9	26.2	26.1	29.7	28.3	28.0	28.8	28.6
Gross debt/equity	102.7	111.4	115.7	96.7	107.3	115.3	112.2	110.5
Net debt/equity	81.8	87.1	88.0	70.4	74.9	81.6	83.4	80.0
Net debt/net debt plus equity	45.0	46.5	46.8	41.3	42.8	44.9	45.5	44.5
Net debt/EBITDA, (x) <sup>2</sup>	2.5	2.4	2.5	2.3	2.1	1.9	2.1	2.0
Adjusted net debt/EBITDA, (x) <sup>2</sup>	3.8	3.6	3.6	3.3	2.8	2.4	2.7	2.5

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 5, page 32.

2) Last 12-month values.

3) Based on Underlying operating profit.

## Note 1 Accounting policies, risks and uncertainties

### Accounting policies

The consolidated accounts for 2013 have been prepared, as for the 2012 year-end accounts, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission for application within the EU, and the Swedish Annual Accounts Act.

This year-end report for the Group has been prepared in accordance with IAS 34 – *Interim Financial Reporting*, and the Swedish Annual Accounts Act.

The accounting policies and calculation methods applied in this year-end report are the same as those described in Vattenfall's 2012 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 2013 financial year.

Amendments in IFRS 7 – *Financial Instruments: Disclosures*. The amendment entails that further disclosures are to be provided about financial instruments that are recognised net in accordance with the rules of IAS 32 as well as about financial assets and liabilities covered by master netting agreements and similar, regardless of whether these have been offset or not. Vattenfall has identified which financial instruments are to be covered by the new disclosure requirements, which are reported in Note 3, Offsetting financial assets and financial liabilities, in this year-end report.

IFRS 13 – *Fair Value Measurement*. The standard includes uniform rules for measuring fair value where another IFRS requires fair value measurements or disclosures about fair value measurements. New types of disclosures are to be made in order to clarify which valuation techniques are used and which inputs are used. The new standard is not expected to affect Vattenfall's financial statements to any significant degree, but leads to more detailed disclosures. The disclosures required by IFRS 13 are provided in this year-end report in Note 4, Financial instruments by category and related effects on income.

Amendments in IAS 1 – *Presentation of Financial Statements*. The amendment entails a change in the presentation of transactions that are reported in other comprehensive income. Items that are to be reclassified (or "recycled") to profit or loss are to be reported separately. The amendment in IAS 1 does not affect the actual content of other comprehensive income, but only the presentation format. As shown in the consolidated statement of comprehensive income, two new sub-headings have been added: Items that will be reclassified to profit or loss when specific conditions are met, and Items that will not be reclassified to profit or loss, respectively.

Amendments in IAS 19 – *Employee Benefits*. Significant changes mainly pertaining to the reporting of defined benefit pension plans, where the opportunity to defer actuarial gains and losses

over time as part of the so-called corridor rule may no longer be applied; instead, these are to be reported immediately in other comprehensive income. The current year's service cost of defined benefit pensions, gains and losses that arise from settlement of a pension liability, and financial items pertaining to the defined benefit plan, are reported through profit or loss. Amendments in IAS 19 entail that the Group's financial statements for 2012 have been recalculated, and the recalculation effects are reported in Note 5 of this year-end report, Adjustments of 2012 financial statements as an effect of amendments in IAS 19.

Amendment of IAS 36 – *Impairment* removes the requirement introduced in connection with IFRS 13 – *Fair Value Measurement* to disclose the recoverable amount for all cash-generating units to which goodwill has been allocated. Instead, additional disclosure requirements regarding fair value are introduced when the recoverable amount of an impaired asset is based on fair value less costs of disposal. The amendments are to be applied as from 1 January 2014, however, Vattenfall has chosen to apply them retrospectively in 2013.

"Improvements to IFRSs" (issued in May 2012) aim to streamline and clarify the accounting standards concerning presentation, recognition and measurement, including changes in terminology or amendments of an editorial nature. The changes are to be applied for the 2013 financial year, but have not had any significant impact on Vattenfall's financial statements.

IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*. The interpretation addresses how costs for stripping the surface layer of an open cast (surface) mine are to be determined and reported, initially and on a continuous basis, during the production phase. Vattenfall already applies the valuation and reporting stipulated in IFRIC 20.

### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2012 Annual Report, pages 45–50. No other material changes have taken place since publication of the 2012 Annual Report.

### Other

Significant related-party transactions are described in Note 55 to the consolidated accounts in Vattenfall's 2012 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2012 Annual Report.

## Note 2 Exchange rates

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

	Q4 2013	Q4 2012	Full year 2013	Full year 2012
<b>Average rate</b>				
EUR	8.8073	8.5736	8.6625	8.7036
DKK	1.1808	1.1494	1.1615	1.1692
NOK	1.0709	1.1633	1.1081	1.1627
PLN	2.1012	2.0884	2.0615	2.0797
GBP	10.5087	10.613	10.2250	10.6954
USD	6.4584	6.5823	6.5144	6.7343

	31 Dec. 2013	31 Dec. 2012
<b>Balance sheet date rate</b>		
EUR	8.8591	8.5820
DKK	1.1877	1.1503
NOK	1.0593	1.1679
PLN	2.1325	2.1065
GBP	10.6262	10.5159
USD	6.4238	6.5045

### Note 3 Offsetting financial assets and financial liabilities

Financial assets and liabilities that are subject to enforceable master netting arrangements and similar agreements.

Assets 31 December 2013	Related amounts not set off on the balance sheet					
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Financial liabilities, not intended to be settled net <sup>1</sup>	Cash collateral received	Net amount
Amounts in SEK million						
Derivatives, financial operations	8,973	—	8,973	6,763	2,176	34
Derivatives, commodity contracts	44,010	27,547	16,463	—	3,108	13,355
<b>Total</b>	<b>52,983</b>	<b>27,547</b>	<b>25,436</b>	<b>6,763</b>	<b>5,284</b>	<b>13,389</b>
Derivatives, not subject to offsetting	1,770	—	1,770	—	—	1,770
<b>Total derivative assets</b>			<b>27,206</b>			<b>15,159</b>

#### Assets 31 December 2012

Amounts in SEK million						
Derivatives, financial operations	19,295	—	19,295	11,127	7,215	953
Derivatives, commodity contracts	44,965	31,788	13,177	—	1,740	11,437
<b>Total</b>	<b>64,260</b>	<b>31,788</b>	<b>32,472</b>	<b>11,127</b>	<b>8,955</b>	<b>12,390</b>
Derivatives, not subject to offsetting	3,782	—	3,782	—	—	3,782
<b>Total derivative assets</b>			<b>36,254</b>			<b>16,172</b>

For derivatives in the financial operations and commodity contracts, CSAs (Credit Support Annex) may be entered into as an annex to the respective master agreements, and are recognised as cash collateral received or cash collateral pledged. Under the CSA, the parties agree to provide each other with eligible credit support, which is calculated based on a daily exposure under the specific agreement.

1) These items cannot be settled net as each transaction has a unique due date and they were not entered into with the purpose to be settled net. Settlement can be entailed only in case of default.

Liabilities 31 December 2013	Related amounts not set off on the balance sheet					
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Financial assets not intended to be settled net <sup>1</sup>	Cash collateral pledged	Net amount
Amounts in SEK million						
Derivatives, financial operations	8,669	—	8,669	6,763	1,685	221
Derivatives, commodity contracts	32,608	27,547	5,061	—	1,600	3,461
<b>Total</b>	<b>41,277</b>	<b>27,547</b>	<b>13,730</b>	<b>6,763</b>	<b>3,285</b>	<b>3,682</b>
Derivatives, not subject to offsetting	284	—	284	—	—	284
<b>Total derivative liabilities</b>			<b>14,014</b>			<b>3,966</b>

#### Liabilities 31 December 2012

Amounts in SEK million						
Derivatives, financial operations	12,813	—	12,813	11,127	1 344	342
Derivatives, commodity contracts	39,019	31,788	7,231	—	1,354	5,877
<b>Total</b>	<b>51,832</b>	<b>31,788</b>	<b>20,044</b>	<b>11,127</b>	<b>2,698</b>	<b>6,219</b>
Derivatives, not subject to offsetting	761	—	761	—	—	761
<b>Total derivative liabilities</b>			<b>20,805</b>			<b>6,980</b>

## Note 4 Financial instruments by category and related effects on income

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

Amounts in SEK million	31 Dec. 2013		31 Dec. 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at fair value through profit or loss</b>				
Derivative assets	13,011	13,011	23,179	23,179
Short-term investments	9,774	9,774	27,192	27,192
Cash equivalents	52	52	181	181
<b>Total</b>	<b>22,837</b>	<b>22,837</b>	<b>50,552</b>	<b>50,552</b>
<b>Derivative assets for hedging purposes for:</b>				
Fair value hedges	1,954	1,954	5,463	5,463
Cash flow hedges	12,241	12,241	7,612	7,612
<b>Total</b>	<b>14,195</b>	<b>14,195</b>	<b>13,075</b>	<b>13,075</b>
<b>Loans and receivables</b>				
Share in the Swedish Nuclear Waste Fund	30,600	30,836	29,954	30,736
Other non-current receivables	6,587	6,601	5,249	5,249
Trade receivables and other receivables	32,042	32,042	34,409	34,409
Advance payments paid	2,368	2,368	5,172	5,172
Short-term investments	1,685	1,685	1,258	1,201
Cash and bank balances	15,742	15,742	17,864	17,864
<b>Total</b>	<b>89,024</b>	<b>89,273</b>	<b>93,906</b>	<b>94,631</b>
<b>Available-for-sale financial assets</b>				
Other shares and participations carried at fair value	2,389	2,389	2,730	2,730
Other shares and participations carried at cost	310	310	250	250
<b>Total</b>	<b>2,699</b>	<b>2,699</b>	<b>2,980</b>	<b>2,980</b>
<b>Financial liabilities at fair value through profit loss</b>				
Derivative liabilities	9,815	9,815	18,866	18,866
<b>Total</b>	<b>9,815</b>	<b>9,815</b>	<b>18,866</b>	<b>18,866</b>
<b>Derivative liabilities for hedging purposes for:</b>				
Fair value hedges	459	459	71	71
Cash flow hedges	3,740	3,740	1,868	1,868
<b>Total</b>	<b>4,199</b>	<b>4,199</b>	<b>1,939</b>	<b>1,939</b>
<b>Other financial liabilities</b>				
Hybrid Capital	8,835	9,238	8,543	9,606
Other non-current interest-bearing liabilities	98,004	108,885	112,524	118,509
Other non-current noninterest-bearing liabilities	6,000	6,000	7,534	7,534
Current interest-bearing liabilities	27,456	27,155	39,194	39,421
Trade payables and other liabilities	30,113	30,113	32,581	32,581
Advance payments received	3,288	3,288	1,929	1,929
<b>Total</b>	<b>173,696</b>	<b>184,679</b>	<b>202,305</b>	<b>209,580</b>

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

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

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

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

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

## Note 4, cont.

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

Amounts in SEK million	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative assets	—	26,058	1,149	<b>27,207</b>
Short-term investments and cash equivalents	8,045	1,782	—	<b>9,827</b>
Other shares and participations	2,390	—	—	<b>2,390</b>
<b>Total assets</b>	<b>10,435</b>	<b>27,840</b>	<b>1,149</b>	<b>39,424</b>
<b>Liabilities</b>				
Derivative liabilities	—	13,639	375	<b>14,014</b>
<b>Total liabilities</b>	<b>—</b>	<b>13,639</b>	<b>375</b>	<b>14,014</b>

### Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2012

Amounts in SEK million	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative assets	—	34,125	2,129	<b>36,254</b>
Short-term investments and cash equivalents	12,980	14,393	—	<b>27,373</b>
Other shares and participations	2,730	—	—	<b>2,730</b>
<b>Total assets</b>	<b>15,710</b>	<b>48,518</b>	<b>2,129</b>	<b>66,357</b>
<b>Liabilities</b>				
Derivative liabilities	—	18,539	2,266	<b>20,805</b>
<b>Total liabilities</b>	<b>—</b>	<b>18,539</b>	<b>2,266</b>	<b>20,805</b>

### Changes in level 3 financial instruments

Amounts in SEK million	Financial instruments at fair value through profit or loss			
	Derivative assets		Derivative liabilities	
	31 Dec. 2013	31 Dec. 2012	31 Dec 2013	31 Dec. 2012
Balance brought forward	2,129	2,832	2,266	2,925
Transfers from level 3 to level 2	-184	—	-1,085	—
Revaluations recognised in operating profit (EBIT)	-834	-626	-836	-549
Translation differences	38	-77	30	-110
<b>Balance carried forward</b>	<b>1,149</b>	<b>2,129</b>	<b>375</b>	<b>2,266</b>
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	655	1,965	-87	-1,884

### Sensitivity analysis for Level 3 contracts

**TGSA:** TGSA (Troll<sup>1</sup> Gas Sales Agreement) is a large gas supply agreement (coal price-indexed) that extends further ahead in time than liquid trading in the gas market. Valuation of the agreement is against the market price, as long as a market price can be observed. Modelled prices are used for commodity deliveries beyond the market horizon or deliveries with uncommon terms and options. TGSA is hedged with OTC forward trades of underlying products. These trades are also marked against the same market and modelled prices. The modelled prices are benchmarked against reliable financial information obtained from the company Markit; this information is well-known and is used by many energy companies, offering a fair valuation of the portion of the large gas supply contract that cannot be valued against market prices (Level 3). TGSA is also hedged with OTC forward trades of underlying products, which were also marked against modelled prices until 2012. In 2013, all OTC forward contracts have been transferred from level 3 to level 2 since, starting in 2013, the market price input can be observed and derived from the market.

The net value as per 31 December 2013 has been calculated at SEK 634 million (31 December 2012: -153). 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 +/- 25 million (31 December 2012: +/- 16).

**CDM:** Clean Development Mechanism (CDM) is a Kyoto Protocol initiative under which projects set up in developing countries to reduce atmospheric carbon generate tradable carbon credits called CERs (Certified Emission Reductions). CERs can be used by industrialised nations to offset carbon emissions at home to meet their Kyoto Protocol reduction targets. The non-observable input factor is an estimation about the volume of CERs that are expected to be delivered. This estimation is derived from six Risk Adjustment Factors (RAFs) that have the same weighting. These factors are calculated using the Carbon Valuation Tool developed by Point Carbon to quantify the risk and calculate the fair value of CDM projects or contracts. The tool is based on Point Carbon's valuation methodology, which was developed by 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 even where market prices are not listed. The results are validated based on monitoring reports for the respective CDM projects, which are publicly available.

The net value as per 31 December 2013 has been calculated at SEK -1 million (31 December 2012: -414). The fair value is mainly determined and correlated with the observable price for CER, meaning a higher price for CER leads to a higher value of the CDM contract and vice versa. A change in the modelled price of CERs of +/- 5% would affect the total value by approximately SEK +/- 3 million (31 December 2012: +/- 5).

**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 analyzed every month by comparing changes in market price for aluminium and the USD/NOK exchange rate.

The value as per 31 December 2013 has been calculated at SEK 142 million (31 December 2012: +430). The price of aluminium is the factor that has the greatest bearing on the modelled price. An increase of the price for aluminum 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 +/- 90 million (31 December 2012: +/- 148).

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

## Note 4, cont.

### Financial instruments: Effects on income by category

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

Amounts in SEK million	31 Dec. 2013			31 Dec. 2012		
	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses
Derivative assets and derivative liabilities	-3,121	196	-257	5,120	489	-124
Available-for-sale financial assets	-382	—	—	-208	—	—
Loans and receivables	753	494	—	675	1,379	—
Financial liabilities measured at amortised cost	1,541	—	-4,238	109	—	-5,571
<b>Total</b>	<b>-1,209</b>	<b>690</b>	<b>-4,495</b>	<b>5,696</b>	<b>1,868</b>	<b>-5,695</b>

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

## Note 5 Adjustments of 2012 financial statements as an effect of amendments in IAS 19

As described in Note 1, Accounting policies, risks and uncertainties, new accounting rules apply as of 2013 according to IAS 19 — Employee Benefits, with respect to provisions for pensions and other personnel-related provisions. The reported effect due to the elimination of the corridor rule and other effects of the amended IAS 19 have affected Vattenfall's financial statements as follows:

Amounts in SEK million	31 Dec. 2011/1 Jan. 2012			1 Jan.-31 Dec. 2012		
	As reported previously	Adjustments	After adjustments	As reported previously	Adjustments	After adjustments
<b>Balance sheet:</b>						
Pension provisions	17,995	4,909	22,904	21,890	8,694	30,584
Personnel-related provisions for non-pension purposes	3,975	-855	3,120	3,141	-687	2,454
Deferred tax liabilities	35,406	-896	34,510	34,681	-2,144	32,537
Accrued expenses <sup>1</sup>	18,507	-18	18,489	15,830	-18	15,812
<i>Equity attributable to owner of the Parent Company</i>						
Equity excl. Profit for the year	121,572	-3,024	118,548	129,204	-5,487	123,717
Profit for the year	10,416	—	10,416	17,224	-177	17,047
<i>Equity attributable to non-controlling interests</i>						
Equity	6,943	-116	6,827	8,790	-182	8,608
Balance sheet total	138,931	-3,140	135,791	155,218	-5,846	149,372
	524,558	—	524,558	528,364	—	528,364
<b>Income statement:</b>						
Operating profit (EBIT)				26,175	-217	25,958
Financial expenses <sup>2</sup>				-10,510	34	-10,476
Income tax expense				-1,077	6	-1,071
Profit for the year				17,224	-177	17,047
<b>Comprehensive income</b>						
Remeasurement pertaining to defined benefit obligations				—	-3,759	-3,759
Tax attributable to remeasurement pertaining to defined benefit obligations				—	1,230	1,230
Profit for the year				17,224	-177	17,047
Total comprehensive income				16,315	-2,706	13,609
<b>Statement of cash flows:</b>						
Profit before tax				18,301	-183	18,118
Other, incl. non-cash items				-930	183	-747
Funds from operations (FFO)				34,419	—	34,419

1) Change pertaining to recognition of special employer's payroll tax.

2) Including changed interest rate used to calculate the return on plan assets.



# The Parent Company Vattenfall AB

## Accounting policies

The Parent Company Vattenfall AB's accounts are prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board.

The accounting policies used in this report are the same as those described in Vattenfall's 2012 Annual Report (Note 2 to the Parent Company accounts), with the following additions: During the year the Parent Company changed the accounting policy pertaining to realised exchange rate fluctuations on loans in foreign currency that hedge investments in foreign operations. Previously, these realised exchange rate fluctuations were reported in the income statement. After the change, such fluctuations are reported as an increase or decrease in the reported acquisition cost of the assets. The policies for unrealised exchange rate fluctuations on similar loans have not been changed, i.e., they are not reported because the loan debt hedges the investment. The income statement and balance sheet included in the 2012 Annual Report, i.e., the income statement for 2012 and balance sheet as per 31 December 2012, have been recalculated in accordance with the new policy. The recalculation entails that other financial income decreased by SEK 590 million, and the result from participations in subsidiaries improved by the same amount; thus there is no impact on net financial income/expense, while a shift within one line on the balance sheet has been made by the same amount.

## Full year 2013

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

Sales amounted to SEK 37,197 million (38,250).

Profit before appropriations and tax was SEK -5,213 million (6,762).

Profit includes a dividend of SEK 10,908 million from the subsidiary Vattenfall GmbH. Profit includes an impairment loss for shares in N.V. Nuon Energy, totalling SEK 23,631 million, an impairment loss for shares in Vattenfall A/S, totalling SEK 834 million, and an impairment loss of SEK 621 million for the value of shares in Enea S.A.

The balance sheet total was SEK 269,944 million (314,473).

Investments during the period amounted to SEK 465 million (4,966).

Cash and cash equivalents and short-term investments amounted to SEK 16,840 million (37,193).

In May a share dividend of SEK 6,774 million (4,433) was paid to the owner, the Swedish state.

## Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2012 Annual Report, pages 45–50. No material changes have taken place since publication of the 2012 Annual Report.

## Other

Significant related-party transactions are described in Note 39 to the Parent Company accounts in Vattenfall's 2012 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2012 Annual Report.

## Parent Company income statement

Amounts in SEK million	Full year 2013	Full year 2012 <sup>1</sup>
Net sales	37,197	38,250
Cost of products sold	-25,464	-24,126
<b>Gross profit</b>	<b>11,733</b>	<b>14,124</b>
Selling expenses, administrative expenses and research and development costs	-2,645	-3,395
Other operating income and expenses, net	-226	253
<b>Operating profit (EBIT)</b>	<b>8,862</b>	<b>10,982</b>
Result from participations in subsidiaries	-13,424	-3,451
Result from participations in associated companies	6	1
Result from other shares and participations	-569	66
Other financial income	4,603	4,906
Other financial expenses	-4,691	-5,742
<b>Profit before appropriations and tax</b>	<b>-5 213</b>	<b>6,762</b>
Appropriations	-4,068	-7,680
<b>Profit before tax</b>	<b>-9,281</b>	<b>-918</b>
Income tax expense	-1,687	-1,122
<b>Profit for the period</b>	<b>-10,968</b>	<b>-2,040</b>

1) The Parent Company's income statement and balance sheet for 2012 have been recalculated compared with previously published information. See the Parent Company's accounting policies above. This recalculation has resulted in shifts between lines in the income statement and within one line on the balance sheet.

## Parent Company statement of comprehensive income

Amounts in SEK million	Full year 2013	Full year 2012
Profit for the period	-10,968	-2,040
Total other comprehensive income	—	—
<b>Total comprehensive income for the period</b>	<b>-10,968</b>	<b>-2,040</b>

## Parent Company balance sheet

Amounts in SEK million	31 Dec. 2013	31 Dec. 2012 <sup>1</sup>
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets: non-current	138	262
Property, plant and equipment	4,238	4,339
Shares and participations	135,479	162,956
Other non-current assets	92,276	79,859
<b>Total non-current assets</b>	<b>232,131</b>	<b>247,416</b>
<b>Current assets</b>		
Inventories	437	453
Intangible assets: current	86	249
Current receivables	20,450	29,160
Current tax assets	—	2
Short-term investments	7,697	24,535
Cash and cash equivalents	9,143	12,658
<b>Total current assets</b>	<b>37,813</b>	<b>67,057</b>
<b>Total assets</b>	<b>269,944</b>	<b>314,473</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Restricted equity		
Share capital	6,585	6,585
Statutory reserve	1,286	1,286
Non-restricted equity		
Retained earnings	66,422	75,236
Profit for the period	-10,968	-2,040
<b>Total equity</b>	<b>63,325</b>	<b>81,067</b>
<b>Untaxed reserves</b>	<b>17,124</b>	<b>15,185</b>
<b>Provisions</b>	<b>4,241</b>	<b>2,832</b>
<b>Non-current liabilities</b>		
Hybrid Capital	8,835	8,543
Other interest-bearing liabilities	83,874	97,716
Deferred tax liabilities	187	799
Other noninterest-bearing liabilities	33,096	6,541
<b>Total non-current liabilities</b>	<b>125,992</b>	<b>113,599</b>
<b>Current liabilities</b>		
Interest-bearing liabilities	52,596	72,410
Current tax liabilities	213	—
Other noninterest-bearing liabilities	6,453	29,380
<b>Total current liabilities</b>	<b>59,262</b>	<b>101,790</b>
<b>Total equity and liabilities</b>	<b>269,944</b>	<b>314,473</b>

# Definitions and calculations of key ratios

Figures for the Group in 2013. Amounts in SEK million unless indicated otherwise.

EBIT	=	Earnings Before Interest and Tax.
EBITDA	=	Earnings Before Interest, Tax, Depreciation and Amortisation.
Items affecting comparability	=	Capital gains and capital losses from shares and other non-current assets, impairment losses and impairment losses reversed pertaining to non-current assets, and other non-recurring items. Also included here are unrealised changes in the fair value of energy derivatives, which according to IAS 39 can not be recognised using hedge accounting, and unrealised changes in the fair value of inventories.
Underlying operating profit	=	Operating profit (EBIT) excluding items affecting comparability.
FFO	=	Funds From Operations.
Free cash flow	=	Cash flow from operating activities less maintenance investments.
Hybrid Capital	=	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments. Reported as interest-bearing non-current liabilities.
Capital employed	=	Balance sheet total less financial assets and noninterest-bearing liabilities.
Net debt	=	Interest-bearing liabilities less loans to owners of non-controlling interests (minority owners) in foreign subsidiaries, cash and cash equivalents, short-term investments.
Adjusted net debt	=	For calculation, see page 20

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

## Key ratios based on the full year 2013:

Operating margin, %	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$	$\frac{-6,453}{171,684}$	=	-3.8
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying operating profit}}{\text{Net sales}}$	$\frac{27,900}{171,684}$	=	16.3
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{-15,211}{171,684}$	=	-8.9
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{19,611}{171,684}$	=	11.4
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owners of the Parent Company}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{-13,668}{120,005}$	=	-11.4
Return on capital employed, %	= 100 x	$\frac{\text{Operating profit (EBIT)}}{\text{Capital employed, average}}$	$\frac{-6,453}{304,479}$	=	-2.1
Return on capital employed excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying operating profit}}{\text{Capital employed, average}}$	$\frac{27,900}{304,479}$	=	9.2
EBIT interest cover, (x)	=	$\frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{-5,620}{7,072}$	=	-0.8

## Definitions and calculations of key ratios, cont.

EBIT interest cover excl. items affecting comparability, (x) =	Underlying operating profit + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	28,733	=	4.1
	Financial expenses excl. discounting effects attributable to provisions	7,072		
FFO interest cover, (x) =	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions	38,960	=	5.5
	Financial expenses excl. discounting effects attributable to provisions	7,072		
FFO interest cover, net, (x) =	Funds from operations (FFO) + financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	38,127	=	6.1
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	6,239		
Cash flow interest cover after maintenance investments, (x) =	Cash flow from operating activities less maintenance investments + financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	29,473	=	5.0
	Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	5,902		
FFO/gross debt, % = 100 x	Funds from operations (FFO)	31,888	=	23.7
	Interest-bearing liabilities	134,295		
FFO/net debt, % = 100 x	Funds from operations (FFO)	31,888	=	29.8
	Net debt	106,912		
FFO/adjusted net debt, % = 100 x	Funds from operations (FFO)	31,888	=	19.6
	Adjusted net debt	162,597		
EBITDA/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA)	42,842	=	6.9
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	6,239		
EBITDA excl. items affecting comparability/net financial items, (x) =	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability	77,195	=	12.4
	Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	6,239		
<b>Key ratios based on the balance sheet per 31 December 2013:</b>				
Equity/total assets, % = 100 x	Equity	130,718	=	26.9
	Balance sheet total	486,426		
Gross debt/equity, % = 100 x	Interest-bearing liabilities	134,295	=	102.7
	Equity	130,718		
Net debt/equity, % = 100 x	Net debt	106,912	=	81.8
	Equity	130,718		
Gross debt/gross debt plus equity, % = 100 x	Interest-bearing liabilities	134,295	=	50.7
	Interest-bearing liabilities + equity	265,013		
Net debt/net debt plus equity, % = 100 x	Net debt	106,912	=	45.0
	Net debt + equity	237,630		
Net debt/EBITDA, (x) =	Net debt	106,912	=	2.5
	Operating profit before depreciation and amortisation (EBITDA)	42,842		
Adjusted net debt/EBITDA, (x) =	Adjusted net debt	162,597	=	3.8
	Operating profit before depreciation and amortisation (EBITDA)	42,842		

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

## Dividend

Consolidated profit attributable to shareholders of the Parent Company amounted to SEK -13,544 million (16,759), or SEK -103.78 per share (127.25). The Board of Directors proposes a dividend of zero SEK.

## Annual General Meeting

The Annual General Meeting will be held on 28 April 2014, in Stockholm. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English) is expected to be published on [www.vattenfall.se](http://www.vattenfall.se) and [www.vattenfall.com](http://www.vattenfall.com), respectively, on 24 March 2014.

Stockholm, 4 February 2014

Vattenfall AB (publ)  
The Board of Directors

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

## Financial calendar

Annual and Sustainability Report, 24 March 2014

Annual General Meeting, 28 April 2014

Interim report January–March, 29 April 2014

Interim report January– July, 23 July 2014

Interim report January–September, 30 October 2014

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