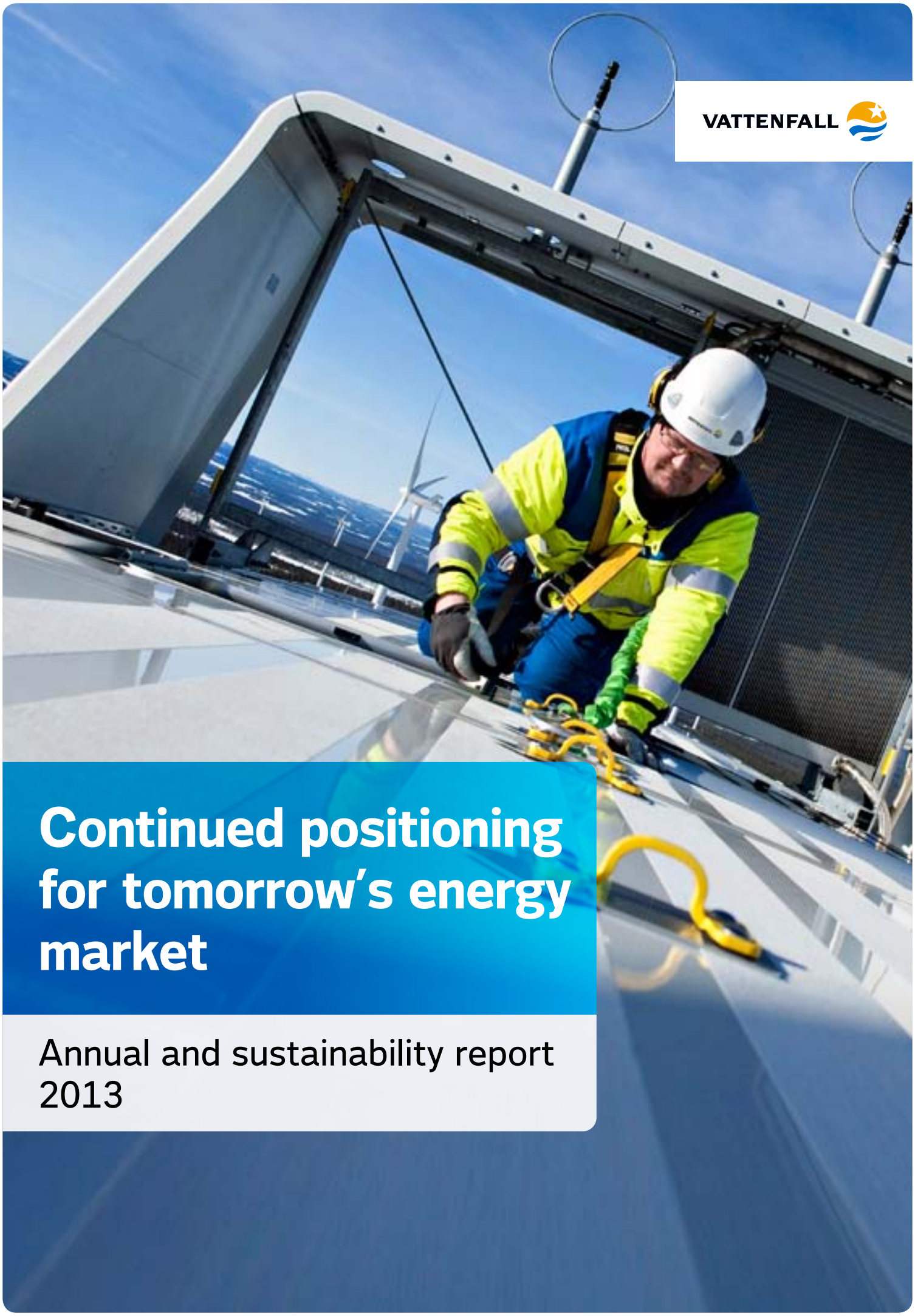


VATTENFALL

Continued positioning for tomorrow's energy market

Annual and sustainability report 2013

Financial calendar

28 April 2014 Annual General Meeting
29 April 2014 Interim report January–March
23 July 2014 Interim report January–June
30 October 2014 Interim report January–September
5 February 2015 Year-end report 2014

Investor Relations contacts

Klaus Aurich, Investor Relations
klaus.aurich@vattenfall.com, tel. +46-8-739 50 00

Annika Winlund, Investor Relations
annika.winlund@vattenfall.com, tel. +46-8-739 50 00
Annika Ramsköld, Sustainability
annika.ramskold@vattenfall.com, tel. +46-8-739 50 00

About the Annual and sustainability report

Vattenfall has deep roots in the communities in which the company operates. Operations span the entire energy value chain – from commodities and production of electricity and heat, to distribution, sales and energy advice. Vattenfall's impacts extend to people, communities and the environment. Every day, 32,000 people at Vattenfall work to provide society with energy in a stable and safe manner. At the same time, Vattenfall accepts its social and environmental responsibility. Being a more sustainable provider of energy is a decisive part of Vattenfall's long-term strategy. This is to be achieved while providing a market rate of return.

Vattenfall's 2013 Annual and sustainability report reflects the Group's ambition to achieve more sustainable energy production, foster sustainable consumption of electricity, gas and heat, and generate a sustainable financial result. This report, which integrates financial, sustainability and corporate governance information for a broad target group, is intended to support Vattenfall in its dialogue with its stakeholders.

Reporting in accordance with GRI G4

For 2013, Vattenfall is reporting its sustainability work in accordance with the Global Reporting Initiative's (GRI) updated guidelines, G4. The sustainability-related aspects that are included in the integrated report have been chosen in order to obtain measurable results in Vattenfall's sustainability focus areas, and to be able to present information that is open, clear and possible to use in an international comparison. Vattenfall has reported in accordance with the GRI guidelines since 2003.

The GRI Index on pages 131-135 provides an overview of the aspects, indicators and industry-specific supplementary information that is included in Vattenfall's sustainability reporting. Information on the reporting boundaries and omissions is also provided.

Review of report

The Board of Directors and President of Vattenfall AB (publ), corporate identity number 556036-2138, herewith submit the annual and sustainability report and consolidated accounts for 2013, encompassing pages 5, 8-9, 32-34, 38-45, 49-120, which have been translated from the Swedish original. The administration report, encompassing pages 5, 8-9, 32-34, 38-45 and 49-55, has been audited in the manner described in the Audit Report on page 121. Pages referred to in the GRI index on pages 131-135 have been reviewed as described in the Combined Assurance Report on page 122.

Further information about Vattenfall's operations and sustainability work can be found at www.vattenfall.com/Sustainability.

Forecasts and forward-looking statements

This document contains forward-looking statements that are based on Vattenfall's current expectations. Even if Vattenfall's management believes that these expectations are reasonable, no guarantee can be made that these expectations will prove to be correct. The forward-looking statements herein pertain to risks and uncertainties that could have a material impact on future earnings. The statements are based on certain assumptions, including such that pertain to financial conditions in general in the company's markets and the level of demand for the company's products. The outcome may vary significantly compared with what is presented in the forward-looking statements, depending on, among other things, changed conditions regarding the economy, markets and competition, legal requirements, and other political actions and variations in exchange rates, as well as other factors referred to in the administration report.

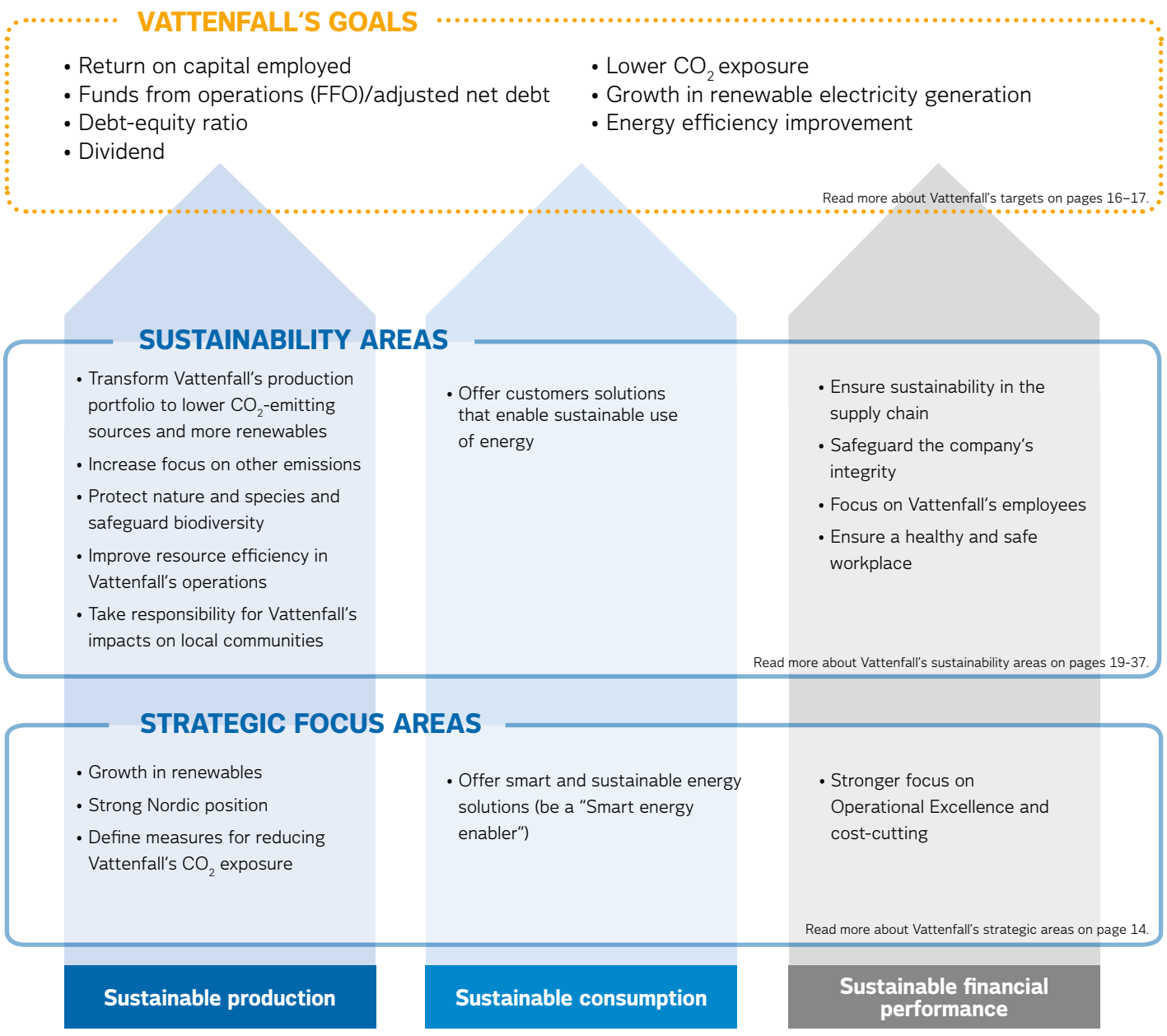
Production: Vattenfall AB. Photos: Vattenfall AB, Jeanette Hägglund, Peter Phillips, Getty Image, Johner bildbyrå (Copyright 2013, Vattenfall AB, Solna).

Vattenfall's integrated annual and sustainability report for 2013 is structured in a way that reflects the Group's strategy and focus areas, and revolves around the three dimensions sustainable production, sustainable consumption and sustainable financial performance.

The report's front half is divided into two overall sections:

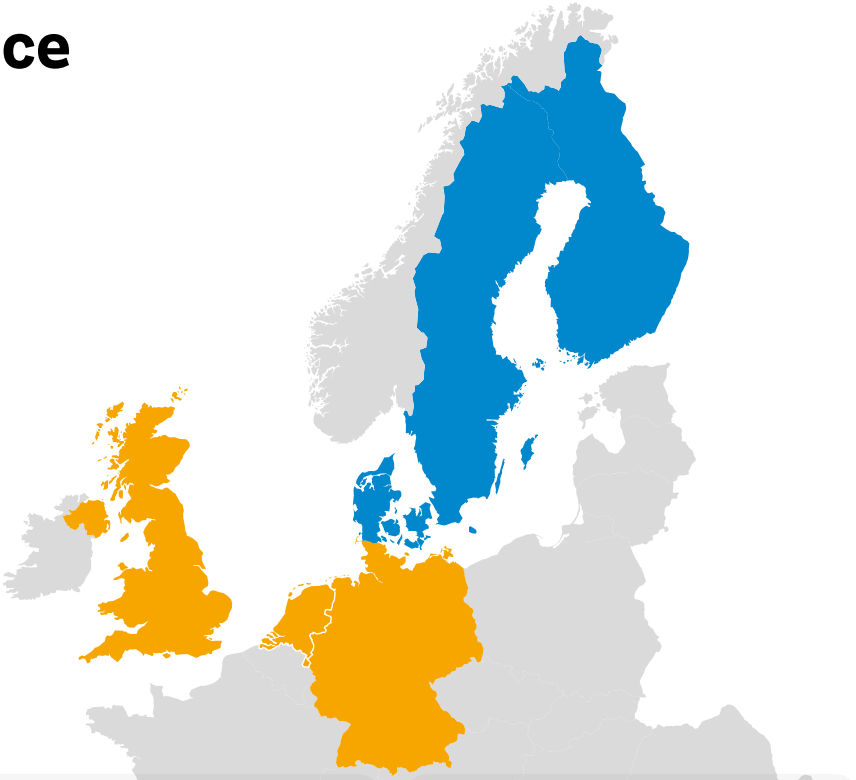
Strategic direction includes information about Vattenfall's markets, strategy and targets, and long-term results and focus. It also includes a presentation of Vattenfall's five strategic focus areas, which are the foundation for the company's work on transforming the portfolio to more sustainable energy production, advocating for sustainable consumption of electricity, gas and heat, and generating sustainable financial results.

Developments during the year describes Vattenfall's performance, development and results in 2013 in the company's sustainability focus areas. These areas have been identified by Vattenfall's stakeholders as having top priority in order for Vattenfall to be able to deliver on its strategy and achieve its goals over time.



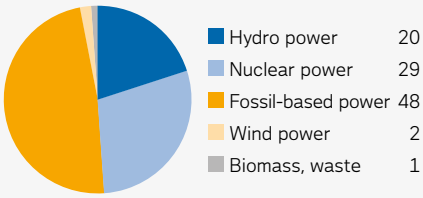
Vattenfall at a glance

Vattenfall is one of Europe's largest generators of electricity and the largest producer of heat. Electricity generation and sales of heat amounted to 181.7 TWh and 30.2 TWh, respectively, in 2013. Vattenfall has approximately 6.2 million electricity customers, 4.3 million electricity network customers and 1.9 million gas customers. The Group has approximately 31,800 employees. The Parent Company, Vattenfall AB, is 100%-owned by the Swedish state, and its headquarters are in Solna, Sweden. Starting on 1 January 2014 Vattenfall is organised in two regions: Nordic and Continental/UK.



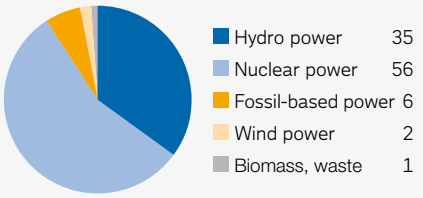
Group	
Electricity generation, TWh	181.7
Sales of electricity, TWh	203.3
Sales of electricity, number of retail customers	6,236,000
Sales of heat, TWh	30.2
Electricity network, number of customers	4,341,000
Sales of gas, TWh	55.8
Sales of gas, number of customers,	1,911,200
Number of employees	31,819

Electricity generation 2013 – Group, %



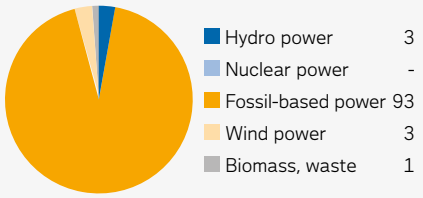
Nordic	
Electricity generation, TWh	92.5
Sales of electricity, TWh	96.9
Sales of electricity, number of retail customers	1,296,000
Sales of heat, TWh	9.9
Electricity network, number of customers	932,000
Sales of gas, TWh	—
Sales of gas,. number of customers	—
Number of employees	9,518

Electricity generation 2013 – Nordic, %



Continental/UK	
Electricity generation, TWh	89.2
Sales of electricity, TWh	106.5
Sales of electricity, number of retail customers	4,940,000
Sales of heat, TWh	20.3
Electricity network, number of customers	3,409,000
Sales of gas, TWh	55.8
Sales of gas, number of customers	1,911,200
Number of employees	22,292

Electricity generation 2013 – Continental/UK, %



Mission

Vattenfall's mission, from its owner, is to generate a market rate of return by operating an energy business that enables the company to be among the leaders in developing environmentally sustainable energy production.

Core values

Vattenfall's core values serve as guiding points in the Group's day-to-day business activities. They embody the means for achieving the company's strategy and represent a shared values base.

- **Safety** – We care about the health and safety of our employees, contractors and society.
- **Performance** – We focus on passionately achieving our objectives while acting according to our core values.
- **Cooperation** – We trust each other and openly work together to achieve our objectives.

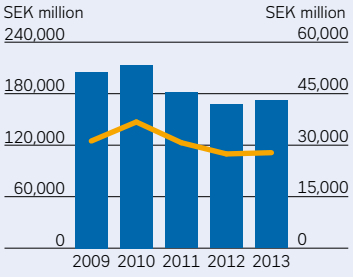
Results 2013

- Net sales rose 2.6% to SEK 171,684 million (167,313).
- The underlying operating profit[1] rose 1.3% to SEK 27,900 million (27,530).
- Operating profit amounted to SEK -6,453 million (25,958). As a result of poorer market conditions and higher business risks, Vattenfall recognised SEK 30.1 billion in impairment losses in 2013, which were charged against operating profit.
- Return on capital employed was -2.1%. Excluding items affecting comparability, the return on capital employed was 9.2%.
- Electricity generation increased by 1.6%, to 181.7 TWh (178.9). For the nuclear power operations, with generation of 51.9 TWh, 2013 was the second-best year since the start of operations nearly 40 years ago.

Key data	2013	2012	Change, %	2013 MEUR[3]	2012 MEUR[3]
Net sales, SEK million	171,684	167,313	2.6	19,379	18,886
Operating profit before depreciation (EBITDA), SEK million	43,319[1]	54,271	-20.2	4,890	6,126
Operating profit (EBIT), SEK million	-6,453	25,958	—	-728	2,930
Underlying operating profit,[2] SEK million	27,900	27,530	1.3	3,149	3,108
Profit for the year, SEK million	-13,543	17,047	—	-1,529	1,924
Funds from operations (FFO), SEK million	31,888	34,419	-7.4	3,599	3,885
Net debt, SEK million	106,912	111,907	-4.5	12,068	12,632
Adjusted net debt, SEK million	162,597	154,335	5.6	18,354	17,421
Return on capital employed, %	-2.1	8.3	—		
Net debt/equity ratio, %	81.8	74.9	—		
Funds from operations (FFO)/adjusted net debt, %	19.6	22.3	—		
Adjusted net debt/operating profit before depreciation and amortisation (EBITDA), times	3.8	2.8	—		
Electricity generation, TWh	181.7	178.9	1.6		
Sales of electricity, TWh	203.3	205.5	-1.1		
Sales of heat, TWh	30.2	29.8	1.3		
Sales of gas, TWh	55.8	52.4	6.5		
Number of employees, full-time equivalents	31,819	32,794	-3.0		

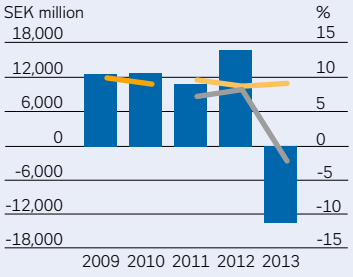
1) The amount has been adjusted compared with the amount presented in Vattenfall's 2013 Year-End Report.
2) The underlying operating profit is defined as operating profit excluding items affecting comparability.
3) Exchange rate SEK 8.8591/EUR 1. Values in EUR are shown only to facilitate comparisons between SEK and EUR.

Sales and underlying operating profit

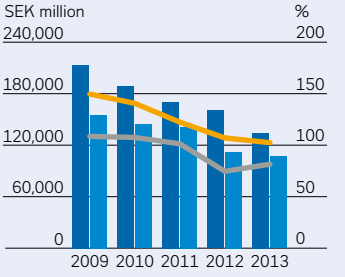


1) Operating profit excl. items affecting comparability

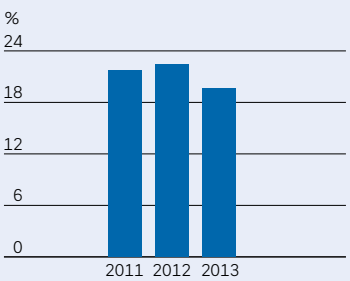
Earnings and return



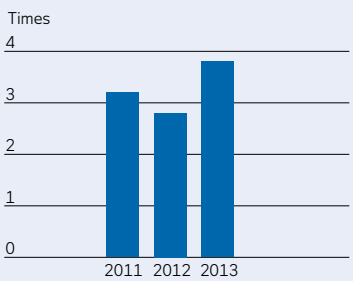
Debt



Funds from operations (FFO)/adjusted net debt



Adjusted net debt/EBITDA



"We will build up a market position as a company that offers smart and sustainable energy solutions".

Continued positioning for tomorrow's energy market

I am pleased to report a higher underlying operating profit for 2013, despite challenging market conditions. The positive outcome from previous years' forward hedges and successful cost-cutting measures have compensated for the negative effect of lower wholesale electricity prices in Germany and higher costs for purchases of CO_2 emission allowances. During the year we cut our annual operating expenses by a further SEK 3.2 billion, mainly through lower costs for operations and maintenance, and lower costs for sales and administration. Vattenfall also showed a strong cash flow after investments.

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

Fundamental structural change

In 2013 it became increasingly clear that the entire European energy industry is undergoing a fundamental structural change. Several of the assumptions that we, and other market actors, made a few years ago have proved in hindsight to be overly optimistic. The economic recession has resulted in lower demand for electricity which, combined with a rising surplus of generation capacity and lower prices for CO_2 emission allowances, has led to falling electricity prices.

The vision of a single, integrated European energy market has not been realised. Instead, energy policies have once again become increasingly national in character. We can also see that the traditional business model, based on large-scale electricity generation in conventional power plants, is being challenged. Much more subsidised renewable power than expected – mainly wind and solar power – has been added and is putting pressure on conventional gas- and hard coal–based electricity. Growing numbers of consumers want to be able to steer and have an overview of their energy consumption, which has created a trend towards increasingly decentralised production. At the same time, conventional power plants are still needed during hours of low wind and solar power generation, but these periods are shorter, which is resulting in lower profitability than previously. Due to the elevated business risks for the industry, the estimated value of some of our assets in coal- and gas-fired plants has been impaired. As a result, in 2013 we – like many other European utilities – recognised substantial impairment losses. Because of these impairment losses, which for Vattenfall amounted to approximately SEK 30 billion, we fell short of our profitability and dividend goals. However, we did achieve our target for the debt/equity ratio.

What is Vattenfall doing to adapt?

To adapt Vattenfall to the new market conditions, which we call "the new normal", we are taking a number of measures. We are cutting costs, we are strengthening our cash flow, we are developing new, sustainable, and smart products and services that society and our customers are demanding, and we have reorganised the company in two regions.

In 2010, as Vattenfall's new CEO I initiated a consolidation of Vattenfall by selling non-core operations in Poland, Finland and Belgium. We were thereby able to reduce our net debt by more than

SEK 30 billion. We also launched an extensive cost-cutting programme, and I can say with some measure of pride that by year-end 2013 we reduced our annual operating expenses by more than SEK 9 billion, or 18% from the cost base we had in 2010. We have also strengthened our cash flow by scaling back our investment plan by nearly 50%. As a result of these measures, Vattenfall is now a company that is better equipped and stands up well to the competition, even as the traditional business model is being challenged.

Effective 1 January 2014 we have organised Vattenfall into two regions – Nordic and Continental/UK. This regional structure is giving the operations greater opportunities to act according to the specific conditions in the respective markets. We believe that the future energy landscape will be more fragmented and local than previously, and that it will be strongly influenced by national political positions. The new regional structure also creates greater strategic flexibility and opens the company to broader ownership.

Sustainable production, sustainable consumption and sustainable financial performance

Vattenfall's strategy, which was laid out in 2010 and modified in 2012, continues to apply. We will build up a market position as a company that offers smart and sustainable energy solutions, we will reduce our CO_2 exposure, we will grow in renewable energy, we will have a continued strong and profitable position in the Nordic countries, and we will continue to reduce our costs and strive for operational excellence. Sustainability is an integral part of Vattenfall's strategy and also a prerequisite for Vattenfall in its ability to deliver on its strategic focus areas and its goals. Vattenfall supports and applies international guidelines and standards for sustainability in its operations. For instance, the guidelines of the UN Global Compact form the foundation for Vattenfall's code of conduct for suppliers.

Vattenfall has three sustainability targets. The first one – to reduce our CO_2 exposure to 65 million tonnes by 2020 – will make Vattenfall's production portfolio more sustainable. The second target – that Vattenfall will have a higher rate of growth than the market in newly installed renewable energy capacity by 2020 – will contribute to the shift to a more sustainable energy system. The third sustainability target – to increase energy efficiency – has been formulated as a short-term goal for 2014 and aims, through internal and external measures, to reduce energy consumption by an average of 1 GWh per day, or a total of 365 GWh for 2014. A goal for 2020 will thereafter be set.

In dialogue with the company's stakeholders, Vattenfall has identified a number of prioritised sustainability areas. Our ambition, through continuous improvement and follow-up, is to move towards increased sustainability.

Based on the conditions that have prevailed, I am satisfied with our performance with respect to our sustainability targets in 2013, but there is still a lot to do before we can regard ourselves as a leader in developing environmentally sustainable energy production.

Challenges going forward

Our current production portfolio, with a strong balance of hydro power, nuclear power and lignite, is very profitable, and through our efficiency improvement efforts we have created a solid foundation for the successful continuation of our shift to environmentally sustainable energy production. This does not mean in any way that we can sit back and relax, but rather that we must capitalise on the greater strength and flexibility that this hard work on adapting the company has generated, so that we can carve an even better position for the future.

I would like to extend special thanks to all of Vattenfall's employees for their very commendable work during the year.

Øystein Løseth
President and CEO

Important events

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

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

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

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

In July Vattenfall decided to build two new wind farms in the UK. Pen y Cymoedd (228 MW), in southern Wales, comprises 76 wind turbines and is expected to be commissioned in late 2016. Clashindarroch (36.9 MW), in Scotland, comprises 18 turbines and is expected to be ready at the start of 2015. The total investment amounts to approximately SEK 4.7 billion.

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

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

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

Lifting of special oversight of Ringhals
In June the Swedish Radiation Safety Authority (SSM) lifted its special oversight of the Ringhals nuclear power plant, citing the significant impact on operations that the changes made at the plant have had. Ringhals had been under special oversight since July 2009.

Further cost-cutting and scaled-back investment programme
Vattenfall decided in summer 2013 to increase its cost reductions for 2014 from SEK 1.5 billion to SEK 2.5 billion, and to set a new savings target of SEK 2 billion for 2015. The investment programme for the five-year period 2014–2018 was scaled back to SEK 105 billion, compared with SEK 123 billion for the period 2013–2017.

Impairment losses
As a result of deteriorated market conditions and higher business risks in the industry, Vattenfall recognised impairment losses, resulting in a SEK 30.1 billion charge against operating profit. Of the total impairment losses, SEK 22.7 billion pertained to assets in the Netherlands, SEK 4.3 billion to assets in Germany and SEK 3.1 billion to assets in the Nordic countries. Read more in Note 14 to the consolidated accounts on pages 77-78.

New collaborations
During the second quarter Vattenfall signed a five-year electricity supply contract with Facebook for 100% hydro power from the Lule River in northern Sweden.

During the third quarter, Vattenfall was named as a new cooperation partner to Mitsubishi Motors Deutschland. In connection with sales of the Outlander crossover SUV (AWD plug-in hybrid), Vattenfall offers the e-mobility charging solution, encompassing the charging structure, installation and maintenance service, and a special electricity contract.

Also during the year, Vattenfall and BMW joined together in a research partnership aimed at finding methods to reuse batteries from electric vehicles (EV) in wind and solar-powered electricity grids. Used EV batteries can be employed in flexible caching sites for renewable energy.

Payment for shares in N.V. Nuon Energy
On 1 July Vattenfall made payment, pursuant to the original agreement, of EUR 1,180 million (corresponding to SEK 10.3 billion) for 12% of the shares in N.V. Nuon Energy. Vattenfall thereafter owns 79% of the shares. The remaining 21% will be paid for on 1 July 2015.

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

Referendum on grid buyback
On 22 September a referendum was held in Hamburg on the issue of whether the city should take all measures necessary to repurchase all electricity, gas and district heating grids in the city. A narrow majority, 50.9%, voted in favour of repurchasing the grids.

Vattenfall acquired the city's electricity and heating grids in 2001 in connection with its purchase of the City of Hamburg's shares in the energy company HEW. In 2011 Vattenfall sold 25.1% of the electricity grid and district heating network to the city. The gas grid is owned by E.ON. The concession to conduct electricity grid operations expires at the end of 2014. The company that wins the concession will be able to acquire the grids.

After the referendum, the City of Hamburg and Vattenfall initiated negotiations on the sale of the remaining 74.9% of the electricity and district heating grids. On 7 February 2014 the sale of Vattenfall's interest in the electricity grid company, Stromnetz Hamburg GmbH, was completed (see also "Events after the balance sheet date", in Note 56 to the consolidated accounts, on page 104).

Market and business environment

The European energy market is undergoing a radical transformation. Addressing the challenges and taking advantage of the opportunities brought by the changed market conditions will be entirely decisive for the major utilities' ability to conduct sustainable operations over the long term.

Since Vattenfall was established in 1909, entirely new industrial sources of energy have been developed, including nuclear, wind and solar power. Other sources of energy have been re-evaluated. Coal, which played a central role in Europe's development and recovery following the Second World War, still plays a key role in Europe's energy supply, although awareness about the negative consequences of climate-affecting emissions has risen. Nuclear power plants have been built – and also shut down again.

Energy production is part of a complex global system in which production costs, regulation and sustainability aspects all interact. Everyone in society needs access to power, at the lowest price possible and with the lowest possible climate impact.

Surplus of production capacity

Up until only a few years ago, the general view in the market was that electricity would be generated in large-scale power plants. The price trend in both the spot and futures markets pointed upward, largely owing to an expectation of rising prices for CO_2 emission allowances. Demand for electricity in Europe was high, especially from industry. These conditions changed after the financial crisis in Europe in 2008 and 2009, and demand for electricity has fallen since then. Some electricity-intensive industry has been shut down for good or moved out of Europe. At the same time, large amounts of renewable capacity have been added as a result of political policies, financial support systems and technological development. Because preference is now given to renewable energy for feed-in to the grid, conventional coal- and gas-fired power plants have become unprofitable for large periods of time during the day, even though they are still needed to guarantee security of supply in the electric grid. The surplus of production capacity in Europe is expected to continue until at least 2020, owing largely to weak economic performance and subsequent lower demand for energy and continued investments in renewable energy capacity.

Changes in profitability between types of power

Electricity generation based on natural gas has lost competitiveness against generation based on coal. The increased production of shale gas in the USA has boosted the supply of cheap gas in the US market and led to lower domestic demand for coal. As a result, coal prices have fallen globally – especially in Europe, where a large share of the US coal surplus is being exported. In addition, due to the strong growth of renewable energy, gas-fired power is not needed as often for balancing power during hours with a large demand for electricity ("peak hours"). And as long as the price of CO_2 emission allowances is low, electricity generation based on coal will be more profitable than generation based on gas.

Lower costs for new, renewable capacity

With today's low wholesale electricity prices, construction of new generation capacity in northern Europe is not profitable for any type of power without subsidies or support systems. At the same time, the cost to generate electricity from renewable energy sources has decreased in recent years. This applies above all for wind power and solar energy. Production costs to build land-based wind power in areas with favourable wind conditions are among the lowest for all new build alternatives.

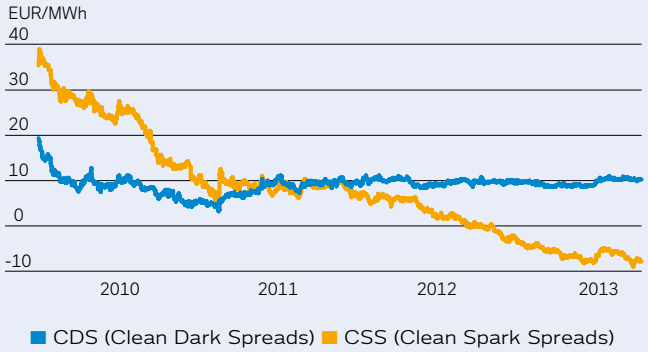
The need of flexibility will grow

Since conventional power plants are not profitable during certain hours of the day due to greater generation of renewable energy, a need has emerged to create the technical ability to start and stop plants on short notice and to do so at a low cost. The need and possibility to steer electricity demand (referred to as "demand-side management") in an effort to smoothen out electricity consumption over a 24-hour period, improve price elasticity and better conform to electricity generated from solar energy and wind power will also be rising.

Rising pressure on cities

Europe's population is becoming increasingly concentrated in and around major metropolitan areas. For some time now, more people live in the world's cities than in the countryside. This is giving rise to new needs for solutions surrounding electricity, heat, and transportation, among other things. At the same time, the depopulating areas must instead – with fewer inhabitants – maintain the same infrastructure as previously. Political pressure is rising on municipal service administrations to accommodate the influx of people at the same time that sustainability is becoming increasingly important, and many cities are setting their own sustainability goals. This is creating opportunities for companies that can provide innovative products and solutions for energy efficiency, heat production and transportation. It is also putting demands on grid expansion in connection with the construction of wind farms. The power produced must be transited – with the lowest possible transit losses – to the areas in which consumption is the highest, which is often not where the wind farms are located.

Trend in operating margin for coal- and gas-based electricity generation



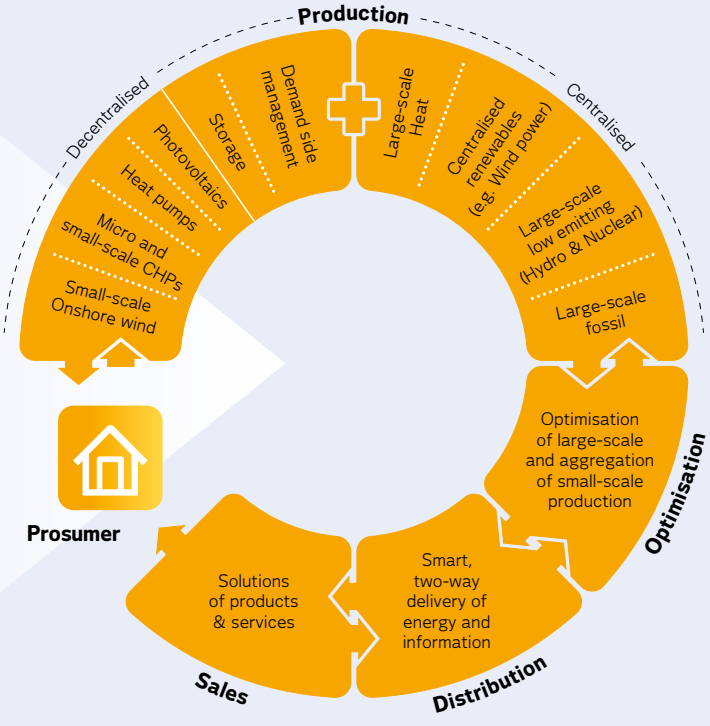
The operating margin for gas-based electricity generation has decreased considerably during the last three years. In early January 2010, Clean Spark Spreads (the margin on electricity generation based on gas, including the cost of CO_2 emission allowances) based on futures prices for 2014 were above EUR 35/MWh. In mid-2013 this margin moved into negative territory. At the same time, the margin for coal-based electricity generation (Clean Dark Spreads) has remained relatively stable, partly due to lower fuel costs resulting from lower prices for imported coal.

The new energy landscape

The increased influence that customers are gaining over their own electricity generation is leading to changes in the traditional energy landscape. No longer does electricity flow only from large-scale power plants through the electricity grid to end customers; increasingly, it is also being generated by small-scale power plants or solar panel systems, where it is fed in to local and regional networks. More customers are becoming so-called prosumers (customers who are both

The traditional value chain

The new energy landscape



1) A prosumer is a customer who is both a consumer and producer.

consumers and producers), where the flow between the traditional electric utility and customers moves in both directions.

More decentralised and geographically spread electricity generation is creating a more complex energy landscape, which offers challenges as well as opportunities. Electricity distribution companies will take on a more important role, as they will have to handle flows both to and from customers. Smart grid solutions that optimise production and consumption will be a strong competitive advantage.

New opportunities in the end customer market

A new market for customer-centric services is emerging, as many customers are seeking to be more active as consumers, and in some cases they even want to be electricity producers themselves (so-called prosumers). Smart electric meters make it possible for individual customers to have a greater influence over their consumption patterns. New business opportunities are being created for electric companies that can offer these so-called prosumers access to and connection to the electricity grid for solar panels or other own-produced electricity, or to manage the balance between production and consumption. For the electric utilities, positioning the brand in this new energy landscape represents a major opportunity.

In summary, it can be said that the breakdown of operating profit for the electric utilities as a whole will change as an increasingly larger share of earnings will be derived from distribution and sales activities, including new products and services in small-scale electricity generation and energy efficiency improvement, and from renewable energy production. In the previous model, large-scale production accounted for most of earnings.

Changed market conditions

The changed conditions in Europe's energy markets are mainly attributable to the following:

- **Low growth in demand for electricity,** at the same time that a large amount of new production capacity has been put in operation. This new capacity consists both of conventionally operated power plants (hard coal and gas) and renewable energy, such as wind and solar power, which has emerged as result of subsidies and support systems.
- **Increased production of shale gas** in the USA has led to greater supply of cheap gas in the US market and lower domestic demand for coal. As a result, coal prices have fallen globally – also in Europe – where a large share of the US surplus is being exported, which in turn has contributed to lower electricity prices.
- **Differences in energy policies** between the European countries, at the same time that the EU Emissions Trading System (EU ETS) for CO_2 emission allowances has decreased in significance.
- **Overcapacity in the market** has led to lower prices on the electricity exchanges and put a squeeze on electricity generated primarily by gas-fired power plants. The number of hours per day that a gas-fired power plant is profitable has decreased dramatically.
- **Customers are more engaged** in finding out where the electricity they use comes from, and interest is rising in source-labelled electricity and heat as well as in local electricity generation. Customers are becoming so-called prosumers – both consumers and producers.

Frameworks and regulations that govern Vattenfall's operations

Vattenfall's operations are governed to a high degree by political regulations and frameworks. The EU's climate and energy policies today are largely based on the EU's so-called climate and energy package for 2020, commonly referred to as the 20–20–20 targets. These entail that by 2020, renewable energy shall account for 20% of Europe's energy production, CO_2 emissions shall be reduced by 20% (from 1990 levels), and energy use shall be reduced by 20% through efficiency improvements.

Within the framework of the EU's climate and energy package are a number of systems and directives, including:

- The EU Emissions Trading System (EU ETS) – Aims to reduce emissions of greenhouse gases in the EU
- The EU's burden-sharing of the EU's 2020 climate targets for the sectors not covered by the EU ETS. Certain countries have subsequently chosen to adopt more ambitious national climate targets for 2020
- The EU's Renewable Energy Directive (RED) – Aims to increase the share of renewable energy production. This directive has resulted in various national goals and political governance tools, such as green electricity certificates in Sweden and Norway, and feed-in tariffs, which are used in Germany, Denmark and Finland, among other countries
- The EU's Energy Efficiency Directive (EED) – Aims to reduce the EU's primary uses of energy

In addition to these are other EU directives:

- The EU's Water Framework Directive – To safeguard water quality in Europe's lakes and watercourses, the EU has formulated a framework directive for water. Full implementation of this directive in Sweden would dramatically reduce electricity generation based on hydro power
- The EU's Industrial Emissions Directive (IED), which aims to reduce emissions from industries that harm the environment and people's health

In some of Vattenfall's markets, updates are being made of certain national rules and regulations in an effort to enhance the shift to future energy systems, such as "Energiewende" in Germany, the Dutch Energy Deal in the Netherlands, and the Electricity Market Reform (EMR) in the UK.

On 22 January 2014 the European Commission presented its climate strategy for 2030, in which it proposes a reduction of greenhouse gas emissions by 40% by 2030. In addition, the strategy proposes a non-binding goal that at least 27% of energy should come from renewable energy sources by that time. No concrete goals were proposed with respect to energy efficiency improvement. The package also calls for changes in the trading of CO_2 emission allowances and includes recommendations for countries interested in producing shale gas.

Strategy

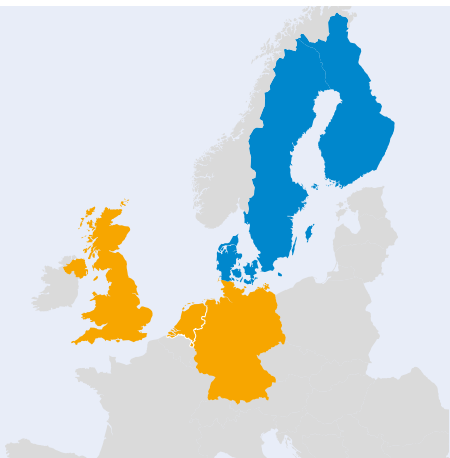
Vattenfall's strategy for meeting the changed market conditions encompasses five strategic focus areas that can be summarised in three dimensions: sustainable production, sustainable consumption and sustainable financial performance.

Vattenfall – like other major European power utilities – is facing a number of challenges and must adapt to the changed market conditions. Its large-scale electricity generation must be adapted to a market situation. with considerably lower electricity prices than before. Costs must be lowered along the entire value chain, the energy mix must be restructured, and flexibility needs to be increased where technically possible. Vattenfall must find new financing solutions to be able to increase its investments in renewable energy – mainly wind power. Demand from customers and society for new, sustainable products and services must be met.

Vattenfall's long-term strategy, which was set in 2010 and modified in 2012, continues to apply. Since 2010 Vattenfall has worked to consolidate the company's operations. Annual costs have been cut by more than SEK 9 billion, or by 18% from the cost base in 2010. The investment plan has been scaled back from SEK 201 billion for the period 2010–2014 to SEK 105 billion for the period 2014–2018, in order to be more closely aligned with the company's anticipated cash flow. Its financial position has been strengthened through the sale of a number of operations, such as the district heating and electricity network businesses in Poland and Finland, and the operations in Belgium. The company's net debt has thereby been reduced, and its focus has been shifted to its main markets the Nordic countries, Germany and the Netherlands. Availability of Vattenfall's nuclear power generation has improved significantly, from 74% in 2010 to 86% in 2013. Since 2010, CO_2 emissions have decreased from 94 million tonnes to 88.4 million tonnes in 2013.

New regional organisation

On 1 January 2014 Vattenfall adopted a new geographic organisational structure, and the company has now been split into two regions – Nordic and Continental/UK. In contrast with the former, functional organisational structure, a regional structure gives the company greater opportunities to address national differences and changes in the energy market. The new organisation also increases Vattenfall's strategic and financial flexibility.



Five strategic focus areas

The five strategic focus areas together make up Vattenfall's strategy for transforming its production portfolio towards more sustainable energy production and offering customers sustainable and smart energy solutions. At the same time, Vattenfall must be able to deliver a market rate of return to its owner and be a financially stable company over the long term.

1 Growth in renewables

Growth in renewable energy is important for Vattenfall. One of Vattenfall's goals is to grow faster than the market with respect to renewable energy capacity. This has to be balanced against limited financial resources and a growing surplus in the Nordic market.

Of the new investment plan (worth SEK 105 billion for the period 2014–2018), SEK 10 billion is earmarked for growth investments in renewable energy (mainly wind power). A more detailed overview of the investment plan is provided on page 15.

2 Strong Nordic position

To continue to be a strong and profitable player in the Nordic electricity market, Vattenfall will:

- Work for a more efficient electricity market, with stronger transmission capacity from the Nordic market in order to enhance export opportunities. Vattenfall can influence developments in this area through lobbying and other advocacy work.
- Address the consequences of the EU's Water Directive. Implementation of the Water Directive in Swedish law could result in an approximate 10% loss of Sweden's current hydro power generation.
- Optimise the operational lifetime of Vattenfall's existing nuclear power plants. As a result of Vattenfall's extensive modernisation of the Forsmark and Ringhals nuclear power plants, the company can now plan for an operational lifetime of up to 60 years for five of its seven reactors, compared with 50 years previously.

3 Define measures to reduce Vattenfall's CO_2 exposure

Vattenfall has cut its CO_2 emissions from 93.7 million tonnes in 2010 to 88.4 million tonnes in 2013, mainly by selling production assets in Poland and Denmark. The path to the 65 million tonne goal is outlined on page 22. The measures currently planned will lead to a reduction to 79 tonnes of CO_2 emissions. To achieve this target, additional operations must be sold, fully or in part, in order to reduce emissions by another 14.6 million tonnes.

4 Offer smart and sustainable energy solutions (be a Smart energy enabler)

The changed market conditions in the end customer markets, where customers are increasingly asking for energy-efficient and sustainable energy solutions, represent a major opportunity for Vattenfall. This is summarised by the concept of being a Smart energy enabler. Read more about Vattenfall's product offering on pages 28–31.

5 Stronger focus on Operational Excellence and cost-cutting

Vattenfall aims to lower its annual costs by a further SEK 4.5 billion by 2015 on top of the annual cost savings of SEK 9 billion that were achieved during the period 2010–2013. This will not be achievable without substantial staff reductions. In 2013 costs were reduced by SEK 3.2 billion on a yearly basis, mainly through reduced operating and maintenance costs, and lower costs for sales and administration.

Vattenfall will continue to pursue Operational Excellence and foster a culture of continuous change, improve work processes and enable knowledge-sharing within the various operations.

Vattenfall will optimise its maintenance investments. Electricity and heat production are extremely capital-intensive operations, so every opportunity to reduce tied-up capital in the existing facilities frees up capital for investment in renewable energy production. Maintenance and replacement investments in 2013 amounted to SEK 14.3 billion.

Plants that are not profitable or strategically important will be divested or closed.

Sustainable production | **Sustainable consumption** | **Sustainable financial performance**

Vattenfall's investment plan 2014–2018

Vattenfall's renewable energy ambitions are concretised in the goal of achieving higher growth in renewable capacity than the average for comparable markets (see page 17). The strategy is to continue focusing on long-term profitable growth in renewable energy – mainly wind power. At the same time, the company's opportunities to invest in renewable energy are strongly limited by the changed market conditions, which are leading to lower revenue and cash flows for Vattenfall. Since 2009 the scope for investment has been nearly halved for the respective, coming five-year periods. The challenge for Vattenfall is to find opportunities to recover capital and free up funds for investments in renewable energy without burdening cash flow (or by reducing the impact of ongoing projects on cash flow), such as through growth projects conducted in partnership with other companies or by inviting external financiers as part-owners in plants that are already in operation.

Investments for the coming five years

The investment plan for the five-year period 2014–2018 amounts to SEK 105 billion. The decrease compared with the plan for 2013–2017 (SEK 123 billion) is mainly explained by a decrease in growth investments. Maintenance and replacement investments, and investments in nonproduction-related assets, such as electricity and heating networks and IT, are essentially unchanged. Funds for planned replacement investments, mainly pertaining to new combined heat and power plants in Berlin and Hamburg, have decreased slightly.

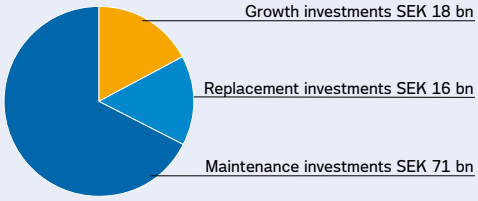
Investments in new capacity

A total of 83% of Vattenfall's investments are earmarked for maintenance or replacement of existing plants. These investments are necessary for ensuring safe and reliable plant operation. Growth investments account for 17% of the total investment plan. Compared with the previous investment plan, the level of growth investments has decreased in absolute amounts, however, a majority of growth investments, 60% (corresponding to SEK 10,5 billion), are still earmarked for renewable energy, mainly wind power.

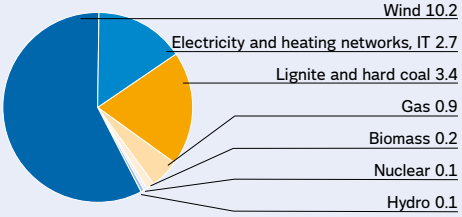
Ongoing investment projects in new production capacity

- The Moorburg coal-fired power plant outside Hamburg, Germany (1,640 MW), is expected to be commissioned in 2014/2015. The investment decision for Moorburg was made in 2006. Moorburg is the last of Vattenfall's coal-based investment projects to be completed.
- The DanTysk offshore wind farm (80 wind turbines with combined capacity of 288 MW) is planned for commissioning in 2015. The wind farm is located 70 km offshore the island of Sylt in the North Sea. DanTysk is a joint venture in which Vattenfall owns 51% and Stadtwerke München 49%.
- Vattenfall will be building two new land-based wind farms in the UK: Pen y Cymoedd (76 turbines with total capacity of 228 MW) in southern Wales, and Clashindarroch (18 turbines with total capacity of 36.9 MW) in Scotland. These wind farms are expected to be completed at the end of 2016 and start of 2015, respectively.
- The Kentish Flats offshore wind farm in the UK will be expanded with 15 new wind turbines in 2015. The wind farm currently comprises 30 wind turbines with total capacity of 90 MW. After the expansion, Kentish Flats will have total capacity of 141 MW.
- Construction was started in 2013 of the wind farms Hjuleberg (33 MW) in southern Sweden and Bajlum (15 MW) in Denmark. Both of these wind farms are expected to be commissioned in mid-2014.

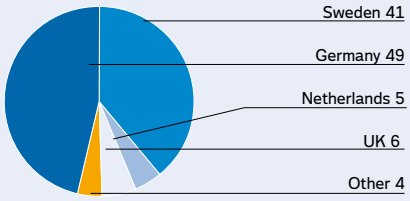
Breakdown of investments by type, total SEK 105 billion



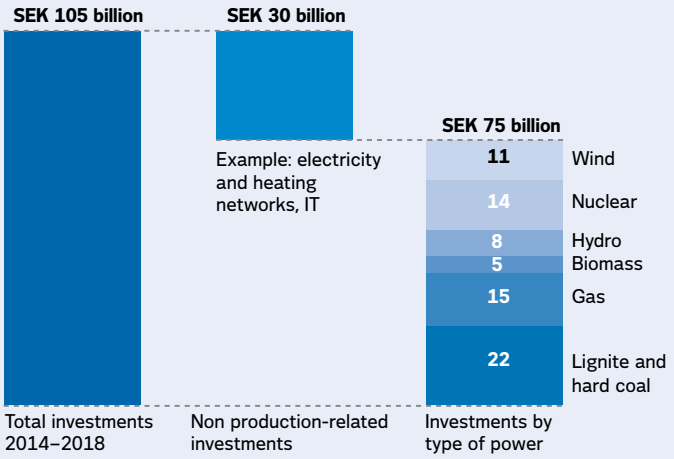
Growth investments, approximately SEK 18 billion



Breakdown of investments by country, total SEK 105 billion



Investment plan for 2014–2018



Investments in non production-related activities, such as electricity and heating networks, and IT, amount to SEK 30 billion. Of these, SEK 3 billion are growth investments that pertain mainly to the construction of new connections to existing district heating networks.

Investments in wind power consist almost exclusively of growth investments in new capacity (SEK 10 billion of a total of SEK 11 billion).

Most of the investments in nuclear power, hydro power, gas and biomass are investments that are needed to comply with laws and regulations, or maintenance investments to enable continued operation of safe plants with a high level of availability. Approximately SEK 1 billion is being invested in new gas-fired heating plants in Hamburg and Berlin, which will replace older, coal-fired plants.

Most of the investments in lignite- and hard coal–fired plants are maintenance investments. Approximately SEK 3 billion of a total SEK 22 billion are growth investments in the hard coal–fired Moorburg plant, which is currently being built outside of Hamburg, Germany. Construction of the Moorburg plant will be completed in 2014/15.

Targets and target achievement

Vattenfall's assignment is to generate a market rate of return by operating a commercial energy business that enables the company to be among the leaders in developing environmentally sustainable energy production. Stable development that provides scope for long-term investments enables environmentally sustainable energy production and new product solutions for sustainable consumption of electricity, gas and heat.

Vattenfall's owner and board of directors have set seven targets – four of which pertain to the company's financial performance and three to sustainability.

Financial targets

The financial targets pertain to profitability, capital structure and the dividend, and were set by the owner in November 2012. These targets are intended to ensure that Vattenfall creates value and generates a market rate of return, that the capital structure is efficient, and that the financial risk is kept at a reasonable level. The targets are to be evaluated over a business cycle.

In 2013 Vattenfall achieved its target for the debt/equity ratio, but not the target for FFO in relation to net debt. Due to impairment losses, nor did Vattenfall meet the targets for profitability and the dividend. The return on capital employed was negative in 2013, however, based on the underlying operating profit, it was 9.2%. On account of the negative result after tax, no dividend is being paid for 2013.

Read more about Vattenfall's financial performance during the year on pages 32–34.

Sustainability targets

In October 2012 Vattenfall's board of directors decided to adopt three sustainability targets. The first target, which was set already in 2010, entails reducing the Group's CO_2 exposure to 65 million tonnes by 2020, in order to make Vattenfall's production portfolio more sustainable. The second target is to grow faster than the market in renewable capacity by 2020, which aims to accelerate the shift to a more sustainable energy system. The third sustainability target, to improve energy efficiency, has been set as a short-term goal for 2014 to reduce energy consumption, through internal and external measures, by an average of 1 GWh per day, or a total of 365 GWh for 2014. An evaluation of the outcome will then form the basis of a more long-term target for 2020. Vattenfall's sustainability targets are in the same areas as the EU's 20–20–20 targets.

For further information about the progress of Vattenfall's sustainability work during the year, see pages 20–27.

Financial targets

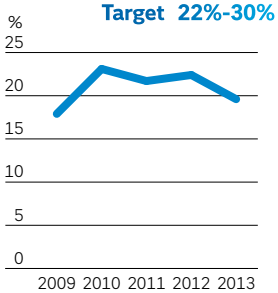
Profitability	Outcome 2013	Comment
Return on capital employed: 9%.	-2.1%	The outcome for 2013 was -2.1%, owing to the year's impairment of asset values totalling SEK 30.1 billion. Excluding items affecting comparability, the return on capital employed was 9.2%.

Capital structure	Outcome 2013	Comment
Funds from operations (FFO)/adjusted net debt: 22%–30%.	19.6%	The outcome for 2013 was below the target interval, due to a slightly lower cash flow (FFO) and a higher level of adjusted net debt.
Debt/equity ratio: 50%–90%.	81.8%	The debt/equity ratio increased in 2013, from 72.1% to 81.8%, mainly due to a decrease in equity as a result of the recognised impairment of asset values in 2013.

Dividend policy	Outcome 2013	Comment
The dividend should amount to 40%–60% of profit after tax over the long term.	0%	Due to the negative result after tax, the Board of Directors proposes – in accordance with the company's dividend policy – that no dividend be paid for 2013. In recent years, the dividend amounted to 40% of profit after tax (2010: 50%).

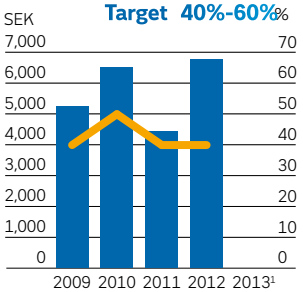
Return on capital employed

FFO/adjusted net debt



Debt/equity ratio

Dividend



1) No dividend is being paid out for 2013..

Sustainability targets

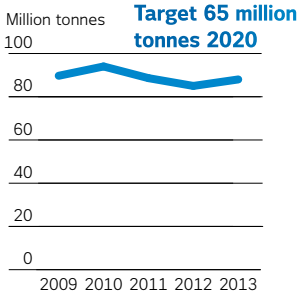
Lower CO_2 exposure	Outcome 2013	Comment
Vattenfall will reduce the company's CO_2 exposure to 65 million tonnes by 2020.	CO_2 emissions in 2013 totalled 88.4 million tonnes	Vattenfall's CO_2 emissions increased by 3.4 million tonnes in 2013 due to the commissioning of new power plants during the year. Measures taken to reduce Vattenfall's CO_2 exposure to 65 million tonnes are described on page 22.

Growth in renewable electricity generation	Outcome 2013	Comment
Vattenfall's rate of growth of newly installed renewable capacity will be higher than the average rate of growth for ten defined countries[1] in northern and central Europe during the period 2013–2020. The target pertains to new capacity in the form of solar energy, wind power and biomass. Hydro power is not included.	Vattenfall's growth in renewable capacity was 9.1%, net.	In 2013 Vattenfall installed 145 MW of new capacity and thereby increased its capacity by 9.1%, compared with 2012. National statistics on growth in renewable energy capacity for the defined reference countries was not available at the time of publication of this annual report and sustainability report. A rough estimation indicates that growth will be between 11% and 15%. Vattenfall intends to report on an initial follow-up of the target in the 2014 half-year interim report.

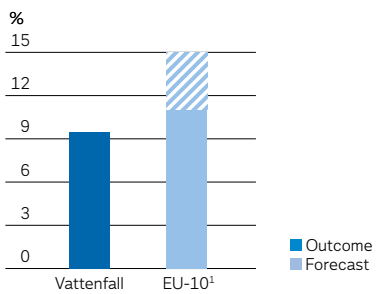
Energy efficiency	Outcome 2013	Comment
Vattenfall has a short-term target to save an average of 1 GWh per day in 2014, for a total of 365 GWh in 2014.	Decision made on target for 2014.	Energy efficiency improvements will be made through internal energy efficiency measures and by initiatives to help customers improve their energy efficiency. A decision on the target for 2020 will be made after evaluating the 2014 target.

1) The ten defined countries are Denmark, Finland, Norway, Sweden, Belgium, France, the Netherlands, Poland, the UK and Germany.

CO_2 emissions



Growth in renewable energy capacity



Vattenfall's stakeholders

Vattenfall believes it is important to listen to the company's stakeholders and gain an understanding of their expectations. Vattenfall has identified the following stakeholder groups: the owner, customers, decision-makers, authorities, interest organisations, the financial market, suppliers, employees, and the general public/media.

Vattenfall has categorised its stakeholder groups by identifying the groups of people along Vattenfall's value chain that are either impacted by or have an impact on Vattenfall's operations.

By listening to its stakeholders, Vattenfall can identify challenges and opportunities associated with the company's operations. Through this, Vattenfall can gain an understanding for and insight into which priorities the company must set in order to gradually reduce its negative impacts and increase its positive impacts on the environment and communities, and thereby be a more sustainable company. Communicating with stakeholders is a part of Vattenfall's day-to-day activities and includes such measures as dialogues with the owner, authorities and industry organisations. Vattenfall also conducts various surveys focusing on topics such as the company's brand, customer confidence and customer satisfaction, and employee surveys.

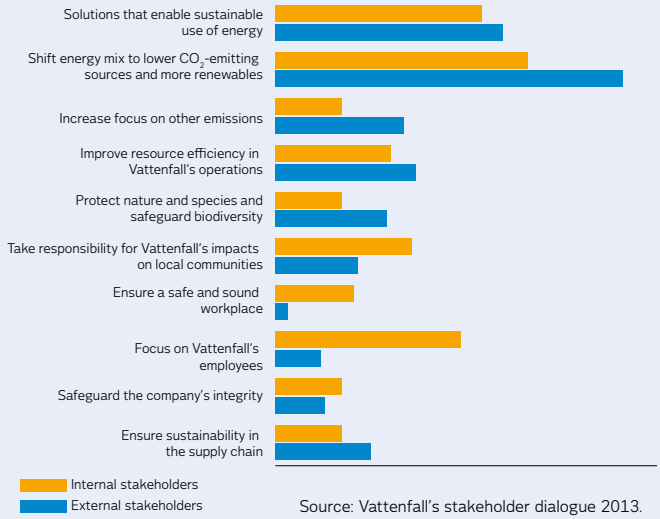
During the autumn of 2013 a survey was conducted to verify if the prioritised areas of sustainability identified by Vattenfall are aligned with the stakeholders' expectations for the company. The result showed a close correlation with the stakeholders' expectations for the company. The three areas that stakeholders considered to be the most important were:

1) Prioritising the work on transforming the production portfolio to electricity generation based on renewable energy,
2) Reducing carbon emissions, and
3) Offering sustainable energy solutions to customers and working with the efficient use of resources. These three areas correspond to Vattenfall's sustainability targets.

The survey also showed that stakeholders do not always feel that Vattenfall understands their expectations. Vattenfall has taken note of this and will work to be an even more transparent company and more accessible for its stakeholders. Working with continuous improvement in the identified sustainability areas is one such way. As a result of the survey, Vattenfall will also more clearly report on the company's work with future energy solutions, including R&D activities (see page 34).

Read more about Vattenfall's stakeholder dialogues on Vattenfall's website[1].

Vattenfall asked its stakeholders to rank the most important sustainability areas for the company in 2014/15. The result showed that the three top-ranked issues pertain precisely to the areas that Vattenfall's sustainability targets are coupled to: shifting the energy mix (lower CO_2 emissions and more renewables), sustainable energy solutions (Smart energy enabler), and increased resource efficiency (energy efficiency improvements).



Source: Vattenfall's stakeholder dialogue 2013.

1) http://corporate.vattenfall.com/hallbarhet/samhalle-och-vara-intressenter/

Vattenfall's sustainability areas

Sustainability is an integral part of Vattenfall's strategy. To clarify how Vattenfall aims over time to deliver sustainable energy production, work for sustainable consumption of electricity, gas and heat, and maintain a sustainable financial position, Vattenfall – based on a dialogue with its external and internal stakeholders – has identified a number of prioritised sustainability areas. Within these areas, Vattenfall will strive for continuous improvement. This work is to be steered and followed up yearly with the help of the GRI (Global Reporting Initiative) Guidelines and internal scorecards. The work on formulating clear goals and strategies for all areas will continue in 2014.

Developments in the prioritised sustainability areas in 2013 are described on pages 20–37.

Transform Vattenfall's production portfolio towards lower CO_2 emissions and more renewables
Vattenfall's production of electricity and heat from fossil fuels results in high CO_2 emissions. Vattenfall therefore has a great responsibility to strive for reduced emission levels. Read more on page 21.

Increase focus on other emissions
In addition to CO_2 emissions, production of electricity and heat results in emissions to air, water and soil. Vattenfall is focusing on reducing these along the entire value chain. Read more on page 23.

Protect nature and species, and safeguard biodiversity
Vattenfall's operations have both positive and negative impacts on biodiversity. Read more on page 23.

Improve resource efficiency in Vattenfall's operations
Vattenfall's operations use energy, water and chemicals. Vattenfall is striving for improved resource efficiency throughout the whole value chain. Read more on page 24.

Take responsibility for Vattenfall's impacts on local communities
Vattenfall's operations have impacts on local communities. Vattenfall strives to be a responsible actor and works continuously to reduce its negative impacts. Read more on page 27.

Sustainable production

Offer customers solutions that enable sustainable use of energy
Vattenfall is contributing to sustainability in society by offering sustainable energy solutions. Read more on pages 28–31.

Sustainable consumption

Ensure sustainability in the supply chain
Vattenfall has a sustainability responsibility also for purchases of products, services and fuel. Read more on page 35.

Safeguard the company's integrity
It is crucial that Vattenfall serves as a positive force in the market, which entails working in an ethical and non-corrupt manner. Read more on page 35.

Focus on Vattenfall's employees
Equal opportunity, diversity, equal conditions and involvement among the employees are important for Vattenfall. Read more on page 36.

Ensure a healthy and safe workplace
Vattenfall's plants must be safe and secure workplaces; Vattenfall will promote well-being among its employees. Read more on page 37.

Sustainable financial performance

Sustainable production

Energy production based on fossil fuels results in high CO_2 emissions. Vattenfall therefore has a great responsibility to strive for reduced emission levels. Energy production also affects the surrounding environment, including the impacts on local communities caused by construction of power plants and mining operations. Vattenfall strives to build up mutual trust through openness and community involvement, and aspires to be a responsible corporate citizen.

Vattenfall has set sustainability targets in the environmental area, where reducing the company's CO_2 exposure is a central part of the company's strategy. In addition, Vattenfall has set a target to grow faster in renewable energy capacity than in comparable markets and has adopted a first short-term target for energy efficiency. These targets and Vattenfall's achievements during the year are described on page 17. In addition to these sustainability targets, Vattenfall is continuing its efforts to develop goals and strategies for emissions to air, water and soil; biodiversity; resource efficiency; and for taking responsibility for the company's impacts on local communities.

In 2013 Vattenfall harmonised its environmental management system for the entire Group. The management system is based on ISO 14001 and encompasses identification of environmental aspects, handling of legal requirements, non-conformance and management review. The environmental management system consolidates environmental work across the entire Group and is integrated with Vattenfall's overarching management system. Parallel with this, Vattenfall has continued its work on certifying local environmental management systems. In November 2013, production from the lignite-fired power operations was certified according to ISO 14001, and in early 2014 the lignite mining operations were also certified. The ambition is to obtain certification for all operations. In 2013, the share of certified electricity generation increased from 54% to 85%, while the share of certified heat production increased from 37% to 50%.

The decision was also made in 2013 to further develop the environmental guidelines that have been set for projects and for Vattenfall's products. Greater focus on work with Environmental Product Declarations (EPDs – see also page 28) has led to greater awareness about environmental impacts along the entire value chain, and Vattenfall sees potential in using EPDs more actively as a means of assessing suppliers' environmental performance, for example.

Transform Vattenfall's production portfolio toward lower CO_2 emissions and more renewables

The work on shifting the production portfolio is being done in part by reducing the company's CO_2 exposure to 65 million tonnes, and in part through growth and investments in renewable energy capacity. This work is an integral part of Vattenfall's strategy, and Vattenfall is continuing to focus on long-term profitable growth in renewable energy, mainly wind power. Read more about Vattenfall's investment plan for 2014–2018 on page 15.

Following Vattenfall's acquisition in the early 2000s of four German energy companies and heat and electricity network companies in Poland, and the Dutch company Nuon in 2009, Vattenfall's CO_2 exposure rose from less than 1 million tonne per year to almost 94 million tonnes in 2010. In that same year, Vattenfall set the strategic target to reduce its CO_2 exposure to 65 million tonnes by 2020. At the time, the price of CO_2 emission allowances was EUR 20/tonne, and the general view in the market was that the price would rise sharply. Vattenfall ascertained that an emissions level of 65 million tonnes would be sustainable over the long term in strictly economic terms. This level would reflect a balanced production portfolio, where the higher costs for the company's CO_2 exposure would be compensated by the higher electricity prices that would result from the higher prices for CO_2 emission allowances. The figure of 65 million tonnes is calculated on a pro rata basis, i.e., in relation to Vattenfall's share of ownership in the respective power plants, which corresponds to the actual financial exposure.

The strategy of reducing Vattenfall's CO_2 exposure was previously coupled to CCS (carbon capture and storage) technology, entailing the separation and storage of carbon dioxide deep underground in bedrock. Vattenfall was very active in CCS research, and in 2008 Vattenfall inaugurated the world's first pilot plant at the Schwarze Pumpe power plant in Germany, and had plans for a demonstration project at the Jänschwalde lignite-fired power plant in eastern Germany. Due to a lack of political support and acceptance by the general public in Germany, Vattenfall shut down the project in 2011. Vattenfall still believes in CCS technology and continues to conduct some research activities on a smaller scale.

Apart from CCS, today there is no suitable technology that can bring about lower CO_2 exposure on a large scale from coal- and gas-fired power plants. Vattenfall uses and is developing other technologies, such as co-combustion of hard coal and biomass, and drying lignite, but the results from these efforts are expected to have only a marginal effect on the production portfolio. Closing coal- and gas-fired power plants that are still profitable is not feasible. Any closure of a power plant must also be considered and approved by the German authorities from an energy supply perspective. Continental Europe is dependent on electricity and heat from these power plants to secure society's energy supply. Even though increased production of wind and solar power during certain hours or days makes some conventional power plants redundant, they will still be needed in the foreseeable future for base power and balancing power for most hours of the year in Continental Europe.

Despite the setbacks brought by the legal frameworks and public's lack of support for CCS, Vattenfall is sticking to its goal of 65 million tonnes of CO_2 exposure by 2020. Part of the decrease in CO_2 exposure from the current level can be achieved through measures in Vattenfall's own operations. Under the prevailing conditions, however, the largest share of the decrease from today's 88.4 million tonnes to 65 million tonnes by 2020 will be achieved through the divestment of entire plants or through reduction of Vattenfall's ownership in plants. As described above, the target is calculated on a pro rata basis, i.e., in relation to Vattenfall's share of ownership in the respective power plants. This means, for example, that if Vattenfall sells 25% of a power plant, then Vattenfall's CO_2 exposure from that power plant would decrease by 25%.

Vattenfall's plan for reducing the company's CO_2 exposure

Vattenfall's CO_2 emissions increased by 3.4 million tonnes in 2013, from 85 million tonnes to 88.4 million tonnes, mainly due to the commissioning of new power plants (Boxberg, Diemen and Hemweg).

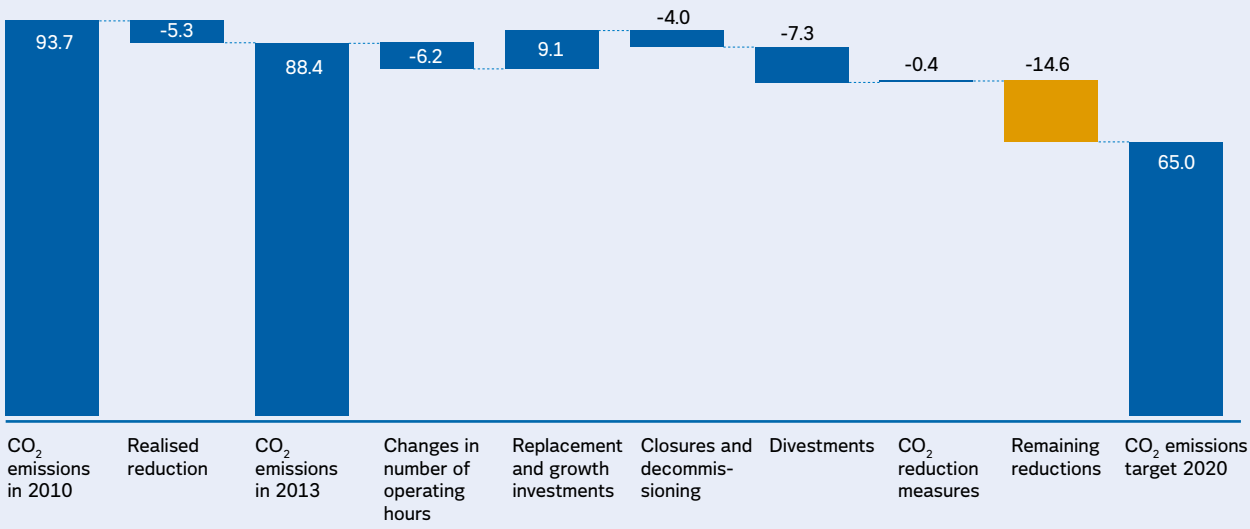
Vattenfall aims to achieve its 65 million tonne target level by 2020 through the following measures:

- **Lower anticipated operating hours** for coal- and gas-fired plants in 2020 compared with 2010 production.
- **Completion of the power plants** Moorburg (hard coal) and Lichterfelde (gas) will increase Vattenfall's CO_2 emissions. However, decommissioning of power plants that are no longer profitable will reduce total CO_2 emissions (for example, the Buggenum power plant in the Netherlands and older combined heat and power plants in Berlin and in Hamburg, which will be replaced by new, more modern plants).
- **Closure and decommissining of power plants** that are no longer profitable or have reached the end of their technical lifetime.
- **Divestment of operations** (including CHP plants in Denmark).
- **CO_2-reducing measures,** such as co-combustion of hard coal and biomass, is expected to lower CO_2 emissions, but only by a comparatively low level.

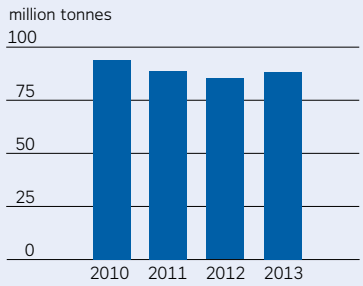
Together these measures will contribute to a reduction in Vattenfall's CO_2 exposure by 8.8 million tonnes. Under the prevailing market conditions, the reduction of the 14.6 million tonnes (approximately 17% of current, total emissions) may entail a further reduction of Vattenfall's ownership in high CO_2 emitting operations.

Vattenfall climate-compensates for all its air travel. However, this has only a marginal effect on the company's total CO_2 exposure, which is why this compensation is not included in Vattenfall's reporting of CO_2 emissions.

CO_2 emissions corresponding to Vattenfall's share of ownership in the respective plants (electricity and heat), million tonnes



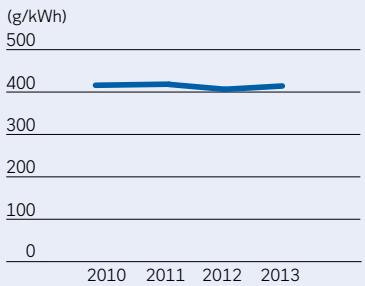
CO_2 exposure



Total CO_2 emissions 2010–2013. Emissions are reported on a pro rata basis, corresponding to Vattenfall's share of ownership in the plants.

	2010	2011	2012	2013
CO_2	93.7	88.6	85.0	88.4

Specific CO_2 emissions



Specific CO_2 emissions 2010-2013. Emissions are reported in accordance with financial consolidation. Allocation between heat and electricity is based on national methods.

	2010	2011	2012	2013
Specific CO_2, g/kWh	416	418	400	412

Increase focus on other emissions

Aside from emissions that have a climate impact, Vattenfall has chosen to increase its focus on other emissions that have an environmental impact. Historically Vattenfall has lowered its emissions of compounds such as SO_2, NO_x and airborne particles substantially. The goals for continued reductions have been set at operational level and are defined based on the activities conducted there. Emissions are followed up yearly and are presented as key performance indicators for the Executive Group Management. Apart from emissions to air, this also includes spills to soil and water, such as of oil. The work on setting additional targets will be further developed in 2014.

Emissions to air

Emissions to air occur mainly in coal- and gas-fired plants, but also in biomass combustion. Emissions are strictly regulated, and ensuring that the company is in compliance with the environmental permits that have been issued for the existing plants has top priority. The focus is on minimising emissions where it is financially and technically possible.

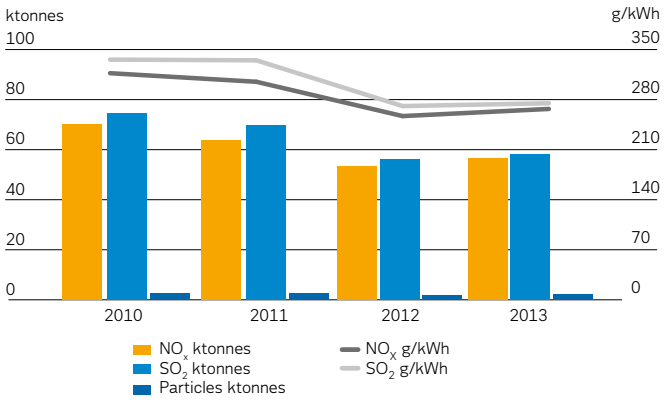
There is a direct correlation between emission levels and flue gas cleaning technology. The plants' emission levels are thus relatively constant from year to year. When building new plants and where new investments are being considered, the best available technology for flue gas cleaning is used. Benchmarking of flue gas levels is conducted to ensure that Vattenfall's emissions are in parity with those from other power producers.

Spills to soil and water

Accidents that can result in spills of oil to soil and water can occur during construction of power plants and in connection with transport and maintenance, for example. Vattenfall works actively to prevent oil spills that could have a significant impact on nature. Spills and leaks are handled through careful monitoring and preventive measures, such as by installing various types of barriers to prevent leaks or spills from reaching soil or water bodies.

Oil spills are included in the new reporting system that was implemented in 2013 and will be possible to follow up in 2014. In 2013 Vattenfall decided to adopt a stronger focus on oil leaks and spills in the coming years. This will entail evaluations by all operations of their local prevention and contingency plans for dealing with oil spills and leaks, and identification of improvement measures.

Vattenfall's emissions of NO_x, SO_2 and particulate matter



	2010	2011	2012[1]	2013
NO_x ktonnes	70.2	63.6	53.4	56.5
SO_2 ktonnes	74.4	69.8	56.1	58.2
Particulate matter ktonnes	2.4	2.6	1.9	2.1
NO_x g/kWh	318	306	258	268
SO_2 g/kWh	337	336	272	276

The bars indicate total and specific emissions of SO_2, NO_x and particulate matter during the period 2010–2013. The lines show specific emissions of SO_2 and NO_x (financial consolidation). Allocation between heat and electricity is based on national methods.

1) The figures for 2012 do not include test operation of Boxberg R.

Protect nature and species, and safeguard biodiversity

Biodiversity is an important issue for consideration in new project development – from selection of location for new production plants and technological solutions, to permitting and the actual plant operation. It is also a contributing factor for gaining local acceptance of existing operations, but also for future projects, such as in wind power.

Impacts from energy production – both negative and positive

Energy production can have both negative and positive impacts on biodiversity. The negative impacts are mainly associated with existing habitats for animals and plants, which are infringed upon or altered due to the use of land or are affected by emissions. Power plants can also create barriers that obstruct or alter natural migration patterns for animals. Examples of this are changes in bird migration routes over wind farms and obstructions to fish spawning routes in rivers with hydro power plants. The impacts can also be indirect from subcontractors' activities, such as in connection with lignite mining or fuel production.

Certain aspects of Vattenfall's operations have shown positive effects on biodiversity, such as offshore wind power, where wind turbine foundations can serve as artificial reefs and provide a habitat for fish and crab. In electricity distribution, power transmission corridors have been declared as "Natura 2000" protected areas, as they have been shown to provide a unique biotope for rare animals and plants that benefit from regular right-of-way clearance under power lines over a long period of time.

How does Vattenfall work with biodiversity?

Vattenfall works continuously to safeguard biodiversity. This is done through activities associated with existing plants, in environmental assessments of new projects, and through participation in research and development projects. Biodiversity has been pointed out as a focus area for Vattenfall, and specific biodiversity goals goals have been drawn up for parts of the operations. This work will be further developed in 2014, and existing goals will be followed up.

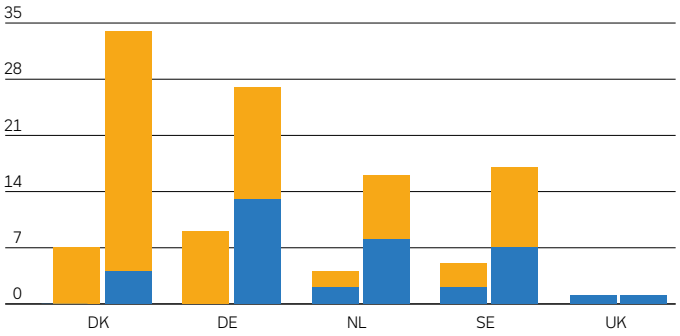
In 2013 Vattenfall started a project to identify all of its plants that are located near a protected area or an area with high natural value. The goal of the project is to be able to identify activities to strengthen biodiversity in areas surrounding these plants and minimise any future negative impacts.

Biodiversity is an important focus area in the environmental impact assessments and follow-up control programmes that are drawn up for new plants. In addition, Vattenfall has a continuing involvement in projects focusing on biodiversity. Following are a few examples of projects in 2013:

- An R&D project focusing on movement patterns of birds of prey nearby wind farms
- A hydro power biodiversity programme in which Vattenfall conducted pilot projects to restore fish migration opportunities in tributaries to rivers with hydro power generation
- Restoration/recultivation of land in lignite mining areas along the Spree River in the Lausitz region in Germany, including restoration of waterways and replanting of forests
- Restoration of valuable land, creation of new biotopes and compensation planting of trees at the Pen y Cymoedd wind farm in the UK.

Within the framework of EPD, Environmental Product Declaration, certification of electricity, the impact of energy production on biodiversity is described and evaluated. Vattenfall is the only electricity generator in Sweden that can offer customers EPD-certified electricity (see also page 28). The descriptions are available at www.environdec.com.

Production plants located near protected nature areas



The chart shows how many of Vattenfall's plants are located in (left bar) or less than 500 metres from (right bar) a protected area. Both power plants and mining operations are included. The colours indicate which type of protection classification the areas are covered by.

National protection (IUCN category I-VI) Natura 2000

Improve resource efficiency in Vattenfall's operations

Vattenfall strives to improve the efficient use of resources along the entire value chain, including energy use, water, chemicals, waste and by-products. Greater resource efficiency yields positive environmental impacts and also leads to lower costs.

Improved combustion efficiency, for example, leads to lower costs per produced kWh of electricity and thereby improves Vattenfall's competitiveness while at the same time resulting in lower emissions per kWh. Combined production of electricity and heat, as in many of Vattenfall's coal- and gas-fired plants, also contributes to higher efficiency at the plants compared with production of only electricity or heat.

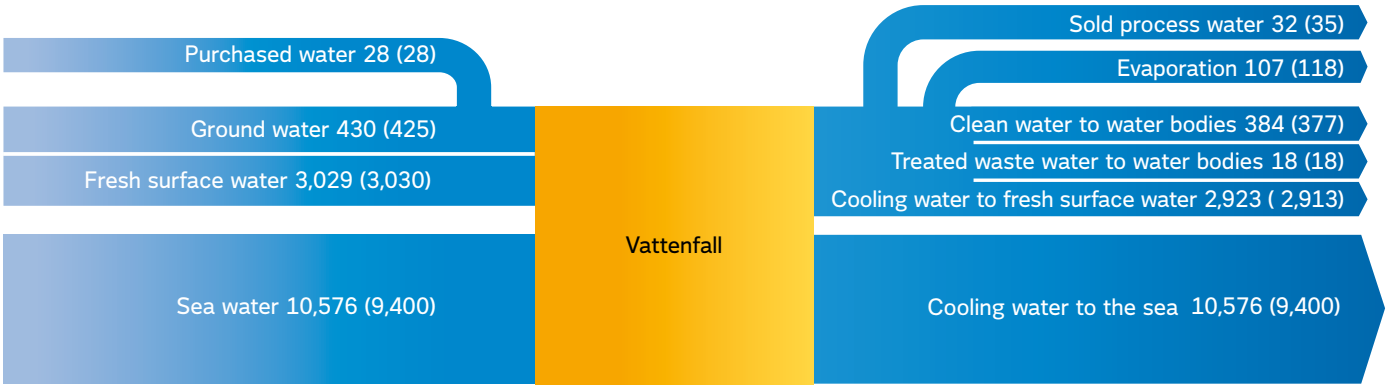
Improved resource efficiency is a central part of Vattenfall's strategy to improve Operational Excellence and lower costs (read more on page 14). Energy efficiency initiatives are also an important part in Vattenfall's work on improving the efficient use of resources (see also pages 28–30). To date, goals for resource efficiency have been set only at the operational or local levels, while energy efficiency targets are currently in place at the overarching Group level (read more on page 17).

Water used for cooling in nuclear power plants

Most water is used for cooling the nuclear reactors. The water is taken almost exclusively from the sea adjacent to the plants. After use, the water is returned to the sea.

Vattenfall complies with all regulations governing temperature deviations in spent cooling water, and temperature increases are carefully monitored. In certain cases the volume of water used for cooling may need to be increased to minimise the total temperature deviation.

Total withdrawals and discharges of water (million m³)



The water balance in 2013 (2012 figures in parentheses). Most water withdrawals consist of sea water that is used for cooling in nuclear power plants and is returned to the sea after use. Water use increased silghtly between 2012 and 2013 in association with higher nuclear power generation and the commissioning of new power plants in the Netherlands in 2013. Figures for 2013 also include water flows at Barsebäck. (Inflows and outflows do not match exactly due to the omission of certain smaller flows.)

Ash from Vattenfall's hard coal–fired plants is used in the manufacture of cement and asphalt for road construction.

Withdrawals of ground water

The largest withdrawals of ground water are made in connection with Vattenfall's lignite mining operations, where water is removed to enable mining.

Of the withdrawn water, a small amount is used in the adjacent power plants. The rest is cleaned and put at the disposal of nearby municipalities and industries, or is returned to rivers and lakes.

Use of chemicals

Chemicals are used in electricity generation and heat production, such as for flue gas cleaning and water treatment, in the maintenance of technical equipment and in mining operations.

The focus on chemicals is aligned with the Swedish government's environmental objective for "A non-toxic environment". During the year, Vattenfall put extra focus on the handling of chemicals to ensure compliance with applicable rules and to protect health and the environment. The business units work actively on substituting hazardous chemicals – also among subcontractors – where their use of chemicals is assessed in connection with procurement processes.

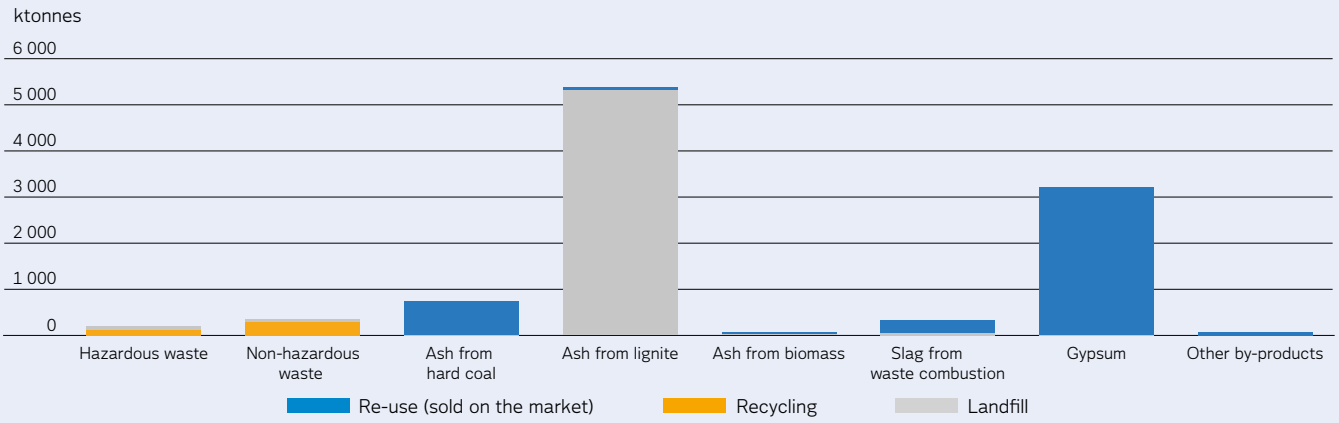
Optimised use of by-products[1]

By-products, such as ash and gypsum, are created from the combustion of solid fuels, such as lignite and hard coal, and from flue gas cleaning. The volume of waste and by-products is a direct effect of how much fuel is used and how effective the flue gas cleaning is.

Vattenfall strives to optimise its use of by-products, so that as large a share as possible can be reused. For example, ash from Vattenfall's coal-fired plants is used in cement and asphalt for road construction. Ash from lignite-fired plants is often transported back to the mining area, where it is used as land filler for landscape restoration. In addition, Vattenfall is the largest producer of synthetic gypsum (a by-product of flue gas desulphurisation) in Europe and supplies high-quality gypsum to the construction industry.

1) In addition to the by-products that are created, waste is produced in connection with construction work and the dismantling of old plants, in lignite mining, and in the operation and maintenance of electricity and heat networks.
For radioactive waste, see page 26.

Waste and by-products



ktonnes	Hazardous waste[1]	Non-hazardous waste	Ash from hard coal	Ash from lignite	Ash from biomass	Slag from waste combustion	Gypsum	Other by-products
2013	194	349	738	5 388	67	330	3 219	73
2012	431	447	667	5 330	64	317	3 154	75

Waste from construction and demolition make up a small portion compared with the by-products that are created at combustion plants. The greatest volume of by-products consists of ash from Vattenfall's lignite-fired power plants. This ash is used almost exclusively to refill landscape in connection with restoration following mining activities. In 2012, more waste was produced as a result of a decontamination project at the combined heat and power station Klingenberg in Berlin. For radioactive waste, see the following page.

1) Hazardous waste also includes fly ash from waste combustion.

Radioactive waste

Vattenfall conducts nuclear power operations in Sweden (Forsmark and Ringhals) and Germany (the now-closed Krümmel and Brunsbüttel plants, and as a minority owner of Brokdorf). In both countries it is the nuclear power operators' responsibility to have reliable and satisfactory solutions for handling radioactive waste. Radioactive waste can be divided into three types, which must be handled in different ways – operating waste, spent nuclear fuel, and dismantling waste. Depending on the level of radioactivity of the waste, a further division is made into low-level, intermediate-level or high-level radioactive waste. In 2013 Vattenfall produced 2,967 m^3 of intermediate- and low-level radioactive waste and 179 tonnes of high-level radioactive waste (including 161 tonnes of spent nuclear fuel).

Final storage of spent nuclear fuel

SKB (the Swedish Nuclear Fuel and Waste Management Company), which is owned by Sweden's nuclear power operators, is conducting preparatory work for construction of a final repository for spent nuclear fuel in Sweden. In 2009 Forsmark was chosen as the most suitable location after many years of studies and analysis work. In spring 2011 SKB applied for the necessary permits for the final repository in accordance with the Swedish Act on Nuclear Activities and the Swedish Environmental Code in order to begin construction of a nuclear fuel repository in Forsmark and an encapsulation facility in Oskarshamn. The permitting process is expected to take several years. The preparatory work also includes project planning for the construction. It is estimated that construction of the nuclear fuel repository can begin by the start of 2019 at the latest.

In Germany, no formal proposal for a final repository for spent nuclear fuel has been set forth yet. Pursuant to a decision by the Bundesrat of Germany in June 2013, a suitable location for final storage shall be located by 2031 at the latest. Until then, spent nuclear fuel is stored in interim facilities adjacent to the nuclear power plants. For storage of low-level and intermediate-level radioactive waste there are plans to use a former iron ore mine outside of the town of Salzgitter in the federal state of Niedersachsen.

Financing of nuclear waste handling

Sweden's nuclear power companies have appropriated reserves to cover the costs of nuclear waste management in Sweden. It is the owners of the nuclear power plants who, by law, must bear all costs for taking care of and handling final storage of spent nuclear fuel and nuclear waste, as well as for dismantling nuclear power plants and other nuclear facilities.

Slightly more than 2 öre (SEK 0.02) of every kilowatt hour of electricity generated by nuclear power is appropriated to a fund, the Swedish Nuclear Waste Fund, which is to compensate the reactor owners for their costs for waste handling and dismantling of Sweden's nuclear power plants. Today the fund is worth slightly more than SEK 50 billion. Vattenfall's share of the Nuclear Waste Fund is specified in Note 29.

In Germany, nuclear waste handling is financed by provisions made by the owners of the nuclear reactors on their own balance sheets. No external funding is required. Vattenfall's provisions are specified in Note 4 to the consolidated accounts.

Status of dismantling/standstill of Brunsbüttel and Krümmel

Vattenfall has operational responsibility for two nuclear power plants in Germany: Brunsbüttel, in which Vattenfall has 66.7% ownership, and Krümmel, in which Vattenfall has a 50% stake. These nuclear power plants are no longer in operation. In November 2012 Vattenfall began the licence authorising process for decommissioning and dismantling the Brunsbüttel nuclear power plant in Germany. A so-called immediate dismantling will allow optimal use of the expertise and knowledge of existing personnel. A precondition for Vattenfall to proceed with an immediate dismantling is that it obtains access to a storage site for low- and intermediate-level radioactive waste. The licence authorising process has been initiated with the responsible ministry in the federal state of Schleswig-Holstein and is expected to take several years. The decision to dismantle the plant is a result of the German government's decision in summer 2011 to phase out the country's nuclear power. To obtain fair compensation for the financial losses, Vattenfall and the Krümmel and Brunsbüttel nuclear power companies initiated arbitration proceedings with the International Center for Settlement of Investment Disputes (ICSID) in Washington, D.C., and have now submitted supporting documents. The Krümmel and Brunsbüttel nuclear power companies have also filed suit with the Federal Constitutional Court of Germany.

Radioactive waste	Low- and medium-level radioactive operational waste (m^3)	Core components (tonnes)	Spent nuclear fuel – removed fuel rods (tonnes)	Spent nuclear fuel – original uranium content (tonnes)[1]
Sweden	883	18	161	145
Germany	2,084[2]	0	0	0
Total 2013	**2,967**	**18**	**161**	**145**
Total 2012	3,250[3]	18	147	136

Volume of radioactive waste in 2012 and 2013, broken down by Sweden and Germany.

1) Original uranium content in replaced rods.
2) The amount of waste pertains to what is stored on site. Since the units were taken out of operations the waste is no longer transported to external storage on a regular basis, due to efficiency reasons and applicable German rules.
3) Updated in accordance with new interpretation of waste definition.

Take responsibility for Vattenfall's impacts on local communities

Vattenfall's production and distribution of electricity and heat have impacts on the local communities in which plants are located. Vattenfall's lignite mines have the largest impact, including the occasional necessity for people to relocate as a result of mining operations.

Vattenfall strives to include stakeholders in decision-making processes and to build up mutual trust through openness and engagement in the local communities, while complying with established local regulations and guidelines for all of its plants, however, this work is varied depending on the type of operation and region. It is important for Vattenfall that the people who live near the company's operations are adversely affected as little as possible. Regardless of the type of impact our operations may have, Vattenfall strives to be as responsive as possible to the affected stakeholders' needs and demands, regardless of their gender, age or ethnic affiliation.

Vattenfall's Group-wide project management tool provides governance and support for proactively and responsibly addressing and taking local interests into account in various projects, such as by maintaining a dialogue with neighbouring communities. All project leaders, decision-makers and – to some extent – project participants are offered training in the tool. Vattenfall also strives to improve the communication skills of employees at all levels in the company.

Vattenfall regards itself as a responsible corporate citizen. The work on reducing impacts on local communities is a continuously ongoing undertaking, however, it can always be improved by maintaining a continuous dialogue with local stakeholders. Vattenfall also works continuously at developing and improving its Group-wide project management tool in an effort to adapt it to the diverse needs in the organisation.

Lausitz is the indigenous region for the Sorbs, a western Slavic ethnic population of some 60,000 people who are recognized as an ethic minority in Germany.

Resettlement of villages to open up land for lignite mining

One example of how Vattenfall assumes its social responsibility can be seen in the company's resettlement programmes when villages must be relocated to make way for lignite mining. Vattenfall's lignite mining operations are conducted at open cast mines in the Lausitz region in eastern Germany. The open cast mines migrate approximately 300 metres every year as the mining progresses, and as a result of this, four small communities have had to be relocated since 1993 to make way for the mining operations. In the future, relocations are planned for parts of the Schleife, Trebendorf, Welzow and Bahnsdorf communities in order to provide room for expansion of the Nochten and Welzow mines.

Vattenfall's resettlement programme involves many aspects, from financial compensation to preserving the communities' social structures. At the start of a resettlement process, an assessment is performed that forms the basis for a specification of social requirements. The aim is for all inhabitants to move to a common location together. The people whose villages and communities are to be relocated are involved in the entire process of resettlement, and they decide themselves on the new location, usually by choosing from among up to five different locations. New villages are connected to existing communities. If there is no access to public services (e.g., schools, healthcare and other community services) in the existing community, new institutions are built up. In this way both communities benefit. Vattenfall strives – in dialogue with the village inhabitants – to find suitable solutions for new housing and to preserve small businesses in the communities.

Village/location	Completed resettlements	Inhabitants
Kausche	1993–1996	360
Geisendorf	1997–2002	45
Horno	2002–2004	350
Parts of the Schleife and Trebendorf communities	2009–2013	270

Village/location	Estimated date for start of process	Inhabitants
Parts of the Schleife and Trebendorf communities (expansion of Nochten mine)	During 2014	1,700
Parts of the Welzow and Bahnsdorf communities (expansion of Welzow mine)	During 2014/2015	810

Cooperation with ethnic minorities in Lausitz

Lausitz is also the indigenous region for the Sorbs, a western Slavic ethnic population of some 60,000 people who are recognised as an ethnic minority in Germany. The Sorbs have preserved their unique character for centuries in Germany, with their own language and own culture. Relocation of their communities is extra sensitive, since it involves a minority population, much of whose culture is rooted in the villages and risks disappearing due the disruption caused to the geographic cohesion. Vattenfall's cooperation with Domowina, the Sorb's interest organisation, was begun in 2007 when a joint agreement was reached. Since then, Vattenfall has supported activities aimed at preserving and promoting the Sorbian language, culture and traditions. In 2013 this agreement was renewed until 2016.

Sustainable consumption

One of Vattenfall's strategic focus areas involves building up a market position as a company that offers smart and sustainable energy solutions. Vattenfall is convinced that this will contribute to a better society at the same time that it offers competitive advantages and business opportunities. In addition to energy efficiency services, Vattenfall offers package solutions encompassing charging stations for electric cars, installation of solar panels, energy efficiency solutions and energy advice. Vattenfall also helps customers by providing various tools to control and measure their energy consumption, risk management and market information.

Offer customers solutions that enable sustainable energy use

Vattenfall offers a range of solutions for helping customers gain control over their power bill and identify energy-demanding equipment. In Sweden and Finland, Vattenfall offers its Smart plug and the web-based tool EnergyWatch. In the Netherlands, Vattenfall markets a similar web-based product, called E-manager.

Environmental Product Declarations – unique product

Vattenfall is unique in the Nordic market in offering certified Environmental Product Declarations (EPDs) for electricity. Nearly 100% of Vattenfall's electricity generation in Sweden is EPD-certified. This entails that detailed information is provided on the environmental impact of electricity, such as CO_2 emissions. Environmental impact is analysed from a life cycle perspective which takes into account the complete value chain of electricity generation, from production of fuel and plant construction to waste management.

EPD-certified electricity has become an important add-on service for Vattenfall and has strengthened Vattenfall's competitive edge. Environmental Product Declarations for hydro power, wind power and nuclear power are published on Vattenfall's website[1].

In 2013 Vattenfall certified four EPDs – one for wind power generation in the UK, one for the Nordic wind power portfolio, and updates of the existing EPDs for the Forsmark and Ringhals nuclear power plants.

Interest in source-labelled electricity and EPDs is great, especially from business customers. In June 2013 Vattenfall signed a five-year electricity supply contract with Facebook under which Vattenfall guarantees the supply of 100% EPD-certified hydro power from the Lule River in northern Sweden. Vattenfall's ability to offer an entirely renewable product was a key factor behind Facebook's decision to localise its computer centre in Luleå.

Predictable electricity rates

Many of Vattenfall's customers want not only a competitive electricity rate, but also a rate that is predictable and offers an opportunity to budget for electricity costs. Vattenfall has developed a web-based system for business customers in which customers can go online

1) http://corporate.vattenfall.com/sustainability/environment-and-operations/policy-and-management/life-cycle-management/

A look at Vattenfall's Smart plug

What is a smart plug?
A smart plug is a pin plug connector that is connected between the wall outlet and an electrical appliance to obtain a real-time reading of how much electricity an appliance uses. Can be remotely controlled using a smartphone.

Who can use it?
Anyone can use it – you do not have to be a Vattenfall customer.

What is needed?
A smartphone or tablet and a wireless internet connection, plus an account with energywatch.se.

What can you do with a smart plug?
- You can remotely turn an appliance on or off that is connected to a smart plug. If you have a power strip, you can plug in several appliances through your smart plug.
- You can also set a schedule for use of appliances with the help of a timer function.

Smart plugs can be purchased from Vattenfall's webshop in Sweden: energibutik.vattenfall.se

for an overview of price hedges, price forecasts, electricity use and invoices for their electricity portfolio. Customers also have access to current market analyses from Vattenfall's advisers.

Energy efficiency measures for business customers
Vattenfall offers a range of different energy efficiency services to companies, such as "Energikontrollen" (for Swedish business customers), featuring measurement and visualisation of electricity consumption along with company-specific energy advice. Similar services are offered in Germany. Vattenfall also offers an energy mapping service which, in addition to providing business or property owners a schematic picture of their energy consumption, also offers concrete suggestions for savings measures.

Further, during the year, Vattenfall/Nuon developed a product that contributes to more efficient use of gas, thereby saving money for customers while reducing the environmental impact.

Solar energy offering
Producing own electricity from rooftop-mounted solar panels is a way for electricity customers to lower their electricity cost and contribute to a better environment. Vattenfall offers several different solar energy products both in Sweden and the Netherlands, including installation and mounting of solar panels or cells. Vattenfall's offering also includes a commitment to buy any surplus electricity that is produced.

Vattenfall's virtual power plants
The idea behind Vattenfall's so-called virtual power plants is to integrate renewable energy – consisting of intermittent wind power and solar energy – in the power system. In a virtual power plant, small-scale, decentralised systems are linked together – such as combined heat and power stations, which generate both electricity and heat, and heat pumps, which convert electricity to heat – and thereby form a network that is controlled centrally.

Virtual power plants can balance both deficits and surpluses of renewable energy, which is not possible in conventional power plants. This is advantageous from an environmental perspective, since all renewable energy in the system can be used, even in situations with an overproduction of wind power, for example. If too little electricity is being fed into the network due to weak winds, a message is sent to the combined heat and power stations to feed more electricity into the network. If there is a surplus of wind power, the heat pumps in the network are activated, to use the wind power to produce heat, which is then stored in accumulators.

Vattenfall offers access to virtual power plants to business customers in Germany that operate their own combined heat and power stations.

Electricity and heat in a single product
"Haus-Strom" is an example of one of the innovative products that Vattenfall sells in Germany, entailing that Vattenfall installs and operates small, decentralised gas-fired combined heat and power stations for heat and electricity directly on site at customers (multi-family dwellings or large buildings). The unit covers the customer's heating and electricity needs, and any surplus electricity can be sold back to the electricity grid. Various subsidies and tax incentives make the model profitable both for customers and Vattenfall.

Carbon-neutral heat
In Uppsala, Sweden, Vattenfall offers business customers the product "Carbon-Neutral Heat". This is achieved by Vattenfall substituting non-renewable peat that is used in the local district heating plant with a greater share of wood chips. Customers receive information about the lower CO_2 emissions that are achieved, which they can use to show their reduced carbon footprint in their own reporting. In Germany, Vattenfall offers a similar product, "Fernvärme Natur Mix", which allows customers to receive district heating that is produced in full or in part by renewable energy sources, such as wood-based fuel, waste and methane gas.

Electric transportation
Transportation accounts for roughly a third of global energy consumption, which makes the transportation sector a central focus area in the creation of smarter energy systems. Vattenfall believes that the electrification of the transportation sector will solve many of the challenges that the world currently faces regarding energy use and urbanisation. Electric transportation contributes to lower CO_2 emissions and other harmful emissions, and reduces society's dependence on oil. Lower fuel costs and noise levels are other advantages.

In order for electric vehicles to gain a breakthrough in society, an entirely new infrastructure is needed, including charging opportunities for electric cars. Vattenfall is involved in a number of projects and sponsors public charging posts in Amsterdam, Berlin, Hamburg and Stockholm (Tyresö). During the year, Vattenfall became a new cooperation partner with Mitsubishi Motors Deutschland. In connection with sales of the Outlander crossover SUV (AWD plug-in hybrid), Vattenfall provides the e-mobility charging solution, encompassing the charging structure, installation and maintenance service, and a special electricity contract. Vattenfall and Volvo have together developed the world's first diesel-powered hybrid car, which can be driven as an ordinary diesel car, as a hybrid, or as fully electric car.

Vattenfall is also involved in various electric car R&D projects. In partnership with BMW, Vattenfall is working on finding methods to reuse batteries from electric vehicles (EV), where wind and solar energy can be fed in. Used EV batteries can be employed in flexible caching sites for renewable energy, which can help stabilise the energy system.

Smart grids

The growing volume of electricity generation from renewable energy sources (mainly wind power), together with customers' needs for more and better information about their electricity consumption, is driving the development of so-called smart grids that can handle electricity in both directions along with large fluctuations in the energy flow.

Vattenfall is conducting extensive development work on smart grids in parallel with extensive modernisation and expansion projects in the existing electricity grid to meet the needs of customers and regulatory requirements.

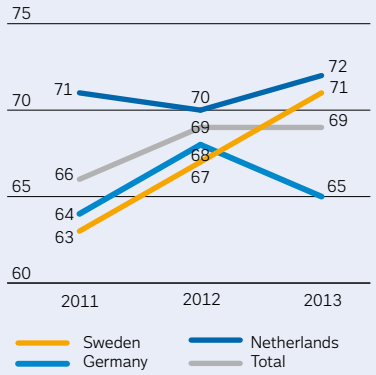
Vattenfall has a history of being at the forefront in the development of new distribution systems, such as by putting the first commercial high voltage transmission line in operation already in 1954. The ambition is to continue driving this development forward and to be the most reliable and customer-oriented distribution system operator and to be a "Smart energy enabler".

Customer satisfaction during the year

Vattenfall's Customer Satisfaction Index is an important tool for measuring the results of Vattenfall's customer-related business activities. Vattenfall's Executive Group Management has set a long-term goal of achieving a Customer Satisfaction Index score of 75 (2013: 71) and to be among the best in the industry. Vattenfall is striving to achieve this goal by continuing its efforts to develop sustainable, smart products and services that benefit customers. In 2013, customer satisfaction with Vattenfall improved in Sweden and the Netherlands compared with previous years. In Germany, however, customer satisfaction decreased, which is most likely due to a rate increase at the start of the year and negative debate surrounding Vattenfall in connection with the referendums that were held one the repurchases of the energy grids in Berlin and Hamburg.

Smart and sustainable energy solutions are a relatively new area for Vattenfall and differ from Vattenfall's traditional production operations, both with respect to expertise and business model. Vattenfall is convinced that customer-oriented solutions will become increasingly important in the future and has therefore set sustainable customer solutions as a strategic focus area for the company (read more about Vattenfall's strategic focus areas on page 14).

Customer Satisfaction Index
(sales of heat and electricity, and distribution)



The chart pertains to retail customers in sales of heat, sales of electricity and electricity distribution. The surveys were conducted mainly via phone interviews and are coordinated at the Group level. The results for the Group are compiled and followed up yearly. Customers are also given an opportunity to express their views via other channels, such as the company's customer service departments and websites.

The breakdown is based on the prevailing organisational structure. The figures for 2011 have been recalculated in the corresponding manner.

Sustainable cities

Today more people live in or around cities than in the countryside. Urbanisation is increasing globally, which is putting a strain on the environment. To achieve sustainable consumption of energy, cities must be involved.

"City Partnership" is Vattenfall's concept for contributing to the shift by cities to more sustainable use of energy and aims to take a comprehensive approach to urban energy systems and develop solutions in which Vattenfall integrates various products and services. For Vattenfall's part, the partnership entails trust-building work and profiling itself as the natural market partner for everyone involved. Vattenfall has entered into City Partnerships with the cities of Amsterdam, Berlin, Hamburg and Uppsala.

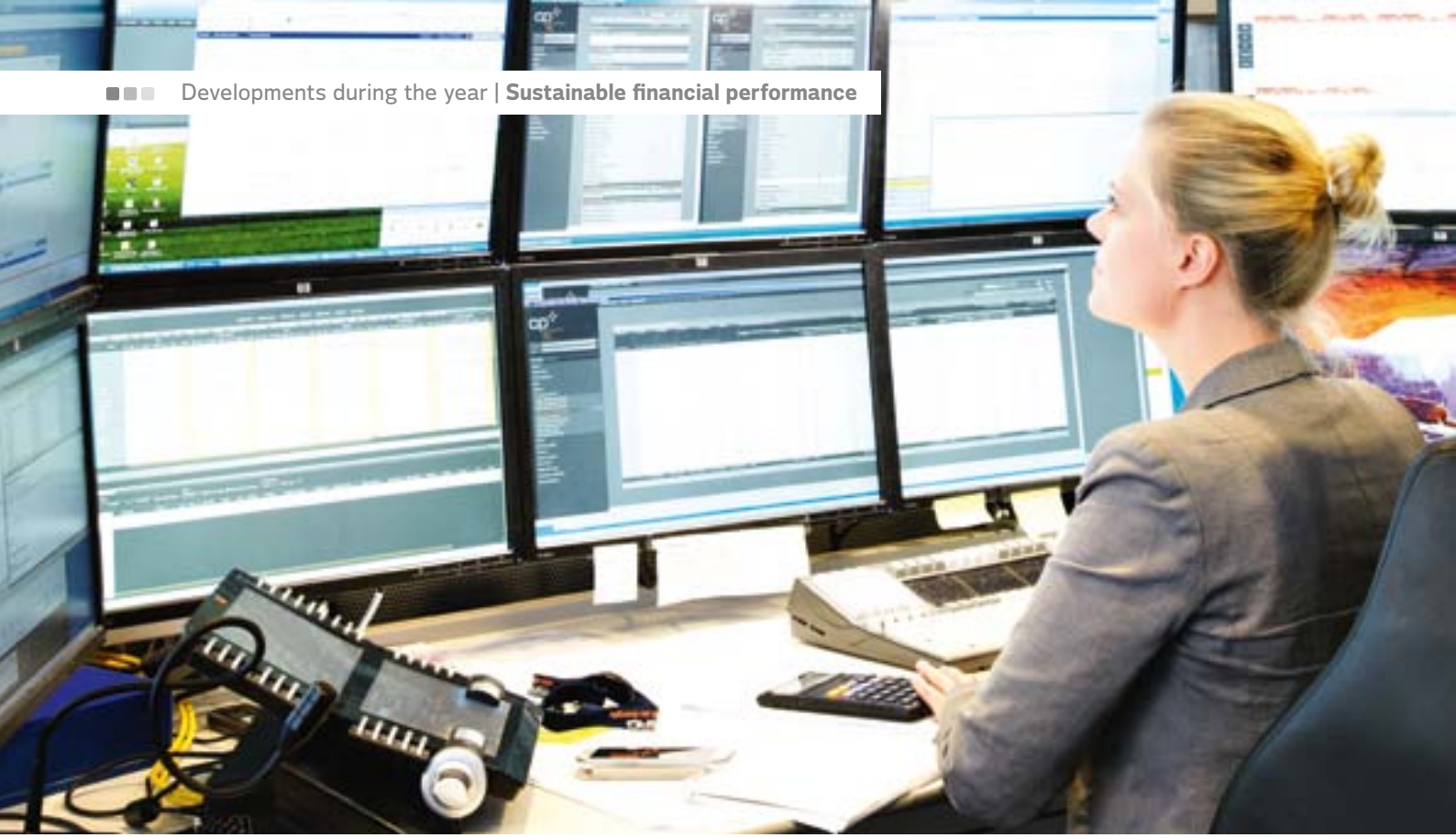
- **Amsterdam has set the target** of lowering its CO_2 emissions by 40% by 2025 compared with 1990. In cooperation with the city, Vattenfall/Nuon is making a contribution by replacing gas-based heating with district heating and has also invested in storage facilities for district heating. Vattenfall also offers district cooling to companies, where the water is cooled in nearby lakes. To date, Vattenfall/Nuon has installed 1,000 charging stations for electric cars, and in autumn 2013 this network was expanded through the installation of an additional 200 charging stations in Amsterdam's surrounding municipalities.

- **Berlin is seeking to cut its CO_2 emissions** by 40% by 2020 compared with 1990. Vattenfall is supporting this initiative by replacing older power plants with new, more modern technology and investments in the district heating network. Vattenfall is also contributing with energy efficiency solutions and advice for customers and organisations, and is also active in projects to develop new city districts, such as Klausener Platz or nearby Tegel airport.

- **Together with the city of Hamburg, Vattenfall** has developed a concept for driving Germany's so-called energy turnaround – Energiewende – forward. In the years immediately ahead, Vattenfall will be investing in new, efficient facilities, storage of electricity and heat, and smart grid solutions. In the newly built city district HafenCity, Vattenfall is conducting a pilot project involving the integration of a number of different energy solutions, such as energy savings measures, new fuel solutions and storage solutions. Among other things, these will include Hamburg's largest installation of solar panels and charging solutions for electric cars.

- **The city of Uppsala has set a target** to reduce its carbon emissions by 45% by 2020 compared with 1990. Roughly 90% of Uppsala's homes and buildings are heated today using district heating from Vattenfall. Vattenfall is contributing to Uppsala's climate target by replacing the city's existing peat-fired combined heat and power station with one that is based on biomass. This partnership with Vattenfall was a contributing factor behind Uppsala's designation as Earth Hour City 2013 by WWF. In addition, Vattenfall offers energy-efficient solutions, such as heat-powered white goods and solar panels, in Uppsala's new Östra Sala Backe city district. During the year, Vattenfall also started a pilot project in heat-powered refrigeration (absorption cooling).

Vattenfall is contributing to the city of Uppsala's climate target by replacing the city's existing peat-fired combined heat and power station with one that is based on biomass. This partnership with Vattenfall was a contributing factor behind Uppsala's designation as Earth Hour City 2013 by WWF.



Sustainable financial performance

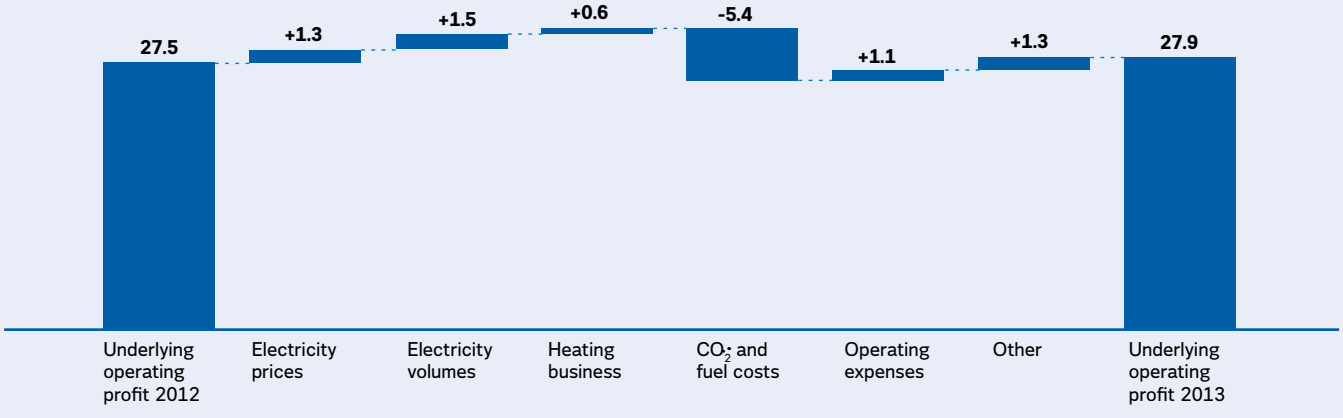
Vattenfall is Sweden's third largest company, based on net sales. Being a long-term financially stable company is a prerequisite for Vattenfall's ability to transform its production portfolio towards more sustainable energy production and offer customers sustainable and smart energy solutions.

Results 2013

Vattenfall's underlying operating profit in 2013 amounted to SEK 27.9 billion, which is SEK 0.4 billion higher than in 2012. The difference between 2013 and 2012 is explained by the following factors:

- Higher average electricity prices achieved (SEK 1.3 billion)
- Higher generation volumes (SEK 1.5 billion)
- Higher heat prices achieved and higher heat production (SEK 0.6 billion)
- Higher costs for purchases of CO_2 emission allowances and fuel (SEK -5.4 billion)
- Lower operating expenses (SEK 1.1 billion, net). Excluding growth projects, the cost savings amounted to SEK 3.2 billion, mainly owing to lower costs for operations and maintenance, and lower costs for sales and administration
- Other items (SEK 1.3 billion, net), mainly as a result of improved earnings from associated companies, improved earnings from the Trading operations and higher earnings from sales of electricity to end customers. Higher taxes on hydro power plants had a negative effect.

Components of Vattenfall's underlying operating profit in 2013, SEK billion



Impairment of production plants and goodwill

During the year Vattenfall recognised total impairment losses of SEK 30.1 billion for the book value of assets. Deteriorated market conditions and higher business risks led to lower margins primarily for gas and hard coal–based production, and as a result, the book value of some of Vattenfall's assets exceeded their value in use (discounted cash flow). Roughly half of the impairment losses pertained to gas and hard coal plants in the Netherlands. Vattenfall's cash flow and net debt were not affected by the impairment losses. Detailed information about impairment losses is provided in Note 14 to the consolidated accounts, on pages 77-78.

Increased electricity generation

Electricity generation increased by 1.6% in 2013 compared with 2012. However, hydro power generation decreased during the year, mainly owing to exceptionally high hydro power generation in 2012 as a result of high water supply. Increased electricity generation from Vattenfall's nuclear power plants and coal- and gas-fired power plants compensated for the drop in hydro power generation. Nuclear power generation increased by 6.1% due to higher availability. Fossil-based power generation (lignite, coal and gas) increased by 7.6%, mainly owing to higher production capacity (the gas-fired Magnum and Diemen 34 plants in the Netherlands, and the Boxberg R lignite-fired power plant in Germany). Vattenfall's electricity generation from wind power increased by 8.3%, mainly in the UK and the Netherlands.

TWh	2013	2012	Change, %
Electricity generation, total	181.7	178.9	1.6
- of which, hydro power	35.6	42.2	-15.6
- of which, nuclear power	51.9	48.9	6.1
- of which, fossil-based power	87.9	81.7	7.6
- lignite	57.2	55.3	3.4
- hard coal	15.6	14.2	9.9
- gas	14.7	11.5	27.8
- oil	0.4	0.7	-42.9
- of which, wind power	3.9	3.6	8.3
- of which, biomass, waste	2.4	2.5	-4.0

Increased availability of nuclear power

Vattenfall's Swedish nuclear power plants produced nearly 52 TWh of electricity in 2013, accounting for 29% of Vattenfall's total electricity generation. Nuclear power generation in 2013 reached its second highest level in the nearly 40 years that the plants have been in operation. Modernisation projects, high availability and capacity increases at Forsmark unit 2 contributed to the high level of electricity generation. Combined availability of Vattenfall's nuclear power plants was 86% (83%).

Sales of electricity, heat and gas

Total sales of electricity decreased slightly in 2013. Sales to retail and business customers decreased by 4.7% and 5.9%, respectively, while sales of electricity via resellers increased by 7.1%. Sales of heat were essentially unchanged. Sales of gas increased by 3.4 TWh to 55.8 TWh as a result of a larger number of retail and business customers in Germany.

TWh	2013	2012	Change, %
Sales of electricity	203.3	205.5	-1.1
- of which, retail customers	28.1	29.5	-4.7
- of which, resellers	27.1	25.3	7.1
- of which, business customers	67.1	71.3	-5.9
- of which, other[1]	81.0	79.4	1.9
Sales of heat	30.2	29.8	1.3
Sales of gas	55.8	52.4	6.5

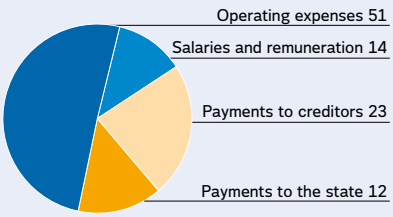
1) Mainly via electricity exchanges.

Delivered economic value according to GRI indicator G4-EC1

SEK million	2013	2012
External net sales	171,684	167,313
Operating expenses	-84,548	-82,131
Salaries and remuneration	-23,852	-25,148
Payments to creditors	-10,926	-8,298[1]
Payments to the state	-19,705	-16,777
Total	**32,653**	**34,959**

1) Value for 2012 has been adjusted compared with previously published information.

Delivered economic value, %



In 2013 Vattenfall created SEK 32.7 billion (35.0) in economic value after paying costs for operations, salaries and remuneration, interest expenses and taxes.

Operations requiring permits
During the year, Vattenfall conducted operations that require permits under national legislation in Sweden, Finland, Denmark, Germany, the Netherlands and the UK. The Parent Company Vattenfall AB conducts operations that require permits in accordance with the Swedish Environmental Code. These consist primarily of electricity and heat production plants that require permits and/or registration. Vattenfall's other operations requiring permits that make up a significant part of the business are conducted primarily by subsidiaries.

Vattenfall's R&D activities
The overarching objective of Vattenfall's R&D activities is to contribute to the execution of Vattenfall's strategy. While most R&D expenditures are invested in improving the efficiency of plants and developing them to meet future needs, Vattenfall is also active in developing new technologies for environmentally sustainable energy production, distribution and efficiency use of resources. Parallel with R&D work in renewable energy production – particularly in the areas of wind power and biomass – Vattenfall is also conducting development work on increasing the flexibility of existing combined heat and power and hydro power plants, and on developing network operations. By increasing flexibility, the Group is striving to create conditions for more volatile, renewable sources of energy in the power system, such as wind power and solar energy. Read more about Vattenfall's work with improving resource efficiency on pages 24–26.

In 2013 Vattenfall's R&D expenditures (excluding resources allocated to the safe storage of spent nuclear fuel) amounted to SEK 442 million (463) or approximately 0.3% (0.3%) of consolidated net sales. Roughly half was invested in renewable or distribution technologies, such as smart grids and e-mobility. About a third was spent on other low CO_2-emitting production, including nuclear power and CCS, and roughly one-sixth was spent on conventional, fossil-based production, such as lignite, hard coal and gas. Every R&D programme has a clear goal, plan and set of priorities that are followed up and evaluated on a monthly basis. Toward this end, Vattenfall has initiated an internal support function tasked with ensuring that there is business benefit in every R&D programme, that the activities are carried out in an efficient and consistent manner, and that good examples are reused.

Ensure sustainability in the supply chain

Vattenfall has a responsibility for ensuring that the purchases the company makes are done in a way that is a sustainable as possible. Every year Vattenfall purchases material, services and fuel for approximately SEK 111 billion from more than 45,000 suppliers. Vattenfall has two types of suppliers: suppliers of products and services, and suppliers of fuel.

Through its supply chain Vattenfall is exposed to environmental and social risks that are outside of the company's direct control. Traditionally, most purchases other than fuel are made from suppliers in the EU and other areas that are governed by specific regulations and that have established good practice regarding corporate social responsibility. However, a smaller portion of purchases are made from new suppliers in so-called new supplier markets which lack clear rules and regulations. This entails an elevated risk for human rights violations and thus the need to manage such risks.

Since 2008 Vattenfall has had a supplier code of conduct that is based on the principles set out in the Global Compact with respect to human rights and working conditions, the environment, and anti-corruption. The code of conduct was updated on 1 July 2013, with clearer wording regarding the expectations and demands that Vattenfall has for its suppliers. The updated code includes requirements that suppliers must have systems in place for handling sustainability aspects in their own operations as well as control systems for oversight and monitoring of their suppliers' sustainability work. Vattenfall's ambition is to work together with its suppliers in an effort to jointly improve any deviations from the code of conduct.

Suppliers of products and services

In 2013 Vattenfall began work on strengthening the Group's oversight and monitoring of suppliers of products and services. This work includes country risk assessments, audits and action programmes. The country risk assessments are performed based on BSCI's[1] list of high risk countries in the areas of human rights, working conditions and anti-corruption.

The new code of conduct with control systems for monitoring and auditing was implemented on 1 July 2013. Vattenfall thereafter during the year had audits performed by external auditing firms of all new potential suppliers (seven in total) from the so-called new supplier markets.

Suppliers of certain fuels

Vattenfall performs its own audits and monitoring of the Group's suppliers of nuclear fuel and – to some extent – hard coal, to ensure compliance with Vattenfall's Code of Conduct. All suppliers of nuclear fuel are audited by Vattenfall prior to any delivery. An approved audit is limited in time and is followed up continuously. In 2013, work was begun on auditing Vattenfall's largest coal suppliers, which together provide approximately 80% of the hard coal used in Vattenfall's power plants.

The intention is that the audits for certain types of fuel (hard coal, biomass and uranium) will also be conducted within the framework of industry initiatives, since it is an effective way of bringing about changes among suppliers. During the year, Vattenfall continued to develop its cooperation with industry initiatives such as Bettercoal, the Sustainable Biomass Partnership, and the Uranium Stewardship Initiative.

For the fuel that Vattenfall purchases via the Trading unit and through exchange contracts (except for uranium), currently no standardised audit and follow-up are performed of the requirements in the Code of Conduct.

Vattenfall has made progress for various types of suppliers, and the goal is to strive for continuous improvement, which will be measured yearly. Vattenfall sees three main areas for improvement:

1) Develop formalised processes and control systems for monitoring and auditing all types of suppliers
2) Internal training for increased knowledge and awareness
3) Develop cooperation with industry initiatives such as Bettercoal, the Sustainable Biomass Partnership, and the Uranium Stewardship Initiative

1) BSCI = Business Social Compliance Initiative is a widely used supplier management system, focusing on improving sustainability in the supply chain and established by the Foreign Trade Association in 2003 http://www.bsci-intl.org/.

Safeguard the company's integrity

Being a good corporate citizen also involves ensuring that the organisation acts in an ethical manner that is free from corruption. Vattenfall believes that effective competition plays a decisive role for a market to function effectively and has a zero tolerance policy with respect to corruption.

Vattenfall takes steps to ensure that all of its employees act in an ethical manner that is not anti-competitive through internal policies, instructions and rules that are communicated on the company's intranet. Preventive measures are a key part of this work. Vattenfall also involves local experts who work with risk assessment of corruption in specific markets, in the process of producing this documentation.

Vattenfall's Code of Conduct covers eight principles, of which business ethics is one. The Code of Conduct applies for all Vattenfall employees worldwide, even in countries where laws are lacking or are not as stringent as the standards laid out in Vattenfall's Code of Conduct. For Vattenfall, there is no question that the company should require that its subcontractors and suppliers also accept and comply with these principles. Accordingly, Vattenfall has also established a code of conduct for suppliers. Work has also been initiated to ensure that Vattenfall's Code of Conduct shall also apply for sponsoring activities.

The most important part of the Group's preventive compliance work concerns employee training. All managers and employees who have extensive external contacts – such as customer contacts, media contacts or sponsoring activities – are required to participate in Vattenfall's Integrity Programme, which they must repeat every three years.

The programme is a further development of the training in competition law that was started nearly ten years ago. While the programme still focuses on competition legislation, it also addresses several other integrity-related matters, namely, Vattenfall's Code of Conduct, bribes and corruption, incident reporting, insider information and conflicts of interest. The aim is to establish a fundamental level of knowledge surrounding these issues throughout the Group and to promote a company culture that is distinguished by personal responsibility and integrity. The training is evaluated on a regular basis to ensure that it effectively fulfils its purpose and helps ensure that employees act in a responsible and ethical manner. During the year, Vattenfall also developed several e-learning courses that complement the instructor-led training.

Vattenfall participates in a number of different associations and initiatives dedicated to countering corruption and bribery. For further information, see page 131.

Focus on Vattenfall's employees

As an employer Vattenfall strives to give its employees opportunities to develop their full potential and offer an attractive and inspiring workplace. The company's work with diversity and equal opportunity should be a natural part of operations. The goal is to attract and retain the best talent from a long-term perspective and be an attractive employer for current and prospective employees.

Employee survey

Vattenfall's employees have the opportunity to anonymously express their views on Vattenfall as an employer through an employee survey. The survey covers a number of aspects that pertain to Vattenfall's company culture and work climate. The results are used as guidance for continuous improvements at both the local and Group-wide levels. In 2013, 72% of Vattenfall's employees participated in the survey.

The results from the 2013 survey indicate that the employees are satisfied with their work and their immediate supervisors, but also that there is a need to better understand Vattenfall's overall strategy and decisions that are made by top management, especially in times of major change. Vattenfall's Executive Group Management has decided on a shared improvement area for the entire Group, called "Focus on Our Employees". This Group-wide undertaking includes initiatives to support personal development, praise high performance, provide feedback and find solutions for reducing stress in the workplace.

Employee commitment

An important part of having committed employees is to offer regular opportunities for dialogue about personal development and career opportunities. According to the employee survey, 88% (88% of men and 89% of women) of employees had in-depth talks with their managers to agree on goals for their work during the last 12 months. The corresponding figures for 2012 were 89% (89% of men and 89% of women). 90% (90% of men and 91% of women) of all employees were aware of the knowledge and skills they needed to further improve upon. Focus continues to be on improving the quality of these talks. Through training in leadership and employee involvement, Vattenfall is taking steps to help its managers be clear, visible and courageous in their leadership.

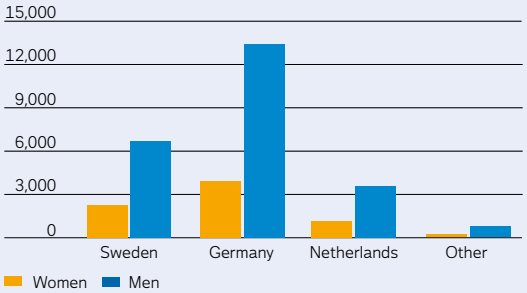
Vattenfall's ambition is to ensure that its people have a positive and rewarding work environment in which they can see how their work contributes to the company's strategic objectives.

Diversity and equal opportunity

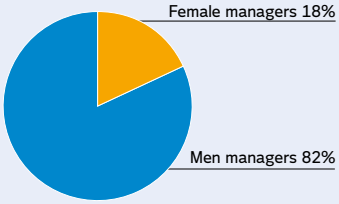
Vattenfall firmly believes that diversity and equal opportunity are essential factors in a sustainable company. Among other things, the Group has set a goal that the share of females in managerial positions should correspond to the share of female employees in the Group. This goal has not been reached yet, which can be seen in the charts below. The share of female managers is lower than the share of female employees overall, even though there are large variations between different markets. For example, Vattenfall has nearly twice as many female managers in Sweden as in Germany.

As one measure to increase the share of female managers, Vattenfall conducts a Group-wide, year-long mentor programme in which members of the Executive Group Management and other senior executives serve as mentors for talented women in the company. In 2013 all internal recruiters underwent training in diversity matters, which are an important consideration in recruitment. In the Group's ongoing reorganisation, diversity has been a central factor in the recruitment of new managers.

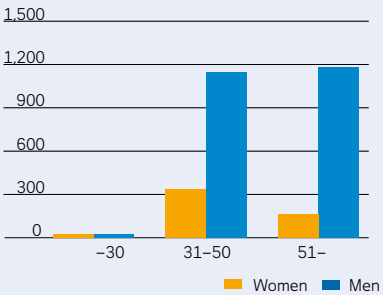
Employee breakdown by gender and country, %[1]



Share of female managers



Number of managers per age category, 31 December 2013



Vattenfall has a total of 31,819 employees, of whom 7,485 are women.

1) Detailed information is provided in Note 53 to the consolidated accounts, on page 102.

Ensure a healthy and safe workplace

Safety is a priority area for Vattenfall, which is reflected in the fact that safety is one of the Vattenfall's core values. Ensuring a healthy and safe workplace for employees and contractors requires a systematic and proactive effort in all operations. As proof of Vattenfall's undertaking in this area, the Group's companies and units are work-environment certified according to OHSAS 18001, and Vattenfall's management is actively involved in setting and following up goals in this area.

Vattenfall's long-term goal is to have zero accidents in the workplace, no workplace-related illnesses, and that all employees shall have a safe, healthy and inspiring work environment.

Activities during the year

Vattenfall regards greater awareness and knowledge as prerequisites for achieving the Group's long-term health and work environment goals. Toward this end, Vattenfall has been conducting a safety culture programme since 2010. A total of 24,800 employees have completed this training, including 11,200 in 2013. During the year, a Group-wide health and work environment standard was developed as guidance in the procurement of new contractors. Vattenfall works actively on promoting employees' well-being, such as by offering regular health check-ups and preventive measures. Vattenfall provides active support to employees who have been on long-term sick leave in an effort to help them return to work. In addition, Vattenfall works on increasing awareness about health issues. For example, a new health training concept was developed in 2013, which will be implemented in 2014. Health and work environment questions are included in Vattenfall's annual employee survey and related follow-up activities. The results from the 2013 survey indicate that stress and stress management are areas for Vattenfall to work more actively with in 2014.

Goals and follow-up of absenteeism

Lost Time Injury Frequency (LTIF) is an important KPI in Vattenfall's internal governance and is followed up by the Executive Group Management on a monthly and yearly basis. Vattenfall's ongoing work environment initiatives have resulted in a positive trend, where workplace-related absences for employees have decreased in recent years, from a level of 4.5 LTIF in 2010 to 2.3 in 2013. However, LTIF for employees increased slightly in 2013 compared with 2012, from 2.3 to 2.6. For contractors the corresponding figure was 3.6. Since 2013 was the first year that Vattenfall measured LTIF for contractors, no comparative data is available for previous years. However, the goals for 2013 – an accident-related absence level of 2.3 LTIF for employees and 3.2 LTIF for contractors – were not met.

Vattenfall's goal is to achieve an accident-related absence level of 2.1 LTIF for employees in 2014 and less than 2.0 LTIF in 2015. Leadership and follow-up of accidents are important in the work on achieving these goals. In an effort to reduce accident-related absences and achieve the LTIF targets, Vattenfall is working on development of a programme – adapted to regional and business conditions – focusing on leadership and managers' motivation. Workplace-related illnesses are followed up in accordance with national practice by the work environment organisation and management, however, no qualitative data is available at the Group level. Since different rules apply in the various countries in which the Group conducts operations, accidents between work and employees' homes, and the number of lost work days per employee as a result of accidents, are not reported.

No accidents involving death occurred in Vattenfall's operations in 2013.

Absences due to illness decreased from 4.2% in 2012 to 4.1% in 2013.

LTIF – Lost Time Injury Frequency

	Sweden	Germany	Netherlands	Total
LTIF per country 2013				
Internal (employees)	1.8	3.2	1.5	2.6
External (contractors)	3.7	4.5	0.6	3.6
Sickness-related absenteeism by gender and country 2013, %				
Men	2.0	4.6	4.2	3.8
Women	3.3	6.8	5.0	5.3
Total	2.3	5.1	4.4	4.1

1) LTIF is expressed in terms of the number of occupational injuries (per 1 million hours worked), workplace accidents involving an absence longer than 1 day, and accidents involving death

Corporate governance report

The following pages include information on corporate governance during the 2013 financial year, as prescribed by law and the Swedish Corporate Governance Code. The Articles of Association, previous corporate governance reports and material from the most recent general meetings are available on Vattenfall's website, www.vattenfall.com, under "Corporate Governance", where links are also provided to the Swedish state's ownership policy and the Swedish Corporate Governance Code. This report has been reviewed by the company's auditors.

Corporate governance at Vattenfall – general

The Parent Company of the Vattenfall Group, Vattenfall AB, is a Swedish public limited liability company with registered office in Solna. Vattenfall AB is thereby subject to the provisions of the Swedish Companies Act. The Board of Directors is elected by the Annual General Meeting (AGM). The Board, in turn, appoints the President and CEO, who is responsible for the day-to-day administration of the company in accordance with the Board's guidelines and instructions.

Application of the Code

Vattenfall adheres to the Swedish Corporate Governance Code ("the Code"). However, since Vattenfall is wholly owned by the Swedish state, certain stipulations in the Code are not applicable. In addition, Vattenfall deviates from the Code with respect to the following points:

- Chapter 1.4, pertaining to the requirement that the nomination committee shall propose a person to serve as AGM chairman. Due to its ownership structure, Vattenfall has no nomination committee. Election of an AGM chairman is instead done at the AGM in accordance with the stipulations of the Swedish Companies Act and the Swedish state's ownership policy.
- Chapter 2, pertaining to the requirement that the company shall have a nomination committee. The nomination process for the Board and auditors is conducted in accordance with the Swedish state's ownership policy. Thus the references to the nomination committee in points 1.3, 1.4, 4.6, 8.1 and 10.2 are thus not applicable either. However, information on the nomination of board members for new election or re-election is posted on the company's website in accordance with point 2.6.

Important internal and external rules and regulations for Vattenfall

External rules and regulations:

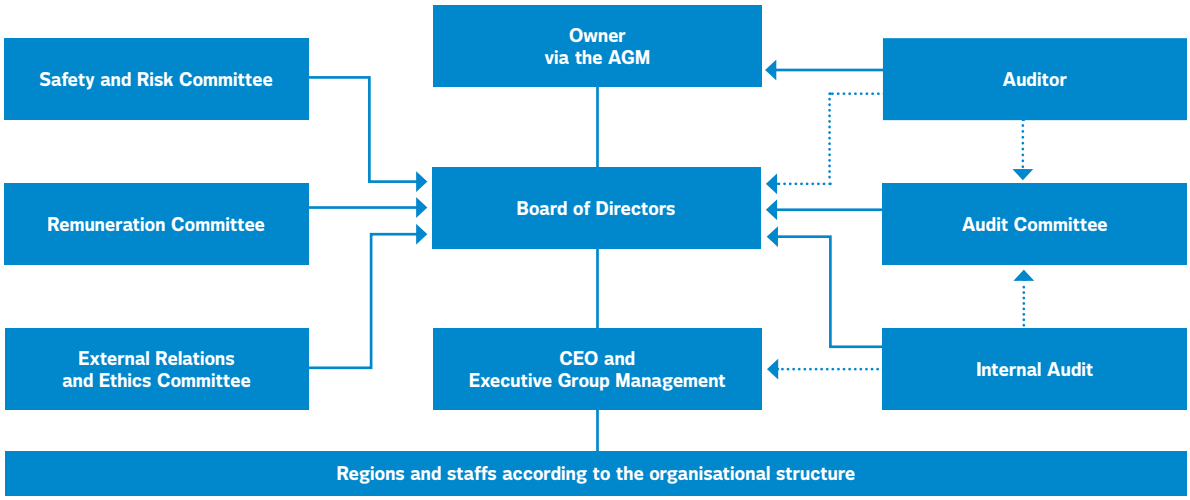
- Swedish and foreign legal rules, particularly the Swedish Companies Act and Swedish Annual Accounts Act
- The Swedish State's ownership policy and other owner directives
- The Swedish Corporate Governance Code ("the Code")
- Stock exchange rules[1]

Internal rules and regulations:

- Vattenfall's Articles of Association
- The Board's Rules of Procedure, including the CEO's instructions and instructions for reporting to the Board
- The Vattenfall Management System (VMS) and other governance documents

1) Vattenfall adheres to the stock exchange rules that apply for companies that have fixed-income securities registered on Nasdaq OMX Stockholm and other marketplaces.

Governance structure



Shareholder and general meetings

By law, the Annual General Meeting (AGM) of Vattenfall AB shall be held within six months after the end of the financial year and no later than April 30 according to the Swedish state's ownership policy. The AGM elects the Board of Directors and auditors, sets their fees, adopts the income statement and balance sheet, grants discharge from liability for the board members and CEO, and decides on other matters of business as prescribed by law or the Company's Articles of Association.

Vattenfall's Annual General Meeting was held on 24 April 2013. In addition to the points outlined above, the Board reported on compliance with the applicable guidelines for remuneration of senior executives, after which the AGM resolved in favour of unchanged guidelines. Members of Parliament were given the opportunity to ask questions, as prescribed by Vattenfall's Articles of Association. An open Q&A session was held after the AGM, in accordance with the Swedish state's ownership policy. The meeting was open to the general public and was aired live via webcast.

Vattenfall AB held an extraordinary general meeting on 18 December 2013. At this meeting, board member Patrik Jönsson resigned and two new board members were elected: Jenny Lahrin and Åsa Söderström Jerring.

Videotaped versions, minutes and other material[1] from the general meetings are available at www.vattenfall.se under "Bolagsstyrning".

1) English translations of certain documents are available at www.vattenfall.com under "Corporate Governance".

Board of Directors

Appointment of the Board

For enterprises that are wholly owned by the Swedish state, uniform and joint principles for a structured nomination process apply. These principles take the place of the Code's rules on drafting work for decisions on the nomination of board members and auditors.

The board nomination process in the Swedish Government Offices is coordinated by the Ministry of Finance. The competency needs are analysed on the basis of the company's operations, situation and future challenges as well as the Board's composition and evaluations of the Board that have been carried out. Thereafter, any recruitment needs are determined and recruitment work is initiated. Once this process has been completed, the nominations are publicly announced in accordance with the Code; however, no account is made regarding the directors' independence. Vattenfall provides orientation training for new directors who are elected by the AGM.

More detailed information on the board nomination process is provided in the Swedish state's owner policy (in Swedish), at www.regeringen.se.

The Board's composition

Vattenfall's Articles of Association stipulate that the Board of Directors shall have, in addition to the employee representatives, a minimum of five and a maximum of ten members without deputies. The directors are elected annually by the Annual General Meeting, which also appoints the Chairman of the Board.

No members of the Executive Group Management (EGM) are directors on the Board. Lars G. Nordström was Chairman of the Board in 2013. By law, the unions are entitled to appoint three board members plus three deputies, and they have exercised this right. Between 30 May and the extraordinary general meeting on 18 December, two of the nine board members were women. Thereafter, four of the ten board members were women, and among the board members elected by a general meeting, women accounted for 57% (entire board 40%). The average age of board members was 55. One director (Eli Arnstad) is a foreign citizen. Biographical information about the board members is provided on pages 46–47.

The Board's duties

The Board's fundamental duties are stipulated in the Swedish Companies Act and the Code. Each year the Board adopts its Rules of Procedure and a number of instructions. The Rules of Procedure and instructions regulate such matters as reporting to the Board, delegation of authority between the Board, the CEO and the Board's committees, the Chairman's duties, the form and content of board meetings, and the evaluation of the work of the Board and the CEO.

The Board's Rules of Procedure stipulate that the Board shall approve major investments, acquisitions and divestments, and adopt central policies and instructions. The Board shall also approve certain important contracts, including contracts between Vattenfall and the CEO, the Deputy CEO and such other persons in the Group who are defined as senior executives by the Annual General Meeting. The Board's duties pertain to Vattenfall AB as well as the Vattenfall Group.

The Chairman leads the work of the Board in accordance with the Swedish Companies Act and the Code, and is responsible for – among other things – ensuring that the board members receive relevant information, contacts with the owner on ownership matters, and conveying views from the owner to the Board.

Guidelines for remuneration of board members

Directors' fees and fees for committee work are set by the owner at the AGM, in accordance with the Swedish state's ownership policy. For information on directors' fees in 2013, see Note 53 to the consolidated accounts.

Board meetings

According to the Board's Rules of Procedure, the Board shall hold eight to twelve regular board meetings every year. In addition to the regular meetings, the Board meets when necessary. The Rules of Procedure stipulate that the agenda of every regular meeting shall include the following items of business:

- The Group's business situation
- Financial report for the Group
- Reports from board committees
- Matters that are not handled by the CEO in the day-to-day administration

In addition, the following items of business are included on the agenda every year:

- Strategic plan
- Business plan, investment plan and communication plan
- Risk mandate and risk policy
- Strategic personnel issues
- Annual Report and quarterly reports.

Investments are followed up and analysed by the Board three years after they have been decided on by the Board. In addition, the Board holds at least one board seminar every year. At these seminars the Board receives detailed information and discusses Vattenfall's long-term development, strategy, competitive situation and risk management.

The Board met eleven times in 2013, including the statutory meeting. The agendas of the meetings included the following items of business, among others:

- The Group's strategy
- Cost-cutting and cost-cutting targets
- Impairment of Vattenfall's assets
- New regional organisation
- New President and CEO as from March 2015
- Investments in the production and network operations
- Investments and safety-enhancement measures in the nuclear power operations
- Divestments of non-core businesses
- Energy efficiency targets.

Evaluation of the Board's and CEO's work

The Board evaluates its own work and the CEO's work once a year as part of efforts to develop the Board's way of working and effectiveness. This evaluation is conducted under the direction of the Chairman and is reported to the Board. The most recent evaluation was begun in autumn 2013 and was reported to the Board on 3 February 2014. External consultants are used in connection with the Board's evaluation.

Board committees

The Board has established four committees, which are described below, and has drawn up rules of procedure for each of them. At the statutory board meeting, the Board appointed three directors elected by a general meeting for each committee, of whom one serves as committee chair. In addition, the Board can, where necessary, establish other board committees or temporary work groups to address matters in more defined areas.

The committees report their work to the Board at the next regular board meeting, whereby the committee chair presents a report accompanied by minutes of the committee meeting. Except for the Audit Committee, the committees are only drafting bodies. The Board's legal responsibility under company law for the company's organisation and administration of the company's affairs is not constrained by the committees' work.

Audit Committee

The Audit Committee's most important duties are:

- To oversee Vattenfall's financial reporting
- To monitor the effectiveness of Vattenfall's internal control, internal audit and risk management with respect to the financial reporting
- To stay informed about the audit of the annual report and consolidated accounts
- To review and monitor the auditor's impartiality and independence, and in connection with that, to pay particular attention to whether the auditor provides other services to the company than auditing services
- To assist in the drafting of recommendations for decisions on the election of auditor by the Annual General Meeting
- To monitor and oversee the management of market and credit risks
- To conduct an annual evaluation of the external auditors' work.

Another important issue in 2013 involved preparatory work for the decisions by Vattenfall to recognise impairment of assets.

The Audit Committee is responsible for meeting with Vattenfall AB's external and internal auditors on a regular basis in order to stay informed about the planning, focus and scope of the company's audit. The Audit Committee is also responsible for discussing coordination of the external and internal audit work and views of the company's risks.

The Audit Committee has the right, on behalf of the Board, to decide on guidelines for other services than auditing that Vattenfall may procure from the Group's auditors. Internal Audit's budget, the Internal Audit Charter and the internal audit plan are decided on by the Board.

The CFO and the Head of Internal Audit serve in a reporting role on the Audit Committee. The company's external auditors attend all regular meetings and report on their observations of the audit. During the entire year 2013 the committee had at least one member with accounting or auditing competence.

Remuneration Committee

The Remuneration Committee's most important duties are:

- To conduct drafting work for board decisions on matters regarding compensation principles, remuneration and other terms of employment for members of the Executive Group Management and other senior executives
- To monitor and evaluate application of the guidelines for compensation of senior executives, which the AGM, by law, is required to decide on as well as the applicable compensation structures and levels of compensation in the company

The committee's duties also include:

- Serving as a drafting body to ensure implementation and compliance with guidelines
- Where applicable, conducting drafting work for any special reasons that may exist in an individual case to deviate from the guidelines
- Conducting drafting work for the Board's report on compensation of senior executives in the annual report and, ahead of the Annual General Meeting, monitoring and following up the auditors' review.

The CEO serves in a reporting role on the Remuneration Committee.

Safety and Risk Committee

The Safety and Risk Committee is tasked with reinforcing Vattenfall's risk and safety work. The committee is tasked with:

- Conducting drafting work for the Board in its efforts to oversee and quality-assure the operational safety and risk work, including the focus areas nuclear power safety, dam safety and the environment
- Reviewing and, when the committee deems it suitable, providing suggestions regarding the Group's strategy and handling of the safety and risk matters described above
- Reviewing and making recommendations regarding risk appetite and risk exposure in the Group.

The business unit heads, particularly the heads of Nuclear and Production, serve in a reporting role on the Safety and Risk Committee. Every quarter the nuclear power operations and the Chief Nuclear Safety Officer (CNSO) present a report on nuclear power safety.

For a more detailed description of Vattenfall's risks and risk management, see pages 50–55.

External Relations and Ethics Committee

This committee was established at the Board's statutory meeting in 2013 and is tasked with:

- Maintaining an overview of Vattenfall's actions with respect to its undertakings as a company and in society
- Upholding, protecting and building the Vattenfall brand
- Reviewing and monitoring the effectiveness of the company's compliance and requirements according to the Global Compact and the company's sustainability targets and strategy.

The CEO serves in a reporting role on the committee.

Auditor

The Swedish state's ownership policy states that the owner is responsible for the election of auditors and that the auditors are to be appointed by the Annual General Meeting. The auditors are currently elected for a mandate period of one year, in accordance with the main rule in the Swedish Companies Act. Vattenfall's Articles of Association stipulate that the company shall have one or two auditors with or without one or two deputy auditors, or a chartered auditing firm as auditor.

The 2013 Annual General Meeting re-elected the auditing firm Ernst & Young AB as auditor. The auditor has assigned Authorised Public Accountant Hamish Mabon as auditor-in-charge. Hamish Mabon has been auditor-in-charge since 2008 and is also the auditor of AB Tetra Pak, Tetra Laval International, Dustin AB, Apotek Hjärtat AB and Ambea AB, among other companies. He has no assignments with companies that affect his independence as auditor of Vattenfall.

The Audit Committee has approved guidelines for how procurement of other services than auditing shall take place from the auditor. Consulting services provided by Ernst & Young AB from 2011 to 2013 mainly pertained to tax and accounting issues as well as special input in connection with the divestment of subsidiaries that are no longer core businesses.

The auditor reported his review of the year-end accounts for 2013 to the entire Board at the board meeting on 3 February 2014 (without the presence of any person from the Executive Group Management), and also reported on his observations at the board meeting on 18 December 2013. In addition, the auditors performed a review of the half-year interim report.

In accordance with the Act on Auditing of State Activities, etc., the Swedish National Audit Office may appoint one or more auditors to participate in the annual audit. No such auditor was appointed in 2013.

The auditor's fees are payable according to an approved invoice. The Group's auditing costs are described in more detail in Note 22 to the consolidated accounts and Note 19 to the Parent Company accounts.

Internal governance

Core values and vision

Vattenfall's core values are Safety, Performance and Cooperation. Vattenfall's vision is to develop a sustainable, diversified European energy portfolio with long-term increased profits and significant growth opportunities. At the same time, Vattenfall will be among the leaders in developing environmentally sustainable energy production.

Governing business ethics

Vattenfall's Code of Conduct outlines eight principles in the areas Health and Safety, People, Customers and Suppliers, Business Ethics, Communication, Information Security, Company Resources and the Environment, and includes references to the Vattenfall Management System (VMS), which more clearly elaborates on the principles. Information about the Code of Conduct is provided on the company's intranet, through articles in Vattenfall's employee news magazine, and in connection with new hiring and training. These measures have helped make employees more familiar with the Code of Conduct. Vattenfall's Code of Conduct is also published on www.vattenfall.se (English version on www.vattenfall.com).

The Code of Conduct gives employees the opportunity to report incidents through a whistleblowing function staffed by locally appointed external ombudsmen (advocates), to whom employees, consultants and contractors can turn to report suspected, serious improprieties that the "whistleblower" for some reason does not want to report internally via the normal reporting channels.

CEO and Executive Group Management

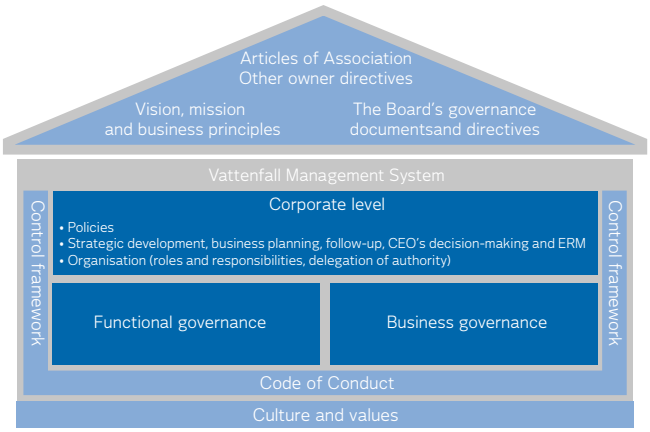
The President of Vattenfall AB, who is also CEO of the Vattenfall Group, is responsible for the day-to-day administration in accordance with the Swedish Companies Act. The CEO in 2013 was Øystein Løseth. His employment continues for a set period until 31 March 2015. In connection with the presentation of the nine-month interim report in 2013, it was announced that he does not intend to negotiate an extension of his contract. The Board thereby immediately began work on recruitment of a new CEO.

The CEO has appointed decision-making bodies for governance of the Group and makes decisions independently or with the support of these decision-making bodies. The most important of these decision-making bodies is the Executive Group Management (EGM) and the Vattenfall Risk Committee (VRC).

The EGM focuses on the Group's overall direction and decides – within the framework of the CEO's mandate from the Board of Directors – on matters of importance for the Group, such as certain investments. The VRC makes decisions pertaining to the risk mandate and credit limits, among other things, and exercises oversight of the risk management framework. Both of these bodies conduct preparatory drafting work on matters that are to be decided by the Board of Directors.

Biographical information on the members of the Executive Group Management is provided on page 48.

VMS structure and other governance documents



Vattenfall Management System

The Vattenfall Management System (VMS) is the framework that ensures that Vattenfall's governance adheres to formal requirements as well as to requirements made by the Board, the CEO, the business operations and the Staff Functions. The VMS is documented in binding governance documents consisting of policies, instructions and process documents on three different levels: corporate level, function level and business level. Certain central documents are approved by the Board of Directors for Vattenfall AB. The VMS is an integrated management system that applies for the entire Vattenfall Group, along with the limitations that may arise from legal requirements, such as regarding the unbundling of the electricity distribution business. Vattenfall's Environmental Management System is integrated in the VMS. Special routines are in place to ensure adherence to the management system also by subsidiaries.

After the Board decided on a new organisational structure for Vattenfall (see below), work was begun on updating the VMS. The most important documents at the Group level were updated and were published when the organisational change took effect on 1 January 2014.

Organisation 2013

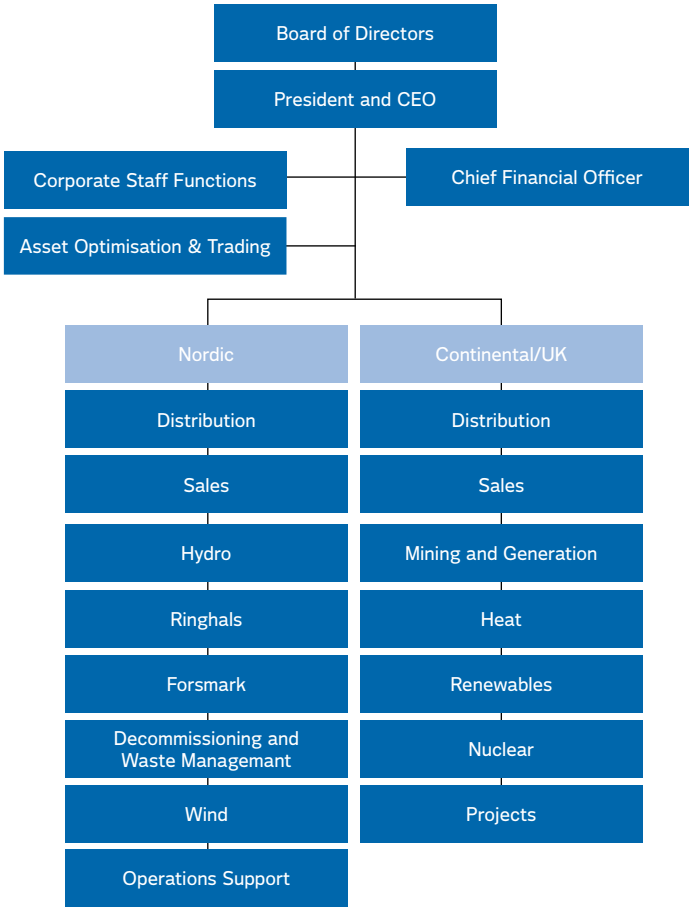
Vattenfall's governance model is business-led and based on the value chain for electricity and heat (production, distribution and sales). Operations in 2013 rested on two building blocks:

- Business activities, broken down into two operating segments. These comprised cross-border Business Divisions that had full responsibility for the governance of their business activities, which were performed by business units.
- Functional areas, organised in Staff Functions, which were responsible for leading, managing and supporting the business activities. The functional areas were centralised and coordinated, and had the authority within their respective areas that span the entire Group.

New organisational structure 2014

On 22 July 2013 Vattenfall AB's Board of directors decided on a new organisational structure for the Vattenfall Group in order to achieve greater financial and strategic flexibility. The new structure took effect on 1 January 2014 and mainly entails a split of operations into two regions, Nordic and Continental/UK. Asset Optimisation and Trading remains intact as a cross-regional unit. The Staff Functions are organised at the company, region and business unit levels, and are complemented by service units.

Extensive work was carried out in autumn 2013 on preparing for the implementation of the new organisational structure. This project will continue until the second quarter of 2014.



Guidelines for remuneration of senior executives

Vattenfall AB applies the Swedish Government Offices' "Guidelines for terms of employment for senior executives in state-owned companies". These guidelines are available on the Government Offices' website: www.regeringen.se.

The 2013 AGM approved Vattenfall's application of the guidelines with the deviation that instead of the definition of senior executive in the Swedish Companies Act, senior executives shall be defined on the basis of whether they have a significant impact on the Group's earnings, through use of the International Position Evaluation (IPE) model. Managers with positions of IPE 68 and higher are to be considered to be senior executives. The Board's explanation for this deviation is stated in the 2012 Annual Report, on page 44.

According to the AGM's definition, in 2013 a total of 15 persons excluding the CEO were covered by the stipulations on contracts with senior executives. Actions taken with respect to agreements with these executives were continuously reported to the Remuneration Committee and Board, which also decided on the entering into such agreements. Compensation of senior executives and compliance with the adopted guidelines are described in more detail in Note 53 to the consolidated accounts.

The proposed guidelines ahead of the 2014 AGM are shown on page 49.

Internal control over financial reporting

This section describes the most important elements in Vattenfall's system of internal control and risk management in connection with the financial reporting, as prescribed by the Annual Accounts Act and the Code. Vattenfall's framework for this control is based on the COSO framework, which has been developed by the Committee of Sponsoring Organizations of the Treadway Commission. For further information see also the risk section, pages 50–55.

Control environment

According to the Swedish Companies Act and the Code, the Board of Directors has overarching responsibility for internal control over financial reporting. The Board's audit committee conducts drafting work for the Board on matters related to internal control over financial reporting.

The control environment is based on the division of responsibility between the Board and the CEO, which is set forth in the Board's Rules of Procedure, along with the reporting requirements made by the Board. The Board has also adopted Vattenfall's Code of Conduct, which lays out the overarching principles governing employee conduct.

The VMS is an integrated management system for the Vattenfall Group and is continuously under revision (see also the section on internal governance). The VMS contains governance documents for, among other things, roles and responsibilities, authority, decision-making processes, risk management, internal control, and ethics and integrity issues. The VMS indicates which decision-making and advisory bodies exist within the Group, apart from those required by law.

Vattenfall has an internal financial control (IFC) process whose overall purpose is to ensure that controls are in place in the financial reporting.

Risk assessment

The Board handles the Group's risk assessment and risk control process at an overarching level. The Board's audit committee conducts drafting work for evaluation and monitoring of risks and quality in financial reporting. The Audit Committee maintains continuous and regular contact with the Group's internal and external audit functions. Other risks of an operational character that are evaluated and monitored at the board level are addressed and drafted primarily by the Board's safety and risk committee.

The Board's risk management and reporting is centrally coordinated via Vattenfall's risk committee (VRC). A continuous Enterprise Risk Management process makes it possible to quantify and compare both financial and non-financial risks.

The VMS includes a framework for internal control that identifies and defines risks for material errors in the financial reporting. Staff Function CFO performs analyses of risks related to financial reporting and is responsible for updating this framework.

The external and internal auditors discuss Vattenfall's risk situation in connection with the planning work ahead of the annual audit.

Control activities and monitoring

Vattenfall applies the "three lines of defence" model for management and control of risks. The first line of defence consists of the business units, which own and manage risks. The risk organisation makes up the second line of defence and is responsible for monitoring and controlling risks. Internal and external audit make up the third line of defence. Internal Audit is an independent and objective function that reviews and evaluates the first and second lines of defence.

The Chief Risk Officer (CRO) is responsible for the risk management organisation within the Group and provides information to the Board's audit committee and safety and risk committee on a regular basis.

Internal Audit evaluates and recommends improvements to the effectiveness of Vattenfall's risk management, internal controls and governance processes. This also applies for compliance with Vattenfall's governance documents, including the Code of Conduct. The Internal Audit function is directly subordinate to the Board of Directors and its Audit Committee. The Head of Internal Audit reports administratively to the CEO and informs the management teams of the business units and other units about audit activities that have been performed.

The Board monitors the Group's financial situation and addresses this matter at every regular board meeting. The Executive Group Management holds regular follow-up meetings with the heads of the Business Divisions (the regions as from 2014) and Staff Functions regarding the financial outcome. The internal framework for internal control includes processes for self evaluations, follow-up, reporting and improvement of control activities in order to prevent, discover and correct errors in the financial reporting. Written confirmation of adherence to internal and external stipulations is part of these processes.

Information and communication

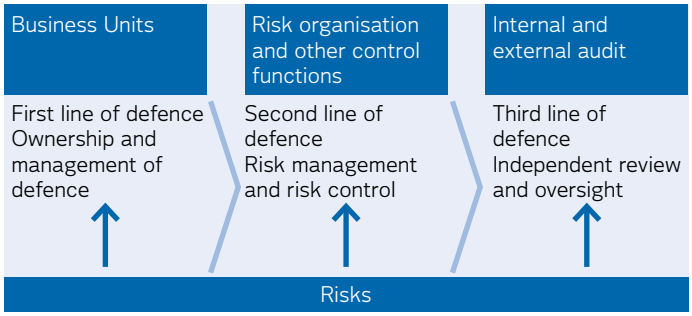
The Group's governance documents are available on Vattenfall's intranet. Accounting policies and reporting principles are laid out in a joint manual for the entire Group. Updates and changes in these policies and principles are communicated on a continuous basis via the intranet as well as at meetings with representatives of Vattenfall's Business Divisions (regions as from 2014) and Staff Functions.

Reporting and follow-up reporting to the Board and EGM are part of follow-up. Internal Audit and the CRO also report on their observations to the Board's audit committee and safety and risk committee.

Financial reporting includes interim reports, the year-end report and the annual report. In addition to these reports, financial information is provided to the Group's external stakeholders via press releases and Vattenfall's websites, in accordance with the Swedish Securities Market Act, among other things.

In 2013 the forms for handling internal and external communication were documented in an instruction aimed at ensuring that Vattenfall complies with legal rules as well as stock exchange rules and other obligations.

Three lines of defence



Composition of the Board and meeting attendance

Name	Function	Committee assignment(s)	Attendance at board meetings	Attendance at committee meetings
Lars G. Nordström	Chairman of the Board	Remuneration Committee, External Relations and Ethics Committee (chair)	11 of 11	RemCom: 4 of 4 ERE: 2 of 2
Carl-Gustaf Angelin	Employee representative	–	10 of 11	–
Eli Arnstad	Director	Safety and Risk Committee (chair), External Relations and Ethics Committee	8 of 11	S&R: 4 of 4 ERE: 0 of 2
Lennart Bengtsson	Employee representative (deputy)	–	10 of 11	–
Gunilla Berg	Director	Audit Committee, Remuneration Committee, from 24 April (as chair from 30 May), External Relations and Ethics Committee (from 30 May)	8 of 11	AC: 6 of 6 RemCom: 2 of 2 ERE: 0 of 1
Johnny Bernhardsson	Employee representative	Safety and Risk Committee, External Relations and Ethics Committee (from 27 November 2013)	11 of 11	S&R: 3 of 4 ERE: 0 of 0
Håkan Buskhe	Director	Safety and Risk Committee	7 of 11	1 of 4
Ronny Ekwall	Employee representative	Audit Committee	11 of 11	5 of 6
Håkan Erixon	Director	Audit Committee (chair), External Relations and Ethics Committee	11 of 11	AC: 6 of 6 ERE: 2 of 2
Christer Gustafsson[5]	Employee representative (deputy)	–	9 of 9	–
Lars-Göran Johansson[5]	Employee representative (deputy)	–	0 of 2	–
Jan-Åke Jonsson[1]	Director	Remuneration Committee (as chair 24 April–29 May), External Relations and Ethics Committee	5 of 5	RemCom: 2 of 2 ERE: 1 of 1
Patrik Jönsson[4]	Director	Audit Committee, Safety and Risk Committee	9 of 10	AC: 6 of 6 S&R: 3 of 4
Jenny Lahrin[3]	Director	Audit Committee	1 of 1	0 of 0
Jeanette Regin	Employee representative (deputy)	–	10 of 11	–
Åsa Söderström Jerring[3]	Director	Remuneration Committee	1 of 1	0 of 0
Cecilia Vieweg[2]	Director	Remuneration Committee (chair), until 24 April	2 of 2	2 of 2

1) Left Board on 29 May 2013.
2) Declined re-election at 2013 AGM.
3) Elected at extraordinary general meeting on 18 December 2013.
4) Left Board at extraordinary general meeting on 18 December 2013.
5) Christer Gustafsson succeeded Lars-Göran Johansson in connection with the 2013 AGM.

Board of Directors

Lars G. Nordström

Chairman of the Board

Born 1943. Law studies. Elected in June 2011.

Chairman of the External Relations and Ethics Committee and member of the Remuneration Committee.

Other assignments: Chairman of the Finnish–Swedish Chamber of Commerce. Board member of Nordea Bank, Viking Line Abp and the Swedish–American Chamber of Commerce. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Honorary Consul for Finland in Sweden.

Previous positions held: Board member of TeliaSonera (2006–2010). Chairman of the Royal Swedish Opera (2005–2009). President and CEO of Posten Norden AB (2008–2011). Various executive positions with Nordea Bank (1993–2007), including as President and Group CEO of Nordea Bank AB (2002–2007). Various positions with Skandinaviska Enskilda Banken (1970–1993), including as Executive Vice President (1989–1993).

Eli Arnstad

Born 1962. Studies in public law and political science. Elected in 2008. Chairman of the Safety and Risk Committee and member of the External Relations and Ethics Committee.

Executive Manager of SpareBank 1 SMN.

Other assignments: Board member of the Norwegian University of Life Sciences in Ås, Norway. Board member of the Norwegian Football Association.

Previous positions held: Independent consultant (2008–2012). CEO of Enova SF (2001–2007).

Gunilla Berg

Born 1960. M. Sc. Econ. Elected in 2012.

Chairman of the Remuneration Committee, member of the Audit Committee and of the External Relations and Ethics Committee.

Executive Vice President and CFO of the Teracom Group.

Other assignments: Board member of Alfa Laval and Lundbergs.

Previous positions held: Executive Vice President and CFO of SAS Group (2002–2009). Executive Vice President and CFO of the KF Group (1997–2001). Various positions in the AGA Group (1987–1997).

Håkan Buskhe

Born 1963. M. Sc. Eng., Licentiate in transport and logistics. Elected in 2012. Member of the Safety and Risk Committee. President and CEO of Saab AB.

Other assignments: Board member of the Association of Swedish Engineering Industries.

Previous positions held: President and CEO of E.ON Nordic AB and E.ON Sverige AB (2008–2010). Executive Vice President of E.ON Sverige AB (2007–2008). Senior Vice President of E.ON Sverige AB (2006–2007). CEO of Schenker North (2002–2006). Managing Director Schenker-BTL AB (2000–2002).

Håkan Erixon

Born 1961. B.Sc. International Business Administration and Economics. Elected in 2011. Chairman of the Audit Committee and member of the External Relations and Ethics Committee.

Other assignments: Chairman of the board of Orio AB. Member of the NASDAQ OMX Stockholm AB Listing Committee. Board member of Alfvén & Didrikson Invest AB.

Previous positions held: Board member of Saab Automobile Parts AB (2012-2013). Senior advisor, Corporate finance, The Swedish Government Offices, which included work for the Swedish National Debt Office (2007–2010). Board member of Carnegie Investment Bank AB (2008–2009). Board member of Vasakronan AB (2007–2008). Various positions with UBS Investment Bank Ltd, London (1997– 2007), including as Vice Chairman of the Investment Banking Division. Various positions with Merrill Lynch International Ltd, London (1992–1997). Kansallis–Osake–Pankki, London (1992–1993). Citicorp Investment Bank Ltd, London (1989–1991).

Åsa Söderström Jerring

Born 1957. M. Sc. Econ. Elected in December 2013. Member of the Remuneration Committee.

Other assignments: Chairman of ELU Konsult AB. Board member of JM AB, Rejlers AB, San Sac AB, Nordic Home Improvement AB and Scanmast AB. Partner in Infobooks AB. Chairman of the Building and Construction Division of the Royal Swedish Academy of Engineering Sciences (IVA).

Previous positions held: President SWECO Theorells AB (2001–2006), President Ballast Väst AB (1997–2001), Marketing Manager NCC Industry (1994–1997) and Communications Manager NCC Bygg AB (1991-1993).

Jenny Lahrin

Born 1971. Master of Laws. Executive MBA. Elected in December 2013. Member of the Audit Committee. Under-secretary at the Division for State-Owned Enterprises, Ministry of Finance.

Other assignments: Board member of Swedavia AB and AB Göta kanalbolag.

Previous positions held: Board member of RISE Research Institutes of Sweden AB (2012-2013), Legal Counsel at the Division for State-Owned Enterprises, Ministry of Enterprise/Ministry of Finance (2008–2012). Legal Director at Veolia Transport Northern Europe AB (2003–2008) and attorney (2001–2002).

Carl-Gustaf Angelin

Born 1951. M.Sc. Eng. Elected in 2003. Employee representative for Akademikerrådet at the Vattenfall Group. Vattenfall employee since 1988, currently in Business Unit Sales Nordic.

Employee representative

Johnny Bernhardsson

Born 1952. Engineering studies with supplementary course-work in economics. Elected in 1995. Employee representative for Unionen. Member of the External Relations and Ethics Committee and of the Safety and Risk Committee. Vattenfall employee since 1970, currently as Controller for Vattenfall Business Services.

Other assignments: Chairman of the European Works Council.

Employee representative

Ronny Ekwall

Born 1953. Electrical engineer. Elected in 1999. Employee representative for SEKO Facket för Service och Kommunikation. Member of the Audit Committee. Vattenfall employee since 1977 as fitter.

Employee representative

Lennart Bengtsson

Born 1958. Two-year secondary school degree in mechanics and network technology training in IT. Elected in 2011. Employee representative for SEKO Facket för Service och Kommunikation. Vattenfall employee since 1979, currently as IT technician.

Employee representative (deputy)

Christer Gustafsson

Born 1959. Four-year education in technology. Elected in 2013. Employee representative for Ledarna (the Association of Management and Professional Staff). Employed at Vattenfall since 1986, currently at the staff function, technical department, Forsmarks Kraftgrupp AB.

Other assigments: Representative for energy & technology, Confédération Européenne des Cadres (for energy issues).

Employee representative (deputy)

Jeanette Regin

Born 1965. Secondary school diploma and two-year education in healthcare. Elected in 2011. Employee representative for Unionen. Currently head of customer service/office services for Gotland Energientreprenad.

Employee representative (deputy)

Board members who left the Board in 2013:

Cecilia Vieweg, elected in 2009, declined re-election at the Annual General Meeting on 24 April 2013.

Jan-Åke Jonsson, elected in 2012, left the Board on 29 May 2013.

Lars-Göran Johansson, elected in 2008 as an employee representative, left the Board on 24 April 2013.

Patrik Jönsson, elected in 2010, left the Board on 18 December 2013.

Executive Group Management

Øystein Løseth

Born 1958. Master of Civil Engineering, degree in economics.

President of Vattenfall AB and CEO since 12 April 2010.

Various positions in the energy sector in Norway, the UK and the Netherlands, including as member of the executive management of Statkraft from 2002 to 2003. Joined Nuon N.V. in Amsterdam in 2003 as Managing Director of Nuon Energy Sourcing. Became a member of the executive management of Nuon N.V. in 2006, and appointed as President and CEO in April 2008. In 2013 Øystein Løseth did not have any significant shareholdings companies with which Vattenfall has business relations.

Ingrid Bonde

Born 1959. M.Sc. Econ.

Chief Financial Officer and Deputy CEO.

Vattenfall employee since 2012. Many years of experience in the financial sector, both from the public sector and private business, most recently as Director General of the Swedish Financial Supervisory Authority (2002–2008) and President and CEO of AMF (2008–2012).

Stefan Dohler

Born 1966. M.Sc. Aerospace Engineering. MBA.

Senior Vice President, Head of Asset Optimisation and Trading.

Vattenfall employee (HEW) since 1998. Head of network operations, Vattenfall Europe AB, Chairman of Distribution and Transmission System Operators 2008–2010, Vice President Finance, Business Division Production 2011–2012.

Tuomo Hatakka

Born 1956. Economics studies.

Senior Executive Vice President, Head of Region Continental/UK.

Senior Executive Vice President of Vattenfall AB.

Vattenfall employee since 2005. Head of Business Group Poland 2005–2007. Head of Business Group Central Europe 2008–2010. Head of Business Division Production 2010–2013.

Olof Gertz

Born 1963. M.Sc. in Human Resources and Work Life Matters.

Senior Vice President, Head of Human Resources.

Vattenfall employee since March 2012. Active in the DeLaval Group 1994–2012, incl. as Senior Vice President, Human Resources and member of executive management 2001–2012.

Anne Gynnerstedt

Born 1957. LL.B.

Senior Vice President, General Counsel and Secretary to the Board of Directors.

Vattenfall employee since January 2012.

General Counsel, Secretary to the Board and member of executive management of SAAB AB 2004–2012. General Counsel and member of executive management of the Swedish National Debt Office 2002–2004. Corporate Legal Counsel, SAS 1990–2002.

Torbjörn Wahlborg

Born 1962. M.Sc. Eng.

Senior Executive Vice President, Head of Region Nordic.

Senior Executive Vice President of Vattenfall AB.

Vattenfall employee since 1990. Held positions in Vattenfall's Polish operations since 1997, incl. as country manager 2008–2009. Head of Business Group Nordic 2010. Head of Business Division Distribution and Sales 2010–2012.

Persons who left the Executive Group Management:
Anders Dahl (Senior Vice President, Business Division Distribution and Sales) and Peter Smink (Senior Vice President, Business Division Sustainable Energy Projects) are no longer members of the Executive Group Management since the start of 2014.

AGM proposal

Proposed principles for compensation and other terms of employment for senior executives

The Annual General Meeting resolved on 24 April 2013 to adopt the Board's proposed guidelines for compensation of senior executives. The Board proposes that the 2014 Annual General Meeting resolve to adopt the Board's proposal for unchanged guidelines for compensation of senior executives.

The Board's proposed guidelines correspond to the government's guidelines for terms of employment for senior executives of state-owned enterprises, adopted by the government on 20 April 2009 (www.regeringen.se), with the deviation set out below.

In accordance with a resolution by the Annual General Meeting on 24 April 2013, Vattenfall deviates from the definition of senior executive of a subsidiary in such way that instead of using the definition of senior executive set forth in the Swedish Companies Act, senior executives shall be defined based on whether they have significant influence on the Group's earnings. Through application of the International Position Evaluation (IPE) model, executives with positions of IPE 68 and higher shall be considered to be senior.

The Board certifies that the compensation in question is in compliance with the guidelines set by the Annual General Meeting, in the following respects. Before a decision is made on compensation and other terms of employment for a senior executive, written documentation shall be available that shows the company's total cost. The proposal for decision shall be drafted by the Board's remuneration committee and thereafter be put to the Board for a decision. The company's auditors shall perform a review to ensure that the set compensation levels and other terms of employment have not been exceeded and, in accordance with the Companies Act, shall once a year – not later than three weeks before the Annual General Meeting – issue a statement as to whether the adopted guidelines have been adhered to.

The Board's explanation for deviations from the guidelines

The deviation decided on by the owner at the 2013 Annual General Meeting entails use of a generally accepted ranking model instead of the definition of senior executive of a subsidiary in the Swedish Companies Act. The Board is of the opinion that the following, special reasons exist for deviating from the guidelines.

Like other international groups, Vattenfall governs its operations from a commercial perspective and not according to the legal company structure. For commercial and legal reasons, the Vattenfall Group has more than 300 subsidiaries. Through application of the government's guidelines for subsidiaries, a very large number of executives would be considered to be senior, without them having any significant influence on the Group's earnings.

The proposed deviation reflects these circumstances. The criteria used to define what constitutes a senior executive are the individual subsidiary's size, based on sales, the number of employees and number of links in the value chain, as well as the requirements on the individual executive for innovation, knowledge, strategic/visionary role and international responsibility.

The International Position Evaluation (IPE) model is used as support for determining in a systematic manner which positions can be considered to be senior. The Board's conclusion is that, in addition to the fact that the members of the Executive Group Management shall be executives is positions of IPE 68 or higher, they shall also hold leading positions within the Group.

Proposed distribution of profits

The Annual General Meeting has at its disposal retained profits, including the result for the year, totalling SEK 55,454,445,872. The Board of Directors and President propose that the profits be distributed as follows:

To be distributed to the shareholder	SEK 0
To be carried forward	SEK 55,454,445,872

In accordance with the dividend policy adopted by a general meeting of Vattenfall AB, against the background of the year's result, the Board of Directors proposes that no dividend be paid for the financial year, and that the result for the year and the retained profits, together totaling SEK 55,454,445,872, be carried forward.

The Board of Directors' and President's assurance upon signing the Annual Report for 2013

The undersigned certify that the consolidated accounts and the Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Commission, for application within the EU, and generally accepted accounting principles, respectively, and give a true and fair view of the Parent Company's and Group's financial position and earnings, and that the Administration Report for the Parent Company and Group presents a fair overview of the development of the Parent Company's and Group's operations, financial position and earnings and describes significant risks and uncertainties that the companies in the Group. In addition, the undersigned certify that the sustainability report, as defined in the GRI Index on pages 131–135, has been prepared in accordance with the GRI G4 Guidelines, and has been adopted by the Board of Directors.

Stockholm, 17 March 2014

Lars G. Nordström
Chairman of the Board

Carl-Gustaf Angelin	Eli Arnstad	Gunilla Berg	Johnny Bernhardsson	Håkan Buskhe
Ronny Ekwall	Håkan Erixon		Åsa Söderström Jerring	Jenny Lahrin

Øystein Løseth
President and CEO

Risks and risk management

Vattenfall applies conscious and balanced risk-taking in which business transactions are reviewed from both profitability and risk perspectives. In accordance with the Swedish Corporate Governance Code and the Board of Directors' Rules of Procedure, Vattenfall's risk management framework ensures thorough identification of Vattenfall's risks and acceptable exposure. Risks and risk management are part of the financial statements in accordance with IFRS, which can be found on pages 56–120.

Enterprise Risk Management

General overview of Vattenfall's risk exposure		Examples of risks	Examples of risk mitigation
Financial risk	Financial risk (short- to medium-term)	Electricity price risk Fuel price risk Volume risk Credit risk Liquidity risk Interest rate risk Currency risk Price risk in equities	Hedging of electricity and fuel prices Effective management of debt portfolio Analysis and selection of counterparties Risk mandate
Operational risk	Risks in operational assets and infrastructure, and personnel and organisational risks (short- to long-term)	Operational asset risk Security risk Personnel risk Legal risk Tax risk	Maintenance and renewals Optimisation of asset management Insurance High process safety Internal governance and control Succession and competence planning
Strategic risk	Risk for changes in political policies, changes in public opinion, changes in regulations and risk in choice of technology (medium- to long-term)	Political risk Investment risk Sustainability risk	Active business intelligence activities Diversified and sustainable generation portfolio Scenario analyses in the strategic process

The illustration above shows Vattenfall's general risk structure and indicates a relative net exposure/impact on the value of Vattenfall's generation and distribution portfolio after appropriate risk mitigation measures have been taken.

Enterprise Risk Management at Vattenfall

Enterprise Risk Management (ERM) is a continuous process of identifying, assessing, managing and following up risks at all levels of the business at an early stage. ERM enables quantification and comparability of both financial and non-financial risks. This provides support to decision-makers and has led to greater transparency and risk awareness throughout the company. Vattenfall bases its ERM on the risk management standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and coordinates the process with the company's financial reporting. Appropriate risk mitigation measures are then taken based on Vattenfall's risk tolerance, including decisions on whether to avoid, reduce, share or accept a given risk. Selected examples of risks that Vattenfall is exposed to are described below.

Strategic risk

Vattenfall is exposed to a number of different factors that are difficult to influence. To manage strategic risk, Vattenfall relies on scenario analyses and business intelligence activities as well as on risk diversification in the generation and distribution portfolios with respect to markets as well as to sources of energy.

Political risk

Vattenfall conducts active business intelligence and related activities to mitigate political risk. In addition, Vattenfall belongs to various national and international trade organisations in order to promote the company's interests.

Investment risk

Vattenfall is a highly capital-intensive company with an extensive investment programme. The company applies a very thorough project governance process in which risk assessment is an integrated part. Before every investment decision, the risk unit performs an independent review of obligations and transactions. In addition to a strategic investment roadmap, a detailed five-year plan of investment projects is updated yearly to provide the Executive Group Management with guidance in the investment decision process.

Sustainability risk

Sustainability is an integral part of Vattenfall's strategy. In dialogue with the company's stakeholders, Vattenfall has identified a number of prioritised sustainability areas. Within these areas, Vattenfall works continuously with improvements in an effort to gradually reduce its negative impacts and increase its positive impacts on the environment and society, and thereby be a more sustainable company.

Operational risk

In the course of its operations, Vattenfall is exposed to a range of operational risks, such as in plants, infrastructure, personnel and organisation.

Operational asset risk

Vattenfall's largest operational asset risks are associated with the operation of electricity generation and heat production plants. An important part of the continuous risk management work involves a rolling inspection programme, continuous control of plant conditions, and effective maintenance.

Nuclear power safety and dam safety are special focus areas for Vattenfall's Safety and Risk Committee. Vattenfall's Chief Nuclear Safety Officer (CNSO) is responsible for overseeing nuclear power safety at the Group level. Vattenfall's ambition is to be world leading in nuclear power safety by promoting a strong safety culture, by having competent employees and by establishing clear and effective processes.

Risks associated with operational assets concern not only electricity generation but also damage to machinery, such as at Vattenfall's open cast lignite mines, and damage to distribution networks.

Security risks and personnel risks

Vattenfall works with loss prevention and mitigating security measures to protect the Group's assets, IT systems, information, personnel and continuing operations. The Group ensures that assets and information are protected from improprieties and fraud, among other things by adherence to the "four eyes principle", entailing that decisions must be approved by at least two persons unless special exceptions exist.

Vattenfall works with preventive measures and adopts best practices in its health and safety work. Vattenfall's production sites maintain a high level of process safety to ensure the safety of both employees and society in general.

Legal risk

Vattenfall mitigates legal risks by engaging Staff Function Legal Affairs in the ongoing business activities and decision-making processes. Vattenfall's General Counsel regularly reports on ongoing disputes to the Board of Directors.

Tax risk

Tax-related risks is part of the Group's risk management process. The company's policy for tax risks, which has been adopted by the Audit Committee, describes the ethical framework for handling tax issues. Vattenfall's head of taxes reports on the company's tax position on a regular basis and quarterly to the CFO as well as bi-yearly in a compiled report to the Audit Committee. Tax risks are also reported in Enterprise Risk Management.

Financial risk

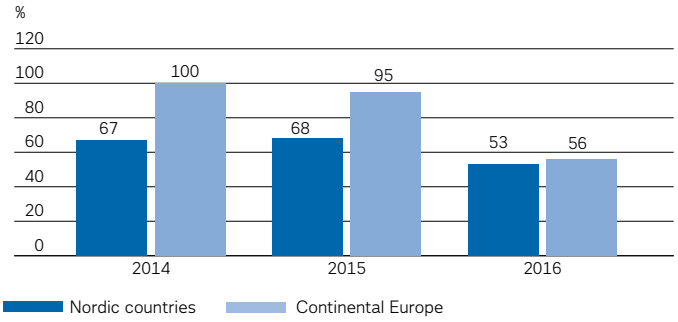
Vattenfall's financial risks arise in both the commodity and financial markets. Vattenfall's Board of directors has given the CEO a risk mandate for the Group, which is delegated onwards to the business units. The maximum loss on a yearly basis for trading in commodities is limited to an amount corresponding to approximately 1.5% of equity. On average, approximately 25%–30% of the permitted exposure is utilised under these limits. In 2013 the decision was made to withdraw the Treasury unit's risk mandate, resulting in lower risk-taking for the company.

Most of Vattenfall's risk exposure in the proprietary trading portfolio is based on market prices (mark-to-market). In cases where market prices cannot be observed, modelled prices are used (mark-to-model). Mark-to-model positions arise mainly in plant- and sales-related portfolios, see Note 47 to the consolidated accounts. Management of such valuation models is strictly regulated, and approval is required from the risk organisation before they may be used.

Electricity price risk

Electricity prices are affected by fundamental factors such as supply, demand, fuel prices and the price of CO_2 emission allowances. Vattenfall hedges its electricity generation and electricity sales through the use of physical and financial forward contracts and long-term customer contracts. The long-term customer contracts pertain to time horizons in which there is no possibility to hedge prices in the liquid part of the futures market and stretch as far as to 2024. The total hedged volume for the period 2017–2024 is 57 TWh, where most is hedged in the beginning of the period, with falling volumes over time. Vattenfall's risk committee decides how much of future electricity generation is to be hedged within the mandates issued by the Board of Directors. To measure electricity price risk, Vattenfall uses methods such as Value at Risk (VaR) and Gross Margin at Risk along with various stress tests.

Hedge ratios for planned electricity generation as per 31 December 2013



Average price hedges as per 31 December 2013

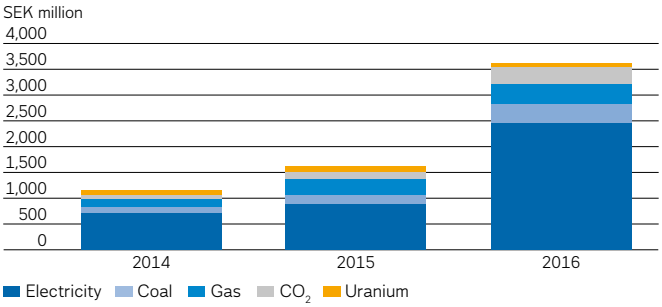
EUR/MWh	2014	2015	2016
Nordic countries	40	39	37
Continental Europe	50	44	40

The 2012 Annual Report reported hedge ratios and average prices for the years 2013, 2014 and 2015 as follows: Nordic countries: 2013: 75%, price EUR 45/MWh, 2014: 51%, price EUR 42/MWh, 2015: 50%, price EUR 41/MWh. For Continental Europe, the following figures were reported: 2013: 100%, price EUR 55/MWh; 2014: 77%, price EUR 52/MWh; and 2015: 44%, price EUR 50/MWh.

Fuel price risk

Fuel price risk is minimised through analysis of the various commodity markets and diversification of contracts with respect to price model and terms. Regarding hard coal-fired and gas-fired electricity generation, hedges on electricity and fuel prices are coordinated to ensure a set fuel cost and thus the gross margin on the electricity generation. For lignite-fired plants, there is no fuel price risk, since Vattenfall owns the lignite mines. The price risk for uranium is limited, since uranium accounts for a relatively small proportion of the total cost of nuclear power generation.

Sensitivity analysis, impact of price movements (+/-10%) on operating profit



Market-quoted risks

	Impact of +/–10% price on operating profit before tax, SEK million[1]			Observed yearly volatility[2], %
	2014	2015	2016	
Electricity	+/- 711	+/- 890	+/- 2,443	10% - 12%
Coal	-/+ 103	-/+ 160	-/+ 369	9% - 10%
Gas	-/+ 166	-/+ 316	-/+ 394	6% - 7%
CO_2	-/+ 80	-/+ 136	-/+ 328	85% - 87%
Uranium	-/+ 95	-/+120	-/+80	

1) The denotation +/– entails that a higher price affects operating profit favourably, and –/+ vice versa

2)) Observed yearly volatility in 2013 for daily price movements for each commodity, based on forward contracts for the period 2014–2016. Volatility normally declines the further ahead in time the contract pertains to.

The sensitivity analysis shows the impact that variations in market prices can have on Vattenfall's operating profit. The exposure of Vattenfall's hedges for electricity and fuel prices is monitored daily. The effect of price movements increases as the share of exposure that is not hedged increases. The exposure for the nextcoming year is hedged to a higher degree than the exposure that is expected three years ahead.

Fundamentally, Vattenfall is a net seller of electricity (long position) and net buyer of commodities (short position), which means that an increase in electricity prices would have a positive effect on Vattenfall's operating profit. Conversely, an increase in commodity prices would have a negative effect on operating profit. This analysis is based on the assumption that risks are independent of each other and are based on 252 trading days in a year. Prices and positions are stated as per 31 December 2013. For example, a movement of +10% in the price of electricity would have an impact on profit of SEK +711 million for 2014. Observed yearly volatilities for 2013 are shown in the far-right column.

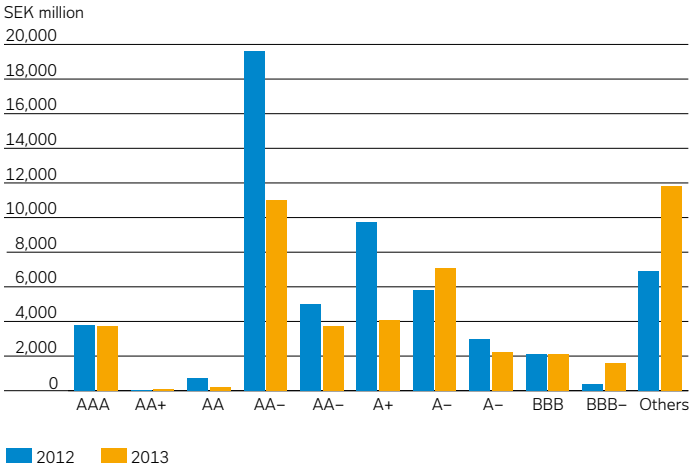
Volume risk

In hydro power generation, volume risk is managed by analysing and forecasting such factors as precipitation and snowmelt. Volume risk also arises in the sales activities as deviations in anticipated versus actual volumes delivered to customers.

Credit risk

Credit risks arise in Vattenfall's commodity trading, sales, treasury operations and investments. Vattenfall's credit risk management involves analyses of the company's counterparties, reporting of credit risk exposure and proposals for risk mitigation measures (such as by obtaining collateral). Credit exposure per rating class is shown in the chart below.

Credit exposure per rating class



The chart shows exposures to Vattenfall's counterparties where the exposure is greater than SEK 50 million per counterparty, broken down per rating classification according to Standard & Poor's rating scale. Counterparties with an exposure greater than SEK 10 million must be reviewed by Vattenfall's credit risk department. Smaller exposures are considered to have such a large diversification effect that the net risk for Vattenfall is judged to be low. Other financial assets (that are neither past-due nor impaired) are considered to have good creditworthiness. These items pertain mainly to counterparties covered by policy and limit exceptions, mainly pertaining to long-term sales contracts and exceptions pertaining to contracts in force that Vattenfall has taken over in connection with acquisitions. Procurement, heating and sales exposures in the Netherlands are not included.

Liquidity risk

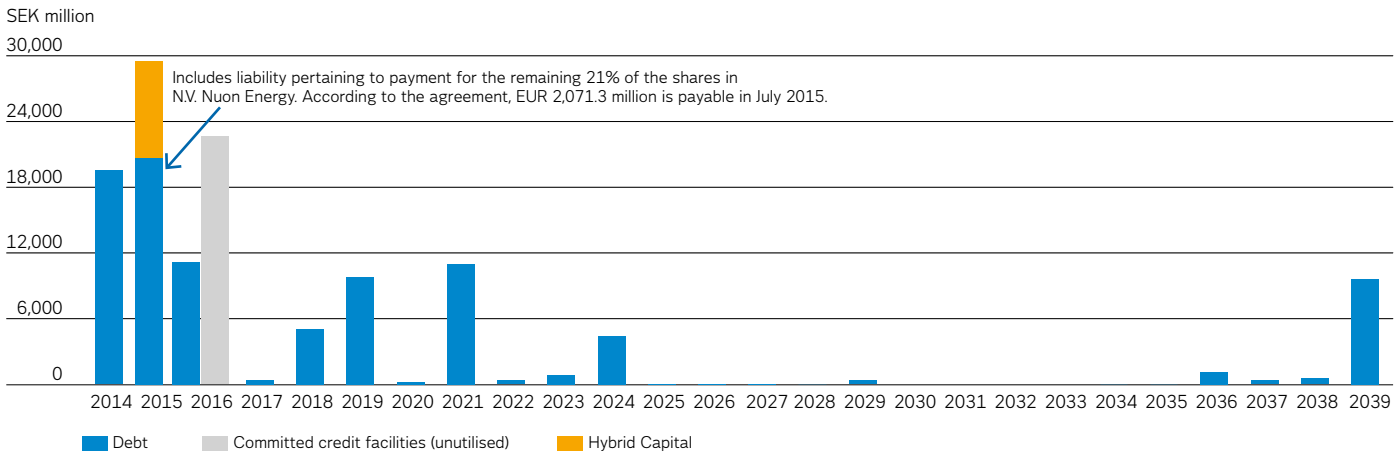
Liquidity risk refers to the risk of not being able to pursue the price hedging strategy due to insufficient liquidity in the electricity and fuel markets, for example. This risk is managed through, among other things, so-called proxy hedging and by securing an optimal number of trading counterparties.

Liquidity risk also pertains to the risk of Vattenfall not being able to finance its capital needs. Liquidity risk is mitigated by having several types of debt issuance programmes and credit facilities (see the table borrowing programmes and credit facilities, page 54), which ensure access to capital and flexibility. The maturity profile for Vattenfall's debt portfolio is shown in the chart below.

The Group has a defined target for its short-term accessibility to capital. The goal is that funds corresponding to no less than 10% of the Group's sales, or the equivalent of the next 90 days' maturities, shall be available. As per 31 December 2013, available liquid assets and/or committed credit facilities amounted to 24% of net sales.

Vattenfall is committed to maintaining financial stability and has the ambition to maintain a Single A rating from both Moody's and Standard & Poor's.

Maturity profile for Vattenfall's loans as per 31 December 2013



Borrowing programmes and committed credit facilities

	Currency	Maximum aggregated amount		Maturity		Used portion, %		Reported external liability	
SEK million		2013	2012	2013	2012	2013	2012	2013	2012
Borrowing programmes									
Commercial paper	SEK	15,000	-15,000	–		20	—	2,994	–
Euro Commercial Paper	EUR	2,000	-2,000	–		8	—	1,470	–
Euro Medium Term Note	EUR	15,000	-15,000	–		52	-66	71,493	-92,230
Committed credit facilities									
Revolving Credit Facility[1]	EUR	2,550	-2,550	2016	2016	–		–	–
Multi Option Credit Facility[2]	EUR	–	-1,300	–	2013	–	-8	–	–

1) Back-up facility for short-term borrowing.
2) This facility was renegotiated to EUR 1,000 in October 2013 and is no longer classified as committed credit facility.

Maturity structure for the debt portfolio excluding loans from minority owners and associated companies, which amounted to SEK 21,938 million for 2013 (21,183). Further information about the maturity structure of loans is provided in Note 40.

Interest rate risk

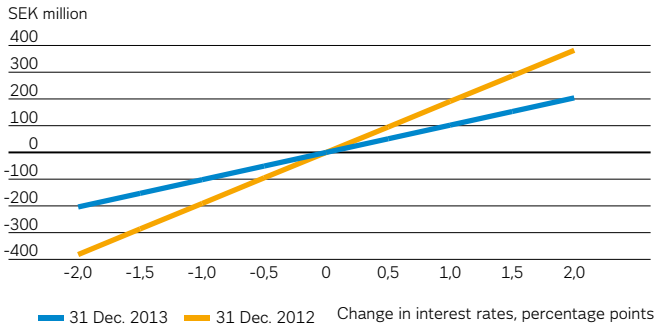
Vattenfall quantifies interest rate risk in its debt portfolio in terms of duration, which describes the average term of fixed interest. The norm duration is based on the company's current financing need and desired interest rate sensitivity in net interest income/expense. Duration is to have a norm of three years with a permissible variation of +/– one year. The target duration was changed in 2013 compared with 2012 from four to three years as a result of a changed confidence in the market and Vattenfall's borrowing situation. The duration of the Group's debt portfolio at year-end was 2.9 years including Hybrid Capital (2012: 3.3). See the table below for the remaining fixed rate term in Vattenfall's debt portfolio.

Remaining fixed rate term in debt portfolio

	Debt		Derivative		Total	
SEK million	2013	2012	2013	2012	2013	2012
< 3 months	7,362	12,201	42,120	46,870	49,482	59,072
3 months–1 year	17,219	19,283	-26,526	-31,625	-9,307	-12,342
1–5 years	45,463	53,864	5,198	1,709	50,661	55,573
> 5 years	39,298	44,010	-22,111	-20,094	17,187	23,916
Total	109,342	129,359	-1,319	-3,140	108,023	126,219

The portfolio includes loans and interest rate derivatives in order to steer the duration of borrowing. Negative amounts are explained by the use of derivatives, such as interest rate swaps and interest rate forwards. The sum of derivatives is not equal to zero due to currency effects. Figures are exclusive of loans from minority owners and associated companies, totalling SEK 21,938 million (21,183). The average financing rate as per 31 December 2013 was 3.52% (3.41%). All figures in nominal amounts.

Interest rate sensitivity



The chart shows how changes in interest rates affect the Group's interest income and expenses during a 12-month period given the Group's current structure of fixed rate borrowing. Including derivatives and Hybrid Capital, but excluding loans from minority owners and associated companies. All figures in nominal amounts.

Currency risk

Vattenfall is exposed to currency risk through exchange rate movements attributable to future cash flows (transaction exposure) and in the revaluation of net assets in foreign subsidiaries (translation or balance sheet exposure).

Vattenfall's debt portfolio per currency is shown in the table below. Currency exposure in borrowing is limited using currency interest rate swaps. Vattenfall strives for an even maturity structure for derivatives. Derivative assets and derivative liabilities are reported in Note 30 to the consolidated accounts.

Vattenfall has limited transaction exposure, since most generation, distribution and sales of electricity take place in the respective local markets. Sensitivity to currency movements is thus also relatively low. All transaction exposure that exceeds a nominal value equivalent to SEK 10 million is to be hedged immediately when it arises.

The goal for hedging translation exposure is to, over time, match the currency composition in the debt portfolio with the currency composition of the Group's funds from operations (FFO). Vattenfall's largest exposure is in EUR (SEK 124,266 million). Of this amount, 53% was hedged at year-end. For further information, see Note 49 to the consolidated accounts.

With respect to currency movements, a 5% change in exchange rates, for example, would affect the Group's equity by approximately SEK 3.6 billion (5.2), where a strengthening of the currencies shown in the table in Note 49 to the consolidated accounts would result in a positive change in equity.

Debt portfolio, breakdown per currency, SEK million

	Debt		Derivative		Total	
Original currency	2013	2012	2013	2012	2013	2012
CHF	1,443	4,088	-1,443	-4,088	–	–
EUR	82,867	97,189	14,893	16,561	97,759	113,750
GBP	14,349	14,200	-10,626	-10,516	3,723	3684
JPY	2,945	3,709	-2,945	-3,709	–	–
NOK	2,410	2,657	-2,410.0	-2,657	–	–
PLN	–	33	–	–	–	33
SEK	5,328	7,483	1,212	1,269	6,540	8,751
Summa	109,342	129,359	-1,319	-3,140	108,023	126,219

The table shows the currency risk in the debt portfolio and the currencies that Vattenfall is exposed to. The debt, and thus the currency risk, decreased in 2013 compared with 2012. Figures above are exclusive of loans from minority owners and associated companies, totalling SEK 21,938 million. All figures in nominal amounts.

Consolidated operating income and expenses per currency, %

	Income		Expenses	
Currency	2013	2012	2013	2012
EUR	67	66	74	70
SEK	27	27	14	16
GBP	3	2	2	2
DKK	3	1	3	1
Other	-	4	6	11
Total	100	100	100	100

The values are calculated based on a statistical compilation of external operating income and expenses. Changes in inventories and investments are not included in the compilation.

Price risk in equities

Vattenfall is also exposed to a certain level of price risk in equities. This exposure is shown in Note 25 to the consolidated accounts and pertains mainly to Vattenfall's shareholding in the Polish energy company Enea S.A. Vattenfall's shareholding in Enea was sold in January 2014.

Consolidated income statement

Amounts in SEK million, 1 January–31 December	Note	2013	2012[1]
Net sales	7, 8, 9	171,684	167,313
Cost of products sold[2]	10	-158,693	-131,698
Gross profit		**12,991**	**35,615**
Other operating income	11	2,230	10,755
Selling expenses		-6,470	-6,376
Administrative expenses		-14,195	-11,246
Research and development costs		-846	-879
Other operating expenses	12	-947	-2,047
Participations in the results of associated companies	8, 27, 56	784	136
Operating profit (EBIT)[3]	8, 9, 13, 14, 15, 21, 22	**-6,453**	**25,958**
Financial income[4, 6]	16	1,196	2,636
Financial expenses[5, 6]	17	-9,954	-10,476
Profit before tax		**-15,211**	**18,118**
Income tax expense	19	1,668	-1,071
Profit for the year		**-13,543**	**17,047**
Profit for the year attributable to:			
Owners of the Parent Company		-13,668	16,759
Non-controlling interests	20	125	288
Total		**-13,543**	**17,047**
Earnings per share			
Number of shares in Vattenfall AB, thousands		131,700	131,700
Earnings per share, basic and diluted, SEK		-103.78	127.25
Dividend, SEK million		– [7]	6,774
Dividend per share, SEK		– [7]	51.44
Supplementary information			
Operating profit before depreciation and amortisation (EBITDA)		43,319[8]	54,271
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund		-6,239	-6,190
Underlying operating profit		27,900	27,530
1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 2 to the consolidated accounts, Important changes in the financial statements compared with the preceding year.			
2) Of which, depreciation, amortisation and impairment losses pertaining to intangible assets (non-current) and property, plant and equipment		-48,342	-27,712
3) Of which, depreciation, amortisation and impairment losses pertaining to non-current assets		-49,772[8]	-28,313
3) Including items affecting comparability attributable to:			
Capital gains/losses, net		56	8,010
Impairment losses and reversed impairment losses, net, pertaining to non-current assets		-30,147	-8,648
Unrealised changes in the fair value of energy derivatives		-995	729
Unrealised changes in the fair value of inventories		281	-395
Restructuring costs		-1,568	-824
Other items affecting comparability		-1,980	-444
Total items affecting comparability in operating profit which also constitute the difference between operating profit and the underlying operating profit		**-34,353**	**-1,572**
4) Including return from the Swedish Nuclear Waste Fund		363	1,430
5) Including interest components related to pension costs		-1,170	-1,021
5) Including discounting effects attributable to provisions		-2,882	-3,080
6) Items affecting comparability recognised as financial income and expenses, net		-469	-1,090
7) Proposed dividend			
8) EBITDA and total impairment losses have been adjusted compared with the amount presented in Vattenfalls 2013 Year-End Report.			

Comments on the consolidated income statement

Sales
Consolidated net sales in 2013 increased by SEK 4.4 billion compared with 2012. The increase is mainly attributable to higher electricity generation and higher average prices achieved.

Underlying operating profit
The underlying operating profit for 2013 improved by SEK 0.4 billion, which is mainly explained by the following:

- Higher average electricity prices achieved (SEK 1.3 billion)
- Higher generation volumes (SEK 1.5 billion)
- Higher heat prices achieved and higher heat production (SEK 0.6 billion)
- Higher costs for purchases of CO_2 emission allowances and fuel (SEK -5.4 billion)
- Lower operating expenses (SEK 1.1 billion, net). Excluding growth projects, the cost savings amounted to SEK 3.2 billion, mainly owing to lower costs for operations and maintenance, and lower costs for sales and administration
- Other items (SEK 1.3 billion, net), mainly as a result of improved earnings from associated companies, improved earnings from the Trading operations and higher earnings from sales of electricity to end customers. Higher taxes on hydro power assets had a negative effect.

Amounts in SEK million	2013	2012
Operating profit (EBIT)	-6,453	25,958
Items affecting comparability	-34,353	-1,572
Underlying operating profit	**27,900**	**27,530**

Items affecting comparability that affected operating profit

Amounts in SEK million	2013	2012
Capital gains	189	8,399
Capital losses	-133	-389
Impairment losses	-30,147	-8,648
Unrealised changes in the fair value of energy derivatives	-995	729
Unrealised changes in the fair value of inventories	281	-395
Restructuring costs	-1,568	-824
Other items affecting comparability	-1,980	-444
Total	**-34,353**	**-1,572**

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

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

Operating segments
The underlying operating profit for the Generation operating segment amounted to SEK 22.0 billion. This is an improvement of SEK 1.6 billion compared with 2012 and is mainly attributable to higher electricity generation and higher operating expenses. For the Distribution and Sales operating segment, the underlying operating profit amounted to SEK 8.7 billion. This is an improvement of SEK 0.8 billion compared with 2012 and is mainly attributable to lower operating expenses. For further information on the Group's operating segments, see pages 75–76.

Costs for CO_2 emission allowances
Costs for CO_2 emission allowances for own use amounted to SEK 6.0 billion in 2013 compared with SEK 4.0 billion in 2012.

Financial items
Financial items amounted to SEK -8.8 billion, a deterioration by SEK 0.9 billion compared with 2012. This is mainly attributable to changes in the fair value of financial derivatives and a lower return from the Swedish Nuclear Waste Fund.

Taxes
The Group reported a tax income of SEK 1.7 billion in 2013. This is mainly attributable to a positive one-time effect of SEK 5.3 billion through deferred taxes as an effect of the impairment losses recognised during the second quarter of 2013. The effective tax rate for 2013 was 11.0% (5.9%). Excluding the effects of the impairment losses, the effective tax rate was 24.4%.

The low effective tax rate of 5.9% for 2012 is mainly attributable to the reduced corporate tax rate in Sweden, from 26.3% to 22%, effective 1 January 2013, which led to a revaluation of deferred tax liabilities, with a positive one-time effect of SEK 3.5 billion. Excluding the revaluation, the effective tax rate was 25.3%. For further information, see page 79.

Consolidated statement of comprehensive income

Amounts in SEK million, 1 January–31 December	2013	2012[1]
Profit for the year	**-13,543**	**17,047**
Other comprehensive income:		
Items that will be reclassified to profit or loss when specific conditions are met:		
Cash flow hedges:		
Changes in fair value	12,510	7,025
Dissolved against the income statement	-9,920	-2,476
Transferred to cost of hedged item	-7	70
Tax attributable to cash flow hedges	-736	-1,381
Total cash flow hedges	**1,847**	**3,238**
Hedging of net investments in foreign operations	-2,717	4,035
Tax attributable to hedging of net investments in foreign operations	598	-1,049
Total hedging of net investments in foreign operations	**-2,119**	**2,986**
Translation differences	4,165	-7,242
Translation differences and exchange rate effects, net, divested companies	–	79
Remeasurement of available-for-sale financial assets	182	30
Impairment of available-for-sale financial assets	-30	–
Total	**4,045**	**-909**
Items that will not be reclassified to profit or loss:		
Remeasurement pertaining to defined benefit obligations	-1,200	-3,759
Tax attributable to remeasurement pertaining to defined benefit obligations	469	1,230
Total	**-731**	**-2,529**
Total other comprehensive income, net after tax	**3,314**	**-3,438**
Total comprehensive income for the year	**-10,229**	**13,609**
Total comprehensive income for the year attributable to:		
Owner of the Parent Company	-10,722	13,591
Non-controlling interests	493	18
Total	**-10,229**	**13,609**

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 2 to the consolidated accounts, Important changes in the financial statements compared with the preceding year.

Consolidated balance sheet

Amounts in SEK million	Note	31 December 2013	31 December 2012[1]	1 January 2012
Assets	8			
Non-current assets				
Intangible assets: non-current	9, 23	31,285	39,045	46,229
Property, plant and equipment	9, 24	269,160	279,284	279,445
Investment property	9, 25	479	489	539
Biological assets		20	11	8
Participations in associated companies and joint ventures	27	12,076	11,620	12,344
Other shares and participations	28	2,699	2,980	3,235
Share in the Swedish Nuclear Waste Fund	29	30,600	29,954	28,430
Derivative assets	30, 47	16,239	23,756	20,691
Current tax assets, non-current	19	627	807	990
Prepaid expenses		117	168	188
Deferred tax assets	19	5,977	1,018	1,303
Other non-current receivables	31	6,587	5,249	5,732
Total non-current assets		**375,866**	**394,381**	**399,134**
Current assets				
Inventories	32	18,448	19,463	18,564
Biological assets		5	3	1
Intangible assets: current	33	7,531	6,083	5,627
Trade receivables and other receivables	34	32,042	34,409	41,880
Advance payments paid	35	2,710	5,396	6,368
Derivative assets	30, 47	10,967	12,498	9,408
Prepaid expenses and accrued income	36	6,264	7,806	6,450
Current tax assets	19	525	1,830	1,853
Short-term investments	37	11,460	28,450	17,417
Cash and cash equivalents	38	15,794	18,045	11,268
Assets held for sale	39	4,814	–	6,588
Total current assets		**110,560**	**133,983**	**125,424**
Total assets		**486,426**	**528,364**	**524,558**
Equity and liabilities				
Equity attributable to owners of the Parent Company				
Share capital		6,585	6,585	6,585
Reserve for cash flow hedges		5,315	3,478	245
Other reserves		-10,288	-12,141	-8,203
Retained earnings incl. profit for the year		118,758	142,842	130,337
Total equity attributable to owners of the Parent Company		**120,370**	**140,764**	**128,964**
Equity attributable to non-controlling interests		**10,348**	**8,608**	**6,827**
Total equity		**130,718**	**149,372**	**135,791**
Non-current liabilities				
Hybrid Capital	40	8,835	8,543	8,883
Other interest-bearing liabilities	40	98,004	112,524	149,602
Pension provisions	41	35,477	30,584	22,904
Other interest-bearing provisions	42	69,282	67,640	65,632
Derivative liabilities	30, 47	9,734	15,193	12,590
Deferred tax liabilities	19	31,285	32,537	34,510
Other noninterest-bearing liabilities	43	6,000	7,534	8,238
Total non-current liabilities		**258,617**	**274,555**	**302,359**
Current liabilities				
Trade payables and other liabilities	44	31,908	35,219	35,108
Advance payments received	45	3,289	2,138	1,142
Derivative liabilities	30, 47	4,280	5,612	9,864
Accrued expenses and deferred income	46	20,382	15,812	18,489
Current tax liabilities	19	1,435	854	844
Interest-bearing liabilities	40	27,456	39,194	11,865
Interest-bearing provisions	42	5,429	5,608	7,237
Liabilities associated with assets held for sale	39	2,912	–	1,859
Total current liabilities		**97,091**	**104,437**	**86,408**
Total equity and liabilities		**486,426**	**528,364**	**524,558**

See also information on Collateral (Note 50), Contingent liabilities (Note 51) and Commitments under consortium agreements (Note 52).

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 2 to the consolidated accounts, Important changes in the financial statements compared with the preceding year.

Comments on the consolidated balance sheet

Capital employed

Amounts in SEK million	31 Dec. 2013	31 Dec. 2012
Capital employed	297,178	308,823[1]
Average capital employed	303,000[1]	313,124[1]

1) The amount has been adjusted compared with the amount presented in Vattenfall's 2013 Year-End Report.

Non-current assets

Non-current assets decreased by SEK 18.5 billion compared with 31 December 2012. This is mainly attributable to the impairment losses that were recognised in the half-year book-closing in 2013. For further information, see Note 14 to the consolidated accounts, pages 77–78.

Current assets

Current assets decreased by 17.4%, or SEK 23.4 billion, mainly due to a decrease in cash and cash equivalents, and similar assets, and a decrease in short-term investments.

Financial assets as per 31 December 2013

Amounts in SEK million	2013	2012
Cash and cash equivalents, and short-term investments	27,254	46,495
Receivable from Vattenfall's Swedish pension foundation	–	1,807
Committed credit facilities (unutilised)	22,591	31,172

The decrease in cash and cash equivalents, and short-term investments, is mainly attributable to amortisation of external loans, payment of the dividend, and payment for an additional 12% of the shares in N.V. Nuon Energy.

As per 31 December 2013, available liquid assets and/or committed credit facilities amounted to 24% of net sales. Vattenfall's target is to have no less than 10% of the Group's net sales, but at least the equivalent of the next 90 days' maturities, in the form of liquid assets or committed credit facilities.

Current and non-current liabilities

Total interest-bearing liabilities decreased by SEK 26 billion, to SEK 134.3 billion compared with 31 December 2012. The decrease is mainly attributable to amortisation of external loans and payment of the debt to owners of non-controlling interests in N.V. Nuon Energy. Net debt compared with 31 December 2012 decreased by SEK 5 billion.

Net debt as per 31 December 2013

Amounts in SEK million	2013	2012
Hybrid Capital	-8,835	-8,543
Bond issues, commercial paper and liabilities to credit institutions	-78,109	-94,254
Present value of liabilities pertaining to acquisitions of Group companies	-17,892	-27,080
Liabilities to associated companies	-9,513	–9,308
Liabilities to owners of non-controlling interests nde	-12,425	-11,876
Other liabilities	-7,521	-9,200
Total interest-bearing liabilities	**-134,295**	**-160,261**
Cash and cash equivalents	15,794	28,045
Short-term investments	11,460	28,450
Receivable from Vattenfall's Pension Foundation	–	1,807
Loans to owners of non-controlling interests in foreign Group companies	129	52
Net debt	**-106,912**	**-111,907**

When setting a company's credit rating, as a rule the credit rating agencies and analysts make a number of adjustments of various items on the balance sheet in order to arrive at an adjusted level of gross and net debt. Vattenfall's calculations of adjusted gross and net debt are shown in the table below.

Adjusted net debt increased by SEK 8.3 billion to SEK 162.6 billion compared with 31 December 2012, mainly owing to higher pension obligations, higher provisions for nuclear power, lower margin calls received, and reclassification from equity to interest-bearing liabilities as a result of the referendum held in Hamburg regarding the city's repurchase of the energy grids (see page 9).

Adjusted gross debt and net debt as per 31 December 2013

Amounts in SEK million	2013	2012
Total interest-bearing liabilities	-134,295	-160,261
50% of Hybrid Capital	4,418	4,272
Present value of pension obligations	-35,477	-30,584
Provisions for mining, gas and wind operations and other environment-related provisions	-11,760	-12,229
Provisions for nuclear power (net)	-20,247	-18,463
Currency derivatives for hedging of debt in foreign currency	1,212	3,027
Margin calls received	2,176	7,170
Liabilities to owners of non-controlling interests (minority owners) due to consortium agreements	10,866	10,495
Adjusted gross debt	**-183,107**	**-196,573**
Reported cash and cash equivalents, and short-term investments	27,254	46,495
Receivable from Vattenfall's Pension Foundation	–	1,807
Unavailable liquidity	-6,744[1]	-6,064
Adjusted cash and cash equivalents, and short-term investments	**20,510**	**-42,238**
Adjusted net debt	**-162,597**	**-154,335**

1) Includes Vattenfall GmbH's share of the solidarity agreement ("Solidarvereinbarung") between the German nuclear power plant owners (SEK 3 billion), paid margin calls (SEK 1.7 billion) and other items (SEK 2.0 billion).

Equity

The Group's equity decreased by SEK 18.7 billion. The decrease is attributable to the drop in profit for the year, which is mainly attributable to the impairment losses in 2013 (SEK 24.8 billion after tax), higher restructuring costs and higher provisions.

Consolidated statement of cash flows

Amounts in SEK million, 1 January–31 December	Note	2013	2012
Operating activities			
Profit before tax		-15,211	18,118[1]
Reversal of depreciation, amortisation and impairment losses		50,264[2]	28,624
Tax paid		-4,090	-3,545
Capital gains/losses, net		-79	-8,031
Other, incl. non-cash items	48	1,004[2]	-747[1]
Funds from operations (FFO)		**31,888**	**34,419**
Changes in inventories		1,361	-1,657
Changes in operating receivables		-3,966	-6,348
Changes in operating liabilities		5,145	2,505
Other changes		3,408	-434
Cash flow from changes in operating assets and operating liabilities		**5,948**	**-5,934**
Cash flow from operating activities		**37,836**	**28,485**
Investing activities			
Acquisitions in Group companies	5	-41	–
Investments in associated companies and other shares and participations	5	15	-345
Other investments in non-current assets	48	-27,735	-29,236
Total investments		**-27,761**	**-29,581**
Divestments	48	651	22,836
Cash and cash equivalents in divested companies		-16	-145
Cash flow from investing activities		**-27,126**	**-6,890**
Cash flow before financing activities		**10,710**	**21,595**
Financing activities			
Changes in short-term investments		17,948	-11,830
Changes in loans to owners of non-controlling interests in foreign Group companies		-75	510
Loans raised[3]		7,449	1,427
Amortisation of debt pertaining to acquisitions of Group companies		-10,257	-2,738
Amortisation of other debt interests		-27,362	-5,265
Divestments of shares in Group companies to owners of non-conrtrolling interests		–	4,113
Payment from Vattenfall's pension foundation		2,911	2,800
Settlement of receivable from Vattenfall's pension foundation		1,807	–
Dividends paid to owners		-6,840	-4,500
Contribution from owners of non-controlling interests		1,275	737
Cash flow from financing activities		**-13,144**	**-14,746**
Cash flow for the year		**-2,434**	**6,849**
Cash and cash equivalents			
Cash and cash equivalents at start of year		18,045	11,268
Cash and cash equivalents included in assets held for sale		-1	–
Cash flow for the year		-2,434	6,849
Translation differences		184	-72
Cash and cash equivalents at end of year		**15,794**	**18,045**

1) The amount for 2012 has been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 2 to the consolidated accounts, Important changes in the financial statements compared with the preceding year.
2) The amount has been adjusted compared with the amount presented in Vattenfall's 2013 Year-End Report.
3) Short-term borrowings in which the duration is three months or shorter are reported net.

Supplementary information

Amounts in SEK million, 1 January–31 December	Note	2013	2012
Cash flow before financing activities		**10,710**	**21,595**
Financing activities			
Dividends paid to owners		-6,840	-4,500
Payment from Vattenfall's pension foundation		2,911	2,800
Divestment of shares in Group companies to owners of non-controlling interests		–	4,113
Contribution from owners of non-controlling interests		1,275	737
Cash flow after dividend		**8,056**	**24,745**
Analysis of change in net debt			
Net debt at start of year		-111,907	-141,089
Cash flow after dividends		8,056	24,745
Changes as a result of valuation at fair value		2,126	316
Change in interest-bearing liabilities for leasing		36	-621
Interest-bearing liabilities/short-term investments acquired/divested		–	344
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects		-408	-520
Cash and cash equivalents included in assets held for sale		-1	–
Receivable from Vattenfall's pension foundation		–	1,807
Interest-bearing liabilitiy for future dividend		–	-984
Interest-bearing liabilities associated with assets held for sale		–	-344
Transfer to liabilities due to changed shareholders' rights		-3,387	–
Translation differences on net debt		-1,427	4,439
Net debt at end of year		**-106,912**	**-111,907**
Free cash flow (Cash flow from operating activities less maintenance investments)		23,571	12,619

Comments on the consolidated statement of cash flows

Funds from operations (FFO)
Funds from operations decreased by SEK 2.5 billion. This is mainly attributable to higher costs for CO_2 emission allowances and fuel, and higher paid tax.

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

Cash flow from investing activities
Cash flow from investing activities amounted to SEK -27.1 billion. Total investments during the year amounted to SEK 27.8 billion. In 2012, divestments of assets led to cash flow of SEK 22.8 billion.

Amounts in SEK million	2013	2012
Maintenance/replacement investments	14,266	15,866
Growth investments[1]	13,496	13,715
– of which, shares	-26	345
Total investments	**27,761**	**29,581**

Divestments

Amounts in SEK million	2013	2012
Divestments	651	22,836
– of which, shares	271	20,969

[1] Investments in new capacity.

Cash flow from financing activities
Cash flow from financing activities amounted to SEK -13.1 billion (-14.7). Repayment of loans amounted to SEK 27.4 billion. Acquisition of an additional 12% of the shares in the subsidiary N.V. Nuon Energy amounted to SEK 10.3 billion.

Specification of investments

Amounts in SEK million	2013	2012
Electricity generation		
Hydro power	1,300	1,245
Nuclear power	2,993	3,011
Coal power	4,367	4,511
Gas	1,622	4,977
Wind power	4,095	2,716
Biomass, waste	14	16
Other	1,280	1,170
Total electricity generation	**15,671**	**17,646**
CHP/heat		
Fossil-based power	1,699	2,264
Biomass, waste	377	334
Other	1,022	1,003
Total CHP/heat	**3,098**	**3,601**
Electricity networks		
Electricity networks	4,571	4,658
Total electricity networks	**4,571**	**4,658**
Purchases of shares	50	345
Other, excl. purchases of shares	4,371	3,331
Total	**27,761**	**29,581**

Consolidated statement of changes in equity

Amounts in SEK million	Attributable to equity owner of the Parent Company						Attributable to non-controlling interests	Total equity
	Share capital	Reserve for hedges	Translation reserve	Fair value reserve	Retained earnings	Total		
Balance carried forward 2012	**6,585**	**245**	**-8,203**	**–**	**133,361**	**131,988**	**6,943**	**138,931**
Transitional effect of adoption of new accounting rules (IAS 19)	–	–	–	–	-3,024	**-3,024**	-116	**-3,140**
Dividends paid to owners	–	–	–	–	-4,433	**-4,433**	-67	**-4,500**
Group contributions from owners of non-controlling interests, net after tax	–	–	–	–	–	**–**	532	**532**
Changes in ownership in Group companies on divestment of shares to owners of non-controlling interests	–	–	–	–	2,642	**2,642**	572	**3,214**
Other changes in ownership	–	–	–	–	–	**–**	726	**726**
Cash flow hedges:								
Changes in fair value	–	7,031	–	–	–	**7,031**	-6	**7,025**
Dissolved against income statement	–	-2,478	–	–	–	**-2,478**	2	**-2,476**
Transferred to cost of hedged item	–	58	–	–	–	**58**	12	**70**
Tax attributable to cash flow hedges	–	-1,378	–	–	–	**-1,378**	-3	**-1,381**
Total cash flow hedges	**–**	**3,233**	**–**	**–**	**–**	**3,233**	**5**	**3,238**
Hedging of net investments in foreign operations	–	–	4,035	–	–	**4,035**	–	**4,035**
Tax attributable to hedging of net investments in foreign operations	–	–	-1,049	–	–	**-1,049**	–	**-1,049**
Total hedging of net investments in foreign operations	**–**	**–**	**2,986**	**–**	**–**	**2,986**	**–**	**2 986**
Translation differences	–	–	-7,033	–	–	**-7,033**	-209	**-7,242**
Translation differences and exchange rate effects net, divested companies	–	–	79	–	–	**79**	–	**79**
Remeasurement of available-for-sale financial assets	–	–	–	30	–	**30**	–	**30**
Total	**–**	**3,233**	**-3,968**	**30**	**–**	**-705**	**-204**	**-909**
Remeasurement pertaining to defined benefit obligations	–	–	–	–	-3,693	**-3,693**	-66	**-3,759**
Tax attributable to remeasurement pertaining to defined benefit obligations	–	–	–	–	1,230	**1,230**	–	**1,230**
Total	**–**	**–**	**–**	**–**	**-2,463**	**-2,463**	**-66**	**-2,529**
Total other comprehensive income for the year	**–**	**3,233**	**-3,968**	**30**	**-2,463**	**-3,168**	**-270**	**-3,438**
Profit for the year	–	–	–	–	16,759	**16,759**	288	**17,047**
Total comprehensive income for the year	**–**	**3,233**	**-3,968**	**30**	**14,296**	**13,591**	**18**	**13,609**
Balance carried forward 2012[1]	**6,585**	**3,478**	**-12,171**	**30**	**142,842**	**140,764**	**8,608**[2]	**149,372**

Cont. Consolidated statement of changes in equity

Amounts in SEK million	Attributable to equity owner of the Parent Company						Attributable to non-controlling interests	Total equity
	Share capital	Reserve for hedges	Translation reserve	Fair value reserve	Retained earnings	Total		
Balance carried forward 2013	**6,585**	**3,478**	**-12,171**	**30**	**142,842**	**140,764**	**8,608**	**149,372**
Dividends paid to owners	–	–	–	–	-6,774	**-6,774**	-66	**-6,840**
Group contributions from owners of non-controlling interests, net after tax	–	–	–	–	–	**–**	505	**505**
Changes in ownership	–	–	–	–	4	**4**	1,294	**1,298**
Transfer to liabilities due to changed shareholders' rights	–	–	–	–	-2,902	**-2,902**	-486	**-3,388**
Cash flow hedges:								
Changes in fair value	–	12,503	–	–	–	**12,503**	7	**12,510**
Dissolved against income statement	–	-9,922	–	–	–	**-9,922**	2	**-9,920**
Transferred to cost of hedged item	–	-11	–	–	–	**-11**	4	**-7**
Tax attributable to cash flow hedges	–	-733	–	–	–	**-733**	-3	**-736**
Total cash flow hedges	**–**	**1,837**	**–**	**–**	**–**	**1,837**	**10**	**1,847**
Hedging of net investments in foreign operations	–	–	-2,717	–	–	**-2,717**	–	**-2,717**
Tax attributable to hedging of net investments in foreign operations	–	–	598	–	–	**598**	–	**598**
Total hedging of net investments in foreign operations	**–**	**–**	**-2,119**	**–**	**–**	**-2,119**	**–**	**-2,119**
Translation differences	–	–	3,820	–	–	**3,820**	345	**4,165**
Remeasurement of available-for-sale financial assets	–	–	–	182	–	**182**	–	**182**
Impairment of available-for-sale financial assets	–	–	–	-30	–	**-30**	–	**-30**
Total	**–**	**1,837**	**1,701**	**152**	**–**	**3,690**	**355**	**4,045**
Remeasurement pertaining to defined benefit obligations	–	–	–	–	-1,213	**-1,213**	13	**-1,200**
Tax attributable to remeasurement pertaining to defined benefit obligations	–	–	–	–	469	**469**	–	**469**
Total	**–**	**–**	**–**	**–**	**-744**	**-744**	**13**	**-731**
Total other comprehensive income for the year	**–**	**1,837**	**1,701**	**152**	**-744**	**2,946**	**368**	**3,314**
Profit for the year	–	–	–	–	-13,668	**-13,668**	125	**-13,543**
Total comprehensive income for the year	**–**	**1,837**	**1,701**	**152**	**-14,412**	**-10,722**	**493**	**-10,229**
Balance carried forward 2013	**6,585**	**5,315**	**-10,470**	**182**	**118,758**	**120,370**	**10,348**[2]	**130,718**

See also Note 49 to the consolidated accounts, Specifications of equity.

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 2 to the consolidated accounts, Important changes in the financial statements compared with the preceding year.
2) Of which, Reserve for cash flow hedges SEK -39 million (-48).

Notes to the consolidated accounts

Note 1 Company information

The year-end report for Vattenfall AB for 2013 was approved for publication on 3 February 2014 in accordance with a decision by the Board of Directors. The Annual Report was approved in accordance with a decision by the Board of Directors on 17 March 2014.

The Parent Company, Vattenfall AB (publ) with corporate identity number 556036-2138, is a limited liability company with its registered office in Solna, Sweden and with the mailing address SE-169 92 Stockholm, Sweden.

The consolidated balance sheet and income statement included in the Annual Report will be submitted at the Annual General Meeting (AGM) on 28 April 2014.

The main activities of the Group are described in Note 8 to the consolidated accounts, Operating segments.

Note 2 Important changes in the financial statements compared with the preceding year

Recalculation of financial statements for 2012

As described in Note 3 to the consolidated accounts, Accounting policies, new accounting rules apply as of 2013 according to IAS 19 – *Employee Benefits,* with respect to provisions for pensions and other personnel-related provisions. The reported effect of the elimination of the corridor rule and other effects of the amended IAS 19 entail that the Group's financial statements for 2012 have been recalculated. The recalculation effects are reported in Note 41 to the consolidated accounts, Pension provisions.

Change in form of securing Swedish occupational pensions

In late 2012 Vattenfall decided to resume the practice of securing defined benefit occupational pensions in Sweden on the balance sheet under the item "Pension provisions", i.e., in accordance with the practice that applied before Vattenfall's Pension Foundation was established in 1999. A total of approximately SEK 7 billion has gradually been paid out from the foundation to Vattenfall AB and its Swedish subsidiaries. The Vattenfall Pension Foundation was liquidated in October 2013. The change of funding does not affect Vattenfall AB's adjusted net debt. Nor does it affect the company's obligation to pay future pensions to its employees. See also Note 41 to the consolidated accounts, Pension provisions.

In connection with this change of securing, Vattenfall AB has pledged shares in Vattenfall Eldistribution AB to the insurance company PRI Pensionsgaranti as security for the credit insurance that is required to fund the pensions. See Note 50 to the consolidated accounts, Collateral.

Note 3 Accounting policies

Conformity with standards and regulations

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations issued by the IFRS Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU.

In addition, recommendation RFR 1 – *Supplementary Accounting Policies for Groups,* issued by the Swedish Financial Reporting Board (RFR), has been applied. RFR 1 specifies the mandatory additions to the IFRS disclosure requirements in accordance with the Swedish Annual Accounts Act.

Basis of measurement

Assets and liabilities are reported at cost or amortised cost, with the exception of certain financial assets and liabilities and inventories held for trading, which are measured at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities measured at fair value consist of holdings in the categories financial assets and liabilities recognised at fair value through profit or loss, holdings in the category available-for-sale financial assets, and all derivatives.

Vattenfall uses valuation methods that reflect the fair value of an asset or liability appropriately. Financial assets and liabilities that are measured at fair value 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, currency-forward contracts and interest rate swaps.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification into a level is determined by the lowest level input that is significant for the measurement of the fair value at the end of a reporting period. Vattenfall asseses whether reclassifications between the levels are necessary. Observable input are used whenever possible and relevant. For assets and liabilities included in Level 3, fair value is modelled either on the basis of market prices with adjustments that consider specific terms of a contract, or on the basis of unobservable inputs such as future cash flows. The assumptions for the estimated cash flows are monitored on a regular basis and adjusted if necessary.

Functional and presentation currencies

The functional currency is the currency of the primary economic environment in which each Group entity operates.

The Parent Company's functional currency is Swedish kronor (SEK), which is also the presentation currency of both the Parent Company and the Group. This means that the financial statements are presented in Swedish kronor. Unless otherwise stated, all figures are rounded off to the nearest million Swedish kronor (SEK million).

Estimations and assessments

Preparation of the financial statements in accordance with IFRS requires the company's executive management and Board of Directors to make estimations and assessments as well as to make assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses.

Assessments made by the company's executive management and Board of Directors, when applying IFRS, that have a material effect on the financial statements, and estimations that may result in substantial adjustments to the following year's financial statements, are described in greater detail in Note 4 to the consolidated accounts, Important estimations and assessments in the preparation of the financial statements.

Accounting policies

The accounting policies of the Group detailed below, with the exception of what is stated below under the heading New IFRSs and interpretations effective as of 2013, have been applied consistently for all periods presented in the consolidated financial statements.

New IFRSs and interpretations effective as of 2013

The new standards and amendments to standards and interpretations described below, and endorsed by the EU, are effective as of the 2013 financial year. Amendments to IFRS 1 – *First-time Adoption of IFRS* have been omitted as these are not relevant for Vattenfall.

Amendments in IFRS 7 – *Financial Instruments: Disclosures.* The amendment entails that further disclosures are to be provided about financial instruments that are recognised net in accordance with the rules of IAS 32 as well as about financial assets and liabilities covered by master netting agreements and similar, regardless of whether these have been offset or not. Vattenfall has identified which financial instruments are to be covered by the new disclosure requirements These are reported in Note 47 to the consolidated accounts under the heading Offsetting financial assets and financial liabilities.

IFRS 13 – *Fair Value Measurement.* The standard includes uniform rules for measuring fair value where another IFRS requires fair value measurements or disclosures about fair value measurements. New types of disclosures are made in order to clarify which valuation techniques are used and which inputs are used. The new standard leads to considerations of credit risk in measurements of financial instruments at fair value, which Vattenfall now applies. In addition, IFRS 13 requires more detailed disclosures about fair value.

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

Amendments in IAS 19 – *Employee Benefits.* Significant changes mainly pertaining to the reporting of defined benefit pension plans, where the opportunity to defer actuarial gains and losses over time as part of the so-called corridor rule, may no longer be applied; instead, these are to be reported immediately in other comprehensive income. The current year's service cost of defined benefit pensions, gains and losses that arise from settlement of a pension liability, and financial items pertaining to the defined benefit plan, are reported through profit or loss. The financial items in the income statement are calculated so that the net of assets and liabilities is multiplied by the discount rate, and the difference between the actual and expected return on pension assets is recognised in other comprehensive income. Due to the amendments in IAS 19, the Group's financial statements for 2012 have been recalculated, and the recalculation effects are reported in Note 41 to the consolidated accounts, Pension provisions.

Amendments to IAS 36 – *Impairment of Assets* remove the requirement introduced in connection with IFRS 13 – *Fair Value Measurement* to disclose the recoverable amounts for all cash-generating units to which goodwill has been allocated. Instead, additional disclosure requirements regarding fair value are introduced when the recoverable amount of an impaired asset is based on fair value less costs of disposal. The amendment is to be applied as from 1 January 2014, however, Vattenfall has chosen to apply it retrospectively in 2013. See Note 14 to the consolidated accounts, Impairment losses.

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

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

New IFRSs and interpretations not yet adopted

New standards, amendments to standards and interpretations endorsed by the EU as per 31 December 2013, which are effective as of the 2014 financial year and which have not been applied prospectively.

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 is not expected to have any significant 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 Venturers.* 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.

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.

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.

Amendment of IAS 28 – *Investments in Associates and Joint Ventures,* which has been adapted to IFRS 10, IFRS 11 and IFRS 12

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 amemdments are not expected to have any significant effect on Vattenfall's financial statements.

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

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. The amemdments are not expected to have any significant effect on Vattenfall's financial statements.

New standards, amendments to standards and interpretations issued by IASB/IFRIC which at 31 December 2013 had not yet been endorsed by the EU:

IFRS 9 – *Financial Instruments* is a new standard that is currently being developed to supersede IAS 39 – *Financial Instruments: Recognition and Measurement*. The first part of the revision of the standard has been published and pertains to recognition and measurement of financial assets and liabilities. IFRS 9 prescribes that financial assets are to be divided into two classifications – those measured at fair value and those measured at amortised cost. Classification is made at the time the financial asset is initially recognised based on the characteristics of the asset and the company's business model. For financial liabilities, no major changes have taken place compared with IAS 39. The biggest change pertains to liabilities recognised at fair value. For these, the portion of the change in fair value that is attributable to own credit risk is to be reported in other comprehensive income instead of through profit or loss, insomuch as this does not cause an inconsistency in the reporting.

The standard was complemented in 2013 with rules on hedge accounting. IASB decided during 2013 that a date for mandatory application should be decided when the entire IFRS 9 project is closer to completion. Vattenfall has not yet evaluated the effects of the new standard.

Amendments to IAS 19 – *Employee Benefits,* entitled *Defined Benefit Plans*: Employee Contributions, entail clarifications on how contributions to a pension plan from employees or third parties should be recognised. The clarifications do not change the way that Vattenfall recognises these fees.

"Annual improvements to IFRSs 2010-2012 Cycle" and "*Annual improvements to IFRSs 2011–2013 Cycle"* aim to streamline and clarify the accounting standards concerning presentation, recognition and measurement, including changes in terminology ar amendments of an editorial nature. Vattenfall has not yet evaluated the effects of the new amendments.

IFRIC 21 – *Levies.* The interpretation clarifies when a liability for levies shall be recognised. Levies are fees and taxes charged to companies by governmental authorities in accordance with laws and regulations, except income taxes, penalties and fines. The interpretation clarifies that a liability shall be recognised when a company has an obligation to pay due to a past event. A liability is recognised progressively if the obligating event occurs over a period of time. If an obligation to pay a levy is triggered when a minimum threshold is reached, the liability is not recognised until the minimum threshold is reached.

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. An operating segment's result is reviewed regularly by "the chief operating decision maker", who in Vattenfall is the Chief Executive Officer, to assess its performance and to make decisions about resources to be allocated to the operating segment. Segmental information (see Note 8 to the consolidated accounts) is only provided for the Group.

Classification of current and non-current assets and liabilities

An asset is classified as a current asset when it is held primarily for the purpose of trading or is expected to be realised within twelve months after the balance sheet date or consists of cash and cash equivalents, provided it is not subject to restrictions on its exchange or use for regulating a liability at least twelve months after the balance sheet date.

All other assets are classified as non-current assets.

A liability is classified as a current liability when it is held primarily for the purpose of trading or is expected to be settled within twelve months after the balance sheet date or one for which the Group does not have an unconditional right to defer settlement of for a minimum of twelve months after the balance sheet date.

All other liabilities are classified as non-current liabilities.

Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets are valued at the lower of their carrying amount and fair value less costs to sell and are not subject to amortisation or depreciation.

Assets (and liabilities) held for sale are classified as current assets (current liabilities) since the sale transaction is expected to be settled within twelve months after the balance sheet date.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Parent Company, Vattenfall AB, has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting power.

Business combinations are accounted for using the purchase method. This method entails that the acquisition of a subsidiary is considered to be a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement.

Through purchase price allocation (PPA) of the business acquisition, the cost of the participating interests or business activities is established as well as the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities. Deferred tax is taken into account for differences between the carrying amount and the corresponding tax base on all items except goodwill. The difference between the cost of the subsidiaries' shares and the fair value of acquired assets, assumed liabilities and contingent liabilities constitutes goodwill. If the cost of the subsidiaries' shares is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's net assets.

Contingent payments are classified as liabilities subsequently remeasured through profit or loss.

All acquisition-related costs are expensed.

The subsidiary's financial statements, which are prepared in accordance with the Group's accounting policies, are included in the consolidated accounts from the point of acquisition to the date when control ceases.

Acquisitions and divestments of non-controlling interests in subsidiaries are recognised in equity.

When the Group ceases to have control in a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint venture or financial asset.

A discontinued operation is reported separately from continuing operations if the discontinued operation amounts to a significant value.

Associated companies

Associated companies are companies in which the Group has a significant – but not controlling – influence over their operational and financial management, usually through shareholdings corresponding to between 20% and 50% of the votes. In conjunction with the acquisition of an associated company, a purchase price allocation similar to that of a business combination is made. Identifiable surplus values are handled in a similar manner to surplus values in business combinations. From the point at which the significant influence is acquired, participations in associated companies are reported in the consolidated accounts in accordance with the equity method. The equity method entails that the value of the shareholding in associated companies reported in the consolidated accounts corresponds to the Group's share of the associated companies' equity plus consolidated goodwill and any unamortised value of consolidated surplus and deficit values less internal profit reserves. Dividends received from an associated company reduce the carrying amount of the investment.

In the consolidated income statement, the item Participations in the results of associated companies is shown net after tax.

The equity method is applied from the point of acquisition up to the point when the significant influence ceases.

Joint ventures

In the accounts, joint ventures are activities in which the Group has joint control over the operational and financial management through a contractual arrangement with one or more parties. In the consolidated accounts, holdings in joint ventures are consolidated in accordance with the equity method.

Transactions that are eliminated upon consolidation

Intra-Group receivables and liabilities, income and expenses, as well as gains or losses arising from intra-Group transactions between Group companies, are eliminated in their entirety when preparing the consolidated accounts.

Gains arising from transactions with associated companies and joint ventures are eliminated to an extent that corresponds to the Group's holding in the company. Losses are eliminated in the same manner as gains, but are treated as an indicator of impairment.

Foreign currencies

Transactions in foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the day of the transaction. On the balance sheet date, monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate applicable on that day. Exchange rate differences arising from translation of currencies are reported in the income statement. Operationally derived exchange gains and losses are shown under other operating income and other operating expenses, respectively. Financially derived exchange gains and losses are shown as financial income and expenses, respectively.

Financial reporting of foreign activities

Assets and liabilities of foreign activities, including goodwill and other consolidated surplus and deficit values, are translated to SEK at the exchange rate in effect on the balance sheet date. Income and expenses of foreign activities are translated to SEK using an average exchange rate. Translation differences arising from foreign currency translation of foreign activities are reported in other comprehensive income.

For the Vattenfall Group, key exchange rates applied in the accounts are provided in Note 6 to the consolidated accounts, Exchange rates.

Revenue recognition

Net sales include sales proceeds from core businesses, i.e., generation, sales and distribution of electricity, sales and distribution of heat, sales of gas, energy trading and other revenues such as service and consulting assignments and connection fees.

Sales of electricity, heat and gas

Sales of electricity, heat and gas and related distribution are recognised as revenue at the time of delivery, excluding value-added tax and excise taxes.

Starting in 2006, Vattenfall has replaced intra-Group physical electricity transactions between Nordic electricity generation and sales activities in the Nordic countries with transactions vis-à-vis the Nordic electricity exchange. The purchases that the sales activities make from the Nordic electricity exchange are, at the Group level, offset against sales of generation to the Nordic electricity exchange.

The change in fair value of derivatives, including commodity derivatives, that does not qualify for hedge accounting is reported in gross profit unless it does not relate to derivative instruments used in financial activities.

Other revenues

In the case of service and consulting assignments, the percentage of completion method is applied, i.e., revenues and expenses are reported in proportion to the degree of completion. The degree of completion is established according to the relation between accrued expenses on the balance sheet date and estimated total expenses. In cases where losses are expected, a provision is established immediately.

Connection fees for electricity distribution and heat distribution are reported as revenues to the extent that they are not required to cover future obligations.

Government grants

Grants are reported at fair value when it can reasonably be assumed that the grant will be received and that the Group will meet the conditions of the grant.

A grant tied to a non-current asset reduces the reported cost of the asset.

A grant intended to cover expenses is reported in the income statement as other operating income.

Operating expenses

Operating leases

Expenses paid for operating leases are reported in the income statement on a straight-line basis over the leasing period. For a definition of operating leases, see below under the heading Property, plant and equipment/Leasing.

Financial income and financial expenses

Financial income

Financial income consists of interest income on bank balances, receivables and interest-bearing securities, returns from the Swedish Nuclear Waste Fund, dividend income, exchange rate differences, and positive changes in values of financial investments and derivative instruments used in financial activities.

Interest income is adjusted for transaction costs and any rebates, premiums and other differences between the original value of the receivable and the amount received when due. Interest income is reported as it is earned. The calculation is made on the basis of the return on underlying assets in accordance with the effective interest method.

Dividend income is reported when the right to receive payment is established.

Financial expenses

Financial expenses consist of interest expenses on loans, discounting effects and interest attributable to provisions, exchange rate differences, and negative changes in values of financial investments and derivative instruments used in the financial activities. Discounting effects are defined here as the periodic change of the present value which reflects the time value of money.

Issue expenses and similar direct transaction costs for raising loans are distributed over the term of the loan in accordance with the effective interest method.

Borrowing costs directly attributable to investment projects in non-current assets which take a substantial period of time to complete, are not reported as a financial expense but should be included in the cost of the non-current asset during the construction period.

Leasing fees pertaining to finance leases are distributed between interest expense and amortisation of the outstanding debt. Interest expenses are distributed over the leasing period so that each accounting period is charged in the amount corresponding to a fixed interest rate for the reported debt in each period. Variable fees are carried as an expense in the period in which they arise.

Financial assets and financial liabilities

General principles

Financial instruments are reported initially at cost, corresponding to the instrument's fair value plus transaction costs for all financial instruments, except for those that belong to the category "financial assets at fair value through profit or loss" and all derivatives, which are reported at fair value excluding transaction costs.

A financial asset or financial liability is recognised on the balance sheet when Vattenfall becomes a party to such in accordance with terms of the instrument's contract. A trade receivable is recognised on the balance sheet when an invoice has been sent. A liability is recognised when the counterparty has performed a service and a contractual obligation to pay exists, even if the invoice has not yet been received. A trade payable is recognised when the invoice has been received.

A financial asset is derecognised from the balance sheet when the rights under the contract are sold, expire, or when Vattenfall no longer retains the

risks and rewards of ownweship of the asset. The same applies for parts of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other way extinguished. The same applies for parts of a financial liability.

Foreign exchange gains and losses concerning operating receivables and liabilities in foreign currencies are reported under operating profit, while foreign exchange gains and losses concerning other receivables and liabilities in foreign currencies are reported under net financial items.

For financial instruments traded in active financial markets, the fair value is set at the rate applicable when the market closes on the balance sheet date. The same rule applies for fixing the fair value of bilaterally traded financial instruments (OTC trading). For unlisted financial instruments, fair value is set by discounting estimated future cash flows. Discounting is done using discounting factors based on return curves in the cash flows of the respective currencies. The return curves are based on the market interest rates, such as swap rates, that apply on the balance sheet date.

Financial assets

Financial assets are classified in various categories depending on the purpose of the acquisition of the financial asset. The classification is determined at the original point of acquisition.

Settlement day accounting is applied for spot purchases and spot sales of financial assets.

Financial assets at fair value through profit or loss

This category includes assets classified as held for trading, which means that the intention is for them to be divested in the near term. Derivative instruments not held for hedging purposes are always regarded as held for trading. Fair value of currency forward contracts is calculated by discounting the difference between the contracted forward rate and the forward rate that can be contracted on the balance sheet date for the remaining contract period. Discounting is done at a risk-free interest rate based on government bonds. Fair value of interest rate swaps is based on a discounting of calculated future cash flows in accordance with the contract's terms and due dates, based on the market rate of interest. Fair value of options is based on quoted prices, where such are available. The value of unquoted options is calculated using the Black-Scholes model, based on underlying market data.

Fair value of commodity contracts is calculated by discounting the difference between the contracted forward price and the contracted forward price that can be obtained on the balance sheet date for the remaining contract period.

For Vattenfall, the category "Financial assets at fair value through profit or loss" also includes short-term liquid investments with terms of less than three months, since Vattenfall follows up and measures these based on fair values. The category also includes short-term investments with original maturities in excess of three months. For listed securities, fair value is based on the quoted buying price on the balance sheet date. For other short-term investments, fair value is calculated by discounting estimated future cash flows in accordance with the contract's terms and maturity dates, and based on the market rate of interest for similar instruments on the balance sheet date.

The assets are remeasured on a continuous basis to fair value, with changes in value presented in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed payments or payments whose amounts can be determined. Receivables arise when the company provides money, goods and services directly to the debtor without the intention of trading in the receivable rights. Acquired receivables are also covered. Loans and receivables are measured at amortised cost. Amortised cost is defined as the value at which a financial asset or liability is stated when it is initially recorded on the balance sheet, less any repayments, and with additions or deductions for the distribution over time of any differences between the amount initially recognised and the repayment amount.

Trade receivables are reported at the amount expected to be paid, i.e., less doubtful debts. Impairment losses on trade receivables are reported under operating expenses. Trade receivables have a short anticipated term and are therefore valued at a nominal amount without discounting.

Fair value of loans is calculated for disclosure purposes by discounting future cash flows using the current interest rate. For trade receivables, the reported value is considered to reflect fair value.

The category Loans and receivables also includes Cash and bank balances, i.e., immediately available balances with banks and similar institutions, and Shares in the Swedish Nuclear Waste Fund.

Available-for-sale financial assets

Financial assets that are available for sale are measured at fair value, with changes in value recognised in other comprehensive income. On the date that the assets are derecognised from the balance sheet, any previously recognised accumulated gain or loss in other comprehensive income is transferred to the income statement.

Holdings in listed companies are measured based on the share price on the balance sheet date.

Shares and participations for which there are no balance sheet date quotations and for which a fair value cannot be established are valued at cost, after taking accumulated impairment losses into account.

Financial liabilities

Financial liabilities have been classified in various categories depending on the purpose of the acquisition of the financial liability. The classification is determined at the date of original acquisition.

Financial liabilities at fair value through profit or loss

Derivative instruments not held for hedging purposes are always classified in this category. These financial liabilities are measured at fair value with changes in value recognised in profit or loss. For a description of how fair value is measured, see above under the heading "Financial assets at fair value through profit or loss".

Other financial liabilities

In this category, interest-bearing and noninterest-bearing financial liabilities that are not held for trading purposes are reported. Other financial liabilities are measured at amortised cost.

Trade liabilities have a short anticipated term and are therefore valued at a nominal amount without discounting.

Fair value of other financial liabilities is calculated for disclosure purposes by discounting future cash flows using the current interest rate for the remaining term, with the exception of trade payables, where the reported value is considered to reflect fair value.

Liabilities included in a hedge relationship are reported in accordance with the principles described below.

Derivative instruments

Vattenfall uses various types of derivative instruments (forwards, futures and swaps) to hedge various financial risks, primarily interest rate risks, currency risks and commodity price risks.

Derivative assets are reported as a separate line item on the balance sheet under non-current assets and current assets, respectively, while derivative liabilities are reported as a separate line item under non-current liabilities and current liabilities, respectively.

Derivative instruments are reported at fair value on the balance sheet date. The reporting of changes in value depends on whether the derivative instrument is classified as a hedge or not. In a situation where hedging is not applied, the change in value is recognised in profit or loss in the period in which it arises. Based on the purpose of the contract, changes in value are reported either under operating profit or as financial income/expense. Effects of hedge accounting are described below.

Embedded derivatives

Embedded derivatives are parts of another contract (the host contract), whose terms and conditions meet the definition of a derivative instrument. In cases where embedded derivatives are identified, and where the risk profile of the embedded derivative is not considered to be closely related to the risk profile of the host contract, the embedded derivative is separated and accounted for as if it were a free-standing derivative instrument, in accordance with what is described under the heading Derivative instruments above.

Hedge accounting

Hedge accounting is applied for derivative instruments that are included in a documented hedge relationship. For hedge accounting to be applied, a direct connection between the hedge and the hedged item is required. Further, it is necessary for the hedge to protect the risk effectively as intended, that the effectiveness of the measure can be demonstrated at all times to be sufficiently high through effectiveness testing, and that hedging documentation has been prepared. The reporting of changes in value depends on the type of hedge entered into.

Cash flow hedges

Cash flow hedges are used primarily in the following cases: i) when forward commodity contracts are used to hedge commodity price risk in future purchases and sales, ii) when forward exchange rate contracts are used to hedge currency risk in future purchases and sales in foreign currencies, and iii) when interest rate swaps are used to replace borrowing at a floating interest rate with a fixed interest rate.

For derivative instruments that constitute a hedge instrument in a cash flow hedge, the effective part of the change in value is reported in other comprehensive income while the ineffective part is recognised directly in profit or loss. The part of the change in value that is reported in other comprehensive income is then transferred to the income statement in the period when the hedged item affects the income statement. In cases where the hedged item refers to a future transaction, which is later capitalised as a non-financial asset or liability on the balance sheet (for example, when hedging future purchases of non-current assets in a foreign currency), the part of the change in value reported in other

comprehensive income is transferred to and included in the cost of the asset or liability.

If the conditions for hedging are no longer met, the accumulated changes in value that were reported in other comprehensive income are transferred to the income statement/balance sheet in the later period when the hedged item affects the income statement/balance sheet. Changes in value from the day on which the conditions for hedging ceased to be met are recognised directly in profit or loss. If the hedged transaction is no longer expected to occur, the hedge's accumulated changes in value are immediately transferred from other comprehensive income to the income statement.

Hedges of fair value

For hedges of fair value, hedge accounting is applied in cases where the hedge pertains to an item that is normally stated at amortised cost. In such cases, hedge accounting entails that changes in fair value of the hedged item relating to the hedged risk are recognised in profit or loss when they occur. The carrying amount of the hedged item is adjusted with these changes.

If a hedge no longer meets the criteria for hedge accounting, the adjustment of the carrying amount of the hedged item for which the effective interest method is used will be allocated over the remaining term in the income statement.
A hedge of fair value is primarily used in cases where interest rate swaps are used to replace borrowing at a fixed interest rate with a floating interest rate.

Hedges of net investments in foreign operations

For derivative instruments and loans in foreign currencies that constitute hedge instruments in hedging of net investments in foreign operations, the effective part of the change in value is reported in other comprehensive income while the ineffective part is recognised directly in profit or loss. The changes in value reported in other comprehensive income are transferred to the income statement at the later date when the foreign activity is divested.

Hedging of net investments is primarily used when forward exchange rate contracts and loans in foreign currencies are used to hedge the currency risk of the company's investments in foreign subsidiaries.

Intangible assets: non-current

Capitalised development costs

Development costs resulting from the application of research findings or other knowledge to produce new or improved products or processes are reported as an asset on the balance sheet from the time when the product or process is expected to become technically and commercially viable and the company has sufficient resources to complete the development work and subsequently use or sell the intangible assets. The reported value includes costs for materials, direct costs for salaries and indirect costs, all of which can be attributed to the asset. Other development costs are recognised in profit or loss as expenses as they arise. On the balance sheet, development costs are reported at cost less accumulated amortisation and any impairment losses.

Research costs with the purpose of obtaining new scientific or technical knowledge are reported as expenses as they arise.

Goodwill

Goodwill represents the difference between the cost of a business combination and the fair value at the point of acquisition of acquired assets, assumed liabilities and contingent liabilities. The difference is the cost of goodwill.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested at least annually for impairment. Goodwill that arises on acquisition of associated companies or joint ventures is included in the carrying amount of Participations in associated companies and joint ventures.

Other non-current intangible assets

Other non-current intangible assets such as concessions, patents, licences, trademarks and similar rights as well as renting rights, mining rights and similar rights acquired by the Group are reported at cost less accumulated amortisation and impairment losses.

Principles for amortisation

Amortisation of non-current intangible assets other than goodwill is reported on a straight-line basis in the income statement over the estimated useful life of the asset, provided the useful life not is indefinite. Estimated useful lives are unchanged compared with a year ago and are further described in Note 23 to the consolidated accounts, Intangible assets: non-current. Assessments of the residual value and useful life of an asset are conducted at least annually.

Property, plant and equipment

Owned assets

Property, plant and equipment are reported as assets on the balance sheet if it is likely that there will be future financial benefit for the company and the cost of the asset can be calculated in a reliable manner.

Assets reported as property, plant and equipment are land and buildings, plant and machinery as well as equipment, tools and fixtures and fittings. These assets are valued at cost less accumulated depreciation and impairment losses.

Cost includes the purchase price and costs directly attributable to putting the asset in place and in a suitable condition for use in accordance with the management's intention of the acquisition. Examples of directly attributable expenses included in cost are delivery and handling, installation, land registration and consulting services. Borrowing costs directly attributable to investment projects in property, plant and equipment, which take a substantial period of time to complete, are included in the cost of the asset during the construction period.

In the nuclear power operations in Germany (impaired during 2011) and Sweden, cost at the time of acquisition includes a calculated present value for estimated costs for dismantling and removing the plant and restoring the site where the plant is located. Similarly, for mining operations in Germany, for example, cost at the time of the acquisition includes a calculated present value for estimated costs for restoring undertakings.

The equivalent estimated cost calculated on the basis of the present value is reported initially as a provision.

See also below under the heading Other provisions than provisions for pensions.

Leasing

Leases are classified as either finance or operating leases. A finance lease exists when the economic risks and benefits associated with ownership are, in essence, transferred to the lessee; if this is not the case, it is classified as an operating lease.

Leased assets

Assets leased under finance leases are reported as assets on the consolidated balance sheet. The commitment to pay future leasing charges is reported as a non-current or current liability. The leased assets are depreciated on a straight-line basis over the shorter of the leasing period or useful life, while the leasing payments are reported as interest and amortisation of the debts.

Operating leases normally entail recognition of the leasing charge as an expense on a straight-line basis over the leasing period.

Assets leased out

Assets that are leased out under finance leases are not reported as property, plant and equipment, since the risks associated with ownership are transferred to the lessee. Instead, a financial receivable is entered for the future minimum lease payments.

Assets leased out under operating leases are reported as property, plant and equipment and are subject to depreciation.

Subsequent costs

Subsequent costs for property, plant and equipment are only added to the acquisition cost if it is likely that there will be future financial benefits associated with the asset for the company and the cost can be calculated in a reliable manner. All other subsequent costs are reported as expenses in the period when they arise.

What is decisive for the assessment when a subsequent cost is added to the acquisition cost is whether the cost concerns the replacement of identified components, or parts of them, whereby such costs are capitalised. Also in cases where new components are created, the cost is added to the cost of the asset. Any undepreciated reported values of replaced components, or parts of components, are retired and carried as an expense in connection with the replacement. Repairs and maintenance are expensed as incurred.

Depreciation principles

Depreciation is reported on a straight-line basis in the income statement over the estimated useful life of the asset except for depreciation related to the German nuclear power plants (impaired during 2011). The Group applies component depreciation, which means that the components' estimated useful life provides the basis for the straight-line depreciation. Estimated useful lives are unchanged compared with the preceding year for all property, plant and equipment. Estimated useful lives are described further in Note 24 to the consolidated accounts, Property, plant and equipment. Assessments of the residual value and useful life of an asset are conducted annually.

Land and water rights are not subject to depreciation.

Investment property

Investment property is property held in order to earn rental income or an increase in value or a combination of these two objectives.

Investment property is reported on the balance sheet at cost less accumulated depreciation and impairment losses. Depreciation is done on a straight-line basis, and an assessment of residual value and useful life of an asset is conducted annually.

Biological assets

By biological assets is meant so-called energy forests that Vattenfall grows – following harvest and thereafter reported as inventory – for use as biofuel in own plants.

Biological assets are reported on the balance sheet as current assets or non-current assets and are measured at fair value less costs to sell.

Inventories

Nuclear fuel, fossil fuels, emission allowances and certificates held for trading, and materials and spare parts

Inventories (except for inventories held for trading) are valued at the lower of their cost and net realisable value. Net realisable value is the estimated sales price in operating activities, less estimated costs for completion and to bring about a sale.

The consumption of nuclear fuel is calculated as a depletion of the energy content of the fuel rods, and is based on the cost of each batch of fuel loaded into the core.

The cost of inventories is estimated through the application of the weighted average cost formula and includes costs that arose on acquisition of the inventory items.

Inventories held for trading are valued at fair value less costs to sell. See Note 32 to the consolidated accounts, Inventories.

The value of the energy stored in the form of water in reservoirs is not reported as an asset.

Intangible assets: current

Emission allowances held for own use

Since 2005, a trading system applies in the EU (the Emission Trading Scheme – ETS) with the purpose of reducing emissions of the greenhouse gas carbon dioxide. Within the framework of this system, some concerned plants have received, without payment or for prices below fair value, so-called emission allowances (European Union Allowances – EUAs) from the authorities in each country. Sales and purchases of emission allowances are conducted on designated exchanges, where plants that have a greater need for emission allowances than their free-of-charge or subsidised allocation are required to purchase allowances to cover their remaining need and thereby settle their obligations.

During the first trading period, 2005–2007, trading was conducted only in EUAs. During the second trading period, 2008–2012, trading was conducted in parallel with the first commitment period in the Kyoto Protocol, and the EU's Emission Trading Scheme was opened up to international trading in Certified Emission Reductions (CERs) and Emission Reduction Units (ERUs).

Starting with the third trading period (2013–2020) there is no free-of-charge or subsidised allocation of emission allowances for the power generation sector, meaning that all power generators must purchase all of their emission allowances. In sectors other than power generation, e.g., heat generation, free-of-charge allocations will be available during a transition period, however with decreasing levels in the coming years during the transition period.

Purchased emission allowances held for own use are reported as intangible assets under current assets at cost less accumulated impairment losses, while emission allowances that have been received free of charge from the respective countries' authorities are stated at a value of SEK nil. As carbon dioxide is emitted, an obligation arises to deliver emission allowances (EUAs, CERs, ERUs) to the authorities in the respective countries. An expense and a liability are recognised in cases where the emission allowances that were received free of charge do not cover this obligation. This liability is valued in the amount at which it is expected to be settled.

Certificates held for own use

With the aim to increase renewable energy sources for electricity generation, Sweden and UK, among other countries, have so-called electricity certificate systems. Plants included in these systems receive, free of charge from the authorities in the respective countries, certificates in pace with their generation of electricity qualifying for certificates.

Accumulated certificates, which are received free of charge, are reported as an intangible asset under current assets at fair value when obtained. The corresponding amount is recognised as revenue under Net sales. Purchased certificates held for own use are reported at cost less accumulated impairment losses.

When electricity is sold, an obligation arises to deliver certificates to the authorities in the respective countries. This obligation is reported as an expense and as a liability. The liability is valued at the amount at which it is expected to be settled.

Impairment losses

Impairment of non-financial assets

General principles

Assessments are made throughout the year for any indication that an asset may have decreased in value. If there is an indication of this kind, the asset's recoverable amount is estimated. For goodwill and other intangible assets with an indefinite useful life and for intangible assets that are still not ready for use, the recoverable amount is calculated at least annually or as soon there is an indication that an asset has decreased in value.

If the essentially independent cash flow for an individual asset cannot be established for the assessment of any need for impairment, the assets must be grouped at the lowest level where it is possible to identify the essentially independent cash flow (a so-called cash-generating unit). An impairment loss is reported when an asset or cash-generating unit's reported value exceeds the recoverable amount. Any impairment loss is recognised in profit or loss.

Impairment of assets attributable to a cash-generating unit is allocated primarily to goodwill. Thereafter, a proportional impairment loss is conducted of other assets that are part of the unit.

Calculation of the recoverable amount

The recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, the future cash flow is discounted by a discounting factor that takes into consideration risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flow independently of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

Reversal of impairment losses

Impairment of goodwill is never reversed. Impairment of other assets is reversed if a change has occurred in the assumptions that formed the basis for the calculation of the recoverable amount. An impairment loss is reversed only if the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had if the impairment loss had not been recognised.

Impairment of financial assets

General principles

On each reporting occasion, an assessment is made to determine if there is objective evidence that a financial asset has become impaired. Objective evidence consists in part of observable conditions that have a negative impact on the ability to recover the cost of the asset, and in part of a significant or prolonged decrease in the fair value of an investment in a financial asset that is classified as an available-for-sale financial asset.

Vattenfall classifies trade receivables as doubtful when – after a missed or significantly late payment and individual assessment of the debtor's financial conditions – a need to recognise impairment can be considered to exist. Impairment is determined on the basis of historical experience of customer losses for similar receivables. Impaired trade receivables are reported at the present value of anticipated future cash flows. When determining any need to recognise impairment, the existence of any credit insurance and other forms of security is also taken into account.

Listed shareholdings that are classified as an available-for-sale financial asset are considered to be in need of impairment and are impaired if the fair value falls below cost by a significant amount, or when the decrease in value has become prolonged over time.

Reversal of impairment

Impairment of financial assets reported at amortised cost is reversed if a subsequent increase in the recoverable amount can objectively be attributed to an event that occurred after the impairment was recognised.

Impairment of listed shareholdings that are classified as available-for-sale financial assets, which was previously reported in the income statement, is not reversed through profit or loss but in other comprehensive income.

Employee benefits

Defined contribution pension plans

Defined contribution pension plans are post-employment benefit plans according to which fixed fees are paid to a separate legal entity. There is no legal or constructive obligation to pay additional fees if the legal entity does not have sufficient assets to pay all benefits to the employees. Fees for defined contribution pension plans are reported as an expense in the income statement in the period they apply to.

Defined benefit pension plans

Defined benefit pension plans consist of other post-employment benefit plans than defined contribution pension plans. The Group's defined benefit pension obligations are calculated separately for each plan in accordance with the Projected Unit Credit Method by calculating employees' current and past service cost. Estimated future salary adjustments are taken into consideration as well as taxes livied on pension costs, e.g., the Swedish "särskild löneskatt". The net obligation comprises the discounted present value of the total earned future salaries less the fair value of any plan assets. The discount rate consists of the interest rate on the balance sheet date of high quality corporate bonds with lifetimes that corresponds to the Group's pension obligations. When there is no deep market in corporate bonds of this kind, the market rate yield on government bonds with an equivalent lifetime shall be used instead. When the calculation leads to an asset for the Group, the recognised value of the asset is limited to the present value of any future refunds from the plan or reductions in future contributions to the plan.

Items related to the earnings of defined benefit pensions and interest on the net of defined benefit plans assets and liabilities are recognised in the income statement. When benefits in a plan are improved, the proportion of the

increased benefit attributable to the employees' past service cost is reported as an expense in the income statement, as well as gains and losses arising on settlement of a pension liability.

Remeasurements recognised in other comprehensive income consist of actuarial gains and losses and the difference between the actual and expected return on pension assets and are recognised in other comprehensive income under the heading "Items that will not be reclassified to profit or loss". Actuarial gains and losses arise from the effects of changes in actuarial assumptions and from experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred). When the calculation leads to an asset for the Group, the reported value of the asset is limited to the present value of future repayments from the plan or reduced future payments to the plan.

Other provisions than pension provisions

A provision is reported on the balance sheet when the Group has a legal or constructive obligation as a result of an event and it is probable that an outflow of financial resources will be required to regulate the obligation and a reliable estimate of the amount can be made. Where the effect of the time when payment is made is material, provisions are estimated by discounting the anticipated future cash flow at an interest rate before tax that reflects current market estimates of time value of money. The discount rate does not reflect such risks that are taken into consideration in the estimated future cash flow.

Changes in discounted provisions for dismantling, restoration or similar measures, which at the time of acquisition have also been reported as tangible non-current assets, are reported as follows: In cases where the change is due to a change in the estimated outflow of resources or a change in the discount rate, the cost of a non-current tangible asset is changed in an amount corresponding to the provision. The periodic change of the present value is recognised as a financial expense. See also above under the heading Property, plant and equipment/Owned assets.

Provisions are also reported for onerous contracts, i.e., where unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Income taxes

Income tax comprises current tax and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in other comprehensive income or in equity, whereby also the associated tax effect is reported in other comprehensive income and equity, respectively.

Current tax is tax to be paid or received for the current year, with the application of the tax rates that are established or, established in practice as of the balance sheet date. Adjustments of tax paid attributable to previous periods are also included in this.

Deferred tax is calculated in accordance with the balance sheet method on the basis of temporary differences between the reported and taxable values of assets and liabilities. The following temporary differences are not taken into account: temporary differences that arises with the initial recognition of goodwill and temporary differences on initial recognition of assets and liabilities that are not business combinations and at the time of the transaction do not affect either reported or taxable profit. Further, such temporary differences attributable to shares or participations in subsidiaries or associated companies that are not expected to be reversed in the foreseeable future are not taken into account either. The valuation of deferred tax is based on how the reported value of assets or liabilities is expected to be realised or settled. Deferred tax is calculated in accordance with the tax rates and tax rules that have been established or have been established in practice by the balance sheet date.

Deferred tax assets concerning non-deductible temporary differences and tax-loss carryforwards are only reported to the extent that it will be possible for these to be used. The value of deferred tax assets is reduced when it is no longer considered likely that they can be used.

Note 4 Important estimations and assessments in the preparation of the financial statements

Preparation of the financial statements in accordance with IFRS requires the company's executive management and Board of Directors to make estimations and assessments as well as to make assumptions that affect application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimations and assessments are based on historic experience and other factors that seem reasonable under current conditions. The results of these estimations and assessments are then used to establish the reported values of assets and liabilities that are not otherwise clearly documented from other sources. The final outcome may deviate from the results of these estimations and assessments. The estimations and assessments are revised on a regular basis. The effects of changes in estimations are reported in the period in which the changes were made if the changes affected this period only or in the period the changes were made and future periods if the changes affect both the current period and future periods. Important estimations and assessments are described below.

Impairment testing for intangible assets and property, plant and equipment

The Group has substantial values reported on the balance sheet regarding intangible assets and property, plant and equipment. These are tested for impairment in accordance with the accounting policies described in Note 3 to the consolidated accounts, Accounting policies. The recoverable amount for cash-generating units is determined by calculating the value in use or fair value less costs to sell. For these calculations, certain estimations must be made regarding future cash flows along with other adequate assumptions regarding the required rate of return, for example. See also Note 23 to the consolidated accounts, Intangible assets.

For 2013 the Group reported impairment losses including in the amount of SEK 30,147 million (8,648). These impairment losses are described in more detail in Note 14 to the consolidated accounts, Impairment losses and reversed impairment losses.

The largest impairment losses in terms of amount in 2013 pertain to goodwill, SEK 6,925 million (3,494 million) and production assets, SEK 21,966 million (5,149) mainly in the Netherlands, but also in Germany and Nordic countries.

Pension provisions

The value of pension obligations for defined benefit pension plans is determined through actuarial computations that are based on assumptions about the discount rate, the expected return on plan assets, future salary increases, inflation and demographic conditions. Every change in these assumptions affects the calculated value of pension obligations.

For pension provisions in Sweden, the discount rate was increased to 4.0% compared with 3.5%, in the preceding year. For Sweden, through 2009 the judgement has been made that in the absence of an effective market for high quality corporate bonds, the interest rate for government bonds has instead been used as the discount rate. As from 2010, the judgement has been made that the discount rate should be based on mortgage bonds with high credit ratings, the market for which is large and liquid.

In Germany, where the discount rate is based on high quality corporate bonds, the discount rate was lowered to 3.5%, compared with 3.75% in the preceding year.

For further information on pension provisions, see Note 41 to the consolidated accounts, Pension provisions.

Provisions for future expenses for nuclear operations

Provisions for future expenses for nuclear operations, which pertain to future obligations for handling the decommissioning of Vattenfall's nuclear power plants in Sweden and Germany as well as for handling nuclear waste, are based on long-term cash flow estimations with respect to future expenses. These long-term cash flow estimations mainly pertain to technical plans, estimations on the amount of the expenses, when in time these are expected to fall due, and the discount rate. In many cases, these cash flow estimations must be approved by the pertinent authorities.

For provisions for future expenses for nuclear operations in Sweden, the discount rate is unchanged at 4.0% (4.0%), compared with the preceding year. The corresponding discount rate in Germany is unchanged at 4.75% (4.75%) compared with the preceding year.

For further information on provisions for future expenses for nuclear operations, see Note 42 to the consolidated accounts, Other interest-bearing provisions.

Other provisions than pension provisions and provisions for future expenses of nuclear power operations

For other types of provisions, such as provisions for future expenses for mining, gas and wind operations and other environmental measures/undertakings, and for personnel-related provisions for non-pension purposes, provisions for tax and legal disputes, or other provisions, the following discount rates are used: Sweden 3.75% (3.75%), Germany 4.25%–4.75% (4.25%–4.75%), Netherlands 2.0% (2.0%), Denmark 4.0% (4.0%) and the UK 4.25% (4.25%).

For further information on these provisions, see Note 42 to the consolidated accounts, Other interest-bearing provisions.

Income taxes and deferred taxes

On its balance sheet, Vattenfall reports deferred tax assets and liabilities that are expected to be realised in future periods. In calculating these deferred taxes, certain assumptions and estimations must be made regarding future tax consequences pertaining to the difference between assets and liabilities reported on the balance sheet and their corresponding tax values.

The estimations also take into account the fact that future earnings for the Group's units will correspond to previously reported earnings, that applicable tax laws and tax rates will be unchanged in the countries in which the Group is active, and that applicable rules for exercising tax loss carryforwards will not be changed.

The Group also reports future expenses arising out of ongoing tax audits or tax disputes under Provisions. The outcome of these may deviate from the estimations made by Vattenfall.

For further information on taxes, see Note 19 to the consolidated accounts, Taxes.

Valuation of embedded derivatives
A limited number of Vattenfall's long-term electricity contracts include specific pricing clauses. For example, the price in an electricity contract may have couplings to the price trend for commodities and indirectly also to exchange rate movements, since the commodity prices in question are quoted in foreign currency. In such contracts, the clauses entail that the contracts contain embedded derivatives. In valuations of these contracts containing embedded derivatives, the company's executive management must make certain estimations and assessments which could have a significant impact on Vattenfall's earnings and financial positions.

See also Note 47 to the consolidated accounts, Financial instruments per category and related effects on income.

Valuation of available-for-sale financial assets
Vattenfall owns approximately 19% of the shares in the energy company Enea S.A., which is listed on the stock exchange in Warsaw, Poland. See Note 56 to the consolidated accounts, Events after the balance sheet date.

The holding in Enea is classified as a financial instrument in the category "Available-for-sale financial assets". Such assets are to be carried at fair value with changes in market value recognised in other comprehensive income; alternatively, they are to be recognised as being impaired in the income statement. Both in 2011 and 2012 Vattenfall initially recognised the change in the market value of the shareholding in Enea in other comprehensive income; however, during both in 2011 and 2012 Vattenfall recognised impairment losses of SEK 1,591 million and SEK 311 million, respectively, in the income statement, since the change in market value was considered to be both significant and prolonged over time. The impairment losses were recognised as financial expenses in the income statement. In addition, in 2012 a change in market value amounting to SEK +30 million, for the shareholding in Enea, was recognised in other comprehensive income.

During 2013, initially, an impairment loss at an amount of SEK 492 million was recognised in the income statement (financial expense) for the shareholding in Enea. In addition, an impairment loss of SEK 30 million was recognised in other comprehensive income. Later during 2013 a change in market value amounting to SEK +182 million was recognised in other comprehensive income.

Assets held for sale
According to IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*, an entity shall classify an asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For that to be the case, certain criteria must be fulfilled. The asset must be available for immediate sale in its present condition subject to usual and customary terms. Further, the sale must be highly probable. The last-mentioned criterion means that a plan for the disposal must have been prepared and approved at the appropriate level of management, an active program for the disposal must have been initiated, and the asset must be marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to be completed within one year from the date of classification.

See also Note 39 to the consolidated accounts, Assets held for sale.

Note 5 Acquired and divested operations

During 2013, the wind power company Linderödsåsens Kraft AB has been acquired. No acquisitions of Group companies were made during 2012.

Acquisitions/investments in associated companies and other shares and participations amounted to SEK -15 million (345). See Notes 27 and 28 to the consolidated accounts.

	Fair value	
Acquired operations	2013	2012
Intangible assets: non-current	51	–
Trade receivables and other receivables	1	–
Deferred tax liabilities	-11	–
Total net assets	**41**	**–**
Total purchase consideration = Cash flow for the year	**41**	**–**

Divestments in 2013
Divestments in 2013 comprises of the associated companies EHA Energie Handels Gesellschaft mbH & Co. KG and Preem Gas AB, three smaller subsidiaries, and holdings of other shares and participations.

Divestments in 2012
The sale of Vattenfall's electricity distribution and heat business in Finland was completed in January 2012. The buyer was LNI Acquisition Oy – a consortium comprising 3i Infrastructure plc, 3i Group plc, GS Infrastructure Partners and Ilmarinen Mutual Pension Insurance Company. The sale generated a capital gain of SEK 8.1 billion. Vattenfall has retained ownership of its electricity sales organisation and hydro power operations in Finland.

Total proceeds received during 2012 for divested operations amounted to SEK 20,9 billion, of which SEK 13.2 billion pertained to the electricity distribution and heat business in Finland, SEK 5.8 billion to the heat business in Poland, and SEK 1.9 billion to Vattenfall's operations in Belgium.

Capital gains from the latter two divestments were booked during 2011.

	Carrying amount	
Divested operations	2013	2012
Property, plant and equipment	3	–
Participations in associated companies and joint ventures	97	16
Other non-current assets	57	–
Trade receivables and other receivables	31	–
Cash and cash equivalents	16	–
Assets held for sale	–	8,506
Trade payables and other liabilities	-7	–
Liabilities associated with assets held for sale	–	-3,527
Total net assets	**197**	**4,995**
Proceeds of sale	271	13,215
Of which, proceeds received in 2012 from divestments in 2011	–	7,658
Cash flow for the year	**271**	**20,873**
Capital gain/loss recognised in the income statement	**74**	**8,090**
Divestment of shares in Group companies to owners of non-controlling interests which in the statement of cash flows is reported as a financing activity	–	4,113

Note 6 Exchange rates

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

		Average rate		Balance sheet date rate	
	Currency	2013	2012	31 Dec. 2013	31 Dec. 2012
Europe	EUR	8.6625	8.7036	8.8591	8.5820
Denmark	DKK	1.1615	1.1692	1.1877	1.1503
Norway	NOK	1.1081	1.1627	1.0593	1.1679
Poland	PLN	2.0615	2.0797	2.1325	2.1065
UK	GBP	10.2250	10.6954	10.6262	10.5159
USA	USD	6.5144	6.7343	6.4238	6.5045

Note 7 Net sales

	2013	2012
Sales including excise taxes:		
sale of goods (electricity, heat, gas, etc.)	178,849	174,683
rendering of services	7,362	7,069
Excise taxes	-14,527	-14,439
Net sales	**171,684**	**167,313**

Note 8 Operating segments

Effective 1 January 2011 Vattenfall moved from a geographical to a business-led organisational structure that is based on the value chain and which as of 1 November 2012 comprises the following two operating segments: Generation, and Distribution and Sales.

Responsibilities of the operating segments:
The Generation segment is Vattenfall's interface towards the wholesale market and includes development and building of production assets, generation of electricity and heat, and sales of electricity on the wholesale energy market. Vattenfall's management believes that a composite assessment of the following four divisions' operations is needed to gain a complete picture of the operations' performance at the Group level. Together they form the Generation operating segment.

- Business Division Sustainable Energy Projects is responsible for project development and execution of new build generation projects in electricity and large modification projects in thermal power, heat, infrastructure, nuclear power and hydro power. Business Division Sustainable Energy Projects is also responsible for the Group's R&D activities and Engineering consulting business
- Business Division Production operates Vattenfall's lignite mining and power generation assets (exclusive of nuclear power assets) as cost-effectively as possible to ensure optimal levels of generation capacity and availability. The Division also operates Vattenfall's combined heat and power (CHP) plants in Germany, Denmark and the Netherlands.
- Business Division Nuclear Power is responsible for the operation of all Vattenfall's nuclear power assets.
- Business Division Asset Optimisation and Trading is responsible for optimising the dispatch of all of Vattenfall's generation assets (i.e., it manages when and how the plants generate electricity) and hedges the production output of those assets for maximum profitability within a given risk mandate. This Business Division also conducts proprietary trading under defined risk mandates.

The Distribution and Sales segment is Vattenfall's interface towards the end-customer market and includes the unbundled and regulated electricity distribution business.

- Business Division Distribution and Sales is responsible for Vattenfall's electricity sales and heat businesses, the regulated electricity distribution business and other downstream businesses. This Business Division is responsible for all relationships with Vattenfall's end customers.

The operating segments are followed up on the basis Underlying operating profit, i.e. Operating profit (EBIT) adjusted for items affecting comparability (for definitions see page 125), which is why financial items and expenses as well as taxes are reported in their entirety under the heading "Other", as shown below. All segments apply IFRS, except that changes to 2012 for IAS 19 have not been able to be allocated to Operating segments. These changes are fully allocated to the heading Other.

Deliveries of electricity, heat and gas between segments are made at market prices. For services between segments, cost price generally applies, although in certain cases market prices are applied.

Staff Functions and Shared Service Centres

A number of Group-wide Staff Functions support Vattenfall's business as well as the decision-making process of the Executive Group Management (EGM) and CEO. The Staff Functions also govern relevant business processes in Vattenfall as a whole. The Staff Functions are managed and co-ordinated centrally with employees located at both the corporate level and closer to the business. Shared Service Centres (SSCs) are an important and integral element of Vattenfall's business operations and focus on transaction-related processes. Shared Services are led with a focus on process efficiency and utilisation of economies of scale. Shared Services provide such services and specialist functions which, from a cost perspective, are advantageous to handle and perform on a shared basis. Staff Functions and Shared Service Centres are reported under the heading "Other".

New organisation 2014

A change was carried out of Vattenfall's organisation with effect from 1 January 2014. Vattenfall's operations have been split up into two regions – the Nordic countries and Continental Europe/UK, which will be reported as operating segments as of 2014.

In addition, the Staff Functions and Shared Service Centres will be reported under the heading "Other", as was done in 2013.

	2013				
Operating segments	Generation	Distribution and Sales	Other	Eliminations	Total
External net sales	67,798	122,776	302	-19,192[1]	**171,684**
Internal net sales	53,438	5,944	5,175	-64,557	**–**
Total net sales	**121,236[2]**	**128,720**	**5,477**	**-83,749**	**171,684**
Underlying operating profit	22,048	8,667	-2,815	–	**27,900**
– including items affecting comparability	-31,805	-1,671	-877	–	**-34,353**
Operating profit (EBIT)	**-9,757[2]**	**6,996**	**-3,692**	**–**	**-6,453**
Financial income and expenses	–	–	-8,758	–	**-8,758**
Profit before tax	**-9,757**	**6,996**	**-12,450**	**–**	**-15,211**
Income tax expense	–	–	1,668	–	**1,668**
Profit for the year	**-9,757**	**6,996**	**-10,782**	**–**	**-13,543**
Participations in the results of associated companies	521	263	–	–	**784**
Depreciation and amortisation	13,585	5,459	581	–	**19,625**
Impairment losses affecting operating profit (EBIT)	28,639	1,433	75	–	**30,147**
Total	**42,224**	**6,892**	**656**	**–**	**49,772**
Investments	20,445	6,263	847	206	**27,761**
Assets	472,576	146,707	256,415	-389 272[3]	**486,426**

Cont. Note 8 Operating segments

	2012				
	Generation	Distribution and Sales	Other	Eliminations	Total
External net sales	61,159	123,495	245	-17,586[1]	167,313
Internal net sales	57,797	7,176	5,200	-70,173	–
Total net sales	**118,956[2]**	**130,671**	**5,445**	**-87,759**	167,313
Underlying operating profit	20,484	7,855	-809	–	27,530
– including items affecting comparability	-9,473	71	7,830	–	-1,572
Operating profit (EBIT)	**11,011[2]**	**7,926**	**7,021**	**–**	25,958
Financial income and expenses	–	–	-7,840	–	-7,840
Profit before tax	**11,011**	**7,926**	**-819**	**–**	18,118
Income tax expense	–	–	-1,071	–	-1,071
Profit fore the year	**11,011**	**7,926**	**-1,890**	**–**	17,047
Participations in the results of associated companies	236	-100	–	–	136
Depreciation and amortisation	13,522	5,584	559	–	19,665
Impairment losses affecting operating profit (EBIT)	8,644	–	4	–	8,648
Total	**22,166**	**5,584**	**563**	**–**	28,313
Investments	22,117	6,674	3,132	-2,342	29,581
Assets	463,328	153,226	282,819	-371,009[3]	528,364

1) Pertains to Generation's sales to the Nordic electricity exchange. Vattenfall's sales organisation buys the corresponding electricity from the Nordic elecricity exchange.
2) Of which, changes in market value of financial instruments, inventories and embedded derivatives not subject to hedge accounting (changes in fair value) in total net sales SEK -101 million (1,015) and in operating profit SEK 463 million (-675).
3) Chiefly concerns Treasury's liquid assets and financial receivables from other operating segments.

Note 9 Information about geographical areas

Geographical areas	2013					
	Sweden	Germany	Netherlands	Other[1]	Eliminations	Total
External net sales	48,551	84,805	31,585	10,614	-3,871[2]	171,684
Internal net sales	3,971	50,239	49,585	3,713	-107,508	–
Total net sales	**52,522**	**135,044**	**81,170**	**14,327**	**-111,379**	171,684
Operating profit (EBIT)	13,618	3,583	-21,326	-2,328	–	-6,453
– including items affecting comparability	34	-9,846	-21,447	-3,094	–	-34,353
Underlying operating profit	**13,584**	**13,429**	**121**	**766**	**–**	27,900
Intangible assets: non-current, property, plant and equipment and investment property	109,936	118,224	52,543	20,221	–	300,924

	2012					
	Sweden	Germany	Netherlands	Other[1]	Eliminations	Total
External net sales	49,483	77,205	33,537	10,678	-3,590[2]	167,313
Internal net sales	6,940	38,061	35,323	2,171	-82,495	–
Total net sales	**56,423**	**115,266**	**68,860**	**12,849**	**-86,085**	167,313
Operating profit (EBIT)	23,461	11,569	-9,999	927	–	25,958
– including items affecting comparability	7,682	599	-9,997	144	–	-1,572
Underlying operating profit	**15,779**	**10,970**	**-2**	**783**	**–**	27,530
Intangible assets: non-current, property, plant and equipment and investment property	106,329	115,511	71,357	25,621	–	318,818

1) Chiefly concerns Trading, Treasury operations and other Staff Functions. Also includes operations in the UK.
2) Pertains to sales from Swedish companies to the Nordic electricity exchange. Vattenfall's sales organisations in other Nordic countries buy the corresponding electricity from the Nordic elecricity exchange.

Vattenfall did not have transactions in 2012 or 2013 with a single external customer where revenues amounted to more than 10% of the Group's total net sales.

Note 10 Cost of products sold

Cost of products sold include production taxes and duties of SEK 6,197 million (6,238) and property taxes of SEK 3,048 million (2,124).

Note 11 Other operating income

Other operating income consists of capital gains from sales of non-current assets, certificates, operationally derived exchange rate gains SEK 995 million (1,368) rental income, government grants SEK 262 million (374), and insurance compensation.

Note 12 Other operating expenses

Other operating expenses consist primarily of capital losses from sales of non-current assets, certificates, operationally derived exchange rate loses SEK 516 million (726), and close-down and certain restructuring costs.

Note 13 Depreciation and amortisation

Depreciation of property, plant and equipment and of investment property and amortisation of non-current intangible assets in the income statement are broken down as follows:

	2013	2012
Cost of products sold	18,750	19,088
Selling expenses	348	368
Administrative expenses	484	181
Research and development costs	35	19
Other operating expenses (investment property)	8	9
Total	19,625	19,665

Amortisation of non-current intangible assets is included in Cost of products sold above in the amount of SEK 1,295 million (1,519), Selling expenses in the amount of SEK 58 million (73) and Administrative expenses in the amount of SEK 61 million (69).

Note 14 Impairment losses and reversed impairment losses

Impairment losses of non-current intangible assets, property, plant and equipment, financial non-current assets and investment property in the income statement are broken down as follows:

	2013	2012
Cost of products sold	29,593	8,624
Research and development	77	20
Participations in associated companies	477	–
Other operating expenses	–	4
Total	30,147	8,648

During 2012 and 2013 no impairment losses of non-current intangible assets, property, plant and equipment or investment property has been reversed in the income statement.

The following impairment losses are included above:

Generation operating segment	Goodwill	Property, plant and equipment	Intangible assets	Associated companies	Other	Effect on taxes	Total impairment
Thermal assets in the Netherlands	–	-14,125	-550	–	–	3,669	-11,006
Thermal assets in Germany	–	-4,137	–	–	–	1,241	-2,896
Thermal assets etc. in the Nordic countries	–	-2,427	–	-477	-84	–	-2,988
Trading assets in the Netherlands	-6,538	–	–	–	–	–	-6,538
Other assets the Netherlands	–	-8	–	–	–	2	-6
Other assets in Germany	–	-148	-5	–	-70	67	-156
Other assets in the Nordic countries	–	–	-70	–	–	15	-55
Total	-6,538	-20,845	-625	-477	-154	4,994	-23,645
Distribution and Sales operating segment							
Assets in the Netherlands[1]	-312	-1,111	–	–	–	303	-1,120
Other assets in the Nordic countries	–	-10	–	–	–	3	-7
Total	-312	-1,121	–	–	–	306	-1,127
Other							
Assets in the Netherlands	-59	–	–	–	–	–	-59
Other assets in the Nordic countries	-16	–	–	–	–	–	-16
Total	-75	–	–	–	–	–	-75
Total	-6,925	-21,966	-625	-477	-154	5,300	-24,847
Of which, assets in the Netherlands[1]	*-6,909*	*-15,244*	*-550*	–	–	*3,974*	*-18,729*
Of which, assets in Germany	–	*-4,285*	*-5*	–	*-70*	*1,308*	*-3,052*
Of which, assets in the Nordic coutries	*-16*	*-2,427*	*-70*	*-477*	*-84*	*18*	*-3,066*
Income statement: Effect on Operating profit (EBIT)							-30,147
Income statement: Effect on Taxes							5,300
Total impact on profit for the period							-24,847

1) Including Nuon-owned companies in Germany.

Cont. Note 14 Impairment losses and reversed impairment losses

Vattenfall has conducted impairment testing by calculating the value in use of the cash-generating units. The structure of the cash-generating units, which represent the smallest group of identifiable assets that generate continuous cash inflows that are largely independent of the cash flows from other assets or groups of assets, is based on the business unit structure of the Group. The structure of the cash-generating units is largely unchanged compared with the preceding year.

Vattenfall closely monitors market developments on a continuous basis and their impact on operations. During the first half of 2013, increased business risk and adverse market conditions became apparent for certain cash-generating units. In Thermal Power, Vattenfall had low dispatch of existing as well as newly built gas-fired power plants as a result of lower margins ("clean spark spreads"). This included the Magnum power plant in the Netherlands, Vattenfall's largest investment in a gas-fired power plant, where it was determined that the plant could not be put into full operation upon completion of construction. At the same time, the economic conditions worsened for Moorburg, a large hard coal–fired plant that is nearing completion in Germany. These developments were assessed as an indication that some of the assets may be impaired. Consequently, a Group-wide impairment test was conducted during the second quarter of 2013. In the preceding year, impairment testing was conducted during the third quarter.

Impairment losses charged against operating profit in 2013 amounted to SEK 30,147 million (8,648). Of these, SEK 28,639 million (8,644) are attributable to the Generation operating segment, SEK 1,433 million (0) are attributable to the Distribution and Sales operating segment, and SEK 75 million (4) are attributable to Other.

The impairment losses charged against operating profit were partly offset by a positive tax effect of SEK 5,300 million.

The following, major impairment losses are included in the above:

2013
Generation operating segment:
Impairment losses in the Generation operating segment amounted to SEK 28,639 million, of which impairment in the Thermal Power cash-generating unit amounted to SEK 21,800 million. Impairment in the Trading cash-generating unit amounted to SEK 6,538 million.

In Thermal Power, impairment losses of SEK 14,675 million were recognised for coal- and gas-fired power plants in the Netherlands. Impairment losses of SEK 4,137 million were recognised for hard coal–fired power plants in Germany, and impairment losses of SEK 6,538 million were recognised for goodwill allocated to the Trading unit in the Netherlands.

Distribution and Sales operating segment:
In the Distribution and Sales operating segment, impairment losses of SEK 1,423 million were recognised in the Industry Parks and Energy Related Systems cash-generating units, of which SEK 312 million pertains to impairment of goodwill and SEK 1,111 million to impairment of property, plant and equipment.

2012
Generation operating segment:
Impairment losses in the Generation segment amounted to SEK 8,644 million. As a result of the yearly impairment testing, Vattenfall recognised impairment losses for the book value of goodwill and production assets in the Thermal Power cash-generating unit, mainly in the Netherlands, for a total amount of SEK 8,561 million. The impairment losses were recognised on account of sharply lower margins ("clean spark spreads") and higher costs associated with additional taxes on coal-based power generation in the Netherlands. Of total impairment losses, SEK 3,469 million was attributable to goodwill and SEK 5,092 million to coal- and gas-fired power plants.

Impairment process
Generation operating segment
The main assumptions that company management has used in calculating projected future cash flows for the Generation segment are – for the power-generating assets – based on forecasts of the useful life of the respective assets. The projected cash flows are based on wholesale prices and on Vattenfall's long-term market outlook. The long-term market outlook is based on internal and external input data parameters and is compared with external price estimations. Based on the price assumptions, the power plants' production is planned while taking into account technical, economic and legal limitations. The technical flexibility of the plants, i.e., their ability to adapt production to changes in prices in the spot market, has been taken into account. Cash flow projections for other cash-generating units in the Generation operating segment 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 1% (1%). Future cash flows have been discounted to value in use using a discount rate of 5.4%–5.8% after tax (corresponding to 6.1%–6.5% before tax) for regulated business and 6.2%–6.8% after tax (corresponding to 6.8%–7.2% before tax) for unregulated business. For 2012 a discount rate of 5.1% after tax (corresponding to 5.7% before tax) was used. An increase in the discount rate by 0.5 percentage point would give rise to a need to recognise additional impairment of the book value of goodwill by SEK 2.4 billion and of property, plant and equipment by SEK 3.2 billion.

Distribution and Sales operating segment
The main assumptions that company management has used in calculating the projected future cash flows for the Distribution and Sales operating segment are based on the business plan for the coming five years and residual value. A growth factor of 0.5% (0.5%) has been used for Distribution, while a factor of 0.0%–1.0% (1.0%) has been used for other activities in the Distribution and Sales segment. Future cash flows have been discounted to value in use using a discount rate of 5.4%–5.8% after tax (corresponding to 6.1%–6.5% before tax) for regulated business and 6.2%–6.8% after tax (corresponding to 6.8%–7.2% before tax) for unregulated business. For 2012 a discount rate of 5.1% after tax (corresponding to 5.7% before tax) was used. An increase in the discount rate by 0.5 percentage point would give rise to a decrease in the estimated value in use for the cash-generating units in the Distribution and Sales operating segment by approximately SEK 6.6 billion, and would not lead to a need to recognise impairment. For the remaining units, an increase in the discount rate by 0.5% would result in a need to recognise an additional SEK 0.1 billion in impairment.

Note 15 Operating costs according to type

	2013	2012
Personnel costs	23,701	25,365
Depreciation and amortisation	19,625	19,665
Impairment losses of non-current assets	30,147	8,647
Other operating costs incl. input commodities	107,678	98,569
Total	181,151	152,246

Note 16 Financial income

	2013	2012
Dividends	87	82
Interest income attributable to investments, etc.	696	812
Return from the Swedish Nuclear Waste Fund	363	1,430
Exchange rate differences, net	27	127
Net change in value from remeasurement of derivatives	–	164
Capital gains from divestments of shares and participations	23	21
Total	1,196	2,636

Note 17 Financial expenses

	2013	2012
Interest expenses attributable to loans, etc.	4,719	6,044
Interest expenses for the net of pension liabilities and plan assets	1,170	1,021
Interest effects attributable to provisions	2,882	3,080
Net change in value from remeasurement of derivatives	612	–
Net change in value from remeasurement of other financial assets	79	20
Impairment losses for shares and participations	492	311
Total	9,954	10,476

Note 18 Ineffectiveness of hedges

	2013	2012
Ineffectiveness of fair value hedges[1]	-140	-728
Ineffectiveness of cash flow hedges	216	-137
Total	76	-865

1) Ineffectiveness of fair value hedges is distributed as follows:

	2013	2012
Gains(+)/losses(-) from hedging instruments	1,986	359
Gains(+)/losses(-) from hedged items	-2,126	-1,087
Total	-140	-728

Note 19 Income tax expense

Profit before tax amounted to:

	2013	2012
Sweden	6,983	17,396
Other countries	-22,194	722
Total	**-15,211**	**18,118**

The reported income tax expense is broken down as follows:

	2013	2012
Current tax		
Current taxes pertaining to the period:		
Sweden[1]	3,027	14
Other countries	2,618	2,281
Adjustment of current tax for prior periods:		
Sweden	-78	-448
Other countries	-389	491
	5,178	**2,338**
Deferred tax		
Sweden	-1,152	-630
Other countries	-5,694	-637
	-6,846	**-1,267**
Total income tax expense	**-1,668**	**1,071**

1) Of which, SEK 2,572 million (1,063) has a cash flow effect.

The difference between the nominal Swedish tax rate and the effective tax rate is explained as follows:

%	2013	2012
Swedish income tax rate at 31 December	22.0	26.3
Difference in tax rate in foreign operations	4.0	2.8
Tax adjustment for previous periods	1.2	-2.8
Revaluation of previously non-valued losses and other temporary differences	-0.1	0.3
Tax-loss carryforwards from current year that are not valued	-4.5	0.4
Capital gains	-0.1	-11.0[1]
Participations in the results of associated companies	1.5	-0.3
Non-deductible impairment losses[2]	-13.6	6.3
Changed tax rates excl. Sweden	0.8	1.7
Non-deductible interest	-1.5	1.9
Other non-deductible expenses	-0.8	1.6
Non-taxable income	2.1	-1.9
Effective tax rate before change of tax rate in Sweden	**11.0**	**25.3**
Changed tax rate in Sweden	–	-19.4
Effective tax rate after change of tax rate in Sweden	**11.0**	**5.9**

1) Including capital gain from the divestment of Finnish companies.
2) See Note 14 to the consolidated accounts, Impairment losses and reversed impairment losses.

Accumulated tax-loss carryforwards are broken down as follows:

	2013	2012
Sweden	21	713
Other countries	2,452	7,706
Total	**2,473**	**8,419**

The tax-loss carryforwards fall due as follows:

	2013
2014	40
2015–2018	173
2019 and beyond	107
No time limit	2,153
Total	**2,473**

On the balance sheet, unrecognised tax-loss carryforwards represent a tax value of SEK 152 million (147).

A non-current tax asset for current tax has arisen following changed legislation in Germany (December 2006) which entails that a tax credit received during the years 2002–2005 pertaining to previously abolished rules regulating tax on dividends, can now be recovered without conditions for further distribution. The relaxed tax credit will be paid out during the years 2009–2017. The non-current part is represented in the balance sheet by a discounted value.

Balance sheet reconciliation – Current tax[1]	2013	2012
Balance brought forward	342	-127
Translation differences	5	-2
Interest- and discounting effects on non-current tax items	-539	-87
Change via income statement	5,178	2,338
Tax effect through equity[2]	-455	1,239
Taxes paid, net	-4,090	-3,545
Reclassification to other receivables	24	526
Balance carried forward	**465**	**342**

1) Including tax liabilities reported under provision for tax disputes.
2) Of which, equity hedge SEK -598 million (1,049).

Cont. Note 19 Income tax expense

Balance sheet reconciliation of deferred tax	Balance brought forward	Translation differences	Acquired companies	Assets held for sale	Changes via income statement	Changes via other comprehensive income	Balance carried forward
	2013						
Non-current assets	39,736	431	11	144	-5,409	–	34,913
Current assets	4,055	-51	–	–	-3,076	–	928
Provisions	-11,815	-178	–	–	-401	-469	-12,863
Other non-current liabilities	2,784	-23	–	–	-1,383	–	1,378
Current liabilities	-3,001	7	–	-12	2,000	–	-1,006
Cash flow hedges	1,560	46	–	–	–	736	2,342
Tax losses carried forward	-1,800	-19	–	12	1,423	–	-384
Total	**31,519**	**213**	**11**	**144**	**-6,846**	**267**	**25,308**

Balance sheet reconciliation of deferred tax	Balance brought forward	Translation differences	Acquired companies	Assets held for sale	Changes via income statement	Changes via other comprehensive income	Balance carried forward
	2012						
Non-current assets	42,474	-710	–	–	-2,028	–	39,736
Current assets	3,541	-74	–	–	588	–	4,055
Provisions	-11,209	31	–	-	593	-1,230	-11,815
Other non-current liabilities	2,866	112	–	–	-194	–	2,784
Current liabilities	-4,071	38	–	–	1,032	–	-3,001
Cash flow hedges	183	-4	–	–	–	1,381	1,560
Tax losses carried forward	-577	35	–	–	-1,258	–	-1,800
Total	**33,207**	**-572**	**–**	**–**	**-1,267**	**151**	**31,519**

Note 20 Non-controlling interests

	2013	2012
Share in profit before tax	151	320
Share in income tax expense	-26	-32
Total	**125**	**288**

Note 21 Leasing

Leasing expenses

Equipment leased by th Group through finance leasing and reported as property, plant and equipment comprises:

	2013	2012
Machinery/equipment		
Cost	1,196	1,181
Accumulated depreciation according to plan	-571	-549
Total	**625**	**632**

Future payment commitments, as of 31 December 2013, for leasing contracts and rental contracts are broken down as follows:

	Finance leasing, nominal	Finance leasing, present value	Operating leasing
2014	107	103	1,014
2015	63	57	958
2016	64	56	527
2017	65	54	448
2018	66	52	286
2019 and beyond	561	413	598
Total	**926**	**735**	**3,831**

The current year's leasing expenses for Group assets amounted to SEK 1,556 million (1,108).

Leasing revenues

Certain Group companies own and operate power facilities on behalf of customers. Revenues from customers are broken down into two components – a fixed component to cover capital expenses and a variable component based on the quantity delivered.

Facilities are classified in accordance with standard leasing principles, based on the fixed revenue component.

On 31 December 2013, cost of assets reported under Operating leases amounted to SEK 3,036 million (2,858). Accumulated depreciation amounted to SEK 1,608 million (1,460) and accumulated impairment losses amounted to SEK 30 million (30).

Future payments for this type of facility are broken down as follows:

	Finance leasing	Operating leasing
2014	–	385
2015	–	377
2016	–	334
2017	–	306
2018	–	245
2019 and beyond	–	1,431
Total	**–**	**3,078**

Note 22 Auditors' fees

	2013	2012
Annual audit assignment		
Ernst & Young	44	39
PwC	1	1
Total	**45**	**40**
Audit-related activities besides the annual audit assignment		
Ernst & Young	10	5
PwC	–	1
Total	**10**	**6**
Tax consulting		
Ernst & Young	5	4
PwC	3	–
Total	**8**	**4**
Other assignments		
Ernst & Young	12	4
PwC	5	2
Total	**17**	**6**

Note 23 Intangible assets: non-current

	2013					
	Development costs not yet capitalised	Capitalised development costs	Goodwill	Concessions and similar rights with finite useful lives	Renting rights, mining rights and similar rights with finite useful lives	Total
Cost						
Cost brought forward	50	2,008	37,932	14,791	3,879	**58,660**
Acquired companies	–	–	–	51	–	**51**
Investments	1	24	–	123	1	**149**
Advance payments capitalised	–	–	–	2	–	**2**
Transfer from development costs not yet capitalised	-1	4	–	2	–	**5**
Divestments/Disposals	-3	-30	–	-38	-8	**-79**
Reclassifications	–	-35	–	45	-1	**9**
Assets held for sale	–	–	–	-13	–	**-13**
Translation differences	–	45	1,203	408	101	**1,757**
Accumulated cost carried forward	**47**	**2,016**	**39,135**	**15,371**	**3,972**	**60,541**
Accumulated amortisation according to plan[1]						
Amortisation brought forward	–	-1,619	–	-6,521	-2,147	**-10,287**
Amortisation for the year	–	-110	–	-1,146	-159	**-1,415**
Divestments/disposals	–	30	–	11	7	**48**
Reclassifications	–	–	–	-1	1	**–**
Assets held for sale	–	–	–	12	–	**12**
Translation differences	–	-40	–	-199	-67	**-306**
Accumulated amortisation carried forward	**–**	**-1,739**	**–**	**-7,844**	**-2,365**	**-11,948**
Impairment losses						
Impairment losses brought forward	–	-115	-8,438	-251	-526	**-9,330**
Impairment losses for the year	–	–	-6,925	-556	-69	**-7,550**
Reclassifications	–	–	–	5	–	**5**
Translation differences	–	–	-420	-15	–	**-435**
Accumulated impairment	**–**	**-115**	**-15,783**	**-817**	**-595**	**-17,310**
Residual value according to plan carried forward	**47**	**162**	**23,352**	**6,710**	**1,012**	**31,283**
Advance payments to suppliers						2
Total						**31,285**

Cont. Note 23 Intangible assets: non-current

	2012					
	Development costs not yet capitalised	Capitalised development costs	Goodwill	Concessions and similar rights with finite useful lives	Renting rights, mining rights and similar rights with finite useful lives	Total
Cost						
Cost brought forward	36	2,087	39,670	15,664	3,994	61,451
Investments	18	39	–	224	2	283
Advance payments capitalised	–	–	–	2	–	2
Transfer from development costs not yet capitalised	-4	4	–	–	–	–
Divestments/Disposals	–	-84	-120	-9	4	-209
Reclassifications	–	23	-60	-564	8	-593
Translation differences	–	-61	-1,558	-526	-129	-2,274
Accumulated cost carried forward	**50**	**2,008**	**37,932**	**14,791**	**3,879**	**58,660**
Accumulated amortisation according to plan[1]						
Amortisation brought forward	–	-1,500	–	-5,280	-2,054	-8,834
Amortisation for the year	–	-128	–	-1,373	-160	-1,661
Divestments/disposals	–	-39	–	10	-4	-33
Reclassifications	–	-1	–	-68	-6	-75
Translation differences	–	49	–	190	77	316
Accumulated amortisation carried forward	**–**	**-1,619**	**–**	**-6,521**	**-2,147**	**-10,287**
Impairment losses						
Impairment losses brought forward	–	-236	-5,372	-254	-527	-6,389
Impairment losses for the year	–	–	-3,494	-1	–	-3,495
Divestments/disposals	–	119	120	–	–	239
Reclassifications	–	2	60	–	–	62
Translation differences	–	–	248	4	1	253
Accumulated impairment	**–**	**-115**	**-8,438**	**-251**	**-526**	**-9,330**
Residual value according to plan carried forward	**50**	**274**	**29,494**	**8,019**	**1,206**	**39,043**
Advance payments to suppliers						2
Total						**39,045**

1) Estimated useful life is 3–4 years for capitalised development costs, 3–30 years for concessions etc., and 3–50 years for renting rights, mining rights etc.

Contractual commitments for acquisitions of non-current intangible assets amounted to SEK 20 million (19) as per 31 December 2013.

Goodwill

Goodwill is mainly allocated to the Generation operating segment, in the amount of SEK 10,891 million (17,040), and the Distribution and Sales segment, in the amount of SEK 12,460 million (12,380).

In the Generation operating segment, goodwill is mainly allocated to the cash-generating units Trading, in the amount of SEK 10,390 million (16,543), and Wind Generation, in the amount of SEK 501 million (497).

In the Distribution and Sales operating segment, goodwill is mainly allocated to the cash-generating units Sales B2C, in the amount of SEK 11,862 million (11,491), and Heat, in the amount of SEK 598 million (723).

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. Impairment testing was conducted during the second quarter of 2013. See also Note 14, Impairment losses and reversed impairment losses.

Goodwill is not subject to amortisation, but is tested annually for impairment. During the year, an impairment loss of SEK 6,538 million was recognised for goodwill in the Trading cash-generating unit in the Generation operating segment, while in the Industry Parks and Energy Related Systems cash-generating units in the Distribution and Sales segment, an impairment loss of SEK 312 million was recognised for goodwill. In addition, an impairment loss of SEK 75 million was recognised for goodwill in the Other segment. The impairment loss recognised a year ago, SEK 3,494 million, was attributable to the Thermal Power cash-generating unit in the Generation segment.

Earnings performance for Vattenfall's operating segments is shown in Note 8 to the consolidated accounts, Operating segments.

Note 24 Property, plant and equipment

	2013				
	Land and buildings[1]	Plants and other technical installations	Equipment, tools, and fixtures and fittings	Construction in progress[2]	Total
Cost					
Cost brought forward[3]	64,829	426,360	12,574	58,127	**561,890**
Investments[4]	625	2,809	1,266	20,170	**24,870**
Advance payments capitalised	–	170	1	914	**1,085**
Capitalised/reversed future expenses for decommissioning, restoration, etc.	145	2,159	–	–	**2,304**
Transfer from construction in progress	1,504	9,324	227	-11,055	**–**
Divestments/disposals	-129	-2,322	-391	-446	**-3,288**
Other reclassifications	533	23,033	26	-23,341	**251**
Assets held for sale	-28	-11,260	-108	–	**-11,396**
Divested companies	–	–	-12	–	**-12**
Translation differences	1,320	9,301	352	1,201	**12,174**
Accumulated cost carried forward	**68,799**	**459,574**	**13,935**	**45,570**	**587,878**
Accumulated depreciation according to plan[5]					
Depreciation brought forward	-29,019	-234,920	-8,789	–	**-272,728**
Depreciation for the year	-1,420	-15,529	-1,253	–	**-18,202**
Divestments/Disposals	97	2,084	367	–	**2,548**
Other reclassifications	6	-33	25	–	**-2**
Assets held for sale	16	5,410	72	–	**5,498**
Divested companies	–	–	9	–	**9**
Translation differences	-715	-5,215	-251	–	**-6,181**
Accumulated depreciation carried forward	**-31,035**	**-248,203**	**-9,820**	**–**	**-289,058**
Impairment losses					
Impairment losses brought forward	-1,289	-7,689	-101	-3,765	**-12,844**
Impairment losses for the year	-1,617	-16,034	-266	-4,049	**-21,966**
Divestments/disposals	–	126	1	279	**406**
Assets held for sale	–	2,365	–	–	**2,365**
Other reclassifications	–	-5,355	–	4,976	**-379**
Translation differences	-73	-656	-8	-89	**-826**
Accumulated impairment losses carried forward	**-2,979**	**-27,243**	**-374**	**-2,648**	**-33,244**
Residual value according to plan carried forward	**34,785**	**184,128**	**3,741**	**42,922**	**265,576**
Advance payments to suppliers					**3,584**
Total					**269,160**

Cont. Note 24 Property, plant and equipment

	2012				
	Land and buildings[1]	Plants and other technical installations	Equipment, tools, and fixtures and fittings	Construction in progress[2]	Total
Cost					
Cost brought forward[3]	65,738	413,623	13,176	63,245	**555,782**
Investments[4]	241	2,571	1,006	23,023	**26,841**
Advance payments capitalised	5	408	10	559	**982**
Capitalised/reversed future expenses for decommissioning, restoration, etc.	200	2,077	–	–	**2,277**
Transfer from construction in progress	717	20,816	255	-21,788	**–**
Divestments/disposals	-486	-8,119	-713	-461	**-9,779**
Other reclassifications	77	5,987	-733	-4,514	**817**
Divested companies	–	–	–	-29	**-29**
Translation differences	-1,663	-11,003	-427	-1,908	**-15,001**
Accumulated cost carried forward	**64,829**	**426,360**	**12,574**	**58,127**	**561,890**
Accumulated depreciation according to plan[5]					
Depreciation brought forward	-28,690	-229,657	-9,149	–	**-267,496**
Depreciation for the year	-1,390	-15,619	-986	–	**-17,995**
Divestments/Disposals	191	3,919	426	–	**4,536**
Other reclassifications	-7	-271	620	–	**342**
Translation differences	877	6,708	300	–	**7,885**
Accumulated depreciation carried forward	**-29,019**	**-234,920**	**-8,789**	**–**	**-272,728**
Impairment losses					
Impairment losses brought forward	-1,248	-9,424	-353	-409	**-11,434**
Impairment losses for the year	-186	-687	5	-4,281	**-5,149**
Divestments/disposals	101	2,823	225	145	**3,294**
Other reclassifications	-1	-741	12	695	**-35**
Divested companies	–	–	–	29	**29**
Translation differences	45	340	10	56	**451**
Accumulated impairment losses carried forward	**-1,289**	**-7,689**	**-101**	**-3,765**	**-12,844**
Residual value according to plan carried forward	**34,521**	**183,751**	**3,684**	**54,362**	**276,318**
Advance payments to suppliers					**2,966**
Total					**279,284**

1) Cost for land and buildings includes cost of land and water rights amounting to SEK 14,455 million (14,112), which are not subject to depreciation.
2) Interest during the construction period has been reported as an asset in the amount of SEK 1,248 million (1,394) for the year. The average interest rate for 2013 was 3.57% for borrowings in SEK and 4.09% for borrowings in EUR.
3) Government grants received, balance brought forward, amount to SEK 6,325 million (5,266). Accumulated interest reported as an asset totalling SEK 6,119 million (4,871) is included in cost of buildings.
4) Government grants received during the year amounted to SEK 212 million (949).
5) Estimated useful life is 5–40 years for hydro power installations, 5–50 years for Combined Heat and Power installations, 20–35 years for Wind power installations, 5–35 years for Electricity distribution lines, 5–20 years for Mining operations, 5–10 years for office equipment and 25–50 years for office and warehouse buildings and workshops.

At 31 December 2013, contractual commitments for the acquisition of property, plant and equipment amounted to SEK 23,818 million (18,657).

Note 25 Investment property

	2013	2012
Cost		
Cost brought forward	1,407	1,554
Divestments/disposals	-25	-85
Reclassifications	–	-1
Translation differences	45	-61
Accumulated cost carried forward	**1,427**	**1,407**
Accumulated depreciation according to plan[1]		
Depreciation brought forward	-394	-441
Depreciation for the year	-8	-9
Divestments/disposals	3	38
Translation differences	-13	18
Accumulated depreciation carried forward	**-412**	**-394**
Impairment losses		
Impairment losses brought forward	-524	-574
Impairment losses for the year	–	-4
Divestments/disposals	6	31
Reclassifications	–	1
Translation differences	-18	22
Accumulated impairment losses carried forward	**-536**	**-524**
Residual value according to plan carried forward	**479**	**489**
Estimated fair value	**562**	**595**

1) The estimated useful life for investment property ranges from 25–50 years.

Investment property encompasses 92 (94) properties located in Berlin, Hamburg and eastern Germany. The estimated fair value has been defined as the price that would be received to sell an asset in an orderly transaction between participants at the measurement date. The fair value calculations have mainly been made by Vattenfall's own assessors. Determination of fair value for investment properties is done through a multiple method using local, comparable rents as observable data. This valuation method entails a categorisation if Level 3 in the fair value hierarchy. See Note 3 to the consolidated accounts, Accounting policies.

Rental income from external customers amounted to SEK 73 million (75). Direct costs for the concerned properties amounted to SEK 146 million (159), of which SEK 67 million (58) is related to properties that did not generate rental income.

At 31 December 2013, contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements amounted to SEK 262 million (268).

Note 26 Shares and participations owned by the Parent Company Vattenfall AB and other Group companies

Shares and participations owned by Parent Company Vattenfall AB

	Corporate Identity Number	Registered office	Number of shares 2013	Participation in % 2013	Carrying amount 2013	Carrying amount 2012
Sweden						
Borås Elhandel AB	556613-7765	Borås	1,000	100	100	100
Chlorout AB	556840-9253	Stockholm	500	100	–	–
Forsaströms Kraft AB	556010-0819	Åtvidaberg	400,000	100	48	48
Forsmarks Kraftgrupp AB	556174-8525	Östhammar	198,000	66	198	198
Försäkrings AB Vattenfall Insurance	516401-8391	Stockholm	200,000	100	200	200
Gotlands Energi AB	556008-2157	Gotland	112,500	75	13	13
Haparanda Värmeverk AB	556241-9209	Haparanda	200	50	1	1
Produktionsbalans PBA AB	556425-8134	Stockholm	4,800	100	5	5
Ringhals AB	556558-7036	Varberg	248,572	70	379	379
Svensk Kärnbränslehantering AB	556175-2014	Stockholm	360	36[1]	–	–
Vattenfall Biomass Liberia AB	556809-8809	Stockholm	5,000	100	–	–
Vattenfall Business Services Nordic AB	556439-0614	Stockholm	100	100	130	130
Vattenfall Elanläggningar AB	556257-5661	Solna	1,000	100	1	1
Vattenfall Eldistribution AB	556417-0800	Solna	8,000	100	11	11
Vattenfall France Holding AB	556815-4214	Stockholm	30,500	100	11	11
Vattenfall Inlandskraft AB	556528-2562	Jokkmokk	3,000	100	4	4
Vattenfall Kalix Fjärrvärme AB	556012-9958	Kalix	1,880	94	–	–
Vattenfall Kundservice AB	556529-7065	Stockholm	100,000	100	30	31
Vattenfall Nuclear Fuel AB	556440-2609	Stockholm	100	100	96	96
Vattenfall PHEV Holding AB	556785-9383	Stockholm	100	100	–	–
Vattenfall Power Consultant AB	556383-5619	Stockholm	12,500	100	15	15
Vattenfall Power Management AB	556573-5940	Stockholm	6,570	100	12	12
Vattenfall Procurement International AB	556923-6671	Solna	500	100	–	–
Vattenfall Research & Development AB	556390-5891	Älvkarleby	14,000	100	17	17
Vattenfall Services Nordic AB	556417-0859	Stockholm	26,000	100	19	19
Vattenfall Vattenkraft AB	556810-1520	Stockholm	1,000	100	1	1
Vattenfall Vindkraft AB	556731-0866	Stockholm	1,000	100	3,000	3,000
Vattenfall VätterEl AB	556528-3180	Motala	100	100	291	291
Västerbergslagens Energi AB	556565-6856	Ludvika	14,674	51	15	15
Övertorneå Värmeverk AB	556241-9191	Övertorneå	200	50	2	2
Denmark						
Vattenfall A/S	213 11 332	Copenhagen	10,040,000	100	2,357	3,191
Vattenfall Energy Trading A/S	310 811 81	Copenhagen	500	100	49	49

Cont. Note 26 Shares and participations owned by the Parent Company Vattenfall AB and other Group companies

	Corporate Identity Number	Registered office	Number of shares 2013	Participation in % 2013	Carrying amount 2013	Carrying amount 2012
Finland						
Vattenfall Sähkömyynti Oy	1842073-2	Helsinki	85	100	5	–
Germany						
Vattenfall GmbH	(HRB) 124048	Berlin	2	100	64,066	64,066
Poland						
Vattenfall IT Services Poland Sp. z o.o	0000402391	Gliwice	58,000	100	12	12
Vattenfall Energy Trading Sp. z o.o.	0000233066	Warsaw	80,000	100	9	9
Vattenfall Poland Sp. z o.o.	0000270893	Warsaw	–	–	–	5
Netherlands						
Vattenfall Nederland B.V.	34116939	Hoofdorp	200	100	–	–
N.V. Nuon Energy	33292246	Amsterdam	108,068,026	79[2]	61,824	87,866
Other countries						
Aegir Wave Power Ltd, Scotland	SC367232	Edinburgh	33,594	77	9	7
Nautimus Ltd, UK	5532528	Grantham	1	100	4	4
Tonn Power Ltd, Ireland	E0461126	Maynooth	51	51	–	–
Vattenfall Reinsurance S.A., Luxembourg	(B) 49528	Luxembourg	13,000	100	111	111
Total					133,045	159,920

1) The Group owns a further 30% via Forsmarks Kraftgrupp AB.
2) The remaining 21% will be acquired in July 2015, in accordance with the original agreement.

Larger shareholdings owned by other Group companies than the Parent Company Vattenfall AB
When calculating the participation percentages, consideration is made of the non-controlling interests in each company respectively.

	Registered office	Participation in % 2013
Sweden		
Barsebäck Kraft AB	Kävlinge	70
Vattenfall Dalälven AB	Stockholm	100
Vattenfall Göta Älv AB	Stockholm	100
Vattenfall Indalsälven AB	Bispgården	74
Vattenfall Lilla Luleälven AB	Stockholm	100
Vattenfall Nedre Luleälven AB	Stockholm	100
Vattenfall Skellefteälven AB	Stockholm	100
Vattenfall Småskalig Kraft AB	Stockholm	100
Vattenfall Stora Luleälven AB	Stockholm	100
Vattenfall Umeälven AB	Stockholm	100
Vattenfall Vindkraft Sverige AB	Stockholm	100
Vattenfall Ångermanälven AB	Stockholm	100
Denmark		
Vattenfall Vindkraft A/S	Esbjerg	100
Vattenfall Vindkraft Nørrekær Enge A/S	Esbjerg	96
Finland		
Pamilo Oy	Uimaharju	100
Germany		
DanTysk Offshore Wind GmbH	Hamburg	51
Fernheizwerk Neukölln AG	Berlin	81
Kernkraftwerk Brunsbüttel GmbH & Co. oHG	Hamburg	67
Kraftwerke Schwarze Pumpe GmbH	Spremberg	100
Müllverwertung Borsigstraße GmbH	Hamburg	86
MVR Müllverwertung Rugenberger Damm GmbH & Co. KG	Hamburg	55
Nuon Energie und Service GmbH	Heinsberg	100
Nuon Epe Gasspeicher GmbH	Heinsberg	100
Vattenfall Europe Business Services GmbH	Hamburg	100
Stromnetz Berlin GmbH	Berlin	100
Stromnetz Hamburg GmbH	Hamburg	75
Vattenfall Europe Generation AG	Cottbus	100
Vattenfall Europe Kundenservice GmbH	Hamburg	100
Vattenfall Europe Mining AG	Cottbus	100
Vattenfall Europe Netzservice GmbH	Berlin	100
Vattenfall Europe New Energy GmbH	Hamburg	100
Vattenfall Europe Nuclear Energy GmbH	Hamburg	100
Vattenfall Europe Sales GmbH	Hamburg	100
Vattenfall Europe Technology Research GmbH	Cottbus	100
Vattenfall Europe Windkraft GmbH	Hamburg	100
Vattenfall Europe Wärme AG	Berlin	100
Vattenfall Wärme Hamburg GmbH	Hamburg	75
Vattenfall Energy Trading GmbH	Hamburg	100
Netherlands		
Emmtec Services B.V.	Emmen	100
Feenstra Isolatie B.V.	Veendam	100
Feenstra Installatie Service B.V.	Amsterdam	100
Feenstra N.V.	Amsterdam	100
Feenstra Verwarming B.V.	Lelystad	100
N.V. Nuon Duurzame Energie	Arnhem	100
N.V. Nuon Energy Sourcing	Amsterdam	100
N.V. Nuon Sales	Amsterdam	100
N.V. Nuon Sales Nederland	Amsterdam	100
N.V. Nuon Warmte	Amsterdam	100
Nuon Epe Gas Service B.V.	Amsterdam	100
Nuon Power Generation B.V.	Utrecht	100
Nuon Power Projects I B.V.	Amsterdam	100
Nuon Renewables NSW I B.V.	Amsterdam	100
Nuon Storage B.V.	Amsterdam	100
Vattenfall Energy Trading Netherlands N.V.	Amsterdam	100
Zuidlob B.V.	Ede	100
UK		
Eclipse Energy UK Plc	Grantham	100
Kentish Flats Ltd	London	100
Nuon UK Ltd	Cornwall	100
Thanet Offshore Wind Ltd	London	100
Vattenfall Wind Power Ltd	Hexham	100

Note 27 Participations in associated companies and joint ventures

	2013	2012
Balance brought forward	11,620	12,344
New share issues and shareholders' contributions	-68	231
Divested companies	-97	–
Impairment losses	-477	–
Other changes	-33	-171
Profit participations and dividends	778	-319
Translation differences	353	-465
Balance carried forward	**12,076**	**11,620**

Shares and participations owned by the Parent Company Vattenfall AB or by other Group companies

	Corporate Identity Number	Registered office	Participation in % 2013	Carrying amount Group 2013	Carrying amount Group 2012	Carrying amount Parent Company 2013	Carrying amount Parent Company 2012
Associated companies and joint ventures owned by the Parent Company Vattenfall AB							
Sweden							
Preem Gas AB	–	–		–	9	–	6
Norway							
Northconnect KS	996625001	Kristiansand	23	3	6	12	12
Northconnect AS	995878550	Kristiansand	25	1	1	2	2
Associated companies and joint ventures owned by other Group companies than the Parent Company Vattenfall AB							
Sweden							
V² Plug-In Hybrid Vehicle Partnership HB	969741-9175	Gothenburg	50	756	763	–	–
Danmark							
Ensted Havn I/S	29636223	Aabenraa	50	–	473	–	–
UK							
East Anglia Offshore Wind Ltd	06990367	Hexham	50	–	81	–	–
Germany							
DOTI Deutsche Offshore-Testfeld- und Infrastruktur-GmbH & Co. KG	A 200395	Oldenburg	26	453	462	–	–
EHA- Energie-Handels-Gesellschaft mbH & Co. KG	–	–	–	–	67	–	–
GASAG Berliner Gaswerke AG	HRB 965	Berlin	32	3,212	3,075	–	–
Kernkraftwerk Brokdorf GmbH & Co. oHG	HRA 99143	Hamburg	20	2,284	1,873	–	–
Kernkraftwerk Krümmel GmbH & Co. oHG	HRA 99142	Hamburg	50	3,685	3,347	–	–
Kernkraftwerk Stade GmbH & Co. oHG	HRA 99146	Hamburg	33	970	668	–	–
Netherlands							
B.V. NEA	09018339	Dodewaard	23	13	13	–	–
C.V. De Horn	34227063	Amsterdam	42	2	3	–	–
C.V. Groettocht	37085868	Amsterdam	50	9	6	–	–
C.V. Oudelandertocht	37085867	Amsterdam	50	14	12	–	–
C.V. Waardtocht	37085866	Amsterdam	50	7	7	–	–
C.V. Waterkaaptocht	37085865	Amsterdam	50	14	12	–	–
C.V. Windpoort	34122462	Heemskerk	40	6	10	–	–
NoordzeeWind C.V.	34195602	Oegstgeest	50	620	724	–	–
V.O.F. Windpark Oom Kees	09210903	Ede	13	1	1	–	–
Wagendorp C.V.	37073928	Middenmeer	25	2	-2	–	–
Westpoort Warmte B.V.	34121626	Amsterdam	50	18	5	–	–
Windpark Willem-Annapolder B.V.	22049359	Ede	33	3	4	–	–
V.O.F. Noordpier Wind	51173441	Heemskerk	50	3	–	–	–
Total				**12,076**	**11,620**	**14**	**20**

Amounts pertaining to Vattenfall-owned participation of associated companies' revenues, profit, assets and liabilities:

	2013			
	Revenues	Profit	Assets 31 Dec.	Liabilities 31 Dec.
Kernkraftwerk Krümmel GmbH & Co. oHG, Kernkraftwerk Stade GmbH & Co. oHG and Kernkraftwerk Brokdorf GmbH & Co. oHG	1,975	1,039	20,989	13 ,630
Other companies	3,724	-255	7,432	4,697
Total	**5,699**	**784**	**28,421**	**18,327**

Cont. Note 27 Participations in associated companies and joint ventures

	2012			
	Revenues	Profit	Assets 31 Dec.	Liabilities 31 Dec.
Kernkraftwerk Krümmel GmbH & Co. oHG, Kernkraftwerk Stade GmbH & Co. oHG and Kernkraftwerk Brokdorf GmbH & Co. oHG	1,424	260	19,505	13 201
Other companies	6,272	-250	8,135	4 984
Total	**7,696**	**10**	**27,640**	**18,185**

Amounts relating to Vattenfall-owned participation of joint ventures' revenues, profit, assets and liabilities:

	2013					
	Revenues	Expenses	Non-current assets 31 Dec.	Current assets 31 Dec.	Non-current liabilities 31 Dec.	Current liabilities 31 Dec.
NoordzeeWind c.v.	202	182	535	112	36	102
V² Plug-In Hybrid Vehicle Partnership HB	186	108	667	97	–	8
Total	**388**	**290**	**1,202**	**209**	**36**	**110**

	2012					
	Revenues	Expenses	Non-current assets 31 Dec.	Current assets 31 Dec.	Non-current liabilities 31 Dec.	Current liabilities 31 Dec.
NoordzeeWind c.v.	218	92	753	80	111	1
V² Plug-In Hybrid Vehicle Partnership HB	–	17	765	4	18	6
Total	**218**	**109**	**1,518**	**84**	**129**	**7**

Note 28 Other shares and participations

	2013	2012
Balance brought forward	2,980	3,235
Investments	72	8
New share issues and shareholders' contributions	38	42
Divested companies	-57	-16
Impairment losses[1]	-341	-280
Translation differences	7	-9
Balance carried forward	**2,699**	**2,980**

1) Pertains mainly to impairment of the shareholding in Enea S.A. See also Note 4 to the consolidated accounts.

	Participation in % 2013	Carrying amount Group		Carrying amount Parent Company	
		2013	2012	2013	2012
Shares and participations owned by the Parent Company Vattenfall AB					
Enea S.A., Poland	19	2,390	2,730	2,390	3,011
NREP Logistics AB, Sweden	10	26	–	26	–
Other companies	–	5	5	4	5
Shares and participations owned by other Group companies than the Parent Company Vattenfall AB					
Germany					
European Energy Exchange	–	–	13	–	–
Fernkälte Geschäftsstadt Nord GbR	10	23	–	–	–
GNS Gesellschaft für Nuklear-Service GmbH	6	30	22	–	–
Other companies	–	–	20	–	–
Netherlands					
Cuculus GmbH	17	24	14	–	–
Electrisk Verzekeringsmaatschappij	21	22	22	–	–
Entellos AG	21	24	22	–	–
Topell Energy B.V.	14	29	21	–	–
Tri-O-Gen Group B.V.	19	26	25	–	–
Other companies		71	55	–	–
Other countries/companies					
Other companies	–	29	31	–	–
Total		**2,699**	**2,980**	**2,420**	**3,016**

Note 29 Share in the Swedish Nuclear Waste Fund

	2013	2012
Balance brought forward	29,954	28,430
Payments	1,157	1,106
Disbursements	-874	-1,012
Returns	363	1,430
Balance carried forward	**30,600**	**29,954**

According to the Swedish Nuclear Activities Act (1984:3), any organisation in Sweden with a permit to own or run a nuclear installation is obliged to dismantle the plant in a safe manner, to manage spent fuel and other radioactive waste and to conduct necessary research and development. The permit holder shall also finance said management, etc.

The financing of future fees for spent nuclear fuel, etc., is currently ensured by the Act on the Financing of Future Expenses of Spent Nuclear Fuel, etc. Pursuant to this law, the reactor owner is required to continue to pay a generation-based fee to the board of the Swedish Nuclear Waste Fund, which manages paid-in funds. The fund reimburses the owner of the reactor for expenses as the owner's obligations pursuant to the Swedish Nuclear Activities Act are fulfilled. According to agreements between the Swedish state, Vattenfall AB and E.ON Sverige AB, fund assets for Ringhals AB shall be managed by Vattenfall AB and fund assets for Barsebäck Kraft AB by E.ON Kärnkraft Sverige AB.

On 31 December 2013, the fair value of the Vattenfall Group's share of the Swedish Nuclear Waste Fund was SEK 30,836 million (30,736).

As stated in Note 42 to the consolidated accounts, provisions for future expenses for decommissioning, etc. within Swedish nuclear power operations amount to SEK 40,118 million (37,854).

Contingent liabilities attributable to the Swedish Nuclear Waste Fund are described in Note 51 to the consolidated accounts.

Note 30 Derivative assets and derivative liabilities

	Non-current portion, maturity 1–5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
Derivative assets	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Financial contracts	2,533	4,411	5,074	12,309	**7,607**	**16,720**	1,365	2,575	**8,972**	**19,295**
Commodity and commodity related contracts	8,384	6,717	248	319	**8,632**	**7,036**	9,602	9,923	**18,234**	**16,959**
Total	**10,917**	**11,128**	**5,322**	**12,628**	**16,239**	**23,756**	**10,967**	**12,498**	**27,206**	**36,254**

	Non-current portion, maturity 1–5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
Derivative liabilities	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Financial contracts	2,334	1,951	4,822	9,542	**7,156**	**11,493**	1,514	1,320	**8,670**	**12,813**
Commodity and commodity related contracts	2,578	3,669	–	31	**2,578**	**3,700**	2,766	4,292	**5,344**	**7,992**
Total	**4,912**	**5,620**	**4,822**	**9,573**	**9,734**	**15,193**	**4,280**	**5,612**	**14,014**	**20,805**

Note 31 Other non-current receivables

	Receivables from associated companies		Other receivables		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Balance brought forward	18	335	5,231	5,397	**5,249**	**5,732**
New receivables	5	3	1,061	163	**1,066**	**166**
Payments received	-1	1	-122	517	**-123**	**518**
Impairment losses	–	-320	-304	-3	**-304**	**-323**
Assets held for sale	–	–	-1,418	–	**-1,418**	**–**
Reclassifications	–	–	2,076	-717	**2,076**	**-717**
Translation differences	–	-1	41	-126	**41**	**-127**
Balance carried forward	**22**	**18**	**6,565**	**5,231**	**6,587**	**5,249**
Breakdown of non-current receivables:						
Non-current interest-bearing receivables	22	18	1,080	1,190	**1,102**	**1,208**
Non-current noninterest-bearing receivables	–	–	5,485	4,041	**5,485**	**4,041**
Total	**22**	**18**	**6,565**	**5,231**	**6,587**	**5,249**

Note 32 Inventories

	2013	2012
Inventories held for own use		
Nuclear fuel	8,316	8,661
Materials and spare parts	3,526	3,477
Fossil fuel	2,229	2,474
Other	628	1,089
Total	**14,699**	**15,701**
Inventories held for trading		
Fossil fuel	2,031	1,723
Emission allowances/certificates	1,718	2,039
Total	**3,749**	**3,762**
Total inventories	**18,448**	**19,463**

Inventories recognised as an expense in 2012 amount to SEK 40,429 million (30,619). Inventory write-downs amounted to SEK 58 million (217) during the year. Reversed write-downs amounted to SEK 3 million (6).

Parts of inventories are held for trading. These inventories are measured at fair value. For emission rights that are held for trading, fair value is a quoted price (Level 1).

For other commodities fair value measurement is derived from an observable market price (API#2 for coal), which means a categorisation into Level 2 of the fair value hierarchy. See Note 3 to the consolidated accounts, Accounting policies.

Note 33 Intangible assets: current

Attributable to emission allowances and certificates held for own use.

	Emission allowances		Certificates		Total	
	2013	2012	2013	2012	2013	2012
Balance brought forward	5,814	5,284	269	343	**6,083**	**5,627**
Purchases	6,114	6,558	528	1,419	**6,642**	**7,977**
Received free of charge	–	–	211	284	**211**	**284**
Sold	-2,884	-1,147	-235	-1,111	**-3,119**	**-2,258**
Redeemed	-1,803	-3,322	-581	-615	**-2,384**	**-3,937**
Disposals	-3	-1,100	-34	-51	**-37**	**-1,151**
Reclassification to inventories	-83	–	–	–	**-83**	**–**
Impairment losses	–	-238	–	–	**–**	**-238**
Translation differences	218	-221	–	–	**218**	**-221**
Balance carried forward	**7,373**	**5,814**	**158**	**269**	**7,531**	**6,083**

Note 34 Trade receivables and other receivables

	2013	2012
Accounts receivable – trade	27,354	25,525
Receivables from associated companies	25	22
Other receivables	4,663	8,862
Total	**32,042**	**34,409**

Age analysis

The collection period is normally between 10 and 30 days.

	2013			2012		
	Receivables, gross	Receivables impaired	Receivables, net	Receivables, gross	Receivables impaired	Receivables, net
Accounts receivable – trade						
Not due	22,385	26	**22,359**	21,493	26	**21,467**
Past due 1–30 days	1,762	39	**1,723**	1,379	30	**1,349**
Past due 31–90 days	671	38	**633**	442	24	**418**
Past due >90 days	3,828	1,189	**2,639**	3,168	877	**2,291**
Total	**28,646**	**1,292**	**27,354**	**26,482**	**957**	**25,525**
Receivables from associated companies						
Not due	14	–	**14**	14	–	**14**
Past due 1–30 days	5	–	**5**	6	–	**6**
Past due 31–90 days	2	–	**2**	–	–	**–**
Past due >90 days	4	–	**4**	2	–	**2**
Total	**25**	**–**	**25**	**22**	**–**	**22**
Other receivables						
Not due	4,617	2	**4,615**	8,821	4	**8,817**
Past due 1–30 days	41	2	**39**	7	–	**7**
Past due 31–90 days	5	1	**4**	5	–	**5**
Past due >90 days	33	28	**5**	52	19	**33**
Total	**4,696**	**33**	**4,663**	**8,885**	**23**	**8,862**

Cont. Note 34 Trade receivables and other receivables

Receivables impaired as above:

	2013	2012
Balance brought forward	980	961
Provision for impairment losses	587	495
Impairment losses	-269	-343
Reversed impairment losses	-13	-108
Reclassifications	15	9
Divested companies	-1	–
Translation differences	26	-34
Balance carried forward	**1,325**	**980**

Note 35 Advance payments paid

	2013	2012
Margin calls paid, energy trading	2,368	5,172
Other advance payments	342	224
Total	**2,710**	**5,396**

A margin call is a marginal security (collateral) that Vattenfall pays its counter-party, i.e., to the holder of a derivative position to cover the counterpart's credit risk, either bilaterally via OTC or through an exchange. In Vattenfall's business activities, margin calls occur in energy trading and in the treasury operations.

Margin calls paid within energy trading are recognised on the balance sheet as advance payments received and are thereby recognised in the statement of cash flows as cash flows from changes in operating assets, on the balance sheet, margin calls paid within financing activities are recognised as short-term investments (Note 37 to the consolidated accounts) and are thereby in the statement of cash flows as cash flows from financing activities.

Note 36 Prepaid expenses and accrued income

	2013	2012
Prepaid insurance premiums	198	173
Prepaid expenses, other	415	455
Prepaid expenses and accrued income, electricity	2,618	3,769
Accrued income, other	3,033	3,409
Total	**6,264**	**7,806**

Note 37 Short-term investments

	2013	2012
Interest-bearing investments	9,775	27,192
Margin calls, financing activities	1,685	1,258
Total	**11,460**	**28,450**

Note 38 Cash and cash equivalents

	2013	2012
Cash and bank balances	15,742	17,864
Cash equivalents	52	181
Total	**15,794**	**18,045**

Note 39 Assets held for sale

Refers to combined heat and power plants i Denmark, engineering consulting units in Germany and a thermal plant in Sweden.

	2013	2012
Property, plant and equipment	3,160	–
Other non-current assets	1,602	–
Trade receivables and other receivables	51	–
Cash and cash equivalents	1	–
Total assets	**4,814**	**–**
Other interest-bearing provisions	1,038	–
Deferred tax liabilities	16	–
Trade payables and other liabilities	1,858	–
Total liabilities	**2,912**	**–**

Note 40 Interest-bearing liabilities and related financial derivatives

Interest-bearing liabilities includes Hybrid Capital and other interest-bearing liabilities, mainly bond issues and liabilities pertaining to the acquisition of Group companies.

In June 2005, Vattenfall issued Hybrid Capital, which is reported among interest-bearing non-current liabilities. Hybrid Capital has a perpetual maturity and is junior to all of Vattenfall's unsubordinated debt intstruments.

There is no redemption requirement, although the intention is to repay the loan in 2015. The interest is fixed for the initial ten-year period, after which a floating rate is applied. The interest is conditional upon, among other things, Vattenfall's means of paying dividends to owners and the key ratio "Interest Coverage Trigger Ratio" amounting to at least 2.5.

Hybrid Capital is reported as follows:

	2013	2012
Balance brought forward	8,543	8,883
Discount allocation	16	15
Translation differences	276	-355
Balance carried forward	**8,835**	**8,543**

The Interest Coverage Trigger Ratio key ratio is calculated as follows:

	2013	2012
Funds from operations (FFO)	31,888	34,419
Interest paid	4,086	3,798
FFO plus interest paid (a)	**35,974**	**38,217**
Interest expenses (b)	4,719	6,044
Interest Coverage Trigger Ratio (a/b)	**7.62**	**6.32**

Cont. Note 40 Interest-bearing liabilities and related financial derivatives

Reported values for Hybrid Capital and other interest-bearing liabilities are specified as follows:

	Non-current portion, maturity 1–5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Bond issues	17,899	26,897	39,787	45,958	**57,686**	**72,855**	13,807	19,375	**71,493**	**92,230**
Commercial paper	–	–	–	–	**–**	**–**	4,464	–	**4,464**	**–**
Liabilities to credit institutions	1,269	1,557	69	161	**1,338**	**1,718**	814	306	**2,152**	**2,024**
Liabilities pertaining to acquisitions of subsidiaries[1]	17,892	17,043	–	–	**17,892**	**17,043**	–	10,037	**17,892**	**27,080**
Liabilities to owners of non-controlling interests	173	189	11,325	10,583	**11,498**	**10,772**	927	1,104	**12,425**	**11,876**
Liabilities to associated companies	7,995	8,376	–	–	**7,995**	**8,376**	1,518	932	**9,513**	**9,308**
Other liabilities	1,357	1,517	238	243	**1,595**	**1,760**	5,926[2]	7,440[2]	**7,521**	**9,200**
Total interest-bearing liabilities excluding Hybrid Capital	**46,585**	**55,579**	**51,419**	**56,945**	**98,004**	**112,524**	**27,456**	**39,194**	**125,460**	**151,718**
Hybrid Capital	8,835	8,543	–	–	8,835	8,543	–	–	8,835	8,543
Total interest-bearing liabilities	**55,420**	**64,122**	**51,419**	**56,945**	**106,839**	**121,067**	**27,456**	**39,194**	**134,295**	**160,261**
Derivatives (swaps) attributable to the above interest-bearing liabilities above	-430	-2,854	250	-2 066	-180	-4,920	-64	-950	-244	-5,870

1) According to agreement, the liability pertaining to the acquisition of the remaining 21% of the shares in N.V. Nuon Energy, SEK 17,892 million, is to be paid in July 2015.
2) Of which, margin calls within financing activities SEK 2,176 million (7,170).

The following bonds are issued by Vattenfall. The table shows the largest issues made. No new issues were made in 2012 or 2013.

Type	Issued	Currency	Nominal amount	Coupon %	Maturity
Euro Medium Term Note	2009	EUR	1,350	4.250	2014
Euro Medium Term Note	2009	EUR	1,100	5.250	2016
Euro Medium Term Note	2003	EUR	500	5.000	2018
Euro Medium Term Note	2008	EUR	650	6.750	2019
Euro Medium Term Note	2009	GBP	350	6.125	2019
Euro Medium Term Note	2009	EUR	1,100	6.250	2021
Euro Medium Term Note	2004	EUR	500	5.375	2024
Euro Medium Term Note	2009	GBP	1,000	6.875	2039

Undiscounted future cash flows (including interest payments on the interest-bearing liabilities mentioned above, as well as including trade payables and taking into account future cash flows for derivatives) are shown in the table below, i.e., all financial instruments with contractual payments on 31 December. Floating interest cash flows with future interest fixing dates are estimated based on market interest rates at year end. All future cash flows in foreign currency are translated to SEK using the rate on the balance sheet date for the annual accounts.

	Non-current portion, maturity 1–5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Interest-bearing liabilities	68,167	89,111	71,775	67,516	**139,942**	**156,627**	28,756	44,892	**168,698**	**201,519**
Derivatives (swaps)	-2,592	-3,914	-7,928	-8,821	**-10,520**	**-12,735**	-1,383	-1,859	**-11,903**	**-14,594**
Trade payables and other financial liabilities	1,539	2,986	4,461	4,548	**6,000**	**7,534**	31,908	35,219	**37,908**	**42,753**
Total	**67,114**	**88,183**	**68,308**	**63,243**	**135,422**	**151,426**	**59,281**	**78,252**	**194,703**	**229,678**

Note 41 Pension provisions

General

Vattenfall's pension obligations in the Group's Swedish, German and Dutch companies are predominantly defined benefit pension obligations. The concerned pension plans are primarily retirement pensions, disability pensions and family pensions. The assets in these funds (the plan assets) are reported at fair value. There are also pension plans in these and other countries that are defined contribution plans.

Swedish pension plans

The Swedish pension plans supplement the Swedish social insurance system and are the result of agreements between employer and employee organisations. Almost all of Vattenfall's employees in Sweden are covered by a pension plan that is primarily a defined benefit plan, known as ITP-Vattenfall. This pension plan guarantees employees a pension based on a percentage of their salary. These benefits are secured through provisions on the balance sheet.

Certain of Vattenfall's obligations in the ITP plan (such as spousal benefits and disability pensions) are secured through an insurance policy from Alecta (a Swedish mutual insurance company). According to a statement (UFR 3) issued by the Swedish Financial Reporting Board, this plan is a multi-employer defined benefit plan. As in previous years, Vattenfall has not had access to such information to make it possible to report this plan as a defined benefit plan. This year's share of the total savings premium in Alecta is 1.65295%, while our share of the total number of actively insured in Alecta is 1.16172%. Alecta's surplus can be distributed among the policyholders and/or the insureds. At the end of 2013, Alecta's surplus in the form of its so-called collective funding amounted to 148% (129%). Collective funding consists of the fair value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's actuarial calculation assumptions.

German pension plans

The pension plans in Germany are based on collective agreements in line with market terms and conditions. Substantial defined benefit plans exist in Germany.

Two pension plans exist, both secured through Pensionskasse der Bewag, a mutual insurance company. Obligations are secured through funds paid in by Vattenfall and its employees. One plan has been classified as a defined contribution plan and is reported as such since the benefit is based on paid–in contributions and Pensionskasse der Bewag's financial position. For employees who began their employment before 1 January 1984, there is a supplementary agreement providing employees working until retirement age with a pension equal to up to 80% of the salary on which the pension is based. Half of the statutory pension and the entire benefit from Pensionskasse der Bewag, including profits, are credited to the guaranteed amount. Vattenfall's obligations encompass the entire pension obligation. The plan assets attributable to personnel employed since before 1 January 1984 are reported as plan assets at fair value. The business of the Pensionskasse der Bewag is supervised by a regulatory authority. The assets of the Pensionskasse are investment funds that are not listed on the stock exchange. The fair value is determined by the repurchase price

In addition Vattenfall has pension obligations for employees in Hamburg that mainly comprise of the company's obligations to personnel employed before 1 April 1991 and who have been employed for at least 10 years. The sum of the retirement pension, statutory pension and pensions from third parties normally amounts to a maximum of 65% of pensionable salary.

Dutch pension plans

In the Netherlands Vattenfall has the majority of the pension obligations secured through the ABP pension fund and the "Metaal en Techniek" pension fund.

In 2013 an amendment was made in IAS 19 – *Employee Benefits* with regards to the classification requirements for pension plans. This amendment has resulted in a change in classification of the multi-employer plans in the Netherlands from defined benefit to defined contribution. The change in classification does not impact the financial performance of the Group as these were already accounted for as defined contribution plans in earlier years under the multi-employer scheme exemption.

The ABP and "Metaal en Techniek" plans are thus as of 2013 classified and reported as defined contribution plans.

Defined benefit pension plans

	2013				
		Germany			
	Sweden	Plan Berlin	Plan Hamburg	Other	Total
Present value of unfunded obligations	9,291	3,953	22,102	42	**35,388**
Present value of fully or partly funded obligations	54	8,805	157	136	**9,152**
Present value of obligations	**9,345**	**12,758**	**22,259**	**178**	**44,540**
Fair value of plan assets	–	8,805	157	101	**9,063**
Net defined benefit liability	**9,345**	**3,953**	**22,102**	**77**	**35,477**

	2012				
		Germany			
	Sweden	Plan Berlin	Plan Hamburg	Other	Total
Present value of unfunded obligations	2,827	4,831	18,444	40	**26,142**
Present value of fully or partly funded obligations	6,939	8,966	484	119	**16,508**
Present value of obligations	**9,766**	**13,797**	**18,928**	**159**	**42,650**
Fair value of plan assets	2,853	8,966	154	93	**12,066**
Net defined benefit liability	**6,913**	**4,831**	**18,774**	**66**	**30,584**

Changes in net defined benefit liability

	2013	2012
Balance brought forward	30,584	22,904
Benefits paid by the plan[1]	1,103	2,921
Total pension cost	1,818	1,621
Contributions by employer	-30	-28
Actuarial gains(-) or losses(+)	1,200	3,759
Translation differences	802	-593
Balance carried forward	**35,477**	**30,584**

1) Claims paid include payments from Vattenfall's Pension Foundation to Vattenfall AB and its subsidiaries. These payments do not reduce the obligation.

Changes in obligations

	2013	2012
Balance brought forward	42,650	39,408
Benefits paid by the plan	-2,059	-2,029
Service cost	640	600
Settlements	-192	–
Contributions by plan participants	5	6
Actuarial gains(-) or losses(+) due to changes in financial assumptions	494	3,751
Actuarial gains(-) or losses(+) due to plan experience	365	158
Current interest expense	1,548	1,734
Translation differences	1,089	-978
Balance carried forward	**44,540**	**42,650**

Cont. Note 41 Pension provisions

Changes in plan assets

	2013	2012
Balance brought forward	12,066	16,504
Benefits paid by the plan	-3,162	-4,950
Contributions by employer	30	28
Contributions by plan participants	5	6
Interest income	378	713
Settlements	-200	–
Difference between interest and actual return	-341	150
Translation differences	287	-385
Balance carried forward	**9,063**	**12,066**

Plan assets consist of the following

	2013	2012
Shares and participations	1,502	1,490
Interest-bearing instruments	6,116	6,552
Property	801	666
Other	644	3,358
Total	**9,063**	**12,066**

Payments for contributions to defined benefit plans during 2014 are estimated at SEK 495 million.

Pension costs

	2013	2012
Defined benefit plans:		
Current service cost	634	563
Interest expenses	1,548	1,734
Interest income	-378	-713
Past service cost	14	37
Total cost for defined benefit plans	**1,818**	**1,621**
Cost for defined contribution plans	840	621
Total pension costs	**2,658**	**2,242**

Pension costs are reported in the following lines in the income statement:

	2013	2012
Cost of products sold	1,361	1,086
Selling expenses	27	55
Administrative expenses	100	80
Financial expenses	1,170	1,021
Total pension costs	**2,658**	**2,242**

In calculating pension obligations, the following actuarial assumptions have been made (%):

	Sweden		Germany	
	2013	2012	2013	2012
Discount rate	4.0	3.5	3.5	3.75
Future annual salary increases	3.0	3.0	2.5	2.4–2.9
Future annual pension increases	2.0	2.0	0.0–2.0	1.0–2.0

Sensitivity to key actuarial assumptions

	2013			
	Sweden		Germany	
		%		%
Impact on the defined bebefit obligation at 31 December of a:				
50 basis point increase in the discount rate	-737	-7.9	-2,259	-6.5
50 basis point decrease in the discount rate	828	8.8	2,531	7.2

At 31 December 2013 the weighted duration of pension obligations was 14.3 years for Germany and 16.7 years for Sweden.

As described in Note 3 to the consolidated accounts under the heading "New IFRSs and interpretations effective as of 2013", new accounting rules apply as of 2013 according to IAS 19 — *Employee Benefits*, with respect to provisions for pensions and other personnel-related provisions. The reported effect due to the elimination of the corridor rule and other effects of the amended IAS 19 have affected Vattenfall's financial statements as follows:

	31 December 2011/1 January 2012			31 December 2012		
Amounts in SEK million	As reported previously	Adjustments	After adjustments	As reported previously	Adjustments	After adjustments
Balance sheet:						
Pension provisions	17,995	4,909	22,904	21,890	8,694	30,584
Personnel-related provisions for non-pension purposes	3,975	-855	3,120	3,141	-687	2,454
Deferred tax liabilities	35,406	-896	34,510	34,681	-2,144	32,537
Accrued expenses[1]	18,507	-18	18,489	15,830	-18	15,812
Equity attributable to owner of the Parent Company						
Equity excl. Profit for the year	121,572	-3,024	118,548	129,204	-5,487	123,717
Profit for the year	10,416	–	10,416	17,224	-177	17,047
Equity attributable to non-controlling interests	6,943	-116	6,827	8,790	-182	8 608
Equity	138,931	-3,140	135,791	155,218	-5,846	149,372
Balance sheet total	524,558	–	524,558	528,364	–	528,364
Income statement:						
Operating profit (EBIT)				26,175	-217	25,958
Financial expenses[2]				-10,510	34	-10,476
Income tax expense				-1,077	6	-1,071
Profit for the year				17,224	-177	17,047
Comprehensive income						
Remeasurement pertaining to defined benefit obligations				–	-3,759	-3,759
Tax attributable to remeasurement pertaining to defined benefit obligations				–	1,230	1,230
Profit for the year				17,224	-177	17,047
Total comprehensive income				16,315	-2,882	13,433
Statement of cash flows:						
Profit before tax				18,301	-183	18,118
Other, incl. non-cash items				-930	183	-747
Funds from operations (FFO)				34,419	–	34,419

1) Change pertaining to recognition of special employer's payroll tax.
2) Including changed interest rate used to calculate the return on plan assets.

Note 42 Other interest-bearing provisions

	Non-current portion		Current portion		Total	
	2013	2012	2013	2012	2013	2012
Provisions for future expenses of nuclear operations	52,796	50,056	1,695	1,673	**54,491**	**51,729**
Provisions for future expenses of mining, gas and wind operations and other environmental measures/undertakings	10,370	10,630	1,390	1,599	**11,760**	**12,229**
Personnel-related provisions for non-pension purposes	1,898	1,172	1,673	1,283	**3,571**	**2,455**
Provisions for tax and legal disputes	1,115	3,056	408	692	**1,523**	**3,748**
Other provisions	3,103	2,726	263	361	**3,366**	**3,087**
Total	**69,282**	**67,640**	**5,429**	**5,608**	**74,711**	**73,248**

Discount rates used in the calculations of the provisions are described in Note 4 to the consolidated accounts. Important estimations and assessments in the preparation of the financial statements.

Provisions for future expenses of nuclear operations:
Vattenfall's nuclear power producers in Sweden and Germany have a legal obligation upon the cessation of production to decommission and dismantle the nuclear power plants and to restore the plots of land where the plants were located. Further, this obligation also encompasses the safeguarding and final storage of spent radioactive fuel and other radioactive materials used by the plants. The provisions include future expenses for the management of low- and medium-level radioactive waste.

For the Swedish operations, current assumptions indicate that all provisions will result in disbursements later than 2029.

Current plans for the decommissioning of the German nuclear power operations entail that approximately 31% of the provisions will result in cash flows relatively evenly distributed over the period 2014–2015, a further approximately 44% over the period 2016–2024, and approximately 25% thereafter.

Provisions for future expenses of nuclear operations (changes in 2013)

	Sweden	Germany	Total
Balance brought forward	37,854	13,875	**51,729**
Provisions for the period	67	408	**475**
Interest effects	1,483	665	**2,148**
Revaluations versus non-current assets	1,833	–	**1,833**
Provisions used	-1,119	-1,024	**-2,143**
Translation differences	–	449	**449**
Balance carried forward	**40,118**[1]	**14,373**[2]	54,491

1) Of which, approximately 26% (30%) pertains to the dismantling, etc. of nuclear power plants and approximately 74% (70%) to the handling of spent radioactive fuel.
2) Of which, approximately 66% (68%) pertains to the dismantling, etc. of nuclear power plants and approximately 34% (32%) to the handling of spent radioactive fuel.

Provisions for future expenses of mining, gas and wind operations and other environmental measures/undertakings:
Provisions are made to restore sites and for other undertakings associated with the Group's permits to conduct lignite mining in Germany, and in the Netherlands for the dismantling and removal of assets and restoration of sites where the Group conducts gas operations. Provisions are also made for restoration of sites where the Group conducts wind operations and for environmental measures/undertakings within other activities carried out by the Group.

According to current estimations, approximately 66% of the provisions will result in cash outflows later than 2016. For 2014, disbursements corresponding to 12% of the provisions are estimated, while disbursements for the years 2015 and 2016 are estimated at 13% and 9% of the provisions, respectively.

Provisions for mining operations, etc. (changes in 2013)

Balance brought forward	12,229
Provisions for the period	578
Interest effects	485
Revaluations versus non-current assets	259
Provisions used	-833
Provisions reversed	-368
Assets held for sale	-962
Translation differences	372
Balance carried forward	**11,760**

Personnel-related provisions for non-pension purposes:
Provisions are made for future costs pertaining to redundancy in the form of severance pay and other costs for giving notice to personnel.

Approximately 26% of the provisions that have been made are estimated to result in disbursements in 2014, a further approximately 48% during 2015–2018, and the remaining 26% thereafter.

Personnel-related provisions for non-pension purposes (changes in 2013)

Balance brought forward	2,455
Provisions for the period	2,473
Interest effects	138
Provisions used	-1,444
Provisions reversed	-98
Assets held for sale	-36
Translation differences	83
Balance carried forward	**3,571**

Provisions for tax and legal disputes:
Provisions are made for possible future tax expenses due to ongoing tax audits and for ongoing legal disputes and actions. These include provisions related to ongoing legal actions concerning encroachment regarding cable laying on land in eastern Germany.

Approximately 99% of the provisions for tax and legal disputes are expected to result in disbursements in 2014–2016 and 1% thereafter.

Provisions for tax and legal disputes (changes in 2013)

Balance brought forward	3,748
Provisions for the period	31
Interest effects	-247
Provisions used	-279
Provisions reversed	-1,805
Translation differences	75
Balance carried forward	**1,523**

Other provisions:
Other provisions include, among others, provisions for losses on contracts, restructuring and guarantee commitments.

Approximately 21% of these provisions are estimated to result in disbursements in 2014 and 2015, while the remaining approximately 36% are estimated to result in disbursements during the years 2016–2034, and 43% thereafter.

Other provisions (changes in 2013)

Balance brought forward	3,087
Provisions for the period	699
Interest effects	36
Revaluations	212
Provisions used	-390
Provisions reversed	-274
Assets held for sale	-47
Translation differences	43
Balance carried forward	**3,366**

Note 43 Other noninterest-bearing liabilities (non-current)

Of the total liabilities of SEK 6,000 million (7,534), SEK 4,461 million (4,548) falls due after more than five years. Of the total liabilities SEK 5,237 million (5,078) pertains to deferred income and SEK 763 million (2,456) to other liabilities.

Note 44 Trade payables and other liabilities

	2013	2012
Accounts payable – trade	17,930	22,541
Liabilities to associated companies	5,490	4,050
Other liabilities	8,488	8,628
Total	**31,908**	**35,219**

Note 45 Advance payments received

	2013	2012
Margin calls received, energy trading	3,289	1,929
Other advance payments	–	209
Total	3,289	2,138

A margin call is marginal security (collateral) that Vattenfall's counterparty pays to Vattenfall as the holder of a derivative position to cover Vattenfall's credit risk, either bilaterally via OTC or through an exchange. In Vattenfall's business activities, margin calls occur in energy trading and in the treasury operations.

Margin calls received within energy trading are recognised on the balance sheet as advance payments received and are thereby recognised in the statement of cash flows as cash flows from changes in operating liabilities while margin calls received within financing activities are recognised on the balance sheet as current interest-bearing liabilities (Note 40 to the consolidated accounts) and are thereby recognised in the statement of cash flows recognised as cash flows from financing activities.

Note 46 Accrued expenses and deferred income

	2013	2012
Accrued personnel-related costs	6,716	3,313
Accrued expenses, emission allowances	6,162	2,167
Accrued expenses, connection fees	94	93
Accrued nuclear power-related fees and taxes	193	202
Accrued interest expense	3,415	3,685
Other accrued expenses	995	4,294
Deferred income and accrued expenses, electricity	2,438	1,758
Other deferred income	369	300
Total	20,382	15,812

Note 47 Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income

Risks arising from financial instruments are described under the heading Risks and risk management on pages 50–55 in this Annual Report.

	2013		2012	
Financial instruments by category:	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Derivative assets	13,011	13,011	23,179	23,179
Short-term investments	9,774	9,774	27,192	27,192
Cash equivalents (Note 38)	52	52	181	181
Total	22,837	22,837	50,552	50,552
Derivative assets for hedging purposes for:				
Fair value hedges	1,954	1,954	5,463	5,463
– of which, interest rate swaps	*1,058*	*1,058*	*2,560*	*2,560*
– of which, cross-currency interest rate swaps	*896*	*896*	*2,903*	*2,903*
Cash flow hedges	12,241	12,241	7,612	7,612
– of which, commodities and commodity-related contracts	*12,208*	*12,208*	*7,549*	*7,549*
– of which, currency-forward contracts	*33*	*33*	*63*	*63*
Total	14,195	14,195	13,075	13,075
Loans and receivables				
Share in the Swedish Nuclear Waste Fund	30,600	30,836	29,954	30,736
Other non-current receivables	6,587	6,600	5,249	5,249
Trade receivables and other receivables	32,042	32,042	34,409	34,409
Advance payments paid (Note 35)	2,368	2,368	5,172	5,172
Short-term investments	1,685	1,685	1,258	1,201
Cash and bank balances (Note 38)	15,742	15,742	17,864	17,864
Total	89,024	89,273	93,906	94,631
Available-for-sale financial assets				
Other shares and participations carried at fair value	2,390	2,390	2,730	2,730
Other shares and participations carried at cost	309	309	250	250
Total	2,699	2,699	2,980	2,980
Financial liabilities at fair value through profit or loss				
Derivative liabilities	9,815	9,815	18,866	18,866
Total	9,815	9,815	18,866	18 866
Derivative liabilities for hedging purposes for:				
Fair value hedges	459	459	71	71
– of which, interest rate swaps	*329*	*329*	*1*	*1*
– of which, cross-currency interest rate swaps	*130*	*130*	*70*	*70*
Cash flow hedges	3,740	3,740	1,868	1,868
– of which, commodities and commodity-related contracts	*3,688*	*3,688*	*1,767*	*1,767*
– of which, currency-forward contracts	*52*	*52*	*101*	*101*
Total	4,199	4,199	1,939	1,939
Other financial liabilities				
Hybrid Capital	8,835	9,238	8,543	9,606
Other non-current interest-bearing liabilities	98,004	108,885	112,524	118,509
Other non-current noninterest-bearing liabilities	6,000	6,000	7,534	7,534
Current interest-bearing liabilities	27,456	27,155	39,194	39,421
Trade payables and other liabilities	30,113	30,113	32,581	32,581
Advance payments received (Note 45)	3,288	3,288	1,929	1,929
Total	173,696	184,679	202,305	209,580

Cont. Note 47 Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income

For assets and liabilities with a remaining maturity 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, cost is considered to be equal to the carrying amount. The fair value hierarchy is described in Note 3 to the consolidated accounts, Accounting policies.

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

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

				Related amounts not set off on the balance sheet		
Assets 31 Dec. 2012	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off on the balance sheet	Net amounts of financial assets presented on the balance sheet	Financial liabilities, not intended to be settled net[1]	Cash collateral received	Net amount
Derivatives, financial operations	19,295	–	19,295	11,127	7,215	953
Derivatives, commodity contracts	44,965	31,788	13,177	–	1,740	11,437
Total	**64,260**	**31,788**	**32,472**	**11,127**	**8,955**	**12,390**
Derivatives, not subject to offsetting	3,782	–	3,782	–	–	3,782
Total derivative assets			**36,254**			**16,172**

				Related amounts not set off on the balance sheet		
Liabilities 31 Dec. 2013	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Financial assets, not intended to be settled net[1]	Cash collateral pledged	Net amount
Derivatives, financial operations	8,669	–	8,669	6,763	1,685	221
Derivatives, commodity contracts	32,608	27,547	5,061	–	1,600	3,461
Total	**41,277**	**27,547**	**13,730**	**6,763**	**3,285**	**3,682**
Derivatives, not subject to offsetting	284	–	284	–	–	284
Total derivative liabilities			**14,014**			**3,966**

				Related amounts not set off on the balance sheet		
Liabilities 31 Dec. 2012	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off on the balance sheet	Net amounts of financial liabilities presented on the balance sheet	Financial assets, not intended to be settled net[1]	Cash collateral pledged	Net amount
Derivatives, financial operations	12,813	–	12,813	11,127	1,344	342
Derivatives, commodity contracts	39,019	31,788	7,231	–	1,354	5,877
Total	**51,832**	**31,788**	**20,044**	**11,127**	**2,698**	**6,219**
Derivatives, not subject to offsetting	761	–	761	–	–	761
Total derivative liabilities			**20,805**			**6,980**

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

Cont. Note 47 Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income

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

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

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

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

Information about fair value of financial assets and liabilities which are, on the balance sheet at 31 December 2013, measured at amortised cost

	Level 1	Level 2	Total
Assets			
Share in the Swedish Nuclear Waste Fund	30,836	–	**30,836**
Other non-current receivables	–	6,600	**6,600**
Total assets	**30,836**	**6,600**	**37,436**
Liabilities			
Hybrid Capital	–	9,238	**9,238**
Other non-current interest-bearing liabilities	–	108,885	**108,885**
Current interest-bearing liabilities	–	27,155	**27,155**
Total liabilities	**–**	**145,278**	**145,278**

Financial instruments at fair value through profit or loss, changes in Level 3 financial instruments

	Assets		Liabilities	
	2013	**2012**	**2013**	**2012**
Balance brought forward	2,129	2,832	-2,266	2,925
Transfer into an other level	44	–	-1,075	–
Revaluations recognised in operating profit (EBIT)	-834	-626	836	-549
Translation differences	38	-77	30	-110
Balance carried forward	**1,377**	**2,129**	**385**	**2,266**
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held at 31 December	655	1,965	-87	-1,884

Sensitivity analysis for electricity and fuel derivatives

Fair valuation on the balance sheet date of 31 December 2013 of +/-10% would change the fair value of Vattenfall's electricity and fuel derivatives by SEK +/-5,351 million in other comprehensive income (hedge-accounted derivatives) and SEK +/-3,703 million in the income statement (non-hedge-accounted derivatives).

Cont. Note 47 Financial instruments by category, offsetting financial assets and liabilities, and financial instrument's effects on income

Sensitivity analysis for Level 3 contracts

TGSA:

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

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

The net value as per 31 December 2013 has been calculated at SEK +634 million (-153). The price of the coal price index used in the model (API#2) has a large impact on the modelled price. A change in this index of +/-5% would affect the total value by approximately SEK +/-25 million (+/-16).

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

CDM:

Clean Development Mechanism (CDM) is a flexible mechanism under the Kyoto Protocol and overseen by the UNFCCC under which projects set up in developing countries to reduce CO_2 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 publicy available on the website of the UNFCCC.

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

Long-term electricity contracts:

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

The value as per 31 December 2013 has been calculated at SEK +142 million (+430). The price of aluminium is the factor that has the greatest bearing on the modelled price. An increase of the price for aluminum leads to a higher fair value and vice versa. A change in the price of aluminium of +/-5% would affect the total value by approximately SEK +/-90 million (+/-148).

Virtual gas storage contracts:

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

The net value as per 31 December 2013 has been calculated at SEK 58 million and is most sensitive to the optionality volatility. A change in the value of the daily volatility of +/-5% would affect the total value by approximately +/-SEK 31 million.

Gas swing contracts:

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

The net value as per 31 December 2013 has been calculated at SEK 159 million and is most sensitive to the optionality volatility. A change in the value of the daily volatility of +/-5% would affect the total value by approximately +/-SEK 6 million.

Financial instruments: Effects on income by category

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

	2013			2012		
	Net gains/ losses[1]	Interest income	Interest expenses	Net gains/ losses[1]	Interest income	Interest expenses
Derivative assets and derivative liabilities	-3,121	196	-257	5,120	489	-124
Available-for-sale financial assets	-382	–	–	-208	–	–
Loans and receivables	753	494	–	675	1,379	–
Financial liabilities measured at amortised cost	1,541	–	-4,238	109	–	-5,571
Total	**-1,209**	**690**	-4,495	**5,696**	**1,868**	**-5,695**

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

Note 48 Specifications of the cash flow statement

Other, incl. non-cash items

	2013	2012
Undistributed results from participation in associated companies	-837	388
Unrealised foreign exchange gains	-1,778	-725
Unrealised foreign exchange losses	16	-49
Unrealised changes in values related to derivatives	3,388	-400
Changes in fair values for inventories	-433	394
Changes in interest receivables	24	-506
Changes in interest liabilities	463	2,263
Changes in the Swedish Nuclear Waste Fund	-646	-1,524
Changes in provisions	629	-775
Other	178	187
Total	**1,004**	**-747**

Interest paid totalled SEK 4,086 million (3,798) and interest received totalled SEK 725 million (426). Dividends received totalled SEK 494 million (537).

Other investments in non-current assets

	2013	2012
Investments in intangible assets: non-current, including advance payments	-154	-285
Investments in property, plant and equipment, including advance payments	-27,581	-28,951
Total	**-27,735**	**-29,236**

Divestments

	2013	2012
Divestments of shares and participations	271	20,873
Divestments of intangible assets: non-current	-7	4
Divestments of property, plant and equipment	387	1,959
Total	**651**	**22,836**

Note 49 Specifications of equity

Share capital:
As of 31 December 2013 the registered share capital comprised 131,700,000 shares with a share quota value of SEK 50.

Reserve for hedges:
The reserve for hedges comprises mostly unrealised changes in values of commodity derivatives used to hedge future sales (cash flow hedges).

Translation reserve:
The translation reserve comprises all exchange rate differences arising from the translation of financial reports from non-Swedish operations that prepare their reports in a currency other than that in which the Group reports. Further, the translation reserve includes exchange rate differences arising from the reassessment of debts raised as hedges for net investments in non-Swedish operations.

Fair value reserve:
The fair value reserve comprises revaluations of financial instruments belonging to the category available-for-sale financial assets.

The reserve for cash flow hedges is expected to affect the income statement and cash flow, respectively, in the periods indicated below:

	2013		2012	
	Cash flow	Income statement	Cash flow	Income statement
Within 1 year	5,495	4,152	4,499	3,678
Between 1–5 years	3,948	3,476	2,285	1,639
More than 5 years	380	380	–	–
	9,823	**8,008**	**6,784**	**5,317**
Other	-260	-11	-219	-1
Total	**9,563**	**7,997**	**6,565**	**5,316**

Amounts that have reduced the reserve for cash flow hedges are included in the following line items in the income statement:

	2013	2012
Net sales	8,620	1,655
Cost of products sold	1,298	824
Other operating income	2	-3
Total	**9,920**	**2,476**

Amounts that have reduced the reserve for cash flow hedges are included in the following line items on the balance sheet:

	2013	2012
Property, plant and equipment	-17	1
Inventories	10	69
Total	**-7**	**70**

Retained earnings including profit for the year:
Retained earnings including profit for the year include earned profits in the Parent Company and its subsidiaries, associated companies and joint ventures, and effects of remeasurements of defined benefit pension plans.

Translation exposure of equity in other currencies than SEK

	Equity		Hedging after tax		Net exposure after tax		Average exposure after tax	
Original currency	2013	2012	2013	2012	2013	2012	2013	2012
EUR	124,266	154,265	65,830	67,347	58,436	86,918	65,045	85,673
DKK	2,146	5,224	–	–	2,146	5,224	3,397	8,448
GBP	15,034	14,277	2,881	2,694	12,153	11,583	11,491	13,078
Other currencies	128	3	–	–	128	3	94	100
Total	**141,574**	**173,769**	**68,711**	**70,041**	**72,863**	**103,728**	**80,027**	**107,299**

Note 50 Collateral

	2013	2012
Shares pledged to PRI Pensionsgaranti, as security for credit insurance in respect of pension obligations in Vattenfall's Swedish operations	7,318	6,576
Blocked bank funds as security for guarantees issued by banks	66	38
Blocked bank funds as security for trading on the Nordic electricity exchange and trading with emission allowances	1,328	1,225
Total	8,712	7,839

To fulfil the requirements for security in the derivative market, in its energy trading and financial operations Vattenfall has pledged security to counterparties for the negative fair value of derivative positions. As per 31 December 2013 this security amounted to SEK 2,368 million (5,172) for energy trading and SEK 1,685 million (1,258) for the financial operations. The amounts are reported as assets on the balance sheet under advance payments paid for the energy trading portion (Note 35 to the consolidated accounts) and under short-term investments for the financial operations portion (Note 37 to the consolidated accounts). The counterparties are obligated to repay this security to Vattenfall in the event the negative fair value decreases.

In a similar manner, Vattenfall's counterparties in energy trading and the financial operations have pledged security to Vattenfall. Security received as per 31 December 2013 amounted to SEK 3,288 million (1,929) for energy trading and SEK 2,176 million (7,170) for the financial operations. The amounts are reported as liabilities on the balance sheet under advance payments received for the energy trading portion (Note 45 to the consolidated accounts) and interest-bearing liabilities (current) for the financial operations (Note 40 to the consolidated accounts).

Vattenfall AB has to the insurance company PRI Pensionsgaranti pledged shares in Vattenfall Eldistribution AB as security for the credit insurance that is required to fund the pensions.

Note 51 Contingent liabilities

	2013	2012
Guarantees	213	210
Other contingent liabilities	2,586	1,695
Total	2,799	1,905

In certain rivers, joint regulation facilities exist for several hydro power plants. The owners of the power plants have payment obligations for their share of these regulation costs. Vattenfall has an obligation to compensate certain owners of water rights, in rivers where hydro power stations are built, through the delivery of power. In 2013, such compensation deliveries amounted to 0.74 TWh (0.99), for a value of approximately SEK 265 million (274).

Under Swedish law, Vattenfall has strict and unlimited liability for third-party loss resulting from dam accidents. Together with other hydro power producers in the Nordic countries, Vattenfall has liability insurance that is limited to payment of a maximum of SEK 8,685 million in benefits for these types of claims.

In its Swedish operations, Vattenfall conducted a number of leasing transactions involving power plants in 2003 and 2005. The transactions are based on sale & leaseback agreements for each power plant, which were sold to French counterparties to be leased back for 15 years. Once the lease periods expire, Vattenfall has the right to purchase the plants through call options. The present value of the future lease payments, including the option amount, has been deposited with financial institutions with high credit ratings for the disbursement of the lease payments in accordance with the leases. In the event Vattenfall should wish to prematurely redeem the lease agreements, this would give rise to costs for Vattenfall. As per 31 December 2013 these costs amounted to a maximum of SEK 51 million (59). This amount is not included in the other contingent liabilities reported above.

In Germany, nuclear power operators have strict and unlimited liability to third parties. By law, nuclear power plants are required to have insurance or other financial guarantees for amounts up to EUR 2,500 million. Claims of up to EUR 256 million are covered by the German Mutual Atomic Energy Reinsurance Pool. The nuclear power plants and their German parent companies (in Vattenfall's case, Vattenfall GmbH) are liable for amounts in excess of this, in proportion to the ownership interests the respective parent companies have in the nuclear power plants. It is not until these resources are exhausted that a joint liability insurance agreement (Solidarvereinbarung) takes force between the owners of the German nuclear power plants (Vattenfall GmbH, E.ON, RWE and EnBW), for amounts up to EUR 2,500 million. Since the liability is unlimited, the nuclear power plants and their German parent companies are ultimately liable for losses that exceed this amount.

Atomic liability in Sweden is strict and limited to 300 million Special Drawing Rights (SDRs) (rate 10,029), corresponding to SEK 3,007 million (3,004), which means that the companies that are owners of nuclear power plants are only liable for damage to the surrounding environment up to this amount. The obligatory atomic liability insurance for this amount is issued by the Nordic Atomic Insurance Pool and by the mutual insurance company ELINI (European Liability Insurance for the Nuclear Industry). As policyholders of the mutual insurance companies ELINI and EMANI (European Mutual Association for Nuclear Insurance), Vattenfall's Swedish nuclear power plants Forsmark and Ringhals have an obligation to cover any deficits in insurance reserves in these insurance companies.

According to the Swedish Act (2006:647) on the Financing of Future Expenses for Nuclear Waste Management, Sweden's nuclear power companies are required to pledge security to the Swedish state (the Swedish Nuclear Waste Fund) as a guarantee that sufficient funds exist to cover the future costs of nuclear waste management. The security is pledged in the form of guarantee commitments to the owners of the nuclear power companies. In a decision made on 22 December 2011, the Swedish government set new guarantee amounts for the years 2012–2014. As security for the subsidiaries Forsmarks Kraftgrupp AB and Ringhals AB, the Parent Company Vattenfall AB has made guarantee commitments for a combined value of SEK 12,025 million (12,025). Two types of guarantees have been issued. The first guarantee – so-called Financing Security, totalling SEK 6,821 million – is intended to cover the requisite need for fees that have been decided on but not yet been paid in during the so-called earnings period (25 years of operation). The second guarantee, amounting to SEK 5,204 million, pertains to future cost increases stemming from unforeseen events (so-called Complementary Security). The amounts for both of these types of security have been determined based on a probability-based risk analysis in which the former amount has been determined as such that there is a 50% probability that it, together with currently funded amounts (the median value), will provide full cost coverage. The latter amount essentially consists of the supplement that would be required if the corresponding probability was 90%. See also Note 29 to the consolidated accounts, Share in the Swedish Nuclear Waste Fund and Note 42 on Provisions.

In 2009 Vattenfall AB, together with its subsidiary SKB (the Swedish Nuclear Fuel and Waste Management Company) and the other part-owners of that company, signed a long-term co-operation agreement with the Östhammar and Oskarshamn municipalities. The agreement covers the period 2010 to approximately 2025 and regulates development efforts in association with the implementation of the Swedish nuclear waste programme. Through development initiatives in areas such as training, enterprise and infrastructure, over time the parties will generate value-added worth SEK 1,500 million to SEK 2,000 million. The parties are to finance the development efforts in proportion to their ownership interests. The Vattenfall Group's ownership interest is 56%. Implementation of the efforts is being carried out across two periods: a period before all necessary permits have been received (Period 1), and a period during implementation and operation of the facilities (Period 2). In 2013 Vattenfall reported a provision of SEK 91 million (121) for its share of Period 1 activities.

As a consequence of the Group's continuing business activities, companies in the Group become parties to legal processes. In addition, disputes arise in the Group's operations that do not lead to legal processes. Vattenfall's management assesses these legal processes and disputes on a regular basis and makes provisions in cases where it believes an obligation exists and this can be judged with a reasonable degree of certainty. For legal processes or disputes where at present it cannot be determined whether an obligation exists or where for other reasons it is not possible to calculate the amount of a possible provision with a reasonable degree of certainty, management makes the overall judgement that there is no risk for material impact on the Group's result of operations or financial position. As part of the Group's business activities, in addition to the contingent liabilities stated here, guarantees are made for the fulfilment of various contractual obligations.

Note 52 Commitments under consortium agreements

Power plants are often built on a joint venture basis. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership, and each owner is liable, regardless of output, for an equivalent proportion of all the joint venture's costs.

Vattenfall's investments in heating companies and other businesses often entail a liability for costs in proportion to its share of ownership.

Note 53 Number of employees and personnel costs

	2013			2012		
Number of employees at 31 December, full-time equivalents	Men	Women	Total	Men	Women	Total
Sweden	6,662	2,240	**8,902**	6,633	2,297	**8,930**
Denmark	483	83	**566**	573	104	**677**
Finland	23	26	**49**	24	28	**52**
Germany	13,369	3,885	**17,254**	13,635	4,094	**17,729**
Poland	69	11	**80**	71	20	**91**
Netherlands	3,600	1,155	**4,755**	3,872	1,245	**5,117**
Belgium	1	2	**3**	1	2	**3**
UK	105	60	**165**	101	60	**161**
France	11	9	**20**	12	10	**22**
Serbia	10	4	**14**	8	4	**12**
Other countries	1	10	**11**	–	–	–
Total	**24,334**	**7,485**	**31,819**	**24,930**	**7,864**	**32,794**

	2013			2012		
Average number of employees during the year, full-time equivalents	Men	Women	Total	Men	Women	Total
Sweden	6,677	2,285	**8,962**	6,543	2,246	**8,789**
Denmark	526	94	**620**	554	103	**657**
Finland	24	27	**51**	64	54	**118**
Germany	13,516	3,993	**17,509**	13,785	4,183	**17,968**
Poland	67	15	**82**	72	20	**92**
Netherlands	3,743	1,205	**4,948**	4,012	1,257	**5,269**
Belgium	1	2	**3**	1	1	**2**
UK	103	60	**163**	81	51	**132**
France	11	10	**21**	10	9	**19**
Serbia	8	4	**12**	9	4	**13**
Other countries	1	2	**3**	–	–	–
Total	**24,677**	**7,697**	**32,374**	**25,131**	**7,928**	**33,059**

Personnel costs	2013	2012
Salaries and other remuneration	18,067	18,568
Social security costs[1]	5,634	6,580
Total	**23,701**	**25,148**

1) Pension costs are specified in Note 41 to the consolidated accounts.

Benefits to board members of Vattenfall AB and senior executives of the Vattenfall Group

	2013			2012		
SEK thousands	Directors' fees and base salary including vacation pay	Other remunera-tion and benefits	Pension and severance costs	Directors' fees and base salary including vacation pay	Other remuneration and benefits	Pension and severance costs
Board of Directors						
Lars G. Nordström, Chairman of the Board	666	–	–	625	–	–
Eli Arnstad, board member	373	–	–	335	–	–
Gunilla Berg, board member	391	–	–	222	–	–
Håkan Buskhe, board member	325	–	–	222	–	–
Håkan Erixon, board member	370	–	–	355	–	–
Jan-Åke Jonsson, board member until 29 May 2013	138	–	–	222	–	–
Cecilia Vieweg, board member until 24 April 2013	107	–	–	340	–	–
Patrik Jönsson, board member until 18 December 2013	–	–	–	–	–	–
Jenny Lahrin, board member from 18 December 2013	–	–	–	–	–	–
Åsa Söderström Jerring, board member from 18 December 2013	–	–	–	–	–	–
Employee representatives	–	–	–	–	–	–
Former board members[1]	–	–	–	251	–	–
Total, Board of Directors	**2,370**	**–**	**–**	**2,572**	**–**	**–**

Cont. Note 53 Number of employees and personnel costs

Benefits to board members of Vattenfall AB and senior executives of the Vattenfall Group

	2013			2012		
SEK thousands	Directors' fees and base salary including vacation pay	Other remunera-tion and benefits	Pension and severance costs	Directors' fees and base salary including vacation pay	Other remuneration and benefits	Pension and severance costs
Executive Group Management						
Øystein Løseth, President and CEO	13,882	402	4,101	13,560	391	3,981
Ingrid Bonde, CFO and Deputy CEO[1]	6,859	–	2,001	4,022	3	1,264
Peter Smink, Head of Business Division Sustainable Energy Projects	5,263	100	1,050	3,132	104	287
Tuomo Hatakka, Senior Executive Vice President, Head of Business Division Production	10,427	26	2,382	10,738	12	2,393
Torbjörn Wahlborg, Senior Executive Vice President, Head of Business Division Nuclear Power	6,669	56	1,988	6,654	63	1,939
Stefan Dohler, Head of Business Division Asset Optimisation and Trading	6,067	88	1,335	5,866	86	1,291
Anders Dahl, Head of Business Division Distribution and Sales	5,303	47	1,506	3,826	57	1,138
Olof Gertz, Head of Staff Function Human Resources	4,145	73	1,234	3,461	67	1,051
Anne Gynnerstedt, General Counsel & Company Secretary/CEO Office	4,699	–	1,327	4,302	4	1,299
Former members of Executive Group Management[2]	–	–	–	12,816	171	11,989
Other senior executives						
Hartmuth Zeiss, Head of Business Unit Mining & Generation, Vattenfall Europe Mining AG	5,028	180	1,031	4,955	179	1,016
Jan Homan, Head of Business Unit Thermal	4,254	81	833	4,474	200	801
Frank May, Head of Business Unit Heat, Vattenfall Europe Wärme AG	3,859	86	839	3,783	86	818
Gunnar Axheim, Head of Business Unit Hydro	3,100	2	1,008	3,020	3	982
Helmar Rendez, Head of Business Unit Distribution	4,293	613	1,288	4,209	562	1,263
Huib Morelisse, CEO N.V. Nuon Energy and country manager in the Nether-lands	–	–	–	1,131	–	200
Eva Halldén, Head of Ringhals[3]	2,210	175	663	–	–	–
Stefan Persson, Head of Forsmark[4]	2,045	55	614	–	–	–
Former senior executives[2]	–	–	–	3,590	50	6,495
Total Executive Group Management and senior executives	**88,103**	**1,984**	**23,200**	**93,539**	**2,038**	**38,207**
Total Board of Directors, Executive Group Management and other senior executives	**90,473**	**1,984**	**23,200**	**96,111**	**2,038**	**38,207**

1) SEK 38 thousand pertains to retroactive salary in accordance with the comapny car policy that applied in 2012.
2) See Vattenfall's 2012 Annual Report, pages 95–96.
3) Total remuneration includes SEK 158 thousand pertaining to a quality bonus from 2012.
4) Total remuneration includes SEK 53 thousand pertaining to a quality bonus from 2012.

Board of Directors
The 2013 Annual General Meeting resolved that directors' fees for the period until the end of the next Annual General Meeting shall amount to SEK 580 thousand for the Chairman and SEK 280 thousand for each of the other AGM-elected directors.

In addition, it was resolved that for service on the Remuneration Committee, the Audit Committee, the Safety and Risk Committee and Committee for External Relations and Ethics, a fee of SEK 60 thousand shall be paid to the respective committee chairs and SEK 45 thousand to the committee members.

The directors' fees set by the 2013 Annual General Meeting are unchanged compared with the directors' fees set by the 2012 and 2011 Annual General Meetings. However, the formation of the Committee for External Relations and Ethics at the statutory board meeting in 2013 has resulted in an increase in the total amount of directors' fees.

No directors' fees are paid to board members who are employed by the Swedish Government Offices or to employee representatives.

The fees paid to each individual board member are shown in the table above. The board members' respective committee assignments are described in the Corporate Governance Report on pages 46–47.

President and Chief Executive Officer
Øystein Løseth (born 1958), has been employed as President and Chief Executive Officer of Vattenfall AB since 12 April 2010. In his employment as President and CEO of Vattenfall AB in 2013, Mr Løseth received a salary of SEK 13,882 thousand. In addition, he received a housing benefit worth SEK 239 thousand, a car benefit worth SEK 51 thousand, and cost-free travel home to Oslo for a value of SEK 112 thousand. Mr Løseth has no variable salary component in his employment as President and CEO of Vattenfall AB.

Mr Løseth has a defined contribution pension solution. The premium for 2013 amounted to SEK 4,101 thousand, which corresponds to 30% of his 2013 salary excluding befefits.

Øystein Løseth's term of employment is for a set period through 31 March 2015. Prior to that date, a mutual notice period of six months applies. In the event Vattenfall serves notice, Mr Løseth is entitled to a maximum of 18 months' severance pay after the notice period, but not longer than until 31 March 2015. The amount of the severance pay shall be based on the fixed salary that applied at the time the notice was served. In the event Mr Løseth accepts new employment or earns income from other business activities, the severance pay shall be reduced by an amount corresponding to the new income or other benefit received during the period in question. Severance pay is to be paid out monthly.

Other senior executives
Salaries and other remuneration
For other members of the Executive Group Management – a total of 8 individuals (13) – the sum of salaries and other remuneration for 2013, including the value of company cars and other benefits, was SEK 49,822 thousand. For other persons defined as senior executives by Vattenfall, who are not members of the Executive Group Management – a total of 7 individuals (8) – the sum of salaries and other remuneration for 2013, including the value of company cars and other benefits, was SEK 25,981 thousand.

Retirement benefits
Ingrid Bonde, Tuomo Hatakka, Torbjörn Wahlborg, Stefan Dohler, Anders Dahl, Olof Gertz, Anne Gynnerstedt, Hartmuth Zeiss, Frank May, Gunnar Axheim, Helmar Rendez, Eva Halldén and Stefan Persson all have defined contribution pension solutions.

Jan Homan and Peter Smink have pension solutions under collective agreements in the Netherlands. All pensions for these executives are in compliance with the Swedish government's guidelines

Terms of notice on the part of the company
According to the government's guidelines, the notice period for a senior executive in the event the company serves notice shall not exceed six months. In addition, severance pay equivalent to a maximum of 18 months' salary is payable thereafter. In the event the individual in question accepts new employment or receives income from other business activities, the severance

pay shall be reduced by an amount corresponding to the new income or benefit received during the time in question. The severance pay is paid out monthly. All senior executives have severance terms that are in compliance with the government's guidelines.

Incentive programmes
The members of the Executive Group Management and other senior executives do not receive any variable salary component.

Note 54 Gender distribution among senior executives

	Women, %		Men, %	
	2013	2012	2013	2012
Gender distribution among board members	40	29	60	71
Gender distribution among other senior executives	22	22	78	78

Note 55 Related party disclosures

Vattenfall AB is 100%-owned by the Swedish state. The Vattenfall Group's products and services are offered to the state, state authorities and state companies in competition with other vendors under generally accepted commercial terms. In a similar manner, Vattenfall AB and its Group companies purchase products and services from state authorities and companies at market prices and otherwise under generally accepted commercial terms. No significant share of the Vattenfall Group's net sales, purchasing or earnings is attributable to the Swedish state or any of its authorities or companies.

Disclosures of transactions with key persons in executive positions in the company are shown in Note 53 to the consolidated accounts, Number of employees and personnel costs.

Disclosures of transactions with major associated companies in 2013 and associated receivables and liabilities as per 31 December 2013 are described below.

Kernkraftwerk Brokdorf GmbH & Co. oHG
This is a nuclear power plant from which Vattenfall purchases electricity. Purchases amounted to SEK 1,407 million (894). Sales revenue from the company amounted to SEK 1 million (1). Vattenfall's interest expense to the company amounted to SEK 9 million (6). Trade liabilities and loan liabilities amounted to SEK 700 million (92) and SEK 1,016 million (542), respectively.

Kernkraftwerk Krümmel GmbH & Co. oHG
This is a nuclear power plant which is in long-term standstill operation. Vattenfall's expenses to the company amounted to SEK 687 million (535). Sales revenue from the company amounted to SEK 390 million (454). Vattenfall's interest expense to the company amounted to SEK 106 million (93). Trade receivables amounted to SEK 2 million (5). Trade liabilities and loan liabilities amounted to SEK 4,188 million (3,879) and SEK 8,350 million (8,720), respectively.

Kernkraftwerk Stade GmbH & Co. oHG
This is a nuclear power plant that is being decommissioned. Vattenfall's sales revenue from the company amounted to SEK 0 million, (0) while expenses to the company amounted to SEK 569 million (118). Vattenfall's interest expense to the company amounted to SEK 1 million (2). Trade liabilities and loan liabilities amounted to SEK 569 million (61) and SEK 148 million (47), respectively.

GASAG Berliner Gaswerke AG
The company sells, distributes and stores natural gas in the Berlin area. Vattenfall received SEK 87 million (87) in sales revenue from the company, and purchases from the company totalled SEK 15 million (7). Trade receivables and trade liabilities amounted to SEK 2 million (5). Vattenfall's part of contingent liabilities of the company amounted to SEK 118 million (145).

DOTI Deutsche Offshore Testfeldt und Infrastructure GmbH KG
DOTI conducts planning work and operates an offshore wind power test facility. Sales revenue from the company amounted to SEK 0 million (1). Purchases from the company amounted to SEK 63 million (35). Operating liabilities amounted to SEK 0 million (9).

Note 56 Events after the balance sheet date

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

Vattenfall sells electricity grid in Hamburg
On 15 January 2014, Vattenfall reached an agreement to sell its majority shares of 74.9% in the electricity grid company Stromnetz Hamburg GmbH to the City of Hamburg. The equity value of 100% of the electricity grid company has been preliminarily set at EUR 550 million (approx. SEK 4.8 billion). The definitive value will be determined by an independent auditing firm. However, the parties have agreed that the value cannot be below EUR 495 million (approx. SEK 3.6 billion). In addition to the purchase price, the City of Hamburg will repay loans to Vattenfall of EUR 243 million (approx. SEK 2.1 billion). The deal was completed on 7 February 2014. Through the sale of the electricity grid, Vattenfall estimates that it will recognise a capital gain of at least EUR 300 million (approx. SEK 2.6 billion) in the book-closing for the first quarter of 2014.

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

Vattenfall agrees to sell Vattenfall Europe PowerConsult GmbH (not: Power Consultant)
On 26 February 2014 Vattenfall agreed to sell its German engineering consultancy Vattenfall Europe PowerConsult GmbH (VPC) to the investment company Palero Capital GmbH. As of December 31, 2013 VPC is reported as assets held for sale. Completion is expected during the first quarter 2014. The sales price has not been disclosed by the parties.

Parent Company Vattenfall AB

Condensed review of 2013

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

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

Vattenfall AB's operating profit was SEK 2,120 million lower than for the preceding year.

Profit includes a dividend of SEK 10,908 million from the subsidiary Vattenfall GmbH. In addition, profit includes an impairment loss for shares in N.V. Nuon Energy, totalling SEK 23,631 million, an impairment loss for shares in Vattenfall A/S, totalling SEK 834 million, and an impairment loss of SEK 621 million for the value of the shares in Enea S.A. In 2013, Vattenfall paid SEK 10,257 million (EUR 1,180 million) for shares in N.V. Nuon Energy, resulting in a foreign exchange effect in the Parent Company of SEK 2,411 million, which has reduced the cost of shares.

The reporting of the realised exchange rate effect for loans used to hedge an investment in foreign currency as a change in the cost of the shares represents a changed accounting policy that was adopted during the year. The change has also been made in the comparative figures.

During the year, Vattenfall resumed the practice of fully funding defined benefit occupational pensions in Sweden on the balance sheet under the item "Pension provisions," i.e., in accordance with the practice that applied before Vattenfall's Pension Foundation was established in 1999. The pension foundation has been liquidated, and the funds have been transferred to Vattenfall AB and its subsidiaries. Compensation has been received from the pension foundation in the amount of SEK 1,920 million, of which SEK 1,084 million pertains to the change in funding. The change in funding does not affect Vattenfall AB's obligation to pay future pensions to its employees. In connection with this change in funding, Vattenfall AB has pledged shares in Vattenfall Eldistribution AB to the insurance company PRI Pensionsgaranti as security for the credit insurance that is required to fund the pensions.

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

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

In May 2013 a share dividend of SEK 6,774 million (4,433) was paid to the owner, the Swedish state.

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

Parent Company income statement

Amounts in SEK million, 1 January–31 December	Note	2013	2012
Net sales	4, 5	37,197	38,250
Cost of products sold	6	-25,464	-24,126
Gross profit		**11,733**	**14,124**
Selling expenses		-674	-810
Administrative expenses		-1,694	-2,244
Research and development costs		-277	-341
Other operating income	7	934	1,243
Other operating expenses	8	-1,160	-990
Operating profit	9, 10, 18, 19	**8,862**	**10,982**
Result from participations in subsidaries	11	-13,424	-3,451[1]
Result from participations in associated companies	12	6	1
Result from other shares and participations	13	-569	66
Other financial income	14	4,603	4,906[1]
Other financial expenses	15	-4,691	-5,742
Profit before appropriations and tax		**-5,213**	**6,762**
Appropriations	16	-4,068	-7,680
Profit before tax		**-9,281**	**-918**
Income tax expense	17	-1,687	-1,122
Profit for the year		**-10,968**	**-2,040**

1) The Parent Company's income statement and balance sheet for 2012 have been recalculated compared with previously published information. See Note 2 to the Parent Company accounts, Accounting policies, and the cash flow statement. This recalculation has resulted in shifts between lines in the income statement and within one line on the balance sheet and also between lines in the cash flow statement within the section Funds from operations (FFO).

Parent Company statement of comprehensive income

Amounts in SEK million, 1 January–31 December	2013	2012
Profit for the year	-10,968	-2,040
Total other comprehensive income	–	–
Total comprehensive income for the year	**-10,968**	**-2,040**

Parent Company balance sheet

Amounts in SEK million	Note	31 December 2013	31 December 2012
Assets			
Non-current assets			
Intangible assets	20	138	262
Property, plant and equipment	21	4,238	4,339
Shares and participations	22	135,479	162,956[1]
Other non-current receivables	23	92,276	79,859
Total non-current assets		**232,131**	**247,416**
Current assets			
Inventories	24	437	453
Intangible assets: current	25	86	249
Current receivables	26	20,450	29,160
Current tax assets	17	–	2
Short-term investments	27	7,697	24,535
Cash and cash equivalents	28	9,143	12,658
Total current assets		**37,813**	**67,057**
Total assets		**269,944**	**314,473**
Equity, provisions and liabilities			
Equity			
Restricted equity			
Share capital (131,700,000 shares with a share quota value of SEK 50)		6,585	6,585
Statutory reserve		1,286	1,286
Non-restricted equity			
Retained earnings		66,422	75,236
Profit for the year		-10,968	-2,040
Total equity		**63,325**	**81,067**
Untaxed reserves	16	**17,124**	**15,185**
Provisions	29	**4,241**	**2,832**
Non-current liabilities			
Hybrid Capital	30	8,835	8,543
Other interest-bearing liabilities	30	83,874	97,716
Deferred tax liabilities	17	187	799
Other noninterest-bearing liabilities	31	33,096	6,541
Total non-current liabilities		**125,992**	**113,599**
Current liabilities			
Interest-bearing liabilities	30	52,596	72,410
Current tax liabilities	17	213	–
Other noninterest-bearing liabilities	32	6,453	29,380
Total current liabilities		**59,262**	**101,790**
Total equity, provisions and liabilities		**269,944**	**314,473**
Collateral	34	400	102
Contingent liabilities	35	43,436	41,787
Commitments under consortium agreements	36		

1) The Parent Company's income statement and balance sheet for 2012 have been recalculated compared with previously published information. See Note 2 to the Parent Company's accounts, Accounting policies, and the cash flow statement. This recalculation has resulted in shifts between lines in the income statement and within one line on the balance sheet and also between lines in the cash flow statement within the section Funds from operations (FFO).

Parent Company cash flow statement

Amounts in SEK million, 1 January–31 December	Note	2013	2012
Operating activities			
Profit before tax		-9,281	-918
Reversal of depreciation, amortisation and impairment losses		25,700	14,779[1]
Tax paid		-2,083	-692
Capital gains/losses, net		-6	-10,051
Other, incl. non-cash items	40	4,781	7,608[1]
Funds from operations (FFO)		**19,111**	**10,726**
Changes in inventories		16	-93
Changes in operating receivables		-2,808	5,627
Changes in operating liabilities		-2,290	-4,103
Cash flow from changes in operating assets and operating liabilities		**-5,082**	**1,431**
Cash flow from operating activities		**14,029**	**12,157**
Investing activities			
Investments in subsidiaries		-1	-4,183
Investments in associated companies and other shares and participations		-70	-6
Other investments in non-current assets		-394	-777
Total investments		**-465**	**-4,966**
Capital contributions repaid		–	4,964
Divestments		62	19,001
Cash flow from investing activities		**-403**	**18,999**
Cash flow before financing activities		**13,626**	**31,156**
Financing activities			
Changes in short-term investments		16,838	-11,696
Loans raised, external		6,782	1,520
Amortisation of debt pertaining to acquisitions of subsidiaries		-10,257	-2,631
Amortisation of other debt		-27,223	-11,895
Dividend paid to owner		-6,774	-4,433
Payment from Vattenfall's Pension Foundation		1,939	2,500
Group contributions received/paid		1,554	1,872
Cash flow from financing activities		**-17,141**	**-24,763**
Cash flow for the year		**-3,515**	**6,393**
Cash and cash equivalents			
Cash and cash equivalents at start of year		12,658	6,265
Cash flow for the year		-3,515	6,393
Cash and cash equivalents at end of year		**9,143**	**12,658**

1) The Parent Company's income statement and balance sheet for 2012 have been recalculated compared with previously published information. See Note 2 to the Parent Company accounts, Accounting policies, and the cash flow statement. This recalculation has resulted in shifts between lines in the income statement and within one line on the balance sheet and also between lines in the cash flow statement within the section Funds from operations (FFO).

Parent Company statement of changes in equity

Amount i SEK million	Share capital	Statutory reserve	Non-restricted equity	Total
Balance brought forward 2012	6,585	1,286	79,643	**87,514**
Dividend paid to owner	–	–	-4,433	**-4,433**
Group contributions	–	–	26	**26**
Profit for the year	–	–	-2,040	**-2,040**
Total other comprehensive income	–	–	–	**–**
Balance carried forward 2012	**6,585**	**1,286**	**73,196**	**81,067**
Dividend paid to owners	–	–	-6,774	**-6,774**
Profit for the year	–	–	-10,968	**-10,968**
Total other comprehensive income	–	–	–	**–**
Balance carried forward 2013	**6,585**	**1,286**	**55,454**	**63,325**

As of 31 December 2013 the registered share capital comprised 131,700,000 shares with a share quota value of SEK 50.

Notes to the Parent Company accounts

Note 1 Company information

Vattenfall AB's 2013 Annual Report was approved in accordance with a decision by the Board of Directors on17 March 2014. Vattenfall AB (publ) with Corporate Identity Number 556036-2138 which is the Parent Company of the Vattenfall Group, is a limited liability company with its registered office in Solna, Sweden and with the address SE–169 92 Stockholm, Sweden.

The balance sheet and income statement of the Parent Company included in the Annual Report will be submitted at the Annual General Meeting (AGM) on 28 April 2014.

Note 2 Accounting policies

General

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 (RFR). RFR 2 entails that Vattenfall AB shall apply all standards and interpretations issued by IASB and IFRIC as endorsed by the European Commission for application within the EU. This should be done as far as possible within the framework of the Swedish Annual Accounts Act by taking into consideration the relationship between accounting and taxation.

Vattenfall AB has adopted the exemption rule regarding IAS 39 according to RFR 2, which entails that financial instruments are reported at cost.

During the year, a change was made in the accounting policy for realised exchange rate effects on loans in foreign currency that hedge an investment in a foreign operation, see below. In other respects, no changes were made in accounting policies and methods of calculation.

New and amended accounting standards effective as of 2014 are expected to have no or minimal impact on Vattenfall AB's financial statements.

The accounting policies applied are stated in the applicable parts of Note 3 to the consolidated accounts with the following amendments for the Parent Company Vattenfall AB.

Depreciation and amortisation

As in the consolidated accounts, depreciation and amortisation are based on cost and are applied on a straight-line basis over the estimated useful life of the asset in question. In addition, certain accelerated depreciation/amortisation (the difference between depreciation/amortisation according to plan and depreciation/amortisation for tax purposes) in the Parent Company is reported under Appropriations and Untaxed reserves, respectively.

Pension provisions

Pension obligations in the Parent Company are calculated in accordance with generally accepted Swedish actuarial principles and are recognised according to the Act on Safeguarding of Pension Obligations, ("Tryggandelagen"). During the year, Vattenfall's Pension Foundation was liquidated, see Note 29 to the Parent Company accounts, Provisions.

Foreign currency

The Parent Company applies hedge accounting for assets in a foreign currency effectively hedged by loans in a foreign currency according to the Swedish standard BFN R7 – *Measurement of assets and liabilities in foreign currency.* Effects from changes in currency rates are not recognised for loans raised for the financing of foreign subsidiaries, associated companies and joint ventures. Nonmonetary assets acquired in a foreign currency are recognised at the exchange rate at the time for the acquisition. The loans raised in connection with the acquisition of N.V. Nuon Energy are hedged, as in the consolidated accounts, from the date of the acquisition, 1 July 2009.

Other assets and liabilities in foreign currencies are recognised at the exchange rates of the balance sheet date.

Realised exchange rate effects

The realised exchange rate effects that are attributable to loans used to hedge investments in foreign currency are not recognised through profit or loss, but as a change in the reported cost of the shares. The policy for unrealised exchange rate effects on similar loans has not been changed, i.e., these are not recognised since the liability hedges the investment.

The income statement and balance sheet included in the Annual Report published for 2012, i.e., the income statement for 2012 and the balance sheet as per 31 December 2012, have been recalculated in accordance with the new policy, entailing a decrease in other financial income by SEK 590 million and an improvement in the result from participations in Group companies by the same amount. Thus there is no impact on net financial items, but only shifts between lines on the balance sheet in the same amounts.

Income taxes

Tax legislation in Sweden allows companies to defer tax payments by making provisions to untaxed reserves. In the Parent Company, untaxed reserves are reported as a separate item on the balance sheet that includes deferred tax. In the Parent Company's income statement, provisions to untaxed reserves and dissolution of untaxed reserves are reported under the heading Appropriations.

Note 3 Exchange rates

See Note 6 to the consolidated accounts.

Note 4 Net sales

	2013	2012
Sales including excise taxes		
– sale of goods (electricity, heat, etc.)	38,980	40,134
– rendering of services	1,131	1,013
Excise taxes	-2,914	-2,897
Net sales	**37,197**	**38,250**

Net sales per geographical area	2013	2012
Sweden	34,114	34,219
Germany	2,366	3,423
Netherlands	15	55
Other countries	702	553
Total	**37,197**	**38,250**

Net sales for products and services	2013	2012
Electricity generation	13,816	11,939
Trading	2,913	4,781
Energy sales	17,127	18,214
Heat	2,355	2,394
Other	986	922
Total	**37,197**	**38,250**

Note 5 Intra-Group transactions

Of the Parent Company's total income from sales and total purchase costs, transactions with subsidiaries account for 18% (23%) of sales and 54% (55%) of purchase costs.

Note 6 Cost of products sold

Direct costs include production taxes and duties of SEK 49 million (70) and property taxes of SEK 3 million (5).

Note 7 Other operating income

Other operating income consists primarily of internally invoiced services, insurance compensation, rental income, and operationally derived foreign exchange gains.

Note 8 Other operating expenses

Other operating expenses consist primarily of internally invoiced services, operationally derived exchange rate losses and depreciation.

Note 9 Depreciation and amortisation

Amortisation of non-current intangible assets and depreciation of property, plant and equipment in the income statement are broken down as follows:

	2013	2012
Other operating expenses	526	465
Selling expenses	6	–
Administrative expenses	1	1
Total	**533**	**466**

Amortisation of non-current intangible assets is included above in Other operating expenses sold in the amount of SEK 90 million (81).

Note 10 Impairment losses

Impairment of non-current intangible assets and of property, plant and equipment in the income statement is broken down as follows:

	2013	2012
Cost of products sold	10	–
Research and development costs	69	–
Total	79	–

Note 11 Result from participations in subsidiaries

	2013	2012
Dividends	10,970	768
Impairment losses[1,2]	-24,465	-14,313
Reversed impairment losses	71	–
Capital gains/losses on divestments	–	10,094
Total	-13,424	-3,451

1) See Note 22 to the Parent Company accounts, Shares and participations.
2) The amount for 2012 has been adjusted due to a changed in the accounting policy for realised exchange rate effects on loans in foreign currency that hedge an investment in a foreign operation. See Note 2 to the Parent Company accounts, Accounting policies.

Note 12 Result from participations in associated companies

	2013	2012
Dividends	–	1
Capital gains/losses on divestments	6	–
Total	6	1

Note 13 Result from other shares and participations

	2013	2012
Dividends	52	67
Impairment of shares in Enea S.A.	-621	–
Capital gains/losses on divestments	–	-1
Total	-569	66

Note 14 Other financial income

	2013	2012
Interest income from subsidiaries	2,625	3,399
Other interest income	192	313
Foreign exchange gains and losses, net[1]	1,786	1,194
Total	4,603	4,906

1) The amount for 2012 has been adjusted due to a changed in the accounting policy for realised exchange rate effects on loans in foreign currency that hedge an investment in a foreign operation. See Note 2 to the Parent Company accounts, Accounting policies.

Note 15 Other financial expenses

	2013	2012
Interest expenses to subsidiaries	137	251
Other interest expenses	4,554	5,491
Total	4,691	5,742

Note 16 Appropriations and untaxed reserves

Appropriations	2013	2012
Group contributions paid	-4,573	-4,711
Group contributions received	2,443	1,861
Provision/dissolution of untaxed reserves, net	-1,938	-4,830
Total	-4,068	-7,680

Untaxed reserves	Balance brought forward	Provision (+)/ Dissolution (-)	Balance carried forward
Accelerated depreciation	2,439	-100	2,339
2008 Tax allocation reserve	1,522	-1,522	–
2009 Tax allocation reserve	–	–	–
2010 Tax allocation reserve	2,992	–	2,992
2011 Tax allocation reserve	4,153	–	4,153
2012 Tax allocation reserve	2,600	–	2,600
2013 Tax allocation reserve	1,479	-13	1,466
2014 Tax allocation reserve	–	3,574	3,574
Total	15,185	1,939	17,124

Note 17 Income tax expense

The reported income tax expense is broken down as follows:

	2013	2012
Current tax	2,298	1,255
Deferred tax	-611	-133
Total	1,687	1,122

The income tax expense for the year attributable to previous years amounts to SEK 62 million (87). The tax effect of the standard tax interest on tax allocation reserves amounts to SEK 30 million (42).

The difference between the nominal Swedish tax rate and the effective tax rate is explained as follows:

%	2013	2012
Swedish income tax rate at 31 December	22.0	26.3
Tax adjustment attributable to previous periods	0.7	-9.5
Tax adjustment attributable to previous years	0.1	7.2
Capital gains, non taxable	–	289.0 [1]
Non-taxable income	26.3	25.8
Impairment losses, non deductible	-65.1[2]	-426.2
Non-deductible interest	-2.1	-48.9
Other non-deductible expenses	-0.1	-2.8
Effective tax rate before change of tax rate in Sweden	-18.2	-139.1
Changed tax rate in Sweden	–	17.0
Effective tax rate after change of tax rate in Sweden	-18.2	-122.1

1) Pertaining to non taxable capital gains from the divestment of Finnish companies.
2) Chiefly concerns non-deductable impairment losses for shares in N.V. Nuon Energy and Vattenfall A/S.

Cont. Note 17 Income tax expense

Balance sheet reconciliation of deferred tax	Balance brought forward		Changes via income statement		Balance carried forward	
	2013	2012	2013	2012	2013	2012
Non-current assets	-2	-2	–	–	-2	-2
Current assets	62	-171	-56	233	6	62
Provisions	-52	-35	-96	-17	-148	-52
Other non-current liabilities	579	792	-396	-213	183	579
Current liabilities	212	348	-64	-136	148	212
Total	**799**	**932**	**-611**	**-133**	**187**	**799**

Note 18 Leasing

Leasing expenses

Future payment commitments, as of 31 December 2013, for leasing contracts and rental contracts break down as follows:

	Finance leasing	Operating leasing
2014	–	24
2015	–	24
2016	–	21
2017	–	16
2018	–	14
2019 and beyond	–	–
Total	**–**	**99**

Leasing expenses for the year amounted to SEK 22 million (22).

Leasing revenues

Vattenfall AB owns and operates energy facilities on behalf of customers. Revenues from customers are broken down into two components – a fixed component to cover capital expenses and a variable component based on the quantity delivered.

Facilities are classified in accordance with standard leasing principles, based on the fixed revenue component.

On 31 December 2013, the cost of assets reported under Operating leasing amounted to SEK 563 million (563). Accumulated depreciation amounted to SEK 268 million (238) and accumulated impairment losses to SEK 30 million (30).

Future payments for this type of facility are broken down as follows:

	Finance leasing	Operating leasing
2014	–	1
2015	–	1
2016	–	1
2017	–	1
2018	–	1
2019 and beyond	–	1
Total	**–**	**6**

Note 19 Auditors' fees

	2013	2012
Annual audit assignment		
Ernst & Young	7	7
Total	**7**	**7**
Audit related mandates besides the annual audit assignment		
Ernst & Young	–	–
Total	**–**	**–**
Tax consulting		
Ernst & Young	–	1
Total	**–**	**1**
Other mandates		
Ernst & Young	–	–
Total	**–**	**–**

Note 20 Intangible assets: non-current

	2013				
	Capitalised development costs	Goodwill	Concessions and similar rights	Renting and similar rights	Total
Cost					
Cost brought forward	301	13	836	95	**1,245**
Investments	–	–	32	–	**32**
Transfer from construction in progress	3	–	–	–	**3**
Accumulated cost carried forward	**304**	**13**	**868**	**95**	**1,280**
Accumulated amortisation according to plan					
Amortisation brought forward	-185	-13	-642	-27	**-867**
Amortisation for the year	–	–	-90	–	**-90**
Accumulated amortisation carried forward	**-185**	**-13**	**-732**	**-27**	**-957**
Impairment losses					
Impairment losses brought forward	-116	–	–	–	**-116**
Impairment losses for the year	–	–	-1	-68	**-69**
Accumulated impairment losses carried forward	**-116**	**–**	**-1**	**-68**	**-185**
Carrying amount	**3**	**–**	**135**	**–**	**138**

	2012				
	Capitalised development costs	Goodwill	Concessions and similar rights	Renting and similar rights	Total
Cost					
Cost brought forward	301	13	699	95	**1,108**
Investments	–	–	137	–	**137**
Accumulated cost carried forward	**301**	**13**	**836**	**95**	**1,245**
Accumulated amortisation according to plan					
Amortisation brought forward	-185	-13	-561	-27	**-786**
Amortisation for the year	–	–	-81	–	**-81**
Accumulated amortisation carried forward	**-185**	**-13**	**-642**	**-27**	**-867**
Impairment losses					
Impairment losses brought forward	-116	–	–	–	**-116**
Accumulated impairment losses carried forward	**-116**	**–**	**–**	**–**	**-116**
Carrying amount	**–**	**–**	**194**	**68**	**262**

At 31 December 2013 there were no contractual commitments for the acquisition of non-current intangible assets.

Note 21 Property, plant and equipment

	2013				
	Buildings and land	Plants and machinery and other technical installations	Equipment tools, fixtures and fittings	Construction in progress	Total
Cost					
Cost brought forward	1,270	7,293	334	384	9,281
Investments	–	–	59	303	362
Transfer from construction in progress	15	325	–	-343	-3
Divestments/disposals	-2	-50	-9	–	-61
Reclassifications	-12	11	–	–	-1
Accumulated cost carried forward	**1,271**	**7,579**	**384**	**344**	**9,578**
Accumulated depreciation according to plan					
Depreciation brought forward	-680	-4,166	-99	–	-4,945
Depreciation for the year	-31	-311	-101	–	-443
Divestments/disposals	2	44	9	–	55
Reclassifications	4	-4	–	–	–
Accumulated depreciation carried forward	**-705**	**-4,437**	**-191**	**–**	**-5,333**
Impairment losses					
Impairment losses brought forward	11	-8	–	–	3
Impairment losses for the year	-2	-8	–	–	-10
Impairment losses carried forward	**9**	**-16**	**–**	**–**	**-7**
Residual value according to plan carried forward	**575**	**3,126**	**193**	**344**	**4,238**
Accumulated accelerated depreciation	–	-2,339	–	–	-2,339
Carrying amount	**575**	**787**	**193**	**344**	**1,899**

	2012				
	Buildings and land	Plants and machinery and other technical installations	Equipment tools, fixtures and fittings	Construction in progress	Total
Cost					
Cost brought forward	1,255	7,163	51	377	8,846
Investments	–	–	303	337	640
Transfer from construction in progress	14	316	-	-330	–
Divestments/disposals	-41	-144	-20	–	-205
Reclassifications	42	-42	–	–	–
Accumulated cost carried forward	**1,270**	**7,293**	**334**	**384**	**9,281**
Accumulated depreciation according to plan					
Depreciation brought forward	-638	-4,071	-42	–	-4,751
Depreciation for the year	-30	-280	-75	–	-385
Divestments/disposals	29	144	18	–	191
Reclassifications	-41	41	–	–	–
Accumulated depreciation carried forward	**-680**	**-4,166**	**-99**	**–**	**-4,945**
Impairment losses					
Impairment losses brought forward	-1	-8	–	–	-9
Divestments/disposals	12	–	–	–	12
Impairment losses carried forward	**11**	**-8**	**–**	**–**	**3**
Residual value according to plan carried forward	**601**	**3,119**	**235**	**384**	**4,339**
Accumulated accelerated depreciation	–	-2,439	–	–	-2,439
Carrying amount	**601**	**680**	**235**	**384**	**1,900**

At 31 December 2013 there were no contractual commitments for the acquisition of property, plant and equipment.

Note 22 Shares and participations

	2013				2012			
	Participations in subsidiaries	Participations in associated companies	Other shares and participations	Total shares and participations	Participations in subsidiaries	Participations in associated companies	Other shares and participations	Total shares and participations
Balance brought forward	159,920	20	3,016	**162,956**	175,638	14	3,018	**178,670**
Investments/acquisitions	1	–	70	**71**	–	–	–	**–**
Shareholder contributions	–	–	–	**–**	4,183	6	–	**4,189**
Reversed capital contributions	-71	–	–	**-71**	-4,964	–	–	**-4,964**
Divestments	–	-6	-45	**-51**	-34	–	-2	**-36**
Purchase price adjustment	-2,411	–	–	**-2,411**	-590	–	–	**-590**
Impairment losses[1,2]	-24,465	–	-621	**-25,086**	-14,313	–	–	**-14,313**
Reversed impairment loss	71	–	–	**71**	–	–	–	**–**
Balance carried forward	**133,045**	**14**	**2,420**	**135,479**	**159,920**	**20**	**3,016**	**162,956**

1) Pertaining to impairment losses (non-deductible for tax purposes) for shares in N.V. Nuon Energy and Vattenfall A/S.
2) See Note 14 to the consolidated accounts, Impairment losses and reversed impairment losses.

For a breakdown of the Parent Company's shares and participations in subsidiaries, associated companies and other shares and participations, see Notes 26–28 to the consolidated accounts.

Note 23 Other non-current receivables

	2013				2012			
	Receivables from subsidiaries	Receivables from associated companies	Other receivables	Total other non-current receivables	Receivables from subsidiaries	Receivables from associated companies	Other receivables	Total other non-current receivables
Balance brought forward	79,214	8	637	**79,859**	72,157	7	331	**72,495**
New receivables	121,624	3	339	**121,966**	84,541	1	637	**85,179**
Payments received	-109,838	–	-108	**-109,946**	-78,969	–	-331	**-79,300**
Foreign exchange gains/losses	397	–	–	**397**	-49	–	–	**-49**
Reclassification between non-current and current receivables	–	–	–	**–**	1,534	–	–	**1,534**
Balance carried forward	**91,397**	**11**	**868**	**92,276**	**79,214**	**8**	**637**	**79,859**

Note 24 Inventories

	2013	2012
Biofuels	120	89
Fossil fuels	265	322
Materials and spare parts	52	42
Total	**437**	**453**

Inventories recognised as an expense in 2013 amount to SEK 972 million (917). No impairment losses for inventories or reversals of impairment losses were recognised during the year.

Note 25 Intangible assets: current

Attributable to emission allowances and certificates. See Note 3 to the consolidated accounts, Accounting policies.

	2013			2012		
	Emission allowances	Certificates	Total	Emission allowances	Certificates	Total
Balance brought forward	20	229	**249**	30	304	**334**
Purchases	–	481	**481**	47	1,369	**1,416**
Received free of charge	–	88	**88**	–	151	**151**
Sold	–	-132	**-132**	-23	-980	**-1,003**
Redeemed	-20	-580	**-600**	-34	-615	**-649**
Balance carried forward	**–**	**86**	**86**	**20**	**229**	**249**

Note 26 Current receivables

	2013	2012
Advance payments paid	9	10
Accounts receivable-trade	1,758	2,168
Receivables from subsidiaries	14,775	20,287
Other receivables	845	1,556
Prepaid expenses and accrued income	3,063	5,139
Total	**20,450**	**29,160**

Cont. Note 26 Current receivables

Age analysis of current receivables
The collection period is normally 30 days

	2013			2012		
	Receivables gross	Receivables impaired	Receivables net	Receivables gross	Receivables impaired	Receivables net
Accounts receivable-trade						
Not due	1,370	–	1,370	1,989	–	1,989
Past due 1–30 days	368	–	368	129	–	129
Past due 31–90 days	8	–	8	10	–	10
Past due >90 days	37	25	12	40	–	40
Total	1,783	25	1,758	2,168	–	2,168
Receivables from subsidiaries						
Not due	14,775	–	14,775	20,287	–	20,287
Total	14,775	–	14,775	20,287	–	20,287
Other receivables						
Not due	845	–	845	1,556	–	1,556
Total	845	–	845	1,556	–	1,556

Note 27 Short-term investments

	2013	2012
Interest-bearing investments[1]	6,175	23,277
Margin calls, financing activities	1,522	1,258
Total	7,697	24,535

1) The decrease in 2013 is mainly due to the redemption of external loans and to the fact that the high value in 2012 was a result of investments in cash and cash equivalents received in connection with the divestment of operations in Finland and Poland.

Note 28 Cash and cash equivalents

	2013	2012
Cash and bank balances	9,143	12,615
Cash equivalents	–	43
Total	9,143	12,658

Note 29 Provisions

	2013	2012
Pension provisions	3,568	2,500
Personnel-related provisions for non-pension purposes	559	58
Provisions for environmental measures/ undertakings	114	114
Other provisions	–	160
Total	4,241	2,832
Pension obligations[1,2]	3,568	3,545
Less: Plan assets, carrying amount	–	-1,045
Total pension provisions at and of year	3,568	2,500
1) Of which, information registered by PRI	3,024	2,622
2) Of which, covered by credit insurance with FPG/PRI	3,565	3,161

The Parent Company's pension obligations are subject in their entirety to the Act on Safeguarding of Pension Obligations ("Tryggandelagen").

	2013	2012
Fair value of plan assets at start of year	1,364	3,606
Return on plan assets	38	247
Compensation from Vattenfall´s Pension Foundation	-836	-300
Change in pension funding	-1,084	-2,500
Pension liabilities taken over from subsidiaries	518	311
Fair value of plan assets at the end of year[1]	–	1,364

Plan assets as per 31 December 2012 consisted mainly of fixed-income instruments with short remaining maturities.

1) See also the heading Condensed review of 2013 on page 105.

Note 30 Other interest-bearing liabilities and related financial derivatives

	Non-current portion, maturity 1–5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Bond issues[1]	19,585	29,235	40,786	45,313	60,371	74,548	15,153	21,690	75,524	96,238
Commercial paper	–	–	–	–	–	–	4,464	–	4,464	–
Liabilities to credit institutions	1,073	1,002	28	137	1,101	1,139	496	107	1,597	1,246
Liability pertaining to acquisition of N.V. Nuon Energy[2]	21,690	21,327	–	–	21,690	21,327	–	12,562	21,690	33,889
Liabilities to subsidiaries	235	272	477	430	712	702	30,307	30,871	31,019	31,573
Other liabilities (margin calls, financing activities)	–	–	–	–	–	–	2,176	7,180	2,176	7,180
Total other interest-bearing liabilities excluding Hybrid Capital	42,583	51,836	41,291	45,880	83,874	97,716	52,596	72,410	136,470	170,126
Hybrid Capital[3]	8,835	8,543	–	–	8,835	8,543	–	–	8,835	8,543
Total intrest-bearing liabilities	51,418	60,379	41,291	45,880	92,709	106,259	52,596	72,410	145,305	178,669

Undiscounted future cash flows including interest payments and derivatives associated with the liabilities specified above, excluding liabilities to subsidiaries, amount to[4]:

	Non-current portion, maturity 1–5 years		Non-current portion, maturity >5 years		Total non-current portion		Current portion		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Interest-bearing liabilities	67,616	67,081	71,775	67,162	139,391	134,243	28,389	41,852	167,780	176,095
Derivates (swaps)	-2,592	-3,914	-7,928	-8,821	-10,520	-12,735	-1,383	-1,859	-11,903	-14,594
Accounts payable – trade, and other financial liabilities	3,800	3,378	–	–	3,800	3,378	6,453	29,380	10,253	32,758
Total	68,824	66,545	63,847	58,341	132,671	124,886	33,459	69,373	166,130	194,259

1) Of which the greatest share in the range of 1–5 years maturing in 3 years.
2) According to agreement, the liability pertaining to the acquisition of the remaining 21% of the shares in N.V. Nuon Energy will be paid in July 2015.
3) See Note 40 to the consolidated accounts.
4) Floating interest cash flows with future interest fixing dates are estimated based on market interest ratest at year end.
All future cash flows in foreign currency are translated to SEK using the rate on the balance sheet date for the annual accounts.

Note 31 Other noninterest-bearing liabilities (non-current)

	2013	2012
Liabilities to subsidiaries[1]	33,032	6,477
Other liabilities	64	64
Total	33,096	6,541

Liabilities to subsidiaries refer mainly to liabilities pertaining to Group contributions and to a non-current liability to Forsmarks Kraftgrupp AB for power charges. For this latter debt, in accordance with an agreement between the co-owners, no interest is payable on the debt. Of other liabilities, SEK 35 million (30) falls due after more than five years.

1) The change consists in large part of liabilities pertaining to Group contributions reclassified from current liabilities.

Note 32 Other noninterest-bearing liabilities (current))

	2013	2012
Accounts payable – trade	407	626
Liabilities to subsidiaries[1]	1,879	24,252
Other liabilities	615	840
Accrued expenses and deferred income	3,552	3,662
Total	6,453	29,380

Breakdown of accrued expenses and deferred income:

	2013	2012
Accrued personnel-related costs	280	278
Accrued interest expenses	2,311	2,288
Other accrued expenses	323	347
Deferred income and accrued expenses, electricity	629	738
Other deferred income	9	11
Total	3,552	3,662

1) The change consists in large part of liabilities pertaining to Group contributions reclassified to non-current liabilities.

Note 33 Financial instruments: Carrying amount and fair value

The categories for assets and liabilities below follow the categories described in Note 47 to the consolidated accounts, Financial instruments by category and related effects on income. However, the Parent Company recognises all financial instruments based on cost according to the Swedish Annual Accounts Act, i.e., the categories do not determine how the instruments are measured or recognised. For disclosures on how fair value is calculated, see Note 3 to the consolidated accounts, Accounting policies. The column fair value is included for information purposes only.

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Derivative assets[1]	–	10,032	–	20,332
Short-term investments	7,697	7,702	24,535	24,539
Cash equivalents	–	–	43	43
Total	**7,697**	**17,734**	**24,578**	**44,914**
Loans and receivables				
Other non-current receivables	92,276	92,276	79,859	79,859
Trade receivables and other receivables	20,441	20,441	29,150	29,150
Advance payments paid	9	9	10	10
Cash and bank balances	9,143	9,143	12,615	12,615
Total	**121,869**	**121,869**	**121,634**	**121,634**
Available-for-sale financial assets				
Other shares and participations carried at cost	2,434	2,434	3,036	2,756
Total	**2,434**	**2,434**	**3,036**	**2,756**
Financial liabilities at fair value through profit or loss				
Derivative liabilities[1]	–	7,947	–	12,545
Total	**–**	**7,947**	**–**	**12,545**
Other financial liabilities				
Hybrid capital	8,835	9,238	8,543	9,606
Other non-current interest-bearing liabilities	83,874	87,594	97,716	96,993
Other non-current noninterest-bearing liabilities	33,096	33,096	6,541	6,541
Current interest-bearing liabilities	52,596	50,938	72,410	67,879
Trade payables and other liabilities	6,453	6,453	29,380	29,380
Total	**184,854**	**187,319**	**214,590**	**210,399**

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.

1) The carrying amount of derivatives is included in related items, i.e.,in the hedged items or in the interim entries, with a net value of SEK 2,116 million (4,528).

Note 34 Collateral

	2013	2012
Blocked bank funds as security for trading on the Nordic electricity exchange	328	58
Assets pledged to the Swedish insurance company PRI Pensionsgaranti as security for credit insurance for pensions obligations in Vattenfall's Swedish operations	6	6
Blocked bank funds as security for guarantees issued by banks	66	38
Total	**400**	**102**

To fulfil the requirements for security in the derivative market, in its financial operations Vattenfall has pledged security to counterparties for the negative fair value of derivative positions. As per 31 December 2013 this security amounted to SEK 1,522 million (1,258). The counterparties are obligated to repay this security to Vattenfall in the event the negative fair value decreases. The amount is reported as an asset on the balance sheet under short-term investments. See also Note 27 to the Parent Company accounts. In a similar manner, counterparties of Vattenfall have pledged security to Vattenfall in the financial operations. Security received amounted to SEK 0 million (10) for energy trading and for financial operation to SEK 2,176 million (7,170) for financial operations as per 31 December 2013. The amount is reported as a liability on the balance sheet under interest-bearing liabilities (short-term). See also Note 30 to the Parent Company accounts.

Vattenfall AB has pledged shares in Vattenfall Eldistribution AB to the insurance company PRI Pensionsgaranti as security for the credit insurance that is required to fund the pensions.

Note 35 Contingent liabilities

	2013	2012
Guarantees pertaining to:		
Credit facilities for subsidiaries	–	7,725
Swedish Nuclear Waste Fund	12,025	12,025
Contract guarantees provided by order of subsidiaries	12,454	8,943
Guarantees provided as collateral for the subsidiaries within Vattenfall Energy Trading's energy trading	6,337	5,472
Other contingent liabilities	12,620	7,622
Total	**43,436**	**41,787**

The Parent Company's contingent liabilities pertaining to subsidiaries amounted to SEK 43,436 million (41,787), which are included in the reported contingent liabilities.

In 2013, the credit facility for the subsidiary N.V Nuon Energy, SEK 7,725 million, was revoked.

In 2009 Vattenfall AB, together with its subsidiary SKB (the Swedish Nuclear Fuel and Waste Management Company) and the other part-owners of that company, signed a long-term cooperation agreement with the Östhammar and Oskarshamn municipalities. The agreement covers the period 2010 to approximately 2025 and regulates development efforts in association with the implementation of the Swedish nuclear waste programme. Through development initiatives in areas such as training, enterprise and infrastructure, over time the parties will generate value-added worth SEK 1,500 million to SEK 2,000 million. The parties are to finance the development efforts in proportion to their ownership interests. The Vattenfall Group's ownership interest is 56%. Implementation of the efforts is being carried out across two periods: a period before all necessary permits have been received (Period 1), and a period during implementation and operation of the facilities (Period 2). In 2012 Vattenfall reported a provision of SEK 91 million (121) for its share of Period 1 activities.

As security for energy trading conducted by the subsidiary Vattenfall Energy Trading GmbH, Vattenfall AB has issued guarantees for a total value of SEK 22,409 million (21,098). As per 31 December 2013, utilised guarantees totalling approximately SEK 6,337 million (5,472) are included in the reported contingent liabilities.

Atomic liability in Sweden is strict and limited to 300 million Special Drawing Rights (SDRs) (rate 10,0229), corresponding to SEK 3,007 million (3,004), which means that the companies that are owners of nuclear power plants are only liable for damage to the surrounding environment up to this amount.

According to the Swedish Act (2006:647) on the Financing of Future Expenses for Nuclear Waste Management, Sweden's nuclear power companies are required to pledge security to the Swedish state (the Swedish Nuclear Waste Fund) as a guarantee that sufficient funds exist to cover the future costs of nuclear waste management. The security is pledged in the form of guarantee commitments to the owners of the nuclear power companies. In a decision made on 22 December 2011, the Swedish government set new guarantee amounts for the years 2012–2014. As security for the subsidiaries Forsmarks Kraftgrupp AB and Ringhals AB, Vattenfall AB has made guarantee commitments for a combined value of SEK 12,025 million (12,025). The amounts are included in the reported contingent liabilities.

Two types of guarantees have been issued. The first guarantee – so-called Financing Security, totalling SEK 6,821 million – is intended to cover the requisite need for fees that have been decided on but not yet been paid in during the so-called earnings period (25 years of operation). The second guarantee, amounting to SEK 5,204 million, pertains to future cost increases stemming from unforeseen events (so-called Complementary Security). The amounts for both of these types of security have been determined based on a probability-based risk analysis in which the former amount has been determined as such that there is a 50% probability that it, together with currently funded amounts (the median value), will provide full cost coverage. The latter amount essentially consists of the supplement that would be required if the corresponding probability was 90%.

Note 36 Commitments under consortium agreements

See Note 52 to the consolidated accounts.

Note 37 Average number of employees and personnel costs

	2013			2012		
Average number of employees	Men	Women	Total	Men	Women	Total
Sweden	1,004	497	**1,501**	883	466	**1,349**

Personnel costs	2013	2012
Salaries and other remuneration	1,067	987
Social security expenses	549	779
(of which pension costs)[1]	(283)	(285)
Total	**1,616**	**1,766**

1) SEK 11 million (7) of the pension costs are attributable to senior executives, i.e., presidents and vice presidents and former presidents and vice presidents. The company's outstanding pension obligations attributable to these executives total SEK 0 million (3).

None of the board members receive any pension benefits in connection with their board duties.

	2013			2012		
Salaries and other remuneration	Senior executives[1]	Other employees	Total	Senior executives[1]	Other employees	Total
Sweden	44	1,023	**1,067**	22	965	**987**

1) Senior executives comprise board members and deputy board members as well as presidents and vice presidents. The term also refers to former board members and deputy board members and deputy board memebers, former presidents and vice presidents, and other senior executives who are members of the Executive Group Management.

Total salaries and other remuneration for directors and presidents include bonuses of SEK 0 million (0). For benefits to senior executives at Vattenfall AB, see Note 53 to the consolidated accounts.

Note 38 Gender distribution among senior executives

	Women, %		Men, %	
	2013	2012	2013	2012
Gender distribution among board members	40	29	60	71
Gender distribution among other senior executives	22	22	78	78

Note 39 Related party disclosures

See Note 55 to the consolidated accounts.

Note 40 Specification of the cash flow statement

Other, incl. non-cash items

	2013	2012
Unrealised foreign exchange gains/losses	-456	-1,465
Changes in interest receivables	550	-475
Changes in interest liabilities	608	1,329
Group contributions	2,130	2,850
Changes in provisions	-530	141
Changes in appropriations	1,939	4,830
Other	541	398
Total	**4,781**	**7,608**

Note 41 Events after the balance sheet date

See Note 56 to the consolidated accounts.

Auditor's report

To the annual meeting of the shareholders of Vattenfall AB, corporate identity number 556036-2138

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Vattenfall AB for the year 2013, except for the corporate governance statement on pages 38–45. The annual accounts and consolidated accounts of the company are included in this document on pages 5, 8–9, 32–34, 38–45 and 49–120.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 38–45. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Vattenfall AB for the year 2013. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the President are responsible for administration under the Companies Act and that the corporate governance statement on pages 38–45 has been prepared in accordance with the "Guidelines for external reporting by state-owned companies".

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 17 March 2014

Ernst & Young AB
Hamish Mabon
Authorised Public Accountant

Combined assurance report

Auditor's Limited Assurance Report on Vattenfall AB's Sustainability Report

To the readers of Vattenfall AB's Sustainability Report

Introduction
We have been engaged by the Board of Directors of Vattenfall AB to undertake a limited assurance engagement of Vattenfall AB's Sustainability Report for the year 2013. Vattenfall AB has defined the scope of the Sustainability Report on pages 131–135 in the Integrated Annual and Sustainability Report.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report
The Board of Directors and the Executive Management are responsible for ongoing activities regarding the environment, health & safety, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with the applicable criteria, as explained on page 131 in the Integrated Annual and Sustainability Report, and are the parts of the Sustainability Report Guidelines G4, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed and disclosed.

Responsibilities of the auditors
Our responsibility is to express a limited assurance conclusion on the Sustainability Report based on the procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express a reasonable assurance opinion.

The criteria on which our procedures are based are the parts of the Sustainability Reporting Guidelines G4, published by The Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed and disclosed. These criteria are presented on pages 131–135. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions below.

Limited Assurance Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the above stated criteria.

Stockholm, 17 March 2014

Ernst & Young AB
Hamish Mabon
Authorised Public Accountant

Håkan Ulrichs
Partner, Climate Change & Sustainability Services

Quarterly overview

Amounts in SEK million	2012[1] Q1	Q2	Q3	Q4	2013 Q1	Q2	Q3	Q4
Income statement items								
Net sales	48,994	36,703	33,679	47,937	49,659	37,266	36,997	47,762
EBITDA	23,780	9,684	10,521	10,286	15,752	8,662	9,534	9,371[2]
Operating profit (EBIT)	18,910	4,729	-2,778	5,097	10,806	-25,916	4,818	3,839
Underlying operating profit	11,629	4,772	4,474	6,655	11,625	5,325	3,999	6,951
Financial income	837	173	872	754	136	142	362	556
Financial expenses	-3,282	-3,368	-1,699	-2,127	-2,542	-2,726	-2,050	-2,636
Profit before tax	16,465	1,534	-3,605	3,724	8,400	-28,500	3,130	1,759
Profit for the period	13,828	852	-3,975	6,342	6,195	-23,259	1,538	1,983
– of which, attributable to owners of the Parent Company	13,696	874	-4,216	6,405	6,241	-23,707	1,570	2,228
– of which, attributable to non-controlling interests	132	-22	241	-63	-46	448	-32	-245
Cash flow items								
Funds from operations (FFO)	12,717	3,947	6,172	11,583	12,598	5,999	6,743	6,548
Free cash flow	2,041	4,543	7,928	-1,893	2,745	8,362	10,220	2,244
Balance sheet items								
Cash and cash equivalents and short-term investments	45,710	42,314	46,966	46,495	38,976	35,076	29,590	27,254
Equity	150,711	147,752	139,840	149,372	152,527	127,691	122,796	130,718
– of which, attributable to owners of the Parent Company	143,719	140,394	132,039	140,764	143,625	117,858	114,152	120,370
– of which, attributable to non-controlling interests	6,992	7,358	7,801	8,608	8,902	9,833	8,644	10,348
Interest-bearing liabilities	166,545	165,739	161,297	160,261	147,559	147,747	136,789	134,295
Net debt	120,597	123,207	114,143	111,907	107,379	112,369	106,923	106,912
Adjusted net debt	155,389	156,498	144,387	154,335	152,106	162,507	157,996	162,597
Provisions	96,132	94,546	92,500	103,832	103,549	106,959	106,816	110,188
Noninterest-bearing liabilities	113,115	105,596	105,899	114,899	110,551	105,988	102,603	111,225
Capital employed, average	320,109	319,421	304,747	313,124	314,171	303,390	290,561	303,000[2]
Balance sheet total	526,503	513,633	499,536	528,364	514,186	488,385	469,004	486,426
The key ratios are presented as percentages (%) or times (x)								
Operating margin, %	38.6	12.9	-8.2	10.6	21.8	-69.5	13.0	8.0
Operating margin, %[3]	23.7	13.0	13.3	13.9	23.4	14.3	10.8	14.6
Pre-tax profit margin, %	33.6	4.2	-10.7	7.8	16.9	-76.5	8.5	3.7
Pre-tax profit margin, %[3]	20.4	5.2	10.7	11.0	19.1	7.9	6.2	10.2
Return on equity, %[4]	13.4	15.8	11.8	12.3	6.8	-11.7	-7.6	-11.4
Return on capital employed, %[4]	9.5	12.0	10.2	8.3	5.7	-4.2	-1.8	-2.1
Return on capital employed, %[3,4]	9.4	9.2	9.3	8.8	8.8	9.3	9.5	9.2
EBIT interest cover, (x)[4]	3.2	3.6	3.7	3.7	2.8	-2.0	-0.7	-0.8
EBIT interest cover, (x)[3,4]	3.1	2.8	3.4	3.9	4.2	4.7	4.2	4.1
FFO interest cover, (x)[4]	4.8	4.3	4.7	5.7	6.0	6.9	6.5	5.5
FFO interest cover, net, (x)[4]	5.7	4.9	5.7	6.6	7.1	7.7	6.9	6.1
Cash flow interest cover after maintenance investments, (x)[4]	2.6	2.1	2.5	3.0	3.3	4.4	4.5	5.0
FFO/gross debt, %[4]	23.3	22.1	20.4	21.5	23.2	24.6	27.0	23.7
FFO/net debt, %[4]	32.2	29.7	28.9	30.8	31.9	32.4	34.5	29.8
FFO/adjusted net debt,%[4]	25.0	23.4	22.8	22.3	22.6	22.4	23.4	19.6
EBITDA/net financial items, (x)	13.0	4.2	20.0	6.8	12.0	4.2	7.2	6.1
EBITDA/net financial items, (x)[3]	9.0	4.2	33.8	7.8	12.6	19.2	6.6	8.1
Equity/total assets, %	28.6	28.8	28.0	28.3	29.7	26.1	26.2	26.9
Gross debt/equity, %	110.5	112.2	115.3	107.3	96.7	115.7	111.4	102.7
Net debt/equity, %	80.0	83.4	81.6	74.9	70.4	88.0	87.1	81.8
Gross debt/gross debt plus equity, %	52.5	52.9	53.6	51.8	49.2	53.6	52.7	50.7
Net debt/net debt plus equity, %	44.5	45.5	44.9	42.8	41.3	46.8	46.5	45.0
Net debt/EBITDA, (x)	2.0	2.1	1.9	2.1	2.3	2.5	2.4	2.5
Adjusted net debt/EBITDA, (x)	2.5	2.7	2.4	2.8	3.3	3.6	3.6	3.8
Other information								
Investments	5,772	6,200	7,611	9,998	5,300	6,566	6,486	9,409
Electricity generation, TWh	48.4	41.1	39.7	49.7	52.2	41.8	40.0	47.7
Average number of employees	33,104	33,104	33,071	32,794	32,722	32,467	32,077	31,819

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 2 to the consolidated accounts, Important changes in the financial statements compared with the preceding year.
2) The amount has been adjusted compared with the amount presented in Vattenfall's 2013 Year-End Report.
3) Based on underlying operating profit, i.e., operating profit excl. items affecting comparability.
4) Last 12-month values.

Comments

Vattenfall's earnings vary sharply during the year. Normally, the large part of annual profit is generated during the first and fourth quarters, when demand for electricity and heat is at its highest.

Ten-year overview

Amounts in SEK million	2004	2005	2006	2007	2008	2009	2010	2011	2012[1]	2013
Income statement items										
Net sales	111,016	123,794	135,802	143,639	164,549	205,407	213,572	181,040	167,313	171,684
EBITDA	33,161	43,175	43,938	45,821	45,960	51,777	60,706	54,538	54,271	43,319[2]
Operating profit (EBIT)	17,887	28,363	27,821	28,583	29,895	27,938	29,853	23,209	25,958	-6,453
Underlying operating profit	20,102	25,377	27,448	28,497	30,220	31,294	36,838	30,793	27,530	27,900
Financial income	2,969	3,810	3,839	2,276	3,412	2,814	2,514	3,843	2,636	1,196
Financial expenses	-6,297	-6,013	-6,135	-6,926	-9,809	-13,018	-10,944	-12,754	-10,476	-9,954
Profit before tax	14,559	26,160	25,525	23,933	23,498	17,734	21,423	14,298	18,118	-15,211
Profit for the year	9,604	20,518	19,858	20,686	17,763	13,448	13,185	10,416	17,047	-13,543
– of which, attributable to owners of the Parent Company	8,944	19,235	18,729	19,769	17,095	12,896	12,997	11,083	16,759	-13,668
– of which, attributable to non-controlling interests	660	1,283	1,129	917	668	552	188	-667	288	125
Cash flow items										
Funds from operations (FFO)	24,302	31,386	35,673	34,049	30,735	36,700	40,108	38,256	34,419	31,888
Free cash flow	15,684	14,341	23,178	19,650	18,963	27,566	23,846	17,637	12,619	23,571
Balance sheet items										
Cash and cash equivalents and short-term investments	13,616	14,074	22,168	22,659	40,236	56,940	43,873	28,685	46,495	27,254
Equity	85,551	90,909	107,674	124,132	140,886	142,404	133,621	138,931	149,372	130,718
– of which, attributable to owners of the Parent Company	75,437	80,565	96,589	111,709	129,861	135,620	126,704	131,988	140,764	120,370
– of which, attributable to non-controlling interests	10,114	10,344	11,085	12 423	11,025	6,784	6,917	6,943	8,608	10,348
Interest-bearing liabilities	73,013	78,663	71,575	67,189	107,347	213 494	188,277	170,350	160,261	134,295
Net debt	55,411	64,343	49,407	43,740	66,000	154,987	144,109	141,089	111,907	106,912
Adjusted net debt	–	–	–	–	–	–	–	176,031	154,335	162,597
Provisions	61,941	65,123	66,094	73,985	89,799	91,100	87,822	91,719	103,832	110,188
Noninterest-bearing liabilities	64,700	90,373	77,823	72,930	107,795	155,129	131,712	123,558	114,899	111,225
Capital employed, average	–	–	–	–	–	–	–	317,799	313,124	303,000[2]
Balance sheet total	285,205	325,068	323,166	338,236	445,827	602,127	541,432	524,558	528,364	486,426
The key ratios are presented as percentages (%) or times (x)										
Operating margin, %	16.1	22.9	20.5	19.9	18.2	13.6	14.0	12.8	15.5	-3.8
Operating margin, %[3]	18.1	20.5	20.2	19.8	18.4	15.2	17.2	17.0	16.5	16.3
Pre-tax profit margin, %	13.1	21.1	18.8	16.7	14.3	8.6	10.0	7.9	10.8	-8.9
Pre-tax profit margin, %[3]	15.1	18.7	18.5	16.6	14.5	10.2	13.3	12.9	12.4	11.4
Return on equity, %	12.2	23.2	19.1	17.6	13.6	9.5	10.0	8.6	12.3	-11.4
Return on capital employed, %	–	–	–	–	–	–	–	7.3	8.3	-2.1
Return on capital employed, %[3]	–	–	–	–	–	–	–	9.7	8.8	9.2
EBIT interest cover, (x)	4.4	7.6	7.2	6.7	4.5	3.1	4.1	2.6	3.7	-0.8
EBIT interest cover, (x)[3]	5.0	6.9	7.1	6.7	4.6	3.4	5.0	3.3	3.9	4.1
FFO interest cover, (x)	6.6	8.9	9.7	8.6	5.4	4.8	6.2	4.9	5.7	5.5
FFO interest cover, net, (x)	8.9	15.1	15.9	12.2	7.1	5.6	7.5	5.8	6.6	6.1
Cash flow interest cover after maintenance investments, (x)	5.5	5.5	7.9	6.4	4.1	4.3	4.6	3.0	3.0	5.0
FFO/gross debt, %	30.0	39.9	49.8	50.7	28.6	17.2	21.3	22.5	21.5	23.7
FFO/net debt, %	43.9	48.8	72.2	77.8	46.6	23.7	27.8	27.1	30.8	29.8
FFO/adjusted net debt,%	–	–	–	–	–	17.9	23.1	21.7	22.3	19.6
EBITDA/net financial items, (x)	10.8	19.3	18.4	15.1	9.1	6.5	9.8	6.9	8.8	6.9
EBITDA/net financial items, (x)[3]	11.5	18.0	18.2	15.0	9.2	6.9	11.0	7.9	9.0	12.4
Equity/total assets, %	30.0	28.0	33.3	36.7	31.6	23.7	24.7	26.5	28.3	26.9
Gross debt/equity, %	85.3	86.5	66.5	54.1	76.2	149.9	140.9	122.6	107.3	102.7
Net debt/equity, %	64.8	70.8	45.9	35.2	46.8	108.8	107.8	101.6	74.9	81.8
Gross debt/gross debt plus equity, %	46.0	46.4	39.9	35.1	43.2	60.0	58.5	55.1	51.8	50.7
Net debt/net debt plus equity, %	39.3	41.4	31.5	26.1	31.9	52.1	51.9	50.4	42.8	45.0
Net debt/EBITDA, (x)	1.7	1.5	1.1	1.0	1.4	3.0	2.4	2.6	2.1	2.5
Adjusted net debt/EBITDA, (x)	–	–	–	–	–	4.0	2.9	3.2	2.8	3.8
Other information										
Dividend to owners of the Parent Company	5,600	5,800	7,500	8,000	6,900	5,240	6,500	4,433	6,774	–[4]
Investments	12,731	24,497	17,220	18,964	42,296	102,989	41,794	35,750	29,581	27,761
Electricity generation, TWh	167,1	169,1	165,4	167,6	162,1	158,9	172,4	166,7	178,9	181,7
Average number employees	33,017	32,231	32,308	32,396	32,801	36,593	38,459	37,679	33,059	31,819

1) Certain amounts for 2012 have been recalculated compared with previously published information in Vattenfall's 2012 Annual Report. See Note 2 to the consolidated accounts, Important changes in the financial statements compared with the preceding year.
2) The amount has been adjusted compared with the amount presented in Vattenfall's 2013 Year-End Report.
3) Based on underlying operating profit, i.e., operating profit excl. items affecting comparability.
4) Proposed dividend.

Definitions and calculations of key ratios

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

EBIT	= Earnings Before Interest and Tax.
EBITDA	= Earnings Before Interest, Tax, Depreciation and Amortisation.
Items affecting comparability	= Capital gains and capital losses from shares and other non-current assets, impairment losses and impairment losses reversed pertaining to non-current assets, and other non-recurring items. Also included here are, for trading activities, unrealised changes in the fair value of energy derivatives, which according to IAS 39 cannot 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 non-controlling interests in Group companies, cash and cash equivalents, short-term investments.
Adjusted net debt	= For calculation, see page 60.

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

Key ratios based on full year amounts 2013:

Operating margin, %

$$= 100 \times \frac{\text{Operating profit (EBIT)}}{\text{Net sales}} \qquad \frac{-6{,}453}{171{,}684} = -3.8$$

Operating margin excl. items affecting comparability, %

$$= 100 \times \frac{\text{Underlying operating profit}}{\text{Net sales}} \qquad \frac{27{,}900}{171{,}684} = 16.3$$

Pre-tax profit margin, %

$$= 100 \times \frac{\text{Profit before tax}}{\text{Net sales}} \qquad \frac{-15{,}211}{171{,}684} = -8.9$$

Pre-tax profit margin excl. items affecting comparability, %

$$= 100 \times \frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}} \qquad \frac{19{,}611}{171{,}684} = 11.4$$

Return on equity, %

$$= 100 \times \frac{\text{Profit for the period attributable to owners of the Parent Company}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}} \qquad \frac{-13{,}668}{120{,}005} = -11.4$$

Return on capital employed, %

$$= 100 \times \frac{\text{Operating profit (EBIT)}}{\text{Capital employed, average}} \qquad \frac{-6{,}453}{303{,}000} = -2.1$$

Return on capital employed excl. items affecting comparability, %

$$= 100 \times \frac{\text{Underlying operating profit}}{\text{Capital employed, average}} \qquad \frac{27{,}900}{303{,}000} = 9.2$$

EBIT interest cover, (x)

$$= \frac{\text{Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} \qquad \frac{-5{,}620}{7{,}072} = -0.8$$

EBIT interest cover excl. items affecting comparability, (x)

$$= \frac{\text{Underlying operating profit + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} \qquad \frac{28{,}733}{7{,}072} = 4.1$$

Definitions and calculations of key ratios (cont.)

FFO interest cover, (x)	=	Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions / Financial expenses excl. discounting effects attributable to provisions	38,960 / 7,072	=	5.5
FFO interest cover, net, (x)	=	Funds from operations (FFO) + net financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund / Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	38,127 / 6,239	=	6.1
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 / Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	29,473 / 5,902	=	5.0
FFO/gross debt, %	= 100 x	Funds from operations (FFO) / Interest-bearing liabilities	31,888 / 134,295	=	23.7
FFO/net debt, %	= 100 x	Funds from operations (FFO) / Net debt	31,888 / 106,912	=	29.8
FFO/adjusted net debt, %	= 100 x	Funds from operations (FFO) / Adjusted net debt	31,888 / 162,597	=	19.6
EBITDA/net financial items, (x)	=	Operating profit before depreciation and amortisation (EBITDA)) / Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	43,319 / 6,239	=	6.9
EBITDA excl. items affecting comparability/ net financial items, (x)	=	Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability / Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	77,672 / 6,239	=	12.4

Key ratios based on the balance sheet per 31 December 2013:

Equity/total assets, %	= 100 x	Equity / Balance sheet total	130,718 / 486,426	=	26.9
Gross debt/equity, %	= 100 x	Interest-bearing liabilities / Equity	134,295 / 130,718	=	102.7
Net debt/equity, %	= 100 x	Net debt / Equity	106,912 / 130,718	=	81.8
Gross debt/gross debt plus equity, %	= 100 x	Interest-bearing liabilities / Interest-bearing liabilities + equity	134,295 / 265,013	=	50.7
Net debt/net debt plus equity, %	= 100 x	Net debt / Net debt + equity	106,912 / 237,630	=	45.0
Net debt/EBITDA, (x)	=	Net debt / Operating profit before depreciation and amortisation (EBITDA)	106,912 / 43,319	=	2.5
Adjusted net debt/EBITDA, (x)	=	Adjusted net debt / Operating profit before depreciation and amortisation (EBITDA)	162,597 / 43,319	=	3.8

Facts about Vattenfall's markets[1]

	2013								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Installed capacity electricity, MW									
Hydro power[2]	8,195	128	–	2,880	–	24	–	–	11,227
Nuclear power	6,984	–	–	–	–	–	–	–	6,984
Fossil-based power	1,212	–	1,309	11,422	–	5,063	–	–	19,006
of which, gas	–	–	–	1,707	–	4,160	–	–	5,867
of which, lignite	–	–	–	7,766	–	-	–	–	7,766
of which, hard coal	–	–	1,309	1,318	–	903	–	–	3 ,530
of which, oil	1,212	–	–	631	–	–	–	–	1,843
Wind power	241	–	346	12	–	234	–	612	1,445
Biomass, waste	189	–	128	125	–	2	–	–	444
Total electricity	**16,821**	**128**	**1,783**	**14,439**	**–**	**5,323**	**–**	**612**	**39,106**
Installed capacity heat, MW	**2,414**	**–**	**1.646**	**10,424**	**–**	**2,692**	**–**	**–**	**17,176**
Generated electricity, TWh									
Hydro power[2]	32.1	0.4	–	3.0	–	0.1	–	–	35.6
Nuclear power	51.9	–	–	–	–	–	–	–	51.9
Fossil-based power	–	–	5.3	66.2	–	16.5	–	–	87.9
of which, gas	–	–	–	3.2	–	11.5	–	–	14.7
of which, lignite	–	–	–	57.2	–	–	–	–	57.2
of which, hard coal	–	–	5.2	5.7	–	4.7	–	–	15.6
of which, oil	–	–	–	0.4		–		–	0.4
Wind power	0.6	–	0.9	–	–	0.4	–	1.8	3.9
Biomass, waste	0.4	–	0.7	1.3	–	–	–	–	2.4
Total electricity	**85.0**	**0.4**	**7.0**	**70.3**	**–**	**17.1**	**–**	**1.8**	**181.7**
Sales of heat, TWh									
Fossil-based power	0.1	–	3.8	14.6	–	3.9	–	–	22.4
of which, gas	–	–	–	5.7	–	3.9	–	–	9.6
of which, lignite	–	–	–	1.8	–	–	–	–	1.8
of which, hard coal	–	–	3.7	7.1	–	–	–	–	10.8
of which, oil	0.1	–	0.1	–	–	–	–	–	0.2
Biomass, waste	4.0	–	2.0	1.8	–	–	–	–	7.8
Total heat	**4.1**	**–**	**5.8**	**16.4**	**–**	**3.9**	**–**	**–**	**30.2**
Sales of electricity, TWh	**77.6**	**9.3**	**10.0**	**86.2**	**–**	**20.3**	**–**	**–**	**203.3**
Sales of gas, TWh	**–**	**–**	**–**	**4.3**	**–**	**51.5**	**–**	**–**	**55.8**
Number of retail customers, electricity	**935,000**	**361,000**	**–**	**2,870,000**	**–**	**2,070,000**	**–**	**–**	**6,236,000**
Electricity volume, TWh retail customers	**8.4**	**2.6**	**–**	**8.2**	**–**	**9.0**	**–**	**–**	**28.1**
Electricity volume, TWh resellers	**4.1**	**1.3**	**2.0**	**19.7**		**–**	**–**	**–**	**27.1**
Electricity volume, TWh industries	**30.9**	**5.0**	**–**	**22.0**	**–**	**8.2**	**–**	**–**	**67.1**
Number of network customers	**932,000**	**–**	**–**	**3,409,000**	**–**	**–**	**–**	**–**	**4,341,000**
Number of gas customers	**–**	**–**	**–**	**136,700**	**–**	**1,774,500**	**–**	**–**	**1,911,200**
Electricity network									
Transited volume, TWh[3]	71.9	–	–	26.5	–	–	–	–	98.4
Distribution network, km	172,000	–	–	137,000	–	–	–	–	309,000
Number of employees (full-time equivalents)									
Countries	8,902	49	566	17,254	80	4,756	3	165	31,775
Group total[4]									**31,819**
CO_2 emissions per country, mtonnes	0.4	–	5.0	72.2	–	9.3	–	–	86.9
CO_2 emission allowances received (mtonnes)	0.6	–	–	3.0	–	0.5	–	–	**4.2**

1) Rounding differences of 0.1 exist for some items.
2) In Germany mainly pumped-storage power plants.
3) Excl. generation transiting.
4) There are 44 (34) employees in other countries.

Facts about Vattenfall's markets (cont.)[1]

	2012								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Installed capacity electricity, MW[2]									
Hydro power[3]	8,194	126	–	2,880	–	24	–	–	11,224
Nuclear power	6,852	–	–	–	–	–	–	–	6,852
Fossil-based power	1,212	–	1,309	11,444	–	3,357	–	–	17,322
of which, gas	–	–	–	1,729	–	2,474	–	–	4,203
of which, lignite	–	–	–	7,766	–	–	–	–	7,766
of which, hard coal	–	–	1 309	1,318	–	883	–	–	3,510
of which, oil	1,212	–	–	631	–	–	–	–	1,843
Wind power	241	–	347	12	–	113	–	612	1,325
Biomass, waste	189	–	128	124	–	2	–	–	443
Total electricity	**16,688**	**126**	**1,784**	**14,460**	**–**	**3,496**	**–**	**612**	**37,166**
Installed capacity heat, MW	**2,313**	**–**	**1,646**	**10,148**	**–**	**2,472**	**–**	**–**	**16,579**
Generated electricity, TWh									
Hydro power[3]	38.7	0.6	–	2.8	–	0.1	–	–	42.2
Nuclear power	48.9	–	–	–	–	–	–	–	48.9
Fossil-based power	0.2	–	4.1	64.5	–	12.9	–	–	81.7
of which, gas	–	–	–	3.5	–	8.0	–	–	11.5
of which, lignite	–	–	–	55.3	–	–	–	–	55.3
of which, hard coal	–	–	4.0	5.3	–	4.9	–	–	14.2
of which, oil	0.2	–	0.1	0.4		–		–	0.7
Wind power	0.7	–	1.0	–	–	0.2	–	1.7	3.6
Biomass, waste	0.3	–	0.6	1.5	–	0.1	–	–	2.5
Total electricity	**88.8**	**0.6**	**5.7**	**68.8**	**–**	**13.3**	**–**	**1.7**	**178.9**
Sales of heat, TWh[2]									
Fossil-based power	0.5	–	4.9	14.8	–	3.8	–	–	24.0
of which, gas	–	–	–	4.8	–	3.7	–	–	8.5
of which, lignite	–	–	–	5.0	–	–	–	–	5.0
of which, hard coal	–	–	4.8	4.5	–	–	–	–	9.3
of which, oil	0.5	–	0.1	0.5	–	0.1	–	–	1.2
Biomass, waste	3.6	–	0.9	1.3	–	–	–	–	5.8
Total heat	**4.1**	**–**	**5.8**	**16.1**	**–**	**3.8**	**–**	**–**	**29.8**
Sales of electricity, TWh	**81.4**	**9.9**	**8.1**	**79.5**	**–**	**26.6**	**–**	**0.1**	**205.5**
Sales of gas, TWh	**–**	**–**	**–**	**1.3**	**–**	**51.1**	**–**	**–**	**52.4**
Number of retail customers, electricity	**947,000**	**362,000**	**–**	**2,788,000**	**–**	**2,147,000**	**–**	**–**	**6,244,000**
Electricity volume, TWh retail customers	**8.7**	**2.8**	**–**	**8.5**	**–**	**9.5**	**–**	**–**	**29.5**
Electricity volume, TWh resellers	**3.8**	**1.1**	**1.6**	**18.7**	**–**	**–**	**–**	**–**	**25.3**
Electricity volume, TWh industries	**34.6**	**5.4**	**–**	**23.3**	**–**	**8.0**	**–**	**–**	**71.3**
Number of network customers	**927,000**	**–**	**–**	**3,401,000**	**–**	**–**	**–**	**–**	**4,328,000**
Number of gas customers	**–**	**–**	**–**	**75,200**	**–**	**1,854,700**	**–**	**–**	**1,929,900**
Electricity network									
Transited volume, TWh[4]	73.4	–	–	26.5	–	–	–	–	99.9
Distribution network, km	179,000	–	–	136,000	–	–	–	–	315,000
Number of employees (full-time equivalents)									
Countries	8,931	52	677	17,728	91	5,117	3	161	32,760
Group total[5]									**32,794**
CO_2 emissions per country, mtonnes	0.4	–	4.0	70.7	–	8.4	–	–	83.5
CO_2 emission allowances received (million tonnes CO_2/year, trading period 2008–2012)	–	0.2	2.7	44.1	–	7.9	–	–	54.9

1) Rounding differences of 0.1 exist for some items.
2) Certain values for 2012 have been adjusted compared with previously published information.
3) In Germany mainly pumped-storage power plants.
4) Excl. generation transiting.
5) There are 44 (34) employees in other countries.

Facts about Vattenfall's markets (cont.)[1]

Energy use

	2013								
Fuel use, TWh	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Gas	–	–	–	10.9	–	26.1	–	–	37.1
Hard coal	–	–	14.9	18.9	–	11.4	–	–	45.1
Lignite	–	–	–	157.0	–	–	–	–	157.0
Peat	0.7	–	–	–	–	–	–	–	0.7
Waste, non-organic	0.4	–	–	2.8	–	–	–	–	3.2
Biofuel, waste (organic)	3.1	–	2.3	4.3	–	0.1	–	–	9.8
Other, including oil	0.3	–	–	4.6	–	–	–	–	4.9
Total	**4.6**	**–**	**17.2**	**198.4**	**–**	**37.6**	**–**	**–**	257.8[2]
Uranium (tonnes)	133.0	–	–	–	–	–	–	–	133.0

	2012								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Gas	–	–	–	11.6	–	21.0	–	–	32.5
Hard coal	–	–	11.8	17.7	–	12.0	–	–	41.5
Lignite	–	–	–	152.8	–	–	–	–	152.8
Peat	0.6	–	–	–	–	–	–	–	0.6
Waste, non-organic	0.2	–	–	2.6	–	–	–	–	2.9
Biofuel, waste (organic)	3.4	–	2.2	4.5	–	0.3	–	–	10.5
Other, including oil	0.2	–	–	4.4	–	–	–	–	4.7
Total	**4.5**	**–**	**14.0**	**193.7**	**–**	**33.3**	**–**	**–**	245.5[3]
Uranium (tonnes)	125.6	–	–	–	–	–	–	–	125.6

1) Rounding differences of 0.1 exist for some items.
2) Corresponds to 928 PJ, of which 893 PJ fossil and 35 PJ biomass.
3) Corresponds to 884 PJ, of which 846 PJ fossil and 38 PJ biomass.

Pro rata[1]

Pro rata — Generation data corresponding to Vattenfall's ownership in the respective facilities

	2013								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Installed capacity electricity, MW									
Hydro power[3]	7,815	128	–	2,880	20	24	–	–	10,867
Nuclear power	4,774	–	–	282	–	–	–	–	5,056
Fossil-based power	1,212	–	1,309	11,341	543	5,063	–	–	19,468
of which, gas	–	–	–	1,675	–	4,160	–	–	5,835
of which, lignite	–	–	–	7,766	–	–	–	–	7,766
of which, hard coal	–	–	1,309	1,269	543	903	–	–	4,024
of which, oil	1,212	–	–	631	–	–	–	–	1,843
Wind power	241	–	345	28	10	328	–	612	1,564
Biomass, waste	189	–	128	102	30	2	–	–	451
Total electricity	**14,230**	**128**	**1,782**	**14,632**	**603**	**5,417**	**–**	**612**	**37,404**
Installed capacity heat, MW	**2,284**	**–**	**1,646**	**9,961**	**50**	**3,261**	**–**	**–**	**17,202**

	2012								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Installed capacity electricity, MW[2]									
Hydro power[3]	7,800	126	–	2,880	11	24	–	–	10,841
Nuclear power	4,687	–	–	282	–	–	–	–	4,969
Fossil-based power	1,212	–	1,309	11,362	542	3,480	–	–	17,905
of which, gas	–	–	–	1,696	–	2,597	–	–	4,293
of which, lignite	–	–	–	7,766	–	–	–	–	7,766
of which, hard coal	–	–	1,309	1,269	542	883	–	–	4,003
of which, oil	1,212	–	–	631	–	–	–	–	1,843
Wind power	241	–	345	28	10	207	–	590	1,421
Biomass, waste	189	–	128	101	32	2	–	–	452
Total electricity	**14,129**	**126**	**1,782**	**14,653**	**595**	**3,713**	**–**	**590**	**35,588**
Installed capacity heat, MW	**2,183**	**–**	**1,646**	**9,685**	**94**	**3,020**	**–**	**–**	**16,628**

	2013								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Generated electricity, TWh									
Hydro power[3]	29.7	0.4	–	2.7	–	0.1	–	–	32.9
Nuclear power	35.5	–	–	2.3	–	–	–	–	37.8
Fossil-based power	–	–	5.3	66.4	2.0	13.7	–	–	87.4
of which, gas	–	–	–	3.5	–	9.7	–	–	13.2
of which, lignite	–	–	–	56.8	–	–	–	–	56.8
of which, hard coal	–	–	5.2	5.7	2.0	4.0	–	–	16.9
of which, oil	0.1	–	–	0.4	–	–	–	–	0.5
Wind power	0.6	–	0.9	0.1	–	0.7	–	1.8	4.1
Biomass, waste	0.1	–	0.7	1.5	0.1	–	–	–	2.4
Total electricity	**66.0**	**0.4**	**6.9**	**73.0**	**2.1**	**14.5**	**–**	**1.8**	**164.6**

	2012								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
Generated electricity, TWh									
Hydro power[3]	36.5	0.6	–	2.8	–	0.1	–	–	40.0
Nuclear power	33.4	–	–	2.0	–	–	–	–	35.4
Fossil-based power	–	–	4.1	62.5	2.2	12.6	–	–	81.4
of which, gas	–	–	–	3.4	–	7.7	–	–	11.1
of which, lignite	–	–	–	53.6	–	–	–	–	53.6
of which, hard coal	–	–	4.0	5.1	2.2	4.9	–	–	16.2
of which, oil	–	–	0.1	0.4	–	–	–	–	0.5
Wind power	0.7	–	1.0	0.1	–	0.5	–	1.7	4.0
Biomass, waste	0.3	–	0.7	1.4	0.1	0.1	–	–	2.6
Total electricity	**70.9**	**0.6**	**5.8**	**68.8**	**2.3**	**13.3**	**–**	**1.7**	**163.4**

CO_2 emissions, pro rata

	2013								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
CO_2 emissions per country, mtonnes	0.4	–	5.0	71.8	1.9	9.3	–	–	88.4

	2012								
	Sweden	Finland	Denmark	Germany	Poland	Netherlands	Belgium	UK	Total
CO_2 emissions per country, mtonnes	0.4	–	4.0	70.2	2.0	8.4	–	–	85.0

Footnotes: For explanation, see page 128.

GRI Guidelines – Content and references

Vattenfall's annual and sustainability report is an integrated report in which information about the company's work with sustainability issues and the outcome is described together with the company's financial performance. Vattenfall has been reporting in accordance with the Global Reporting Initiative (GRI) Guidelines since 2003. For 2013 Vattenfall has chosen to report its sustainability work in accordance with the GRI updated Guidelines (G4), Core level. This entails that at least one indicator has been identified per material aspect, in accordance with the GRI Guidelines.

In 2013 Vattenfall identified a number of sustainability focus areas. Within these areas, starting in 2014 Vattenfall will measure continuous improvements with the help of the GRI Guidelines. Essential GRI aspects and indicators have been selected for each of these ten areas. The work on developing clear targets that can be followed up in these areas will be further developed in 2014.

GRI G4 gives Vattenfall the opportunity to focus on the sustainability areas that are material for the company and its stakeholders. This means that the reporting encompasses fewer indicators than in previous years, while the ones that are reported on are of material importance for Vattenfall.

Since 2013 is the first year that Vattenfall is reporting in accordance with the G4 Guidelines and the chosen sustainability focus areas, it has not been possible for Vattenfall to present comprehensive data on certain indicators as well as goals and follow-up of all aspects (DMA). Vattenfall successively develops its reporting in accordance with the GRI G4 framework. In the GRI Index on the following pages, Vattenfall indicates which information has been omitted. Vattenfall's overall ambition with its reporting is that it will be transparent, essential and comparable.

The GRI Index, which is structured in accordance with the GRI G4 Guidelines, shows where information about Vattenfall's work with sustainable production, sustainable consumption and sustainable financial performance can be found in the Annual and sustainability report.

Reporting profile and scope

The Annual and sustainability report includes information as it relates to the three dimensions sustainable production, sustainable consumption and sustainable financial performance in Vattenfall's strategy, i.e., in areas where the Group has significant environmental, social and financial impacts. The reporting covers all of the Vattenfall Group's operations during the 2013 financial year, unless indicated otherwise, and the figures provided pertain to the 2013 financial year. Vattenfall has a yearly accounting cycle, and the preceding year's report was published on 26 March 2013.

Boundaries

Vattenfall has limited its reporting to the areas in which the company has full control over data collection and information quality, which entails all units of the company unless indicated otherwise. A number of small heating plants in the Netherlands are not included in the 2013 environmental data due to shortcomings in the reporting. While the changeover to G4 entails that the focus of Vattenfall's impacts along the entire value chain has increased, the company cannot yet measure data outside of its own operations in a reliable manner. Information about important events and the organisational changes that took place during the year is provided on pages 8–9 and 43. Changes in Vattenfall's supply chain are described on page 35. Changes in the capital structure and other changes in capital are described in Note 49 to the consolidated accounts. Boundaries and changes in the reporting are also described in the respective sections or in comments to diagrams/tables.

Data collection and accounting policies

Environmental data is collected via the Group's environmental reporting process. Group-wide definitions are used for all environmental parameters to enhance quality.

Accounting policies for the financial reporting are provided in Note 3 to the consolidated accounts.

The principles of consolidation for environmental data are the same as for financial data. This represents a change compared with previous years. Previously, historical values were recalculated in accordance with the Greenhouse Gas Protocol, to eliminate the effect of acquisitions and divestments. The change was made to create a uniform report for financial information and sustainability information. Consolidation includes subsidiaries in which Vattenfall AB owns more than 50% of the voting rights or in some other way has control. Absolute CO_2 emissions are also reported in accordance with Vattenfall's share of ownership in the respective plants.

The reported CO_2 emissions are calculated based on fuel consumption. It should be noted that the calculation methods differ from country to country. The calculation methods are set by national legislation, which ties to the EU Emissions Trading System, among other things. All other emissions have either been measured or calculated based on periodically recurring measurements.

Figures for energy use and water consumption are based, like all environmental data, on the production units' own reporting. Depending on the size and type of operation, among other things, the measurement equipment differs from unit to unit. However, all reporting is assumed to be in accordance with the Group-wide definitions and principles.

The employee data that is presented is based on audited figures from Vattenfall's annual accounts.

External assurance

The sustainability information in the integrated report for 2013 has been audited and reviewed by Vattenfall's auditor, Ernst & Young. In addition, it has been approved by Vattenfall's Board.

Sustainability initiatives and principles that the company has aligned itself with or supports, and important memberships in interest associations and organisations

Vattenfall has adhered to the UN's voluntary Global Compact since 2002 through the Swedish partnership for Global Responsibility. Vattenfall has been a direct participant since 2008. Consequently, Vattenfall has undertaken to support the UN's Global Compact and adhere to the OECD guidelines for multinational companies. Vattenfall also adheres to the UN's framework for companies and human rights. In addition to these undertakings, Vattenfall has opted to align itself with a number of voluntary sustainability initiatives and organisations at the Group level.
Examples of these include:

- The World Economic Forum's initiative
- The World Economic Forum
- The Centre for European Policy Studies (CEPS)
- CSR Europe
- The Global CCS Institute
- The European Technology Platform for Zero Emission Fossil Fuel Power Plants

GRI Index

General information

		Page or reference	Omissions
Strategy and Analysis			
G4-1	Statement from the most senior decision-maker	6–7	
Organisational Profile			
G4-3	The name of the organisation	1, 67, 138	
G4-4	Brands, products and services	4, 28–30	
G4-5	Location of the organisation's headquarters	138 (back cover)	
G4-6	The number of countries and their names where the organisation has significant operations	4	
G4-7	Nature of ownership and legal form	4	
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers)	4, 127–128	
G4-9	Scale of the organisation, including number of employees, operations, net sales, total capitalisation (debt/equity)	4–5 The total number of operating facilities in 2013 was 253.	
G4-10	Number of employees by employment contract, gender, region, and permanent employees/seasonal employees	36	The type of employment and hired-in workers are not reported, even though Vattenfall contracts a large number of hired-in personnel. This is because data is not available at the Group level. Vattenfall has no seasonal variations for the number of employees.
G4-11	Percentage of total employees covered by collective bargaining agreements	Germany: 98% (98), Sweden 98% (98) Netherlands: 98% (98)	
G4-12	The organisation's supply chain	35	
G4-13	Changes in the organisation's size, structure, ownership, supply chain	8–9, 35, 43, 131, note 49	
G4-14	Handling of the precautionary principle	50–52	
G4-15	External sustainability principles and initiatives to which the organisation subscribes or which it endorses	131	
G4-16	Memberships of associations and industry advocacy organisations	131	
EU1	Installed capacity	127–128	This reporting will be developed in 2014.
EU2	Energy production, net	127–128	This reporting will be developed in 2014.
EU3	Number of customers	127–128	This reporting will be developed in 2014.
EU4	Length of transmission and distribution lines, based on voltage	127–128	This reporting will be developed in 2014.
EU5	Allocation of CO_2 emission allowances	127–128	This reporting will be developed in 2014.
Identified Material Aspects and Boundaries			
G4-17	Entities included in the reporting, or not	131, note 27	
G4-18	Process for defining the report content	18, http://corporate.vattenfall.com/sustainability/society-and-stakeholders/	
G4-19	Identified material Aspects	18, http://corporate.vattenfall.com/sustainability/society-and-stakeholders/	
G4-20	The respective Aspect Boundaries in the organisation	18, http://corporate.vattenfall.com/sustainability/society-and-stakeholders/	
G4-21	The respective Aspect Boundaries outside the organisation	18, http://corporate.vattenfall.com/sustainability/society-and-stakeholders/	
G4-22	The effect of any restatements of information provided in previous reports	131	
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	131	
Stakeholder Engagement			
G4-24	List of stakeholder groups	18	
G4-25	Basis for identification and selection of stakeholders	18, http://corporate.vattenfall.com/sustainability/society-and-stakeholders/	
G4-26	Approach to stakeholder engagement, including frequency of engagement and whether specifically as part of the report preparation process	18, http://corporate.vattenfall.com/sustainability/society-and-stakeholders/	
G4-27	Key topics, concerns and the organisation's response, including through its reporting	18, http://corporate.vattenfall.com/sustainability/society-and-stakeholders/	
Report Profile			
G4-28	Reporting period	131	
G4-29	Date of most recent previous report	131	
G4-30	Reporting cycle	131	
G4-31	Contact information	2	
G4-32	Content index and reference	131	
G4-33	Policy for external assurance	42, 131	
Governance			
G4-34	Governance structure, including committees and board responsibility for decision-making on economic, environmental and social impacts	38–41	
Ethics and Integrity			
G4-56	Values, principles and codes of conduct	35, 42–43, 136	

Specific information

Vattenfall's sustainability focus area	DMA and Indicator		Page or reference	Omissions
	Economic			
■ Take responsibility for Vattenfall's impacts on local communities	*Economic performance*			
	G4-DMA	Economic performance	16, 32–33	
	G4-EC1	Direct economic value generated and distributed	33	No reporting on data per region or community investments, as such data is not available at the Group level. Vattenfall will study the opportunity to develop such reporting in 2014.
■ Transform Vattenfall's production portfolio to lower CO_2-emitting sources and more renewables	*Research and development*			
	G4-DMA	Research and development activities	18, 34	No reporting on allocation of R&D resources for strategic and competitive reasons.
	Environment			
■ Transform Vattenfall's production portfolio to lower CO_2-emitting sources and more renewables ■ Offer customers solutions that enable sustainable energy consumption	*Energy*			
	G4-DMA	Energy	16–17, 28–30	
	Specific DMA	Energy regulations	12	
	G4-EN3	Energy consumption within the organisation	129	Total consumption of electricity, heat, cooling and steam, and sold steam and cooling are not reported as data is not available at the Group level. Total energy consumption is not reported, since most energy used is included in Vattenfall's production. Vattenfall will study the opportunity to develop such reporting in 2014. Data reported in TWh for conventional fuels and in tonnes for uranium fuel, in accordance with common practice in the energy industry.
■ Improve resource efficiency in Vattenfall's operations	*Water*			
	G4-DMA	Water	24–25	Vattenfall will continue the work on developing targets in 2014. Follow-up of continuous improvements starting in 2014
	G4-EN8	Water sources	24, 131	No reporting for rainfall and spill water from other organisations, as data is not available at the Group level. Vattenfall will study the opportunity to develop such reporting in 2014.
■ Protect nature and species and safeguard biodiversity	*Biodiversity*			
	G4-DMA	Biodiversity	20, 23–24, 131	
	Specific DMA	Biodiversity policy	23–24	
	G4-EN11	Protected and restored areas	23–24	No reporting on the size of the area, or on rights to assets underground, due to lack of available data. Rainwater and waste water from another organisation is not reported since data is not available on group level. Vattenfall will study the opportunity to develop such reporting in 2014.
■ Transform Vattenfall's production portfolio to lower CO_2-emitting sources and more renewables, Increase focus on other emissions	*Emissions*			
	G4-DMA	Emissions	16–17, 20–22	
	Specific DMA	Emissions regulations	12	Focus on regulations and policies for CO_2, since this is most relevant for Vattenfall.

Specific information

Vattenfall's sustainability focus area	DMA and Indicator		Page or reference	Omissions
	G4-EN15	Direct greenhouse gas emissions	22, 131	Reporting only of CO_2 (scope 1). No reporting of other greenhouse gases, as they are negligible compared with Vattenfall's direct CO_2 emissions.
	G4-EN18	Greenhouse gas emissions intensity	22	Reporting on CO_2 (scope 1).
	G4-EN21	Emissions to air	23, 131	Reporting on NO_x, SO_2 and PM. Data for POP, VOC and HAP not available at the Group level. Vattenfall will study the opportunity to develop such reporting in 2014.
■ Improve resource efficiency in Vattenfall's operations	*Effluents and waste*			
	G4-DMA	Effluents and waste	24–25	Vattenfall will continue the work on developing targets in 2014. Follow-up of continuous improvements starting in 2014.
	G4-EN22	Water discharge	24, 131	
	G4-EN23	Waste	25, 131	No reporting on composting, pumping into bedrock or storage, as data is not available at the Group level. Data on storage is included in the data for re-use, since the storage that occurs is only temporary, after which the material is put up for sale. Vattenfall will study the opportunity to develop such reporting in 2014.
	Social			
	Working conditions			
■ Ensure healthy and safe workplace	*Occupational health and safety*			
	G4-DMA	Occupational health and safety	37	
	Specific DMA	Programme for handling illnesses	37	
	G4-LA6	Injuries, absences and work-related fatilities	37, 131	No reporting on type of injuries, loss ratio, ratio for work-related illnesses, ratio for lost days or ratio for absences of employees and contractors. Instead, Lost Time Injury Frequency (LTIF) and the absence ratio are reported on. Vattenfall will study the opportunity to develop such reporting in 2014.
■ Focus on Vattenfall's employees	*Training and education*			
	G4-DMA	Training and education	36	
	G4-LA11	Performance and career development	36	No reporting per employee category, since such a categorical breakdown does not exist in Vattenfall.
■ Focus on Vattenfall's employees	*Diversity and equal opportunity*			
	G4-DMA	Diversity and equal opportunity	36	
	G4-LA12	Composition of governance bodies	36	No reporting per minority group, as this is prohibited by rules in certain markets.
	Human rights			
■ Ensure sustainability in the supply chain	*Supplier human rights assessment*			
	G4-DMA	Review of suppliers	35	
	Specific DMA	Review system for new suppliers	35	
	G4-HR10	Review of new suppliers	35	Reporting of potential new suppliers of goods and services from countries lacking clear rules and regulations starting on 1 July 2013, and to some extent on suppliers of fuel. Vattenfall intends to fully report on this indicator starting in 2014.

Specific information

Vattenfall's sustainability focus area	DMA and Indicator		Page or reference	Omissions
	Society			
■ Take responsibility for Vattenfall's impacts on local communities	*Local communities*			
	G4-DMA	Local communities	27, 131	
	Specific DMA	Collective rights and engagement	27	Vattenfall does not yet have a standardised approach for determining how independent bodies for worker representation shall handle impacts on local communities.
	G4-SO1	Impacts of operations and of community resettlements	27	Vattenfall does not have data to report the share of operations that impact local communities. Vattenfall's greatest impact is associated with its lignite mining operations. Vattenfall will study the opportunity to develop such reporting in 2014.
	Sector-specific G4-DMA	Stakeholders' participation in decision-making processes	27	Vattenfall does not yet have a standardised approach for determining how independent bodies for worker representation shall handle impacts on local communities. Vattenfall will study the opportunity to develop such reporting in 2014.
■ Safeguard the company's integrity	*Anti-corruption*			
	G4-DMA	Anti-corruption	35	
	Specific DMA	Risk assessment process	35, 51, 136	
	G4-SO4	Communication and training on anti-corruption policies and procedures	35 In 2013 a total of 1,150 of the Group's employees participated in the programme – 210 employees in Sweden, 875 in Germany, 45 in the Netherlands, and 23 in Denmark.	The total number of employees or share of these who have completed training is not reported, since employees attend the training every three years. The total number of business partners or share of these who have completed training is not reported, as such data is not available at the Group level. Vattenfall will study the opportunity to develop such reporting in 2014.
■ Safeguard the company's integrity	*Anti-competitive behaviour*			
	G4-DMA	Anti-competitive behaviour	35	
	G4-SO7	Legal actions against anti-competitive operations	Vattenfall was not a party to any anti-competition legal proceedings in 2013, which is in line with Vattenfall's zero tolerance policy. (In 2012 Nuon Customer Care was a party to a legal action with the Office of Energy Regulation in the Netherlands)	
	Product responsibility			
■ Offer customers solutions that enable sustainable energy consumption	*Product and service labelling*			
	G4-DMA	Product and service labelling	30	
	Specific DMA	Customer satisfaction	30	
	G4-PR5	Customer satisfaction	30	

Vattenfall's sustainability policies and guidelines

Vattenfall does not have a sustainability policy; rather, governance is handled through other policies that have already been established, such as follows:

- Environmental policy
- Health and safety policy
- Human Resources policy (human rights, labour law, equal opportunity, diversity)
- Code of Conduct (health and safety, employees, customers and suppliers, business ethics, communication, information security, company resources, environment)
- Code of Conduct for suppliers (human rights and working conditions, environment, business integrity)

All Group-wide policies are owned and approved by the CEO. Vattenfall makes these available to all employees on the intranet in all company languages, but does not require any signatures from employees, management or board members.

Complementary information to the "Safeguarding the company's integrity" section on page 35

- The Swedish state's ownership policy stipulates that all state-owned companies shall conduct their operations in accordance with sustainable principles, among other things by complying with international guidelines for countering corruption and business ethics. Vattenfall also adheres to the Swedish Anti-Corruption Institute's code regarding gifts, rewards and other benefits in business.
- Vattenfall participates in a number of associations and similar that work to counter corruption and bribery, including the "Network for sustainable business" for state-owned companies and other networks for companies with extensive operations in Sweden, where discussions are held on compliance issues, including in the areas of countering bribery and corruption.

Vattenfall AB (publ)
SE-169 92 Stockholm, Sweden

Visiting address:
Evenemangsgatan 13, Solna, Sweden

Corporate Identity Number 556036-2138

T +46 8 739 50 000

www.vattenfall.com
www.vattenfall.se