

YEAR-END REPORT 2017

Business highlights, January–December 2017

- Increased customer base with over 360,000 contracts and expansion of decentralised solutions
- Full commissioning of the Sandbank offshore wind farm and the Pen y Cymoedd onshore wind farm
- Phase-out of coal-fired power generation to natural gas in Berlin
- Progress in partnerships for reduced carbon footprint, e.g. HYBRIT – for fossil-free steel production
- Strong production across Nordic hydro and nuclear fleet and investment decision for independent core cooling in reactors 3 and 4 at Ringhals
- Continued investments for improved quality in distribution grids
- Expansion of charging infrastructure for electric vehicles
- Strengthened presence in the UK through the acquisition of iSupplyEnergy and market entry for Distribution

Financial highlights, January–December 2017

- Net sales decreased by 3% to SEK 135,295 million (139,208)
- Underlying operating profit¹ increased to SEK 23,323 million (21,697)
- Operating profit¹ of SEK 18,644 million (1,337)
- Profit for the year of SEK 9,571 million (-2,171)
- The Board proposes a dividend of SEK 2,000 million, corresponding to 24% of profit for the year attributable to owner of the Parent Company.

Financial highlights, October–December 2017

- Net sales increased by 2% to SEK 38,456 million (37,796)
- Underlying operating profit¹ increased to SEK 7,311 million (7,095)
- Operating profit¹ of SEK 6,018 million (-2,841)
- Profit for the period of SEK 2,881 million (-3,960)

KEY DATA

Amounts in SEK million unless indicated otherwise	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	135 295	139 208	38 456	37 796
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	34 460	27 209	10 078	3 313
Operating profit (EBIT) ¹	18 644	1 337	6 018	-2 841
Underlying operating profit ¹	23 323	21 697	7 311	7 095
Profit for the period	9 571	-2 171	2 881	-3 960
Electricity generation, TWh	127.3	119.0	35.1	32.6
Sales of electricity, TWh ²	157.3	193.2	43.6	40.7
Sales of heat, TWh	18.8	20.3	6.1	7.6
Sales of gas, TWh	56.4	54.8 ³	18.5	18.8 ³
Return on capital employed, continuing operations, % ¹	7.7	0.5	7.7 ⁴	0.5 ⁴
Net debt/equity, % ¹	63.0	60.5	63.0	60.5
FFO/adjusted net debt, continuing operations, % ¹	21.5	21.6	21.5 ⁴	21.6 ⁴

1) See Definitions and calculations of key ratios on page 36 for definitions of Alternative Performance Measures.

2) Sales of electricity also include sales to Nord Pool Spot and deliveries to minority shareholders. Values for 2016 include sales volumes for the divested lignite operations.

3) The value has been adjusted compared with information previously published in Vattenfall's 2016 year-end report and 2016 Annual and Sustainability Report.

4) Last 12-month values.

The financial performance that is reported and commented on in this report pertains to Vattenfall's continuing operations, unless indicated otherwise. In view of the divestment of Vattenfall's lignite operations in 2016, these are classified and reported as a discontinued operation, see Note 4 Discontinued operations on page 32. The income statement pertains to continuing operations, and the divested lignite operations are presented on a separate line item for the comparison figures. The balance sheet pertains to continuing operations. The statement of cash flows pertains to Total Vattenfall, and reporting of figures for full year 2016 and Oct-Dec 2016 includes the lignite operations. Key ratios are presented for both Total Vattenfall and continuing operations. The key ratios for Total Vattenfall that are based on last 12-month values for 2016 include the divested lignite operations for all quarters. Rounding differences may occur in this document.

CEO's comments

“Vattenfall today is a stronger and more resilient company. With a stable capital structure and improved profitability we now need to continue driving development forward.”



Vattenfall is once again a profitable company. We are reporting a positive result for the first time in five years, with a net profit of SEK 9.6 billion and an underlying operating profit of SEK 23.4 billion. The Board of Directors proposes a dividend SEK 2 billion. Our customer-centric strategy with focus on sustainability, flexibility and cost control is leading us in the right direction and is now generating results. After a prolonged period of strained market conditions and large write-downs of asset values, Vattenfall today is a stronger and more resilient company. Our portfolio is dominated by climate-neutral energy sources. New innovative products, services and partnerships are helping our customers lower their carbon emissions. During the year we delivered on our investment projects and cost-cutting at the same time that we increased availability at our production plants. The capital structure is stable, and profitability has improved significantly. In many respects Vattenfall is a new company, and we now need to continue driving development forward through a high pace of investment but also strict cost control.

Wind power made a major contribution in 2017, more than doubling its earnings in pace with the commissioning of new assets. Planned growth investments in renewable energy generation amount to SEK 14 billion in the new plan for 2018-2019. Both the wind and solar power industries have matured considerably, with rapidly falling costs and improved competitiveness as a result. Vattenfall's portfolio shift and increased renewables growth have contributed to a changed risk profile, which is also reflected in our new financial targets.

We can look back at a year with very strong production for our large, Nordic plants. Higher water flows and better price levels have benefited hydro power at the same time that high availability and the restart of Ringhals 2 made a positive contribution for nuclear power. Investment decisions regarding independent core cooling have been made for both Forsmark and Ringhals, which means that we can ensure delivery into the 2040s and enable a cost-effective shift to a renewable system. The Swedish Radiation Safety Authority (SSM) recommends that the Government grant a licence for a final repository for spent nuclear fuel in Forsmark but requests further information regarding the capsules in which spent nuclear fuel is to be stored. Parallel with this, Vattenfall's risk profile has improved through settlement of the long-term nuclear power-based liabilities in Germany.

A central part of the shift in the energy market is that infrastructure is being modernised and adapted to new conditions, with a higher share of renewable energy generation and continued population growth in urban areas. Stable grid revenues are important for Vattenfall's investment plan in the years ahead. Improved earnings from the distribution operations are enabling major investments in grid improvements, especially in northern Sweden and in Berlin.

We are continuing our phase-out of coal-fired power generation. In Berlin the goal is to phase out coal by 2030 at the latest, and during the year we converted the Klingenberg lignite-fired power station in Berlin to natural gas and took the decision to close Reuter C, a hard coal-fired power plant. Important steps were also taken during the year in our partnerships for reduced carbon footprint, including the HYBRIT project with SSAB and LKAB, where the aim is to develop a fossil-free process for the production of steel.

Parallel with this we see continued exciting development in our sales and heat operations. Growing competition continues to put pressure on our sales margins, but it is also forcing us to be more efficient and innovative. We have a strong focus on lowering our selling costs at the same time that we are improving and simplifying the interaction with our customers, especially through digitalisation. We are also developing new energy solutions. In 2017, for example, we launched “Vattenfall InHouse”, a holistic concept aimed at larger property owners and tenant-owner housing associations in Sweden. We also continued the expansion of “InCharge”, our partner-based network of electric vehicle charging stations, which now includes more than 4,000 charging points in Europe.

Better conditions for conventional power generation are allowing us to increase our investments in tomorrow's energy landscape. In this landscape the customer is in the centre, and Vattenfall exists to enable a climate smarter life, entirely without fossil-based fuels.

A handwritten signature in blue ink, which appears to read 'Magnus Hall'. The signature is fluid and cursive.

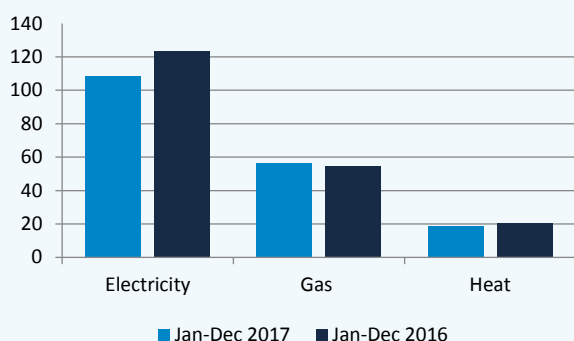
Magnus Hall
President and CEO

Group overview

Sales development

Sales of electricity, excluding sales to Nord Pool Spot and deliveries to minority shareholders, decreased by 14.4 TWh mainly due to lower B2B sales in Germany and France. Sales of gas increased by 1.6 TWh, mainly as a result of a larger customer base in Germany. Sales of heat decreased by 1.5 TWh compared with 2016.

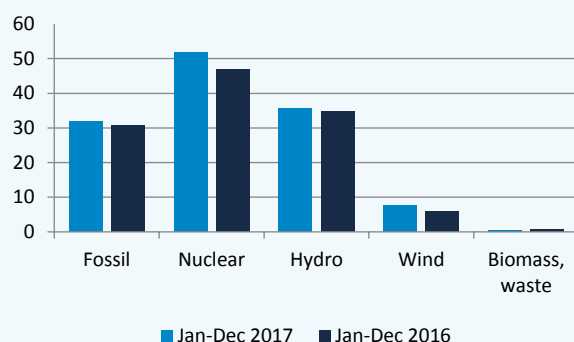
CUSTOMER SALES DEVELOPMENT (TWh)



Generation development

Total electricity generation increased by 8.3 TWh in 2017. Higher availability in nuclear and new assets commissioned in wind contributed to the increase in electricity generation.

ELECTRICITY GENERATION (TWh)



Price development

Average Nordic spot prices were 11% lower during the fourth quarter of 2017 than the corresponding period in 2016 at 30.6 EUR/MWh (34.5), mainly due to a strong hydrological balance. Prices in Germany decreased by 11% to 33.4 EUR/MWh (37.6), and prices in the Netherlands increased by 8% to 44.7 EUR/MWh (41.4). The lower prices in Germany are due to high production from renewables, while prices in the Netherlands were supported by higher fuel prices. Electricity futures prices for delivery in 2018 and 2019 were 14%-29% higher than in the fourth quarter of 2016, explained primarily by the recovery in fuel prices.

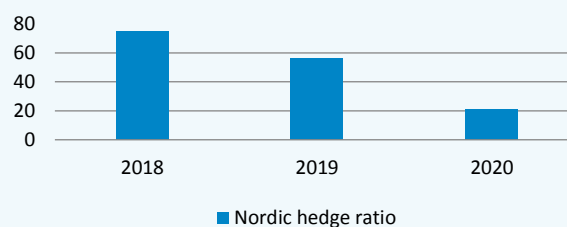
Compared with the fourth quarter of 2016, gas prices¹ were 7% higher at 17.9 EUR/MWh (16.8), coal prices were 26% higher at 85.4 USD/t (68.0), and prices of CO₂ emission allowances were 35% higher at 7.5 EUR/t (5.5).

Hedging

AVERAGE INDICATIVE NORDIC HEDGE PRICES (SE, DK, NO, FI)² AS PER 31 DECEMBER 2017

EUR/MWh	2018	2019	2020
	27	27	31

VATTENFALL'S ESTIMATED NORDIC HEDGE RATIO (%) AS PER 31 DECEMBER 2017



SENSITIVITY ANALYSIS – CONTINENTAL PORTFOLIO (DE, NL, UK)

+/-10% price impact on future profit before tax, SEK million³

Market-quoted	2018	2019	2020	Observed yearly volatility ⁴
Electricity	+/- 749	+/- 1315	+/- 1194	18%-26%
Coal	-/+ 320	-/+ 350	-/+ 275	22%-31%
Gas	-/+ 658	-/+ 651	-/+ 577	14%-27%
CO ₂	-/+ 130	-/+ 158	-/+ 167	47%-62%

- 1) Based on TTF prices.
- 2) Vattenfall has stopped its price hedging activity on the Continent as a result of changed risk exposure following the divestment of the German lignite operations.
- 3) The denotation +/- entails that a higher price affects operating profit favourably, and -/+ vice versa.
- 4) Observed yearly volatility for daily price movements for each commodity, based on forward contracts. Volatility normally declines the further ahead in time the contracts pertain to.

Net sales

Comment January–December: Consolidated net sales decreased by SEK 3.9 billion, mainly due to lower achieved prices in B2C Netherlands, lower achieved prices and lower sold volumes in B2B Germany, and unrealised changes in fair value of commodity derivatives, offset by an increase in sales in the Nordics and the UK and higher sales in Distribution.

Comment October–December: Consolidated net sales increased by SEK 0.7 billion, mainly due to unrealised changes in fair value of commodity derivatives and higher sales in Distribution, offset by lower sales in Heat.

Earnings

Comment January–December: The underlying operating profit increased by SEK 1.6 billion, which is explained by:

- Higher earnings contribution from the Wind operating segment (SEK 1.3 billion), as a result of new capacity.
- Higher earnings contribution from the Distribution operating segment (SEK 1.3 billion), mainly associated with higher regulated network tariffs.
- Decreased earnings contribution from the Power Generation operating segment (SEK -0.6 billion), mainly owing to lower average realised hedge levels compared with last year. Higher realised result from trading activities and lower taxes had an offsetting impact.
- Other items, net (SEK -0.3 billion)

Items affecting comparability amounted to SEK -4.7 billion (-20.4), of which unrealised changes in fair value of energy derivatives (SEK -3.6 billion) pertain mainly to temporary effects related to sourcing activities. Provisions of SEK -1.8 billion are mainly due to a changed discount rate for Ringhals. A tax refund for the German nuclear fuel tax had a positive impact of SEK 2.0 billion.

Profit for the year amounted to SEK 9.6 billion (-2.2). Profit for the year in 2016 was affected by impairment losses.

Comment October–December: The underlying operating profit increased by SEK 0.2 billion, mainly explained by a positive contribution from the Wind (SEK 1.0 billion), Distribution (SEK 0.5 billion) and Customers & Solutions (SEK 0.3 billion) segments, offset by a negative contribution from the Power Generation (SEK -1.2 billion) and Heat (SEK -0.6 billion) segments. Profit for the period amounted to SEK 2.9 billion (-4.0).

Cash flow

Comment January–December: Funds from operations (FFO) decreased by SEK 0.2 billion. A higher operating result was offset by higher taxes paid due to tax refunds in 2016 and higher interest paid in 2017 as a result of a partial repurchase of a bond maturing in 2039. Cash flow from changes in working capital amounted to SEK -1.1 billion. The net change in operating receivables and operating liabilities was the main negative contributing factor (SEK -5.9 billion). Net changes in margin calls due to higher electricity prices and higher prices for CO₂ emission allowances was the main positive contributing factor (SEK 5.2 billion).

Comment October–December: Funds from operations (FFO) decreased by SEK 0.5 billion, mainly due to higher tax paid in 2017 and higher interest paid in 2017 as a result of a partial repurchase of a bond maturing in 2039. Cash flow from changes in working capital amounted to SEK -2.1 billion, mainly explained by increased inventory of emission allowances and nuclear fuel (SEK -2.6 billion) and higher receivables in the Customers & Solutions operating segment as a result of seasonal effects (SEK -2.5 billion). Net changes in margin calls had an offsetting impact (SEK 2.3 billion).

Important events after the balance sheet date

- The Swedish Radiation Safety Authority (SSM) recommends that the Government grant a licence for a final repository for spent nuclear fuel in Forsmark. The Land and Environment Court approved the site of Forsmark, the encapsulation plant in Oskarshamn and the environmental impact assessment. The court requests further information from SKB regarding the copper canister. This information will be sent directly to the Government, which is now responsible.

KEY FIGURES – GROUP OVERVIEW

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	135 295	139 208	38 456	37 796
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	34 460	27 209	10 078	3 313
Underlying operating profit excluding items affecting comparability ¹	23 323	21 697	7 311	7 095
Items affecting comparability ¹	- 4 679	- 20 360	-1 293	- 9 936
Operating profit (EBIT)	18 644	1 337	6 018	- 2 841
Profit for the period	9 571	- 2 171	2 881	- 3 960
Funds from operations (FFO) ²	26 704	26 895	6 606	7 134
Cash flow from changes in operating assets and operating liabilities (working capital) ²	- 1 096	1 688	- 2 089	3 917
Cash flow from operating activities ²	25 608	28 583	4 517	11 051

1) See Definitions and calculations of key ratios on page 36 for definitions of Alternative Performance Measures.

2) Pertains to Vattenfall's continuing operations. The statement of cash flow on page 21 pertains to Total Vattenfall, including the lignite operations.

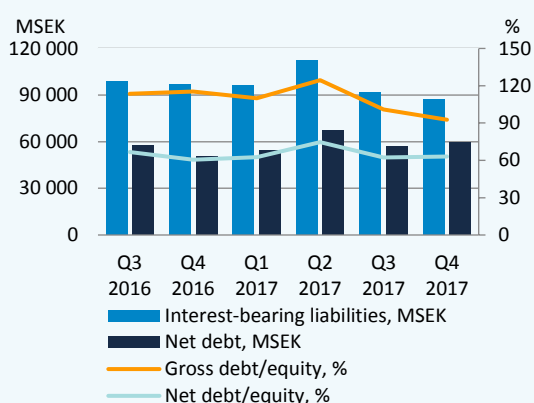
Capital structure

Cash and cash equivalents, and short-term investments decreased by SEK 16.4 billion compared with 31 December 2016, mainly due to payment of SEK 17.3 billion to the nuclear energy fund in Germany¹. Committed credit facilities consist of a EUR 2.0 billion Revolving Credit Facility that expires on 10 December 2021. As per 31 December 2017, available liquid assets and/or committed credit facilities amounted to 29% of net sales. Vattenfall's target is to maintain a level of no less than 10% of net sales, but at least the equivalent of the next 90 days' maturities.

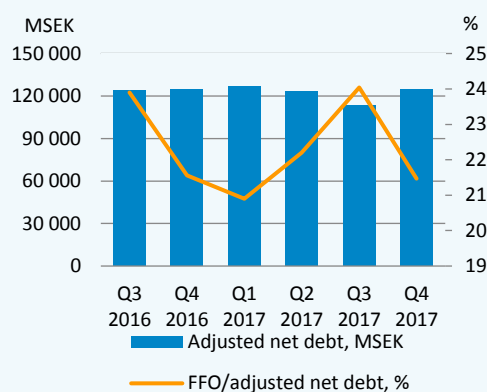
Total interest-bearing liabilities decreased by SEK 9.5 billion compared with 31 December 2016. The decrease is mainly related to repayment of long-term debt in the fourth quarter 2017 when Vattenfall bought back part of a bond maturing in 2039, repayments of loans from associated companies and repayments of short-term debt.

Net debt increased by SEK 8.5 billion compared with 31 December 2016, mainly due to reclassification from nuclear provisions to debt, totalling SEK -15.7 billion, partly offset by a positive net cash flow after investments of SEK 7.1 billion. Adjusted net debt decreased by SEK 0.4 billion compared with 31 December 2016. This is mainly a result of a positive cash flow after investments of SEK 7.1 billion offset by the SEK 6.0 billion increase in nuclear provisions (excluding the effect of lower nuclear provisions due to the payment into the nuclear energy fund in Germany) and SEK 2.1 billion increase in dismantling provisions other than nuclear.

NET DEBT



ADJUSTED NET DEBT



Strategic objectives

Vattenfall's strategy is built upon four strategic objectives. Vattenfall will be

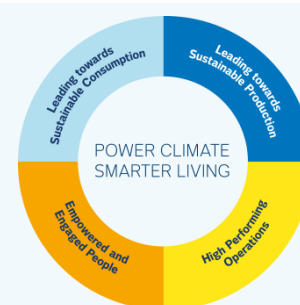
1. Leading towards Sustainable Consumption (increase customer centricity and build a sizeable position in decentralised energy) and

2. Leading towards Sustainable Production (grow in renewables and implement our CO₂ roadmap).

To achieve this, we must have

3. High Performing Operations (reduce costs and improve operational efficiency) and

4. Empowered and Engaged People (develop culture, competence and our brand).



Strategic objectives	Targets for 2020	Full Year 2017	Full Year 2016
Leading towards Sustainable Consumption	1. Customer engagement, Net Promoter Score relative to peers² (NPS relative): +2	+2	+7
Leading towards Sustainable Production	2. Aggregated commissioned new renewables capacity 2016-2020: ≥2,300 MW	652 MW	297 MW
	3. Absolute CO₂ emissions pro rata: ≤21 Mt	23.1 Mt³	23.2 Mt
High Performing Operations	4. Return On Capital Employed (ROCE), last 12 months: ≥8%	7.7%	0.5%
Empowered and Engaged People	5. Lost Time Injury Frequency (LTIF): ≤1.25	1.5	2.0
	6. Employee Engagement Index: ≥70%	64%	57%

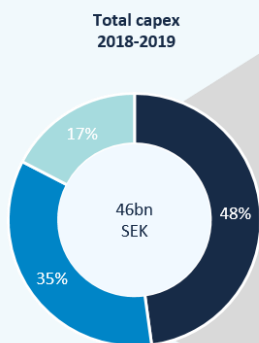
1) For more details on the payment to the nuclear energy fund in Germany see Vattenfall's interim report for January–September 2017 and year-end report 2016.

2) The target is a positive NPS in absolute terms and +2 compared to Vattenfall's peer competitors to be achieved by 2020.

3) Consolidated values for 2017. Consolidated emissions are approximately 0.5 Mt higher than pro rata values, corresponding to Vattenfall's share of ownership.

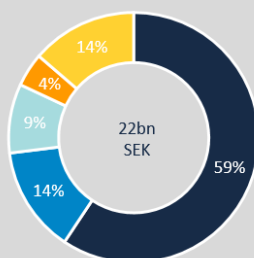
Investment plan 2018-2019

Vattenfall has decided on an investment plan for 2018-2019 of SEK 46 billion, of which SEK 27 billion is earmarked for investments in production-related assets. Growth investments amount to SEK 22 billion, where the biggest share, SEK 13 billion, or 59%, is planned for investments in wind power. Vattenfall will also invest in solar energy and new businesses such as decentralised solutions, energy storage and e-mobility.



- Growth, 22bn SEK
- Maintenance, 16bn SEK
- Replacement, 8 bn SEK

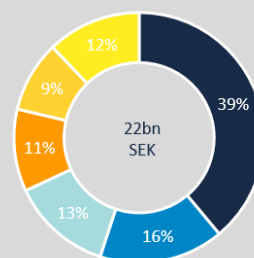
Growth capex per technology 2018-2019



- Wind power, 13bn SEK
- Distribution grids, 3bn SEK
- Heat grids, 2bn SEK
- Solar energy, 1bn SEK
- New businesses*, 3bn SEK

* Mainly decentralised solutions, energy storage and e-mobility

Growth capex per country 2018-2019



- Denmark, 8 bn SEK
- Germany, 4 bn SEK
- Netherlands, 3 bn SEK
- Sweden, 2 bn SEK
- Great Britain, 2 bn SEK
- Other, non-assigned, 3 bn SEK

Operating segments



Customers & Solutions



Power Generation
– Generation



Power Generation
– Markets



Wind



Heat



Distribution

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Underlying operating profit				
Customers & Solutions	1 913	1 830	688	399
Power Generation	10 820	11 410	2 683	3 861
- of which, trading	1 185	104	715	786
Wind	2 137	878	1 385	398
Heat	3 379	3 230	976	1 532
Distribution	6 140	4 863	1 660	1 120
- of which, Distribution Germany	962	544	235	- 33
- of which, Distribution Sweden	5 185	4 319	1 432	1 153
Other¹	- 1 007	- 512	- 209	- 401
Eliminations	- 59	- 2	128	186
Underlying operating profit continuing operations	23 323	21 697	7 311	7 095
Discontinued operations	—	- 4	—	- 152
Underlying operating profit	23 323	21 693	7 311	6 943

1) "Other" pertains mainly to all Staff functions, including Treasury and Shared Service Centres.

Customers & Solutions

The Customers & Solutions Business Area is responsible for sales of electricity, gas and energy services in all of Vattenfall's markets.

New supply contracts with large industrials and continued growth in e-mobility

- Ten-year power supply contract with Microsoft
- Supply agreement with AkzoNobel supported by the Markets business area
- E-mobility: 1,600 new charging points added in the Netherlands, Germany and Sweden during the fourth quarter



Net sales decreased slightly in 2017 due to negative price effects in Germany and the Netherlands and lower sold volumes in Germany and France. Higher achieved prices in the Nordic B2B segment had an offsetting impact. During the fourth quarter, net sales increased slightly compared with the same period last year, mainly as a result of higher sales in the Nordic region and the UK. Negative price effects in the Netherlands had an offsetting impact. The underlying operating profit increased mainly as a result of lower operating expenses. The customer base in Customers & Solutions grew by 288,000 contracts in 2017, or 3%, (not yet fully reflected in sold volumes), of which a major part relates to the acquisition of gas and electricity retailer iSupplyEnergy in the UK in the third quarter.

Vattenfall has concluded two large deals with industrial customers in the Netherlands, helping them to become more sustainable. Vattenfall signed a ten-year agreement to power Microsoft's international data centre operations in the Netherlands with wind power. Microsoft will receive all of the electricity output from Vattenfall's new onshore wind farm

that will be constructed at Wieringermeer polder. The wind farm will start producing renewable electricity in 2019.

An agreement was also concluded with AkzoNobel to supply flexible energy to three chemical production sites in the Netherlands as part of an agreement to purchase a total net volume of 1.5 TWh. This will allow AkzoNobel to take advantage of flexibility in chemical production and its own electricity generation to balance fluctuations in energy supply to optimise costs.

Vattenfall aims to become a leading provider of e-mobility charging solutions in Europe. The number of charging points increased by 1,600 in the Netherlands, Germany and Sweden during the fourth quarter of 2017. New charging solution partnership agreements were closed with e.g., the City of The Hague in the Netherlands and with Sixt in Germany and the Netherlands. The number of InCharge card-holders reached 10,000, and the number of public charging points reached 1,000 in Sweden.

KEY FIGURES – CUSTOMERS & SOLUTIONS

Amounts in SEK million unless indicated otherwise	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	69 061	69 230	20 235	20 066
External net sales	67 510	67 862	19 780	19 615
Underlying operating profit before depreciation, amortisation and impairment losses	2 994	2 825	965	670
Underlying operating profit	1 913	1 830	688	399
Sales of electricity, TWh	84.0	88.9	23.5	22.8
- of which, private customers	27.1	27.0	7.9	7.6
- of which, resellers	5.1	5.5	1.6	1.5
- of which, business customers	51.8	56.4	14.0	13.7
Sales of gas, TWh	55.3	53.1	18.1	18.3
Number of employees, full-time equivalents	3 067	2 930	3 067	2 930

Power Generation

Power Generation comprises the Generation and Markets Business Areas. The segment includes Vattenfall's hydro and nuclear power operations, maintenance services business, and optimisation and trading operations including large business customers.

Generation: Good progress in electricity generation

- Investment decision for independent core cooling for the Ringhals 3 and 4 reactors
- Nuclear waste management fee for 2018-2020 decided

Markets: Supporting customers to be more sustainable

- Innovative energy management agreement with AkzoNobel for Customers & Solutions supply deal
- Market access for new utility-scale battery storage

Net sales decreased in 2017, mainly due to unrealised changes in the fair value of commodity derivatives. The underlying operating profit decreased due to a lower gross margin resulting from hedging activities. A higher realised result from trading activities and higher production volumes had an offsetting impact. The lower nuclear capacity tax contributed positively in 2017 by SEK 1.3 billion. The remaining 10% of the Swedish nuclear capacity tax was abolished on 1 January 2018.

Nuclear power generation increased as a result of higher availability and the restart of the Ringhals 2 reactor. Combined availability for Vattenfall's nuclear power plants in 2017 and the fourth quarter was 84.8% (75.4%) and 90.0% (83.9%), respectively.

On 17 November 2017 Ringhals board of directors decided to invest in independent core cooling for the Ringhals 3 and 4 reactors. The investment will amount to approximately SEK 900 million, and the equipment will be fully installed by 2020.

Hydro power generation increased in 2017 owing to high inflows. Nordic reservoir levels were at 65% (52%) of capacity



at the end of 2017, which is 14 percentage points above the normal level. Vattenfall will be able to increase hydro capacity by 25 MW as a result of increased water discharge at the Lasele and Långbjörn power plants on the Ångermanälven River in Sweden.

On 21 December 2017, the Swedish government decided on the fee level to be paid into the Swedish Nuclear Waste Fund for the period 2018-2020. The fee for Forsmark will decrease by 0.6 öre/kWh to 3.3 öre/kWh and increase for Ringhals by 1.0 öre/kWh to 5.2 öre/kWh.

In addition to supplying electricity to AkzoNobel's production sites in the Netherlands, Vattenfall provides access to the energy market, through its trading operations. This enables Akzo Nobel to make use of its onsite flexibility in chemical production and electricity generation.

Vattenfall provides market access for utility-size battery storage and signed a 4-year contract for a 1 MW battery storage at a solar farm in Germany. Vattenfall markets the customer battery on the balancing market, thereby helping the transmission system operator (TSO) stabilise the grid. Vattenfall manages approximately 10% of all utility-scale battery storage in Germany.

KEY FIGURES – POWER GENERATION

Amounts in SEK million unless indicated otherwise	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	94 417	98 997	27 523	28 340
External net sales	43 648	49 276	11 621	12 311
Underlying operating profit before depreciation, amortisation and impairment losses	13 936	14 354	3 504	4 642
Underlying operating profit	10 820	11 410	2 683	3 861
- of which, trading	1 185	104	715	786
Electricity generation, TWh	87.5	81.7	23.8	21.0
- of which, hydro power	35.6	34.8	9.4	7.9
- of which, nuclear power	51.9	46.9	14.4	13.1
Sales of electricity, TWh ¹	23.7	33.2	6.4	8.8
- of which, resellers ¹	20.5	31.6	5.5	8.5
- of which, business customers ¹	3.2	1.6	0.9	0.3
Sales of gas, TWh	1.1	1.7 ¹	0.4	0.5
Number of employees, full-time equivalents	7 413	7 493	7 413	7 493

1) Values have been adjusted compared with information previously published in Vattenfall's financial reports.

Wind

The Wind Business Area is responsible for Vattenfall's onshore and offshore wind power development and operations as well as the utility scale and decentralised solar electricity production and battery business.

Vattenfall is prepared for competitive bids in tenders for wind power projects

- Improved financial performance as a result of new capacity added in 2017
- Vattenfall decided to participate in the first non-subsidised tender in the Netherlands
- Further improvements of cost levels are well under way

Net sales and the underlying operating profit for 2017 increased compared with 2016 as a result of new added capacity. Electricity generation in 2017 increased by 1.8 TWh, of which 1.6 TWh is attributable to new capacity: the Sandbank (288 MW) offshore wind farm and the Pen y Cymoedd (228 MW) and Ray (54 MW) onshore wind farms.

Vattenfall is prepared for an environment of competitive bids in wind power tenders and decided to participate in the first non-subsidised tender for offshore wind in the Netherlands. The project is located in the Dutch North Sea, and the "Hollandse Kust Zuid" site is a perfect wind area where there are significant synergies with Vattenfall's NoordzeeWind offshore wind farm. The Dutch tender, which has to be realised in 2022, fits well in Vattenfall's offshore wind farm pipeline and can therefore be perfectly incorporated in the current procurement strategy.

In November Vattenfall took a big step towards more renewable electricity production. Siemens Gamesa will supply the turbines for Vattenfall's three new offshore wind farms in Denmark. The joint deal, which is one of the largest renewable investments in Vattenfall's history, will cover design, manufacturing, installation, commissioning, testing and service of the turbines. It covers 113 eight MW turbines in total – 72 turbines at Kriegers Flak and 41 turbines at Vesterhav Syd and Nord.

Efforts to reduce cost levels continued in the fourth quarter. Intensive work is ongoing to realise the vision of the winning



wind farm, a concept of highly standardised cost efficient onshore wind farms. This is a key to achieving profitability also in a subsidy-free environment. In order to achieve the subsidy-free winning wind farm, the entire value chain will be optimised, including procurement, development processes, construction, O&M strategy, route to market and cost of capital. Projects related to the winning wind farm concept will be rolled out starting in early 2018.

Vattenfall has long experience in managing price risk. We have a number of wind farms in our portfolio that are exposed to market prices in the Netherlands and Sweden. Three successful tenders in the past two years have also proven that Vattenfall is a cost leader in offshore wind. The key to success has been to channel 15 years of experience and knowledge of developing, constructing and operating offshore wind.

Vattenfall is also developing new offerings within solar and batteries in the area of centralised and decentralised electricity production and installation. Recently Vattenfall took the final investment decision for large-scale solar installations in the Netherlands, at the existing assets in Velsen, Hemweg and Eemshaven. The total capacity of these projects is 10.5 MW. In the decentralised area, Vattenfall has decided to invest in a 3.4 MW solar project called "PV@VF Sites". The first contracts related to this project have been signed with customers. Further projects in the Netherlands with a capacity of 40 MW are in the pipeline and are awaiting approval by the authorities in the beginning of 2018.

KEY FIGURES – WIND

Amounts in SEK million unless indicated otherwise	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	9 438	6 702	3 298	2 183
External net sales	6 669	4 384	2 384	1 408
Underlying operating profit before depreciation, amortisation and impairment losses	6 397	4 297	2 483	1 378
Underlying operating profit	2 137	878	1 385	398
Electricity generation - wind power TWh	7.6	5.8	2.4	1.9
Sales of electricity, TWh	1.0	0.6 ¹	0.3	0.2
Number of employees, full-time equivalents	773	706	773	706

1) The value has been adjusted compared with information previously published in Vattenfall's 2016 interim reports and 2016 Annual and Sustainability Report.

Heat

The Heat Business Area comprises Vattenfall's heat operations, including thermal operations.

Further steps taken towards fossil-free heat supply

- Feasibility study on coal phase-out in Berlin
- Plans to heat 600 Rotterdam households with residual industrial heat
- Development of solar thermal pilot project

Net sales in 2017 increased as a result of higher electricity production and higher achieved electricity prices. Retroactive compensation for gas-fired combined heat and power (CHP) plants in Berlin also made a positive contribution. Net sales in the fourth quarter of 2017 decreased due to lower electricity revenues and heat sales as a result of warmer weather. A lower hedge result made a negative contribution during the fourth quarter.

The underlying operating profit in 2017 increased mainly as a result of higher subsidies for gas-fired CHP. The underlying operating profit in the fourth quarter decreased due to lower electricity revenues, higher fuel costs, lower heat sales and a lower hedge result.

The City of Berlin has set a goal to be entirely climate neutral by 2050, and an important milestone was achieved already in May 2017 when Vattenfall stopped using lignite for electricity and heat production in the German capital. The next step in this process will be the elimination of hard coal no later than 2030, and the preparation of a feasibility study has now been initiated in cooperation between Berlin's Senate Department for the Environment, Transport and Climate Protection and Vattenfall. The feasibility study will determine how the shutdown of the coal-fired combined heat and power plants



can be realised by 2030 at the latest and how an extensively carbon-free supply of district heating can be ensured via an innovative district heating mix. The study will result in concrete recommendations for action in the first half of 2019. Based on the study, Berlin's Senate administration for Environment, Transport and Climate Protection and Vattenfall will discuss how the insights should be implemented.

Dutch housing corporation Woonstad Rotterdam and Vattenfall's subsidiary Nuon plan to switch 600 homes in Rotterdam-Pendrecht from natural gas supply to the Rotterdam heating network. The project will involve more than 10% of the homes in Rotterdam's garden city by 2025 at the latest. The 600 homes will be heated with residual industrial heat, and the residents will change over to electric stoves for cooking.

In November 2017 the final investment decision for a solar thermal pilot project was taken. At one of Vattenfall's Berlin locations, heat will be generated by a collector surface area of 1,000 square metres to contribute to the heating of district heating water. This will save approximately 440 MWh gas fuel per year. If the pilot project proves to be successful roll-out to further locations will be planned.

KEY FIGURES – HEAT

Amounts in SEK million unless indicated otherwise	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	30 732	28 414	9 144	9 712
External net sales	14 890	15 110	4 358	4 701
Underlying operating profit before depreciation, amortisation and impairment losses	6 959	7 059	1 907	2 435
Underlying operating profit	3 379	3 230	976	1 532
Electricity generation - TWh	32.2	31.5	8.9	9.7
- of which, fossil-based power	31.8	30.8	8.9	9.5
- of which, biomass, waste	0.4	0.7	—	0.2
Sales of electricity, TWh	0.1	0.5 ¹	—	—
- of which, private customers	—	0.2 ¹	—	—
- of which, business customers	0.1	0.3 ¹	—	—
Sales of heat, TWh	18.8	20.3	6.1	7.6
Number of employees, full-time equivalents	3 771	3 790	3 771	3 790

1) The value has been adjusted compared with information previously published in Vattenfall's 2016 interim reports and 2016 Annual and Sustainability Report.

Distribution

The Distribution Business Area comprises Vattenfall's electricity distribution operations in Sweden, Germany (Berlin) and the UK.

Business development and market expansion in distribution

- Vattenfall subsidiary Stromnetz Berlin won contract for public lighting in Berlin
- First contract signed for a micro-grid in Askersund
- UK market entry via Vattenfall Networks Limited



Improved financial development is enabling continued investments in the distribution networks. Net sales increased as a result of higher network tariffs in Sweden and Germany. The underlying operating profit increased as a result of a higher gross margin in Sweden and lower operating expenses in Germany.

Vattenfall subsidiary Stromnetz Berlin has won a European tender and has been entrusted with the operation, maintenance and repair of the public lighting in Berlin, including lighting on traffic signs and road facilities, by the Senate Department for the Environment, Transport and Climate Protection in Berlin. The contract, which has a term of ten years, was awarded on 11 December 2017 and will take effect on 1 October 2018. Public lighting in Berlin comprises some 190,000 electric lights and 32,000 gas lights, which makes it the biggest number of city-owned electric and gas-fired street lights in Germany.

Micro-grids will be an important part of the future energy landscape. A first contract for a micro-grid system was signed

with the Sjöängen culture centre in Askersund Municipality in Sweden. The project includes solar energy, battery storage, power control and electric vehicle charging in a locally integrated energy system. The project will run during 2018.

On 1 November Vattenfall Networks Limited was granted an operating licence by the British energy regulator Ofgem. This marks a first step for Vattenfall to establishing smart, independent electrical distribution network operations in the UK. Vattenfall Networks Limited aims to grow organically as an Independent Distribution Network Operator. The new unit will own and operate new connections to the existing network in new residential, retail and industrial areas.

Overall Vattenfall continues to focus on investments in order to increase quality of supply and to meet growth in cities. The administrative court of appeal did not grant leave to appeal the decision about the revenue framework in Sweden for 2016-2019, and the investments needed to improve the network will continue as planned. The concession process in Berlin is not finalised.

KEY FIGURES – DISTRIBUTION

Amounts in SEK million unless indicated otherwise	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	21 494	19 661	5 796	5 267
External net sales	16 904	15 233	4 581	4 015
Underlying operating profit before depreciation, amortisation and impairment losses	9 028	7 669	2 429	1 850
Underlying operating profit	6 140	4 863	1 660	1 120
Number of employees, full-time equivalents	2 126	2 010	2 126	2 010

Other

Other pertains mainly to all Staff functions, including Treasury and Shared Service Centres.

Net sales consist primarily of revenues attributable to Vattenfall's service organisations such as shared services, IT and Vattenfall Insurance. The underlying operating profit in 2017 decreased partly as a result of higher IT costs.

KEY FIGURES – OTHER

	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Amounts in SEK million unless indicated otherwise				
Net sales	4 951	5 363	1 318	1 334
External net sales	524	326	126	169
Underlying operating profit before depreciation, amortisation and impairment losses	- 550	- 58	- 91	- 281
Underlying operating profit	- 1 007	- 512	- 209	- 401
Number of employees, full-time equivalents	2 891	3 006	2 891	3 006

Consolidated income statement

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Continuing operations				
Net sales	135 295	139 208	38 456	37 796
Cost of products sold ¹	- 99 102	- 119 217	- 27 827	- 32 629
Gross profit	36 193	19 991	10 629	5 167
Selling expenses, administrative expenses and research and development costs ²	- 19 544	- 19 259	- 5 491	- 5 863
Other operating income and expenses, net	1 656	2 456	766	26
Participations in the results of associated companies ³	339	- 1 851	114	- 2 171
Operating profit (EBIT)⁴	18 644	1 337	6 018	- 2 841
Financial income ^{5,8}	2 670	1 767	1 092	- 11
Financial expenses ^{6,7,8}	- 8 425	- 8 149	- 3 423	- 2 006
Profit before income taxes	12 889	- 5 045	3 687	- 4 858
Income taxes expense	- 3 318	2 874	- 806	898
Profit for the period from continuing operations	9 571	- 2 171	2 881	- 3 960
Discontinued operations⁹				
Profit for the period from discontinued operations, net after income taxes	—	- 23 833	—	- 192
Profit for the period	9 571	- 26 004	2 881	- 4 152
Attributable to owner of the Parent Company	8 420	- 26 324	2 590	- 4 055
Attributable to non-controlling interests	1 151	320	291	- 97
Supplementary information for continuing operations				
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	34 460	27 209	10 078	3 313
Underlying operating profit before depreciation, amortisation and impairment losses	38 705	36 144	11 325	10 880
Underlying operating profit	23 323	21 697	7 311	7 095
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 4 538	- 4 005	- 1 672	- 1 343
1) Of which, depreciation, amortisation and impairment losses	- 13 803	- 23 423	- 3 574	- 4 990
2) Of which, depreciation, amortisation and impairment losses	- 1 987	- 1 331	- 460	- 46
3) Of which, impairment losses	- 26	- 1 118	- 26	- 1 118
4) Including items affecting comparability	- 4 679	- 20 360	- 1 293	- 9 936
- of which, capital gains	728	2 152	141	84
- of which, capital losses	- 89	- 376	- 54	- 277
- of which, impairment losses	- 438	- 12 354	- 46	- 3 298
- of which, reversed impairment losses	4	929	—	929
- of which, provisions	- 2 438	- 8 249	- 1 881	- 8 373
- of which, unrealised changes in the fair value of energy derivatives	- 3 637	- 2 417	104	1 015
- of which, unrealised changes in the fair value of inventories	10	997	166	399
- of which, restructuring costs	- 348	- 761	- 96	- 487
- of which, other infrequent items affecting comparability	1 529	- 281	373	72
5) Including return from the Swedish Nuclear Waste Fund	1 138	866	- 66	104
6) Including interest components related to pension costs	- 820	- 954	- 207	- 243
7) Including discounting effects attributable to provisions	- 2 355	- 3 243	- 593	- 778
8) Items affecting comparability recognised as financial income and expenses, net	7	- 176	4	- 176
9) See Note 4 to the consolidated accounts, Discontinued operations				

Consolidated statement of comprehensive income

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Profit for the period	9 571	- 26 004	2 881	- 4 152
Other comprehensive income				
Items that will be reclassified to profit or loss when specific conditions are met				
Cash flow hedges - changes in fair value	4 442	- 17 620	2 568	- 1 695
Cash flow hedges - dissolved against income statement	- 2 844	2 737	- 1 366	1 317
Cash flow hedges - transferred to cost of hedged item	1	- 71	5	- 26
Hedging of net investments in foreign operations	- 1 147	- 923	- 965	113
Translation differences and exchange rate effects net, divested companies	17	1 164	—	687
Translation differences	2 352	1 927	1 912	- 921
Income taxes related to items that will be reclassified	- 217	4 022	- 100	89
Total items that will be reclassified to profit or loss when specific conditions are met	2 604	- 8 764	2 054	- 436
Items that will not be reclassified to profit or loss				
Remeasurement pertaining to defined benefit obligations	- 659	- 1 805	- 1 954	1 941
Income taxes related to items that will not be reclassified	169	500	557	- 586
Total items that will not be reclassified to profit or loss	- 490	- 1 305	- 1 397	1 355
Total other comprehensive income, net after income taxes	2 114	- 10 069	657	919
Total comprehensive income for the period	11 685	- 36 073	3 538	- 3 233
Attributable to owner of the Parent Company	10 307	- 36 485	3 081	- 3 005
Attributable to non-controlling interests	1 378	412	457	- 228

Operating segments, Vattenfall Group

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
External net sales				
Customers & Solutions	67 510	67 862	19 780	19 615
Power Generation	43 648	49 276	11 621	12 311
Wind	6 669	4 384	2 384	1 408
Heat	14 890	15 110	4 358	4 701
Distribution	16 904	15 233	4 581	4 015
- of which, Distribution Germany	5 970	4 978	1 580	1 298
- of which, Distribution Sweden	10 934	10 255	3 001	2 717
Other ¹	524	326	126	169
Eliminations ²	- 14 850	- 12 983	- 4 394	- 4 423
Total continuing operations	135 295	139 208	38 456	37 796
Discontinued operations	—	13 459	—	117
Total	135 295	152 667	38 456	37 913
Internal net sales				
Customers & Solutions	1 551	1 368	455	451
Power Generation	50 769	49 721	15 902	16 029
Wind	2 769	2 318	914	775
Heat	15 842	13 304	4 786	5 011
Distribution	4 590	4 428	1 215	1 252
- of which, Distribution Germany	4 141	3 954	1 072	1 078
- of which, Distribution Sweden	449	474	143	174
Other ¹	4 427	5 037	1 192	1 165
Eliminations	- 79 948	- 76 176	- 24 464	- 24 683
Total continuing operations	—	—	—	—
Discontinued operations	—	—	—	—
Total	—	—	—	—
Total net sales				
Customers & Solutions	69 061	69 230	20 235	20 066
Power Generation	94 417	98 997	27 523	28 340
Wind	9 438	6 702	3 298	2 183
Heat	30 732	28 414	9 144	9 712
Distribution	21 494	19 661	5 796	5 267
- of which, Distribution Germany	10 111	8 932	2 652	2 376
- of which, Distribution Sweden	11 383	10 729	3 144	2 891
Other ¹	4 951	5 363	1 318	1 334
Eliminations	- 94 798	- 89 159	- 28 858	- 29 106
Total continuing operations	135 295	139 208	38 456	37 796
Discontinued operations	—	13 459	—	117
Total	135 295	152 667	38 456	37 913

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
<u>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</u>				
Customers & Solutions	2 901	2 775	893	654
Power Generation	9 254	3 962	2 400	- 2 263
Wind	6 404	4 442	2 495	1 389
Heat	7 122	7 062	1 843	2 301
Distribution	9 229	7 644	2 430	1 834
- of which, Distribution Germany	1 822	1 337	470	184
- of which, Distribution Sweden	7 414	6 307	1 967	1 650
Other ¹	- 391	1 326	- 111	- 788
Eliminations	- 59	- 2	128	186
Total continuing operations	34 460	27 209	10 078	3 313
Discontinued operations	—	943	—	24
Total	34 460	28 152	10 078	3 337
<u>Underlying operating profit before depreciation, amortisation and impairment losses</u>				
Customers & Solutions	2 994	2 825	965	670
Power Generation	13 936	14 354	3 504	4 642
Wind	6 397	4 297	2 483	1 378
Heat	6 959	7 059	1 907	2 435
Distribution	9 028	7 669	2 429	1 850
- of which, Distribution Germany	1 835	1 355	474	190
- of which, Distribution Sweden	7 200	6 314	1 962	1 660
Other ¹	- 550	- 58	- 91	- 281
Eliminations	- 59	- 2	128	186
Total continuing operations	38 705	36 144	11 325	10 880
Discontinued operations	—	2 068	—	- 135
Total	38 705	38 212	11 325	10 745

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Operating profit (EBIT)				
Customers & Solutions	1 819	1 749	617	361
Power Generation	6 138	- 3 648	1 575	- 4 412
Wind	1 713	898	1 354	413
Heat	3 541	- 3 366	912	416
Distribution	6 341	4 838	1 660	1 104
- of which, Distribution Germany	948	527	231	- 38
- of which, Distribution Sweden	5 400	4 311	1 436	1 142
Other ¹	- 849	868	- 228	- 909
Eliminations	- 59	- 2	128	186
Operating profit (EBIT) continuing operations	18 644	1 337	6 018	- 2 841
Discontinued operations	—	- 22 542	—	- 180
Operating profit (EBIT)	18 644	- 21 205	6 018	- 3 021
Operating profit (EBIT) continuing operations	18 644	1 337	6 018	- 2 841
Financial income and expenses continuing operations	- 5 755	- 6 382	- 2 331	- 2 017
Profit before tax from continuing operations	12 889	- 5 045	3 687	- 4 858
Underlying operating profit				
Customers & Solutions	1 913	1 830	688	399
Power Generation	10 820	11 410	2 683	3 861
Wind	2 137	878	1 385	398
Heat	3 379	3 230	976	1 532
Distribution	6 140	4 863	1 660	1 120
- of which, Distribution Germany	962	544	235	- 33
- of which, Distribution Sweden	5 185	4 319	1 432	1 153
Other ¹	- 1 007	- 512	- 209	- 401
Eliminations	- 59	- 2	128	186
Underlying operating profit continuing operations	23 323	21 697	7 311	7 095
Discontinued operations	—	- 4	—	- 152
Underlying operating profit	23 323	21 693	7 311	6 943

1) "Other" pertains mainly to all Staff functions, including Treasury and Shared Service Centres.

2) For external net sales, eliminations pertain to sales to the Nordic electricity exchange.

Consolidated balance sheet

Amounts in SEK million	31 Dec 2017	31 Dec 2016
Assets		
Non-current assets		
Intangible assets: non-current	18 140	16 792
Property, plant and equipment	227 094	217 136
Investment property	130	128
Biological assets	33	34
Participations in associated companies and joint arrangements	4 985	4 839
Other shares and participations	148	118
Share in the Swedish Nuclear Waste Fund	38 591	36 199
Derivative assets	12 801	14 036
Prepaid expenses	20	20
Deferred tax assets	12 001	11 538
Other non-current receivables	3 964	3 788
Total non-current assets	317 907	304 628
Current assets		
Inventories	15 670	14 566
Biological assets	17	13
Intangible assets: current	1 845	315
Trade receivables and other receivables	23 096	26 008
Advance payments paid	3 600	1 311
Derivative assets	11 029	10 656
Prepaid expenses and accrued income	7 010	6 463
Current tax assets	797	1 314
Short-term investments	18 092	23 297
Cash and cash equivalents	8 805	19 995
Assets held for sale	—	694
Total current assets	89 961	104 632
Total assets	407 868	409 260
Equity and liabilities		
Equity		
Attributable to owner of the Parent Company	78 714	68 272
Attributable to non-controlling interests	15 331	15 528
Total equity	94 045	83 800
Non-current liabilities		
Hybrid Capital	19 118	19 164
Other interest-bearing liabilities	54 335	63 494
Pension provisions	41 962	40 644
Other interest-bearing provisions	86 001	79 341
Derivative liabilities	12 798	12 464
Deferred tax liabilities	14 964	14 776
Other noninterest-bearing liabilities	6 570	6 440
Total non-current liabilities	235 748	236 323
Current liabilities		
Trade payables and other liabilities	23 872	25 330
Advance payments received	8 745	2 164
Derivative liabilities	13 200	11 552
Accrued expenses and deferred income	13 586	15 481
Current tax liabilities	1 254	1 888
Other interest-bearing liabilities	13 701	14 009
Interest-bearing provisions	3 717	18 359
Liabilities associated with assets held for sale	—	354
Total current liabilities	78 075	89 137
Total equity and liabilities	407 868	409 260

SUPPLEMENTARY INFORMATION

Amounts in SEK million	31 Dec 2017	31 Dec 2016
Calculation of capital employed		
Intangible assets: current and non-current	19 985	17 107
Property, plant and equipment	227 094	217 136
Participations in associated companies and joint arrangements	4 985	4 839
Deferred and current tax assets	12 798	12 852
Non-current noninterest-bearing receivables	2 911	2 659
Inventories	15 670	14 566
Trade receivables and other receivables	23 096	26 008
Prepaid expenses and accrued income	7 010	6 463
Unavailable liquidity	6 978	6 995
Other	1 616	484
Total assets excl. financial assets	322 143	309 109
Deferred and current tax liabilities	- 16 218	- 16 664
Other noninterest-bearing liabilities	- 6 570	- 6 440
Trade payable and other liabilities	- 23 872	- 25 330
Accrued expenses and deferred income	- 13 586	- 15 481
Total noninterest-bearing liabilities	- 60 246	- 63 915
Other interest-bearing provisions not related to adjusted net debt ¹	- 11 316	- 12 505
Capital employed²	250 581	232 689
Capital employed, average	241 635	248 640
Calculation of net debt		
Hybrid Capital	- 19 118	- 19 164
Bond issues, commercial paper and liabilities to credit institutions	- 52 113	- 55 807
Present value of liabilities pertaining to acquisitions of Group companies	- 161	- 51
Liabilities to associated companies	- 462	- 2 798
Liabilities to owners of non-controlling interests	- 10 369	- 10 109
Other liabilities	- 4 931	- 8 738
Total interest-bearing liabilities	- 87 154	- 96 667
Cash and cash equivalents	8 805	19 995
Short-term investments	18 092	23 297
Loans to owners of non-controlling interests in foreign Group companies	997	2 651
Net debt²	- 59 260	- 50 724
Calculation of adjusted gross debt and net debt		
Total interest-bearing liabilities	- 87 154	- 96 667
50% of Hybrid Capital ³	9 559	9 582
Present value of pension obligations	- 41 962	- 40 644
Provisions for gas and wind operations and other environment-related provisions	- 6 507	- 4 367
Provisions for nuclear power (net) ⁴	- 30 716	- 41 896
Margin calls received	3 312	3 961
Liabilities to owners of non-controlling interests due to consortium agreements	9 189	8 993
Adjusted gross debt	- 144 279	- 161 038
Reported cash and cash equivalents and short-term investments	26 897	43 292
Unavailable liquidity	- 6 978	- 6 995
Adjusted cash and cash equivalents and short-term investments	19 919	36 297
Adjusted net debt²	- 124 360	- 124 741

1) Includes personnel-related provisions for non-pension purposes, provisions for tax and legal disputes and certain other provisions.

2) See Definitions and calculations of key ratios for definitions of Alternative Performance Measures.

3) 50% of Hybrid Capital is treated as equity by the rating agencies, which thereby reduces adjusted net debt.

4) The calculation is based on Vattenfall's share of ownership in the respective nuclear power plants, less Vattenfall's share in the Swedish Nuclear Waste Fund and liabilities to associated companies. Vattenfall has the following ownership interests in the respective plants: Forsmark 66%, Ringhals 70.4%, Brokdorf 20%, Brunsbüttel 66.7%, Krümmel 50% and Stade 33.3%. (According to a special agreement, Vattenfall is responsible for 100% of the provisions for Ringhals.)

Consolidated statement of cash flows

(Reporting of figures for Oct-Dec 2016 and Full year 2016 includes the lignite operations which were divested in the second quarter 2016)

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Operating activities				
Profit before income taxes	12 889	- 27 975	3 687	- 5 042
Reversal of depreciation, amortisation and impairment losses	15 815	49 539	4 060	6 539
Tax paid	- 3 218	1 290	- 1 274	- 144
Capital gains/losses, net	- 646	- 1 581	- 91	186
Interest received	289	979	71	93
Interest paid	- 4 896	- 3 409	- 2 018	- 308
Other, incl. non-cash items	6 471	9 343	2 171	5 833
Funds from operations (FFO)	26 704	28 186	6 606	7 157
Changes in inventories	- 481	1 199	- 2 668	- 926
Changes in operating receivables	- 3 297	- 2 287	- 9 145	- 3 971
Changes in operating liabilities	- 2 521	3 623	7 408	4 253
Other changes	5 203	62	2 316	4 549
Cash flow from changes in operating assets and operating liabilities	- 1 096	2 597	- 2 089	3 905
Cash flow from operating activities	25 608	30 783	4 517	11 062
Investing activities				
Acquisitions in Group companies	- 1 601	- 129	- 136	- 129
Investments in associated companies and other shares and participations	364	541	244	149
Other investments in non-current assets	- 19 936	- 23 482	- 7 249	- 7 598
Total investments	- 21 173	- 23 070	- 7 141	- 7 578
Divestments	2 795	4 406	339	146
Cash and cash equivalents in acquired companies	48	98	—	98
Cash and cash equivalents in divested companies	- 213	- 199	—	- 116
Cash flow from investing activities	- 18 543	- 18 765	- 6 802	- 7 450
Cash flow before financing activities	7 065	12 018	- 2 285	3 612
Financing activities				
Changes in short-term investments	5 646	12 004	4 036	4 474
Changes in loans to owners of non-controlling interests in foreign Group companies	1 699	- 434	- 61	- 605
Loans raised ¹	6 088	8 764	1 337	1 482
Amortisation of other debt	- 13 438	- 21 549	- 6 127	- 2 051
Divestment of shares in Group companies to owners of non-controlling interests	—	2 745	—	- 30
Payment to the nuclear energy fund in Germany ²	- 17 322	—	- 106	—
Effect of early termination of swaps related to financing activities	105	2 244	—	- 433
Dividends paid to owners	- 865	- 882	- 31	- 165
Contribution from owners of non-controlling interests	- 243	2 107	- 372	537
Cash flow from financing activities	- 18 330	4 999	- 1 324	3 209
Cash flow for the period	- 11 265	17 017	- 3 609	6 821

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Cash and cash equivalents				
Cash and cash equivalents at start of period	19 995	12 351	12 366	13 108
Cash and cash equivalents included in assets held for sale/sold	—	- 9 443	—	68
Cash flow for the period	- 11 265	17 017	- 3 609	6 821
Translation differences	75	70	48	- 2
Cash and cash equivalents at end of period	8 805	19 995	8 805	19 995

SUPPLEMENTARY INFORMATION

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Cash flow before financing activities	7,065	12,018	-2,285	3,612
Financing activities				
Divestment of shares in Group companies to owners of non-controlling interests	—	2 745	—	- 30
Effects from terminating swaps related to financing activities	105	2 244	—	- 433
Dividends paid to owners	- 865	- 882	- 31	- 165
Contribution from owners of non-controlling interests	- 243	2 107	- 372	537
Cash flow after dividend	6 062	18 232	- 2 688	3 521
Analysis of change in net debt				
Net debt at start of period	- 50 724	- 64 201	- 56 841	- 57 971
Cash flow after dividend	6 062	18 232	- 2 688	3 521
Changes as a result of valuation at fair value	1 474	- 914	904	647
Changes in interest-bearing liabilities for leasing	—	13	—	1
Interest-bearing liabilities/short-term investments acquired/divested	- 146	4	- 4	—
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	- 110	—	—	—
Cash and cash equivalents included in assets held for sale	—	- 9 443	—	68
Interest-bearing liabilities associated with assets held for sale	—	99	—	99
Release of collateralised cash by issuing bank guarantees	—	2 515	—	2 515
Translation differences on net debt	- 142	- 127	- 535	396
Reclassification	- 15 674 ³	3 098	- 96 ³	—
Net debt at end of period	- 59 260	- 50 724	- 59 260	- 50 724
Cash flow from operating activities	25 608	30 783	4 517	11 062
Maintenance investments	- 12 516	- 11 566	- 4 690	- 3 907
Free cash flow⁴	13 092	19 217	- 173	7 155

- 1) Short-term borrowings in which the duration is three months or shorter are reported net.
- 2) The payment in Euro of EUR 1,797 million has been converted to SEK using the average rate as of December 2017.
- 3) Reclassification of provisions for nuclear power in Germany.
- 4) See Definitions and calculations of key ratios for definitions of Alternative Performance Measures.

INVESTMENTS

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Electricity generation				
Hydro power	1 317	1 511	577	547
Nuclear power	1 885	2 162	635	394
Coal power	168	454	85	124
Gas	228	164	75	37
Wind power and solar PV	5 445	8 782	1 757	2 611
Biomass, waste	32	22	23	6
Total electricity generation	9 075	13 095	3 152	3 719
CHP/heat				
Fossil-based power	1 830	1 840	1 025	823
Biomass, waste	114	156	52	61
Other	1 515	1 064	680	503
Total CHP/heat	3 459	3 060	1 757	1 387
Electricity networks				
Electricity networks	5 306	5 248	2 116	2 241
Total electricity networks	5 306	5 248	2 116	2 241
Purchases of shares, shareholder contributions	1 237	- 361	- 108	30
Other	1 238	1 076	426	417
Total investments from continuing operations	20 315	22 118	7 343	7 794
Accrued investments (-)/release of accrued investments (+)	858	- 197	- 202	- 226
Total investments with cash flow effect from continuing operations	21 173	21 921	7 141	7 568
Investments with cash flow effect from discontinued operations	—	1 149	—	10
Total investments with cash flow effect	21 173	23 070	7 141	7 578

Consolidated statement of changes in equity

Amounts in SEK million	31 Dec 2017			31 Dec 2016		
	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity
Balance brought forward	68 272	15 528	83 800	103 984	11 972	115 956
Profit for the period	8 420	1 151	9 571	- 26 324	320	- 26 004
Cash flow hedges - changes in fair value	4 442	—	4 442	- 17 691	71	- 17 620
Cash flow hedges - dissolved against income statement	- 2 827	- 17	- 2 844	2 746	- 9	2 737
Cash flow hedges - transferred to cost of hedged item	1	—	1	- 52	- 19	- 71
Hedging of net investments in foreign operations	- 1 147	—	- 1 147	- 923	—	- 923
Translation differences and exchange rate effects net, divested companies	17	—	17	1 164	—	1 164
Translation differences	2 057	295	2 352	1 812	115	1 927
Remeasurement pertaining to defined benefit obligations	- 585	- 74	- 659	- 1 726	- 79	- 1 805
Income taxes related to other comprehensive income	- 71	23	- 48	4 509	13	4 522
Total other comprehensive income for the period	1 887	227	2 114	- 10 161	92	- 10 069
Total comprehensive income for the period	10 307	1 378	11 685	- 36 485	412	- 36 073
Dividends paid to owners	—	- 865	- 865	—	- 882	- 882
Group contributions from(+)/to(-) owners of non-controlling interests	—	- 153	- 153	—	- 352	- 352
Changes in ownership in Group companies on divestments of shares to owners of non-controlling interests	—	—	—	895	2 082	2 977
Contribution from minority interest	—	- 243	- 243	—	2 107	2 107
Other changes in ownership	—	- 179	- 179	—	- 28	- 28
Other changes	135	- 135	—	- 122	217	95
Total transactions with equity holders	135	- 1 575	- 1 440	773	3 144	3 917
Balance carried forward	78 714	15 331	94 045	68 272	15 528	83 800
- Of which, Reserve for hedges	- 540	29	- 511	- 1 711	43	- 1 668

Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times ¹	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Operating margin, continuing operations	13.8	1.0	15.6	- 7.5
Operating margin, continuing operations ²	17.2	15.6	19.0	18.8
Pre-tax profit margin, continuing operations	9.5	- 3.6	9.6	- 12.9
Pre-tax profit margin, continuing operations ²	13.0	11.1	12.9	13.9
Return on equity, Total Vattenfall	11.0	- 33.4	11.0 ³	- 33.4 ³
Return on capital employed, continuing operations	7.7	0.5	7.7 ³	0.5 ³
Return on capital employed, Total Vattenfall	7.7	- 8.5	7.7 ³	- 8.5 ³
Return on capital employed, continuing operations ²	9.7	8.7	9.7 ³	8.7 ³
Return on capital employed, Total Vattenfall ²	9.7	8.7	9.7 ³	8.7 ³
EBIT interest cover, continuing operations, (x)	3.3	0.5	3.3 ³	0.5 ³
EBIT interest cover, continuing operations, (x) ²	4.1	4.6	4.1 ³	4.6 ³
FFO interest cover, continuing operations, (x)	5.4	6.5	5.4 ³	6.5 ³
FFO interest cover, net, continuing operations, (x)	6.9	7.7	6.9 ³	7.7 ³
Cash flow interest cover after maintenance investments, continuing operations, (x)	3.5	5.6	3.5 ³	5.6 ³
FFO/gross debt, continuing operations	30.6	27.8	30.6 ³	27.8 ³
FFO/gross debt, Total Vattenfall	30.6	29.2	30.6 ³	29.2 ³
FFO/net debt, continuing operations	45.1	53.0	45.1 ³	53.0 ³
FFO/net debt, Total Vattenfall	45.1	55.6	45.1 ³	55.6 ³
FFO/adjusted net debt, continuing operations	21.5	21.6	21.5 ³	21.6 ³
FFO/adjusted net debt, Total Vattenfall	21.5	22.6	21.5 ³	22.6 ³
EBITDA/net financial items, continuing operations, (x)	7.6	6.8	6.0	2.5
EBITDA/net financial items, continuing operations, (x) ²	8.5	9.0	6.8	8.1
Equity/Total assets, Total Vattenfall	23.1	20.5	23.1	20.5
Gross debt/equity, Total Vattenfall	92.7	115.4	92.7	115.4
Net debt/equity, Total Vattenfall	63.0	60.5	63.0	60.5
Gross debt/gross debt plus equity, Total Vattenfall	48.1	53.6	48.1	53.6
Net debt/net debt plus equity, Total Vattenfall	38.7	37.7	38.7	37.7
Net debt/EBITDA, continuing operations, (x)	1.7	1.9	1.7 ³	1.9 ³
Net debt/EBITDA, Total Vattenfall, (x)	1.7	1.8	1.7 ³	1.8 ³
Adjusted net debt/EBITDA, continuing operations, (x)	3.6	4.6	3.6 ³	4.6 ³
Adjusted net debt/EBITDA, Total Vattenfall, (x)	3.6	4.4	3.6 ³	4.4 ³

1) See Definitions and calculations of key ratios for definitions of Alternative Performance Measures.

2) Based on Underlying operating profit.

3) Last 12-month values.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Income statement								
Continuing operations								
Net sales	38 456	27 426	29 349	40 064	37 796	29 746	30 047	41 619
Cost of products sold	- 27 827	- 20 423	- 20 839	- 30 013	- 32 629	- 22 990	- 34 565	- 29 032
Other operating income and expenses	- 4 725	- 4 804	- 4 070	- 4 288	- 5 837	- 4 537	- 3 877	- 2 553
Participations in the results of associated companies	114	- 26	- 11	261	- 2 171	32	123	164
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	10 078	5 943	8 734	9 704	3 313	5 886	4 274	13 736
Operating profit (EBIT)	6 018	2 173	4 429	6 024	- 2 841	2 251	- 8 272	10 198
Underlying operating profit	7 311	2 815	4 856	8 341	7 095	2 602	3 701	8 299
Financial items, net	- 2 331	- 1 304	- 1 116	- 1 004	- 2 017	- 1 949	- 843	- 1 573
Profit before income taxes	3 687	869	3 313	5 020	- 4 858	302	- 9 115	8 625
Profit for the period from continuing operations	2 881	789	2 119	3 782	- 3 960	787	- 5 818	6 820
Profit for the period from discontinued operations, net after income taxes	—	—	—	—	- 192	- 599	- 22 826	- 218
Profit for the period	2 881	789	2 119	3 782	- 4 152	188	- 28 644	6 602
- of which, attributable to owner of the Parent Company	2 590	735	1 876	3 220	- 4 055	- 35	- 28 508	6 272
- of which, attributable to non-controlling interests	291	54	243	562	- 97	223	- 136	330
Balance sheet								
Non-current assets	317 907	307 141	304 391	302 181	304 628	308 457	305 918	344 481
Short-term investments	18 092	21 800	21 230	21 298	23 297	25 440	25 559	22 171
Cash and cash equivalents	8 805	12 366	21 583	18 010	19 995	13 108	5 399	15 254
Other current assets	63 064	47 366	51 812	60 272	61 340	52 603	80 075	80 282
Total assets	407 868	388 673	399 016	401 761	409 260	399 608	416 951	462 188
Equity	94 045	91 101	89 962	87 365	83 800	86 806	87 713	124 368
- of which, attributable to owner of the Parent Company	78 714	75 498	74 284	71 961	68 272	71 276	72 955	109 756
- of which, attributable to non-controlling interests	15 331	15 603	15 678	15 404	15 528	15 530	14 758	14 612
Hybrid Capital	19 118	18 908	19 007	19 086	19 164	19 054	18 803	18 448
Other interest-bearing liabilities	68 036	73 003	92 987	76 927	77 503	79 520	77 831	81 710
Pension provisions	41 962	39 554	39 556	40 555	40 644	42 986	42 339	38 893
Other interest-bearing provisions	89 718	85 039	84 755	97 537	97 700	85 596	84 493	99 834
Deferred tax liabilities	14 964	14 926	14 558	14 980	14 776	16 726	20 732	24 109
Other noninterest-bearing liabilities	80 025	66 142	58 191	65 311	75 673	68 920	85 040	74 826
Total equity and liabilities	407 868	388 673	399 016	401 761	409 260	399 608	416 951	462 188
Capital employed	250 581	236 951	240 920	236 530	232 689	232 501	234 061	269 036
Net debt	- 59 260	- 56 841	- 67 167	- 54 681	- 50 724	- 57 971	- 63 654	- 60 729
Cash flow								
Funds from operations (FFO)	6 606	5 045	6 824	8 228	7 157	5 501	6 446	9 082
Cash flow from changes in operating assets and operating liabilities	- 2 089	10 477	- 62	- 9 420	3 905	7 020	3 412	- 11 740
Cash flow from operating activities	4 517	15 522	6 762	- 1 192	11 062	12 521	9 858	- 2 658
Cash flow from investing activities	- 6 802	- 4 976	- 3 754	- 3 012	- 7 450	- 6 501	- 4 091	- 723
Cash flow before financing activities	- 2 285	10 546	3 008	- 4 204	3 612	6 020	5 767	- 3 381
Changes in short-term investments	4 036	- 523	200	1 933	4 474	626	- 2 910	9 814
Loans raised/Amortisation of debt, net, etc.	- 5 329	- 18 794	725	287	- 1 100	1 313	- 2 800	- 3 536
Dividends paid to owners	- 31	- 393	- 441	—	- 165	- 214	- 503	—
Cash flow from financing activities	- 1 324	- 19 710	484	2 220	3 209	1 725	- 6 213	6 278
Cash flow for the period	- 3 609	- 9 164	3 492	- 1 984	6 821	7 745	- 446	2 897
Free cash flow	- 173	12 782	4 111	- 3 627	7 155	10 170	6 889	- 4 997

In % unless otherwise stated. (x) means times ¹	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Key ratios								
Return on equity, Total Vattenfall ¹	11.0	2.4	1.4	- 41.0	- 33.4	- 23.6	- 20.6	- 15.8
Return on capital employed, continuing operations ²	7.7	4.2	4.2	- 1.1	0.5	3.1	3.1	- 1.0
Return on capital employed, Total Vattenfall ¹	7.7	4.1	4.1	- 10.0	- 8.5	- 5.8	- 5.5	- 7.5
Return on capital employed, continuing operations ^{2, 3}	9.7	9.8	9.6	8.6	8.7	8.4	8.4	7.6
Return on capital employed, Total Vattenfall ^{2, 3}	9.7	9.8	10.0	8.7	8.7	8.5	8.3	7.4
EBIT interest cover, continuing operations (x) ²	3.3	2.2	2.1	- 0.5	0.5	1.9	2.2	- 0.2
EBIT interest cover, continuing operations, (x) ^{2, 3}	4.1	5.2	4.9	5.0	4.6	4.7	5.2	4.7
FFO/gross debt, continuing operations ²	30.6	29.6	24.4	27.7	27.8	30.1	29.8	27.0
FFO/gross debt, Total Vattenfall ²	30.6	29.7	24.7	28.5	29.2	30.8	31.7	28.3
FFO/net debt, continuing operations ²	45.1	47.9	40.7	48.6	53.0	51.2	45.3	44.5
FFO/net debt, Total Vattenfall ²	45.1	47.9	41.3	50.0	55.6	52.4	48.1	46.6
FFO/adjusted net debt, continuing operations ²	21.5	24.0	22.2	20.9	21.6	23.9	22.4	19.7
FFO/adjusted net debt, Total Vattenfall ²	21.5	24.1	22.5	21.5	22.6	24.5	23.7	20.6
Equity/assets ratio, Total Vattenfall	23.1	23.4	22.5	21.7	20.5	21.7	21.0	26.9
Gross debt/equity, Total Vattenfall	92.7	100.9	124.5	109.9	115.4	113.6	110.2	80.5
Net debt/equity, Total Vattenfall	63.0	62.4	74.7	62.6	60.5	66.8	72.6	48.8
Net debt/net debt plus equity, Total Vattenfall	38.7	38.4	42.7	38.5	37.7	40.0	42.1	32.8
Net debt/EBITDA, continuing operations, (x) ²	1.7	2.1	2.4	2.4	1.9	1.8	2.0	1.9
Net debt/EBITDA, Total Vattenfall, (x) ²	1.7	2.1	2.4	2.3	1.8	1.7	1.8	1.8
Adjusted net debt/EBITDA, continuing operations, (x) ²	3.6	4.1	4.5	5.5	4.6	3.9	4.1	4.2
Adjusted net debt/EBITDA, Total Vattenfall, (x) ²	3.6	4.1	4.4	5.4	4.4	3.7	3.7	4.1

1) See Definitions and calculations of key ratios for definitions of Alternative Performance Measures.

2) Last 12-month values.

3) Based on Underlying operating profit.

NOTE 1 | Accounting policies, risks and uncertainties

Accounting policies

The consolidated accounts for 2017 have been prepared, as for the 2016 year-end accounts, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, and the Swedish Annual Accounts Act. This interim report for the Group has been prepared in accordance with IAS 34 – “Interim Financial Reporting”, and the Swedish Annual Accounts Act. The accounting policies and calculation methods applied in this interim report are the same as those described in Note 3 to the consolidated accounts, Accounting policies in Vattenfall’s 2016 Annual and Sustainability Report. As described in the note, the amended IFRSs endorsed by the EU for application in the 2017 financial year have no significant effect on Vattenfall’s financial statements.

IFRS 9 “Financial Instruments”

Vattenfall has completed its analysis and calculated the effects of application of the new standard IFRS 9 “Financial Instruments”, effective as from 1 January 2018. The effect on equity of changed accounting policies as per 1 January 2017 is only SEK 1 million. The effect is attributable solely to the changed rules for recognition of impairment losses under IFRS 9. The low effect is due to the counterparties’ good credit ratings. As per 31 December 2017 the effect in the income statement was SEK -1 million and is attributable to impairment. A small portion of short-term investments has been revaluated. However, the effect of this revaluation is zero both as per 1 January 2017 and as per 31 December 2017. With respect to hedge accounting, no comparison figures have been calculated for 2017. The effect of the new hedge accounting rules will have only a marginal effect on Vattenfall’s financial statements from 2018.

IFRS 15 – “Revenue from Contracts with Customers”

During 2017 Vattenfall finalised its analysis of the effects of implementation of the new standard IFRS 15 – “Revenue from Contracts with Customers”, which becomes effective as from 2018. As communicated in previous reports, the effect in the income statement of implementation of IFRS 15 is limited for the Vattenfall Group. Changes compared with the current revenue recognition standard IAS 18 (including IAS 11), are in the following areas:

BA Customers & Solutions

Vattenfall offers customers discounts and bonuses primarily on sale of electricity through different campaigns. Various types of discounts and bonuses are offered in different countries. Today these discounts and bonuses are generally reported as a reduction of revenue when the customer receives the discount or bonus. According to IFRS 15, discounts and bonuses are to be reported when the performance obligation to the customer is satisfied, which in general is when the customer consumes the electricity. The effect on the restated financial statements for the 2017 financial year is thus a decrease in revenue by SEK 108 million. The effect on a quarterly basis will be presented in the Q1 2018 report.

Vattenfall sells its products through different sales channels and incurs different types of costs in connection with this. According to IFRS 15, incremental costs to obtain contracts are to be capitalised and amortised over the length of the contracts. Since part of these costs have been previously expensed as incurred, an effect of SEK 62 million lower costs arises in the restated 2017 figures. The effect on a quarterly basis will be presented in the Q1 2018 report.

The effect on equity as per 1 January 2017 in the restated financial statements for 2017 from the changes in BA Customers & Solutions is an increase by SEK 65 million.

BA Distribution

Vattenfall has contracts with business and private customers in Sweden covering distribution of electricity. The transaction price for distribution includes a fixed monthly fee and a variable fee based on the customer’s electricity consumption. These contracts carry a single performance obligation, which is to stand ready to distribute electricity to the customer. The connection fees paid by the customers for connecting them to the grid are part of the same performance obligation. The performance obligation is satisfied over time. In accordance with IFRS 15, the fixed fees are recognised as revenue as they are invoiced and the variable fees are recognised as revenue based on the customer’s consumption. The connection fees are recognised over time since Vattenfall is responsible for maintenance and repairs of the assets used in the physical connection.

Compared with the current reporting under IAS 18, application of IFRS 15 does not entail any changes in revenue recognition for fixed and variable fees. The connection fees are currently recognised as revenue upon connection. An effect on the restated 2017 figures thus arises. The effect on equity as per 1 January 2017 is a decrease by SEK 1,666 million and for the 2017 financial year the effect on revenue is a decrease by SEK 65 million. The effect on a quarterly basis will be presented in the Q1 2018 report.

BA Heat

Vattenfall has contracts with business and private customers in Sweden, Germany and the Netherlands for sales and distribution of heat. The transaction price for the sales and distribution includes a fixed monthly fee and a variable fee based on the customer’s consumption. In general customers also pay a connection fee. The accounting conclusion under IFRS 15 for the fixed and variable fees as well as connection fees is the same as described above for BA Distribution.

Compared with the current reporting under IAS 18, application of IFRS 15 does not entail any changes in revenue recognition for fixed and variable fees. For some of Vattenfall’s units, connection fees are currently recognised as revenue upon connection. An effect on the restated 2017 figures thus arises. The effect on equity as per 1 January 2017 is a decrease by SEK 183 million, and for the 2017 financial year the effect on revenue is a decrease by SEK 8 million. The effect on a quarterly basis will be presented in the Q1 2018 report.

The combined effects of implementation of IFRS 15 on the restated financial statements for 2017 for the Vattenfall Group are as follows:

- The effect for on 2017 is a decrease in revenue by SEK 181 million and a decrease in costs by SEK 62 million. In addition are some effects on deferred taxes.
- Effect on equity as per 1 January 2017 is a decrease by SEK 1,785 million.

IFRS 16 – “Leases”

IFRS 16 – “Leases” is a new standard for reporting leases that requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or has a low value. IFRS 16 replaces IAS 17 – “Leases” along with the accompanying interpretations. IFRS 16 becomes effective as from 2019. Vattenfall has been conducting an analysis of the new standard since mid-2017. Vattenfall expects the effects of IFRS 16 to be minor with respect to the Group’s balance sheet total.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2016 Annual and Sustainability Report, pages 57-63. Apart from the information provided under "Important events" in this report and under "Important events" in previously published interim reports in 2017, no other material changes have taken place since publication of Vattenfall's 2016 Annual and Sustainability Report.

Other

Significant related-party transactions are described in Note 48 to the consolidated accounts in Vattenfall's 2016 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in Vattenfall's 2016 Annual and Sustainability Report.

NOTE 2 | Exchange rates

KEY EXCHANGE RATES APPLIED IN THE ACCOUNTS OF THE VATTENFALL GROUP

	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Average rate				
EUR	9.6392	9.4496	9.7889	9.6981
DKK	1.2958	1.2690	1.3153	1.3033
NOK	1.0316	1.0181	1.0141	1.0738
PLN	2.2659	2.1647	2.3146	2.2164
GBP	11.0311	11.6081	11.1004	11.1819
USD	8.5405	8.5807	8.2810	8.9666

	31 Dec 2017	31 Dec 2016
Balance sheet date rate		
EUR	9.8438	9.5525
DKK	1.3222	1.2849
NOK	1.0004	1.0513
PLN	2.3567	2.1660
GBP	11.0950	11.1571
USD	8.2080	9.0622

NOTE 3 | Financial instruments by category and related effects on income

FINANCIAL INSTRUMENTS BY CATEGORY: CARRYING AMOUNT AND FAIR VALUE

Amounts in SEK million ¹	31 Dec 2017		31 Dec 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss	41 852	41 852	56 207	56 207
Loans and receivables	73 429	75 600	75 757	78 456
Available-for-sale financial assets	148	148	118	118
Financial liabilities at fair value through profit or loss	25 998	25 998	24 016	24 016
Other financial liabilities	119 788	127 421	122 780	130 474

1) For information of what is included in each respective category in the table above, please refer to Note 40 to the consolidated accounts, Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income in Vattenfall's 2016 Annual and Sustainability Report.

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

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON THE BALANCE SHEET AT 31 DECEMBER 2017

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	23 701	129	23 830
Short-term investments and cash equivalents	10 700	7 322	—	18 022
Total assets	10 700	31 023	129	41 852
Liabilities				
Derivative liabilities	—	25 900	98	25 998
Total liabilities	—	25 900	98	25 998

FINANCIAL ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON THE BALANCE SHEET AT 31 DECEMBER 2016

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	24 438	254	24 692
Short-term investments and cash equivalents	13 935	17 580	—	31 515
Total assets	13 935	42 018	254	56 207
Liabilities				
Derivative liabilities	—	23 898	118	24 016
Total liabilities	—	23 898	118	24 016

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

Amounts in SEK million	Financial instruments at fair value through profit or loss			
	Derivative assets		Derivative liabilities	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Balance brought forward	254	408	118	1 438
Revaluations recognised in operating profit (EBIT)	- 130	- 168	- 23	- 1 361
Translation differences	5	14	3	41
Balance carried forward	129	254	98	118
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	129	49	- 24	- 183

SENSITIVITY ANALYSIS FOR LEVEL 3 CONTRACTS

For the determination of fair value of financial instruments, Vattenfall strives to use valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Entity-specific estimates are based on internal valuation models that are subject to a defined process of validation, approval and monitoring. In the first step the model is designed by the business. The valuation model is then independently reviewed and approved by Vattenfall's risk organisation. If deemed necessary, adjustments are required and implemented. Afterwards, Vattenfall's risk organisation continuously monitors whether the application of the method is still appropriate. This is made by usage of several back-testing tools. In

order to reduce valuation risks, the application of the model can be restricted to a limited scope.

The level 3 contracts in this interim report are the same as in Vattenfall's 2016 Annual and Sustainability Report. For additional information please refer to Note 40 to the consolidated accounts, Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income, in Vattenfall's 2016 Annual and Sustainability Report. The accumulated net value of all level 3 contracts as per 31 December 2017 has been calculated at SEK 31 million (136). A change of +/-5% would affect the total value by approximately SEK +/-15 million (+/-37%).

FINANCIAL INSTRUMENTS: EFFECTS ON INCOME BY CATEGORY

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

Amounts in SEK million	31 Dec 2017			31 Dec 2016		
	Net gains/ losses ¹	Interest income	Interest expenses	Net gains/ losses ¹	Interest income	Interest expenses
Derivative assets and derivative liabilities	- 3 215	117	- 34	1 758	203	- 475
Available-for-sale financial assets	100	—	—	- 143	—	—
Loans and trade receivables	- 202	1 253	—	25	1 004	—
Financial liabilities measured at amortised cost	312	—	- 5 018	- 816	—	- 3 017
Total	- 3 005	1 370	- 5 052	824	1 207	- 3 492

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

NOTE 4 | Discontinued operations

In accordance with IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations, the lignite operations, which have been divested, are reported as a discontinued operation as from the second quarter of 2016. The lignite operations are thus reported on a separate line in the income statement. In the segment reporting, the parts of the Power Generation and Heat segments that pertain to the lignite operations have been reclassified as “Discontinued

operations”, and the Power Generation and Heat operating segments have been restated for earlier periods so that they only include the continuing operations. In accordance with IFRS 5, the balance sheet has not been restated to reflect earlier periods. The Statement of cash flows has not been restated. Cash flow from the discontinued lignite operations is presented below in this note.

EARNINGS FROM DISCONTINUED OPERATIONS

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Net Sales	—	13 459	—	117
Expenses	—	13 957	—	- 121
Net financial items	—	- 387	—	- 3
Realised gains related to fair value hedges	—	37	—	—
Translation differences related to hedging of net investments in foreign operations	—	- 477	—	—
Capital gain	—	278	—	2
Impairment loss recognised on the remeasurement to fair value less costs to sell	—	- 21 883	—	- 179
Profit before income taxes from discontinued operations	—	- 22 930	—	- 184
Income taxes	—	- 903	—	- 8
Profit for the period from discontinued operations attributable to owners of the Parent Company	—	- 23 833	—	- 192

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Operating profit (EBIT)	—	- 22 542	—	- 180
Items affecting comparability	—	22 538	—	28
Underlying operating profit	—	- 4	—	- 152

CASH FLOW FROM DISCONTINUED OPERATIONS

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Funds from operations (FFO)	—	1 291	—	23
Cash flow from operating activities	—	2 200	—	11
Cash flow from investing activities	—	- 950	—	- 6
Cash flow from financing activities	—	466	—	5

TOTAL EARNINGS EFFECT OF SALE OF LIGNITE OPERATIONS

Amounts in SEK million	Full year 2016
Impairment loss recognised on remeasurement to fair value less costs to sell in Q2 2016	-21 505
Exchange rate effect in Q3 2016 on impairment losses recognised in Q2 2016	- 199
Capital gain Q3 2016	276
Dissolution of translation reserve and hedge of net investments in foreign operations in Q3 2016	- 477
Exchange rate effect in Q4 2016	- 177
Total earnings effect in 2016	- 22 082

The Parent Company Vattenfall AB

Accounting policies

The Parent Company Vattenfall AB's accounts are prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. The accounting policies used in this report are the same as those described in Vattenfall's 2016 Annual and Sustainability Report (Note 3 to the Parent Company accounts, Accounting policies).

IFRS 9 “Financial Instruments”

See Note 1 to the consolidated accounts, Accounting policies, risks and uncertainties. The Group's application of IFRS 9 has no effect on the Parent Company's financial statements. This applies both for the opening balance of equity as well as for profit for 2017.

The Parent Company has applied the exemption rule for IAS 39 “Financial Instruments” provided by RFR 2 until year-end 2017. Starting in 2018 the company will no longer apply this exemption and will instead change over to reporting in accordance with IFRS 9. The effects of the changed accounting policy will be presented in the 2018 financial statements.

IFRS 15 – “Revenue from Contracts with Customers”

See Note 1 to the consolidated accounts, Accounting policies, risks and uncertainties. There are no exceptions in RFR2 with respect to IFRS 15. The areas that remain and are affected in the Parent Company are BA Customers & Solutions and BA Heat, and in the financial statements for 2018, the comparison year 2017 will be recalculated as a result of the changed accounting policy.

The combined effects for the Parent Company of implementation of IFRS 15 are:

- The effect on 2017 is SEK 5 million lower revenue and a smaller effect on deferred tax.
- The effect on opening equity as per 1 January 2017 2017 is a decrease by SEK 156 million.

January – December 2017

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

- Net sales amounted to SEK 31,276 million (29,752).
- Profit before appropriations and income taxes was SEK 6,580 million (-6,510).
- Profit was affected by a capital gain of SEK 132 million upon liquidation of Vattenfall Energy Trading Sp.z.o.o and a small capital gain from the sale of a heating plant in Munksund. In addition, profit was affected by a reversal of liabilities to subsidiaries in the amount of SEK 4,493 million and by dividends received of SEK 230 million. Profit for the corresponding period a year ago was affected by an impairment loss of SEK 13,333 million for shares in subsidiaries and by dividends received of SEK 1,729 million.
- The balance sheet total was SEK 245,640 million (261,902).
- Investments during the period amounted to SEK 5,204 million (7,629), of which SEK 4,000 million (7,000) pertains to a shareholder contribution to Vattenfall Vindkraft AB and SEK 288 million (0) to a new share issue in Vattenfall UK Sales Ltd.
- Cash and cash equivalents, and short-term investments amounted to SEK 23,598 million (35,682).

Risks and uncertainties

See Note 1 to the consolidated accounts, Accounting policies, risks and uncertainties.

Other

Significant related-party transactions are described in Note 48 to the consolidated accounts, Related party disclosures, in Vattenfall's 2016 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in Vattenfall's 2016 Annual and Sustainability Report.

Parent Company income statement

Amounts in SEK million	Full year 2017	Full year 2016
Net sales	31 276	29 752
Cost of products sold	- 23 611	- 23 999
Gross profit	7 665	5 753
Selling expenses, administrative expenses and research and development costs	- 2 381	- 2 398
Other operating income and expenses, net	564	275
Operating profit (EBIT)	5 848	3 630
Result from participations in subsidiaries	4 855	- 11 545
Result from participations in associated companies	—	- 2
Result from other shares and participations	—	1
Other financial income	1 445	5 127
Other financial expenses	- 5 568	- 3 721
Profit before appropriations and income taxes	6 580	- 6 510
Appropriations	1 037	1 466
Profit before income taxes	7 617	- 5 044
Income taxes	- 647	- 1 480
Profit for the period	6 970	- 6 524

Parent Company balance sheet

Amounts in SEK million	31 Dec 2017	31 Dec 2016
Assets		
Non-current assets		
Intangible assets: non-current	185	174
Property, plant and equipment	4 277	4 151
Shares and participations	149 914	145 586
Deferred tax assets	363	329
Other non-current receivables	52 904	58 897
Total non-current assets	207 643	209 137
Current assets		
Inventories	221	255
Intangible assets: current	246	275
Current receivables	13 826	16 553
Current tax assets	106	—
Short-term investments	17 229	18 733
Cash and cash equivalents	6 369	16 949
Total current assets	37 997	52 765
Total assets	245 640	261 902
Equity, provisions and liabilities		
Equity		
Restricted equity		
Share capital (131,700,000 shares with a share quota value of SEK 50)	6 585	6 585
Revaluation reserve	37 989	37 989
Other reserves	1 322	1 316
Non-restricted equity		
Retained earnings	43 613	50 142
Profit for the period	6 970	- 6 524
Total equity	96 479	89 508
Untaxed reserves	12 284	13 294
Provisions	5 194	5 308
Non-current liabilities		
Hybrid capital	19 500	19 101
Other interest-bearing liabilities	41 264	49 870
Other noninterest-bearing liabilities	9 689	13 099
Total non-current liabilities	70 453	82 070
Current liabilities		
Other interest-bearing liabilities	54 436	64 688
Current tax liabilities	—	520
Other noninterest-bearing liabilities	6 794	6 514
Total current liabilities	61 230	71 722
Total equity, provisions and liabilities	245 640	261 902

Definitions and calculations of key ratios

Alternative Performance Measures

In order to ensure a fair presentation of the Group's operations, the Vattenfall Group uses a number of Alternative Performance Measures that are not defined in IFRS or in the Swedish Annual Accounts Act. The Alternative Performance Measures that Vattenfall uses are

described below, including their definitions and how they are calculated. The Alternative Performance Measures used are unchanged compared with earlier periods.

	Definition
EBIT:	Operating profit (Earnings Before Interest and Tax)
EBITDA:	Operating profit before depreciation, amortisation and impairment losses (Earnings Before Interest, Tax, Depreciation and Amortisation)
Items affecting comparability:	Capital gains and capital losses from shares and other non-current assets, impairment losses and reversed impairment losses and other material items that are of an infrequent nature. Also included here are, for trading activities, unrealised changes in the fair value of energy derivatives, which according to IAS 39 cannot be recognised using hedge accounting and unrealised changes in the fair value of inventories. See Consolidated income statement for a specification of items affecting comparability.
Underlying EBITDA:	Underlying operating profit before depreciation, amortisation and impairment losses. This measure is intended to provide a better view on the operating result by excluding items affecting comparability that are of an infrequent nature, while also excluding non-cash depreciation and amortisation.
Underlying operating profit:	Operating profit (EBIT) excluding items affecting comparability. This measure is intended to provide a better view on the operating result by excluding items affecting comparability that are of an infrequent nature.
FFO:	Funds From Operations, see Consolidated statement of cash flow
Free cash flow:	Cash flow from operating activities less maintenance investments
Interest-bearing liabilities	See Consolidated balance sheet - Supplementary Information
Net debt:	See Consolidated balance sheet - Supplementary Information
Adjusted net debt:	See Consolidated balance sheet - Supplementary Information
Capital employed:	Total assets less financial assets, noninterest-bearing liabilities and certain other interest-bearing provisions not included in adjusted net debt. see Consolidated balance sheet - Supplementary Information
Other definitions	Definition
Hybrid Capital:	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments.
LTIF:	Lost Time Injury Frequency (LTIF) is expressed in terms of the number of lost time work injuries (per 1 million hours worked), i.e., work-related accidents resulting in absence longer than one day, and accidents resulting in fatality.

CALCULATION OF EBITDA, UNDERLYING EBITDA AND UNDERLYING EBIT

Amounts in SEK million	Full year 2017	Full year 2016	Oct-Dec 2017	Oct-Dec 2016
Operating profit (EBIT)	18 644	1 337	6 018	-2 841
Depreciation, amortisation and impairment losses	15 816	25 872	4 060	6 154
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	34 460	27 209	10 078	3 313
Items affecting comparability excl. impairment losses and reversed impairment losses	4 245	8 935	1 247	7 567
Underlying operating profit before depreciation, amortisation and impairment losses	38 705	36 144	11 325	10 880
Operating profit (EBIT)	18 644	1 337	6 018	-2 841
Items affecting comparability	4 679	20 360	1 293	9 936
Underlying operating profit	23 323	21 697	7 311	7 095

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

KEY RATIOS BASED ON CONTINUING OPERATIONS AND LAST 12-MONTH VALUES JANUARY 2017– DECEMBER 2017

Operating margin, %	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}}$	$\frac{18\,644}{135\,295}$	=	13.8
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}}$	$\frac{23\,323}{135\,295}$	=	17.2
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before income taxes}}{\text{Net sales}}$	$\frac{12\,889}{135\,295}$	=	9.5
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before income taxes excl. items affecting comparability}}{\text{Net sales}}$	$\frac{17\,561}{135\,295}$	=	13.0
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{8\,420}{76\,390}$	=	11.0
Return on capital employed, %	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}}$	$\frac{18\,644}{241\,635}$	=	7.7
Return on capital employed excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}}$	$\frac{23\,323}{241\,635}$	=	9.7
EBIT interest cover, (x)	=	$\frac{\text{EBIT + financial income excl. return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{20\,176}{6\,070}$	=	3.3
EBIT interest cover excl. Items affecting comparability, (x)	=	$\frac{\text{Underlying EBIT + financial income excl. Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{24\,855}{6\,070}$	=	4.1
FFO interest cover, (x)	=	$\frac{\text{FFO + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{32\,774}{6\,070}$	=	5.4
FFO interest cover, net, (x)	=	$\frac{\text{FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{31\,242}{4\,538}$	=	6.9

Cash flow interest cover after maintenance investments, (x)	=	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl. Discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}$	$\frac{18\,342}{5\,250} = 3.5$
FFO/gross debt, %	= 100 x	$\frac{\text{FFO}}{\text{Interest-bearing liabilities}}$	$\frac{26\,704}{87\,154} = 30.6$
FFO/net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Net debt}}$	$\frac{26\,704}{59\,260} = 45.1$
FFO/adjusted net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Adjusted net debt}}$	$\frac{26\,704}{124\,360} = 21.5$
EBITDA/net financial items, (x)	=	$\frac{\text{EBITDA}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{34\,460}{4\,538} = 7.6$
EBITDA excl. items affecting comparability/net financial items, (x)	=	$\frac{\text{EBITDA excl. items affecting comparability}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{38\,705}{4\,538} = 8.5$

KEY RATIOS BASED ON THE BALANCE SHEET PER 31 DECEMBER 2017

Equity/total assets, %	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{94\,045}{407\,868} = 23.1$
Gross debt/equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{87\,154}{94\,045} = 92.7$
Net debt/equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	$\frac{59\,260}{94\,045} = 63.0$
Gross debt/gross debt equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	$\frac{87\,154}{181\,199} = 48.1$
Net debt/net debt plus equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	$\frac{59\,260}{153\,305} = 38.7$
Net debt/EBITDA, (x)	=	$\frac{\text{Net debt}}{\text{EBITDA}}$	$\frac{59\,260}{34\,460} = 1.7$
Adjusted net debt/EBITDA, (x)	=	$\frac{\text{Adjusted net debt}}{\text{EBITDA}}$	$\frac{124\,360}{34\,460} = 3.6$

Dividend

In accordance with Vattenfall's dividend policy, the Board of Directors proposes a dividend of SEK 2,000 million, corresponding to 24% of profit for the year attributable to owners of the Parent Company.

Annual General Meeting

The Annual General Meeting will be held on 25 April 2018, in Solna. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English versions) is expected to be published on www.vattenfall.se and www.vattenfall.com, respectively, on 28 March 2018.

Year-end report signature

Solna, 7 February 2018

Vattenfall AB (publ)
The Board of Directors

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

Financial calendar

Annual General Meeting, 25 April 2018

Interim report January-March, 26 April 2018

Interim report January-June, 20 July 2018

Interim report January-September, 30 October 2018

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This information is such that Vattenfall is required to make public in accordance with the EU Market Abuse Regulation and/or the Swedish Securities Market Act. The information was submitted for publication, by the agency of the contact persons above, at 08.00 CET on 7 February 2018. This report has been prepared in both Swedish and English versions. In the event of discrepancies between the two versions, the Swedish version shall govern.