

# INTERIM REPORT

## JANUARY-SEPTEMBER 2017

### Business highlights, July–September 2017

- Growth in onshore wind with investment decision for Wieringermeer (180 MW) and acquisition of a neighbouring project (115 MW)
- Improved availability in nuclear and completion of yearly revisions
- Programme launch to increase efficiency in staff functions (SEK 2 billion cost reduction target by 2020)
- Pushing the transition to electric vehicles through the EV100 initiative
- Launch of climate smarter energy solutions, InHouse (SE), Haus-Strom (DE) and solar lease (DE, NL)

### Financial development, January–September 2017

- Net sales decreased by 5% to SEK 96,839 million (101,412)
- Underlying operating profit<sup>1</sup> increased to SEK 16,012 million (14,602)
- Operating profit<sup>1</sup> of SEK 12,626 million (4,178)
- Profit for the period of SEK 6,690 million (1,790)
- Electricity generation of 92.2 TWh (86.3)

### Financial development, July–September 2017

- Net sales decreased by 8% to SEK 27,426 million (29,746)
- Underlying operating profit<sup>1</sup> increased to SEK 2,815 million (2,602)
- Operating profit<sup>1</sup> of SEK 2,173 million (2,251)
- Profit for the period of SEK 789 million (787)
- Electricity generation of 27.3 TWh (25.2)

### KEY DATA

Amounts in SEK million unless indicated otherwise	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	96 839	101 412	27 426	29 746	139 208	134 635
Operating profit before depreciation, amortisation and impairment losses (EBITDA) <sup>1</sup>	24 381	23 896	5 943	5 886	27 209	27 694
Operating profit (EBIT) <sup>1</sup>	12 626	4 178	2 173	2 251	1 337	9 785
Underlying operating profit <sup>1</sup>	16 012	14 602	2 815	2 602	21 697	23 107
Profit for the period	6 690	1 790	789	787	-2 171	2 729
Electricity generation, TWh <sup>2</sup>	92.2	86.3	27.3	25.2	119.0	124.9
Sales of electricity, TWh <sup>3</sup>	113.6	152.5	33.9	50.1	193.2	154.3
Sales of heat, TWh	12.7	12.7	1.9	1.8	20.3	20.3
Sales of gas, TWh	37.9	36.0	5.9	4.6	54.8 <sup>4</sup>	56.7
Return on capital employed, continuing operations, % <sup>1</sup>	4.2 <sup>5</sup>	3.1 <sup>5</sup>	4.2 <sup>5</sup>	3.1 <sup>5</sup>	0.5	4.2
Net debt/equity, % <sup>1</sup>	62.4	66.8	62.4	66.8	60.5	62.4
FFO/adjusted net debt, continuing operations, % <sup>1</sup>	24.0 <sup>5</sup>	23.9 <sup>5</sup>	24.0 <sup>5</sup>	23.9 <sup>5</sup>	21.6	24.0

1) See Definitions and calculations of key ratios on page 34 for definitions of Alternative Performance Measures.

2) Figures for 2017 are preliminary.

3) Sales of electricity also include bilateral sales to Nordpool. Values for 2016 include sales volumes for the divested lignite operations.

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

5) 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 30. 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 Jan-Sep 2016, Jul-Sep 2016, full year 2016 and last 12 months 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 include the divested lignite operations for all quarters of 2016 but do not include the divested lignite operations for Jan-Sep 2017. Rounding differences may occur in this document.

## CEO's comments

“With stronger earnings we are continuing our efficiency improvement work to enable growth in renewable energy and decentralised customer solutions”



Vattenfall's underlying operating profit for the period January–September was SEK 16 billion, which is an increase of SEK 1.4 billion compared with the same period a year ago. Nuclear power has had improved availability and higher generation at the same time that we are now seeing the effect of the first step in eliminating the nuclear capacity tax. Wind power is also making a greater contribution in pace with the commissioning of new wind farms. Parallel with this we are seeing a positive earnings trend for the heat and distribution operations. On the sales side we are increasing the number of customers, but at the same time we have lower volume per customer. All in all the situation appears stable, and the trend shows that we have favourable prospects to concentrate on tomorrow's energy landscape, even though there are still areas in which we need to improve.

Profit for the period after tax amounted to SEK 6.7 billion, which is an increase of SEK 4.9 billion compared with a year ago. The comparison is affected by large impairment losses in 2016, mainly for fossil-fired power plants.

Vattenfall exists for its customers, and toward this end we are constantly developing our offering of new climate smart solutions that are in demand in the market. For example, during the third quarter we launched Vattenfall InHouse, where we offer large property owners and tenant-owner cooperatives sustainable solutions for electricity, heat and electric car charging together with system optimisation. This includes solar energy, among other things, which we also offer to our customers in Germany and the Netherlands through solar panel purchase and lease solutions.

Electrification of operations that are today dependent on fossil fuels is a key part of work on establishing a lower carbon footprint, and transports are perhaps the most promising opportunity in this area. At Vattenfall we have made the decision to replace our entire fleet of company cars and light commercial vehicles with electric alternatives. We are doing this in a collective effort with other companies, including IKEA and HP, through the EV100 initiative, with the goal of inspiring more and more companies to replace their vehicle fleets with electric vehicles. Company car fleets can serve as a strong driver of renewal.

Vattenfall continues to expand its renewable generation. We have taken a decision to build the biggest part, 180 MW, of the

Wieringermeer windfarm in the Netherlands and we are planning the second phase of 115 MW. Our largest onshore wind farm so far, Pen y Cymoedd in Wales, was inaugurated a month ago and has a capacity of 228 MW. We are also just now beginning construction of our largest offshore wind farm ever, Horns Rev 3, off the coast of Jutland, which will meet the electricity needs of more than 400,000 Danish households.

Despite a slight recovery for electricity prices in our markets, the situation remains strained, with overcapacity resulting from a dramatically higher share of renewable electricity generation. Cost reductions and efficiency improvement measures are necessary to ensure that Vattenfall remains competitive. We are therefore carrying out an efficiency improvement programme in our staff and support functions with the goal of saving SEK 2 billion by 2020.

Further efficiency measures are also of utmost importance for our Swedish nuclear power operations in order to secure the country's energy supply for a long time to come. We continue to focus on lower maintenance costs with maintained safety standards, high availability and lower purchasing costs. At the same time we are conducting a recruitment campaign to manage a generation shift in operations. The main negotiations have been conducted on the issue of final storage of nuclear waste, where the Land and Environmental Court of Appeal is expected to express its opinion to the Government in the beginning of next year on the permissibility of this operation in Forsmark. In other respects, the year's reactor audits have been concluded and generation will be fully ramped up ahead of the colder winter months.

We believe that we are well equipped for the future and the paradigm shift that is now taking place in the energy market. The growing forms of energy together with electrification in areas such as transport are enabling climate smarter life without fossil fuels. This is a very exciting development with myriad growth opportunities that Vattenfall will continue to benefit from.

A handwritten signature in blue ink, which appears to read 'Magnus Hall'.

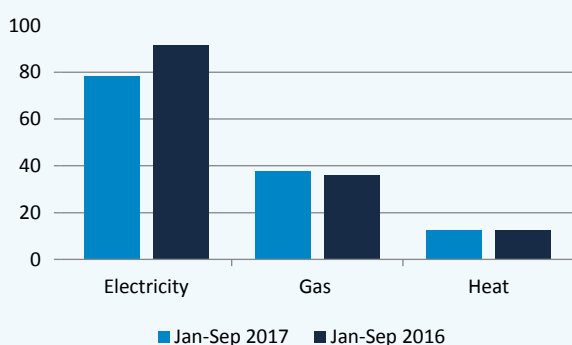
Magnus Hall  
President and CEO

# Group overview

## Sales development

Sales of electricity, excluding bilateral sales to Nordpool, decreased by 12.9 TWh mainly due to lower sales in Germany and France. Sales of gas increased by 1.9 TWh, mainly as a result of a larger customer base in Germany. Sales of heat were unchanged compared with the period January-September 2016.

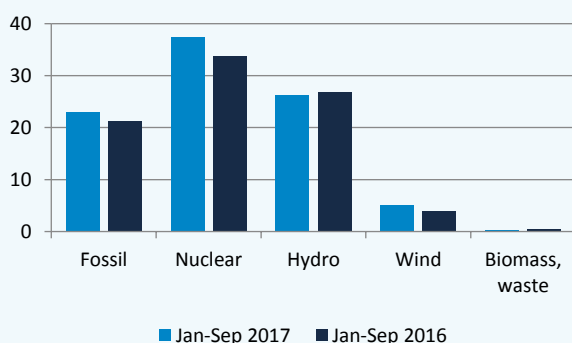
### CUSTOMER SALES DEVELOPMENT (TWh)



## Generation development

Total electricity generation increased by 5.9 TWh for the period January-September 2017. Higher availability in nuclear, new assets commissioned in wind and higher spreads in fossil contributed to the increase in electricity generation.

### ELECTRICITY GENERATION (TWh)



## Price development

Average Nordic spot prices were 13% higher during the third quarter of 2017 than the corresponding period in 2016 at 28.5 EUR/MWh (25.2), despite a higher hydrological balance. The price in Germany increased by 16% to 32.6 EUR/MWh (28.2), and the price in the Netherlands increased by 12% to 35.3 EUR/MWh (31.4). The higher prices are a result of higher coal prices, lower nuclear availability in France and dry weather conditions in the Alps. Electricity futures prices for delivery in 2018 and 2019 were 12%-28% higher compared with the third quarter of 2016, explained primarily by the recovery in fuel prices.

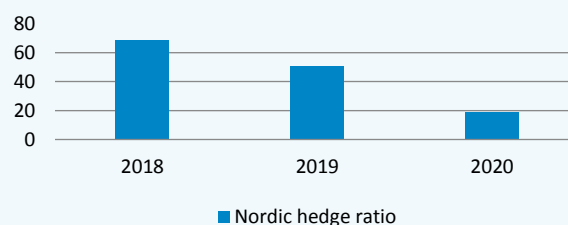
Compared with the third quarter of 2016, gas prices<sup>1</sup> were 4% higher at 16.4 EUR/MWh (15.7), coal prices were 31% higher at 76.9 USD/t (58.8), and prices of CO<sub>2</sub> emission allowances were 30% higher at 5.9 EUR/t (4.6).

## Hedging

### AVERAGE INDICATIVE NORDIC HEDGE PRICES (SE, DK, NO, FI) AS PER 30 SEPTEMBER 2017

EUR/MWh	2018	2019	2020
	27	28	32

### VATTENFALL'S ESTIMATED NORDIC HEDGE RATIO (%) AS PER 30 SEPTEMBER 2017



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

+/-10% price impact on future profit before tax, SEK million<sup>2</sup>

Market-quoted	2018	2019	2020	Observed yearly volatility <sup>3</sup>
Electricity	+/- 789	+/- 1084	+/- 1084	20%-26%
Coal	-/+ 286	-/+ 269	-/+ 257	28%-31%
Gas	-/+ 678	-/+ 572	-/+ 565	15%-27%
CO <sub>2</sub>	-/+ 117	-/+ 125	-/+ 152	53%-54%

- 1) Based on TTF prices.
- 2) The denotation +/- entails that a higher price affects operating profit favourably, and -/+ vice versa.
- 3) 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-September:** Consolidated net sales decreased by SEK 4.6 billion, mainly due to lower sales in B2C Netherlands and B2B Germany, and unrealised changes in fair value of commodity derivatives.

**Comment July-September:** Consolidated net sales decreased by SEK 2.3 billion, mainly due to unrealised changes in fair value of commodity derivatives.

## Earnings

**Comment January-September:** The underlying operating profit increased by SEK 1.4 billion, which is explained by:

- Higher earnings contribution from the Heat operating segment (SEK 0.7 billion), as a result of a higher gross margin and lower operating expenses
- Higher earnings contribution from the Distribution operating segment (SEK 0.7 billion), mainly associated with higher regulated network tariffs
- Higher earnings contribution from the Power Generation operating segment (SEK 0.6 billion), mainly owing to a higher realised result from trading activities and lower taxes. This was partly offset by lower average realised hedge levels compared with last year, contributing to lower achieved margins from electricity production.
- Other items, net (SEK -0.6 billion)

Items affecting comparability amounted to SEK -3.4 billion (-10.4), of which unrealised changes in fair value of energy derivatives and inventories (SEK -3.9 billion) pertain mainly to temporary effects related to our sourcing activities. A tax refund related to the German nuclear fuel tax had a positive impact of SEK 1.8 billion.

Profit for the period amounted to SEK 6.7 billion (1.8). Profit for the period in 2016 was affected by impairment losses.

**Comment July-September:** The underlying operating profit increased by SEK 0.2 billion, mainly explained by a positive contribution from the Power Generation (SEK 0.4 billion) and Heat (SEK 0.2 billion) segments, offset by a negative contribution from Wind (SEK -0.2 billion). Profit for the period amounted to SEK 0.8 billion (0.8).

## Cash flow

**Comment January-September:** Funds from operations (FFO) increased by SEK 0.3 billion, mainly owing to a higher operating result offset by higher taxes paid due to tax refunds in 2016. Cash flow from changes in working capital amounted to SEK 1.0 billion. Net changes in margin calls due to increased electricity prices and increased prices for CO<sub>2</sub> emission allowances was the main positive contributing factor (SEK 2.9 billion). Increased receivables related to the refund of nuclear fuel tax in Germany had an offsetting impact (SEK -1.8 billion).

**Comment July-September:** Funds from operations (FFO) decreased by SEK 0.1 billion, mainly due to higher tax paid in 2017. Cash flow from changes in working capital amounted to SEK 10.5 billion, mainly explained by net changes in margin calls (SEK 5.7 billion), lower receivables in the Customers & Solutions Business Area and Heat Business Area as a result of seasonality (SEK 3.8 billion), and a decrease in inventory of Renewables Obligation Certificates (ROCs) in the UK (SEK 0.9 billion).

## Important events after the balance sheet date

- Final investment decision for Wieringermeer onshore wind farm in the Netherlands.
- Proposal from the Swedish Energy Markets Inspectorate (Ei) on new rules for the next regulatory period, 2020-2023, for distribution companies.
- The Swedish Radiation Safety Authority has submitted a proposal on new nuclear waste fees to the government. The proposal entails a decrease for Forsmark by 0.6 öre/kWh to 3.3 öre/kWh and an increase for Ringhals by 1.0 öre/kWh to 5.2 öre/kWh.
- Anna Borg appointed as new Chief Financial Officer (CFO) of Vattenfall. She is currently Senior Vice President of Vattenfall's Markets Business Area. Anna Borg succeeds Stefan Dohler, who will be the new CEO of the German energy company EWE AG.
- Hilde Tonne leaves Vattenfall's board of directors after accepting the chairmanship of the Norwegian grid company Hafslund AS.

## KEY FIGURES – GROUP OVERVIEW

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	96 839	101 412	27 426	29 746	139 208	134 635
Operating profit before depreciation, amortisation and impairment losses (EBITDA) <sup>1</sup>	24 381	23 896	5 943	5 886	27 209	27 694
Underlying operating profit excluding items affecting comparability <sup>1</sup>	16 012	14 602	2 815	2 602	21 697	23 107
Items affecting comparability <sup>1</sup>	- 3 386	- 10 424	- 642	- 351	- 20 360	- 13 322
Operating profit (EBIT)	12 626	4 178	2 173	2 251	1 337	9 785
Profit for the period	6 690	1 790	789	787	- 2 171	2 729
Funds from operations (FFO) <sup>2</sup>	20 097	19 762	5 045	5 178	26 895	27 230
Cash flow from changes in operating assets and operating liabilities (working capital) <sup>2</sup>	995	- 2 230	10 477	3 722	1 688	4 913
Cash flow from operating activities <sup>2</sup>	21 092	17 532	15 522	8 900	28 583	32 143

1) See Definitions and calculations of key ratios on page 34 for definitions of Alternative Performance Measures.

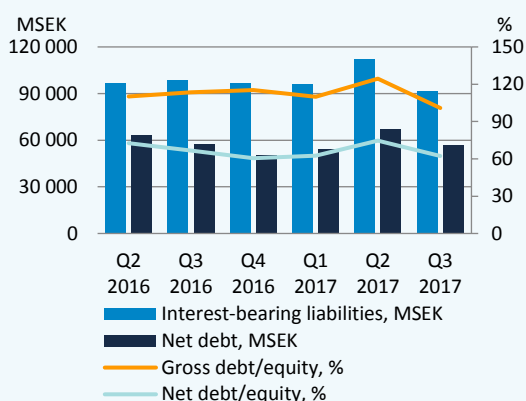
2) Pertains to Vattenfall's continuing operations. The statement of cash flow on page 20 pertains to Total Vattenfall, including the lignite operations.

## Capital structure

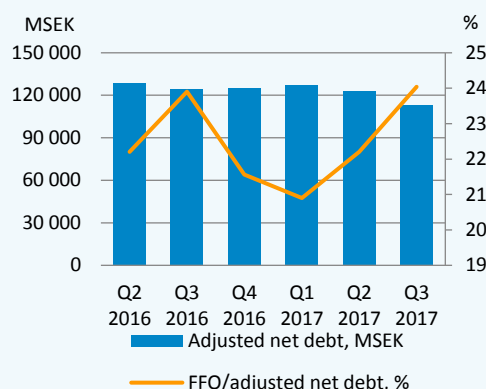
Cash and cash equivalents, and short-term investments decreased by SEK 9.1 billion compared with 31 December 2016, mainly due to payment of SEK 17.2 billion to the nuclear energy fund in Germany. Committed credit facilities consist of a EUR 2.0 billion Revolving Credit Facility that expires on 10 December 2021. As per 30 September 2017, available liquid assets and/or committed credit facilities amounted to 34% 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 4.8 billion compared with 31 December 2016. The main driver of the decrease is the repayment of short-term debt. Net debt increased by SEK 6.1 billion compared with 31 December 2016, mainly due to reclassification from nuclear provisions into debt SEK -15.6 billion, partly offset by a positive net cash flow after investments of SEK 9.3 billion. Adjusted net debt decreased by SEK 11.5 billion compared with 31 December 2016. This is mainly a result of positive cash flow after investments of SEK 9.3 billion and a decrease in pension provisions by SEK 1.1 billion.

### NET DEBT



### ADJUSTED NET DEBT



## Strategic targets

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

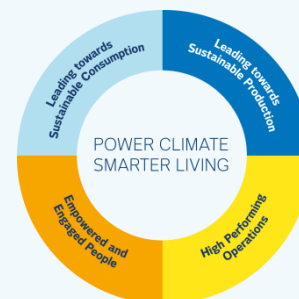
**1. Leading towards Sustainable Consumption** (increase customer centricity and build a sizeable position in decentralised energy) and

**2. Leading towards Sustainable Production** (grow in renewables and implement our CO<sub>2</sub> 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	Strategic targets for 2020	Outcome Q3 2017	Full Year 2016
<b>Leading towards Sustainable Consumption</b>	<b>1. Customer engagement, Net Promoter Score relative (NPS relative): +2</b>	<b>+5</b>	<b>+7</b>
<b>Leading towards Sustainable Production</b>	<b>2. Aggregated commissioned new renewables capacity 2016-2020: ≥2,300 MW</b>	<b>652 MW</b>	<b>297 MW</b>
	<b>3. Absolute CO<sub>2</sub> emissions pro rata: ≤21 Mt</b>	<b>16.3 Mt (Jan-Sep)</b>	<b>23.2 Mt</b>
<b>High Performing Operations</b>	<b>4. Return On Capital Employed (ROCE), last 12 months: ≥9%</b>	<b>4.2%</b>	<b>0.5%</b>
<b>Empowered and Engaged People</b>	<b>5. Lost Time Injury Frequency (LTIF): ≤1.25</b>	<b>1.2</b>	<b>2.0</b>
	<b>6. Employee Engagement Index: ≥70%<sup>1</sup></b>	<b>-</b>	<b>57%</b>

1) Documentation for measurement of target achievement is derived from the results of the My Opinion employee survey, which is conducted on an annual basis.

# Operating segments



Customers & Solutions



Power Generation  
-Generation



Power Generation  
-Markets



Wind



Heat



Distribution

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Underlying operating profit</b>						
Customers & Solutions	1 225	1 431	159	284	1 830	1 624
Power Generation	8 139	7 548	2 507	2 144	11 410	12 001
- of which, trading	470	- 682	- 424	- 416	104	1 256
Wind	752	480	- 300	- 117	878	1 150
Heat	2 402	1 698	- 319	- 479	3 230	3 934
Distribution	4 480	3 743	1 109	989	4 863	5 600
- of which, Distribution Germany	727	577	163	169	544	694
- of which, Distribution Sweden	3 753	3 166	946	820	4 319	4 906
Other <sup>1</sup>	- 799	- 110	- 289	- 153	- 512	- 1 201
Eliminations	- 187	- 188	- 52	- 66	- 2	- 1
<b>Underlying operating profit continuing operations</b>	<b>16 012</b>	<b>14 602</b>	<b>2 815</b>	<b>2 602</b>	<b>21 697</b>	<b>23 107</b>
Discontinued operations	—	148	—	1 104	- 4	- 152
<b>Underlying operating profit</b>	<b>16 012</b>	<b>14 750</b>	<b>2 815</b>	<b>3 706</b>	<b>21 693</b>	<b>22 955</b>

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.

### Increased customer base and growth in climate smarter energy solutions

- Margin pressure impacting results in the first nine months
- New solar lease product for house owners
- New business unit established to boost e-mobility



Net sales for the period January-September decreased, mainly due to lower sold volumes in the German B2B segment and negative price effects in the Netherlands. An increased customer base in the German B2C segment and higher sold volumes in the Nordic countries had an offsetting impact. The underlying operating profit decreased as a result of pressure on margins. The customer base in Customers & Solutions grew by 255,000 contracts for the period January-September, mainly driven by the acquisition of gas and electricity retailer iSupplyEnergy in the UK in the third quarter. Sales of electricity to private customers decreased slightly for the period January-September, partly related to increased energy efficiency.

Vattenfall has started to offer a solar lease product to house owners in the Netherlands. Instead of buying solar panels for their roofs, customers have the opportunity to lease the panels by paying a monthly fee that covers equipment, installation, insurance and maintenance. Monthly energy costs are reduced by the expected solar energy production. This way, customers can contribute to the energy transition in a hassle-free way and without making an investment.

Business customers are increasingly asking for renewable energy contracts. Vattenfall signed several energy supply agreements that include the installation of solar panels or the use of green certificates, such as with the Dutch supermarket chain Hoogvliet, the Vandersanden Group, the Dutch National Railways and the Dutch Ministry of Defense.

Vattenfall has set the ambition to become a leading European charging solutions provider and has therefore established a new dedicated business unit for e-mobility. Vattenfall also joined forces with nine other major international companies in a new global initiative, EV100, to push for the transition to electric vehicles. The InCharge charging network that Vattenfall builds together with a number of partners, now consists of 4,000 public charging points in Sweden, Germany and the Netherlands.

### KEY FIGURES - CUSTOMERS & SOLUTIONS

Amounts in SEK million unless indicated otherwise	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	48 826	49 164	13 638	13 670	69 230	68 892
External net sales	47 731	48 247	13 301	13 385	67 862	67 346
Underlying operating profit before depreciation, amortisation and impairment losses	2 030	2 155	441	534	2 825	2 700
Underlying operating profit	1 225	1 431	159	284	1 830	1 624
Sales of electricity, TWh	60.5	66.1	16.9	20.6	88.9	83.3
- of which, private customers	19.2	19.4	5.2	5.4	27.0	26.8
- of which, resellers	3.5	4.0	1.0	1.0	5.5	5.0
- of which, business customers	37.8	42.7	10.7	14.2	56.4	51.5
Sales of gas, TWh	37.2	34.8	5.8	4.4	53.1	55.5
Number of employees, full-time equivalents	3 074	2 991 <sup>1</sup>	3 074	2 991 <sup>1</sup>	2 930	

1) The value has been adjusted compared with information previously published in Vattenfall's interim report January-September 2016

## 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: Stable generation

- Settlement of nuclear liabilities in Germany
- Stable generation with improved availability in nuclear

### Markets: Expansion in marketing of renewable generation

- Strong contribution from trading in the first nine months
- Contract with Deutsche Bucht offshore wind farm
- Transfer of trading and asset optimisation to Hamburg

Net sales decreased, mainly due to unrealised changes in the fair value of commodity derivatives. The underlying profit for the period January-September 2017 increased as a result of a higher realised result from trading activities. As of 1 July 2017, the nuclear capacity tax was reduced by 90%, and the tax will be completely abolished by 1 January 2018. The lower nuclear capacity tax contributed to the improvement of underlying operating profit in the third quarter by SEK 0.8 billion.

Nuclear power generation increased during the period January-September 2017 as a result of higher availability. Combined availability for Vattenfall's nuclear power plants during the period January-September and third quarter was 82.9% (72.8%) and 67.2% (64.8%), respectively. The restart of the Ringhals 1 reactor was delayed due to extended maintenance work. Minor damage had occurred in the liner which required replacement.

Hydro power generation decreased slightly during the period January-September despite higher production during the third quarter. Nordic reservoir levels were at 81% (69%) of capacity at the end of the third quarter, which is 4 percentage points above the normal level. The property tax on hydro power is being gradually reduced from 2.8% to 0.5% over four years'



time, retroactively applied since 1 January 2017 and contributing SEK 0.5 billion during the period January-September 2017. The restructuring programme in German hydro is ongoing, and provisions were made in the third quarter.

On 3 July 2017, Vattenfall paid EUR 1.33 billion plus an additional risk premium of EUR 460 million into the new nuclear energy fund in Germany. The payment shifts the liability for transport, intermediate and final storage of nuclear waste to the German state. Vattenfall now remains responsible for decommissioning and dismantling the nuclear power plants, and the share of provisions for this purpose remains in the company.

Vattenfall signed a direct marketing contract for the Deutsche Bucht 252 MW offshore wind farm. The wind farm is expected to be completed by the end of 2019, and Vattenfall will buy the generated electricity from the wind farm and sell it on the wholesale market.

Vattenfall also finalised the centralisation of trading and asset optimisation activities in Hamburg and Stockholm as part of continued cost reductions. All front office activities for Continental Europe and the UK have been moved from Amsterdam to Hamburg according to plan.

### KEY FIGURES - POWER GENERATION

Amounts in SEK million unless indicated otherwise	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	66 895	70 656	19 300	21 119	98 997	95 236
External net sales	32 028	36 965	10 097	12 163	49 276	44 339
Underlying operating profit before depreciation, amortisation and impairment losses	10 431	9 711	3 288	2 842	14 354	15 074
Underlying operating profit	8 139	7 548	2 507	2 144	11 410	12 001
- of which, trading	470	- 682	- 424	- 416	104	1 256
Electricity generation, TWh <sup>1</sup>	63.7	60.6	19.1	17.5	81.7	84.8
- of which, hydro power	26.2	26.9	9.6	7.6	34.8	34.1
- of which, nuclear power	37.5	33.7	9.5	9.9	46.9	50.7
Sales of electricity, TWh <sup>2</sup>	17.4	24.4	5.5	7.9	33.2	26.2
- of which, resellers <sup>2</sup>	15.0	23.1	4.7	6.6	31.6	23.5
- of which, business customers <sup>2</sup>	2.4	1.3	0.8	1.3	1.6	2.7
Sales of gas, TWh	0.7	1.2	0.1	0.2	1.7 <sup>2</sup>	1.2
Number of employees, full-time equivalents	7 404	7 538	7 404	7 538	7 493	

1) Values for 2017 are preliminary.

2) 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 energy production and battery business.

### Final investment decision for an additional onshore wind farm in the Netherlands

- Strong results in the first nine months although third quarter was affected by grid outages and cable issues
- Investment decision for Wieringermeer onshore wind farm and acquisition of a neighbouring project
- Developing new offerings in solar and batteries



Net sales and the underlying operating profit for the period January-September increased as a result of new capacity that has been added. The underlying operating profit for the third quarter decreased due to lower availability resulting from grid outages and cable issues in some offshore wind farms.

Vattenfall took the final investment decision for the Wieringermeer onshore wind farm in the Netherlands. Vattenfall will invest over EUR 200 million in the wind farm, and the ground work for the installation of the 50 wind turbines will start this year. The installed capacity will be 180 MW, equivalent to the electricity consumption of 140,000 households. The wind farm will begin generating electricity in 2019. Vattenfall also acquired a neighbouring project to further develop and build an additional 32 turbines (115 MW) at the Wieringermeer location.

New offerings in solar and batteries are being developed in the area of decentralised energy production and installation.

One example is the cooperation between the Wind Business Area and the Heat Business Area to realise a first so-called "Mieterstrom" project of 100 kW solar panels in Berlin. "Mieterstrom" projects are aimed to install solar panels on the roofs of apartment buildings in order to lower the tenants' electricity bills and give them the opportunity to actively contribute to "Energiewende", Germany's energy transition.

Vattenfall's largest onshore wind farm, Pen y Cymoedd in Wales with a capacity of 228 MW, was inaugurated in September. At the same time, the first battery container was installed at the site of the wind farm as part of the Battery@PyC project. The containers will now be equipped with BMW i3 battery modules in order to store green electricity and to provide grid stabilisation to the National Grid in the UK. The storage facility will have a capacity of 22 MW and is due to be operational by February 2018.

### KEY FIGURES – WIND

Amounts in SEK million unless indicated otherwise	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	6 140	4 519	1 546	1 263	6 702	8 323
External net sales	4 285	2 975	1 051	795	4 384	5 694
Underlying operating profit before depreciation, amortisation and impairment losses	3 913	2 919	729	697	4 297	5 291
Underlying operating profit	752	480	- 300	- 117	878	1 150
Electricity generation - wind power TWh	5.1	3.9	1.4	1.1	5.8	7.0
Sales of electricity, TWh	0.6	0.4	0.2	0.2	0.6 <sup>1</sup>	0.8
Number of employees, full-time equivalents	765	680	765	680	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.

### Broadened portfolio of heat solutions

- Improved financial result in a seasonally weak quarter
- New decentralised offer to tenants, on-site solar production
- Partnering up in EU consortium on low temperature heat grids



Net sales increased as a result of higher electricity revenues and higher subsidies for gas-fired combined heat and power (CHP) plants in Berlin, including retroactive compensation for 2016. This was partly offset by higher sourcing costs due to increased fuel prices. The underlying operating profit increased, mainly owing to increased subsidies for gas-fired CHP plants.

The German "Mieterstromgesetz" (tenants' energy law) was passed in June 2017 with the intention to enable stronger participation of tenants in the roll-out of renewable energy. The new law enabled the Heat Business Area together with the Wind Business Area, which provides support through its photovoltaic knowledge and installation, to successfully close its first deal with a residential property owner in Berlin. Solar panels have been mounted on the roof of the building and the produced electricity will be consumed directly by the households in the building. Any surplus production will be sold and fed in to the public grid. The demand that cannot be met by the solar production will be drawn from one of Vattenfall's already existing micro combined heat and power plants at the same fixed price as the rooftop-generated electricity.

In September Vattenfall became a partner of the TEMPO EU project consortium. Vattenfall will receive EUR 1.2 million in EU funding to develop and apply new heating and cooling solutions using low grade sources of thermal heat. Low-temperature heat with lower than standard Primary Energy Factor<sup>1</sup> will be made available to customers in areas outside of district heating grids. The findings of the TEMPO Project will be adapted to district heating applications in Germany, the Netherlands and Sweden.

In Berlin, construction of the new climate-smart heat and power plant Marzahn has started. This is a natural gas-fired combined heat and power plant which, once it is commissioned in 2020, will replace the hard coal-fired Unit C at the Reuters power plant to support Vattenfall's path towards achieving climate neutrality. It will be one of the most efficient plants in Europe with a fuel efficiency of 90%. CHP Marzahn will have the capacity to supply 150,000 homes in Berlin with power and heat.

### KEY FIGURES - HEAT

Amounts in SEK million unless indicated otherwise	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	21 588	18 702	5 520	5 023	28 414	31 300
External net sales	10 531	10 409	2 455	2 441	15 110	15 232
Underlying operating profit before depreciation, amortisation and impairment losses	5 052	4 624	548	485	7 059	7 487
Underlying operating profit	2 402	1 698	- 319	- 479	3 230	3 934
Electricity generation - TWh <sup>2</sup>	23.4	21.8	6.8	6.6	31.5	33.1
- of which, fossil-based power	23.0	21.3	6.7	6.5	30.8	32.5
- of which, biomass, waste	0.4	0.5	0.1	0.1	0.7	0.6
Sales of electricity, TWh	—	0.5	—	0.5	0.5 <sup>3</sup>	—
- of which, private customers	—	0.2	—	0.2	0.2 <sup>3</sup>	—
- of which, business customers	—	0.3	—	0.3	0.3 <sup>3</sup>	—
Sales of heat, TWh	12.7	12.7	1.9	1.8	20.3	20.3
Number of employees, full-time equivalents	3 789	4 036	3 789	4 036	3 790	

1) Primary Energy Factor indicates how much primary energy is used to generate a unit of electricity or a unit of useable thermal energy.

2) Figures for 2017 are preliminary.

3) 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 and Germany (Berlin).

### Continued focus on investments in order to increase quality of supply and to meet high growth in cities

- Improved underlying operating profit as a result of higher gross margin
- Outage statistics in the yearly network report from Vattenfall shows continued large investment needs
- New network prices announced in Sweden to be applied from 1 January 2018



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, enabling continued investments in increasing the quality of supply and to meet high growth in cities.

In July, Vattenfall published its yearly network report in Sweden. The report shows that although the quality of supply has improved, there are still large investment needs in the distribution network. Vattenfall currently has hundreds of projects in progress. This includes a comprehensive cable exchange programme worth SEK 300 million, which will be ongoing until 2019 in the Stockholm region. In addition, during the summer seven projects were launched in the municipality of Jokkmokk for a total investment of SEK 90 million. The electricity network is being strengthened by replacing or rebuilding a large number of substations and power lines. The network is also being weatherproofed by insulating overhead power lines or replacing them with underground cables.

The responsibility for electricity tax collection will be moved from the electricity supplier to the distribution system provider from 1 January 2018. The decision, which has no financial impact for Vattenfall, was taken by Swedish parliament in November 2016, and preparations to implement this change are under way.

Vattenfall also informed about new network prices starting from 1 January 2018 for customers connected to the local network in Sweden.

In Germany, Vattenfall group company Stromnetz Berlin is taking part in a new initiative initiated by the mayor of Berlin to promote e-mobility. The infrastructure will be improved and the number of charging stations will be increased. The project started in 2017 and will run during 2018.

### KEY FIGURES - DISTRIBUTION

Amounts in SEK million unless indicated otherwise	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	15 698	14 394	4 671	4 482	19 661	20 965
External net sales	12 323	11 218	3 656	3 496	15 233	16 338
Underlying operating profit before depreciation, amortisation and impairment losses	6 599	5 819	1 809	1 686	7 669	8 449
Underlying operating profit	4 480	3 743	1 109	989	4 863	5 600
Number of employees, full-time equivalents	2 136	1 993	2 136	1 993	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.

### KEY FIGURES - OTHER

Amounts in SEK million unless indicated otherwise	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net sales	3 633	4 029	1 221	1 278	5 363	4 967
External net sales	398	157	125	47	326	567
Underlying operating profit before depreciation, amortisation and impairment losses	- 459	224	- 174	- 41	- 58	- 741
Underlying operating profit	- 799	- 110	- 289	- 153	- 512	- 1 201
Number of employees, full-time equivalents	2 972	3 045	2 972	3 045	3 006	

# Consolidated income statement

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Continuing operations</b>						
Net sales	96 839	101 412	27 426	29 746	139 208	134 635
Cost of products sold <sup>1</sup>	- 71 276	- 86 587	- 20 423	- 22 990	- 119 217	- 103 906
<b>Gross profit</b>	<b>25 563</b>	<b>14 825</b>	<b>7 003</b>	<b>6 756</b>	<b>19 991</b>	<b>30 729</b>
Selling expenses, administrative expenses and research and development costs <sup>2</sup>	- 14 052	- 13 397	- 4 813	- 4 796	- 19 259	- 19 914
Other operating income and expenses, net	890	2 430	9	259	2 456	916
Participations in the results of associated companies <sup>3</sup>	225	320	- 26	32	- 1 851	- 1 946
<b>Operating profit (EBIT)<sup>4</sup></b>	<b>12 626</b>	<b>4 178</b>	<b>2 173</b>	<b>2 251</b>	<b>1 337</b>	<b>9 785</b>
Financial income <sup>5,8</sup>	1 579	1 778	340	241	1 767	1 568
Financial expenses <sup>6,7,8</sup>	- 5 003	- 6 143	- 1 644	- 2 190	- 8 149	- 7 009
<b>Profit before income taxes</b>	<b>9 202</b>	<b>- 187</b>	<b>869</b>	<b>302</b>	<b>- 5 045</b>	<b>4 344</b>
Income taxes expense	- 2 512	1 977	- 80	485	2 874	- 1 615
<b>Profit for the period from continuing operations</b>	<b>6 690</b>	<b>1 790</b>	<b>789</b>	<b>787</b>	<b>- 2 171</b>	<b>2 729</b>
<b>Discontinued operations<sup>9</sup></b>						
Profit for the period from discontinued operations, net after income taxes	—	- 23 642	—	- 599	- 23 833	- 191
<b>Profit for the period</b>	<b>6 690</b>	<b>- 21 852</b>	<b>789</b>	<b>188</b>	<b>- 26 004</b>	<b>2 538</b>
Attributable to owner of the Parent Company	5 830	- 22 269	735	- 35	- 26 324	1 775
Attributable to non-controlling interests	860	417	54	223	320	763
<b>Supplementary information for continuing operations</b>						
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	24 381	23 896	5 943	5 886	27 209	27 694
Underlying operating profit before depreciation, amortisation and impairment losses	27 379	25 264	6 589	6 137	36 144	38 259
Underlying operating profit	16 012	14 602	2 815	2 602	21 697	23 107
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 2 866	- 2 662	- 984	- 1 283	- 4 005	- 4 209
1) Of which, depreciation, amortisation and impairment losses	- 10 227	- 18 433	- 3 100	- 3 216	- 23 423	- 15 217
2) Of which, depreciation, amortisation and impairment losses	- 1 528	- 1 285	- 670	- 419	- 1 331	- 1 574
3) Of which, impairment losses	—	—	—	—	- 1 118	- 1 118
4) Including items affecting comparability	- 3 386	- 10 424	- 642	- 351	- 20 360	- 13 322
- of which, capital gains	587	2 069	1	25	2 152	670
- of which, capital losses	- 35	- 99	- 38	- 3	- 376	- 312
- of which, impairment losses	- 392	- 9 056	—	- 100	- 12 354	- 3 690
- of which, reversed impairment losses	4	—	4	—	929	933
- of which, provisions	- 557	123	—	123	- 8 249	- 8 929
- of which, unrealised changes in the fair value of energy derivatives	- 3 741	- 3 432	- 616	- 59	- 2 417	- 2 726
- of which, unrealised changes in the fair value of inventories	- 156	598	407	- 10	997	243
- of which, restructuring costs	- 252	- 275	- 215	- 1	- 761	- 738
- of which, other non-recurring items affecting comparability	1 156	- 352	- 185	- 326	- 281	1 227
5) Including return from the Swedish Nuclear Waste Fund	1 204	762	268	250	866	1 308
6) Including interest components related to pension costs	- 613	- 712	- 204	- 240	- 954	- 855
7) Including discounting effects attributable to provisions	- 1 762	- 2 465	- 588	- 916	- 3 243	- 2 540
8) Items affecting comparability recognised as financial income and expenses, net	2	1	2	—	- 176	- 175
9) See Note 4 to the consolidated accounts, Discontinued operations						

# Consolidated statement of comprehensive income

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Profit for the period</b>	<b>6 690</b>	<b>- 21 852</b>	<b>789</b>	<b>188</b>	<b>- 26 004</b>	<b>2 538</b>
<b>Other comprehensive income</b>						
<b>Items that will be reclassified to profit or loss when specific conditions are met</b>						
Cash flow hedges - changes in fair value	1 874	- 15 925	1 290	- 9 075	- 17 620	179
Cash flow hedges - dissolved against income statement	- 1 478	1 420	- 452	4 654	2 737	- 161
Cash flow hedges - transferred to cost of hedged item	- 4	- 45	—	- 38	- 71	- 30
Hedging of net investments in foreign operations	- 182	- 1 036	- 15	- 1 241	- 923	- 69
Translation differences and exchange rate effects net, divested companies	17	477	—	477	1 164	704
Translation differences	440	2 848	36	2 418	1 927	- 481
Income taxes related to items that will be reclassified	- 117	3 933	- 288	1 448	4 022	- 28
<b>Total items that will be reclassified to profit or loss when specific conditions are met</b>	<b>550</b>	<b>- 8 328</b>	<b>571</b>	<b>- 1 357</b>	<b>- 8 764</b>	<b>114</b>
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurement pertaining to defined benefit obligations	1 295	- 3 746	- 1	- 141	- 1 805	3 236
Income taxes related to items that will not be reclassified	- 388	1 086	1	42	500	- 974
<b>Total items that will not be reclassified to profit or loss</b>	<b>907</b>	<b>- 2 660</b>	<b>—</b>	<b>- 99</b>	<b>- 1 305</b>	<b>2 262</b>
<b>Total other comprehensive income, net after income taxes</b>	<b>1 457</b>	<b>- 10 988</b>	<b>571</b>	<b>- 1 456</b>	<b>- 10 069</b>	<b>2 376</b>
<b>Total comprehensive income for the period</b>	<b>8 147</b>	<b>- 32 840</b>	<b>1 360</b>	<b>- 1 268</b>	<b>- 36 073</b>	<b>4 914</b>
Attributable to owner of the Parent Company	7 226	- 33 480	1 214	- 1 680	- 36 485	4 221
Attributable to non-controlling interests	921	640	146	412	412	693

# Operating segments, Vattenfall Group

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>External net sales</b>						
Customers & Solutions	47 731	48 247	13 301	13 385	67 862	67 346
Power Generation	32 028	36 965	10 097	12 163	49 276	44 339
Wind	4 285	2 975	1 051	795	4 384	5 694
Heat	10 531	10 409	2 455	2 441	15 110	15 232
Distribution	12 323	11 218	3 656	3 496	15 233	16 338
- of which, Distribution Germany	4 390	3 680	1 380	1 308	4 978	5 688
- of which, Distribution Sweden	7 933	7 538	2 276	2 188	10 255	10 650
Other <sup>1</sup>	398	157	125	47	326	567
Eliminations <sup>2</sup>	- 10 457	- 8 559	- 3 259	- 2 581	- 12 983	- 14 881
<b>Total continuing operations</b>	<b>96 839</b>	<b>101 412</b>	<b>27 426</b>	<b>29 746</b>	<b>139 208</b>	<b>134 635</b>
Discontinued operations	—	13 342	—	4 597	13 459	117
<b>Total</b>	<b>96 839</b>	<b>114 754</b>	<b>27 426</b>	<b>34 343</b>	<b>152 667</b>	<b>134 752</b>
<b>Internal net sales</b>						
Customers & Solutions	1 095	917	337	285	1 368	1 546
Power Generation	34 867	33 691	9 203	8 956	49 721	50 897
Wind	1 855	1 544	495	468	2 318	2 629
Heat	11 057	8 293	3 065	2 582	13 304	16 068
Distribution	3 375	3 176	1 015	986	4 428	4 627
- of which, Distribution Germany	3 069	2 875	918	890	3 954	4 148
- of which, Distribution Sweden	306	301	97	96	474	479
Other <sup>1</sup>	3 235	3 872	1 096	1 231	5 037	4 400
Eliminations	- 55 484	- 51 493	- 15 211	- 14 508	- 76 176	- 80 167
<b>Total continuing operations</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Discontinued operations	—	—	—	—	—	—
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total net sales</b>						
Customers & Solutions	48 826	49 164	13 638	13 670	69 230	68 892
Power Generation	66 895	70 656	19 300	21 119	98 997	95 236
Wind	6 140	4 519	1 546	1 263	6 702	8 323
Heat	21 588	18 702	5 520	5 023	28 414	31 300
Distribution	15 698	14 394	4 671	4 482	19 661	20 965
- of which, Distribution Germany	7 459	6 555	2 298	2 198	8 932	9 836
- of which, Distribution Sweden	8 239	7 839	2 373	2 284	10 729	11 129
Other <sup>1</sup>	3 633	4 029	1 221	1 278	5 363	4 967
Eliminations	- 65 941	- 60 052	- 18 470	- 17 089	- 89 159	- 95 048
<b>Total continuing operations</b>	<b>96 839</b>	<b>101 412</b>	<b>27 426</b>	<b>29 746</b>	<b>139 208</b>	<b>134 635</b>
Discontinued operations	—	13 342	—	4 597	13 459	117
<b>Total</b>	<b>96 839</b>	<b>114 754</b>	<b>27 426</b>	<b>34 343</b>	<b>152 667</b>	<b>134 752</b>

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b><u>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</u></b>						
Customers & Solutions	2 007	2 121	432	524	2 775	2 661
Power Generation	6 855	6 224	2 600	2 745	3 962	4 593
Wind	3 909	3 054	725	692	4 442	5 297
Heat	5 279	4 761	612	636	7 062	7 580
Distribution	6 799	5 809	1 806	1 682	7 644	8 634
- of which, Distribution Germany	1 351	1 154	373	364	1 337	1 534
- of which, Distribution Sweden	5 448	4 655	1 433	1 318	6 307	7 100
Other <sup>1</sup>	- 281	2 115	- 180	- 327	1 326	- 1 070
Eliminations	- 187	- 188	- 52	- 66	- 2	- 1
<b>Total continuing operations</b>	<b>24 381</b>	<b>23 896</b>	<b>5 943</b>	<b>5 886</b>	<b>27 209</b>	<b>27 694</b>
Discontinued operations	—	920	—	392	943	23
<b>Total</b>	<b>24 381</b>	<b>24 816</b>	<b>5 943</b>	<b>6 278</b>	<b>28 152</b>	<b>27 717</b>
<b><u>Underlying operating profit before depreciation, amortisation and impairment losses</u></b>						
Customers & Solutions	2 030	2 155	441	534	2 825	2 700
Power Generation	10 431	9 711	3 288	2 842	14 354	15 074
Wind	3 913	2 919	729	697	4 297	5 291
Heat	5 052	4 624	548	485	7 059	7 487
Distribution	6 599	5 819	1 809	1 686	7 669	8 449
- of which, Distribution Germany	1 361	1 165	376	369	1 355	1 551
- of which, Distribution Sweden	5 238	4 654	1 433	1 317	6 314	6 898
Other <sup>1</sup>	- 459	224	- 174	- 41	- 58	- 741
Eliminations	- 187	- 188	- 52	- 66	- 2	- 1
<b>Total continuing operations</b>	<b>27 379</b>	<b>25 264</b>	<b>6 589</b>	<b>6 137</b>	<b>36 144</b>	<b>38 259</b>
Discontinued operations	—	2 203	—	1 126	2 068	- 135
<b>Total</b>	<b>27 379</b>	<b>27 467</b>	<b>6 589</b>	<b>7 263</b>	<b>38 212</b>	<b>38 124</b>



Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Operating profit (EBIT)</b>						
Customers & Solutions	1 202	1 388	150	273	1 749	1 563
Power Generation	4 565	764	1 819	2 020	- 3 648	153
Wind	359	484	- 300	- 123	898	773
Heat	2 628	- 3 781	- 255	- 400	- 3 366	3 043
Distribution	4 680	3 734	1 106	985	4 838	5 784
- of which, Distribution Germany	717	565	159	164	527	679
- of which, Distribution Sweden	3 963	3 169	947	821	4 311	5 105
Other <sup>1</sup>	- 621	1 777	- 295	- 438	868	- 1 530
Eliminations	- 187	- 188	- 52	- 66	- 2	- 1
<b>Operating profit (EBIT) continuing operations</b>	<b>12 626</b>	<b>4 178</b>	<b>2 173</b>	<b>2 251</b>	<b>1 337</b>	<b>9 785</b>
Discontinued operations	—	- 22 361	—	168	- 22 542	- 181
<b>Operating profit (EBIT)</b>	<b>12 626</b>	<b>- 18 183</b>	<b>2 173</b>	<b>2 419</b>	<b>- 21 205</b>	<b>9 604</b>
Operating profit (EBIT) continuing operations	12 626	4 178	2 173	2 251	1 337	9 785
Financial income and expenses continuing operations	- 3 424	- 4 365	- 1 304	- 1 949	- 6 382	- 5 441
<b>Profit before tax from continuing operations</b>	<b>9 202</b>	<b>- 187</b>	<b>869</b>	<b>302</b>	<b>- 5 045</b>	<b>4 344</b>
<b>Underlying operating profit</b>						
Customers & Solutions	1 225	1 431	159	284	1 830	1 624
Power Generation	8 139	7 548	2 507	2 144	11 410	12 001
Wind	752	480	- 300	- 117	878	1 150
Heat	2 402	1 698	- 319	- 479	3 230	3 934
Distribution	4 480	3 743	1 109	989	4 863	5 600
- of which, Distribution Germany	727	577	163	169	544	694
- of which, Distribution Sweden	3 753	3 166	946	820	4 319	4 906
Other <sup>1</sup>	- 799	- 110	- 289	- 153	- 512	- 1 201
Eliminations	- 187	- 188	- 52	- 66	- 2	- 1
<b>Underlying operating profit continuing operations</b>	<b>16 012</b>	<b>14 602</b>	<b>2 815</b>	<b>2 602</b>	<b>21 697</b>	<b>23 107</b>
Discontinued operations	—	148	—	1 104	- 4	- 152
<b>Underlying operating profit</b>	<b>16 012</b>	<b>14 750</b>	<b>2 815</b>	<b>3 706</b>	<b>21 693</b>	<b>22 955</b>

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	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	17 906	16 987	16 792
Property, plant and equipment	219 026	211 735	217 136
Investment property	127	152	128
Biological assets	33	35	34
Participations in associated companies and joint arrangements	4 940	7 276	4 839
Other shares and participations	146	276	118
Share in the Swedish Nuclear Waste Fund	38 276	35 707	36 199
Derivative assets	11 270	17 292	14 036
Current tax assets, non-current	—	244	—
Prepaid expenses	20	25	20
Deferred tax assets	11 272	12 732	11 538
Other non-current receivables	4 125	5 996	3 788
<b>Total non-current assets</b>	<b>307 141</b>	<b>308 457</b>	<b>304 628</b>
<b>Current assets</b>			
Inventories	12 345	13 176	14 566
Biological assets	20	16	13
Intangible assets: current	254	344	315
Trade receivables and other receivables	18 710	21 843	26 008
Advance payments paid	1 642	3 038	1 311
Derivative assets	7 674	8 090	10 656
Prepaid expenses and accrued income	4 743	4 142	6 463
Current tax assets	1 978	1 743	1 314
Short-term investments	21 800	25 440	23 297
Cash and cash equivalents	12 366	13 108	19 995
Assets held for sale	—	211	694
<b>Total current assets</b>	<b>81 532</b>	<b>91 151</b>	<b>104 632</b>
<b>Total assets</b>	<b>388 673</b>	<b>399 608</b>	<b>409 260</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Attributable to owner of the Parent Company	75 498	71 276	68 272
Attributable to non-controlling interests	15 603	15 530	15 528
<b>Total equity</b>	<b>91 101</b>	<b>86 806</b>	<b>83 800</b>
<b>Non-current liabilities</b>			
Hybrid Capital	18 908	19 054	19 164
Other interest-bearing liabilities	57 886	65 078	63 494
Pension provisions	39 554	42 986	40 644
Other interest-bearing provisions	81 483	81 299	79 341
Derivative liabilities	11 900	12 825	12 464
Deferred tax liabilities	14 926	16 726	14 776
Other noninterest-bearing liabilities	6 389	6 512	6 440
<b>Total non-current liabilities</b>	<b>231 046</b>	<b>244 480</b>	<b>236 323</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	17 010	22 406	25 330
Advance payments received	6 110	1 602	2 164
Derivative liabilities	9 941	9 429	11 552
Accrued expenses and deferred income	11 941	13 826	15 481
Current tax liabilities	2 851	2 272	1 888
Other interest-bearing liabilities	15 117	14 442	14 009
Interest-bearing provisions	3 556	4 297	18 359
Liabilities associated with assets held for sale	—	48	354
<b>Total current liabilities</b>	<b>66 526</b>	<b>68 322</b>	<b>89 137</b>
<b>Total equity and liabilities</b>	<b>388 673</b>	<b>399 608</b>	<b>409 260</b>

**SUPPLEMENTARY INFORMATION**

Amounts in SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>Calculation of capital employed</b>			
Intangible assets: current and non-current	18 160	17 331	17 107
Property, plant and equipment	219 026	211 735	217 136
Participations in associated companies and joint arrangements	4 940	7 276	4 839
Deferred and current tax assets	13 250	14 475	12 852
Non-current noninterest-bearing receivables	3 002	4 875	2 659
Inventories	12 345	13 176	14 566
Trade receivables and other receivables	18 710	21 843	26 008
Prepaid expenses and accrued income	4 743	4 142	6 463
Unavailable liquidity	7 146	7 264	6 995
Other	377	798	484
<b>Total assets excl. financial assets</b>	<b>301 699</b>	<b>302 915</b>	<b>309 109</b>
Deferred and current tax liabilities	- 17 777	- 18 998	- 16 664
Other noninterest-bearing liabilities	- 6 389	- 6 512	- 6 440
Trade payable and other liabilities	- 17 010	- 22 406	- 25 330
Accrued expenses and deferred income	- 11 941	- 13 826	- 15 481
<b>Total noninterest-bearing liabilities</b>	<b>- 53 117</b>	<b>- 61 742</b>	<b>- 63 915</b>
Other interest-bearing provisions not related to adjusted net debt <sup>1</sup>	- 11 631	- 8 672	- 12 505
<b>Capital employed<sup>2</sup></b>	<b>236 951</b>	<b>232 501</b>	<b>232 689</b>
<b>Capital employed, average</b>	<b>234 726</b>	<b>249 809</b>	<b>248 640</b>
<b>Calculation of net debt</b>			
Hybrid Capital	- 18 908	- 19 054	- 19 164
Bond issues, commercial paper and liabilities to credit institutions	- 54 662	- 57 092	- 55 807
Present value of liabilities pertaining to acquisitions of Group companies	- 161	—	- 51
Liabilities to associated companies	- 2 645	- 2 861	- 2 798
Liabilities to owners of non-controlling interests	- 10 643	- 10 321	- 10 109
Other liabilities	- 4 893	- 9 244	- 8 738
<b>Total interest-bearing liabilities</b>	<b>- 91 912</b>	<b>- 98 572</b>	<b>- 96 667</b>
Cash and cash equivalents	12 366	13 108	19 995
Short-term investments	21 800	25 440	23 297
Loans to owners of non-controlling interests in foreign Group companies	905	2 053	2 651
<b>Net debt<sup>2</sup></b>	<b>- 56 841</b>	<b>- 57 971</b>	<b>- 50 724</b>
<b>Calculation of adjusted gross debt and net debt</b>			
Total interest-bearing liabilities	- 91 912	- 98 572	- 96 667
50% of Hybrid Capital <sup>3</sup>	9 454	9 527	9 582
Present value of pension obligations	- 39 554	- 42 986	- 40 644
Provisions for mining, gas and wind operations and other environment-related provisions	- 5 408	- 4 219	- 4 367
Provisions for nuclear power (net) <sup>4</sup>	- 25 443	- 33 377	- 41 896
Margin calls received	3 092	5 052	3 961
Liabilities to owners of non-controlling interests due to consortium agreements	9 463	9 183	8 993
<b>Adjusted gross debt</b>	<b>- 140 308</b>	<b>- 155 392</b>	<b>- 161 038</b>
Reported cash and cash equivalents and short-term investments	34 166	38 548	43 292
Unavailable liquidity	- 7 146	- 7 264	- 6 995
<b>Adjusted cash and cash equivalents and short-term investments</b>	<b>27 020</b>	<b>31 284</b>	<b>36 297</b>
<b>Adjusted net debt<sup>2</sup></b>	<b>- 113 288</b>	<b>- 124 108</b>	<b>- 124 741</b>

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 Jul-Sep 2016, Jan-Sep 2016, Full year 2016 and Last 12 months includes the lignite operations which were divested in the second quarter 2016)

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Operating activities</b>						
Profit before income taxes	9 202	- 22 933	869	373	- 27 975	4 160
Reversal of depreciation, amortisation and impairment losses	11 755	43 000	3 770	3 859	49 539	18 294
Tax paid	- 1 945	1 434	- 415	- 213	1 290	- 2 089
Capital gains/losses, net	- 555	- 1 767	34	172	- 1 581	- 369
Interest received	218	886	72	179	979	311
Interest paid	- 2 877	- 3 113	- 309	- 360	- 3 409	- 3 173
Other, incl. non-cash items	4 299	3 523	1 024	1 491	9 343	10 119
<b>Funds from operations (FFO)</b>	<b>20 097</b>	<b>21 030</b>	<b>5 045</b>	<b>5 501</b>	<b>28 186</b>	<b>27 253</b>
Changes in inventories	2 187	2 126	1 609	1 604	1 199	1 260
Changes in operating receivables	5 848	1 684	4 093	4 516	- 2 287	1 877
Changes in operating liabilities	- 9 929	- 630	- 961	1 080	3 623	- 5 676
Other changes	2 889	- 4 489	5 736	- 180	62	7 440
<b>Cash flow from changes in operating assets and operating liabilities</b>	<b>995</b>	<b>- 1 309</b>	<b>10 477</b>	<b>7 020</b>	<b>2 597</b>	<b>4 901</b>
<b>Cash flow from operating activities</b>	<b>21 092</b>	<b>19 721</b>	<b>15 522</b>	<b>12 521</b>	<b>30 783</b>	<b>32 154</b>
<b>Investing activities</b>						
Acquisitions in Group companies	- 1 465	—	- 1 090	—	- 129	- 1 594
Investments in associated companies and other shares and participations	120	391	77	154	541	270
Other investments in non-current assets	- 12 687	- 15 885	- 4 132	- 6 896	- 23 482	- 20 284
<b>Total investments</b>	<b>- 14 032</b>	<b>- 15 494</b>	<b>- 5 145</b>	<b>- 6 742</b>	<b>- 23 070</b>	<b>- 21 608</b>
Divestments	2 455	4 262	121	242	4 406	2 599
Cash and cash equivalents in acquired companies	48	—	—	—	98	146
Cash and cash equivalents in divested companies	- 213	- 83	48	- 1	- 199	- 329
<b>Cash flow from investing activities</b>	<b>- 11 742</b>	<b>- 11 315</b>	<b>- 4 976</b>	<b>- 6 501</b>	<b>- 18 765</b>	<b>- 19 192</b>
<b>Cash flow before financing activities</b>	<b>9 350</b>	<b>8 406</b>	<b>10 546</b>	<b>6 020</b>	<b>12 018</b>	<b>12 962</b>
<b>Financing activities</b>						
Changes in short-term investments	1 610	7 531	- 523	626	12 004	6 083
Changes in loans to owners of non-controlling interests in foreign Group companies	1 760	170	1 103	13	- 434	1 156
Loans raised <sup>1</sup>	4 752	7 282	853	3 598	8 764	6 234
Amortisation of other debt	- 7 311	- 19 498	- 3 503	- 2 822	- 21 549	- 9 362
Divestment of shares in Group companies to owners of non-controlling interests	—	2 775	—	- 50	2 745	- 30
Payment to the nuclear energy fund in Germany	- 17 217	—	- 17 217	—	—	- 17 217
Effect of early termination of swaps related to financing activities	105	2 677	—	—	2 244	- 328
Dividends paid to owners	- 834	- 717	- 393	- 214	- 882	- 999
Contribution from owners of non-controlling interests	129	1 570	- 30	574	2 107	666
<b>Cash flow from financing activities</b>	<b>- 17 006</b>	<b>1 790</b>	<b>- 19 710</b>	<b>1 725</b>	<b>4 999</b>	<b>- 13 797</b>
<b>Cash flow for the period</b>	<b>- 7 656</b>	<b>10 196</b>	<b>- 9 164</b>	<b>7 745</b>	<b>17 017</b>	<b>- 835</b>

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Cash and cash equivalents</b>						
Cash and cash equivalents at start of period	19 995	12 351	21 583	5 399	12 351	13 108
Cash and cash equivalents included in assets held for sale/sold	—	- 9 511	—	- 87	- 9 443	68
Cash flow for the period	- 7 656	10 196	- 9 164	7 745	17 017	- 835
Translation differences	27	72	- 53	51	70	25
<b>Cash and cash equivalents at end of period</b>	<b>12 366</b>	<b>13 108</b>	<b>12 366</b>	<b>13 108</b>	<b>19 995</b>	<b>12 366</b>

## SUPPLEMENTARY INFORMATION

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Cash flow before financing activities</b>	<b>9,350</b>	<b>8,406</b>	<b>10,546</b>	<b>6,020</b>	<b>12,018</b>	<b>12,962</b>
<b>Financing activities</b>						
Divestment of shares in Group companies to owners of non-controlling interests	—	2 775	—	- 50	2 745	- 30
Effects from terminating swaps related to financing activities	105	2 677	—	—	2 244	- 328
Dividends paid to owners	- 834	- 717	- 393	- 214	- 882	- 999
Contribution from owners of non-controlling interests	129	1 570	- 30	574	2 107	666
<b>Cash flow after dividend</b>	<b>8 750</b>	<b>14 711</b>	<b>10 123</b>	<b>6 330</b>	<b>18 232</b>	<b>12 271</b>
<b>Analysis of change in net debt</b>						
Net debt at start of period	- 50 724	- 64 201	- 67 165	- 63 654	- 64 201	- 57 971
Cash flow after dividend	8 750	14 711	10 123	6 330	18 232	12 271
Changes as a result of valuation at fair value	570	- 1 561	142	- 86	- 914	1 217
Changes in interest-bearing liabilities for leasing	—	12	—	8	13	1
Interest-bearing liabilities/short-term investments acquired/divested	- 142	4	- 1	—	4	- 142
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	- 110	—	- 110	—	—	- 110
Cash and cash equivalents included in assets held for sale	—	- 9 511	—	- 87	- 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	393	- 523	154	- 482	- 127	789
Reclassification	- 15 578 <sup>2</sup>	3 098	16 <sup>2</sup>	—	3 098	- 15 578
<b>Net debt at end of period</b>	<b>- 56 841</b>	<b>- 57 971</b>	<b>- 56 841</b>	<b>- 57 971</b>	<b>- 50 724</b>	<b>- 56 841</b>
Cash flow from operating activities	21 092	19 721	15 522	12 521	30 783	32 154
Maintenance investments	- 7 826	- 7 659	- 2 740	- 2 351	- 11 566	- 11 733
<b>Free cash flow<sup>3</sup></b>	<b>13 266</b>	<b>12 062</b>	<b>12 782</b>	<b>10 170</b>	<b>19 217</b>	<b>20 421</b>

- 1) Short-term borrowings in which the duration is three months or shorter are reported net.
- 2) Reclassification of provisions for nuclear power in Germany. The value pertains to the consolidated effect, which differs from the proportional value of Vattenfall's share of ownership.
- 3) See Definitions and calculations of key ratios for definitions of Alternative Performance Measures.

## INVESTMENTS

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
<b>Electricity generation</b>						
Hydro power	740	964	246	300	1 511	1 287
Nuclear power	1 250	1 768	444	682	2 162	1 644
Coal power	69	330	19	150	454	193
Gas	153	128	32	12	164	189
Wind power and solar PV	3 688	6 171	1 030	3 793	8 782	6 299
Biomass, waste	9	16	2	12	22	15
<b>Total electricity generation</b>	<b>5 909</b>	<b>9 377</b>	<b>1 773</b>	<b>4 949</b>	<b>13 095</b>	<b>9 627</b>
<b>CHP/heat</b>						
Fossil-based power	805	1 017	179	405	1 840	1 628
Biomass, waste	62	95	37	58	156	123
Other	835	561	374	255	1 064	1 338
<b>Total CHP/heat</b>	<b>1 702</b>	<b>1 673</b>	<b>590</b>	<b>718</b>	<b>3 060</b>	<b>3 089</b>
<b>Electricity networks</b>						
Electricity networks	3 190	3 007	1 147	1 058	5 248	5 431
<b>Total electricity networks</b>	<b>3 190</b>	<b>3 007</b>	<b>1 147</b>	<b>1 058</b>	<b>5 248</b>	<b>5 431</b>
Purchases of shares, shareholder contributions	1 345	- 392	1 013	- 155	- 361	1 376
Other	826	661	415	313	1 076	1 241
<b>Total investments from continuing operations</b>	<b>12 972</b>	<b>14 326</b>	<b>4 938</b>	<b>6 883</b>	<b>22 118</b>	<b>20 764</b>
Accrued investments (-)/release of accrued investments (+)	1 060	29	207	- 149	- 197	834
<b>Total investments with cash flow effect from continuing operations</b>	<b>14 032</b>	<b>14 355</b>	<b>5 145</b>	<b>6 734</b>	<b>21 921</b>	<b>21 598</b>
Investments with cash flow effect from discontinued operations	—	1 139	—	8	1 149	10
<b>Total investments with cash flow effect</b>	<b>14 032</b>	<b>15 494</b>	<b>5 145</b>	<b>6 742</b>	<b>23 070</b>	<b>21 608</b>

# Consolidated statement of changes in equity

Amounts in SEK million	30 Sep 2017			30 Sep 2016			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	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity
<b>Balance brought forward</b>	<b>68 272</b>	<b>15 528</b>	<b>83 800</b>	<b>103 984</b>	<b>11 972</b>	<b>115 956</b>	<b>103 984</b>	<b>11 972</b>	<b>115 956</b>
<b>Profit for the period</b>	<b>5 830</b>	<b>860</b>	<b>6 690</b>	<b>- 22 269</b>	<b>417</b>	<b>- 21 852</b>	<b>- 26 324</b>	<b>320</b>	<b>- 26 004</b>
Cash flow hedges - changes in fair value	1 891	- 17	<b>1 874</b>	- 15 956	31	<b>- 15 925</b>	- 17 691	71	<b>- 17 620</b>
Cash flow hedges - dissolved against income statement	- 1 477	- 1	<b>- 1 478</b>	1 420	—	<b>1 420</b>	2 746	- 9	<b>2 737</b>
Cash flow hedges - transferred to cost of hedged item	- 4	—	<b>- 4</b>	- 33	- 12	<b>- 45</b>	- 52	- 19	<b>- 71</b>
Hedging of net investments in foreign operations	- 182	—	<b>- 182</b>	- 1 036	—	<b>- 1 036</b>	- 923	—	<b>- 923</b>
Translation differences and exchange rate effects net, divested companies	17	—	<b>17</b>	477	—	<b>477</b>	1 164	—	<b>1 164</b>
Translation differences	365	75	<b>440</b>	2 640	208	<b>2 848</b>	1 812	115	<b>1 927</b>
Remeasurement pertaining to defined benefit obligations	1 295	—	<b>1 295</b>	- 3 746	—	<b>- 3 746</b>	- 1 726	- 79	<b>- 1 805</b>
Income taxes related to other comprehensive income	- 509	4	<b>- 505</b>	5 023	- 4	<b>5 019</b>	4 509	13	<b>4 522</b>
<b>Total other comprehensive income for the period</b>	<b>1 396</b>	<b>61</b>	<b>1 457</b>	<b>- 11 211</b>	<b>223</b>	<b>- 10 988</b>	<b>- 10 161</b>	<b>92</b>	<b>- 10 069</b>
<b>Total comprehensive income for the period</b>	<b>7 226</b>	<b>921</b>	<b>8 147</b>	<b>- 33 480</b>	<b>640</b>	<b>- 32 840</b>	<b>- 36 485</b>	<b>412</b>	<b>- 36 073</b>
Dividends paid to owners	—	- 861	<b>- 861</b>	—	- 717	<b>- 717</b>	—	- 882	<b>- 882</b>
Group contributions from(+)/to(-) owners of non-controlling interests	—	—	—	—	- 206	<b>- 206</b>	—	- 352	<b>- 352</b>
Changes in ownership in Group companies on divestments of shares to owners of non-controlling interests	—	—	—	895	2 082	<b>2 977</b>	895	2 082	<b>2 977</b>
Contribution from minority interest	—	129	<b>129</b>	—	1 570	<b>1 570</b>	—	2 107	<b>2 107</b>
Other changes in ownership	—	- 114	<b>- 114</b>	—	- 28	<b>- 28</b>	—	- 28	<b>- 28</b>
Other changes	—	—	—	- 123	217	<b>94</b>	- 122	217	<b>95</b>
<b>Total transactions with equity holders</b>	<b>—</b>	<b>- 846</b>	<b>- 846</b>	<b>772</b>	<b>2 918</b>	<b>3 690</b>	<b>773</b>	<b>3 144</b>	<b>3 917</b>
<b>Balance carried forward</b>	<b>75 498</b>	<b>15 603</b>	<b>91 101</b>	<b>71 276</b>	<b>15 530</b>	<b>86 806</b>	<b>68 272</b>	<b>15 528</b>	<b>83 800</b>
- Of which, Reserve for hedges	- 1 462	28	<b>- 1 434</b>	- 1 400	21	<b>- 1 379</b>	- 1 711	43	<b>- 1 668</b>

# Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times <sup>1</sup>	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Operating margin, continuing operations	13.0	4.1	7.9	7.6	1.0	7.3
Operating margin, continuing operations <sup>2</sup>	16.5	14.4	10.3	8.7	15.6	17.2
Pre-tax profit margin, continuing operations	9.5	-0.2	3.2	1.0	-3.6	3.2
Pre-tax profit margin, continuing operations <sup>2</sup>	13.0	10.1	5.5	2.2	11.1	13.3
Return on equity, Total Vattenfall	2.4 <sup>3</sup>	-23.6 <sup>3</sup>	2.4 <sup>3</sup>	-23.6 <sup>3</sup>	-33.4	2.4
Return on capital employed, continuing operations	4.2 <sup>3</sup>	3.1 <sup>3</sup>	4.2 <sup>3</sup>	3.1 <sup>3</sup>	0.5	4.2
Return on capital employed, Total Vattenfall	4.1 <sup>3</sup>	-5.8 <sup>3</sup>	4.1 <sup>3</sup>	-5.8 <sup>3</sup>	-8.5	4.1
Return on capital employed, continuing operations <sup>2</sup>	9.8 <sup>3</sup>	8.4 <sup>3</sup>	9.8 <sup>3</sup>	8.4 <sup>3</sup>	8.7	9.8
Return on capital employed, Total Vattenfall <sup>2</sup>	9.8 <sup>3</sup>	8.5 <sup>3</sup>	9.8 <sup>3</sup>	8.5 <sup>3</sup>	8.7	9.8
EBIT interest cover, continuing operations, (x)	2.2 <sup>3</sup>	1.9 <sup>3</sup>	2.2 <sup>3</sup>	1.9 <sup>3</sup>	0.5	2.2
EBIT interest cover, continuing operations, (x) <sup>2</sup>	5.2 <sup>3</sup>	4.7 <sup>3</sup>	5.2 <sup>3</sup>	4.7 <sup>3</sup>	4.6	5.2
FFO interest cover, continuing operations, (x)	7.1 <sup>3</sup>	7.3 <sup>3</sup>	7.1 <sup>3</sup>	7.3 <sup>3</sup>	6.5	7.1
FFO interest cover, net, continuing operations, (x)	7.5 <sup>3</sup>	9.9 <sup>3</sup>	7.5 <sup>3</sup>	9.9 <sup>3</sup>	7.7	7.5
Cash flow interest cover after maintenance investments, continuing operations, (x)	6.7 <sup>3</sup>	5.7 <sup>3</sup>	6.7 <sup>3</sup>	5.7 <sup>3</sup>	5.6	6.7
FFO/gross debt, continuing operations	29.6 <sup>3</sup>	30.1 <sup>3</sup>	29.6 <sup>3</sup>	30.1 <sup>3</sup>	27.8	29.6
FFO/gross debt, Total Vattenfall	29.7 <sup>3</sup>	30.8 <sup>3</sup>	29.7 <sup>3</sup>	30.8 <sup>3</sup>	29.2	29.7
FFO/net debt, continuing operations	47.9 <sup>3</sup>	51.2 <sup>3</sup>	47.9 <sup>3</sup>	51.2 <sup>3</sup>	53.0	47.9
FFO/net debt, Total Vattenfall	47.9 <sup>3</sup>	52.4 <sup>3</sup>	47.9 <sup>3</sup>	52.4 <sup>3</sup>	55.6	47.9
FFO/adjusted net debt, continuing operations	24.0 <sup>3</sup>	23.9 <sup>3</sup>	24.0 <sup>3</sup>	23.9 <sup>3</sup>	21.6	24.0
FFO/adjusted net debt, Total Vattenfall	24.1 <sup>3</sup>	24.5 <sup>3</sup>	24.1 <sup>3</sup>	24.5 <sup>3</sup>	22.6	24.1
EBITDA/net financial items, continuing operations, (x)	8.5	9.0	6.0	4.6	6.8	6.6
EBITDA/net financial items, continuing operations, (x) <sup>2</sup>	9.6	9.5	6.7	4.8	9.0	9.1
Equity/Total assets, Total Vattenfall	23.4	21.7	23.4	21.7	20.5	23.4
Gross debt/equity, Total Vattenfall	100.9	113.6	100.9	113.6	115.4	100.9
Net debt/equity, Total Vattenfall	62.4	66.8	62.4	66.8	60.5	62.4
Gross debt/gross debt plus equity, Total Vattenfall	50.2	53.2	50.2	53.2	53.6	50.2
Net debt/net debt plus equity, Total Vattenfall	38.4	40.0	38.4	40.0	37.7	38.4
Net debt/EBITDA, continuing operations, (x)	2.1 <sup>3</sup>	1.8 <sup>3</sup>	2.1 <sup>3</sup>	1.8 <sup>3</sup>	1.9	2.1
Net debt/EBITDA, Total Vattenfall, (x)	2.1 <sup>3</sup>	1.7 <sup>3</sup>	2.1 <sup>3</sup>	1.7 <sup>3</sup>	1.8	2.1
Adjusted net debt/EBITDA, continuing operations, (x)	4.1 <sup>3</sup>	3.9 <sup>3</sup>	4.1 <sup>3</sup>	3.9 <sup>3</sup>	4.6	4.1
Adjusted net debt/EBITDA, Total Vattenfall, (x)	4.1 <sup>3</sup>	3.7 <sup>3</sup>	4.1 <sup>3</sup>	3.7 <sup>3</sup>	4.4	4.1

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

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

In early 2017 Vattenfall finalised its analysis of the new standard IFRS 9 – “Financial Instruments”, effective as from 2018. The areas where Vattenfall will be affected are the same as already described in Note 3 to the consolidated accounts – Accounting policies in Vattenfall’s 2016 Annual and Sustainability Report. Overall, reporting of financial instruments in Vattenfall’s financial statements will be impacted marginally. For example, due to good credit ratings of counterparties, the impairment rules under IFRS 9 will have only a limited effect on the valuation of financial instruments by applying the expected credit loss approach. Likewise, IFRS 9 does not change hedge accounting in Vattenfall noticeably.

Vattenfall is working on finalising its analysis of the new standard IFRS 15 – “Revenue from Contracts with Customers”, which becomes effective as from 2018. Areas being investigated in the analysis are, for example, connection fees, discounts and variable fees, costs to obtain contracts, construction contracts and whether Vattenfall is considered to be the agent or the principal for certain revenues. Even though Vattenfall is affected in some of these areas, our analysis so far has shown that the effect of implementing IFRS 15 is limited in relation to the Group’s total revenues.

### 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

	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016
<b>Average rate</b>					
EUR	9.5803	9.3673	9.5782	9.5321	9.4496
DKK	1.2881	1.2576	1.2877	1.2807	1.2690
NOK	1.0379	1.0011	1.0199	1.0290	1.0181
PLN	2.2440	2.1503	2.2488	2.1827	2.1647
GBP	10.9945	11.7352	10.7215	11.2832	11.6081
USD	8.6076	8.4303	8.1939	8.5666	8.5807
			<b>30 Sep 2017</b>	<b>30 Sep 2016</b>	<b>31 Dec 2016</b>
<b>Balance sheet date rate</b>					
EUR			9.6490	9.6210	9.5525
DKK			1.2965	1.2912	1.2849
NOK			1.0251	1.0706	1.0513
PLN			2.2418	2.2275	2.1660
GBP			10.9426	11.1738	11.1571
USD			8.1730	8.6202	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 <sup>1</sup>	30 Sep 2017		31 Dec 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss	40 274	40 274	56 207	56 207
Loans and receivables	73 327	75 285	75 757	78 456
Available-for-sale financial assets	146	146	118	118
Financial liabilities at fair value through profit or loss	21 841	21 841	24 016	24 016
Other financial liabilities	116 298	124 199	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 30 SEPTEMBER 2017

Amounts in SEK million	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative assets	—	18 847	97	18 944
Short-term investments and cash equivalents	13 240	8 090	—	21 330
<b>Total assets</b>	<b>13 240</b>	<b>26 937</b>	<b>97</b>	<b>40 274</b>
<b>Liabilities</b>				
Derivative liabilities	—	21 734	107	21 841
<b>Total liabilities</b>	<b>—</b>	<b>21 734</b>	<b>107</b>	<b>21 841</b>

### 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
<b>Assets</b>				
Derivative assets	—	24 437	255	24 692
Short-term investments and cash equivalents	13 935	17 580	—	31 515
<b>Total assets</b>	<b>13 935</b>	<b>42 017</b>	<b>255</b>	<b>56 207</b>
<b>Liabilities</b>				
Derivative liabilities	—	23 897	119	24 016
<b>Total liabilities</b>	<b>—</b>	<b>23 897</b>	<b>119</b>	<b>24 016</b>

## CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

Amounts in SEK million	Financial instruments at fair value through profit or loss			
	Derivative assets		Derivative liabilities	
	30 Sep 2017	31 Dec 2016	30 Sep 2017	31 Dec 2016
Balance brought forward	255	408	119	1 438
Revaluations recognised in operating profit (EBIT)	- 159	- 168	- 13	- 1 361
Translation differences	1	15	1	42
<b>Balance carried forward</b>	<b>97</b>	<b>255</b>	<b>107</b>	<b>119</b>
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	87	49	13	- 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 30 September 2017 has been calculated at SEK -10 million (136). A change of +/-5% would affect the total value by approximately SEK +/-30 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	30 Sep 2017			31 Dec 2016		
	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses
Derivative assets and derivative liabilities	- 3 677	93	42	1 758	203	- 475
Available-for-sale financial assets	22	—	—	- 143	—	—
Loans and trade receivables	- 113	1 291	—	25	1 004	—
Financial liabilities measured at amortised cost	271	—	- 2 583	- 816	—	- 3 017
<b>Total</b>	<b>- 3 497</b>	<b>1 384</b>	<b>- 2 541</b>	<b>824</b>	<b>1 207</b>	<b>- 3 492</b>

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 recalculated 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 recalculated. Cash flow from the discontinued lignite operations is presented below in this note.

### EARNINGS FROM DISCONTINUED OPERATIONS

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Net Sales	—	13 341	—	4 596	13 459	118
Expenses	—	- 13 835	—	- 4 028	- 13 957	- 122
Net financial items	—	- 384	—	- 97	- 387	- 3
Realised gains related to fair value hedges	—	37	—	—	37	—
Translation differences related to hedging of net investments in foreign operations	—	- 477	—	- 477	- 477	—
Capital gain	—	276	—	276	278	2
Impairment loss recognised on the remeasurement to fair value less costs to sell	—	- 21 704	—	- 199	- 21 883	- 179
<b>Profit before income taxes from discontinued operations</b>	<b>—</b>	<b>- 22 746</b>	<b>—</b>	<b>71</b>	<b>- 22 930</b>	<b>- 184</b>
Income taxes	—	- 896	—	- 670	- 903	- 7
<b>Profit for the period from discontinued operations attributable to owners of the Parent Company</b>	<b>—</b>	<b>- 23 642</b>	<b>—</b>	<b>- 599</b>	<b>- 23 833</b>	<b>- 191</b>

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Operating profit (EBIT)	—	- 22 361	—	168	- 22 542	- 181
Items affecting comparability	—	22 509	—	936	22 538	29
<b>Underlying operating profit</b>	<b>—</b>	<b>148</b>	<b>—</b>	<b>1 104</b>	<b>- 4</b>	<b>- 152</b>

### CASH FLOW FROM DISCONTINUED OPERATIONS

Amounts in SEK million	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Funds from operations (FFO)	—	1 238	—	323	1 291	53
Cash flow from operating activities	—	2 189	—	3 621	2 200	11
Cash flow from investing activities	—	- 944	—	156	- 950	- 6
Cash flow from financing activities	—	461	—	- 60	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
<b>Total earnings effect in 2016</b>	<b>- 22 082</b>

# 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).

## January to September 2017

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

- Net sales amounted to SEK 22,275 million (21,870).
- Profit before appropriations and income taxes was SEK 7,900 million (-6,488).
- Profit was affected by 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 12,700 million for shares in a subsidiary and by dividends received of SEK 818 million.

- The balance sheet total was SEK 246,644 million (31 December 2016: 261,902).
- Investments during the period amounted to SEK 4,595 million (7,306), of which SEK 4,000 million (7,000) is related to a shareholder contribution to Vattenfall Vindkraft AB.
- Cash and cash equivalents, and short-term investments amounted to SEK 30,572 million (31 December 2016: 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	Jan-Sep 2017	Jan-Sep 2016	Full year 2016	Last 12 months
Net sales	22 275	21 870	29 752	30 157
Cost of products sold	- 16 667	- 17 163	- 23 999	- 23 503
<b>Gross profit</b>	<b>5 608</b>	<b>4 707</b>	<b>5 753</b>	<b>6 654</b>
Selling expenses, administrative expenses and research and development costs	- 1 737	- 1 717	- 2 398	- 2 418
Other operating income and expenses, net	456	355	275	376
<b>Operating profit (EBIT)</b>	<b>4 327</b>	<b>3 345</b>	<b>3 630</b>	<b>4 612</b>
Result from participations in subsidiaries	4 723	- 11 823	- 11 545	5 001
Result from participations in associated companies	—	—	- 2	- 2
Result from other shares and participations	—	—	1	1
Other financial income	1 308	4 905	5 127	1 530
Other financial expenses	- 2 458	- 2 915	- 3 721	- 3 264
<b>Profit before appropriations and income taxes</b>	<b>7 900</b>	<b>- 6 488</b>	<b>- 6 510</b>	<b>7 878</b>
Appropriations	1 536	2 152	1 466	850
<b>Profit before income taxes</b>	<b>9 436</b>	<b>- 4 336</b>	<b>- 5 044</b>	<b>8 728</b>
Income taxes	- 1 070	- 1 688	- 1 480	- 862
<b>Profit for the period</b>	<b>8 366</b>	<b>- 6 024</b>	<b>- 6 524</b>	<b>7 866</b>



# Parent Company balance sheet

Amounts in SEK million	30 Sep 2017	30 Sep 2016	31 Dec 2016
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	190	162	174
Property, plant and equipment	4 077	4 026	4 151
Shares and participations	149 640	146 201	145 586
Deferred tax assets	362	199	329
Other non-current receivables	52 998	58 989	58 897
<b>Total non-current assets</b>	<b>207 267</b>	<b>209 577</b>	<b>209 137</b>
<b>Current assets</b>			
Inventories	278	298	255
Intangible assets: current	218	249	275
Current receivables	8 309	14 906	16 553
Short-term investments	20 787	20 137	18 733
Cash and cash equivalents	9 785	10 859	16 949
<b>Total current assets</b>	<b>39 377</b>	<b>46 449</b>	<b>52 765</b>
<b>Total assets</b>	<b>246 644</b>	<b>256 026</b>	<b>261 902</b>
<b>Equity, provisions and liabilities</b>			
<b>Equity</b>			
Restricted equity			
Share capital (131,700,000 shares with a share quota value of SEK 50)	6 585	6 585	6 585
Revaluation reserve	37 989	37 989	37 989
Other reserves	1 317	1 308	1 316
Non-restricted equity			
Retained earnings	43 617	50 150	50 142
Profit for the period	8 366	- 6 024	- 6 524
<b>Total equity</b>	<b>97 874</b>	<b>90 008</b>	<b>89 508</b>
<b>Untaxed reserves</b>	<b>11 759</b>	<b>11 617</b>	<b>13 294</b>
<b>Provisions</b>	<b>5 258</b>	<b>5 280</b>	<b>5 308</b>
<b>Non-current liabilities</b>			
Hybrid capital	19 233	19 195	19 101
Other interest-bearing liabilities	44 010	50 376	49 870
Other noninterest-bearing liabilities	8 332	12 230	13 099
<b>Total non-current liabilities</b>	<b>71 575</b>	<b>81 801</b>	<b>82 070</b>
<b>Current liabilities</b>			
Other interest-bearing liabilities	55 300	63 360	64 688
Current tax liabilities	657	565	520
Other noninterest-bearing liabilities	4 221	3 395	6 514
<b>Total current liabilities</b>	<b>60 178</b>	<b>67 320</b>	<b>71 722</b>
<b>Total equity, provisions and liabilities</b>	<b>246 644</b>	<b>256 026</b>	<b>261 902</b>

# 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 non-recurring items. Also included here are, for trading activities, unrealised changes in the fair value of energy derivatives, which according to IAS 39 cannot be recognised using hedge accounting and unrealised changes in the fair value of inventories
Underlying EBITDA:	Underlying operating profit before depreciation, amortisation and impairment losses
Underlying operating profit:	Operating profit (EBIT) excluding items affecting comparability
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	Jan-Sep 2017	Jan-Sep 2016	Jul-Sep 2017	Jul-Sep 2016	Full year 2016	Last 12 months
Operating profit (EBIT)	12 626	4 178	2 173	2 251	1 337	9 785
Depreciation, amortisation and impairment losses	11 755	19 718	3 770	3 635	25 872	17 909
<b>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>24 381</b>	<b>23 896</b>	<b>5 943</b>	<b>5 886</b>	<b>27 209</b>	<b>27 694</b>
Items affecting comparability excl. impairment losses and reversed impairment losses	2 998	1 368	646	251	8 935	10 565
<b>Underlying operating profit before depreciation, amortisation and impairment losses</b>	<b>27 379</b>	<b>25 264</b>	<b>6 589</b>	<b>6 137</b>	<b>36 144</b>	<b>38 259</b>
Operating profit (EBIT)	12 626	4 178	2 173	2 251	1 337	9 785
Items affecting comparability	3 386	10 424	642	351	20 360	13 322
<b>Underlying operating profit</b>	<b>16 012</b>	<b>14 602</b>	<b>2 815</b>	<b>2 602</b>	<b>21 697</b>	<b>23 107</b>

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

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**KEY RATIOS BASED ON CONTINUING OPERATIONS AND LAST 12-MONTH VALUES OCTOBER 2016 – SEPTEMBER 2017**

<b>Operating margin, %</b>	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}}$	$\frac{9\,785}{134\,635}$	=	7.3
<b>Operating margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}}$	$\frac{23\,107}{134\,635}$	=	17.2
<b>Pre-tax profit margin, %</b>	= 100 x	$\frac{\text{Profit before income taxes}}{\text{Net sales}}$	$\frac{4\,344}{134\,635}$	=	3.2
<b>Pre-tax profit margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Profit before income taxes excl. items affecting comparability}}{\text{Net sales}}$	$\frac{17\,841}{134\,635}$	=	13.3
<b>Return on equity, %</b>	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{1\,773}{74\,072}$	=	2.4
<b>Return on capital employed, %</b>	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}}$	$\frac{9\,785}{234\,726}$	=	4.2
<b>Return on capital employed excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}}$	$\frac{23\,107}{234\,726}$	=	9.8
<b>EBIT interest cover, (x)</b>	=	$\frac{\text{EBIT + financial income excl. return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{10\,045}{4\,469}$	=	2.2
<b>EBIT interest cover excl. Items affecting comparability, (x)</b>	=	$\frac{\text{Underlying EBIT + financial income excl. Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{23\,367}{4\,469}$	=	5.2
<b>FFO interest cover, (x)</b>	=	$\frac{\text{FFO + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{31\,699}{4\,469}$	=	7.1
<b>FFO interest cover, net, (x)</b>	=	$\frac{\text{FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{31\,439}{4\,209}$	=	7.5

<b>Cash flow interest cover after maintenance investments, (x)</b>	=	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl. Discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}$	$\frac{24\,092}{3\,614} = 6.7$
<b>FFO/gross debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Interest-bearing liabilities}}$	$\frac{27\,230}{91\,912} = 29.6$
<b>FFO/net debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Net debt}}$	$\frac{27\,230}{56\,841} = 47.9$
<b>FFO/adjusted net debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Adjusted net debt}}$	$\frac{27\,230}{113\,288} = 24.0$
<b>EBITDA/net financial items, (x)</b>	=	$\frac{\text{EBITDA}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{27\,694}{4\,209} = 6.6$
<b>EBITDA excl. items affecting comparability/net financial items, (x)</b>	=	$\frac{\text{EBITDA excl. items affecting comparability}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{38\,259}{4\,209} = 9.1$

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#### KEY RATIOS BASED ON THE BALANCE SHEET PER 30 SEPTEMBER 2017

<b>Equity/total assets, %</b>	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{91\,101}{388\,673} = 23.4$
<b>Gross debt/equity, %</b>	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{91\,912}{91\,101} = 100.9$
<b>Net debt/equity, %</b>	= 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	$\frac{56\,841}{91\,101} = 62.4$
<b>Gross debt/gross debt equity, %</b>	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	$\frac{91\,912}{183\,013} = 50.2$
<b>Net debt/net debt plus equity, %</b>	= 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	$\frac{56\,841}{147\,942} = 38.4$
<b>Net debt/EBITDA, (x)</b>	=	$\frac{\text{Net debt}}{\text{EBITDA}}$	$\frac{56\,841}{27\,694} = 2.1$
<b>Adjusted net debt/EBITDA, (x)</b>	=	$\frac{\text{Adjusted net debt}}{\text{EBITDA}}$	$\frac{113\,288}{27\,694} = 4.1$

**Interim report signature**

Solna, 27 October 2017

Magnus Hall  
President and CEO

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

**Financial calendar**

Year-end report 2017, 7 February 2018

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 09.00 CET on 27 October 2017. 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.