

Interim Report

January–September 2014

July–September 2014

- Net sales of SEK 34,734 million (37,057).
- Underlying operating profit¹ of SEK 2,750 million (4,074).
- Operating profit of SEK -19,436 million (4,893). Operating profit was negatively affected by impairment losses of SEK 23.1 billion.
- Profit for the period of SEK -18,065 million (1,538). After tax, the result was charged with impairment losses SEK 19.9 billion.
- Electricity generation decreased by 8.0% to 36.8 TWh (40.0), mainly as a result of lower hydro power generation and lower fossil-based generation.

January–September 2014

- Net sales of SEK 117,220 million (125,097).
- Underlying operating profit¹ of SEK 15,911 million (21,129).
- Operating profit of SEK -9,239 million (-10,112). Operating profit was negatively affected by impairment losses of SEK 23.8 billion and higher provisions of SEK 5.5 billion during the second quarter of 2014 for the decommissioning of nuclear power in Germany.
- Profit for the period of SEK -12,183 million (-15,526). After tax, the result was charged with impairment losses of SEK 20.4 billion and higher provisions of SEK 4.0 billion during the second quarter of 2014 for the decommissioning of nuclear power in Germany.
- Electricity generation decreased by 5.4% to 126.6 TWh (133.8), mainly as a result of lower fossil-based generation.

1) Underlying operating profit is defined as operating profit excluding items affecting comparability. For a specification of items affecting comparability, see page 7.

CEO's comments

“As we now present the results for the first nine months of the year and for the third quarter, I can conclude that, like other electric utilities, Vattenfall is experiencing difficult market conditions with weak demand, a surplus of generation capacity and historically low electricity prices.

Compared to the corresponding nine-month period a year ago, Vattenfall is reporting a lower underlying operating profit, which has decreased by SEK 5.2 billion to SEK 15.9 billion. This is mainly due to lower production margins and lower production volumes. Successful cost-cutting has only partly compensated for these negative factors.

Against the background of the difficult market situation, we have decided to recognise impairment losses of SEK 23.1 billion, which are charged against the operating profit for the third quarter. (For more information about the impairment losses, see pages 4 and 37.)

It is with a great sense of commitment that I have undertaken to lead Vattenfall as the new President and CEO. We are now carrying out additional efficiency improvement and cost-cutting measures. The cost reduction programme for 2015 worth SEK 2 billion is now being increased to SEK 3 billion, and the investment programme is being reviewed. Investments in renewable energy generation will continue to be prioritised. We will also continue to divest assets that do not belong to our core business or that are judged to be unable to meet our return requirements.

To be able to meet the challenges we are facing, a review of Vattenfall's vision and strategic direction has been initiated.”



Magnus Hall

President and CEO

Key data

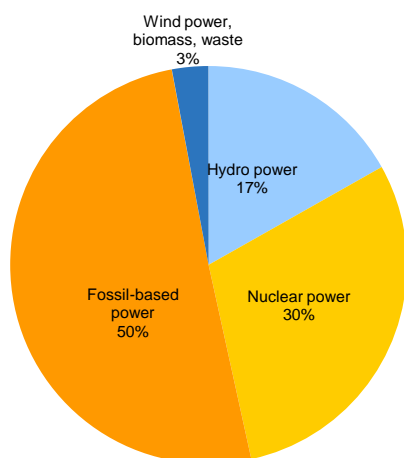
Amounts in SEK million unless indicated otherwise	Q3 2014	Q3 2013 ¹	Q1-3 2014	Q1-3 2013 ¹	Full year 2013 ¹	Last 12 months
Net sales	34 734	37 057	117 220	125 097	172 253	164 376
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	8 438	9 609	28 918	34 128	43 554	38 344
Operating profit (EBIT)	-19 436	4 893	-9 239	-10 112	-6 218	-5 345
Underlying operating profit (EBIT)	2 750	4 074	15 911	21 129	28 135	22 917
Profit for the period	-18 065	1 538	-12 183	-15 526	-13 543	-10 200
Funds from operations (FFO)	5 008	6 743	19 656	25 340	31 888	26 204
Net debt	83 403	99 033	83 403	99 033	98 998	
Adjusted net debt	151 464	157 996	151 464	157 996	162 590	
Return on capital employed, %	- 1.9 ²	- 1.7 ²	- 1.9 ²	- 1.7 ²	- 2.1	
Net debt/equity, %	67.3	80.6	67.3	80.6	75.7	
Funds from operations (FFO)/adjusted net debt, %	17.3 ²	23.4 ²	17.3 ²	23.4 ²	19.6	
Adjusted net debt/operating profit before depreciation, amortisation and impairment losses (EBITDA), times	4.0 ²	3.6 ²	3.9 ²	3.6 ²	3.7	
Electricity generation, TWh	36.8	40.0	126.6	133.8	181.7	174.5
- of which, hydro power	6.1	7.5	25.8	26.9	35.6	34.5
- of which, nuclear power	11.0	11.3	36.5	37.8	51.9	50.6
- of which, fossil-based power ³	18.8	20.2	60.7	65.6	87.9	83.0
- of which, wind power	0.7	0.7	2.8	2.5	3.9	4.2
- of which, biomass, waste ³	0.2	0.3	0.8	1.0	2.4	2.2
Sales of electricity, TWh	42.5	44.6	145.6	148.5	203.3	200.4
Sales of heat, TWh	2.5	2.8	16.4	21.3	30.3	25.4
Sales of gas, TWh	4.8	4.8	30.1	39.8	55.8	46.1
Number of employees, full-time equivalents	30 332	32 077	30 332	32 077	31 818	

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

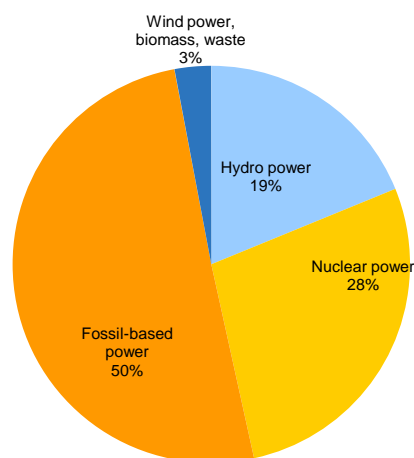
2) Last 12-month values.

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

Electricity generation, Q3 2014 %



Electricity generation, Q3 2013 %



Important events Q3

Impairment losses

As a result of continued falling wholesale electricity prices, margins for electricity generation have deteriorated further. Electricity prices and margins are now at historically low levels, and Vattenfall sees no signs of a recovery in the foreseeable future. Lower liquidity and the presence of fewer market players have led to a decrease in business opportunities and a drop in earnings capacity in the Trading operations. The projected profitability for the new hard coal-fired Moorburg plant in Hamburg, which is expected to be commissioned soon, has worsened considerably as a result of lower price forecasts and technical problems in the construction, which led to delays and extra costs.

Against this background, Vattenfall has decided to recognise impairment losses of SEK 23.1 billion. Net after tax, profit has been impacted by SEK 19.9 billion. Cash flow has not been affected by the impairment losses.

The impairment losses are broken down as follows:

- SEK 10.0 billion relates to impairment of goodwill in the Trading operations.
- SEK 8.2 billion relates to fossil-based assets in Germany and the Netherlands, of which SEK 5.6 billion relates to the Moorburg power plant in Hamburg and SEK 2.6 billion to plants in the Netherlands.
- SEK 4.9 billion relates to other assets, of which SEK 2.7 billion relates to unprofitable development projects and renewable electricity generation plants, and SEK 2.2 billion relates to other plants and projects.

Geographically, impairment losses of SEK 13.8 billion relate to the Netherlands, SEK 6.9 billion relate to Germany, SEK 1.4 billion relate to the Nordic countries, and SEK 1.0 billion relate to the UK.

For more detailed information about the impairment losses, please see Note 5 on page 37.

Vattenfall installs its 1,000th wind power turbine

In July Vattenfall installed its one-thousandth wind power turbine. This historic milestone was passed during the construction of the DanTysk offshore wind farm in the North Sea, 70 km. west of the German island of Sylt. The project is the first in the cooperation between Vattenfall and Stadtwerke München. At the end of August, the last of the total of 80 wind turbines was installed. Owing to favourable weather conditions, installation of all of the turbines was possible in only four months. DanTysk has combined capacity of 288 MW. Today Vattenfall is the world's second largest company in offshore wind power.

Vattenfall makes decision to build Sandbank offshore wind farm

In July Vattenfall made the decision to partner with Stadtwerke München in the construction of the Sandbank offshore wind farm just west of the DanTysk wind farm. Sandbank will comprise 72 wind turbines with combined capacity of 288 MW. Like DanTysk, Vattenfall owns 51% and Stadtwerke München 49%. The investment for the entire project amounts to approximately SEK 11 billion (EUR 1.2 billion). Construction is scheduled to begin in 2015, and once completed in 2017 the wind farm will generate 1.4 TWh of renewable electricity per year, which corresponds to the electricity consumption of about 400,000 households.

Ringhals nuclear power plant celebrates 40 years in operation

In August the Ringhals nuclear power plant celebrated 40 years as an electricity generator. The plant generated its first kilowatt-hour of electricity in 1974. Since then the plant, which consists of four reactors, has generated a total of 775 billion kWh (775 TWh) of electricity. Ringhals is the largest power plant in the Nordic region and generates one-fifth of all electricity used in Sweden.

Vattenfall sells German waste incineration plant

In September Vattenfall announced that the company is selling its 85.5% majority interest in the Müllverwertung Borsigstraße GmbH waste incineration plant in Hamburg to the city's waste management company. The sales price is EUR 67 million (slightly more than SEK 600 million).

Vattenfall establishes fast charging network for electric cars

In September Vattenfall established three fast charging stations for electric cars in Stockholm. The charging stations are the first in the company's fast charging network in Stockholm. Up to ten fast stations are planned for the network by year-end.

Within the "Schnell-Laden Berlin" project in Berlin, Vattenfall is building two of its own fast charging stations. In addition, Vattenfall is also handling the operation of its project partner TOTAL's fast charging stations, while it has been responsible for some 90 conventional electric car charging stations in Berlin for the past five years.

Vattenfall makes decision to build two land-based wind farms in Sweden

In September Vattenfall made the decision to build an additional two land-based wind farms in Sweden: Juktan, in Sorsele Municipality in Sweden's Västerbotten province, with nine turbines and combined capacity of 29 MW, and Höge Väg, in Kristianstad Municipality in Sweden's Skåne province, with 18 turbines and combined capacity of 38 MW. Together the wind farms will generate 189 GWh of renewable electricity per year, which corresponds to the electricity consumption of

63,000 households. The investment sum amounts to a combined total of SEK 860 million. Construction is planned to start in the autumn of 2014, and the wind farms are expected to be commissioned at the end of 2015.

Nuon Energy supplying district cooling to new city district in Amsterdam

Through its Dutch subsidiary Nuon Energy, Vattenfall has begun supplying district cooling to Amsterdam's new sustainable city district Houthaven, the city's first district that is 100% carbon-neutral. Nuon Energy has since previously been supplying district heating to the area. The combination of district heating and district cooling results in approximately 80% lower CO₂ emissions compared with the use of conventional heating boilers and air conditioning.

Magnus Hall new President and CEO of Vattenfall

On 1 October Magnus Hall took office as Vattenfall's new President and CEO. He comes most recently from a position as President and CEO of the forest industry company Holmen, where he worked for a total of 29 years, including 10 years in the role of President and CEO.

Important events after the balance sheet date

Vattenfall sells its combined heat and power operations in Utrecht

On 16 October, through its subsidiary Nuon Energy, Vattenfall signed an agreement for the sale of the combined heat and power operations in Utrecht to the Dutch energy company Eneco. The sale is expected to be completed on 1 January 2015. The parties have agreed not to disclose the purchase price.

Vattenfall looking into opportunities to create a new ownership structure for the German lignite operations

The Board of Directors decided on 29 October to investigate various strategic alternatives for the German lignite operations in the aim of creating a new, sustainable ownership structure.

Sales, profit and cash flow

Net sales

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Net sales	34 734	37 057	117 220	125 097	172 253	164 376

Comment, Q3: Consolidated net sales for the third quarter of 2014 decreased by SEK 2.4 billion compared with the corresponding period in 2013. This is mainly attributable to the divested electricity distribution operation in Hamburg (SEK 1.2 billion), average lower electricity prices achieved and lower volumes.

Comment, Q1-3: Consolidated net sales for the first half of 2014 decreased by SEK 7.9 billion. This is mainly attributable to the divested electricity distribution operation in Hamburg (SEK 3.7 billion), average lower electricity prices achieved and lower volumes.

Earnings

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	8 438	9 609	28 918	34 128	43 554	38 344
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	7 544	8 635	30 315	35 517	47 760	42 558
Operating profit (EBIT)	-19 436	4 893	-9 239	-10 112	-6 218	-5 345
Items affecting comparability	-22 186	819	-25 150	-31 241	-34 353	-28 262
Underlying operating profit (EBIT)	2 750	4 074	15 911	21 129	28 135	22 917

Comment, Q3: The underlying operating profit decreased by SEK 1.3 billion, which is explained by the following:

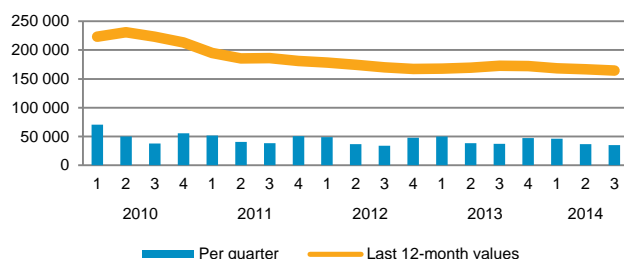
- Lower production margins (SEK -1.0 billion)
- Lower generation volumes (SEK -0.9 billion)
- Lost earnings contribution from divested operations – mainly electricity distribution in Hamburg (SEK -0.1 billion)
- Lower operating expenses (SEK 1.1 billion)
- Other items, net (SEK -0.4 billion)

Comment, Q1–3: The underlying operating profit decreased by SEK 5.2 billion, which is explained by the following:

- Lower production margins (SEK -3.1 billion)
- Lower generation volumes (SEK -2.0 billion)
- Lower earnings contribution from Trading operations (SEK -0.5 billion)
- Lower earnings contribution from sales operations (SEK -0.4 billion)
- Lost earnings contribution from divested operations – mainly electricity distribution in Hamburg (SEK -0.5 billion)
- Lower operating expenses (SEK 2.0 billion)
- Other items, net (SEK -0.7 billion)

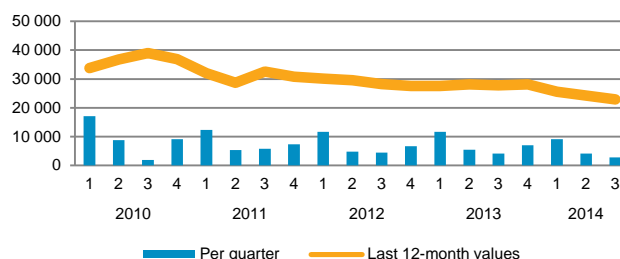
Net sales

SEK million



Underlying operating profit

SEK million



Items affecting comparability

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Items affecting comparability affecting operating profit (EBIT)						
Capital gains	31	9	3 161	37	189	3 313
Capital losses	- 11	- 17	- 29	- 81	- 132	- 80
Impairment losses	- 23 080	- 155	- 23 753	- 29 852	- 30 147	- 24 048
Unrealised changes in the fair value of energy derivatives	815	595	1 496	- 17	- 995	518
Unrealised changes in the fair value of inventories	314	482	103	- 150	281	534
Restructuring costs	- 218	- 95	- 575	- 776	- 1 568	- 1 367
Other items affecting comparability	- 37	—	- 5 553	- 402	- 1 981	- 7 132
Total	- 22 186	819	- 25 150	- 31 241	- 34 353	- 28 262

Comment, Q3: Items affecting comparability in the second quarter of 2014 amounted to SEK -22.2 billion. Impairment losses amounted to SEK 23.1 billion. (For more information on the impairment losses, see Note 5, page 37).

Comment, Q1-3: Items affecting comparability in the first half of 2014 amounted to SEK -25.2 billion. Impairment losses amounted to SEK 23.8 billion. Capital gains pertain primarily to the sale of Vattenfall's electricity distribution operation in Hamburg. Other items affecting comparability pertain to higher provisions primarily for future expenses for the decommissioning of nuclear power in Germany.

Profit for the period

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Profit for the period	- 18 065	1 538	- 12 183	- 15 526	- 13 543	- 10 200

Comment, Q3: Profit for the period amounted to SEK -18.1 billion (1.5). Net after tax, the result was charged with impairment losses of SEK 19.9 billion.

Comment, Q1-3: Profit for the period amounted to SEK -12.2 billion (-15.5). Net after tax, the result was charged with impairment losses of SEK 20.4 billion and higher provisions of SEK 4.0 billion during the second quarter of 2014 for the decommissioning of nuclear power in Germany.

Financial items

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Net financial items	- 1 363	- 1 762	- 4 485	- 6 898	- 9 037	- 6 624
- of which, interest income	168	147	631	366	916	1 181
- of which, interest expenses	- 759	- 1 481	- 2 794	- 3 199	- 4 833	- 4 428
- of which, impairment and provisions	- 35	—	- 37	- 492	- 492	- 37
- of which, other	- 737	- 428	- 2 285	- 3 573	- 4 628	- 3 340
Interest received ¹	174	34	509	567	725	667
Interest paid ¹	- 10	- 775	- 2 914	- 3 211	- 4 086	- 3 789

1) Pertains to cash flows.

Comment: The improvement in financial items for the third quarter of 2014 compared with the corresponding quarter in 2013 is mainly attributable to lower interest costs. Paid interest for the third quarter of 2014 was low on account of the fact that interest on Hybrid Capital was paid during the second quarter of 2014, while it was paid during the third quarter of 2013.

Cash flow

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Funds from operations (FFO)	5 008	6 743	19 656	25 340	31 888	26 204
Cash flow from changes in operating assets and operating liabilities (working capital)	4 984	6 952	6 158	4 589	5 955	7 524
Cash flow from operating activities	9 992	13 695	25 814	29 929	37 843	33 728

Comment, Q3: Funds from operations (FFO) decreased by SEK 1.7 billion compared with the third quarter of 2013. The decrease is mainly attributable to average lower production margins and lower production volumes.

Cash flow from changes in working capital amounted to SEK -5.0 billion during the quarter, which is mainly attributable to a seasonal reduction in operating receivables.

Comment, Q1-3: Funds from operations (FFO) decreased by SEK 5.6 billion compared with the corresponding period of 2013. The decrease is mainly attributable to lower production margins, lower production volumes, lower cash flow from the Trading operations and lost cash flow from divested operations (SEK 0.7 billion).

Cash flow from changes in working capital amounted to SEK -6.2 billion during Q1-3.

Financial position

Amounts in SEK million	30 Sept. 2014	31 Dec. 2013	Change, %
Cash and cash equivalents, and short-term investments	35 794	27 261	31.3
Committed credit facilities (unutilised)	23 324	22 591	3.2

Comment: The increase in cash and cash equivalents, and short-term investments is mainly attributable to the sales of the electricity distribution operation in Hamburg, the minority interest in the Polish company Enea S.A., and the Amager combined heat and power station in Denmark (together totalling SEK 9.1 billion) during the first quarter of 2014.

Committed credit facilities consist of a EUR 2.55 billion Revolving Credit Facility that expires on 20 January 2016. As per 30 September 2014, available liquid assets and/or committed credit facilities amounted to 36% of net sales. Vattenfall's target is to maintain this level at no less than 10% of the Group's net sales, but at least the equivalent of the next 90 days' maturities.

Amounts in SEK million	30 Sept. 2014	31 Dec. 2013	Change, %
Interest-bearing liabilities	120 680	126 488	-4.6 ¹
Net debt	83 403	98 998	-15.8 ¹
Adjusted net debt (see page 22)	151 464	162 590	-6.8
Average interest rate, % ²	3.6	3.5	—
Duration, years ²	3.0	2.9	—
Average time to maturity, years ²	5.8	5.7	—

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

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

Comment: Compared with the level on 31 December 2013, total interest-bearing liabilities decreased by SEK 5.8 billion. The decrease is mainly attributable to amortisation of external loans. Currency effects were negative in the amount of SEK 4.7 billion.

Net debt decreased by SEK 15.6 billion compared with the level on 31 December 2013, mainly due to the sales of the electricity distribution operation in Hamburg, the minority interest in Enea S.A., and the Amager combined heat and power station in Denmark (together totalling SEK 9.1 billion). Net debt decreased by SEK 2.5 billion compared with the level on 30 June 2014.

Adjusted net debt decreased by SEK 11.1 billion compared with the level on 31 December 2013. Compared with the level on 30 June 2014, adjusted net debt decreased by SEK 4.7 billion.

Credit ratings

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

Investments and divestments

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Maintenance investments	3 909	3 481	10 714	8 602	14 264	16 376
Growth investments	3 981	3 005	8 474	9 750	13 497	12 221
- of which, shares and shareholder contributions	- 3	- 56	- 137	- 45	- 15	- 107
Total investments	7 890	6 486	19 188	18 352	27 761	28 597
Divestments	84	42	9 475	240	651	9 886
- of which, shares	- 19	1	8 276	53	271	8 494

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

According to Vattenfall's sustainability target, the company's rate of growth in newly installed renewable capacity is to be higher than the average rate of growth for ten defined countries in northern and central Europe during the period 2013–2020. In 2013 Vattenfall installed 145 MW of new capacity, which corresponds to an increase of 9.1% compared with 2012. Vattenfall has decided to follow up the rate of growth in the ten countries that make up the reference market for the growth target through the use of official, national statistics. A follow-up will be presented in Vattenfall's Annual and Sustainability Report for 2014.

Specification of investments

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Electricity generation						
Hydro power	313	345	781	773	1 300	1 308
Nuclear power	758	706	2 714	2 114	2 993	3 593
Coal power	1 235	1 415	2 963	3 158	4 367	4 172
Gas	9	468	167	1 576	1 622	213
Wind power	2 555	1 081	4 469	3 219	4 095	5 345
Biomass, waste	48	3	52	4	14	62
Other ¹	- 324	109	753	1 066	1 280	967
Total electricity generation	4 594	4 127	11 899	11 910	15 671	15 660
CHP/heat						
Fossil-based power	634	564	1 339	1 066	1 699	1 972
Biomass, waste	24	73	124	244	377	257
Other	243	290	676	602	1 022	1 096
Total CHP/heat	901	927	2 139	1 912	3 098	3 325
Electricity networks						
Electricity networks	994	1 003	2 956	2 700	4 571	4 827
Total Electricity networks	994	1 003	2 956	2 700	4 571	4 827
Purchases of shares, shareholder contributions	- 3	39	- 137	49	- 15	- 201
Other, excl. purchases of shares	1 404	390	2 331	1 781	4 436	4 986
Total	7 890	6 486	19 188	18 352	27 761	28 597

1) Prepayments to suppliers.

Wholesale price trend

Spot prices – electricity

The average spot price on Nord Pool during the third quarter was EUR 31.8/MWh (35.8). Compared with the second quarter of 2014, the spot price increased by 24%, mainly due to drier weather and a lower hydrological balance. In Germany the average spot price during the third quarter was EUR 31.3/MWh (38.8), while in the Netherlands it was EUR 38.6/MWh (48.6).

Time period	Nord Pool Spot (Nordic countries)	EPEX (Germany)	APX (Netherlands)
Q3 2014	31.8	31.3	38.6
Q3 2013	35.8	38.8	48.6
%	-11.3%	-19.1%	-20.5%
Q2 2014	25.6	31.2	38.6
%	23.9%	0.5%	-
Q1-3 2014	29.2	32.1	40.1
Q1-3 2013	38.8	37.9	51.9
%	-24.8%	-15.3%	-22.8%

Futures prices – electricity

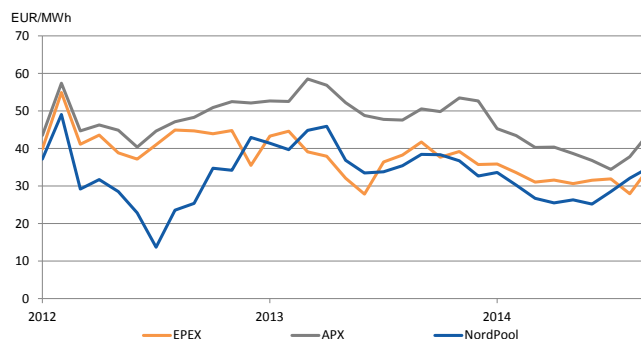
Electricity futures prices were 1%–8% lower than in the third quarter of 2013. This is mainly attributable to lower commodity prices. Electricity futures prices in the Netherlands for 2015 were 4% higher than in the third quarter of 2013, which is mainly attributable to higher exports of electricity to Belgium. Compared with the second quarter of 2014, futures prices were 2%–7% higher.

Time period	Nordic countries (NPX)		Germany (EEX)		Netherlands (APX)	
	2015	2016	2015	2016	2015	2016
Q3 2014	32.4	31.4	35.2	34.1	44.6	41.9
Q3 2013	34.2	33.1	37.2	37.0	42.9	42.5
%	-5.1%	-5.2%	-5.3%	-7.8%	4.0%	-1.4%
Q2 2014	30.2	29.8	34.4	33.5	42.8	40.3
%	7.3%	5.6%	2.2%	1.9%	4.1%	4.0%

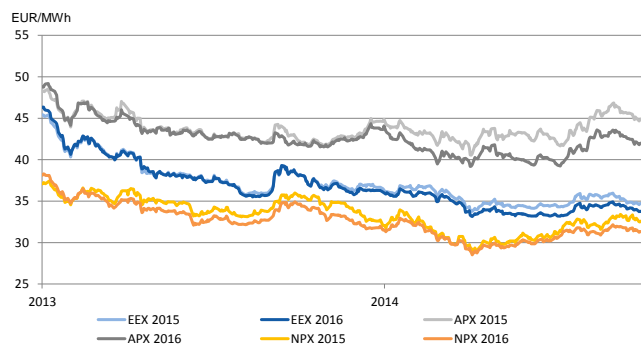
Commodity prices

The price of oil (Brent crude) fell 6% compared with the corresponding period in 2013, mainly due to higher supply from Libya, weak demand from China and a stronger US dollar. The price of coal weakened further during the third quarter, mainly due to oversupply combined with continued weak demand. The price of gas was 8% lower than in the third quarter of 2013. The price of CO₂ emission allowances was 32% higher than in the corresponding period in 2013.

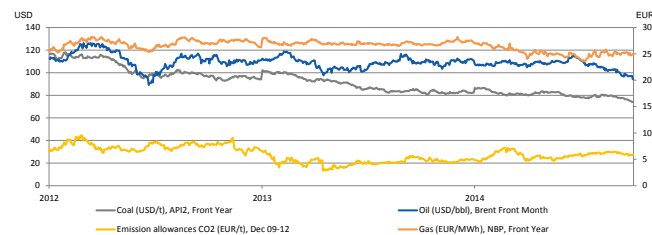
Electricity spot prices in the Nordic countries, Germany and the Netherlands, monthly averages



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



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



Vattenfall's price hedging

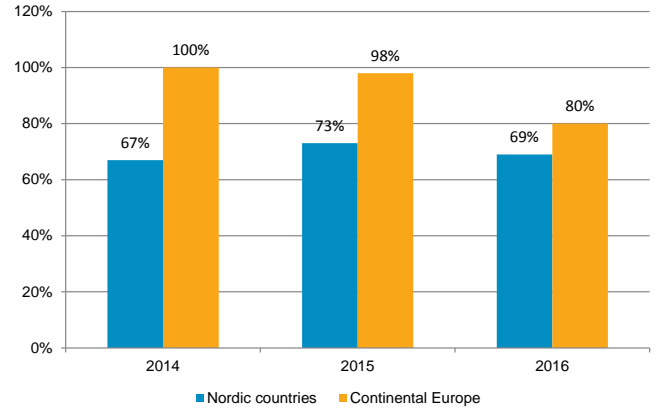
Vattenfall continuously hedges its future electricity generation through sales in the forward and futures markets. Spot prices therefore have only a limited impact on Vattenfall's earnings in the near term.

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

Average price hedges as per 30 September 2014

EUR/MWh	2014	2015	2016
Nordic countries	39	37	35
Continental Europe	50	45	39

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



Nordic operating segment

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Net sales	10 634	11 809	36 869	40 436	55 965	52 398
External net sales ¹	10 023	11 044	35 074	37 863	52 266	49 477
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	3 141	4 057	13 352	15 899	21 485	18 938
Underlying operating profit (EBIT)	1 581	2 517	8 437	11 355	15 371	12 453
Electricity generation, TWh ²	16.6	18.5	61.5	63.7	87.0	84.8
- of which, hydro power	5.3	6.9	23.6	24.6	32.5	31.5
- of which, nuclear power	11.0	11.3	36.5	37.8	51.9	50.6
- of which, fossil-based power	—	—	—	—	—	—
- of which, wind power	0.3	0.3	1.2	1.0	1.5	1.7
- of which, biomass, waste	—	—	0.2	0.3	1.1	1.0
Sales of electricity, TWh	19.4	20.5	69.3	71.2	96.9	95.0
- of which, private customers	1.7	1.6	7.3	7.8	11.0	10.5
- of which, resellers	1.4	1.5	5.0	5.4	7.4	7.0
- of which, business customers	7.9	8.4	25.0	27.1	35.9	33.8
Sales of heat, TWh	0.4	0.4	2.5	2.9	4.1	3.7
Sales of gas, TWh	—	—	—	—	—	—
Number of employees, full-time equivalents	8 474	8 461	8 474	8 461	8 395	

1) Excluding intra-Group transactions

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

Net sales, Q3

Net sales during the third quarter of 2014 decreased by SEK 1.2 billion compared with the corresponding period in 2013. This is mainly due to average lower electricity prices achieved and lower production volumes.

Net sales, Q1–3

Net sales during Q1-3 2014 decreased by SEK 3.5 billion compared with the corresponding period in 2013. This is explained mainly by average lower electricity prices achieved, lower production volumes, and lower sales of electricity and heat as a result of warmer weather.

Underlying operating profit, Q3

The underlying operating profit decreased by SEK 0.9 billion compared with the corresponding period in 2013. This is mainly attributable to average lower electricity prices achieved and lower production volumes.

Underlying operating profit, Q1–3

The underlying operating profit for Q1-3 decreased by SEK 3.0 billion compared with the corresponding period in 2013. This is mainly attributable to average lower electricity prices achieved, lower production volumes and higher depreciation associated with higher investments.

Electricity generation and sales of electricity and heat, Q3

Hydro power generation decreased by 1.6 TWh to 5.3 TWh (6.9) as a result of lower precipitation during the summer months and a weaker hydrological balance. Nordic reservoirs were filled to 75.1% (74.6%) capacity at the end of the third quarter, which is 9 percentage points below the normal level. Nuclear power generation decreased by 0.3 TWh to 11.0 TWh (11.3) on account of fewer outage days in 2014 compared with a year earlier. Combined availability of Vattenfall's nuclear power plants was 74.3% (76.6%) during the third quarter of 2014. Forsmark had availability of 78.4% (79.7%) and generation of 5.5 TWh (5.6). Availability at Ringhals was 70.7% (73.8%), and generation amounted to 5.5 TWh (5.7). Wind power generation was unchanged at 0.3 TWh (0.3). Sales of electricity decreased slightly, while sales of heat were unchanged.

Continental/UK operating segment

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Net sales	25 725	26 868	84 622	89 828	124 282	119 076
External net sales ¹	24 690	25 974	82 074	87 098	119 818	114 794
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)	4 491	4 690	17 108	20 042	26 759	23 825
Underlying operating profit (EBIT)	1 365	1 656	7 938	10 451	13 658	11 145
Electricity generation, TWh	20.2	21.4	65.2	70.1	94.7	89.8
- of which, hydro power	0.8	0.6	2.2	2.3	3.1	3.0
- of which, nuclear power	—	—	—	—	—	—
- of which, fossil-based power	18.8	20.2	60.7	65.6	87.9	83.0
- of which, wind power	0.4	0.4	1.6	1.5	2.4	2.5
- of which, biomass, waste	0.2	0.2	0.7	0.7	1.3	1.3
Sales of electricity, TWh	23.1	24.1	76.3	77.3	106.4	105.4
- of which, private customers	3.4	3.8	11.5	12.5	17.2	16.2
- of which, resellers	5.3	4.6	16.6	14.4	19.7	21.9
- of which, business customers	7.1	6.9	22.4	22.5	30.2	30.1
Sales of heat, TWh	2.1	2.4	13.9	18.5	26.1	21.5
Sales of gas, TWh	4.8	4.7	30.1	39.7	55.8	46.2
Number of employees, full-time equivalents	20 144	21 978	20 144	21 978	21 811	

1) Excluding intra-Group transactions.

Net sales, Q3

Net sales decreased by SEK 1.2 billion compared with the corresponding period in 2013. This is mainly attributable to the sale of the electricity distribution operation in Hamburg.

Net sales, Q1–3

Net sales decreased by SEK 5.2 billion compared with the corresponding period in 2013. This is mainly attributable to the sale of the electricity distribution operation in Hamburg, average lower electricity prices achieved and lower production and sales volumes.

Underlying operating profit, Q3

The underlying operating profit decreased by SEK 0.3 billion compared with the corresponding period in 2013. This is mainly attributable to lower sales volumes in the sales operation and the lost earnings contribution from the divested distribution operation in Hamburg.

Underlying operating profit, Q1–3

The underlying operating profit decreased by SEK 2.6 billion compared with the corresponding period in 2013. This is mainly attributable to lower production margins, lower volumes and a lower earnings contribution from the Trading operation. The lost earnings contribution from the divested electricity distribution operation in Hamburg amounted to approximately SEK 0.5 billion.

Sales of electricity, gas and heat, and electricity generation, Q3

Fossil-based generation decreased by 6.9% to 18.8 TWh(20.2), mainly owing to the sale of the Amager combined heat and power station in Denmark. Wind power generation was essentially unchanged at 0.4 TWh(0.4). Sales of electricity and heat decreased slightly, while sales of gas were virtually unchanged.

Other¹

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Net sales	799	827	2 310	2 400	3 416	3 326
External net sales ²	19	39	69	136	169	102
Underlying operating profit	- 157	- 99	- 309	- 677	- 894	- 526
Number of employees, full-time equivalents	1 714	1 638	1 714	1 638	1 614	

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

2) Excluding intra-Group transactions.

Consolidated income statement

Amounts in SEK million	Q3 2014	Q3 2013 ⁹	Q1-3 2014	Q1-3 2013 ⁹	Full year 2013 ⁹	Last 12 months
Net sales	34 734	37 057	117 220	125 097	172 253	164 376
Cost of products sold ¹	- 49 148	- 27 822	- 114 111	- 121 465	- 158 569	- 151 215
Gross profit	- 14 414	9 235	3 109	3 632	13 684	13 161
Selling expenses, administrative expenses and research and development costs ²	- 4 894	- 4 399	- 14 309	- 14 190	- 21 595	- 21 714
Other operating income and expenses, net	66	235	2 535	804	1 285	3 016
Participations in the results of associated companies ³	- 194	- 178	- 574	- 358	408	192
Operating profit (EBIT) ⁴	- 19 436	4 893	- 9 239	- 10 112	- 6 218	- 5 345
Financial income ^{5,8}	577	384	1 892	705	1 416	2 603
Financial expenses ^{6,7,8}	- 1 939	- 2 146	- 6 377	- 7 603	- 10 453	- 9 227
Profit before tax	- 20 798	3 131	- 13 724	- 17 010	- 15 255	- 11 969
Income tax expense	2 733	- 1 593	1 541	1 484	1 712	1 769
Profit for the period	- 18 065	1 538	- 12 183	- 15 526	- 13 543	- 10 200
Attributable to owner of the Parent Company	- 18 122	1 570	- 11 841	- 15 896	- 13 668	- 9 613
Attributable to non-controlling interests	57	- 32	- 342	370	125	- 587
Earnings per share						
Number of shares in Vattenfall AB, thousands	131 700	131 700	131 700	131 700	131 700	131 700
Earnings per share, basic and diluted (SEK)	-137.60	11.92	-89.91	-120.70	-103.78	-72.99

Supplementary information

Operating profit before depreciation, amortisation and impairment losses (EBITDA)	8 438	9 609	28 918	34 128	43 554	38 344
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 804	- 1 300	- 2 692	- 4 647	- 6 132	- 4 177
Underlying operating profit (EBIT)	2 750	4 074	15 911	21 129	28 135	22 917
1) Of which, depreciation, amortisation and impairment losses pertaining to intangible assets (non-current) and property, plant and equipment	- 27 603	- 4 610	- 37 647	- 43 208	- 48 342	- 42 781
2) Of which, depreciation, amortisation and impairment losses pertaining to non-current assets	- 117	- 104	- 356	- 558	- 953	- 751
3) Of which impairment losses pertaining to non-current assets	- 154	- 2	- 154	- 474	- 477	- 157
4) Including items affecting comparability	- 22 186	819	- 25 150	- 31 241	- 34 353	- 28 262
5) Including return from the Swedish Nuclear Waste Fund	276	220	793	180	363	976
6) Including interest components related to pension costs	- 311	- 297	- 926	- 858	- 1 170	- 1 238
7) Including discounting effects attributable to provisions	- 834	- 682	- 2 586	- 2 431	- 3 268	- 3 423
8) Items affecting comparability recognised as financial income and expenses, net	- 35	—	- 48	- 469	- 469	- 48

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

Consolidated statement of comprehensive income

Amounts in SEK million	Q3 2014	Q3 2013 ¹	Q1-3 2014	Q1-3 2013 ¹	Full year 2013 ¹	Last 12 months
Profit for the period	- 18 065	1 538	- 12 183	- 15 526	- 13 543	- 10 200
Other comprehensive income:						
Items that will be reclassified to profit or loss when specific conditions are met						
Cash flow hedges:						
- Changes in fair value	210	- 1 266	4 714	5 690	12 510	11 534
- Dissolved against the income statement	- 2 737	- 2 629	- 7 946	- 7 216	- 9 920	- 10 650
- Transferred to cost of hedged item	- 13	8	- 8	- 20	- 7	5
- Tax attributable to cash flow hedges	704	1 055	855	276	- 736	- 157
Hedging of net investments in foreign operations:						
- Hedging of net investments in foreign operations	98	1 176	- 3 204	- 588	- 2 717	- 5 333
- Tax attributable to hedging of net investments in foreign operations	- 9	- 259	2 665	129	598	3 134
Other:						
- Translation differences	- 201	- 1 533	6 530	619	4 165	10 076
- Translation differences and exchange rate effects net, divested companies	50	—	50	—	—	50
- Remeasurement of available-for-sale financial assets	—	179	- 182	179	182	- 179
- Impairment of available-for-sale financial assets	—	—	—	- 30	- 30	—
Total Items that will be reclassified to profit or loss when specific conditions are met	- 1 898	- 3 269	3 474	- 961	4 045	8 480
Items that will not be reclassified to profit or loss:						
Remeasurement pertaining to defined benefit obligations	- 18	- 5	- 3 409	- 1 035	- 1 200	- 3 574
Tax attributable to remeasurement pertaining to defined benefit obligations	5	2	956	376	469	1 049
Total Items that will not be reclassified to profit or loss	- 13	- 3	- 2 453	- 659	- 731	- 2 525
Total other comprehensive income, net after tax	- 1 911	- 3 272	1 021	- 1 620	3 314	5 955
Total comprehensive income for the period	- 19 976	- 1 734	- 11 162	- 17 146	- 10 229	- 4 245
Attributable to owner of the Parent Company	- 20 056	- 1 619	- 11 053	- 17 749	- 10 722	- 4 026
Attributable to non-controlling interests	80	- 115	- 109	603	493	- 219

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

Operating segments, Vattenfall Group

Amounts in SEK million	Q3 2014	Q3 2013 ³	Q1-3 2014	Q1-3 2013 ³	Full year 2013 ³	Last 12 months
External net sales						
Nordic	10 023	11 044	35 074	37 863	52 266	49 477
- of which, Generation	1 537	1 467	4 683	4 772	7 579	7 490
- of which, Distribution	1 947	1 919	6 546	6 704	9 157	8 999
- of which, Sales	4 318	4 779	15 314	17 629	23 819	21 504
- of which, Other operations	5 701	6 992	19 538	23 161	30 903	27 280
- of which, Eliminations	- 3 480	- 4 113	- 11 007	- 14 403	- 19 192	- 15 796
Continental/UK	24 690	25 974	82 074	87 098	119 818	114 794
- of which, Generation	3 698	3 891	13 217	14 673	19 547	18 091
- of which, Distribution	1 269	1 601	3 529	4 564	6 232	5 197
- of which, Sales	13 619	13 734	47 520	50 914	69 990	66 596
- of which, Other operations	6 101	6 748	17 803	16 947	24 049	24 905
- of which, Eliminations	3	—	5	—	—	5
Other¹	19	39	69	136	169	102
Eliminations²	2	—	3	—	—	3
Total	34 734	37 057	117 220	125 097	172 253	164 376
Internal net sales						
Nordic	611	765	1 795	2 573	3 699	2 921
- of which, Generation	4 978	5 887	17 591	19 745	26 753	24 599
- of which, Distribution	130	117	397	374	562	585
- of which, Sales	156	175	543	693	956	806
- of which, Other operations	1 967	1 518	8 491	6 811	9 250	10 930
- of which, Eliminations	- 6 620	- 6 932	- 25 227	- 25 050	- 33 822	- 33 999
Continental/UK	1 035	894	2 548	2 730	4 464	4 282
- of which, Generation	9 682	10 397	31 114	34 944	48 339	44 509
- of which, Distribution	923	1 484	2 976	4 640	6 447	4 783
- of which, Sales	169	296	655	1 014	1 343	984
- of which, Other operations	11 192	9 336	39 781	39 280	55 154	55 655
- of which, Eliminations	- 20 931	- 20 619	- 71 978	- 77 148	- 106 819	- 101 649
Other¹	780	788	2 241	2 264	3 247	3 224
Eliminations²	- 2 426	- 2 447	- 6 584	- 7 567	- 11 410	- 10 427
Total	—	—	—	—	—	—
Total net sales						
Nordic	10 634	11 809	36 869	40 436	55 965	52 398
- of which, Generation	6 515	7 354	22 274	24 517	34 332	32 089
- of which, Distribution	2 077	2 036	6 943	7 078	9 719	9 584
- of which, Sales	4 474	4 954	15 857	18 322	24 775	22 310
- of which, Other operations	7 668	8 510	28 029	29 972	40 153	38 210
- of which, Eliminations	- 10 100	- 11 045	- 36 234	- 39 453	- 53 014	- 49 795
Continental/UK	25 725	26 868	84 622	89 828	124 282	119 076
- of which, Generation	13 380	14 288	44 331	49 617	67 886	62 600
- of which, Distribution	2 192	3 085	6 505	9 204	12 679	9 980
- of which, Sales	13 788	14 030	48 175	51 928	71 333	67 580
- of which, Other operations	17 293	16 084	57 584	56 227	79 203	80 560
- of which, Eliminations	- 20 928	- 20 619	- 71 973	- 77 148	- 106 819	- 101 644
Other¹	799	827	2 310	2 400	3 416	3 326
Eliminations²	- 2 424	- 2 447	- 6 581	- 7 567	- 11 410	- 10 424
Total	34 734	37 057	117 220	125 097	172 253	164 376

Operating segments, Vattenfall Group cont.

Amounts in SEK million	Q3 2014	Q3 2013 ³	Q1-3 2014	Q1-3 2013 ³	Full year 2013 ³	Last 12 months
Operating profit before depreciation, amortisation and impairment losses (EBITDA)						
Nordic	3 191	4 308	13 301	16 364	21 727	18 664
- of which, Generation	2 326	3 348	9 646	12 146	16 393	13 893
- of which, Distribution	1 062	964	3 780	3 765	5 056	5 071
- of which, Sales	46	93	861	908	1 211	1 164
- of which, Other operations	- 241	- 175	- 690	- 274	- 749	- 1 165
- of which, Eliminations	- 2	78	- 296	- 181	- 184	- 299
Continental/UK	5 331	5 429	12 766	18 220	22 454	17 000
- of which, Generation	3 800	3 518	9 443	15 498	18 655	12 600
- of which, Distribution	462	649	1 344	2 199	2 955	2 100
- of which, Sales	188	438	812	1 597	1 897	1 112
- of which, Other operations	875	824	1 166	- 1 074	- 1 053	1 187
- of which, Eliminations	6	—	1	—	—	1
Other¹	- 44	- 128	3 030	- 456	- 627	2 859
Eliminations	- 40	—	- 179	—	—	- 179
Total	8 438	9 609	28 918	34 128	43 554	38 344
Underlying operating profit before depreciation, amortisation and impairment losses (EBITDA)						
Nordic	3 141	4 057	13 352	15 899	21 485	18 938
- of which, Generation	2 327	3 340	9 628	12 143	16 392	13 877
- of which, Distribution	1 062	965	3 779	3 765	5 054	5 068
- of which, Sales	46	93	819	904	1 207	1 122
- of which, Other operations	- 292	- 417	- 576	- 730	- 986	- 832
- of which, Eliminations	- 2	76	- 298	- 183	- 182	- 297
Continental/UK	4 491	4 690	17 108	20 042	26 759	23 825
- of which, Generation	3 900	3 566	15 069	16 172	21 067	19 964
- of which, Distribution	472	663	1 385	2 251	3 000	2 134
- of which, Sales	271	444	1 026	1 612	1 930	1 344
- of which, Other operations	- 152	17	- 372	7	762	383
Other¹	- 48	- 112	10	- 424	- 484	- 50
Eliminations	- 40	—	- 155	—	—	- 155
Total	7 544	8 635	30 315	35 517	47 760	42 558

Operating segments, Vattenfall Group cont.

Amounts in SEK million	Q3 2014	Q3 2013 ³	Q1-3 2014	Q1-3 2013 ³	Full year 2013 ³	Last 12 months
Operating profit (EBIT)						
Nordic	281	2 767	7 035	11 751	15 534	10 818
- of which, Generation	69	2 387	5 339	9 321	12 579	8 597
- of which, Distribution	513	445	2 152	2 217	2 968	2 903
- of which, Sales	- 70	- 21	497	565	737	669
- of which, Other operations	- 231	- 119	- 655	- 170	- 566	- 1 051
- of which, Eliminations	—	75	- 298	- 182	- 184	- 300
Continental/UK	- 18 436	2 239	- 17 062	- 21 140	- 20 699	- 16 621
- of which, Generation	- 9 277	638	- 8 806	- 15 313	- 15 339	- 8 832
- of which, Distribution	267	394	770	1 447	1 933	1 256
- of which, Sales	- 313	606	- 118	652	740	- 30
- of which, Other operations	- 9 113	601	- 8 908	- 7 926	- 8 033	- 9 015
Other¹	- 1 242	- 113	967	- 723	- 1 053	637
Eliminations	- 39	—	- 179	—	—	- 179
Operating profit (EBIT)	- 19 436	4 893	- 9 239	- 10 112	- 6 218	- 5 345
Financial income and expenses	- 1 362	- 1 762	- 4 485	- 6 898	- 9 037	- 6 624
Profit before tax	- 20 798	3 131	- 13 724	- 17 010	- 15 255	- 11 969
Underlying operating profit (EBIT)						
Nordic	1 581	2 517	8 437	11 355	15 371	12 453
- of which, Generation	1 420	2 379	6 670	9 318	12 578	9 930
- of which, Distribution	513	445	2 151	2 215	2 966	2 902
- of which, Sales	- 70	- 21	455	561	743	637
- of which, Other operations	- 282	- 362	- 542	- 558	- 734	- 718
- of which, Eliminations	—	76	- 297	- 181	- 182	- 298
Continental/UK	1 365	1 656	7 938	10 451	13 658	11 145
- of which, Generation	1 225	1 178	7 240	8 411	10 361	9 190
- of which, Distribution	277	407	811	1 498	1 978	1 291
- of which, Sales	58	239	384	831	939	492
- of which, Other operations	- 195	- 168	- 497	- 289	380	172
Other¹	- 157	- 99	- 309	- 677	- 894	- 526
Eliminations	- 39	—	- 155	—	—	- 155
Underlying operating profit (EBIT)	2 750	4 074	15 911	21 129	28 135	22 917

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

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

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

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

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

Consolidated balance sheet

Amounts in SEK million	30 Sept. 2014	30 Sept. 2013 ¹	31 Dec. 2013 ¹
Assets			
Non-current assets			
Intangible assets: non-current	19 672	30 772	31 285
Property, plant and equipment	259 392	261 017	269 160
Investment property	462	471	479
Biological assets	24	14	20
Participations in associated companies and joint arrangements	7 793	7 598	8 391
Other shares and participations	260	2 652	2 699
Share in the Swedish Nuclear Waste Fund	31 736	30 350	30 600
Derivative assets	15 342	16 318	16 239
Current tax asstes, non-current	672	843	627
Prepaid expenses	114	118	117
Deferred tax assets	10 013	5 380	5 978
Other non-current receivables	7 866	3 786	6 686
Total non-current assets	353 346	359 319	372 281
Current assets			
Inventories	19 498	18 955	18 596
Biological assets	10	5	5
Intangible assets: current	1 536	3 896	7 535
Trade receivables and other receivables	25 150	31 984	34 450
Advance payments paid	2 415	2 940	2 765
Derivative assets	13 340	11 419	10 967
Prepaid expenses and accrued income	2 330	3 699	6 285
Current tax assets	2 047	1 132	525
Short-term investments	24 810	14 741	11 460
Cash and cash equivalents	10 984	14 849	15 801
Assets held for sale	7 763	4 783	4 814
Total current assets	109 883	108 403	113 203
Total assets	463 229	467 722	485 484
Equity and liabilities			
Equity			
Attributable to owner of the Parent Company	111 603	114 152	120 370
Attributable to non-controlling interests	12 261	8 644	10 348
Total equity	123 864	122 796	130 718
Non-current liabilities			
Hybrid Capital	9 134	8 630	8 835
Other interest-bearing liabilities	75 969	90 017	90 374
Pension provisions	38 827	33 093	35 477
Other interest-bearing provisions	81 944	74 596	76 553
Derivative liabilities	9 628	10 426	9 734
Deferred tax liabilities	28 454	28 519	31 651
Other noninterest-bearing liabilities	5 559	5 816	6 000
Total non-current liabilities	249 515	251 097	258 624
Current liabilities			
Trade payables and other liabilities	20 989	24 485	30 002
Advance payments received	2 244	3 173	3 289
Derivative liabilities	5 095	5 124	4 280
Accrued expenses and deferred income	15 314	16 255	20 748
Current tax liabilities	917	4 340	1 496
Interest-bearing liabilities	35 577	30 418	27 279
Interest-bearing provisions	7 707	7 175	6 136
Liabilities associated with assets held for sale	2 007	2 859	2 912
Total current liabilities	89 850	93 829	96 142
Total equity and liabilities	463 229	467 722	485 484
Collateral	8 815	9 304	8 712
Contingent liabilities	2 786	1 836	2 799

Consolidated balance sheet, cont.

Supplementary Information

Amounts in SEK million	30 Sept. 2014	30 Sept. 2013 ¹	31 Dec. 2013 ¹
Capital employed	281 801	282 978	293 706
Capital employed, average	282 390	288 959	302 743
Net debt			
Hybrid Capital	- 9 134	- 8 630	- 8 835
Bond issues, commercial paper and liabilities to credit institutions	- 69 378	- 81 076	- 78 109
Present value of liabilities pertaining to acquisitions of Group companies	- 18 707	- 17 411	- 17 892
Liabilities to associated companies	- 3 441	- 2 012	- 1 706
Liabilities to owners of non-controlling interests	- 12 312	- 12 375	- 12 425
Other liabilities	- 7 708	- 7 561	- 7 521
Total interest-bearing liabilities	- 120 680	- 129 065	- 126 488
Cash and cash equivalents	10 984	14 849	15 801
Short-term investments	24 810	14 741	11 460
Receivable from Vattenfall's pension foundation	—	—	—
Loans to owners of non-controlling interests in foreign Group companies	1 483	442	229
Net debt	- 83 403	- 99 033	- 98 998
Adjusted gross debt and net debt			
Total interest-bearing liabilities	- 120 680	- 129 065	- 126 488
50% of Hybrid Capital	4 567	4 315	4 418
Present value of pension obligations	- 38 827	- 33 093	- 35 477
Provisions for mining, gas and wind operations and other environment-related provisions	- 13 401	- 11 517	- 11 760
Provisions for nuclear power (net)	- 31 235	- 27 121	- 28 054
Currency derivatives for hedging of debt in foreign currency	1 926	1 484	1 212
Margin calls received	4 844	2 114	2 176
Liabilities to owners of non-controlling interests due to consortium agreements	11 578	10 920	10 866
Adjusted gross debt	- 181 228	- 181 963	- 183 107
Reported cash and cash equivalents and short-term investments	35 794	29 590	27 261
Receivable from Vattenfall's pension foundation	—	—	—
Unavailable liquidity	- 6 030	- 5 623	- 6 744
Adjusted cash and cash equivalents and short-term investments	29 764	23 967	20 517
Adjusted net debt	- 151 464	- 157 996	- 162 590

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

Consolidated statement of cash flows

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Operating activities						
Profit before tax	- 20 798	3 131 ¹	- 13 724 ¹	- 17 010 ¹	- 15 255 ¹	- 11 969
Reversal of depreciation, amortisation and impairment losses	27 909	4 714	38 194	44 731	50 264 ¹	43 727
Tax paid	- 1 032	- 950	- 2 807	- 2 865	- 4 090	- 4 032
Capital gains/losses, net	- 21	8	- 3 122	21	- 79	- 3 222
Other, incl. non-cash items	- 1 050	- 160 ¹	1 115 ¹	463 ¹	1 048 ¹	1 700
Funds from operations (FFO)	5 008	6 743	19 656	25 340	31 888	26 204
Changes in inventories	- 166	179	- 29	970	1 361	362
Changes in operating receivables	5 748	5 884 ¹	14 885 ¹	6 746 ¹	- 3 959 ¹	4 180
Changes in operating liabilities	96	370	- 8 469	- 4 793	5 145	1 469
Other changes	- 694	519 ¹	- 229 ¹	1 666 ¹	3 408	1 513
Cash flow from changes in operating assets and operating liabilities	4 984	6 952	6 158	4 589	5 955	7 524
Cash flow from operating activities	9 992	13 695	25 814	29 929	37 843	33 728
Investing activities						
Acquisitions in Group companies	- 9	—	- 9	—	- 41	- 50
Investments in associated companies and other shares and participations	12	56	146	45	15	116
Other investments in non-current assets	- 7 893	- 6 542	- 19 325	- 18 397	- 27 735	- 28 663
Total investments	- 7 890	- 6 486	- 19 188	- 18 352	- 27 761	- 28 597
Divestments	84	42	9 475	240	651	9 886
Cash and cash equivalents in divested companies	1	—	- 302	- 16	- 16	- 302
Cash flow from investing activities	- 7 805	- 6 444	- 10 015	- 18 128	- 27 126	- 19 013
Cash flow before financing activities	2 187	7 251	15 799	11 801	10 717	14 715
Financing activities						
Changes in short-term investments	- 4 828	- 2 940	- 12 742	14 175	17 948	- 8 969
Changes in loans to owners of non-controlling interests in foreign Group companies	- 877	22	- 1 231	- 222	- 75	- 1 084
Loans raised ²	7 109	- 882	16 122	2 857	7 449	20 714
Amortisation of debt pertaining to acquisitions of Group companies	—	- 10 257	—	- 10 257	- 10 257	—
Amortisation of other debt	- 4 309	- 1 584	- 24 919	- 18 317	- 27 362	- 33 964
Divestment of shares in Group companies to owners of non-controlling interests	488	—	488	—	—	488
Payment from Vattenfall's pension foundation	—	—	—	990	2 911	1 921
Settlement of receivable from Vattenfall's pension foundation	—	—	—	1 807	1 807	—
Dividends paid to owners	- 29	- 2	- 76	- 6 840	- 6 840	- 76
Contribution from owners of non-controlling interests	1 004	202	1 571	775	1 275	2 071
Cash flow from financing activities	- 1 442	- 15 441	- 20 787	- 15 032	- 13 144	- 18 899
Cash flow for the period	745	- 8 190	- 4 988	- 3 231	- 2 427	- 4 184

Consolidated statement of cash flows, cont.

Amounts in SEK million	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Cash and cash equivalents						
Cash and cash equivalents at start of period	10 263	23 109	15 801	18 045	18 045	14 849
Cash and cash equivalents included in assets held for sale	—	- 3	—	- 2	- 1	1
Cash flow for the period	745	- 8 190 ¹	- 4 988 ¹	- 3 231 ¹	- 2 427 ¹	- 4 184
Translation differences	- 24	- 67	171	37	184	318
Cash and cash equivalents at end of period	10 984	14 849	10 984	14 849	15 801	10 984
Supplementary information						
Cash flow before financing activities	2 187	7 251	15 799	11 801	10 717	14 715
Financing activities						
Divestment of shares in Group companies to owners of non-controlling interests	488	—	488	—	—	488
Dividends paid to owners	- 29	- 2	- 76	- 6 840	- 6 840	- 76
Payment from Vattenfall's pension foundation	—	—	—	990	2 911	1 921
Contribution from owners of non-controlling interests	1 004	202	1 571	775	1 275	2 071
Cash flow after dividend	3 650	7 451	17 782	6 726	8 063	19 119
Analysis of change in net debt						
Net debt at start of period	- 85 872	- 104 249	- 98 998	- 111 907	- 111 907	- 99 033
Change accounting principles	—	- 224	—	7 890	7 907	17
Cash flow after dividend	3 650	7 451 ¹	17 782 ¹	6 726 ¹	8 063 ¹	19 119
Changes as a result of valuation at fair value	- 911	239	- 1 082	1 436	2 126	- 392
Changes in interest-bearing liabilities for leasing	9	—	33	22	36	47
Interest-bearing liabilities/short-term investments acquired/divested	—	—	75	—	—	75
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	- 78	- 31	- 235	- 303	- 408	- 340
Cash and cash equivalents included in assets held for sale	—	- 3	—	- 2	- 1	1
Transfer to liabilities due to changed shareholders' rights	21	- 3 364	3 037	- 3 364	- 3 387	3 014
Translation differences on net debt	- 222	1 148	- 4 015	469	- 1 427	- 5 911
Net debt at end of period	- 83 403	- 99 033	- 83 403	- 99 033	- 98 998	- 83 403
Free cash flow	6 083	10 214	15 100	21 327	23 579	17 352

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

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

Consolidated statement of changes in equity

Amounts in SEK million	30 Sept. 2014			30 Sept. 2013 ¹			31 Dec. 2013 ¹		
	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity
Balance brought forward	120 370	10 348	130 718	140 764	8 608	149 372	140 764	8 608	149 372
Dividends paid to owners	—	- 76	- 76	- 6 774	- 66	- 6 840	- 6 774	- 66	- 6 840
Group contributions from(+)/to(-) owners of non-controlling interests	—	—	—	—	—	—	—	505	505
Changes in ownership in Group companies on divestments of shares to owners of non-controlling interests	- 32	386	354	—	—	—	—	—	—
Contribution from minority interest	—	1 571	1 571	—	—	—	—	—	—
Other changes in ownership	- 708	- 366	- 1 074	1	772	773	4	1 294	1 298
Changes as a result of changed ownership	3 026	507	3 533	- 2 090	- 1 273	- 3 363	- 2 902	- 486	- 3 388
Cash flow hedges:									
Changes in fair value	4 689	25	4 714	5 688	2	5 690	12 503	7	12 510
Dissolved against income statement	- 7 946	—	- 7 946	- 7 220	4	- 7 216	- 9 922	2	- 9 920
Transferred to cost of hedged item	- 10	2	- 8	- 20	—	- 20	- 11	4	- 7
Tax attributable to cash flow hedges	854	1	855	277	- 1	276	- 733	- 3	- 736
Total cash flow hedges	- 2 413	28	- 2 385	- 1 275	5	- 1 270	1 837	10	1 847
Hedging of net investments in foreign operations	- 3 204	—	- 3 204	- 588	—	- 588	- 2 717	—	- 2 717
Tax attributable to hedging of net investments in foreign operations	2 665	—	2 665	129	—	129	598	—	598
Total hedging of net investments in foreign operations	- 539	—	- 539	- 459	—	- 459	- 2 119	—	- 2 119⁰
Translation differences	6 325	205	6 530	392	227	619	3 820	345	4 165
Translation differences and exchange rate effects net, divested companies	50	—	50	—	—	—	—	—	—
Remeasurement of available-for-sale financial assets (unrealised)	- 182	—	- 182	179	—	179	182	—	182
Impairment of available-for-sale financial assets (unrealised)	—	—	—	- 30	—	- 30	- 30	—	- 30
Total	3 241	233	3 474	- 1 193	232	- 961	3 690	355	4 045
Remeasurement pertaining to defined benefit obligations	- 3 409	—	- 3 409	- 1 036	1	- 1 035	- 1 213	13	- 1 200
Tax attributable to remeasurement pertaining to defined benefit obligations	956	—	956	376	—	376	469	—	469
Total	- 2 453	—	- 2 453	- 660	1	- 659	- 744	13	- 731
Total other comprehensive income for the period	788	233	1 021	- 1 853	233	- 1 620	2 946	368	3 314
Profit for the period	- 11 841	- 342	- 12 183	- 15 896	370	- 15 526	- 13 668	125	- 13 543
Total comprehensive income for the period	- 11 053	- 109	- 11 162	- 17 749	603	- 17 146	- 10 722	493	- 10 229
Balance carried forward	111 603	12 261	123 864	114 152	8 644	122 796	120 370	10 348	130 718
- Of which, Reserve for cash flow hedges	2 902	- 11	2 891	2 203	- 44	2 159	5 315	- 39	5 276

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

Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times	Q3 2014	Q3 2013 ¹	Q1-3 2014	Q1-3 2013	Full year 2013	Last 12 months
Operating margin	- 56.0	13.2	- 7.9	- 8.1	- 3.6	- 3.3
Operating margin ²	7.9	11.0	13.6	16.9	16.3	13.9
Pre-tax profit margin	- 59.9	8.4	- 11.7	- 13.6	- 8.9	- 7.3
Pre-tax profit margin ²	4.1	6.2	9.8	11.8	11.4	9.9
Return on equity	- 8.0 ³	- 7.6 ³	- 8.0 ³	- 7.6 ³	- 11.4 ³	- 8.0
Return on capital employed	- 1.9 ³	- 1.7 ³	- 1.9 ³	- 1.7 ³	- 2.1 ³	- 1.9
Return on capital employed ²	8.1 ³	9.5 ³	8.1 ³	9.5 ³	9.3 ³	8.1
EBIT interest cover, (x)	- 0.6 ³	- 0.7 ³	- 0.6 ³	- 0.7 ³	- 0.7 ³	- 0.6
EBIT interest cover, (x) ²	4.2 ³	4.2 ³	4.2 ³	4.2 ³	4.1 ³	4.2
FFO interest cover, (x)	5.5 ³	6.5 ³	5.5 ³	6.5 ³	5.4 ³	5.5
FFO interest cover, net, (x)	7.3 ³	7.0 ³	7.3 ³	7.0 ³	6.2 ³	7.3
Cash flow interest cover after maintenance investments, (x)	4.8 ³	4.5 ³	4.8 ³	4.5 ³	4.9 ³	4.8
FFO/gross debt	21.7 ³	28.6 ³	21.7 ³	28.6 ³	25.2 ³	21.7
FFO/net debt	31.4 ³	37.3 ³	31.4 ³	37.3 ³	32.2 ³	31.4
FFO/adjusted net debt	17.3 ³	23.4 ³	17.3 ³	23.4 ³	19.6 ³	17.3
EBITDA/net financial items, (x)	10.5	7.4	10.7	7.3	7.1	9.2
EBITDA/net financial items, (x) ²	38.1	6.8	20.1	14.1	12.7	15.9
Equity/total assets	26.7	26.3	26.7	26.3	26.9	26.7
Gross debt/equity	97.4	105.1	97.4	105.1	96.8	97.4
Net debt/equity	67.3	80.6	67.3	80.6	75.7	67.3
Gross debt/gross debt plus equity	49.3	51.2	49.3	51.2	49.2	49.3
Net debt/net debt plus equity	40.2	44.6	40.2	44.6	43.1	40.2
Net debt/ EBITDA, (x)	2.2 ³	2.2 ³	2.2 ³	2.2 ³	2.3 ³	2.2
Adjusted net debt/EBITDA, (x)	4.0 ³	3.6 ³	3.9 ³	3.6 ³	3.7 ³	4.0

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

2) Based on Underlying operating profit.

3) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q3 2014	Q2 2014	Q1 2014	Q4 2013 ¹	Q3 2013 ¹	Q2 2013 ¹	Q1 2013 ¹
Income statement							
Net sales	34 734	36 575	45 912	47 156	37 057	38 308	49 732
Cost of products sold	- 49 148	- 32 059	- 32 905	- 37 104	- 27 822	- 58 423	- 35 220
Other operating income and expenses, net	- 4 828	- 5 642	- 1 306	- 6 924	- 4 164	- 5 307	- 3 915
Participations in the results of associated companies	- 194	- 511	131	767	- 178	- 420	240
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	8 438	3 890	16 588	9 424	9 609	8 736	15 783
Operating profit (EBIT)	- 19 436	- 1 637	11 832	3 895	4 893	- 25 842	10 837
Underlying operating profit (EBIT)	2 750	4 086	9 075	7 007	4 074	5 399	11 656
Financial items, net	- 1 362	- 1 421	- 1 701	- 2 139	- 1 762	- 2 660	- 2 476
Profit before tax	- 20 798	- 3 058	10 131	1 756	3 131	- 28 502	8 361
Profit for the period	- 18 065	- 2 323	8 205	1 983	1 538	- 23 259	6 195
- of which, attributable to owner of the Parent Company	- 18 122	- 1 830	8 111	2 227	1 570	- 23 707	6 241
- of which, attributable to non-controlling interests	57	- 493	94	- 244	- 32	448	- 46
Balance sheet							
Non-current assets	353 346	375 661	368 782	372 281	359 319	362 415	384 278
Short-term investments	24 810	19 884	22 142	11 460	14 741	11 973	21 820
Cash and cash equivalents	10 984	10 263	13 159	15 801	14 849	23 109	17 161
Other current assets	74 089	79 941	88 091	85 942	78 813	89 418	89 859
Total assets	463 229	485 749	492 174	485 484	467 722	486 915	513 118
Equity	123 864	142 387	145 723	130 718	122 796	127 691	152 527
- of which, attributable to owner of the Parent Company	111 603	131 567	134 850	120 370	114 152	117 858	143 625
- of which, attributable to non-controlling interests (minority interests)	12 261	10 820	10 873	10 348	8 644	9 833	8 902
Hybrid Capital	9 134	9 160	8 928	8 835	8 630	8 746	8 321
Other interest-bearing liabilities	111 546	107 458	112 660	117 653	120 435	130 941	131 492
Pension provisions	38 827	38 842	34 650	35 477	33 093	33 329	31 027
Other interest-bearing provisions	89 651	89 718	82 990	82 689	81 771	81 839	80 247
Deferred tax liabilities	28 454	30 952	31 618	31 651	28 519	28 950	33 007
Other noninterest-bearing liabilities	61 753	67 232	75 605	78 461	72 478	75 419	76 497
Total equity and liabilities	463 229	485 749	492 174	485 484	467 722	486 915	513 118
Capital employed	281 801	305 096	298 862	293 706	282 978	288 720	307 240
Net debt	- 83 403	- 85 872	- 85 694	- 98 998	- 99 033	- 104 249	- 99 494
Cash flow							
Funds from operations (FFO)	5 008	3 854	10 792	6 548	6 743	5 999	12 598
Cash flow from changes in operating assets and operating liabilities	4 984	4 479	- 3 305	1 366	6 952	5 475	- 7 838
Cash flow from operating activities	9 992	8 333	7 487	7 914	13 695	11 474	4 760
Cash flow from investing activities	- 7 805	- 5 785	3 574	- 8 998	- 6 444	- 6 421	- 5 263
Cash flow before financing activities	2 187	2 548	11 061	- 1 084	7 251	5 053	- 503
Changes in short-term investments	- 4 828	2 563	- 10 477	3 773	- 2 940	10 979	6 136
Loans raised/Amortisation of debt, net, etc.	3 415	- 8 104	- 3 277	- 1 885	- 12 499	- 3 509	- 6 360
Dividends paid to owners	- 29	- 47	—	—	- 2	- 6 837	—
Cash flow from financing activities	- 1 442	- 5 588	- 13 754	1 888	- 15 441	633	- 224
Cash flow for the period	745	- 3 040	- 2 693	804	- 8 190	5 686	- 727
Free cash flow	6 083	4 330	4 685	2 252	10 214	8 363	2 750

Quarterly information, Vattenfall Group, cont.

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

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

2) Based on Underlying operating profit.

3) Last 12-month values.

Note 1 Accounting policies, risks and uncertainties

Accounting policies

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

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

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

IFRS 12 – Disclosures of Interests in Other Entities. Expanded disclosure requirements regarding subsidiaries, joint arrangements and associates have been gathered in a single standard. The disclosures address the effects of holdings on the financial statements and risks associated with the current holdings. The new standard has not had any effect on Vattenfall's financial statements.

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

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

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

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

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

Important estimations and assumptions

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

Risks and uncertainties

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

Other

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

Note 2 Exchange rates

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

	Q3 2014	Q3 2013	Q1-3 2014	Q1-3 2013	Full year 2013
Average rate					
EUR	9.1787	8.7245	9.0380	8.6040	8.6625
DKK	1.2317	1.1699	1.2118	1.1537	1.1615
NOK	1.1103	1.0924	1.0907	1.1189	1.1081
PLN	2.1959	2.0449	2.1620	2.0442	2.0615
GBP	11.5945	10.2041	11.1492	10.1246	10.2250
USD	6.9584	6.5740	6.6930	6.5264	6.5144
Balance sheet date rate					
			30 Sept. 2014	30 Sept. 2013	31 Dec. 2013
EUR			9.1465	8.6575	8.8591
DKK			1.2289	1.1608	1.1877
NOK			1.1266	1.0670	1.0593
PLN			2.1894	2.0473	2.1325
GBP			11.7670	10.3552	10.6262
USD			7.2689	6.4106	6.4238

Note 3 Financial instruments by category and related effects on income

Financial instruments by category: Carrying amount and fair value

Amounts in SEK million	30 Sept. 2014		31 Dec. 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Derivative assets	15 141	15 141	13 011	13 011
Short-term investments	22 574	22 574	9 774	9 774
Cash equivalents	56	56	52	52
Total	37 771	37 771	22 837	22 837
Derivative assets for hedging purposes for				
Fair value hedges	2 932	2 932	1 954	1 954
Cash flow hedges	10 609	10 609	12 241	12 241
Total	13 541	13 541	14 195	14 195
Loans and receivables				
Share in the Swedish Nuclear Waste Fund	31 736	33 888	30 600	30 836
Other non-current receivables	7 866	7 866	6 686	6 700
Trade receivables and other receivables	25 150	25 148	34 450	34 450
Advance payments paid	1 777	1 777	2 368	2 368
Short-term investments	2 236	2 236	1 685	1 685
Cash and bank balances	10 928	10 928	15 749	15 749
Total	79 693	81 843	91 538	91 788
Available-for-sale financial assets				
Other shares and participations carried at fair value	—	—	2 389	2 389
Other shares and participations carried at cost	260	260	310	310
Total	260	260	2 699	2 699
Financial liabilities at fair value through profit or loss				
Derivative liabilities	10 349	10 349	9 815	9 815
Total	10 349	10 349	9 815	9 815
Derivative liabilities for hedging purposes for				
Fair value hedges	—	—	459	459
Cash flow hedges	4 373	4 373	3 740	3 740
Total	4 373	4 373	4 199	4 199
Other financial liabilities				
Hybrid Capital	9 134	9 412	8 835	9 238
Other non-current interest-bearing liabilities	75 969	88 022	90 374	101 255
Other non-current noninterest-bearing liabilities	5 559	5 559	6 000	6 000
Current interest-bearing liabilities	35 577	36 388	27 279	26 978
Trade payables and other liabilities	19 607	19 607	30 113	30 113
Advance payments received	2 244	2 244	3 288	3 288
Total	148 090	161 232	165 889	176 872

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

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

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

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

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

Financial assets and liabilities that are measured at fair value on the balance sheet at 30 September 2014

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	26 307	2 375	28 682
Short-term investments and cash equivalents	17 307	5 322	—	22 629
Other shares and participations	—	—	—	—
Total assets	17 307	31 629	2 375	51 311
Liabilities				
Derivative liabilities	—	13 577	1 146	14 723
Total liabilities	—	13 577	1 146	14 723

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

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

Changes in level 3 financial instruments

Financial instruments at fair value through profit or loss

Amounts in SEK million	Derivative assets		Derivative liabilities	
	30 Sept. 2014	31 Dec. 2013	30 Sept. 2014	31 Dec. 2013
Balance brought forward	1 377	2 129	385	2 266
Transfers into an other level	—	- 184	—	- 1 085
Transfers from an other level	—	228	—	10
Revaluations recognised in operating profit (EBIT)	946	- 834	739	- 836
Translation differences	52	38	21	30
Balance carried forward	2 375	1 377	1 145	385
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	1 697	655	997	- 87

Sensitivity analysis for Level 3 contracts

TGSA: TGSA (Troll¹ Gas Sales Agreement) is a large gas supply agreement (coal price-indexed) that extends further ahead in time than liquid trading in the gas market. Valuation of the agreement is against the market price, as long as a market price can be observed. Modelled prices are used for commodity deliveries beyond the market horizon or deliveries with uncommon terms and options. TGSA is hedged with OTC forward trades of underlying products. These trades are also marked against the same market and modelled prices. The modelled prices are benchmarked against reliable financial information obtained from the company Markit; this information is well-known and is used by many energy companies, offering a fair valuation of the portion of the large gas supply contract that cannot be valued against market prices (Level 3). TGSA is also hedged with OTC forward trades of underlying products, which were also marked against modelled prices until 2012. In 2013, all OTC forward contracts have been transferred from level 3 to level 2 since, starting in 2013, the market price input can be observed and derived from the market.

The net value as per 30 September 2014 has been calculated at SEK +346 million (31 December 2013: +634). The price of the coal price index used in the model (API#2) has a large impact on the modelled price. A change in this index of +/- 5% would affect the total value by approximately SEK +/- 13 million (31 December 2013: +/- 25).

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

CDM: Clean Development Mechanism (CDM) is a flexible mechanism under the Kyoto Protocol and overseen by the UNFCCC under which projects set up in developing countries to reduce CO2 emissions can generate tradable carbon credits called CERs (Certified Emission Reductions). Once CERs are issued by the UNFCCC they can be used by companies and governments in industrialised nations as carbon offsets at home to meet their reduction targets, either under the EU ETS in the case of a company or under the Kyoto Protocol in case of countries. In terms of valuation of the CDM projects in Vattenfall's CDM portfolio, the non-observable input factor is an estimation of the volume of CERs that is expected to be delivered from each project annually. This estimation is derived from six defined Risk Adjustment Factors (RAFs) that have the same weighting. These project specific factors are calculated using the Carbon Valuation Tool developed by Point Carbon to quantify the risk by adjusting the volume based on these six risks and calculating the fair value based on these six risk adjusted volumes against the CER forward curve on the exchange (Inter Continental Exchange - ICE). The tool is based on Point Carbon's valuation methodology, which was developed in cooperation with several experienced market players. The valuation methodology is strictly empirical, and all risk parameters are extracted from Point Carbon's proprietary databases of CDM project data, which entails a correct valuation of the contracts. The results are validated based on monitoring reports for the respective CDM projects, which are publicly available on the website of the UNFCCC.

The net value as per 30 September 2014 has been calculated at SEK -3 million (31 December 2013: -1). The fair value is mainly determined and correlated with the observable price of CER, meaning a higher price of CER leads to a higher value of the CDM contract and vice versa. A change in the modelled price of CERs of +/- 5% would affect the total value by approximately SEK +/- 2 million (31 December 2013: +/-3).

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

The value as per 30 September 2014 has been calculated at SEK +79 million (31 December 2013: +142). The price of aluminium is the factor that has the greatest bearing on the modelled price. An increase of the price for aluminium leads to a higher fair value and vice versa. A change in the price of aluminium of +/- 5% would affect the total value by approximately SEK +/- 77 million (31 December 2013: +/-90).

Virtual Gas Storage contracts: A virtual gas storage contract is a contract, which allows Vattenfall to store gas without owning a gas storage facility. The virtual gas storage contracts includes constraints to the maximum storage capacity and the maximum injection and withdrawal per day. The valuation of the contract is based on the storage, injections and withdrawal fees included in the contract, the expected spread between gas prices in the summer and winter which is observable and the optionality value, which is marked to model (Level 3).

The net value as per 30 September 2014 has been calculated at SEK +536 million (31 December 2013: +58) and is most sensitive to the optionality value. A change in the optionality value of +/- 5% would affect the total value by approximately +/- SEK 112 million (31 December 2013: +/-31).

Gas Swing contracts: A gas swing contract is a contract which provides flexibility on the timing and amount of gas purchases. The contract is based on a price formula with a maximum and minimum annual and daily gas quantity. The valuation of the contract is based on observable price differences between the contract prices and indexes and the optional value, which is marked to model (Level 3).

The net value as per 30 September 2014 has been calculated at SEK +47 million (31 December 2013: +159) and is most sensitive to the optionality value. A change in the optionality value of +/- 5% would affect the total value by approximately +/- SEK 3 million (31 December 2013: +/-6).

Financial instruments: Effects on income by category

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

Amounts in SEK million	30 Sept. 2014			31 Dec. 2013		
	Net gains/ losses ¹	Interest income	Interest expenses	Net gains/ losses ¹	Interest income	Interest expenses
Derivative assets and derivative liabilities	4 714	136	- 216	- 3 026	406	- 257
Available-for-sale financial assets	- 32	—	—	- 382	—	—
Loans and receivables	- 108	903	—	756	505	—
Financial liabilities measured at amortised cost	- 2 328	—	- 2 558	1 541	—	- 4 239
Total	2 246	1 039	- 2 774	- 1 111	911	- 4 496

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

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

As described in Note 1, Accounting policies, risks and uncertainties, new accounting rules apply as of 2014 according to IFRS 11 — Joint Arrangements. Under IFRS 11, the Krümmel nuclear power plant in Germany will be classified as a “joint operation”.

This leads to a change from application of the equity method to recognition of Vattenfall's share in the assets, liabilities as well as revenues and expenses in Krümmel which have had the following significant impact on Vattenfall's financial:

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

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

Note 5 Impairment losses

Vattenfall tests its assets for impairment on a yearly basis or whenever there is an indication that the assets might be impaired. The following impairment losses have been recognised during 2014:

Amounts in SEK million	Goodwill	Intangible assets	Property, plant and equipment	Associated companies	Effect on Operating profit	Effect on taxes	Total impairment
Continental/UK							
Generation	1 057	596	8 595	154	10 402	- 2 549	7 853
- of which, German plants	—	—	5 623	—	5 623	- 1 687	3 936
- of which, fossil based assets in the Netherlands	—	—	2 621	—	2 621	- 655	1 966
- of which, renewables	447	492	235	154	1 328	- 152	1 176
- of which, other assets	610	104	116	—	830	- 55	775
Sales	—	—	288	—	288	- 72	216
- of which, other assets	—	—	288	—	288	- 72	216
Other	9 951	—	—	—	9 951	—	9 951
- of which, Trading	9 951	—	—	—	9 951	—	9 951
Total	11 008	596	8 883	154	20 641	- 2 621	18 020
Nordic							
Generation	75	47	1 228	—	1 350	- 281	1 069
- of which, renewables	75	47	1 228	—	1 350	- 281	1 069
Other	—	—	1 089	—	1 089	- 326	763
- of which, other assets	—	—	1 089	—	1 089	- 326	763
Total Q3 2014	11 083	643	11 200	154	23 080	- 3 228	19 852
Of which, assets in the Netherlands ¹	10 561	104	3 164	—	13 829	- 817	13 012
Of which, assets in Germany	—	—	6 711	154	6 865	- 2 013	4 852
Of which, assets in the Nordic countries	75	47	1 228	—	1 350	- 280	1 070
Of which, assets in the UK	447	492	97	—	1 036	- 118	918
Total Q3 2014	11 083	643	11 200	154	23 080	- 3 228	19 852
Continental/UK							
Generation	—	—	18	—	18	- 6	12
- of which, other assets	—	—	18	—	18	- 6	12
Other	—	—	655	—	655	- 164	491
- of which, other assets	—	—	655	—	655	- 164	491
Total Q1 - Q2 2014	—	—	673	—	673	- 170	503
Total Q1 - Q3 2014	11 083	643	11 873	154	23 753	- 3 398	20 355
Of which, assets in the Netherlands ¹	10 561	104	3 819	—	14 484	- 981	13 503
Of which, assets in Germany	—	—	6 729	154	6 883	- 2 019	4 864
Of which, assets in the Nordic countries	75	47	1 228	—	1 350	- 280	1 070
Of which, assets in the UK	447	492	97	—	1 036	- 118	918
Total Q1 - Q3 2014	11 083	643	11 873	154	23 753	- 3 398	20 355

1) Including Nuon-owned assets in Germany and UK.

Goodwill:

Goodwill is allocated to the Continental/UK operating segment, in the amount of SEK 12,904 million (31 December 2013: 23,277). Goodwill is allocated to the cash-generating units Sales in the amount of SEK 12,247 million (31 December 2013: 11,862) and Trading SEK 657 million (31 December 2013: 10,390).

In the Nordic operating segment, all remaining goodwill, totalling SEK 75 million, has been recognised as an impairment loss.

Impairment testing has been conducted through calculation of the value in use for the Group's business units, which is the basis for determining the cash-generating units. Goodwill is not subject to amortisation, but is tested annually for impairment. During the year, impairment losses were recognised within the Continental/UK operating segment in the amount of SEK 9,951 million for the cash-generating unit Trading, SEK 610 million for the cash-generating unit Heat, and SEK 447 million for the cash-generating unit Renewables. Within the Nordic operating segment an impairment loss of SEK 75 million was recognised for the cash-generating unit Wind.

Impairment process:

The main assumptions that company management has used in calculating projections of future cash flows in Generation's cash-generating units both in the Continental/UK operating segment and in the Nordic operating segment are based on forecasts of the useful life of the respective assets. The projected cash flows are based on market prices and on Vattenfall's long-term market outlook. The long-term market outlook is based on internal and external input parameters and is benchmarked against externally available price projections. Based on the price assumptions, the dispatch of the power plants is calculated, taking technical, economic and legal constraints into consideration. Technical flexibility of the assets, i.e., the ability to adapt generation to changes in spot market prices, has been taken into account.

Cash flow projections of other cash generating units in Generation are based on the business plan for the coming five years, after which their residual value is taken into account, based on a growth factor of 0.0%–1.0% (1%). Future cash flows have been discounted to value in use using a discount rate of 5.4%– 6.3% (5.4%–5.8%) after tax for regulated business and 6.5%–7.0% (6.2%–6.8%) after tax for non-regulated business. An increase in the discount rate of 0.5 percentage points would give rise to a need to recognise an additional impairment loss of SEK 3.0 billion.

The Parent Company Vattenfall AB

Accounting policies

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

Quarters 1-3 2014

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

- Net sales amounted to SEK 23,065 million (27,005).
- Profit before appropriations and tax was SEK -13,554 million (-6,565).
- During this period, the result was affected by the the following:
 - Impairment loss for shares in N.V. Nuon Energy, totalling SEK 14,593 million (23,631) as a consequence of the Group's impairment of assets in the Netherlands (see Note 5, page 37)
 - Dividend of SEK 616 million from Vattenfall A/S
 - Capital loss of SEK 216 million from the sale of the entire shareholding in Enea S.A.
 - Tax income of SEK 1,270 million has been accounted for, pertaining to an adjustment of previous years' exchange rate effects
- The balance sheet total was SEK 251,858 million (31 December: 269,944)
- Investments during the period amounted to SEK 249 million (234)
- Cash, cash equivalents and short-term investments amounted to SEK 27,988 million (31 december: 16,840)

Risks and uncertainties

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

Other

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

Parent Company income statement

Amounts in SEK million	Q1-3 2014	Q1-3 2013 ¹	Full year 2013
Net sales	23 065	27 005	37 197
Cost of products sold	- 16 564	- 18 853	- 25 464
Gross profit	6 501	8 152	11 733
Selling expenses, administrative expenses and research and development costs	- 1 852	- 2 140	- 2 645
Other operating income and expenses, net	- 1 241	- 132	- 226
Operating profit (EBIT)	3 408	5 880	8 862
Result from participations in subsidiaries	- 13 830	- 13 424	- 13 424
Result from participations in associated companies	—	6	6
Result from other shares and participations	- 214	- 752	- 569
Other financial income	997	4 913	4 603
Other financial expenses	- 3 915	- 3 188	- 4 691
Profit before appropriations and tax	- 13 554	- 6 565	- 5 213
Appropriations	1 454	1 321	- 4 068
Profit before tax	- 12 100	- 5 244	- 9 281
Income tax expense	769	- 2 592	- 1 687
Profit for the period	- 11 331	- 7 836	- 10 968

1) The Parent Company's income statement and balance sheet for Q1-3 2013 have been recalculated compared with previously published information. See the 2013 Annual Report, Note 2 to the Parent Company accounts, Accounting policies. This recalculation has resulted in shifts between lines in the income statement within net financial income and between lines on the balance sheet.

Parent Company statement of comprehensive income

Amounts in SEK million	Q1-3 2014	Q1-3 2013	Full year 2013
Profit for the period	- 11 331	- 7 836	- 10 968
Total other comprehensive income	—	—	—
Total comprehensive income for the period	- 11 331	- 7 836	- 10 968

Parent Company balance sheet

Amounts in SEK million	30 Sept. 2014	30 Sept. 2013 ¹	31 Dec. 2013
Assets			
Non-current assets			
Intangible assets: non-current	123	129	138
Property, plant and equipment	4 048	4 234	4 238
Shares and participations	118 473	135 271	135 479
Other non-current assets	86 876	93 003	92 276
Total non-current assets	209 520	232 637	232 131
Current assets			
Inventories	383	438	437
Intangible assets: current	51	77	86
Current receivables	12 799	15 362	20 450
Current tax assets	1 117	—	—
Short-term investments	21 142	11 114	7 697
Cash and cash equivalents	6 846	9 212	9 143
Total current assets	42 338	36 203	37 813
Total assets	251 858	268 840	269 944
Equity and liabilities			
Equity			
Restricted equity			
Share capital	6 585	6 585	6 585
Statutory reserve	1 286	1 286	1 286
Non-restricted equity			
Retained earnings	55 454	66 422	66 422
Profit for the period	- 11 331	- 7 836	- 10 968
Total equity	51 994	66 457	63 325
Untaxed reserves	15 670	13 864	17 124
Provisions	4 291	2 740	4 241
Non-current liabilities			
Hybrid Capital	9 134	8 630	8 835
Other interest-bearing liabilities	62 866	83 204	83 874
Deferred tax liabilities	93	417	187
Other noninterest-bearing liabilities	33 533	7 236	33 096
Total non-current liabilities	105 626	99 487	125 992
Current liabilities			
Interest-bearing liabilities	69 127	58 946	52 596
Current tax liabilities	—	1 422	213
Other noninterest-bearing liabilities	5 150	25 924	6 453
Total current liabilities	74 277	86 292	59 262
Total equity and liabilities	251 858	268 840	269 944

1) The Parent Company's income statement and balance sheet for Q1-3 2013 have been recalculated compared with previously published information. See the 2013 Annual Report, Note 2 to the Parent Company accounts, Accounting policies. This recalculation has resulted in shifts between lines in the income statement within net financial income and between lines on the balance sheet.

Definitions and calculations of key ratios

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

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

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

Key ratios based on last 12-month values October 2013 – September 2014.

Operating margin, %	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}} = \frac{-5\,345}{164\,376} =$	-3.3
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}} = \frac{22\,917}{164\,376} =$	13.9
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}} = \frac{-11\,969}{164\,376} =$	-7.3
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}} = \frac{16\,341}{164\,376} =$	9.9
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}} = \frac{-9\,613}{119\,774} =$	-8.0
Return on capital employed, %	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}} = \frac{-5\,345}{282\,390} =$	-1.9
Return on capital employed excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}} = \frac{22\,917}{282\,390} =$	8.1
EBIT interest cover, (x)	=	$\frac{\text{EBIT + financial income excl. return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{-3\,718}{5\,804} =$	-0.6
EBIT interest cover excl. Items affecting comparability, (x)	=	$\frac{\text{Underlying operating profit + financial income excl. Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{24\,544}{5\,804} =$	4.2
FFO interest cover, (x)	=	$\frac{\text{FFO + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{32\,007}{5\,804} =$	5.5
FFO interest cover, net, (x)	=	$\frac{\text{FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}} = \frac{30\,381}{4\,177} =$	7.3

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	21 918	=	4.8
		Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	4 566		
FFO/gross debt, %	= 100 x	FFO	26 204	=	21.7
		Interest-bearing liabilities	120 680		
FFO/net debt, %	= 100 x	FFO	26 204	=	31.4
		Net debt	83 403		
FFO/adjusted net debt, %	= 100 x	FFO	26 204	=	17.3
		Adjusted net debt	151 464		
EBITDA/net financial items, (x)	=	EBITDA	38 344	=	9.2
		Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	4 177		
EBITDA excl. items affecting comparability/net financial items, (x)	=	EBITDA excl. items affecting comparability	66 608	=	15.9
		Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	4 177		

Key ratios based on the balance sheet per 30 September 2014:

Equity/total assets, %	= 100 x	Equity	123 864	=	26.7
		Balance sheet total	463 229		
Gross debt/equity, %	= 100 x	Interest-bearing liabilities	120 680	=	97.4
		Equity	123 864		
Net debt/equity, %	= 100 x	Net debt	83 403	=	67.3
		Equity	123 864		
Gross debt/gross debt plus equity, %	= 100 x	Interest-bearing liabilities	120 680	=	49.3
		Interest-bearing liabilities + equity	244 544		
Net debt/net debt plus equity, %	= 100 x	Net debt	83 403	=	40.2
		Net debt + equity	207 267		
Net debt/EBITDA, (x)	=	Net debt	83 403	=	2.2
		EBITDA	38 344		
Adjusted net debt/EBITDA, (x)	=	Adjusted net debt	151 464	=	4.0
		EBITDA	38 344		

Interim report signature

Solna, 30 October 2014

Magnus Hall

President and Chief Executive Officer

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

Financial calendar

Year-end report, 5 February 2015

Annual General Meeting, 27 April 2015

Interim report January-March, 28 April 2015

Interim report January-June, 21 July 2015

Interim report January-September, 27 October 2015

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