

# Year-End Report 2012



2012

## Record-high electricity generation

- Net sales for 2012 decreased by 7.6% to SEK 167,313 million (181,040). For comparable units, i.e., excluding divested operations in Belgium, Finland and Poland, sales increased by 2%.
- The underlying operating profit<sup>1</sup> decreased by 9.9% to SEK 27,747 million (30,793). The underlying operating profit for comparable units decreased by 1.6%, to SEK 27,693 million (28,148).
- Reported operating profit<sup>2</sup> rose 12.8% to SEK 26,175 million (23,209). Profit in both 2011 and 2012 was strongly affected by a number of items affecting comparability. Profit for 2011 was affected by net charges of SEK -7.6 billion, including impairment losses and provisions totalling SEK 10.5 billion attributable to Germany's decision to phase out the country's nuclear power. Profit for 2012 was affected by capital gains, impairment losses and other items affecting comparability amounting to SEK -1.6 billion, net.
- Profit for the year (after tax) rose 65.4% to SEK 17,224 million (10,416), of which the reduced corporate income tax rate in Sweden contributed SEK 3.5 billion.
- Operating profit for the fourth quarter was SEK 5,179 million (10,159). The underlying operating profit for comparable units was stable and amounted to SEK 6,737 million (6,450).
- Electricity generation increased by 7.3% in 2012, to 178.9 TWh (166.7). 2012 was a record year for Vattenfall's electricity generation.
- The Board proposes a dividend of SEK 6,774 million, corresponding to 40% of profit for the year after tax. The dividend for 2011 was SEK 4,433 million.

1) Operating profit excluding items affecting comparability (for a specification of items affecting comparability, see page 6. For definition of items affecting comparability, see page 29).

2) Operating profit according to IFRS (International Financial Reporting Standards).

### CEO's comments

*"2012 was a tough year for the entire European energy sector, and the industry is facing substantial challenges. Demand is still low as a result of the economic recession. At the same time, new capacity is being added, especially in renewable energy production, which has led to low electricity prices. Previous market forecasts have been overturned, and what used to be considered 'normal' no longer applies. This is the new normal.*

*I am therefore pleased to report an underlying operating profit for 2012 of SEK 27.7 billion for comparable units, that is, excluding divested operations – which is almost level with 2011.*

*During the year, we continued to work according to the strategy that we launched at the end of 2010. The target of reducing our annual costs by SEK 6 billion has been achieved a year ahead of schedule. An extensive divestment programme has been executed with the sale of our Finnish and Polish operations. Our liquidity has strengthened, and we have lowered our net debt. We have also continued to scale back our investment programme. Record high production volumes in Sweden, owing to high water supply and improved availability at our nuclear power plants along with successful price hedging, have compensated for lower wholesale electricity prices.*

*We see continued difficult market conditions ahead, however, and are therefore continuing to further improve the efficiency of our operations and strengthen our financial position so that we can achieve the targets that our owner and we ourselves have set. In the current year we plan to carry out further savings measures while embodying a culture of continuous improvement. Operational excellence is a part of our everyday activities.*

*We are keeping our focus on reducing Vattenfall's CO<sub>2</sub> exposure, and work is ongoing to free up sufficient capital to continue increasing the share of investments in renewable energy."*

A handwritten signature in black ink, appearing to read "Øystein Løseth".

Øystein Løseth  
President and CEO

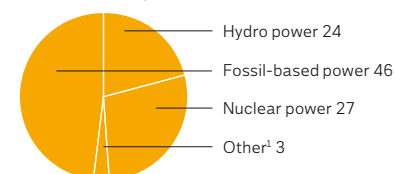
# Key facts

| Amounts in SEK million unless indicated otherwise                                       | Q4 2012           | Q4 2011           | Change, % | Full year 2012 | Full year 2011 | Change, % |
|---|-------------------|-------------------|-----------|----------------|----------------|-----------|
| Net sales   | 47,937            | 50,453            | -5.0      | 167,313        | 181,040        | -7.6      |
| Operating profit before depreciation and amortisation (EBITDA)                          | 10,368            | 15,447            | -32.9     | 54,488         | 54,538         | -0.1      |
| Operating profit (EBIT)   | 5,179             | 10,159            | -49.0     | 26,175         | 23,209         | 12.8      |
| Underlying operating profit   | 6,737             | 7,343             | -8.3      | 27,747         | 30,793         | -9.9      |
| Financial items, net  | -1,381            | -2,628            | 47.5      | -7,874         | -8,911         | 11.6      |
| Profit before tax   | 3,798             | 7,531             | -49.6     | 18,301         | 14,298         | 28.0      |
| Profit for the period   | 6,443             | 5,103             | 26.3      | 17,224         | 10,416         | 65.4      |
| Funds from operations (FFO)   | 11,583            | 10,120            | 14.5      | 34,419         | 38,256         | -10.0     |
| Free cash flow  | -1,893            | -2,270            | -16.6     | 12,619         | 17,637         | -28.5     |
| Cash and cash equivalents, and short-term investments                                   | 46,495            | 28,685            | 62.1      | 46,495         | 28,685         | 62.1      |
| Balance sheet total   | 528,364           | 524,558           | 0.7       | 528,364        | 524,558        | 0.7       |
| Interest-bearing liabilities  | 160,261           | 170,350           | -5.9      | 160,261        | 170,350        | -5.9      |
| Net debt  | 111,907           | 141,089           | -20.7     | 111,907        | 141,089        | -20.7     |
| Adjusted net debt   | 153,943           | 176,031           | -12.5     | 153,943        | 176,031        | -12.5     |
| Return on capital employed, %   | 8.4 <sup>1</sup>  | 7.3 <sup>1</sup>  | —         | 8.4            | 7.3            | —         |
| Return on equity, %   | 12.1 <sup>1</sup> | 8.6 <sup>1</sup>  | —         | 12.1           | 8.6            | —         |
| Net debt/equity, %  | 72.1              | 101.6             | —         | 72.1           | 101.6          | —         |
| Funds from operations (FFO)/adjusted net debt, %  | 22.4 <sup>1</sup> | 21.7 <sup>1</sup> | —         | 22.4           | 21.7           | —         |
| Adjusted net debt/operating profit before depreciation and amortisation (EBITDA), times | 2.8 <sup>1</sup>  | 3.2 <sup>1</sup>  | —         | 2.8            | 3.2            | —         |
| Electricity generation, TWh   | 49.9              | 43.7              | 14.2      | 178.9          | 166.7          | 7.3       |
| Hydro power   | 10.6              | 10.5              | 1.0       | 42.2           | 34.5           | 22.3      |
| Nuclear power   | 14.0              | 8.8               | 59.1      | 48.9           | 42.5           | 15.1      |
| Fossil-based power  | 23.7              | 22.9              | 3.5       | 82.7           | 85.0           | -2.7      |
| Wind power  | 1.1               | 1.1               | —         | 3.6            | 3.4            | 5.9       |
| Biomass, waste  | 0.5               | 0.4               | 25.0      | 1.5            | 1.3            | 15.4      |
| Sales of electricity, TWh <sup>2</sup>  | 56.4              | 58.3              | -3.3      | 202.3          | 203.0          | -0.3      |
| Sales of heat, TWh  | 10.6              | 12.9              | -17.8     | 30.3           | 41.0           | -26.1     |
| Sales of gas, TWh   | 17.1              | 16.8              | 1.8       | 52.4           | 53.8           | -2.6      |
| Number of employees, full-year equivalents  | 32,794            | 34,685            | -5.5      | 32,794         | 34,685         | -5.5      |

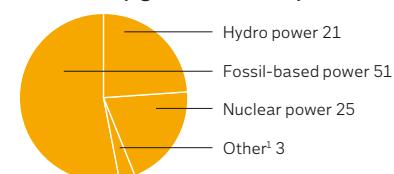
1) Last 12-month values.

See pages 29-31 for definitions and calculations of key ratios.

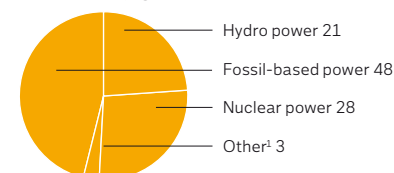
Electricity generation, Full year 2012, %



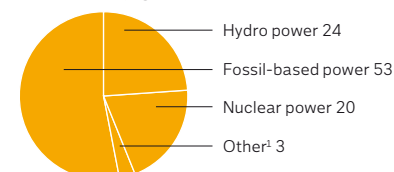
Electricity generation, Full year 2011, %



Electricity generation, Q4 2012, %



Electricity generation, Q4 2011, %



1) Wind power, biomass and waste.

# Important events in 2012 – Group

## **Sale of operations in Finland**

The sale of Vattenfall's electricity distribution and heat business in Finland was completed in January 2012. The buyer was LNI Acquisition Oy. The sale generated a capital gain of SEK 8.1 billion.

## **Sale of biomass project**

Vattenfall reached an agreement to sell its minority interest in the Liberian biomass project Buchanan Renewables Fuel. The project did not develop as planned, and the volume of biomass was lower than anticipated. In connection with the sale, Vattenfall recognised an impairment loss and made provisions together totalling SEK 1.3 billion during the first quarter.

## **Sale of minority interests in Vattenfall's electricity and heating networks in Hamburg**

During the year, the City of Hamburg acquired 25.1% of Vattenfall's electricity and heating networks for EUR 463.1 million. The jointly owned companies are now called Vattenfall Stromnetz Hamburg GmbH and Vattenfall Wärme Hamburg GmbH. Vattenfall received payment during the second and fourth quarters.

## **Hemweg 9 connected to electricity grid**

In the Netherlands, the new Hemweg 9 combined cycle gas turbine power plant (440 MW) was connected to the electricity grid in May, replacing an older plant at the same location.<sup>1</sup>

## **Request for arbitration**

In May, Vattenfall submitted a request for the institution of arbitration proceedings with the International Center for Settlement of Investment Disputes (ICSID) in Washington, D.C., in response to the German government's decision in summer 2011 to close Vattenfall's Krümmel and Brunsbüttel nuclear power plants, among others. The request was submitted together with the Brunsbüttel and Krümmel nuclear power companies, which are owned by Vattenfall and E.ON. This is the first step before a formal petition for arbitration can be filed. The Krümmel and Brunsbüttel companies have also filed suit with the Federal Constitutional Court of Germany.

## **Analysis of replacement of nuclear power reactors in Sweden**

On 31 July Vattenfall filed an application with the Swedish Radiation Safety Authority (SSM) to obtain clarity on the conditions that apply for new nuclear power generation. The application is necessary for Vattenfall to investigate the conditions set by SSM, which is needed to complete Vattenfall's analysis work.

## **First deliveries of electricity from Diemen 34**

In August, the first deliveries of electricity were made from the gas-fired Diemen 34 power plant in the Netherlands. The plant has installed capacity of 435 MW electricity and 260 MW heat.<sup>1</sup>

## **Vattenfall Europe AG becomes Vattenfall GmbH**

On 17 September, Vattenfall's German subsidiary Vattenfall Europe AG was merged with its parent company, Vattenfall Deutschland GmbH, which at the same time changed its name to Vattenfall GmbH. Vattenfall GmbH is 100%-owned by Vattenfall AB. As a result of the merger, the domination agreement (Beherrschungsvertrag) from 2008 between Vattenfall Europe AG and Vattenfall AB no longer applies.

## **Inauguration of Ormonde wind farm**

On 19 September, Vattenfall's Ormonde wind farm (150 MW) in the Irish Sea was officially inaugurated.

## **Impairment of assets**

Vattenfall decided to recognise an impairment loss for goodwill and production assets in the Thermal Power business unit, mainly in the Netherlands, for a total of SEK 8.6 billion, of which SEK 3.5 billion is attributable to goodwill and SEK 5.1 billion to assets in coal- and gas-fired power plants.

## **Change in pension funding**

Vattenfall decided to resume full funding of its defined benefit occupational pensions in Sweden on the balance sheet under the item Pension provisions, i.e., in accordance with the structure that applied before Vattenfall's Pension Foundation was established in 1999. A total of approximately SEK 7 billion will gradually be paid out from the foundation to Vattenfall AB and its subsidiaries. The change in funding does not affect Vattenfall's adjusted net debt. Nor will the change affect the company's obligation to pay future pensions to its employees.

## **Inauguration of new unit in Boxberg**

Vattenfall's new Unit R (675 MW) at the Boxberg lignite-fired power plant in eastern Germany was inaugurated in October 2012. The investment decision was made in 2006.

<sup>1</sup> The information has been updated since publication 12 February 2013.

## Changes in the Board of Directors and Executive Group Management:

- At Vattenfall's Annual General Meeting on 25 April, Gunilla Berg, Håkan Buskhe and Jan-Åke Jonsson were elected as new board members.
- On 9 January, Anne Gynnerstedt took office as Senior Vice President and General Counsel.
- On 1 March, Olof Gertz took office as Senior Vice President, Human Resources.
- On 1 April Stefan Dohler took office as Senior Vice President, Business Division Asset Optimisation and Trading (AOT).
- On 14 May, Ingrid Bonde took office as CFO and Deputy CEO.

Effective 1 November, a number of changes were made to Vattenfall's organisation. The new Business Division Nuclear Power was formed at the same time that the wind power production unit was integrated with other forms of energy in Business Division Production. To make the structure clearer and to avoid unnecessary overlap, projects and newbuild activities in the former Business Division Renewables and Business Division Asset Development were brought together in a new Business Division, called Sustainable Energy Projects. Vattenfall thereafter has two operating segments: Generation, and Distribution and Sales.

In connection with the organisational changes, certain changes were made in the Executive Group Management. The new Executive Group Management is as follows:

- Øystein Løseth, President and CEO, and Head of the Generation operating segment
- Ingrid Bonde, CFO
- Peter Smink, new Head of Business Division Sustainable Energy Projects, effective 1 November (he served as acting CFO of Vattenfall until 14 May).
- Tuomo Hatakka, Head of Business Division Production
- Torbjörn Wahlborg, new Head of Business Division Nuclear Power, effective 1 November (he was formerly Head of Business Division Distribution and Sales).
- Stefan Dohler, Head of Business Division Asset Optimisation and Trading
- Anders Dahl, new Head of Business Division Distribution and Sales and new Country Manager Sweden, effective 1 November (he was formerly Head of Business Division Renewables).
- Olof Gertz, Head of Human Resources
- Anne Gynnerstedt, General Counsel

## New financial and sustainability targets

At an extraordinary general meeting on 28 November, Vattenfall's owner adopted new financial targets for Vattenfall, which are outlined below. The targets are long-term and are to be evaluated over an economic cycle of 5–7 years. (Figures in parentheses pertain to target achievement in 2012.)

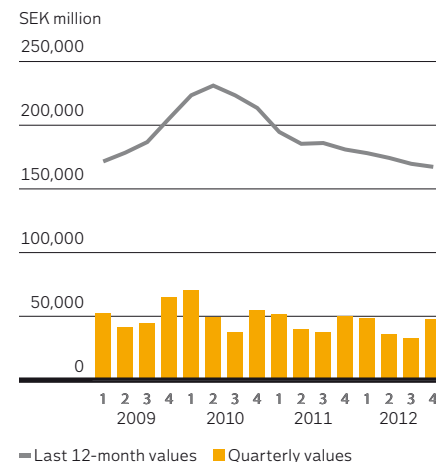
- Return on capital employed: target 9% (Outcome: 8.4%)
- Debt/equity ratio: target 50%–90% (Outcome: 72.1%)
- FFO/adjusted net debt: target 22%–30% (Outcome: 22.4%)
- Dividend: long-term target 40%–60% of profit for the year after tax (for 2012, the Board has proposed a dividend of SEK 6,774 million, corresponding to 40% of profit for the year after tax).

On 28 November 2012, Vattenfall presented the following new sustainability targets:

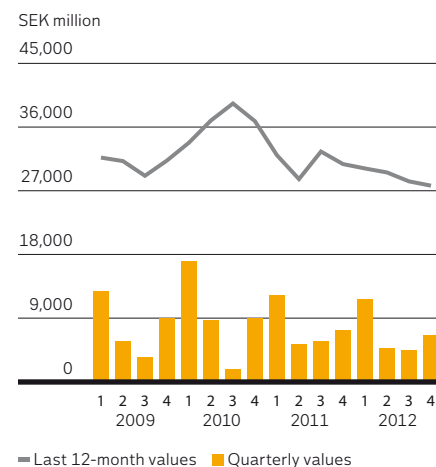
In addition to the current target in which Vattenfall will reduce its carbon dioxide emissions to 65 million tonnes of absolute emissions by 2020, Vattenfall announced that the company's growth rate in renewable energy will be higher than the average for ten defined countries in northern and central Europe. This will be measured annually.

Other important events are described under the respective operating segments on pages 11–12.

## Net sales



## Underlying operating profit



# Sales, profit and cash flow

| Amounts in SEK   | Q4 2012       | Q4 2011       | Change, %   | Full year 2012 | Full year 2011 | Change, %   |
|------------------|---------------|---------------|-------------|----------------|----------------|-------------|
| <b>Net sales</b> | <b>47,937</b> | <b>50,453</b> | <b>-5.0</b> | <b>167,313</b> | <b>181,040</b> | <b>-7.6</b> |

**Comment:** Consolidated net sales in 2012 decreased by SEK 13.7 billion compared with 2011. The decrease is mainly attributable to Vattenfall's divested operations in Belgium, Finland and Poland. Excluding these divestments, net sales increased by 2%.

| Amounts in SEK  | Q4 2012      | Q4 2011       | Change, %    | Full year 2012 | Full year 2011 | Change, %   |
|---|--------------|---------------|--------------|----------------|----------------|-------------|
| <b>Operating profit (EBIT)</b>                              | <b>5,179</b> | <b>10,159</b> | <b>-49.0</b> | <b>26,175</b>  | <b>23,209</b>  | <b>12.8</b> |
| Items affecting comparability                               | -1,558       | 2,816         | —            | -1,572         | -7,584         | -79.3       |
| <b>Underlying operating profit</b>                          | <b>6,737</b> | <b>7,343</b>  | <b>-8.3</b>  | <b>27,747</b>  | <b>30,793</b>  | <b>-9.9</b> |
| Earnings contribution from divested operations <sup>1</sup> | —            | 893           | —            | 54             | 2,645          | —           |
| <b>Underlying operating profit for comparable units</b>     | <b>6,737</b> | <b>6,450</b>  | <b>4.4</b>   | <b>27,693</b>  | <b>28,148</b>  | <b>-1.6</b> |

1) Belgium, Finland and Poland.

**Comment 2012:** The underlying operating profit for 2012 decreased by SEK 3.0 billion, mainly on account of the following:

- Negative price effects of average lower electricity prices achieved, mainly in the Nordic market (SEK -5.5 billion)
- Positive volume effects (SEK 7.9 billion) of greater hydro and nuclear power production
- Higher fuel costs and costs for CO<sub>2</sub> emission allowances (SEK -1.8 billion, net)
- Lower costs for operations and maintenance, sales and administration, and research and development (SEK 2.5 billion, net)
- Higher costs for commissioning of new plants, including Boxberg Unit R and Ormonde (SEK -0.6 billion)
- Lost earnings contribution from divested operations in Belgium, Finland and Poland (SEK -2.6 billion)
- Other items (SEK -2.9 billion, net), consisting of several items: compensation in 2011 in the German generation operations (SEK -0.6 billion); repair costs for the transmission cable between the Thanet wind farm and the UK mainland (SEK -0.4 billion); lower earnings contribution from the associated company GASAG (SEK -0.4 billion); higher nuclear power tax (SEK -0.2 billion); and a number of other project-related costs for nuclear power safety, IT and customer service, among other things

**Comment Q4:** The underlying operating profit for the fourth quarter of 2012 decreased by SEK 0.6 billion, mainly on account of the following:

- Negative price effects of average lower electricity prices achieved, mainly in the Nordic market (SEK -2.4 billion)
- Positive volume effects (SEK 4.1 billion) of greater hydro and nuclear power production
- Higher fuel costs and costs for CO<sub>2</sub> emission allowances (SEK -2.4 billion, net). The higher amount compared with the full year is mainly attributable to a change in the method of reporting CO<sub>2</sub> emission allowances
- Lower costs for operations and maintenance, sales and administration, and research and development (SEK 0.9 billion, net)
- Lost earnings contribution from divested operations in Belgium, Finland and Poland (SEK -0.9 billion)

Vattenfall achieved the target of its SEK 6 billion cost-cutting programme by year-end 2012, which is one year faster than originally planned. At the same time, future-oriented businesses gave rise to new costs of SEK 0.6 billion. Vattenfall has set a new target to reduce costs by a further SEK 3.0 billion by 1 January 2014.

## Sales, profit and cash flow, cont.

| Amounts in SEK  | Q4 2012       | Q4 2011      | Full year 2012 | Full year 2011 |
|---|---------------|--------------|----------------|----------------|
| <b>Items affecting comparability affecting operating profit (EBIT):</b> |               |              |                |                |
| Capital gains   | 70            | 2,461        | 8,399          | 4,780          |
| Capital losses  | -315          | 22           | -389           | -58            |
| Impairment losses <sup>1</sup>  | -6            | -507         | -8,648         | -11,301        |
| Reversed impairment losses  | —             | 379          | —              | 386            |
| Unrealised changes in the fair value of energy derivatives              | -271          | 7            | 729            | -1,690         |
| Unrealised changes in the fair value of inventories                     | -377          | 734          | -395           | -541           |
| Restructuring costs   | -696          | —            | -824           | —              |
| Other items affecting comparability                                     | 37            | -280         | -444           | 840            |
| <b>Total</b>  | <b>-1,558</b> | <b>2,816</b> | <b>-1,572</b>  | <b>-7,584</b>  |

1) Figures for 2011 include other close-down costs than impairment losses pertaining to nuclear power plants in Germany.

**Comment:** Items affecting comparability in 2012 amounted to SEK -1.6 billion, net. These consist mainly of a capital gain on the sale of Vattenfall's electricity distribution and heat business in Finland (SEK 8.1 billion), impairment of goodwill and production assets in the Thermal Power business unit (SEK -8.6 billion), and restructuring costs (SEK -0.8 billion). Items affecting comparability in 2011 pertained mainly to impairment of book value and higher provisions for handling nuclear waste and dismantling of the German nuclear power plants (SEK -10.5 billion), capital gains on divestments in 2011 (SEK 4.8 billion), and unrealised changes in the fair value of energy derivatives and inventories (SEK -2.2 billion).

| Amounts in SEK               | Q4 2012      | Q4 2011      | Change, %   | Full year 2012 | Full year 2011 | Change, %   |
|------------------------------|--------------|--------------|-------------|----------------|----------------|-------------|
| <b>Profit for the period</b> | <b>6,443</b> | <b>5,103</b> | <b>26.3</b> | <b>17,224</b>  | <b>10,416</b>  | <b>65.4</b> |

**Comment:** Profit for the year after tax improved by SEK 6.8 billion to SEK 17.2 billion, compared with SEK 10.4 billion in 2011. This is mainly due to the fact that profit in 2011 was charged with impairment losses and higher provisions as a result of Germany's decision to phase out the country's nuclear power, an improvement in net financial items and a lower tax expense. As a result of the Swedish Parliament's decision in December 2012 to lower the corporate income tax rate in Sweden from 26.3% to 22%, deferred tax liabilities were recalculated, resulting in a positive earnings impact of SEK 3.5 billion.

| Amounts in SEK                        | Q4 2012       | Q4 2011       | Change, %   | Full year 2012 | Full year 2011 | Change, %   |
|---------------------------------------|---------------|---------------|-------------|----------------|----------------|-------------|
| <b>Net financial items</b>            | <b>-1,381</b> | <b>-2,628</b> | <b>47.5</b> | <b>-7,874</b>  | <b>-8,911</b>  | <b>11.6</b> |
| – of which, interest income           | 119           | 619           | 80.7        | 812            | 1,454          | -44.2       |
| – of which, interest expenses         | -1,263        | -1,535        | 17.7        | -5,244         | -6,275         | -16.4       |
| – of which, impairment and provisions | 15            | -1,658        | —           | -1,090         | -1,508         | -28.0       |
| – of which, other                     | -252          | -54           | —           | -2,351         | -2,582         | -8.9        |
| Interest received <sup>1</sup>        | 23            | 80            | 71.7        | 426            | 635            | -32.9       |
| Interest paid <sup>1</sup>            | -312          | -252          | -23.5       | -3,798         | -4,871         | -22.0       |

1) Pertains to cash flows.

**Comment:** Financial items in 2012 included impairment losses and provisions related to the Libe-ran biomass project, Buchanan Renewables Fuel, totalling SEK -0.8 billion. The improvement in financial items during the fourth quarter of 2012 is mainly explained by the fact that financial items in the fourth quarter of 2011 were charged with impairment of Vattenfall's shareholding in the energy company Enea S.A., totalling SEK -1.6 billion. An additional impairment loss of SEK 0.3 billion was recognised for the shareholding in Enea S.A. in the second quarter of 2012.

| Amounts in SEK  | Q4 2012       | Q4 2011       | Change, %   | Full year 2012 | Full year 2011 | Change, %    |
|---|---------------|---------------|-------------|----------------|----------------|--------------|
| <b>Funds from operations (FFO)</b>  | <b>11,583</b> | <b>10,120</b> | <b>14.5</b> | <b>34,419</b>  | <b>38,256</b>  | <b>-10.0</b> |
| <b>Cash flow from changes in operating assets and operating liabilities (working capital)</b> | <b>-6,320</b> | <b>-6,841</b> | <b>-7.6</b> | <b>-5,934</b>  | <b>-4,788</b>  | <b>23.9</b>  |
| <b>Cash flow from operating activities</b>  | <b>5,263</b>  | <b>3,279</b>  | <b>60.5</b> | <b>28,485</b>  | <b>33,468</b>  | <b>-14.9</b> |

**Comment:** Compared with 2011, funds from operations (FFO) decreased by SEK 3.8 billion in 2012. This is mainly attributable to average lower electricity prices achieved, higher costs for fuel and CO<sub>2</sub> emission allowances, and lost earnings contribution from divested operations. Higher production volumes, lower costs for operations and maintenance, sales and administration, and research and development, and lower paid tax had a positive impact. During the fourth quarter, Vattenfall received a refund of previously paid preliminary tax payments as a result of a revised assessment of the Group's taxable earnings in Sweden and the Netherlands.

Cash flow from changes in working capital amounted to SEK -5.9 billion. This is mainly explained by higher operating receivables and operating liabilities, totalling SEK 3.8 billion, net, mainly attributable to CO<sub>2</sub> emission allowances and increased inventory, totalling SEK 1.7 billion. Other items affected working capital negatively by SEK 0.4 billion.

# Financial position

| Amounts in SEK   | 31 Dec. 2012  | 31 Dec. 2011  | Change, %   |
|--|---------------|---------------|-------------|
| <b>Cash and cash equivalents, and short-term investments</b> | <b>46,495</b> | <b>28,685</b> | <b>62.1</b> |
| Receivable attributable to the Swedish pension foundation    | 1,807         | —             | —           |
| Committed credit facilities (unutilised)                     | 32,172        | 42,297        | 23.9        |

**Comment:** The increase in cash and cash equivalents, and short-term investments, is mainly attributable to the payment received in January 2012 from the sale of Vattenfall's assets in Belgium, Finland and Poland, and the sale of minority interests in Vattenfall's electricity and heating networks in Hamburg. The ongoing dissolution of Vattenfall's Swedish pension foundation generated a positive cash flow of SEK 2.8 billion during the fourth quarter of 2012. An additional SEK 1.8 billion has been booked as a receivable from the foundation, of which SEK 1.6 billion was paid to Vattenfall on 16 January 2013. A total of approximately SEK 7 billion will be gradually paid out from the foundation to Vattenfall AB and its subsidiaries.

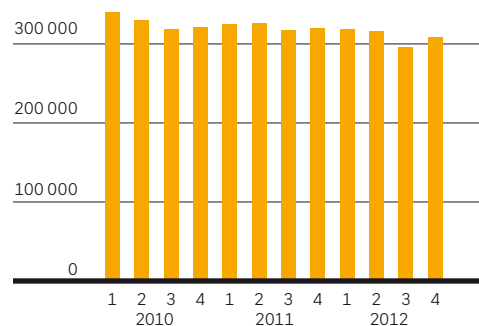
Committed credit facilities consist of a EUR 2.55 billion Revolving Credit Facility that expires on 20 January 2016 and a 12-month EUR 1.3 billion revolving Multi Option Facility (unutilised amount EUR 1.2 billion), contracted in August 2011. A EUR 1 billion Revolving Credit Facility that was to expire in February 2013 was terminated in the first quarter 2012.

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. As per 31 December 2012, available liquid assets and/or committed credit facilities amounted to 43% of net sales.

## Capital employed

SEK million

400 000



| Amounts in SEK                               | 31 Dec. 2012   | 31 Dec. 2011   | Change, %    |
|--|----------------|----------------|--------------|
| <b>Net debt</b>                              | <b>111,907</b> | <b>141,089</b> | <b>-20,7</b> |
| <b>Interest-bearing liabilities</b>          | <b>160,261</b> | <b>170,350</b> | <b>-5,9</b>  |
| <b>Adjusted net debt (see page 19)</b>       | <b>153,943</b> | <b>176,031</b> | <b>-12,1</b> |
| Average interest rate, % <sup>1</sup>        | 3,4            | 3,9            | —            |
| Duration, years <sup>1</sup>                 | 3,3            | 4,3            | —            |
| Average time to maturity, years <sup>1</sup> | 5,3            | 5,5            | —            |

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

**Comment:** Compared with 31 December 2011, net debt decreased by SEK 29.2 billion. The decrease is mainly attributable to payment received for sales of assets (SEK 22.8 billion), exchange rate effects of the stronger Swedish krona (SEK 4.6 billion), and payment received as a result of the ongoing dissolution of Vattenfall's Swedish pension foundation (SEK 4.6 billion of a total of approximately SEK 7 billion). Payment of the dividend (SEK 4.5 billion) increased net debt. Gross debt, i.e., total interest-bearing liabilities, decreased by SEK 10.1 billion.

Adjusted net debt decreased by SEK 22.1 billion compared with 31 December 2011. During the fourth quarter of 2012, adjusted net debt increased by SEK 9.5 billion as a result of several factors. The largest single item pertained to an increase in the pension liability in Germany (SEK 4 billion) as a result of a lower discount rate. The ongoing dissolution of the Swedish pension foundation had no impact on adjusted net debt.

## Credit ratings

The current credit ratings for Vattenfall's long-term borrowing are A- (Standard & Poor's) and A2 (Moody's). Vattenfall's rating outlook is "stable" from Standard & Poor's and "negative" from Moody's. Moody's changed its outlook for Vattenfall's rating from stable to negative on 21 February 2012. No changes were made in Vattenfall's rating from Standard & Poor's in 2012.



# Investments and divestments

| Amounts in SEK                       | Q4 2012      | Q4 2011       | Change, %    | Full year 2012 | Full year 2011 | Change, %    |
|--------------------------------------|--------------|---------------|--------------|----------------|----------------|--------------|
| Maintenance-/replacement investments | 7,156        | 5,549         | 29.0         | 15,866         | 15,831         | 0.2          |
| Growth investments                   | 2,842        | 7,026         | -59.6        | 13,715         | 19,919         | -31.1        |
| – of which, shares                   | 107          | 236           | -54.7        | 345            | 396            | -12.9        |
| <b>Total investments</b>             | <b>9,998</b> | <b>12,575</b> | <b>-20.5</b> | <b>29,581</b>  | <b>35,750</b>  | <b>-17.3</b> |
| <b>Divestments</b>                   | <b>87</b>    | <b>9,708</b>  | <b>-99.1</b> | <b>22 836</b>  | <b>16,280</b>  | <b>40.3</b>  |
| – of which, shares                   | 23           | 9,454         | -99.8        | 20,969         | 13,553         | 54.7         |

**Comment:** In 2012 payment was received for the sale of Vattenfall's heat and electricity distribution business in Finland, Vattenfall's heat operation in Poland, Vattenfall's operations in Belgium and minority interests in Vattenfall's heat and electricity distribution operations in Hamburg (the sales of operations in Belgium and Poland were booked in the fourth quarter in 2011). Vattenfall is currently looking into opportunities to divest additional power and combined heat and power assets, but no decisions have been made.

## Specification of investments

| Amounts in SEK                      | Q4 2012      | Q4 2011       | Change, %    | Full year 2012 | Full year 2011 | Change, %    |
|-------------------------------------|--------------|---------------|--------------|----------------|----------------|--------------|
| <b>Electricity generation</b>       |              |               |              |                |                |              |
| Hydro power                         | 489          | 485           | 0.8          | 1,245          | 1,157          | 7.6          |
| Nuclear power                       | 905          | 1,877         | -51.8        | 3,011          | 4,800          | -37.3        |
| Coal power                          | 828          | 1,347         | -38.5        | 4,511          | 5,982          | -24.6        |
| Gas                                 | 1,487        | 1,514         | -1.8         | 4,977          | 6,172          | -19.4        |
| Wind power                          | 1,343        | 1,421         | -5.5         | 2,716          | 2,972          | -8.6         |
| Biomass, waste                      | 5            | 42            | -87.9        | 16             | 163            | -90.0        |
| Other                               | 186          | 139           | 32.9         | 1,170          | 1,927          | -39.3        |
| <b>Total electricity generation</b> | <b>5,243</b> | <b>6,825</b>  | <b>-23.2</b> | <b>17,646</b>  | <b>23,173</b>  | <b>-23.8</b> |
| <b>CHP/heat</b>                     |              |               |              |                |                |              |
| Fossil-based power                  | 918          | 1,913         | -52.0        | 2,264          | 3,810          | -40.6        |
| Biomass, waste                      | 204          | 104           | 95.6         | 334            | 225            | 48.8         |
| Other                               | 416          | 556           | -25.1        | 1,003          | 1,448          | -30.7        |
| <b>Total CHP/heat</b>               | <b>1,538</b> | <b>2,573</b>  | <b>-40.2</b> | <b>3,601</b>   | <b>5,483</b>   | <b>-34.3</b> |
| <b>Electricity networks</b>         |              |               |              |                |                |              |
| Electricity networks                | 2,270        | 2,064         | 10.0         | 4,658          | 5,024          | -7.3         |
| <b>Total electricity networks</b>   | <b>2,270</b> | <b>2,064</b>  | <b>10.0</b>  | <b>4,658</b>   | <b>5,024</b>   | <b>-7.3</b>  |
| Purchases of shares                 | 107          | 236           | -54.7        | 345            | 396            | -12.9        |
| Other, excl. purchases of shares    | 839          | 877           | -4.3         | 3,331          | 1,674          | 99.0         |
| <b>Total</b>                        | <b>9,998</b> | <b>12,575</b> | <b>-20.5</b> | <b>29,581</b>  | <b>35,750</b>  | <b>-17.3</b> |

**Comment:** Investments in fossil-based electricity generation (coal-fired power and gas) pertain to projects in Germany and the Netherlands, where the costs for the remaining investments amount to a total of SEK 9 billion, of which SEK 6 billion pertains to coal-fired power.

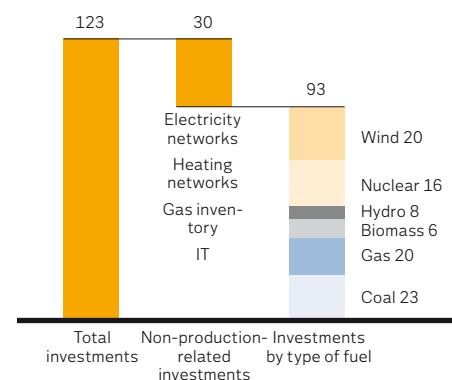
## Vattenfall's investment plan 2013–2017

Vattenfall's investment plan for the coming five years (2013–2017) amounts to SEK 123 billion, representing a decrease of SEK 24 billion compared with the preceding five-year period (2012–2016).

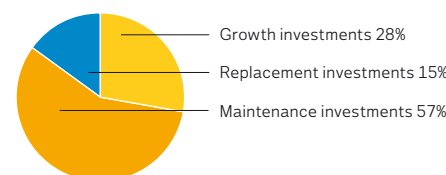
Of the total investment amount, SEK 93 billion is earmarked for production of electricity and heat. The remaining amount will be allocated to investments in electricity and heating networks, and IT. Investments in new production capacity (so-called growth investments), account for SEK 35 billion (28%) of total investments. The remaining amount will go towards maintenance and replacement investments.

Of growth investments, SEK 21 billion (62%) pertains to investments in low CO<sub>2</sub>-emitting technologies (wind, hydro and nuclear power, and biomass). Wind power is the largest single category of growth investments. During the next five years Vattenfall intends to invest SEK 19 billion in new capacity – roughly equally distributed among onshore and offshore wind power. Investments in fossil-based power make up SEK 9 billion (26%) of growth investments. These consist mainly of investments in the Moorburg (hard coal) and Magnum (natural gas) power plants. These investments were decided on in 2006 and 2007, respectively, and will be completed by 2015 at the latest. Other growth investments (SEK 4 billion) have been allocated to expansion of district heating lines.

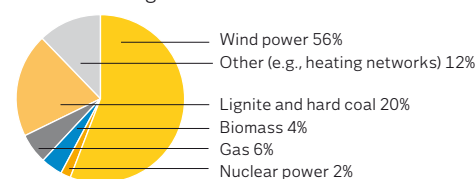
Investment plan 2013–2017, SEK 123 billion



28% pertains to growth investments



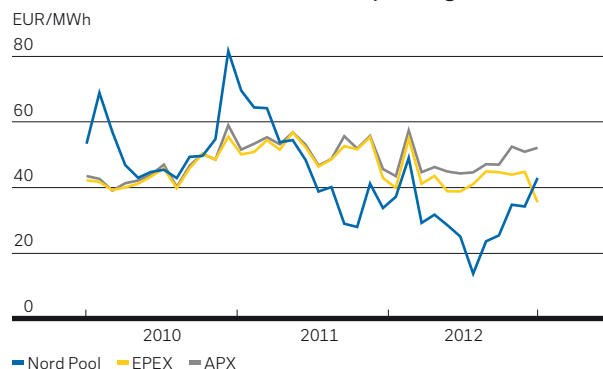
Wind power accounts for the largest share of growth investments





# Wholesale price trend

Electricity spot prices in the Nordic countries, Germany and the Netherlands, 2010–2012, monthly averages

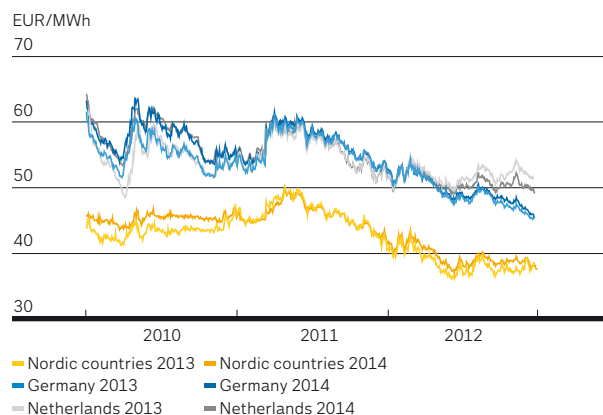


Due to a weakening of the hydrological balance during the fourth quarter, average electricity spot prices in the Nordic countries rose sharply to EUR 37.30/MWh, which is approximately 80% higher than during the third quarter of 2012. However, a strong hydrological balance for the year as a whole resulted in average spot prices in the Nordic countries that were 34% lower than in 2011.

Spot prices in Germany were approximately 17% lower overall in 2012 compared with 2011. Prices rose slightly in November, but then fell again in December as a result of high wind power generation (11,300 MW) together with warm weather and lower demand during the latter part of December on account of the large number of vacation days.

Spot prices in the Netherlands rose during the fourth quarter of 2012 (EUR 51.85/MWh), which is 12% higher than during the third quarter of 2012. For the full year 2012, spot prices in the Netherlands were 8% lower than in 2011.

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

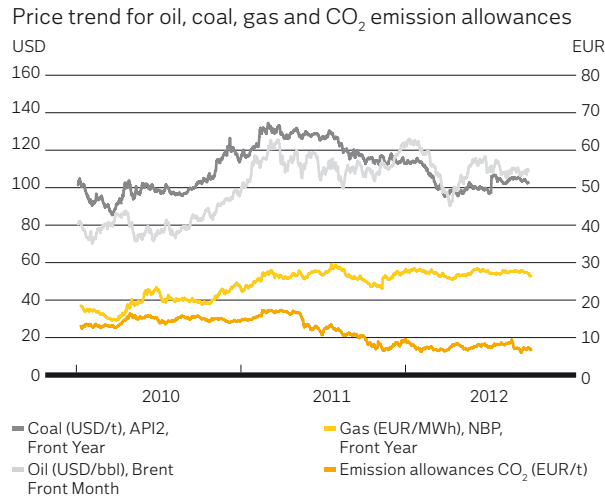


Electricity futures prices fell in all of Vattenfall's markets in 2012 compared with 2011. Nordic futures prices of electricity for delivery in 2013 and 2014 were 16% and 14% lower than in 2011. In Germany, futures prices fell 12%, and in the Netherlands, prices fell 7% and 9%, respectively.

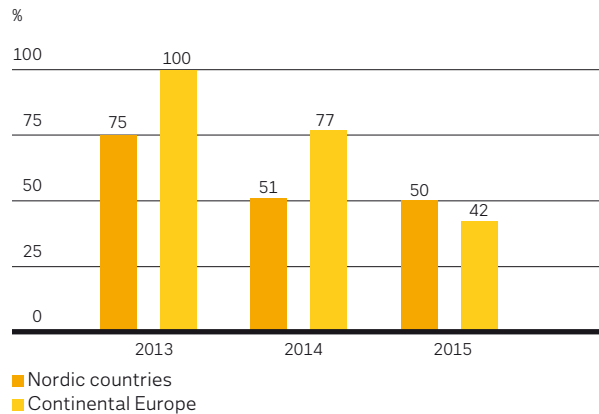
| Time period    | Nordic countries |       | Germany |       | Netherlands |       |
|----------------|------------------|-------|---------|-------|-------------|-------|
|                | 2013             | 2014  | 2013    | 2014  | 2013        | 2014  |
| Q4 2012        | 37.73            | 38.61 | 46.70   | 47.41 | 52.27       | 50.45 |
| Q3 2012        | 37.83            | 38.86 | 48.66   | 49.09 | 51.91       | 50.58 |
| Change (%)     | -0.3             | -0.7  | -4.0    | -3.4  | 0.7         | -0.3  |
| Full year 2012 | 38.53            | 39.53 | 49.29   | 49.66 | 51.88       | 50.91 |
| Full year 2011 | 46.07            | 45.86 | 56.38   | 56.80 | 55.66       | 56.15 |
| Change (%)     | -16.4            | -13.8 | -12.6   | -12.6 | -6.8        | -9.3  |

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

## Wholesale price trend, cont.



Vattenfall's hedge ratios (%) as per 31 December 2012



Compared with at 30 September 2012, Vattenfall's price hedging ratios have increased for both markets for the period 2013–2014. Price hedges in EUR remained virtually unchanged.

Although prices of most commodities fell during the fourth quarter of 2012, slightly higher or stable prices were noted on average compared with the preceding quarter. Oil prices continued to be volatile during the fourth quarter, however, on average, oil prices were at the same level as in the preceding quarter.

Coal prices traded around the USD 100 mark during the entire quarter. The futures contract for coal traded at a level that was 6% higher than in the preceding quarter, but 14% lower than in 2011.

Gas prices rose initially during the fourth quarter, but fell at the end of December due to unusually warm weather. Gas prices for delivery next year remained at the same level as in the preceding quarter, at EUR 27.4/MWh.

Prices of CO<sub>2</sub> emission allowances averaged EUR 7.7/tonne, which is roughly the same level as in the preceding quarter. For 2012 as a whole, the average price was EUR 7.6/tonne, which is 41% lower than in 2011. Prices rose initially during the quarter following an EU proposal to withhold emission allowances corresponding to 900 million tonnes. However, they fell back again at the end of the quarter when no action was taken on the EU proposal.

### Vattenfall's price hedging

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

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

Average price hedges as per 31 December 2012

| EUR/MWh            | 2013 | 2014 | 2015 |
|--------------------|------|------|------|
| Nordic countries   | 45   | 42   | 41   |
| Continental Europe | 55   | 52   | 50   |

# Vattenfall's operating segments – Generation

| Amounts in SEK                             | Q4 2012 | Q4 2011 | Change, % | Full year 2012 | Full year 2011 | Change, % |
|--|---------|---------|-----------|----------------|----------------|-----------|
| Net sales                                  | 34,623  | 35,239  | -1.7      | 118,956        | 124,840        | -4.7      |
| External net sales <sup>1</sup>            | 18,138  | 15,677  | 15.7      | 61,159         | 61,167         | —         |
| Underlying operating profit                | 4,406   | 5,189   | -15.1     | 20,484         | 22,579         | -9.3      |
| Sales of heat, TWh                         | 3.7     | 2.6     | 42.3      | 9.9            | 9.3            | 6.5       |
| Electricity generation <sup>2</sup> , TWh  | 46.6    | 39.0    | 19.5      | 167.8          | 151.6          | 10.7      |
| – of which, hydro power                    | 10.6    | 10.5    | 1.0       | 42.2           | 34.5           | 22.3      |
| – of which, nuclear power                  | 14.0    | 8.8     | 59.1      | 48.9           | 42.5           | 15.1      |
| – of which, fossil-based power             | 20.7    | 18.5    | 11.9      | 72.7           | 70.8           | 2.7       |
| – of which, wind power                     | 1.1     | 1.1     | —         | 3.6            | 3.4            | 5.9       |
| – of which, biomass, waste                 | 0.2     | 0.1     | —         | 0.4            | 0.4            | —         |
| External sales of electricity, TWh         | 23.4    | 22.1    | 5.9       | 79.5           | 65.1           | 22.1      |
| Number of employees, full-year equivalents | 16,928  | 17,428  | -3.0      | 16,928         | 17,428         | -3.0      |

1) Excluding intra-Group transactions.

2) Of electricity generation in 2012, Vattenfall disposed over 150.1 TWh (135.9 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

The Generation operating segment is Vattenfall's interface towards the wholesale market and includes BD Production, BD Asset Optimisation and Trading, BD Sustainable Energy Projects and BD Nuclear Power. Operations in 2012 were conducted in Sweden, Denmark, Germany, the Netherlands and the UK.

## Underlying operating profit 2012

The underlying operating profit decreased by SEK 2.1 billion. This is mainly attributable to average lower electricity prices achieved, mainly in the Nordic market. Fuel costs were higher, mainly for gas, which had a negative impact on profit. Starting in 2012, costs for Staff Functions, except for the Treasury activities, have been allocated to the operating segments. Greater hydro and nuclear power generation had a positive impact on operating profit.

## Underlying operating profit Q4

The underlying operating profit decreased by SEK 0.8 billion.

## Electricity generation and sales of heat 2012

2012 was a record year for Vattenfall's hydro and nuclear power generation in Sweden.

Hydro power generation increased during the year by 22.3% to 42.2 TWh (34.5), owing to high opening reservoir storage levels, good water supply and high availability. Storage levels in Nordic

reservoirs was 69.6% at year-end 2012, compared with 78.6% at the start of the year.

Nuclear power generation increased during the year by 15.1% to 48.9 TWh (42.5). Combined availability for Vattenfall's nuclear power plants in 2012 was 83% (72%). Forsmark had availability of 89.3% (86.2%) and generation of 24.6 TWh (23.6). 2012 was the third-best generation year since 1980. Availability for Ringhals improved to 75.4% (59.9%), and generation amounted to 24.4 TWh (18.9), the highest level since 2008.

Fossil-based power generation increased by 2.7% to 72.7 TWh (70.8). Generation in Germany increased to 55.5 TWh (53.7), owing to high availability at the lignite-fired power plants and the commissioning of Boxberg Unit R. Generation in the Netherlands increased slightly to 12.8 TWh (12.4). In Denmark, fossil-based power generation decreased by 0.3 TWh to 4.4 TWh.

Wind power generation increased by 0.2 TWh to 3.6 TWh, mainly due to the commissioning of the Ormonde offshore wind farm in the UK.

## Important events Q4

- In October, Greenpeace activists were taken into custody after they breached the perimeter fences at the Forsmark and Ringhals nuclear power plants. Reactor safety was never at risk at any point. In response to this event, a number of immediate and long-term measures for strengthening physical security at the plants were presented at a meeting with the Swedish Radiation Safety Authority (SSM).
- Vattenfall intends to close the Willem-Alexander power plant (253 MW) in Buggenum, the Netherlands. The plant was commissioned in 1993 as a CCS pilot plant based on pre-combustion technology. Due to the rapidly deteriorated market conditions, operation of the plant is no longer profitable. A provision of SEK 0.4 billion for restructuring costs was made during the fourth quarter.

# Vattenfall's operating segments – Distribution and Sales

| Amounts in SEK                                | Q4 2012 | Q4 2011 | Change, % | Full year 2012 | Full year 2011 | Change, % |
|---|---------|---------|-----------|----------------|----------------|-----------|
| Net sales                                     | 37,007  | 42,703  | -13.3     | 130,671        | 155,299        | -15.9     |
| External net sales <sup>1</sup>               | 34,970  | 39,575  | -11.6     | 123,495        | 144,575        | -14.6     |
| – of which, Distribution                      | 3,755   | 4,565   | -17.7     | 14,216         | 17,965         | -20.9     |
| – of which, Heat                              | 4,481   | 5,111   | -12.3     | 14,785         | 17,481         | -15.4     |
| Underlying operating profit                   | 2,526   | 3,087   | -18.2     | 7,855          | 10,496         | -25.2     |
| – of which, Distribution                      | 1,649   | 900     | 83.2      | 5,428          | 5,067          | 7.1       |
| – of which, Heat                              | 866     | 1,578   | -45.1     | 2,727          | 4,509          | -39.5     |
| Sales of gas, TWh                             | 17.1    | 16.8    | 1.8       | 52.4           | 51.6           | 1.6       |
| Sales of heat, TWh                            | 6.9     | 10.3    | -33.0     | 20.4           | 31.7           | -35.6     |
| Electricity generation <sup>2</sup> , TWh     | 3.3     | 4.7     | -29.8     | 11.1           | 15.1           | -26.5     |
| – of which, fossil-based power                | 3.0     | 4.4     | -31.8     | 10.0           | 14.2           | -29.6     |
| – of which, biomass, waste                    | 0.3     | 0.3     | —         | 1.1            | 0.9            | 22.2      |
| External sales of electricity, TWh            | 33.0    | 36.2    | -8.8      | 122.8          | 137.9          | -10.9     |
| – of which, private customers                 | 8.4     | 9.2     | -8.7      | 29.5           | 34.0           | -13.2     |
| – of which, resellers                         | 6.0     | 7.7     | -22.1     | 22.0           | 28.7           | -23.3     |
| – of which, business customers                | 18.5    | 19.3    | -4.1      | 71.3           | 74.8           | -4.7      |
| Transited volume, excl. production transiting | 26.9    | 31.2    | -13.8     | 99.9           | 118.8          | -15.9     |
| Number of employees, full-year equivalents    | 11,235  | 12,166  | -8.3      | 11,235         | 12,166         | -8.3      |

1) Excluding intra-Group transactions.

2) Of electricity generation in 2012, Vattenfall disposed over 11.1 TWh (15.1 TWh), while the rest went to the minority part-owners or was deducted as replacement power.

The Distribution and Sales operating segment and Business Division is responsible for Vattenfall's electricity sales and heat businesses, electricity distribution and other downstream businesses. The Division is responsible for all relationships with Vattenfall's end customers. Operations in 2012 were conducted in Sweden, Denmark, Finland, Norway, Germany, France and the Netherlands.

## Underlying operating profit 2012

The underlying operating profit decreased by SEK 2.6 billion, mainly due to the lost earnings contribution from divested operations in Belgium, Poland and Finland. Profit improved for the B2C (Business to Consumers) unit as a result of better margins. The Heat business unit showed a decline mainly as a result of average lower electricity prices. Starting in 2012, costs for Staff Functions, except for Treasury activities, have been allocated to the operating segments.

## Underlying operating profit Q4

The underlying operating profit decreased by SEK 0.6 billion. Excluding the effect of divested operations, profit improved by SEK 0.3 billion.

## Sales of gas and heat, and electricity generation 2012

Sales of gas to end customers increased to 52.4 TWh (51.6). The increase is mainly due to colder weather. The divested Belgian operation contributed 3.2 TWh in 2011.

Sales of heat decreased by 11.3 TWh to 20.4 TWh (31.7). The

decrease is attributable to the divested Polish and Finnish operations, which contributed 12.2 TWh in 2011. Electricity generation decreased by 4.0 TWh to 11.1 TWh (15.1), which is mainly attributable to the divestment of the Polish operation (3.7 TWh).

Sales of electricity to private customers decreased by 4.5 TWh to 29.5 TWh (34.0), which is mainly attributable to the divestment of the Polish and Belgian operations (4.3 TWh). Sales to resellers decreased by 6.7 TWh to 22.0 TWh (28.7), of which 4.8 TWh was attributable to Germany and 1.2 TWh to the Nordic countries. Sales to business customers decreased by 3.5 TWh to 71.3 TWh. The Polish and Belgian operations contributed 7.3 TWh in 2011. Sales to customers in France increased to 10.7 TWh (6.7).

## Important events Q4

- On 1 October 2012 it became possible for all electricity customers in Sweden who have chosen hourly based variable electricity prices to obtain hourly metering.
- All Swedish subsidiaries in the electricity grid (Vattenfall Eldis-

tribution AB, Gotland Energi AB and Västerbergslagens Elnät AB) passed the ISO 14001 environmental management audit and the OHSAS ISO 18001 occupational health and safety audit. Vattenfall's electricity distribution companies in Berlin and Hamburg are now certified according to ISO 9001 and OHSAS ISO 18001.

- Vattenfall signed two agreements with Steag/EVN in Germany for reserve power in connection with the commissioning and operation of the Walsum10 coal-fired power plant (750 MW) in Duisberg.
- The City of Amsterdam signed a new 35-year concession agreement with Westpoort Warmte – a joint venture company with Nuon/Vattenfall and the City of Amsterdam as part-owners – to connect the Houthaven neighbourhood to the district heating and comfort cooling network. Houthaven is an old harbour area in Amsterdam with approximately 2,000 households that is being transformed into a climate-neutral city district. It is the first project to test the combination of sustainable district heating and cooling using surface water.

## Other

| Amounts in SEK                             | Q4 2012 | Q4 2011 | Change, % | Full year 2012 | Full year 2011 | Change, % |
|--|---------|---------|-----------|----------------|----------------|-----------|
| Net sales                                  | 1,437   | 1,670   | -14.0     | 5,445          | 7,303          | -25.4     |
| External net sales <sup>1</sup>            | 88      | 148     | -40.5     | 245            | 983            | -75.1     |
| Operating profit (EBIT)                    | -376    | 1,535   | —         | 7,238          | 1,044          | —         |
| Items affecting comparability              | -181    | 2,468   | —         | 7,830          | 3,326          | 135.4     |
| Underlying operating profit                | -195    | -933    | -79.1     | -592           | -2,282         | -74.1     |
| Number of employees, full-year equivalents | 4,631   | 5,091   | -9.9      | 4,631          | 5,091          | -9.9      |

1) Excluding intra-Group transactions.

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

### Underlying operating profit 2012

The underlying operating profit improved by SEK 1.7 billion. The improvement is attributable to the fact that, starting in 2012, costs for Staff Functions, except for Treasury activities, have been allocated to the Generation, and Distribution and Sales operating segments.

### Underlying operating profit Q4

The underlying operating profit improved by SEK 0.7 billion.

# Consolidated income statement

| Amounts in SEK  | Q4 2012       | Q4 2011       | Full year 2012 | Full year 2011 |
|---|---------------|---------------|----------------|----------------|
| Net sales   | 47,937        | 50,453        | 167,313        | 181,040        |
| Cost of products sold <sup>1</sup>  | -37,519       | -37,449       | -131,698       | -144,492       |
| <b>Gross profit</b>   | <b>10,418</b> | <b>13,004</b> | <b>35,615</b>  | <b>36,548</b>  |
| Selling expenses, administrative expenses and research and development costs <sup>2</sup>   | -5,232        | -5,700        | -18,284        | -18,849        |
| Other operating income and expenses, net  | 11            | 2,855         | 8,708          | 5,478          |
| Participations in the results of associated companies   | -18           | —             | 136            | 32             |
| <b>Operating profit (EBIT)<sup>3</sup></b>  | <b>5,179</b>  | <b>10,159</b> | <b>26,175</b>  | <b>23,209</b>  |
| Financial income <sup>4,6</sup>   | 754           | 1,319         | 2,636          | 3,843          |
| Financial expenses <sup>5,6</sup>   | -2,135        | -3,947        | -10,510        | -12,754        |
| <b>Profit before tax</b>  | <b>3,798</b>  | <b>7,531</b>  | <b>18,301</b>  | <b>14,298</b>  |
| Income tax expense  | 2,645         | -2,428        | -1,077         | -3,882         |
| <b>Profit for the period</b>  | <b>6,443</b>  | <b>5,103</b>  | <b>17,224</b>  | <b>10,416</b>  |
| Profit for the period attributable to:  |               |               |                |                |
| Owners of the Parent Company  | 6,506         | 5,602         | 16,936         | 11,083         |
| Non-controlling interests (minority interests)  | -63           | -499          | 288            | -667           |
| <b>Total</b>  | <b>6,443</b>  | <b>5,103</b>  | <b>17,224</b>  | <b>10,416</b>  |
| <b>Earnings per share</b>   |               |               |                |                |
| Number of shares in Vattenfall AB, thousands  | 131,700       | 131,700       | 131,700        | 131,700        |
| Earnings per share, basic and diluted (SEK)   | 49.40         | 42.54         | 128.60         | 84.15          |
| <b>Supplementary information</b>  |               |               |                |                |
| Operating profit before depreciation and amortisation (EBITDA)  | 10,368        | 15,447        | 54,488         | 54,538         |
| Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund  | -1,513        | -2,319        | -6,180         | -7,893         |
| Underlying operating profit (see definition, page 29)   | 6,737         | 7,343         | 27,747         | 30,793         |
| 1) Of which, depreciation, amortisation and impairment losses related to intangible assets (non-current) and property, plant and equipment                      | -5,024        | -5,119        | -27,712        | -30,737        |
| 2) Of which, depreciation, amortisation and impairment losses related to intangible assets (non-current) and property, plant and equipment                      | -165          | -169          | -601           | -592           |
| 3) Including items affecting comparability attributable to:   |               |               |                |                |
| Capital gains/losses, net   | -245          | 2,483         | 8,010          | 4,722          |
| Impairment losses and close-down costs pertaining to German nuclear power plants  | —             | -193          | —              | -10,513        |
| Other impairment losses and impairment losses reversed, net, pertaining intangible assets (non-current) and property, plant and equipment                       | -6            | 65            | -8,648         | -402           |
| Unrealised changes in the fair value of energy derivatives  | -271          | 7             | 729            | -1,690         |
| Unrealised changes in the fair value of inventories   | -377          | 734           | -395           | -541           |
| Restructuring costs   | -696          | —             | -824           | —              |
| Other items affecting comparability   | 37            | -280          | -444           | 840            |
| <b>Total of items affecting comparability in Operating profit which also constitute the difference between Operating profit and Underlying operating profit</b> | <b>-1,558</b> | <b>2,816</b>  | <b>-1,572</b>  | <b>-7,584</b>  |
| 4) Including return from the Swedish Nuclear Waste Fund   | 762           | 538           | 1,430          | 1,948          |
| 5) Including interest components related to pension costs   | -247          | -266          | -1,012         | -1,043         |
| 5) Including discounting effects attributable to provisions   | -630          | -847          | -3,124         | -2,966         |
| 6) Items affecting comparability recognised as financial income and expenses, net   | 15            | -1,658        | -1,090         | -1,508         |

# Consolidated statement of comprehensive income

| Amounts in SEK  | Q4 2012       | Q4 2011      | Full year 2012 | Full year 2011 |
|---|---------------|--------------|----------------|----------------|
| <b>Profit for the period</b>  | <b>6,443</b>  | <b>5,103</b> | <b>17,224</b>  | <b>10,416</b>  |
| <b>Other comprehensive income:</b>  |               |              |                |                |
| Cash flow hedges:   |               |              |                |                |
| Changes in fair value   | -338          | -1,409       | 7,025          | -4,675         |
| Dissolved against the income statement                                    | 2,192         | 3,055        | -2,476         | 6,668          |
| Transferred to cost of hedged item  | -27           | 162          | 70             | 224            |
| Tax attributable to cash flow hedges                                      | -580          | -554         | -1,381         | -638           |
| <b>Total cash flow hedges</b>   | <b>1,247</b>  | <b>1,254</b> | <b>3,238</b>   | <b>1,579</b>   |
| Hedging of net investments in foreign operations                          | -1,353        | 4,287        | 4,035          | 960            |
| Tax attributable to hedging of net investments in foreign operations      | 336           | -1,117       | -1,049         | -242           |
| <b>Total hedging of net investments in foreign operations</b>             | <b>-1,017</b> | <b>3,170</b> | <b>2,986</b>   | <b>718</b>     |
| Translation differences   | 2,466         | -6,386       | -7,242         | -2,014         |
| Translation differences and exchange rate effects net, divested companies | —             | 621          | 79             | 621            |
| Revaluation of available-for-sale financial assets                        | -44           | 186          | 30             | -1,591         |
| Transferred to the income statement, available-for-sale financial assets  | —             | 1,591        | —              | 1,591          |
| <b>Total other comprehensive income, net after tax</b>                    | <b>2,652</b>  | <b>436</b>   | <b>-909</b>    | <b>904</b>     |
| <b>Total comprehensive income for the period</b>                          | <b>9,095</b>  | <b>5,539</b> | <b>16,315</b>  | <b>11,320</b>  |
| Total comprehensive income for the period attributable to:                |               |              |                |                |
| Owners of the Parent Company  | 9,102         | 6,180        | 16,231         | 12,008         |
| Non-controlling interests (minority interests)                            | -7            | -641         | 84             | -688           |
| <b>Total</b>  | <b>9,095</b>  | <b>5,539</b> | <b>16,315</b>  | <b>11,320</b>  |



# Operating segments

| Amounts in SEK            | External net sales |               |                |                | Internal net sales |          |                |                | Total net sales |                |                |                 |
|---------------------------|--------------------|---------------|----------------|----------------|--------------------|----------|----------------|----------------|-----------------|----------------|----------------|-----------------|
|                           | Q4 2012            | Q4 2011       | Full year 2012 | Full year 2011 | Q4 2012            | Q4 2011  | Full year 2012 | Full year 2011 | Q4 2012         | Q4 2011        | Full year 2012 | Full year 2011  |
| Generation                | 18,138             | 15,677        | 61,159         | 61,167         | 16,485             | 19,562   | 57,797         | 63,673         | <b>34,623</b>   | <b>35,239</b>  | <b>118,956</b> | <b>124,840</b>  |
| Distribution and Sales    | 34,970             | 39,575        | 123,495        | 144,575        | 2,037              | 3,128    | 7,176          | 10,724         | <b>37,007</b>   | <b>42,703</b>  | <b>130,671</b> | <b>155,299</b>  |
| Other <sup>1</sup>        | 88                 | 148           | 245            | 983            | 1,349              | 1,522    | 5,200          | 6,320          | <b>1,437</b>    | <b>1,670</b>   | <b>5,445</b>   | <b>7,303</b>    |
| Eliminations <sup>2</sup> | -5,259             | -4,947        | -17,586        | -25,685        | -19,871            | -24,212  | -70,173        | -80,717        | <b>-25,130</b>  | <b>-29,159</b> | <b>-87,759</b> | <b>-106,402</b> |
| <b>Summa</b>              | <b>47,937</b>      | <b>50,453</b> | <b>167,313</b> | <b>181,040</b> | <b>—</b>           | <b>—</b> | <b>—</b>       | <b>—</b>       | <b>47,937</b>   | <b>50,453</b>  | <b>167,313</b> | <b>181,040</b>  |

| Amounts in SEK                 | Profit       |               |                |                | Underlying operating profit <sup>3</sup> |              |                |                |
|--------------------------------|--------------|---------------|----------------|----------------|--|--------------|----------------|----------------|
|                                | Q4 2012      | Q4 2011       | Full year 2012 | Full year 2011 | Q4 2012                                  | Q4 2011      | Full year 2012 | Full year 2011 |
| Generation                     | 3,024        | 5,461         | 11,011         | 11,042         | 4,406                                    | 5,189        | 20,484         | 22,579         |
| Distribution and Sales         | 2,531        | 3,163         | 7,926          | 11,123         | 2,526                                    | 3,087        | 7,855          | 10,496         |
| Other <sup>1</sup>             | -376         | 1,535         | 7,238          | 1,044          | -195                                     | -933         | -592           | -2,282         |
| <b>Operating profit (EBIT)</b> | <b>5,179</b> | <b>10,159</b> | <b>26,175</b>  | <b>23,209</b>  | <b>6,737</b>                             | <b>7,343</b> | <b>27,747</b>  | <b>30,793</b>  |
| Financial income and expenses  | -1,381       | -2,628        | -7,874         | -8,911         |  |              |                |                |
| <b>Profit before tax</b>       | <b>3,798</b> | <b>7,531</b>  | <b>18,301</b>  | <b>14,298</b>  |  |              |                |                |

1) For 2011, mainly includes all Staff Functions including the Treasury activities and Shared Service Centres. Operating profit for Other includes large capital gains. Starting in 2012, costs for Staff Functions, except for Treasury activities, are allocated to the Generation, and Distribution and Sales operating segments.

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

3) See definition, page 29

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

| Amounts in SEK  | External net sales |               |                |                | Internal net sales |          |                |                | Total net sales |               |                |                |
|-----------------|--------------------|---------------|----------------|----------------|--------------------|----------|----------------|----------------|-----------------|---------------|----------------|----------------|
|                 | Q4 2012            | Q4 2011       | Full year 2012 | Full year 2011 | Q4 2012            | Q4 2011  | Full year 2012 | Full year 2011 | Q4 2012         | Q4 2011       | Full year 2012 | Full year 2011 |
| Sweden          | 15,090             | 11,034        | 49,483         | 46,075         | 1,493              | 1,474    | 6,940          | 1,734          | 16,583          | 12,508        | 56,423         | 47,809         |
| Germany         | 20,871             | 21,917        | 77,205         | 76,194         | 17,754             | 9,955    | 38,061         | 27,869         | 38,625          | 31,872        | 115,266        | 104,063        |
| Netherlands     | 9,696              | 10,104        | 33,537         | 33,155         | 17,411             | 7,603    | 35,323         | 24,865         | 27,107          | 17,707        | 68,860         | 58,020         |
| Other countries | 3,354              | 8,369         | 10,678         | 30,494         | 762                | 730      | 2,171          | 3,663          | 4,116           | 9,099         | 12,849         | 34,157         |
| Eliminations    | -1,074             | -971          | -3,590         | -4,878         | -37,420            | -19,762  | -82,495        | -58,131        | -38,494         | -20,733       | -86,085        | -63,009        |
| <b>Total</b>    | <b>47,937</b>      | <b>50,453</b> | <b>167,313</b> | <b>181,040</b> | <b>—</b>           | <b>—</b> | <b>—</b>       | <b>—</b>       | <b>47,937</b>   | <b>50,453</b> | <b>167,313</b> | <b>181,040</b> |

| Amounts in SEK  | Operating profit (EBIT) |               |                |                | Underlying operating profit <sup>2</sup> |              |                |                |
|-----------------|-------------------------|---------------|----------------|----------------|--|--------------|----------------|----------------|
|                 | Q4 2012                 | Q4 2011       | Full year 2012 | Full year 2011 | Q4 2012                                  | Q4 2011      | Full year 2012 | Full year 2011 |
| Sweden          | 4,631                   | 3,832         | 23,461         | 15,684         | 4,408                                    | 3,037        | 15,779         | 13,769         |
| Germany         | 1,325                   | 3,856         | 11,786         | 1,065          | 1,277                                    | 3,073        | 11,187         | 12,263         |
| Netherlands     | -1,399                  | 1,325         | -9,999         | 3,157          | 394                                      | 89           | -2             | 1,453          |
| Other countries | 622                     | 1,146         | 927            | 3,303          | 658                                      | 1,144        | 783            | 3,308          |
| <b>Total</b>    | <b>5,179</b>            | <b>10,159</b> | <b>26,175</b>  | <b>23,209</b>  | <b>6,737</b>                             | <b>7,343</b> | <b>27,747</b>  | <b>30,793</b>  |

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

2) See definition, page 29.

# Consolidated balance sheet

| Amounts in SEK  | 31 Dec. 2012   | 31 Dec. 2011   |
|---|----------------|----------------|
| <b>Assets</b>   |                |                |
| <b>Non-current assets</b>                                 |                |                |
| Intangible assets: non-current                            | 39,045         | 46,229         |
| Property, plant and equipment                             | 279,284        | 279,445        |
| Investment property                                       | 489            | 539            |
| Biological assets   | 11             | 8              |
| Participations in associated companies and joint ventures | 11,620         | 12,344         |
| Other shares and participations                           | 2,980          | 3,235          |
| Share in the Swedish Nuclear Waste Fund                   | 29,954         | 28,430         |
| Derivative assets   | 23,756         | 20,691         |
| Current tax asstes, non-current                           | 807            | 990            |
| Prepaid expenses  | 168            | 188            |
| Deferred tax assets                                       | 1,018          | 1,303          |
| Other non-current receivables                             | 5,249          | 5,732          |
| <b>Total non-current assets</b>                           | <b>394,381</b> | <b>399,134</b> |
| <b>Current assets</b>                                     |                |                |
| Inventories   | 19,463         | 18,564         |
| Biological assets   | 3              | 1              |
| Intangible assets: current                                | 6,083          | 5,627          |
| Trade receivables and other receivables                   | 34 409         | 41,880         |
| Advance payments paid                                     | 5,396          | 6,368          |
| Derivative assets   | 12,498         | 9,408          |
| Prepaid expenses and accrued income                       | 7,806          | 6,450          |
| Current tax assets  | 1,830          | 1,853          |
| Short-term investments                                    | 28,450         | 17,417         |
| Cash and cash equivalents                                 | 18,045         | 11,268         |
| Assets held for sale                                      | —              | 6,588          |
| <b>Total current assets</b>                               | <b>133,983</b> | <b>125,424</b> |
| <b>Total assets</b>                                       | <b>528 364</b> | <b>524,558</b> |

| Amounts in SEK   | 31 Dec. 2012   | 31 Dec. 2011   |
|--|----------------|----------------|
| <b>Equity and liabilities</b>                                  |                |                |
| <b>Equity</b>  |                |                |
| Attributable to owners of the Parent Company                   | 146,428        | 131,988        |
| Attributable to non-controlling interests (minority interests) | 8 790          | 6,943          |
| <b>Total equity</b>  | <b>155 218</b> | <b>138,931</b> |
| <b>Non-current liabilities</b>                                 |                |                |
| Hybrid capital   | 8,543          | 8,883          |
| Other interest-bearing liabilities                             | 112,524        | 149,602        |
| Pension provisions   | 21,890         | 17,995         |
| Other interest-bearing provisions                              | 68,326         | 66,487         |
| Derivative liabilities   | 15,193         | 12,590         |
| Deferred tax liabilities                                       | 34,681         | 35,406         |
| Other noninterest-bearing liabilities                          | 7,534          | 8,238          |
| <b>Total non-current liabilities</b>                           | <b>268,691</b> | <b>299,201</b> |
| <b>Current liabilities</b>                                     |                |                |
| Trade payables and other liabilities                           | 35,219         | 35,108         |
| Advance payments received                                      | 2,138          | 1,142          |
| Derivative liabilities   | 5,612          | 9,864          |
| Accrued expenses and deferred income                           | 15,830         | 18,507         |
| Current tax liabilities  | 854            | 844            |
| Interest-bearing liabilities                                   | 39,194         | 11,865         |
| Interest-bearing provisions                                    | 5,608          | 7,237          |
| Liabilities associated with assets held for sale               | —              | 1,859          |
| <b>Total current liabilities</b>                               | <b>104,455</b> | <b>86,426</b>  |
| <b>Total equity and liabilities</b>                            | <b>528 364</b> | <b>524,558</b> |
| Collateral   | 6,672          | 79             |
| Contingent liabilities   | 1,905          | 3,584          |

## Consolidated balance sheet, cont.

| Amounts in SEK  | 31 Dec. 2012    | 31 Dec. 2011    |
|---|-----------------|-----------------|
| <b>Supplementary information</b>  |                 |                 |
| Capital employed  | 305,764         | 317,424         |
| Capital employed, average   | 311,594         | 317,799         |
| Net assets  | 269,604         | 284,250         |
| Net assets, weighted average  | 272,260         | 283,957         |
| <b>Net debt</b>   |                 |                 |
| Hybrid capital  | -8,543          | -8,883          |
| Bond issues, commercial papers and liabilities to credit institutions                     | -94,254         | -102,234        |
| Present value of liabilities pertaining to acquisitions of Group companies                | -27,080         | -30,472         |
| Liabilities to associated companies   | -9,308          | -10,521         |
| Liabilities to owners of non-controlling interests (minority owners)                      | -11,876         | -10,240         |
| Other liabilities   | -9,200          | -8,000          |
| <b>Total interest-bearing liabilities</b>   | <b>-160,261</b> | <b>-170,350</b> |
| Cash and cash equivalents   | 18,045          | 11,268          |
| Short-term investments  | 28,450          | 17,417          |
| Receivable from Vattenfall's Pension Foundation   | 1,807           | —               |
| Loans to owners of non-controlling interests (minority owners) in foreign Group companies | 52              | 576             |
| <b>Net debt</b>   | <b>-111,907</b> | <b>-141,089</b> |

| Amounts in SEK  | 31 Dec. 2012    | 31 Dec. 2011    |
|---|-----------------|-----------------|
| <b>Adjusted gross debt and net debt</b>   |                 |                 |
| Total interest-bearing liabilities  | -160,261        | -170,350        |
| 50% of Hybrid capital   | 4,272           | 4,442           |
| Present value of pension obligations  | -30,192         | -22,461         |
| Provisions for mining, gas and wind operations and other environment-related provisions           | -12,229         | -12,542         |
| Provisions for nuclear power (net)  | -18,463         | -18,470         |
| Currency derivatives for hedging of debt in foreign currency                                      | 3,027           | 3,282           |
| Margin calls received   | 7,170           | 7,369           |
| Liabilities to owners of non-controlling interests (minority owners) due to consortium agreements | 10,495          | 9,771           |
| <b>Adjusted gross debt</b>  | <b>-196,181</b> | <b>-198,959</b> |
| Reported cash and cash equivalents and short-term investments                                     | 46,495          | 28,685          |
| Receivable from Vattenfalls' Pension Foundation   | 1,807           | —               |
| Unavailable liquidity   | -6,064          | -5,757          |
| <b>Adjusted cash and cash equivalents and short-term investments</b>                              | <b>42,238</b>   | <b>22,928</b>   |
| <b>Adjusted net debt</b>  | <b>-153,943</b> | <b>-176,031</b> |

# Consolidated statement of cash flows

| Amounts in SEK   | Q4 2012       | Q4 2011        | Full year 2012 | Full year 2011 |
|--|---------------|----------------|----------------|----------------|
| <b>Operating activities</b>  |               |                |                |                |
| Profit before tax  | 3,798         | 7,531          | 18,301         | 14,298         |
| Reversal of depreciation, amortisation and impairment losses   | 5,189         | 6,948          | 28,624         | 33,040         |
| Tax paid   | 536           | -479           | -3,545         | -5,250         |
| Capital gains/losses, net  | 241           | -2,537         | -8,031         | -4,827         |
| Other, incl. non-cash flow items   | 1,819         | -1,343         | -930           | 995            |
| <b>Funds from operations (FFO)</b>   | <b>11,583</b> | <b>10,120</b>  | <b>34,419</b>  | <b>38,256</b>  |
| Changes in inventories   | -1,019        | 152            | -1,657         | -3,350         |
| Changes in operating receivables   | -14,398       | -14,727        | -6,348         | 944            |
| Changes in operating liabilities   | 12,163        | 11,351         | 2,505          | 668            |
| Other changes  | -3,066        | -3,617         | -434           | -3,050         |
| <b>Cash flow from changes in operating assets and operating liabilities</b>                          | <b>-6,320</b> | <b>-6,841</b>  | <b>-5,934</b>  | <b>-4,788</b>  |
| <b>Cash flow from operating activities</b>   | <b>5,263</b>  | <b>3,279</b>   | <b>28,485</b>  | <b>33,468</b>  |
| <b>Investing activities</b>  |               |                |                |                |
| Acquisitions in Group companies  | —             | -254           | —              | -257           |
| Investments in associated companies and other shares and participations                              | -107          | 17             | -345           | -140           |
| Other investments in non-current assets  | -9,891        | -12,338        | -29,236        | -35,353        |
| <b>Total investments</b>   | <b>-9,998</b> | <b>-12,575</b> | <b>-29,581</b> | <b>-35,750</b> |
| Divestments  | 87            | 9,708          | 22,836         | 16,280         |
| Cash and cash equivalents in divested companies  | -2            | -1,306         | -145           | -1,332         |
| <b>Cash flow from investing activities</b>   | <b>-9,913</b> | <b>-4,173</b>  | <b>-6,890</b>  | <b>-20,802</b> |
| <b>Cash flow before financing activities</b>   | <b>-4,650</b> | <b>-894</b>    | <b>21,595</b>  | <b>12,666</b>  |
| <b>Financing activities</b>  |               |                |                |                |
| Changes in short-term investments  | 4,055         | -956           | -11,830        | 11,292         |
| Changes in loans to owners of non-controlling interests (minority owners) in foreign Group companies | 140           | 2              | 510            | -287           |
| Loans raised <sup>1</sup>  | 492           | 7,512          | 1,427          | 10,511         |
| Amortisation of debts pertaining to acquisitions of Group companies                                  | —             | —              | -2,738         | -13,538        |
| Amortisation of other debts  | -2,928        | -7,266         | -5,265         | -15,688        |
| Divestment of shares in Group companies to owners of non-controlling interests (minority owners)     | 2,917         | —              | 4,113          | —              |
| Payment from Vattenfall's Pension Foundation   | 2,800         | —              | 2,800          | —              |
| Dividends paid to owners   | 1             | -3             | -4,500         | -6,701         |
| Contribution from owners of non-controlling interests (minority interests)                           | 260           | 49             | 737            | 569            |
| <b>Cash flow from financing activities</b>   | <b>7,737</b>  | <b>-662</b>    | <b>-14,746</b> | <b>-13,842</b> |
| <b>Cash flow for the period</b>  | <b>3,087</b>  | <b>-1,556</b>  | <b>6,849</b>   | <b>-1,176</b>  |

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

## Consolidated statement of cash flows, cont.

| Amounts in SEK   | Q4 2012         | Q4 2011         | Full year 2012  | Full year 2011  |
|--|-----------------|-----------------|-----------------|-----------------|
| <b>Cash and cash equivalents</b>   |                 |                 |                 |                 |
| Cash and cash equivalents at start of period   | 14,863          | 11,848          | 11,268          | 12,595          |
| Cash and cash equivalents included in assets held for sale                                       | —               | 880             | —               | —               |
| Cash flow for the period   | 3,087           | -1,556          | 6,849           | -1,176          |
| Translation differences  | 95              | 96              | -72             | -151            |
| <b>Cash and cash equivalents at end of period</b>  | <b>18,045</b>   | <b>11,268</b>   | <b>18,045</b>   | <b>11,268</b>   |
| <b>Supplementary information</b>   |                 |                 |                 |                 |
| <b>Cash flow before financing activities</b>   | <b>-4,650</b>   | <b>-894</b>     | <b>21,595</b>   | <b>12,666</b>   |
| <b>Financing activities</b>  |                 |                 |                 |                 |
| Dividends paid to owners   | 1               | -3              | -4,500          | -6,701          |
| Payment from Vattenfall's Pension Foundation   | 2,800           | —               | 2,800           | —               |
| Divestment of shares in Group companies to owners of non-controlling interests (minority owners) | 2,917           | —               | 4,113           | —               |
| Contribution from owners of non-controlling interests (minority interests)                       | 260             | 49              | 737             | 569             |
| <b>Cash flow after dividend</b>  | <b>1,328</b>    | <b>-848</b>     | <b>24,745</b>   | <b>6,534</b>    |
| <b>Analysis of change in net debt</b>  |                 |                 |                 |                 |
| Net debt at start of period  | -114,143        | -143,808        | -141,089        | -144,109        |
| Cash flow after dividend   | 1,328           | -848            | 24,745          | 6,534           |
| Changes as a result of valuation at fair value   | 309             | -704            | 316             | -2,210          |
| Changes in interest-bearing liabilities for leasing  | 96              | 32              | -621            | 114             |
| Interest-bearing liabilities/short-term investments acquired/divested                            | —               | -478            | 344             | -459            |
| Changes in liabilities pertaining to acquisitions of Group companies, discounting effects        | -144            | -74             | -520            | -549            |
| Cash and cash equivalents included in assets held for sale                                       | —               | 880             | —               | —               |
| Receivable from Vattenfall's Pension Foundation  | 1,807           | —               | 1,807           | —               |
| Interest-bearing liability for future dividend   | -665            | —               | -984            | —               |
| Interest-bearing liabilities associated with assets held for sale                                | —               | 344             | -344            | 344             |
| Translation differences on net debt  | -495            | 3,567           | 4,439           | -754            |
| <b>Net debt at end of period</b>   | <b>-111,907</b> | <b>-141,089</b> | <b>-111,907</b> | <b>-141,089</b> |
| Free cash flow   | -1,893          | -2,270          | 12,619          | 17,637          |

# Consolidated statement of changes in equity

| Amounts in SEK   | 31 Dec. 2012                                 |  |                            | 31 Dec. 2011                                 |  |                            |
|--|--|--|----------------------------|--|--|----------------------------|
|  | Attributable to owners of the Parent Company | Attributable to non-controlling interests (minority interests) | Total equity               | Attributable to owners of the Parent Company | Attributable to non-controlling interests (minority interests) | Total equity               |
| Balance brought forward  | 131,988                                      | 6,943  | 138,931                    | 126,704                                      | 6,917  | 133,621                    |
| Dividend paid to the owner   | -4,433                                       | -67  | -4,500                     | -6,500                                       | -201   | -6,701                     |
| Group contributions from(+)/to(-) owners of non-controlling interests (minority interests), net after tax                | —  | 532  | 532                        | —  | 358  | 358                        |
| Changes in ownership in Group companies on divestment of shares to owners of non-controlling interests (minority owners) | 2,642  | 572  | 3,214                      | —  | —  | —                          |
| Other changes in ownership   | —  | 726  | 726                        | -224   | 557  | 333                        |
| Cash flow hedges:  |  |  |                            |  |  |                            |
| Changes in fair value  | 7,031  | -6   | 7,025                      | -4,689                                       | 14   | -4,675                     |
| Dissolved against income statement   | -2,478                                       | 2  | -2,476                     | 6,667  | 1  | 6,668                      |
| Transferred to cost of hedged item   | 58   | 12   | 70                         | 213  | 11   | 224                        |
| Tax attributable to cash flow hedges   | -1,378                                       | -3   | -1,381                     | -631   | -7   | -638                       |
| <b>Total cash flow hedges</b>  | <b>3,233</b>                                 | <b>5</b>   | <b>3,238</b>               | <b>1,560</b>                                 | <b>19</b>  | <b>1,579</b>               |
| Hedging of net investments in foreign operations   | 4,035  | —  | 4,035                      | 960  | —  | 960                        |
| Tax attributable to hedging of net investments in foreign operations   | -1,049                                       | —  | -1,049                     | -242   | —  | -242                       |
| <b>Total hedging of net investments in foreign operations</b>  | <b>2,986</b>                                 | <b>—</b>   | <b>2,986</b>               | <b>718</b>                                   | <b>—</b>   | <b>718</b>                 |
| Translation differences  | -7,033                                       | -209   | -7,242                     | -1,974                                       | -40  | -2,014                     |
| Translation differences and exchange rate effects net, divested companies  | 79   | —  | 79                         | 621  | —  | 621                        |
| Revaluation of available-for-sale financial assets   | 30   | —  | 30                         | -1,591                                       | —  | -1,591                     |
| Transferred to the income statement, available-for-sale financial assets   | —  | —  | —                          | 1,591  | —  | 1,591                      |
| <b>Total other comprehensive income for the period</b>   | <b>-705</b>                                  | <b>-204</b>  | <b>-909</b>                | <b>925</b>                                   | <b>-21</b>   | <b>904</b>                 |
| Profit for the period  | 16,936                                       | 288  | 17,224                     | 11,083                                       | -667   | 10,416                     |
| <b>Total comprehensive income for the period</b>   | <b>16,231</b>                                | <b>84</b>  | <b>16,315</b>              | <b>12,008</b>                                | <b>-688</b>  | <b>11,320</b>              |
| <b>Balance carried forward</b>   | <b>146,428<sup>1</sup></b>                   | <b>8,790<sup>1</sup></b>                                       | <b>155,218<sup>1</sup></b> | <b>131,988<sup>1</sup></b>                   | <b>6,943<sup>1</sup></b>                                       | <b>138,931<sup>1</sup></b> |
| 1) Of which, Reserve for cash flow hedges  | 3,478  | -48  | 3,430                      | 245  | -53  | 192                        |



## Key ratios, Vattenfall Group (definitions and calculations of key ratios on pages 29-31)

| In % unless otherwise stated. (x) means times               | Q4 2012           | Q4 2011           | Full year 2012 | Full year 2011 |
|---|-------------------|-------------------|----------------|----------------|
| Operating margin  | 10.8              | 20.1              | 15.6           | 12.8           |
| Operating margin <sup>1</sup>                               | 14.1              | 14.6              | 16.6           | 17.0           |
| Pre-tax profit margin                                       | 7.9               | 14.9              | 10.9           | 7.9            |
| Pre-tax profit margin <sup>1</sup>                          | 11.1              | 12.6              | 12.5           | 12.9           |
| Return on equity  | 12.1 <sup>2</sup> | 8.6 <sup>2</sup>  | 12.1           | 8.6            |
| Return on capital employed                                  | 8.4 <sup>2</sup>  | 7.3 <sup>2</sup>  | 8.4            | 7.3            |
| Return on capital employed <sup>1</sup>                     | 8.9 <sup>2</sup>  | 9.7 <sup>2</sup>  | 8.9            | 9.7            |
| Return on net assets  | 8.5 <sup>2</sup>  | 7.1 <sup>2</sup>  | 8.5            | 7.1            |
| Return on net assets <sup>1</sup>                           | 9.0 <sup>2</sup>  | 9.8 <sup>2</sup>  | 9.0            | 9.8            |
| EBIT interest cover, (x)                                    | 3.7 <sup>2</sup>  | 2.6 <sup>2</sup>  | 3.7            | 2.6            |
| EBIT interest cover, (x) <sup>1</sup>                       | 3.9 <sup>2</sup>  | 3.3 <sup>2</sup>  | 3.9            | 3.3            |
| FFO interest cover, (x)                                     | 5.7 <sup>2</sup>  | 4.9 <sup>2</sup>  | 5.7            | 4.9            |
| FFO interest cover, net, (x)                                | 6.6 <sup>2</sup>  | 5.8 <sup>2</sup>  | 6.6            | 5.8            |
| Cash flow interest cover after maintenance investments, (x) | 3.0 <sup>2</sup>  | 3.0 <sup>2</sup>  | 3.0            | 3.0            |
| FFO/gross debt  | 21.5 <sup>2</sup> | 22.5 <sup>2</sup> | 21.5           | 22.5           |
| FFO/net debt  | 30.8 <sup>2</sup> | 27.1 <sup>2</sup> | 30.8           | 27.1           |
| FFO/adjusted net debt                                       | 22.4 <sup>2</sup> | 21.7 <sup>2</sup> | 22.4           | 21.7           |
| EBITDA/net financial items, (x)                             | 6.9               | 6.7               | 8.8            | 6.9            |
| EBITDA/net financial items, (x) <sup>1</sup>                | 7.9               | 5.4               | 9.1            | 7.9            |
| Equity/total assets   | 29.4              | 26.5              | 29.4           | 26.5           |
| Gross debt/equity   | 103.2             | 122.6             | 103.2          | 122.6          |
| Net debt/equity   | 72.1              | 101.6             | 72.1           | 101.6          |
| Gross debt/gross debt plus equity                           | 50.8              | 55.1              | 50.8           | 55.1           |
| Net debt/net debt plus equity                               | 41.9              | 50.4              | 41.9           | 50.4           |
| Net debt/EBITDA, (x)  | 2.1 <sup>2</sup>  | 2.6 <sup>2</sup>  | 2.1            | 2.6            |
| Adjusted net debt/EBITDA, (x)                               | 2.8 <sup>2</sup>  | 3.2 <sup>2</sup>  | 2.8            | 3.2            |

1) Based on Underlying operating profit, i.e., Operating profit excl. items affecting comparability.

2) Last 12-month values.

## Quarterly information, Vattenfall Group

| Amounts in SEK   | Q4 2012        | Q3 2012        | Q2 2012        | Q1 2012        | Q4 2011        | Q3 2011        | Q2 2011        | Q1 2011        |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Income statement</b>  |                |                |                |                |                |                |                |                |
| Net sales  | 47,937         | 33,679         | 36,703         | 48,994         | 50,453         | 38,276         | 40,443         | 51,868         |
| Cost of products sold  | -37,519        | -32,946        | -27,477        | -33,756        | -37,449        | -29,238        | -40,997        | -36,808        |
| Other operating income and expenses, net                                   | -5,221         | -3,512         | -4,573         | 3,730          | -2,845         | -4,666         | -2,397         | -3,463         |
| Participations in the results of associated companies                      | -18            | 44             | 122            | -12            | —              | 75             | -288           | 245            |
| Operating profit before depreciation and amortisation (EBITDA)             | 10,368         | 10,564         | 9,730          | 23,826         | 15,447         | 9,593          | 12,566         | 16,932         |
| Operating profit (EBIT)  | 5,179          | -2,735         | 4,775          | 18,956         | 10,159         | 4,447          | -3,239         | 11,842         |
| Underlying operating profit  | 6,737          | 4,517          | 4,818          | 11,675         | 7,343          | 5,774          | 5,382          | 12,294         |
| Financial items, net   | -1,381         | -835           | -3,204         | -2,454         | -2,628         | -2,800         | -1,590         | -1,893         |
| Financial items, net <sup>1</sup>  | -1,513         | -524           | -2,300         | -1,843         | -2,319         | -2,933         | -1,211         | -1,430         |
| Profit before tax  | 3,798          | -3,570         | 1,571          | 16,502         | 7,531          | 1,647          | -4,829         | 9,949          |
| <b>Profit for the period</b>   | <b>6,443</b>   | <b>-3,951</b>  | <b>877</b>     | <b>13,855</b>  | <b>5,103</b>   | <b>1,345</b>   | <b>-3,235</b>  | <b>7,203</b>   |
| - of which, attributable to owners of the Parent Company                   | 6,506          | -4,192         | 899            | 13,723         | 5,602          | 1,106          | -2,742         | 7,117          |
| - of which, attributable to non-controlling interests (minority interests) | -63            | 241            | -22            | 132            | -499           | 239            | -493           | 86             |
| <b>Balance sheet</b>   |                |                |                |                |                |                |                |                |
| Non-current assets   | 394,381        | 386,637        | 398,651        | 396,640        | 399,134        | 407,161        | 406,269        | 404,607        |
| Short-term investments   | 28,450         | 32,103         | 25,767         | 28,254         | 17,417         | 19,498         | 18,959         | 28,647         |
| Cash and cash equivalents  | 18,045         | 14,863         | 16,547         | 17,456         | 11,268         | 11,848         | 20,238         | 10,909         |
| Other current assets   | 87,488         | 65,933         | 72,668         | 84,153         | 96,739         | 85,981         | 77,724         | 93,585         |
| <b>Total assets</b>  | <b>528,364</b> | <b>499,536</b> | <b>513,633</b> | <b>526,503</b> | <b>524,558</b> | <b>524,488</b> | <b>523,190</b> | <b>537,748</b> |
| Equity   | 155,218        | 143,056        | 150,944        | 153,877        | 138,931        | 133,223        | 132,493        | 140,948        |
| - of which, attributable to owners of the Parent Company                   | 146,428        | 135,139        | 143,470        | 146,769        | 131,988        | 126,032        | 125,715        | 133,754        |
| - of which, attributable to non-controlling interests (minority interests) | 8,790          | 7,917          | 7,474          | 7,108          | 6,943          | 7,191          | 6,778          | 7,194          |
| Hybrid capital   | 8,543          | 8,408          | 8,725          | 8,793          | 8,883          | 9,207          | 9,084          | 8,869          |
| Other interest-bearing liabilities   | 151,718        | 152,889        | 157,014        | 157,752        | 161,467        | 166,548        | 172,809        | 169,461        |
| Pension provisions   | 21,890         | 17,183         | 17,763         | 17,853         | 17,995         | 18,792         | 18,517         | 18,053         |
| Other interest-bearing provisions  | 73,934         | 71,157         | 72,656         | 74,188         | 73,724         | 75,081         | 74,840         | 69,746         |
| Deferred tax liabilities   | 34,681         | 34,973         | 35,759         | 35,732         | 35,406         | 33,877         | 34,395         | 36,526         |
| Other noninterest-bearing liabilities                                      | 82,380         | 71,870         | 70,772         | 78,308         | 88,152         | 87,760         | 81,052         | 94,145         |
| <b>Total equity and liabilities</b>  | <b>528,364</b> | <b>499,536</b> | <b>513,633</b> | <b>526,503</b> | <b>524,558</b> | <b>524,488</b> | <b>523,190</b> | <b>537,748</b> |
| Capital employed   | 305,764        | 293,238        | 301,881        | 304,819        | 317,424        | 314,554        | 323,395        | 322,787        |
| Net assets   | 269,904        | 261,037        | 275,402        | 275,674        | 284,250        | 284,187        | 281,771        | 285,169        |
| Net debt   | -111,907       | -114,143       | -123,207       | -120,597       | -141,089       | -143,808       | -142,153       | -138,282       |

1) Excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund.

## Quarterly information, Vattenfall Group (cont.)

| Amounts in SEK  | Q4 2012      | Q3 2012       | Q2 2012     | Q1 2012      | Q4 2011       | Q3 2011       | Q2 2011      | Q1 2011       |
|---|--------------|---------------|-------------|--------------|---------------|---------------|--------------|---------------|
| <b>Cash flow</b>  |              |               |             |              |               |               |              |               |
| Funds from operations (FFO)   | 11,583       | 6,172         | 3,947       | 12,717       | 10,120        | 9,855         | 6,125        | 12,156        |
| Cash flow from changes in operating assets and operating liabilities          | -6,320       | 4,471         | 4,441       | -8,526       | -6,841        | 932           | 5,670        | -4,549        |
| Cash flow from operating activities   | 5,263        | 10,643        | 8,388       | 4,191        | 3,279         | 10,787        | 11,795       | 7,607         |
| Cash flow from investing activities   | -9,913       | -6,372        | -5,700      | 15,095       | -4,173        | -7,145        | -4,533       | -4,951        |
| Cash flow before financing activities   | -4,650       | 4,271         | 2,688       | 19,286       | -894          | 3,642         | 7,262        | 2,656         |
| Changes in short-term investments   | 4,055        | -7,196        | 2,300       | -10,989      | -956          | -289          | 9,726        | 2,811         |
| Loans raised/Amortisation of debt, net, etc.                                  | 3,681        | 1,033         | -996        | -2,134       | 297           | -11,047       | -560         | -7,123        |
| Dividends paid to owners  | 1            | -1            | -4,489      | -11          | -3            | —             | -6,682       | -16           |
| Cash flow from financing activities   | 7,737        | -6,164        | -3,185      | -13,134      | -662          | -11,336       | 2,484        | -4,328        |
| <b>Cash flow for the period</b>   | <b>3,087</b> | <b>-1,893</b> | <b>-497</b> | <b>6,152</b> | <b>-1,556</b> | <b>-7,694</b> | <b>9,746</b> | <b>-1,672</b> |
| Free cash flow  | -1,893       | 7,928         | 4,543       | 2,041        | -2,270        | 6,434         | 8,410        | 5,063         |
| <b>Key ratios (definitions and calculations of key ratios on pages 29-31)</b> |              |               |             |              |               |               |              |               |
| In % unless otherwise stated. (x) means times                                 |              |               |             |              |               |               |              |               |
| Return on equity <sup>1</sup>   | 12.1         | 11.7          | 15.7        | 13.4         | 8.6           | 6.3           | 6.6          | 12.6          |
| Return on capital employed <sup>1</sup>                                       | 8.4          | 10.3          | 12.3        | 9.7          | 7.3           | 5.7           | 6.0          | 9.6           |
| Return on capital employed <sup>1,2</sup>                                     | 8.9          | 9.3           | 9.5         | 9.6          | 9.7           | 10.3          | 8.8          | 9.7           |
| Return on net assets <sup>1</sup>   | 8.5          | 10.0          | 12.5        | 9.6          | 7.1           | 5.3           | 5.7          | 9.9           |
| Return on net assets <sup>1,2</sup>   | 9.0          | 9.0           | 9.4         | 9.5          | 9.8           | 10.4          | 9.0          | 10.0          |
| EBIT interest cover, (x) <sup>1</sup>   | 3.7          | 3.7           | 3.6         | 3.2          | 2.6           | 2.9           | 3.0          | 4.7           |
| EBIT interest cover, (x) <sup>1,2</sup>                                       | 3.9          | 3.4           | 2.8         | 3.1          | 3.3           | 5.1           | 4.3          | 4.8           |
| FFO/gross debt <sup>1</sup>   | 21.5         | 20.4          | 22.1        | 23.3         | 22.5          | 22.6          | 20.3         | 23.8          |
| FFO/net debt <sup>1</sup>   | 30.8         | 28.9          | 29.7        | 32.2         | 27.1          | 27.7          | 26.0         | 30.7          |
| FFO/adjusted net debt <sup>1</sup>  | 22.4         | 22.8          | 23.4        | 25.0         | 21.7          | 22.1          | 20.5         | 25.0          |
| Equity/assets ratio   | 29.4         | 28.6          | 29.4        | 29.2         | 26.5          | 25.4          | 25.3         | 26.2          |
| Gross debt/equity   | 103.2        | 112.8         | 109.8       | 108.2        | 122.6         | 131.9         | 137.3        | 126.5         |
| Net debt/equity   | 72.1         | 79.8          | 81.6        | 78.4         | 101.6         | 107.9         | 107.3        | 98.1          |
| Net debt/net debt plus equity   | 41.9         | 44.4          | 44.9        | 43.9         | 50.4          | 51.9          | 51.8         | 49.5          |
| Net debt/EBITDA, (x) <sup>1</sup>   | 2.1          | 1.9           | 2.1         | 2.0          | 2.6           | 2.6           | 2.6          | 2.4           |
| Adjusted net debt/EBITDA, (x) <sup>1</sup>                                    | 2.8          | 2.4           | 2.7         | 2.5          | 3.2           | 3.3           | 3.2          | 3.0           |

1) Last 12-month values.

2) Based on Underlying operating profit, i.e., Operating profit excl. item affecting comparability.

## Parent Company income statement

| Amounts in SEK   | Full year 2012 | Full year 2011 |
|--|----------------|----------------|
| Net sales  | 38,250         | 31,655         |
| Cost of products sold  | -24,126        | -19,037        |
| <b>Gross profit</b>  | <b>14,124</b>  | <b>12,618</b>  |
| Selling expenses, administrative expenses and research and development costs | -3,395         | -3,538         |
| Other operating income and expenses, net                                     | 253            | -3,136         |
| <b>Operating profit (EBIT)</b>   | <b>10,982</b>  | <b>5,944</b>   |
| Result from participations in subsidiaries                                   | -4,041         | 13,935         |
| Result from participations in associated companies                           | 1              | 1              |
| Result from other shares and participations                                  | 66             | -1,523         |
| Other financial income   | 5,496          | 6,037          |
| Other financial expenses   | -5,742         | -7,005         |
| <b>Profit before appropriations and tax</b>                                  | <b>6,762</b>   | <b>17,389</b>  |
| Appropriations   | -7,680         | 2,312          |
| <b>Profit before tax</b>   | <b>-918</b>    | <b>19,701</b>  |
| Income tax expense   | -1,122         | -2,847         |
| <b>Profit for the period</b>   | <b>-2,040</b>  | <b>16,854</b>  |

## Parent Company statement of comprehensive income

| Amounts in SEK                                   | Full year 2012 | Full year 2011 |
|--|----------------|----------------|
| Profit for the period                            | -2,040         | 16,854         |
| Total other comprehensive income                 | —              | —              |
| <b>Total comprehensive income for the period</b> | <b>-2,040</b>  | <b>16,854</b>  |

## Parent Company balance sheet

| Amounts in SEK                        | 31 Dec. 2012   | 31 Dec. 2011   |
|---------------------------------------|----------------|----------------|
| <b>Assets</b>                         |                |                |
| <b>Non-current assets</b>             |                |                |
| Intangible assets: non-current        | 262            | 206            |
| Property, plant and equipment         | 4,339          | 4,086          |
| Shares and participations             | 162,956        | 178,670        |
| Other non-current assets              | 79,859         | 72,495         |
| <b>Total non-current assets</b>       | <b>247,416</b> | <b>255,457</b> |
| <b>Current assets</b>                 |                |                |
| Inventories                           | 453            | 360            |
| Intangible assets: current            | 249            | 334            |
| Current receivables                   | 29,160         | 47,431         |
| Current tax assets                    | 2              | 565            |
| Short-term investments                | 24,535         | 12,839         |
| Cash and cash equivalents             | 12,658         | 6,265          |
| <b>Total current assets</b>           | <b>67,057</b>  | <b>67,794</b>  |
| <b>Total assets</b>                   | <b>314,473</b> | <b>323,251</b> |
| <b>Equity and liabilities</b>         |                |                |
| <b>Equity</b>                         |                |                |
| Restricted equity                     |                |                |
| Share capital                         | 6,585          | 6,585          |
| Statutory reserve                     | 1,286          | 1,286          |
| Non-restricted equity                 |                |                |
| Retained earnings                     | 75,236         | 62,790         |
| Profit for the period                 | -2,040         | 16,854         |
| <b>Total equity</b>                   | <b>81,067</b>  | <b>87,515</b>  |
| <b>Untaxed reserves</b>               | <b>15,185</b>  | <b>10,355</b>  |
| <b>Provisions</b>                     | <b>2,832</b>   | <b>191</b>     |
| <b>Non-current liabilities</b>        |                |                |
| Hybrid capital                        | 8,543          | 8,883          |
| Other interest-bearing liabilities    | 97,716         | 134,972        |
| Deferred tax liabilities              | 799            | 932            |
| Other noninterest-bearing liabilities | 6,541          | 5,864          |
| <b>Total non-current liabilities</b>  | <b>113,599</b> | <b>150,651</b> |
| <b>Current liabilities</b>            |                |                |
| Interest-bearing liabilities          | 72,410         | 50,202         |
| Other noninterest-bearing liabilities | 29,380         | 24,337         |
| <b>Total current liabilities</b>      | <b>101,790</b> | <b>74,539</b>  |
| <b>Total equity and liabilities</b>   | <b>314,473</b> | <b>323,251</b> |

# Accounting policies, risks and uncertainties, and the Parent Company's year-end report

## Group

### Accounting policies

The consolidated accounts for 2012 have been prepared, as for the 2011 year-end accounts, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission for application within the EU, and the Swedish Annual Accounts Act.

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

The accounting policies and calculation methods applied in this year-end report are the same as those described in Vattenfall's 2011 Annual Report (Note 2 to the consolidated accounts), except for the amended IFRSs endorsed by the EU and described below, which are effective as of the 2012 financial year.

Amendments in IFRS 7 – *Financial Instruments: Disclosures*. The amendments require additional quantitative and qualitative disclosures when derecognising financial instruments from the balance sheet. If transferred assets are not derecognised in their entirety, this fact shall be disclosed. In the same way, if the entity has a continuing involvement in the derecognised asset, this shall also be disclosed.

Amendments in IAS 12 – *Income Taxes pertaining to Deferred Tax: Recovery of Underlying Assets*. Deferred taxes on property that is measured at fair value are to be calculated based on the property's sales value if there are no indications that the property will be recovered in another manner. Vattenfall is not affected by this amendment, as its properties are not measured at fair value.

### New accounting rules that apply starting in 2013

A number of new accounting standards endorsed by the EU as per 31 December 2012 will apply with effect from the 2013 financial year and have not been applied prospectively. These new standards will be described in Vattenfall's 2012 Annual Report.

One standard that will significantly affect Vattenfall is the amended IAS 19 – *Employee Benefits*, which involves changes primarily in the reporting of defined benefit pension plans. This amendment entails, among other things, that the opportunity to defer recognition of actuarial gains and losses as part of the corridor rule will not be permissible; instead, these are to be reported immediately in Other comprehensive income. The

year's vesting of defined benefit pensions, gains and losses that arise upon settlement of a pension liability, and financial items pertaining to the defined benefit plan are to be reported through profit or loss.

The reported effect of elimination of the corridor rule will be an increase in the provision for pensions on the balance sheet of approximately SEK 8.7 billion, starting in 2013.

### New definition of Items affecting comparability

Vattenfall has previously defined Items affecting comparability as: Capital gains and capital losses from shares and other non-current assets, impairment losses and reversed impairment losses pertaining to non-current assets, and other nonrecurring items. Starting with the first quarter of 2012, this definition has been expanded to also include 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.

In the third quarter of 2011 Vattenfall introduced the profit measure "Underlying operating profit". Starting with the first quarter of 2012, this profit measure is defined as Operating profit (EBIT) excluding items affecting comparability.

Comparison figures and key ratios containing items affecting comparability for prior periods have been recalculated to reflect these new definitions.

### Other changes in the financial statements

Information about geographical areas has been changed compared to what previously has been published. Starting with the first quarter of 2012, information is provided for the core markets Sweden, Germany and the Netherlands. In addition, activities in other countries are reported as a total. Comparison figures have been recalculated.

On 1 November 2012 Vattenfall's organisation was changed. The new organisation focuses on the highest operational standard and safety in the nuclear power operations through formation of the new Business Division Nuclear Power. To make the organisational structure clearer and avoid unnecessary overlap, projects and newbuild activities in the former Business Division Renewables and Business Division Asset Development have been integrated to form a new Business Division, Sustainable Energy Projects. Vattenfall thus now has two operating segments: Generation, and Distribution and Sales. Comparison figures have been recalculated.

On the balance sheet, starting with the first quarter of 2012 a split has been made for "Derivative assets" so that these, on the assets side of the balance sheet, have been split into current assets and non-current assets, respectively. Previously such derivatives were recognised only as current assets. Similarly, the item "Derivative liabilities" has been split into current liabilities and non-current liabilities, respectively, compared with previously, when these were recognised as current liabilities in their entirety. Comparison figures have been recalculated.

At an extraordinary general meeting on 28 November 2012 Vattenfall's owner, the Swedish state, adopted new financial targets for Vattenfall. The profitability target "Return on capital employed" was introduced, which is a new key ratio that Vattenfall presents and which has been calculated as from the first quarter of 2011. See page 29 for a definition of capital employed. As a result of this new key ratio, Vattenfall's internally defined key ratio "Return on net assets" will not be calculated as from 2013.

### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2011 Annual Report, pages 57–65. No other material changes have taken place since publication of the 2011 Annual Report.

### Other

Significant related-party transactions are described in Note 54 to the consolidated accounts in Vattenfall's 2011 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2011 Annual Report.

## Parent Company Vattenfall AB

### Accounting policies

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

The accounting policies used in this report are the same as those described in Vattenfall's 2011 Annual Report (Note 2 to the Parent Company accounts) except that group contributions are recognised as appropriations, in accordance with an alternative rule in RFR 2. Comparative figures for previous years have been recalculated.

## Full year 2012

A condensed income statement and balance sheet for the Parent Company are presented on page 26 of this report.

Sales amounted to SEK 38,250 million (31,655).

Profit before appropriations and tax was SEK 6,762 million (17,389).

Vattenfall AB's operating profit was approximately SEK 5,000 million lower than the preceding year. Profit was affected by the fact that Vattenfall AB did not receive any dividends from its German subsidiaries in 2012. Profit includes an impairment loss of SEK 9,407 million for the shareholding in N.V. Nuon Energy. Additional impairment losses were recognised for Vattenfall A/S, for SEK 4,000 million, and Vattenfall Biomass Liberia AB, for SEK 1,496 million. During the year, Vattenfall divested its electricity distribution and heat business in Finland, which generated a capital gain of SEK 10,051 million. In 2012 Vattenfall repaid part of its liability to Nuon's shareholders, totalling SEK 2,631 million (EUR 300 million), which resulted in a realised foreign exchange gain of SEK 590 million in the Parent Company.

Vattenfall has decided to resume 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. As a result of this change, funds will be gradually transferred from the pension foundation to Vattenfall AB and its subsidiaries. In 2012 Vattenfall AB made a partial change to its pension funding, whereby SEK 2,500 million has been reserved in the "Pension provisions" account. Compensation for this was received from the pension foundation in December, totalling SEK 2,800 million, of which SEK 300 million pertains to compensation for pension costs in 2011. 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.

As a result of Swedish Parliament's decision in December 2012 to lower the corporate income tax rate in Sweden from 26.3% to 22%, Vattenfall AB's deferred tax liabilities have been recalculated. This led to a positive earnings impact of SEK 156 million.

The balance sheet total was SEK 314,473 million (323,251).

Investments during the year amounted to SEK 4,966 million (755).

During the year, a new share issue of SEK 3,000 million was carried out in the subsidiary Vattenfall Vindkraft AB. In addition, a shareholder contribution of SEK 1,450 million was repaid from the Finnish operations.

In May 2012 a share dividend of SEK 4,433 million was paid to the Swedish state.

In December, repayment of a previous capital contribution in the amount of SEK 3,514 million was received from Vattenfall A/S, which reduced the book value of the shares in the company.

Cash and cash equivalents and short-term investments amounted to SEK 37,193 million (19,104).

## Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2011 Annual Report, pages 57–65. No material changes have taken place since publication of the 2011 Annual Report.

## Other

Significant related-party transactions are described in Note 40 to the Parent Company accounts in Vattenfall's 2011 Annual Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2011 Annual Report.

## Dividend

Consolidated profit attributable to shareholders of the Parent Company amounted to SEK 16,936 million (11,083), or SEK 128.60 per share (84.15). The Board of Directors proposes a dividend of SEK 6,774 million, corresponding to SEK 51.44 per share.

## Annual General Meeting

The Annual General Meeting will be held on 25 April 2013, in Stockholm. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English) is expected to be published on [www.vattenfall.se](http://www.vattenfall.se) and [www.vattenfall.com](http://www.vattenfall.com), respectively, on 26 March 2013.

Stockholm, 12 February 2013

Vattenfall AB (publ)  
The Board of Directors

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

# Definitions and calculations of key ratios

Figures for the Group in 2012. Amounts in SEK million unless indicated otherwise.

|                                      |   |  |
|--------------------------------------|---|--|
| <b>EBIT</b>                          | = | Earnings Before Interest and Tax.  |
| <b>EBITDA</b>                        | = | Earnings Before Interest, Tax, Depreciation and Amortisation. Also other close-down costs than impairment losses pertaining to the close-down of German nuclear power plants during 2011 are here treated as Amortisation.   |
| <b>Items affecting comparability</b> | = | Capital gains and capital losses from shares and other non-current assets, impairment losses and impairment losses reversed pertaining to non-current assets, and other non-recurring items. Also included here are unrealised changes in the fair value of energy derivatives, which according to IAS 39 can not be recognised using hedge accounting, and unrealised changes in the fair value of inventories. |
| <b>Underlying operating profit</b>   | = | Operating profit (EBIT) excluding items affecting comparability.   |
| <b>FFO</b>                           | = | Funds From Operations.   |
| <b>Free cash flow</b>                | = | Cash flow from operating activities less maintenance investments.  |
| <b>Hybrid Capital</b>                | = | Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments. Reported as interest-bearing non-current liabilities.   |
| <b>Capital employed</b>              | = | Balance sheet total less financial assets and noninterest-bearing liabilities.   |
| <b>Net assets</b>                    | = | Balance sheet total less noninterest-bearing liabilities, provisions, interest-bearing receivables, funds in the Swedish Nuclear Waste Fund, cash and cash equivalents, short-term investments.  |
| <b>Net debt</b>                      | = | Interest-bearing liabilities less loans to owners of non-controlling interests (minority owners) in foreign subsidiaries, cash and cash equivalents, short-term investments.   |
| <b>Adjusted net debt</b>             | = | For calculation, see page 19.  |

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

## Key ratios based on full year amounts 2012:

|   |         |  |                            |             |
|---|---------|--|----------------------------|-------------|
| <b>Operating margin, %</b>  | = 100 x | $\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$  | $\frac{26,175}{167,313} =$ | <b>15.6</b> |
| <b>Operating margin excl. items affecting comparability, %</b>      | = 100 x | $\frac{\text{Underlying operating profit}}{\text{Net sales}}$  | $\frac{27,747}{167,313} =$ | <b>16.6</b> |
| <b>Pre-tax profit margin, %</b>                                     | = 100 x | $\frac{\text{Profit before tax}}{\text{Net sales}}$  | $\frac{18,301}{167,313} =$ | <b>10.9</b> |
| <b>Pre-tax profit margin excl. items affecting comparability, %</b> | = 100 x | $\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$  | $\frac{20,963}{167,313} =$ | <b>12.5</b> |
| <b>Return on equity, %</b>  | = 100 x | $\frac{\text{Profit for the period attributable to owners of the Parent Company}}{\text{Average equity for the period attributable to owners of the Parent Company excl. the Reserve for cash flow hedges}}$ | $\frac{16,936}{140,318} =$ | <b>12.1</b> |
| <b>Return on capital employed, %</b>                                | = 100 x | $\frac{\text{Operating profit (EBIT)}}{\text{Capital employed, average}}$  | $\frac{26,175}{311,594} =$ | <b>8.4</b>  |



## Definitions and calculations of key ratios, cont.

|   |         |   |         |   |      |
|---|---------|---|---------|---|------|
| Return on capital employed excl. items affecting comparability, %   | = 100 x | Underlying operating profit   | 27,747  | = | 8.9  |
|   |         | Capital employed, average   | 311,594 |   |      |
| Return on net assets, %   | = 100 x | Operating profit (EBIT) + discounting effects attributable to provisions  | 23,051  | = | 8.5  |
|   |         | Weighted average of net assets for the period   | 272,260 |   |      |
| Return on net assets excl. items affecting comparability, %         | = 100 x | Underlying operating profit + discounting effects attributable to provisions  | 24,623  | = | 9.0  |
|   |         | Weighted average of net assets for the period   | 272,260 |   |      |
| EBIT interest cover, (x)  | = 100 x | Operating profit (EBIT) + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund  | 27,381  | = | 3.7  |
|   |         | Financial expenses excl. discounting effects attributable to provisions   | 7,386   |   |      |
| EBIT interest cover excl. items affecting comparability, (x)        | =       | Underlying operating profit + financial income excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund  | 28,953  | = | 3.9  |
|   |         | Financial expenses excl. discounting effects attributable to provisions   | 7,386   |   |      |
| FFO interest cover, (x)   | =       | Funds from operations (FFO) + financial expenses excl. discounting effects attributable to provisions   | 41,805  | = | 5.7  |
|   |         | Financial expenses excl. discounting effects attributable to provisions   | 7,386   |   |      |
| FFO interest cover, net, (x)  | =       | Funds from operations (FFO) + financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund   | 40,599  | = | 6.6  |
|   |         | Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund   | 6,180   |   |      |
| 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 | 18,993  | = | 3.0  |
|   |         | Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs  | 6,374   |   |      |
| FFO/gross debt, %   | = 100 x | Funds from operations (FFO)   | 34,419  | = | 21.5 |
|   |         | Interest-bearing liabilities  | 160,261 |   |      |
| FFO/net debt, %   | = 100 x | Funds from operations (FFO)   | 34,419  | = | 30.8 |
|   |         | Net debt  | 111,907 |   |      |
| FFO/adjusted net debt, %  | = 100 x | Funds from operations (FFO)   | 34,419  | = | 22.4 |
|   |         | Adjusted net debt   | 153,943 |   |      |
| EBITDA/net financial items, (x)                                     | =       | Operating profit before depreciation and amortisation (EBITDA)  | 54,488  | = | 8.8  |
|   |         | Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund   | 6,180   |   |      |
| EBITDA excl. items affecting comparability/net financial items, (x) | =       | Operating profit before depreciation and amortisation (EBITDA) excl. items affecting comparability  | 56,060  | = | 9.1  |
|   |         | Financial items excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund   | 6,180   |   |      |
| <b>Key ratios based on the balance sheet per 31 December 2012:</b>  |         |   |         |   |      |
| Equity/total assets, %  | = 100 x | Equity  | 155,218 | = | 29.4 |
|   |         | Balance sheet total   | 528,364 |   |      |

## Definitions and calculations of key ratios, cont.

|                                      |         |  |                           |   |       |
|--------------------------------------|---------|--|---------------------------|---|-------|
| Gross debt/equity, %                 | = 100 x | $\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$  | $\frac{160,261}{155,218}$ | = | 103.2 |
| Net debt/equity, %                   | = 100 x | $\frac{\text{Net debt}}{\text{Equity}}$  | $\frac{111,907}{155,218}$ | = | 72.1  |
| Gross debt/gross debt plus equity, % | = 100 x | $\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities} + \text{equity}}$        | $\frac{160,261}{315,479}$ | = | 50.8  |
| Net debt/net debt plus equity, %     | = 100 x | $\frac{\text{Net debt}}{\text{Net debt} + \text{equity}}$  | $\frac{111,907}{267,125}$ | = | 41.9  |
| Net debt/EBITDA, (x)                 | =       | $\frac{\text{Net debt}}{\text{Operating profit before depreciation and amortisation (EBITDA)}}$          | $\frac{111,907}{54,488}$  | = | 2.1   |
| Adjusted net debt/EBITDA, (x)        | =       | $\frac{\text{Adjusted net debt}}{\text{Operating profit before depreciation and amortisation (EBITDA)}}$ | $\frac{153,943}{54,488}$  | = | 2.8   |

## Exchange rates

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

|                     | Q4 2012 | Q4 2011 | Full year 2012 | Full year 2011 |
|---------------------|---------|---------|----------------|----------------|
| <b>Average rate</b> |         |         |                |                |
| EUR                 | 8.5736  | 9.1050  | 8.7036         | 9.0215         |
| DKK                 | 1.1494  | 1.2244  | 1.1692         | 1.2110         |
| NOK                 | 1.1633  | 1.1703  | 1.1627         | 1.1579         |
| PLN                 | 2.0884  | 2.0550  | 2.0797         | 2.1900         |
| GBP                 | 10.6130 | 10.6075 | 10.6954        | 10.3810        |
| USD                 | 6.5823  | 6.7875  | 6.7343         | 6.4922         |

|                                | 31 Dec. 2012 | 31 Dec. 2011 |
|--------------------------------|--------------|--------------|
| <b>Balance sheet date rate</b> |              |              |
| EUR                            | 8.5820       | 8.9400       |
| DKK                            | 1.1503       | 1.2033       |
| NOK                            | 1.1679       | 1.1505       |
| PLN                            | 2.1065       | 2.0300       |
| GBP                            | 10.5159      | 10.6800      |
| USD                            | 6.5045       | 6.9200       |

## Financial calendar

Year-end report 2012, 12 February 2013  
2012 Annual Report, 26 March 2013  
Interim report January–March, 3 May 2013  
Annual General Meeting, 24 April 2013<sup>1</sup>  
Interim report January–June 23 July 2013  
Interim report January–September, 29 October 2013

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1) Date has been updated since publication 12 February 2013.

*This is a translation of the Swedish original. In the event of any discrepancy, the Swedish version shall govern.*