

Year-End Report 2019

Business highlights, January–December 2019

- Continued customer growth, especially in Germany
- Growth in offshore wind power with inauguration of Horns Rev 3 (407 MW) in Denmark and winning tender for Hollandse Kust Zuid 3&4 (~750 MW) in the Netherlands
- Permanent closure of Ringhals 2
- Acquisition of sales company DELTA Energie in the Netherlands
- Closure of the coal-fired power plants Hemweg 8 in Amsterdam and Reuter C in Berlin
- Transfer of district heating operations in Hamburg
- Extensive repair work on electricity network following the storm “Alfrida”
- Reduced revenue frames for distribution operations in Sweden for the period 2020–2023
- New CO₂ reduction targets approved by the Science Based Targets initiative

Financial highlights, January–December 2019

- Net sales increased by 9% (7% excluding currency effects) to SEK 166,360 million (152,091)
- Underlying operating profit¹ increased by 26% to SEK 25,095 million (19,883)
- Operating profit¹ increased by 26% to SEK 22,141 million (17,619)
- Profit for the period increased by 24% to SEK 14,861 million (12,007)
- The Board of Directors proposes a dividend of SEK 7,245 million, corresponding to 55% of profit for the year attributable to the owner of the Parent Company

Financial highlights, October–December 2019

- Net sales increased by 3% (1% excluding currency effects) to SEK 46,179 million (45,020)
- Underlying operating profit¹ increased by 77% to SEK 8,207 million (4,627)
- Operating profit¹ decreased by 42% to SEK 2,427 million (4,189)
- Profit for the period decreased by 84% to SEK 488 million (3,100)

KEY DATA

Amounts in SEK million unless indicated otherwise	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	166 360	152 091	46 179	45 020
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	42 445	34 341	8 844	8 662
Operating profit (EBIT) ¹	22 141	17 619	2 427	4 189
Underlying operating profit ¹	25 095	19 883	8 207	4 627
Profit for the period	14 861	12 007	488	3 100
Electricity generation, TWh	130.2	130.3	34.7	35.9
Sales of electricity, TWh ²	169.4	169.3 ³	42.9	45.2 ³
- of which, customer sales	119.0	119.2	29.8	31.7
Sales of heat, TWh	17.1	18.3	5.1	5.8
Sales of gas, TWh	59.2	60.7 ³	19.7	19.0 ³
Return on capital employed, % ¹	8.5	7.0	8.5 ⁴	7.0 ⁴
FFO/adjusted net debt, % ¹	26.5	20.7	26.5 ⁴	20.7 ⁴

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

2) Sales of electricity also include sales to Nord Pool Spot and deliveries to minority shareholders.

3) The value has been adjusted compared with information previously published in Vattenfall's financial reports.

4) Last 12-month values.

CEO's comments

A positive year with tangible steps towards a fossil-free future



Engaged employees from throughout Vattenfall contributed to favourable performance during an intensive 2019. Electricity generation remained stable and cost-efficient. We increased our customer numbers, grew in wind power and entered into new partnerships based on fossil-free energy solutions. We inaugurated our largest wind farm, Horns Rev 3, at the same time that we phased out large coal-fired plants. Ringhals 2 was closed according to plan. In a situation where our work with occupational health and safety is in need of strengthening, the crisis management and repair work in connection with the storm "Alfrida" were conducted without serious incidents. And most important of all, we achieved our financial targets. The Board of Directors proposes a dividend of SEK 7.2 billion.

Vattenfall's largest risk exposure with respect to earnings is the electricity market in the Nordic countries. We entered 2019 with Nordic electricity prices that had previously risen as a result of warm and dry weather and low reservoir levels. Prices returned to lower levels during the year, but price hedges contributed to an earnings improvement for 2019. After year-end we have seen a continued, significant price drop as a result of an unusually mild winter.

Net profit for the full year totalled SEK 14.9 billion, an increase of SEK 2.9 billion compared with the preceding year. This improvement can be credited mainly to higher earnings from the operating activities. This was largely dampened by higher provisions for nuclear power and higher tax costs, but enhanced by positive one-off effects from the sale of the district heating operations in Hamburg and nuclear power production rights in Germany.

The underlying operating profit increased by SEK 5.2 billion to SEK 25.1 billion. Price hedges and higher contributions from wind power and trading accounted for most of the increase. The storm "Alfrida" had a strongly negative impact during the first half of the year.

The closure of Ringhals 2 was completed on 30 December. Capacity was gradually reduced toward the end of the year, which resulted in slightly lower generation volumes for nuclear power. However, Power Generation posted an increase in underlying operating profit by SEK 6.1 billion to SEK 15.4 billion. The large increase compared with a year ago is mainly attributable to price hedges and higher earnings from trading.

At Vattenfall we are striving to help our customers live a life free from fossil fuels. Toward this end, during the year we expanded in e-vehicle charging solutions, most recently, for example, through partnerships with Honda and Berlin Waste Management. We increased the number of customers for sales of electricity and gas, in part owing to the acquisition of DELTA Energie in the Netherlands, but also through organic growth in Germany. High competition and investments in growth limited earnings performance for Customers & Solutions in 2019, however. Following a recovery during the fourth quarter, underlying operating profit for the full year totalled SEK 1.3 billion, which is in line with a year ago.

Our emission reduction targets are approved by Science Based Targets initiative (SBTi) and we are continuing with the phase-out of coal-fired power generation. During 2019 two coal-fired plants were closed: Hemweg 8 in Amsterdam and Reuter C in Berlin, reducing our annual CO2 emissions by approximately 3 million tonnes. Underlying operating profit from the heat operations was a disappointment, falling from an already low level by SEK 0.2 billion to SEK 0.6 billion (including the district heating operations in Hamburg, which were sold in September). Granted, during the year we saw lower fuel prices and that gas-fired power generation did slightly better against the competition in the market, but margin pressure for coal-fired power generation weighed down earnings. The price of CO2 emission allowances remains at an historically high level, which is strengthening this development – something which on the other hand is entirely according to plan since fossil fuels are being phased out.

Underlying operating profit for Wind amounted to SEK 4.2 billion, an increase of SEK 0.4 billion, mainly owing to new wind farms. Lower electricity prices held back earnings performance. In offshore wind we reached a number of important milestones during the year. In Denmark the Horns Rev 3 (407 MW) wind farm was inaugurated, and construction was started on Kriegers Flak (605 MW). In the Netherlands we had the winning tender for Hollandse Kust Zuid 3&4 (~750 MW). We will develop and operate this project together with the first stage, Hollandse Kust Zuid 1&2, entirely without subsidies. The combined project, HKZ 1-4, will have capacity of approximately 1.5 GW and thereby annual electricity generation in the same size range as a nuclear power reactor.

The distribution operations posted an underlying operating profit of SEK 5 billion, which is a decrease of SEK 1.3 billion compared with a year ago. Repairs and outage compensation following the storm "Alfrida" had the single largest negative impact. In Sweden we are now entering a period of new regulation and considerably lower revenue frames, which is problematic for future investments. Moreover, to ensure that the grid is modernised and expanded, fundamentally more streamlined permitting processes are needed. Otherwise, both growth and Sweden's climate goals are at risk.

All-in-all we can look back on an eventful and positive year for Vattenfall, even though a number of challenges remain. Our company invests heavily in the energy transition. We continue to build upon electrification, partnerships and fossil-free energy solutions as a foundation for future success.

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

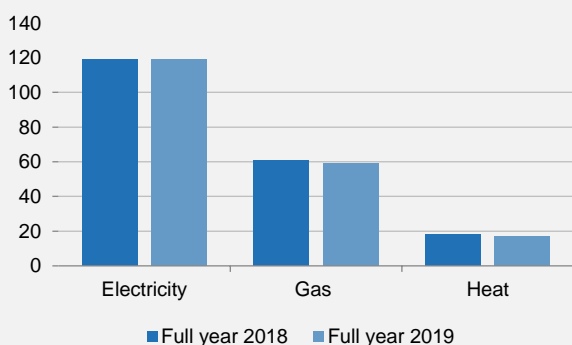
Magnus Hall
President and CEO

Group overview

Customer sales development

Sales of electricity, excluding sales to Nord Pool Spot and deliveries to minority shareholders, decreased by 0.2 TWh to 119.0 TWh (119.2). Sales of gas decreased by 1.5 TWh to 59.2 TWh (60.7) as a result of warmer weather in the Netherlands and Germany. Sales of heat decreased by 1.2 TWh to 17.1 TWh (18.3).

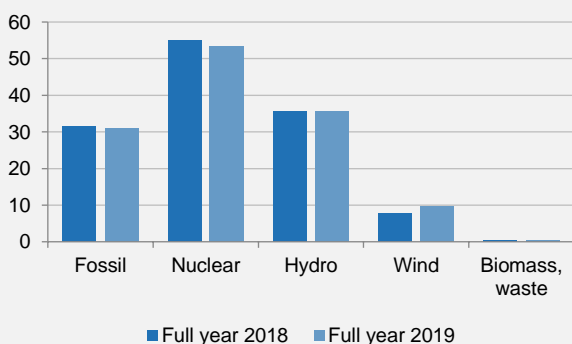
CUSTOMER SALES (TWh)



Generation development

Total electricity generation decreased by 0.1 TWh to 130.2 TWh (130.3) during 2019. Higher wind power generation (+1.9 TWh) was countered by lower nuclear (-1.7 TWh) and fossil-based (-0.5 TWh) power generation.

ELECTRICITY GENERATION (TWh)



Price development

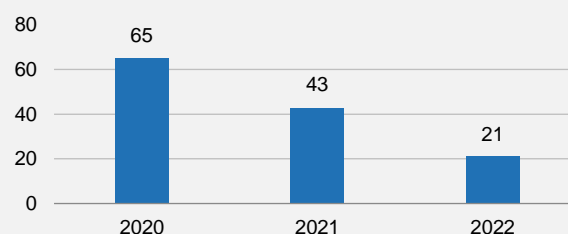
Average Nordic electricity spot prices were 19% lower, at EUR 38.6 /MWh (47.6) during the fourth quarter of 2019 compared with corresponding period in 2018, mainly owing to a stronger hydrological balance and lower fuel prices. Spot prices in Germany were 30% lower, at EUR 36.6/MWh (52.6), and prices in the Netherlands decreased by 35% to EUR 39.3/MWh (60.6). Prices in Germany and the Netherlands were affected mainly by lower fuel prices. Electricity futures prices for delivery in 2020 and 2021 were 4%–5% higher in the Nordics and 1-12% lower in Germany and the Netherlands compared to the fourth quarter of 2018.

Compared with the fourth quarter of 2018, the average spot price for gas was 49% lower, at EUR 12.6/MWh (24.7). The spot price for coal was 39% lower at USD 56.5/t (91.9). The futures price for gas was 31% lower at EUR 16.1/MWh (23.4), and the futures price for coal was 30% lower at USD 63.3/t (90.7). The price of CO₂ emission allowances was 23% higher at EUR 24.9/t (20.3). The higher price of CO₂ emission allowances is partly attributable to the Market Stability Reserve (MSR), which took effect in January 2019 to manage the surplus of CO₂ emission allowances in the market.

AVERAGE INDICATIVE NORDIC HEDGE PRICES (SE, DK, FI) AS PER 30 DECEMBER 2019, EUR/MWh

EUR/MWh	2020	2021	2022
	33	33	33

ESTIMATED NORDIC HEDGE RATIO (SE, DK, FI) AS PER 30 DECEMBER 2019 (%)



ACHIEVED NORDIC ELECTRICITY PRICES (SE, DK, FI)¹ EUR/MWh

Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
32	30	33	33

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

+/-10% price impact on future profit before tax, SEK million²

Market-quoted	2020	2021	2022	Observed yearly volatility ³
Electricity	+/- 1,433	+/- 1,678	+/- 1,547	14%-23%
Coal	-/+ 133	-/+ 157	-/+ 157	19%-22%
Gas	-/+ 660	-/+ 720	-/+ 754	17%-26%
CO ₂	-/+ 419	-/+ 438	-/+ 407	39%-48%

- 1) Achieved prices from the spot market and hedges. Includes Nordic hydro, nuclear and wind power generation.
- 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 decreases the further ahead in time the contracts pertain to.

Net sales

Comment January–December: Consolidated net sales increased by SEK14.3 billion (of which, positive currency effects of SEK 3.2 billion). The increase is mainly attributable to higher prices achieved through hedges, higher sales in the Nordic countries, Germany, France and the Netherlands (positive price effects), and higher generation in the Wind operating segment.

Comment October–December: Consolidated net sales increased by SEK1.2 billion (of which, positive currency effects of SEK 0.8 billion). The increase is mainly attributable to higher sales in Germany.

Earnings

Comment January–December: Underlying operating profit increased by SEK increased by SEK5.2 billion, which is explained by:

- Higher earnings contribution from the Power Generation operating segment (SEK 6.1 billion), mainly owing to higher achieved prices and a higher contribution from the trading operations
- Higher earnings contribution from the Wind operating segment (SEK 0.4 billion), mainly owing to new capacity
- Lower earnings contribution from the Distribution operating segment (SEK -1.3 billion), mainly owing to costs related to the storm "Alfrida", higher transmission costs and higher depreciation

Items affecting comparability amounted to SEK -3.0 billion (-2.3). Capital gains on the divestment of the district heating operations in Hamburg (SEK 3.1 billion) and the sale of nuclear production rights in Germany (SEK 1.5 billion) were countered by unrealised changes in market value for energy derivatives and inventories (SEK -2.2 billion) and higher provisions for nuclear power (SEK -3.4 billion), partly owing to changed discount rates for Germany and Sweden. Profit for the period was SEK 14.9 billion (12.0).

Comment October–December: Underlying operating profit increased by SEK 3.6 billion. The Power Generation operating segment made a positive contribution (SEK 3.3 billion), mainly owing to higher achieved prices and a higher realised contribution from the trading operations.

The Customers & Solutions operating segment also made a positive contribution (SEK 0.6 billion), mainly owing to customer growth in Germany and a positive contribution from sales in the Netherlands and the Nordic countries. Items affecting comparability amounted to SEK -5.8 billion (-0.4), which is mainly explained by provisions for nuclear power (SEK -2.9 billion), unrealised changes in the market value of energy derivatives and inventories (SEK -1.7 billion) and impairments (SEK -1.5 billion). Profit for the period was SEK 0.5 billion (3.1).

Cash flow

Comment January–December: Funds from operations (FFO) increased by SEK 11.7 billion, mainly owing to a higher operating profit before depreciation, amortisation and impairment losses (EBITDA) and lower paid tax. Cash flow from changes in working capital amounted to SEK -18.2 billion. The net change in margin calls (SEK -20.9 billion) was the largest contributing factor.

Comment October–December: Funds from operations (FFO) increased by SEK 4.3 billion, mainly owing to a higher operating profit before depreciation, amortisation and impairment losses (EBITDA), and were countered by higher paid tax (the fourth quarter of 2018 was affected by a tax refund in Germany). Cash flow from changes in working capital amounted to SEK -6.5 billion. Margin calls (SEK -7.8 billion) and the net change in operating receivables and operating liabilities resulting from seasonal effects in the Customers & Solutions and Heat operating segments (SEK -3.0 billion) had a negative effect. Changes related to CO₂ emission allowances (SEK 3.6 billion) had a positive effect.

Important events after the balance sheet date

- Niek den Hollander, head of Business Area Markets, has decided to leave Vattenfall for a position with Uniper. Recruitment of a successor has been started, and Niek den Hollander will stay on with Vattenfall until 31 March.

KEY FIGURES – GROUP OVERVIEW

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	166 360	152 091	46 179	45 020
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	42 445	34 341	8 844	8 662
Operating profit (EBIT) ¹	22 141	17 619	2 427	4 189
Underlying operating profit ¹	25 095	19 883	8 207	4 627
Items affecting comparability ¹	- 2 954	- 2 264	- 5 780	- 438
Profit for the period	14 861	12 007	488	3 100
Funds from operations (FFO) ¹	34 949	23 275	11 520	7 265
Cash flow from changes in operating assets and operating liabilities (working capital)	- 18 230	17 779	- 6 530	- 1 501
Cash flow from operating activities	16 719	41 054	4 990	5 764

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

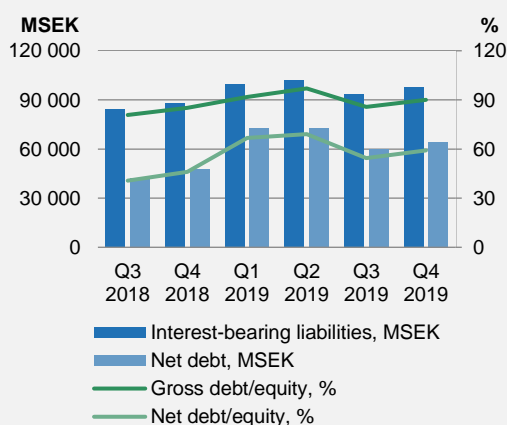
Capital structure

Cash and cash equivalents, and short-term investments decreased by SEK 6.9 billion compared with the level at 31 December 2018. Committed credit facilities consist of a EUR 2.0 billion Revolving Credit Facility that expires on 10 December 2021. As per 31 December 2019, available liquid assets and/or committed credit facilities amounted to 30% of net sales. Vattenfall's target is to maintain a level of no less than 10% of consolidated net sales, but at least the equivalent of the next 90 days' maturities.

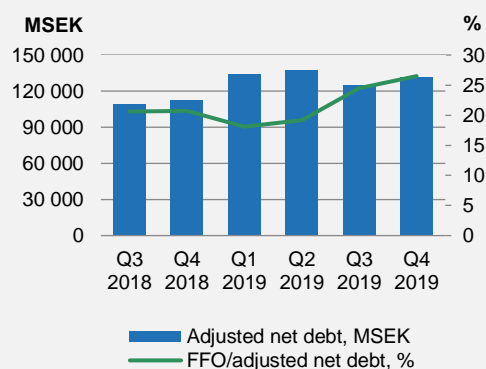
Net debt increased by SEK 16.5 billion compared with the level at 31 December 2018. This is mainly attributable to a negative cash flow after investments (SEK 6.1 billion), implementation of IFRS 16 Leases (SEK 4.6 billion), dividends (SEK 3.7 billion) and exchange rate effects (SEK 2.0 billion).

Adjusted net debt increased by SEK 19.7 billion compared with the level at 31 December 2018. The increase is mainly related to the higher level of net debt and higher provisions for pensions (SEK 4.3 billion) and nuclear power (SEK 3.6 billion).

NET DEBT



ADJUSTED NET DEBT



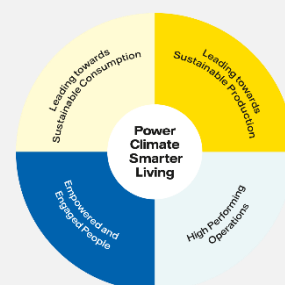
Strategic objectives

Vattenfall's goal is to offer all customers climate-smart solutions and enable a life free from fossil fuels within one generation. The strategy is built upon four strategic objectives. Vattenfall will be

- 1. Leading towards Sustainable Consumption** (increase customer centricity, develop the brand and build a sizeable position in decentralised energy solutions) and
- 2. Leading towards Sustainable Production** (grow in renewables and implement our CO₂ roadmap).

To achieve this, we must have

- 3. High Performing Operations** (reduce costs and improve operational efficiency) and
- 4. Empowered and Engaged People** (develop culture and competence).



Strategic focus area	Targets for 2020	Outcome 2019	Outcome 2018
Leading towards Sustainable Consumption	1. Customer engagement, Net Promoter Score relative to peers ¹ (NPS relative): +2	+1	+1
Leading towards Sustainable Production	2. Aggregated commissioned new renewables capacity 2016-2020: ≥2,300 MW 3. Absolute CO ₂ emissions pro rata: ≤21 Mt	1,226 MW 19.0 Mt²	752 MW 22.0 Mt
High Performing Operations	4. Return On Capital Employed (ROCE), last 12 months: ≥8%	8.5%	7.0%
Empowered and Engaged People	5. Lost Time Injury Frequency (LTIF): ≤1.25 6. Employee Engagement Index ³ : ≥70%	2.1 69%	1.9 64%

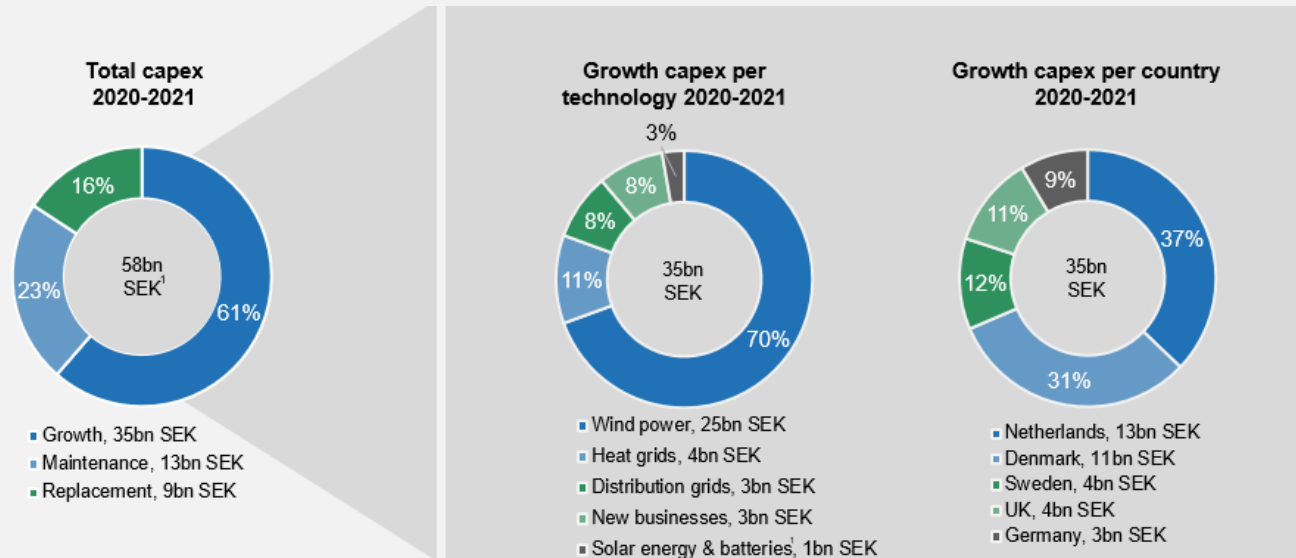
1) The target is a positive NPS in absolute terms and +2 compared to Vattenfall's peer competitors to be achieved by 2020.

2) Preliminary value. The final value will be presented in the Annual and Sustainability Report. Including the heat operations in Hamburg, which have been sold and where emissions amounted to 1 Mt during the period January-September.

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

Investment plan 2020-2021

Vattenfall has decided on an investment plan for 2020–2021 of SEK 58 billion. Growth investments amount to SEK 35 billion, and the largest share, SEK 25 billion - or 70% - is planned to be invested in wind power. Vattenfall will also invest in solar power and new business areas such as decentralised solutions, energy storage and e-mobility. Maintenance and replacement investments amount to SEK 22 billion, whereof SEK 9 billion is planned to be invested in the electricity networks and SEK 5 billion relates to investments in Vattenfall's hydro and nuclear power plants.



¹ Mainly decentralised solutions, energy storage and e-mobility.

Operating segments



Customers & Solutions



Power Generation
– Generation



Power Generation
– Markets



Wind



Heat



Distribution

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
<u>Underlying operating profit</u>				
Customers & Solutions	1 337	1 269	744	110
Power Generation	15 437	9 371	4 186	896
- of which, trading	1 794	581	1 015	- 40
Wind	4 155	3 747	1 680	1 845
Heat	550	771	232	511
Distribution	4 998	6 250	1 544	1 719
- of which, Distribution Germany	1 132	985	281	334
- of which, Distribution Sweden	3 856	5 254	1 265	1 395
Other¹	- 1 274	- 1 528	- 279	- 618
Eliminations	- 108	3	100	164
Underlying operating profit	25 095	19 883	8 207	4 627

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.

Larger customer base but earnings affected by high competition and growth investments

- Customer growth in Germany and acquisition of DELTA Energie in the Netherlands
- Pilot with Microsoft to track consumption of renewable electricity in real time
- Expansion of charging solutions through new agreements with Berlin Waste Management, Honda and Swedish housing cooperative HSB

Full year: Net sales increased as a result of higher sales in most of Vattenfall's markets. Higher volumes and a larger customer base in Germany were the main drivers together with positive contributions from France and the Netherlands. Currency effects made a positive contribution to net sales. Underlying operating profit increased mainly as a result of a larger customer base in Germany and a strong contribution from sales in the Nordic countries. Higher costs for electricity purchases in Germany were compensated by tariff increases. Earnings growth was held back by continued high competition and costs for growth activities.

Compared with year-end 2018, the total customer base grew from 9.7 million to 10.2 million contracts.¹ The increase is mainly attributable to a larger customer base in Germany and the acquisition of DELTA Energie in the Netherlands.

Q4: Net sales increased mainly as a result of positive price effects and higher volumes in Germany along with positive contributions from the Netherlands and the acquisition of DELTA Energie. Underlying operating profit increased mainly as a result of higher sales in Germany and positive contributions from sales in the Netherlands and the Nordic countries.

In partnership with Microsoft, Vattenfall has developed a solution that gives customers a higher level of transparency regarding their electricity consumption. The new solution connects information on renewable power generation with data



from smart meters in office buildings, allowing customers to see their renewable electricity consumption in real time. The solution is now being tested in a pilot project at Vattenfall's and Microsoft's headquarters in Sweden.

Vattenfall and Honda signed a Letter of Intent to introduce home charging solutions for e-vehicles and flexible energy contracts. The service will initially be rolled out in the UK and Germany in 2020. Vattenfall will oversee installation of the Honda Power Charger through preferred contractors, and customers will be offered a competitive renewable electricity contract with Vattenfall.

During the quarter Vattenfall and Berlin Waste Management (BSR), which is responsible for waste management for two million households in Berlin, carried out a pilot project for flexible charging of BSR's vehicle fleet. Vattenfall has optimised charging by steering it to times when electricity prices are lowest, which usually coincides with high wind and solar power generation. The pilot will now be extended.

The InCharge charging network continues to expand, and nearly 15,000 charging points have been installed and access to additional charging points is being provided through roaming agreements. In Sweden Vattenfall entered into an agreement with the housing cooperative HSB Norr. The agreement gives the cooperative's 300 associations and all their members the opportunity to choose Vattenfall InCharge as a charging solution.

KEY FIGURES – CUSTOMERS & SOLUTIONS

Amounts in SEK million unless indicated otherwise	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	89 859	81 318	25 773	23 528
External net sales	87 343	78 883	25 078	22 758
Underlying operating profit before depreciation, amortisation and impairment losses	3 021	2 663	1 180	486
Underlying operating profit	1 337	1 269	744	110
Sales of electricity, TWh	89.5	88.3	22.9	23.5
- of which, private customers	28.0	27.4	7.9	7.5
- of which, resellers	6.5	4.9	1.8	1.4
- of which, business customers	55.0	56.0	13.2	14.6
Sales of gas, TWh	54.2	55.5	18.1	17.4
Number of employees, full-time equivalents	3 150	2 962	3 150	2 962

1) Including Vattenfall's subsidiary Feenstra which has previously been reported separately.

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 certain large business customers.

Higher achieved prices and strong contribution from trading

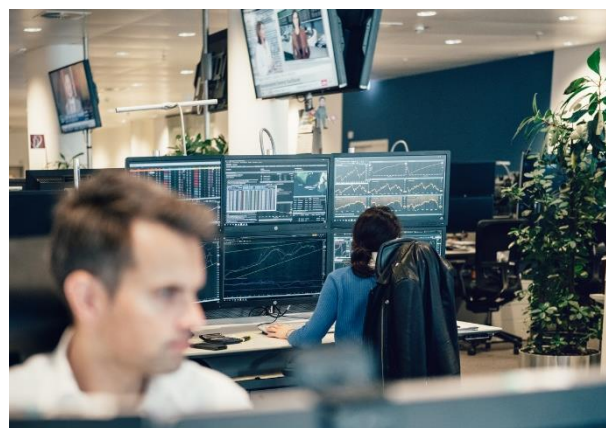
- Lower electricity spot prices in the Nordic countries, but higher achieved prices through hedges
- Permanent closure of Ringhals 2 on 30 December
- Higher realised trading result and growth in Power Purchase Agreements

Full year: Net sales increased mainly owing to an improved hedge result, higher sales of electricity and gas in the business segment in Germany and positive currency effects. This was partly offset by lower spot prices in the Nordic countries and lower internal sales. Underlying operating profit increased mainly as a result of higher prices achieved in the Nordic countries through hedging and a higher realised earnings contribution from the trading operations.

Nuclear power generation decreased by 1.7 TWh, owing in part to a gradual reduction in output at Ringhals 2 ahead of its final closure. Combined availability for Vattenfall's nuclear power plants for the full year 2019 was 87.8% (88.9%).

Hydro power generation was stable at 35.7 TWh. At year-end, Nordic reservoir levels were at 60% (55%) of capacity, which is 3 percentage points above the normal level.

Q4: Net sales decreased mainly due to lower spot prices in the Nordic countries and lower internal sales. An improved hedge result and higher sales of electricity and gas in the business segment in Germany had an offsetting impact. Underlying operating profit increased mainly as a result of hedges and a



higher realised earnings contribution from the trading operations. Lower spot prices had an offsetting impact.

After 44 years of electricity generation, the Ringhals 2 nuclear power reactor was permanently shut down on 30 December. During this period Ringhals 2 delivered 216 TWh of electricity. In the next step, the nuclear fuel will be removed from the reactor, after which the plant will be prepared for dismantling, which will begin on a large scale in 2022.

In December Vattenfall Services Nordic was awarded a contract from Svenska Kraftnät to dismantle and then build a new high voltage transmission line between Örebro and Hallsberg. The project is planned to be completed in June 2021.

In November the Swedish Land and Environmental Court approved the application by Svensk Kärnbränslehantering (SKB) for a permit to expand the repository for short-lived waste (SFR) in Forsmark. The application has been sent on to the Swedish government.

In the UK Vattenfall signed its first corporate Power Purchase Agreement with beverage producer AG Barr. The agreement covers an annual volume of 25 GWh.

KEY FIGURES – POWER GENERATION

Amounts in SEK million unless indicated otherwise

	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	102 378	99 970	27 678	32 495
External net sales	38 425	33 608	10 230	10 503
Underlying operating profit before depreciation, amortisation and impairment losses	19 207	12 830	5 148	1 795
Underlying operating profit	15 437	9 371	4 186	896
- of which, trading	1 794	581	1 015	- 40
Electricity generation, TWh	89.0	90.5	23.6	23.9
- of which, hydro power	35.7	35.5	9.8	9.1
- of which, nuclear power	53.3	55.0	13.8	14.8
Sales of electricity, TWh	27.0	28.7	6.2	7.6
- of which, resellers	22.8	24.6	5.1	6.6
- of which, business customers	4.2	4.1	1.1	1.0
Sales of gas, TWh	5.0	5.2 ¹	1.6	1.6 ¹
Number of employees, full-time equivalents	7 429	7 332	7 429	7 332

Wind

The Wind Business Area is responsible for development, construction and operation of Vattenfall's wind farms as well as large-scale and decentralised solar power and batteries.

Positive contribution from new wind farms, but earnings development dampened by lower electricity prices

- Increased power generation and earnings contribution from new wind farms countered by lower electricity prices
- Winning tender for second stage of Hollandse Kust Zuid 1–4, with contract on supply of 140 turbines
- Inauguration of Horns Rev 3, Scandinavia's largest offshore wind farm
- Construction start in the Netherlands of Vattenfall's first floating solar farm

Full year: Net sales and underlying operating profit increased during 2019, mainly owing to new capacity. This was partly countered by lower prices. Two wind farms were commissioned during the year: Slufterdam (29 MW) and Horns Rev 3 (407 MW). Electricity generation increased as a result of new capacity.

Q4: Net sales were unchanged compared with the fourth quarter 2018. The positive effect of new capacity was offset mainly by negative price effects and lower wind speeds. Underlying operating profit decreased due to higher depreciation. Electricity generation increased as a result of new capacity.

In November an agreement was signed with Siemens Gamesa on the supply of 140 turbines to the Hollandse Kust Zuid 1–4 offshore wind farm. The units are a larger model with a capacity



of 11 MW, which will enable the use of fewer turbines and will result in lower costs for installation, operations and maintenance while also reducing the environmental impact.

In the Netherlands, construction of Vattenfall's first floating solar farm was started. The project is being funded by the City of Netterden and is expected to be operational in 2020. The solar farm will have a capacity of 1.2 MW and will be used to power operations of a local sand and gravel pit.

Vattenfall is continuing its work on digitalisation in wind power. For example, a development project is currently under way on data-driven operation and maintenance of wind farms. This is an important step to be able to gain full control over and optimise operations of its plants. The roll-out is expected to begin in mid-2020.

KEY FIGURES – WIND

Amounts in SEK million unless indicated otherwise	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	13 492	11 852	3 990	4 013
External net sales	6 578	5 726	1 899	2 137
Underlying operating profit before depreciation, amortisation and impairment losses	9 620	8 328	3 120	3 045
Underlying operating profit	4 155	3 747	1 680	1 845
Electricity generation - wind power TWh	9.7	7.8	2.9	2.5
Sales of electricity, TWh	1.3	1.1	0.4	0.3
Number of employees, full-time equivalents	1 000	894	1 000	894

Heat

The Heat Business Area comprises Vattenfall's heat business (district heating and decentral solutions) and gas- and coal-fired condensing plants.

Major steps in coal phase-out, but earnings weighed down by pressure on clean dark spreads

- Negative earnings development for coal-fired power generation partly offset by positive contribution from district heating and gas-fired power generation
- Decommissioning of Hemweg 8 coal-fired power plant in December
- Test activities ahead of operational start-up of Marzahn gas-fired power plant



Full year: Net sales and underlying operating profit decreased as a result of higher costs for CO₂ emission allowances, warmer weather during the first quarter of the year and the sale of the district heating operations in Hamburg. This was partly offset by positive price effects and an increased customer base in the heat business. Underlying operating profit was also negatively affected by higher maintenance costs and depreciation. Compared with year-end 2018, the number of customers increased by 2.0% to 2.2 million households.

Q4: Net sales and underlying operating profit decreased as a result of higher costs for CO₂ emission allowances and the sale of the district heating operations in Hamburg. This was partly offset by positive price effects in sales of heat and a larger customer base. Underlying operating profit was also negatively affected by higher maintenance costs and depreciation.

Vattenfall's last remaining coal-fired power plant in the Netherlands, Hemweg 8 (650 MW electricity), was closed at year-end after the Dutch Senate recently passed a law banning

the use of coal for electricity generation after 1 January 2030. Vattenfall is compensated for having to close the power plant early. In the future, the plant site will function as a hub for fossil-free heat and power production as well as for transit and storage of alternative fuels such as hydrogen gas and synthetic kerosene.

In Berlin, test activities continued ahead of the commissioning of the Marzahn gas-fired combined heat and power plant. The power plant has already been connected to the electricity network and will contribute to the city's energy transition and coal phase-out. The project has a capacity of 260MW electricity/222MW heat and will be completed in 2020.

In November the SamEnergi platform was launched in Sweden, which allows small and medium-sized companies to sell excess heat to Vattenfall's district heating network. Companies can thereby serve as small-scale heat producers while also reducing their energy losses and making their operations more sustainable.

KEY FIGURES – HEAT

Amounts in SEK million unless indicated otherwise

	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	31 403	33 970	8 158	10 940
External net sales	15 947	15 828	4 188	4 727
Underlying operating profit before depreciation, amortisation and impairment losses	4 409	4 448	1 280	1 446
Underlying operating profit	550	771	232	511
Electricity generation - TWh	31.5	32.0	8.2	9.5
- of which, fossil-based power	31.1	31.6	8.1	9.4
- of which, biomass, waste	0.4	0.4	0.1	0.1
Sales of electricity business customers, TWh	1.2	1.1	0.3	0.3
Sales of heat, TWh	17.1	18.3	5.1	5.8
Number of employees, full-time equivalents	3 310	3 822	3 310	3 822

Distribution

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

Record-high level of investment but earnings dampened mainly as a result of the storm "Alfrida"

- Increase in investments during the year, but reduced future investment scope due to lower revenue frames
- Award of concession in Berlin to the city's own company rejected by Regional Court

Full year: Net sales were unchanged compared with 2018 as lower distributed volume in Sweden was compensated by a higher contribution from Germany. Underlying profit decreased mainly due to costs related to the storm "Alfrida", higher transmission fees in Sweden and higher depreciation following major investments. Lower transmission fees in Germany had an offsetting effect.

Q4: Net sales decreased slightly in the fourth quarter. Underlying operating profit decreased, mainly owing to higher transmission fees in Sweden.

Vattenfall's investments in the Swedish electricity network reached a new record in 2019, totalling SEK 5.1 billion. The investments pertain to hundreds of projects for increasing security of supply. At the same time, the network is in need of modernisation to be able to handle and connect a growing share of renewable and decentralised electricity generation. The need for higher network capacity is acute in parts of the country, and Vattenfall is therefore continuing its work on strengthening the electricity network and developing solutions that can help improve the situation until the network can be expanded.

In November the Swedish government announced that the electricity network companies may use the carry-over of the



revenue frames from the 2012–2015 regulatory period for investments in the electricity network. However, the total scope for investments has decreased due to a significantly lower allowed return (WACC) for the coming regulatory period (2020–2023) at the same time that continued investments are necessary to be able to meet society's and customers' expectations for stable and secure energy supply.

In Stockholm's northern archipelago Vattenfall has begun a research project involving the installation of a microgrid with solar panels and battery storage. The aim of the project is to develop decentralised solutions as an alternative to traditional work on strengthening the network for more reliable energy supply.

In Germany, the legal process over the concession for the electricity network in Berlin is continuing. After Vattenfall appealed the award of the concession to municipally owned Berlin Energie, the Regional Court in early November granted an interim injunction and has prohibited the City of Berlin from entering into a new concession agreement with the company. This ruling, in turn, has been appealed by Berlin Energie to the city's Higher Regional Court. Vattenfall's ambition is to continue to be a strong partner to the city and contribute to its energy transition.

KEY FIGURES – DISTRIBUTION

Amounts in SEK million unless indicated otherwise	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	22 540	22 374	5 938	6 089
External net sales	17 903	17 845	4 719	4 855
Underlying operating profit before depreciation, amortisation and impairment losses	8 248	9 292	2 402	2 540
Underlying operating profit	4 998	6 250	1 544	1 719
Number of employees, full-time equivalents	2 247	2 190	2 247	2 190

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	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	5 556	5 255	1 460	1 464
External net sales	164	201	65	40
Underlying operating profit before depreciation, amortisation and impairment losses	- 457	- 1 095	- 65	- 512
Underlying operating profit	- 1 274	- 1 528	- 279	- 618
Number of employees, full-time equivalents	2 678	2 710	2 678	2 710

Consolidated income statement

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Net sales	166 360	152 091 ⁶	46 179	45 020 ⁶
Cost of purchases	- 87 580	- 80 463 ⁶	- 24 789	- 25 587 ⁶
Other external expenses	- 22 675	- 19 375	- 8 528	- 6 209
Personnel expenses	- 20 249	- 19 157	- 5 265	- 4 919
Other operating income and expenses, net	6 167	925	1 078	345
Participations in the results of associated companies	422	320	169	12
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	42 445	34 341	8 844	8 662
Depreciation, amortisation and impairments	- 20 304	- 16 722	- 6 417	- 4 473
Operating profit (EBIT)¹	22 141	17 619	2 427	4 189
Financial income ^{2,5}	2 703	2 887	- 659	374
Financial expenses ^{3,4,5}	- 6 522	- 6 503	- 1 595	- 1 521
Profit before income taxes	18 322	14 003	173	3 042
Income taxes expense	- 3 461	- 1 996	315	58
Profit for the period	14 861	12 007	488	3 100
Attributable to owner of the Parent Company	13 173	10 157	151	2 421
Attributable to non-controlling interests	1 688	1 850	337	679
Supplementary information				
Underlying operating profit before depreciation, amortisation and impairment losses	43 940	36 469	13 165	8 964
Underlying operating profit	25 095	19 883	8 207	4 627
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 3 774	- 3 407	- 1 021	- 408
1) Including items affecting comparability	- 2 954	- 2 264	- 5 780	- 438
- of which, capital gains	3 538	1 067	49	406
- of which, capital losses	- 25	- 111	- 7	- 28
- of which, impairment losses	- 1 459	- 136	- 1 459	- 136
- of which, provisions	- 3 431	- 1 649	- 2 901	- 893
- of which, unrealised changes in the fair value of energy derivatives	- 1 688	- 156	- 1 789	695
- of which, unrealised changes in the fair value of inventories	- 556	61	125	76
- of which, restructuring costs	- 148	- 554	- 19	- 263
- of which, other non-recurring items affecting comparability	815	- 786	221	- 295
2) Including return from the Swedish Nuclear Waste Fund	2 252	2 030	- 657	- 191
3) Including interest components related to pension costs	- 871	- 844	- 207	- 212
4) Including discounting effects attributable to provisions	- 2 297	- 2 239	- 576	- 548
5) Items affecting comparability recognised as financial income and expenses, net	- 1	2 040	—	—
6) Due to changed presentation of transactions related to Renewable Obligation Certificates and due to netting of certain commodity trading contracts in order to better reflect the substance of these transactions, Net sales and Cost of purchases for the comparative periods have been adjusted, with no effect on EBITDA.				

Consolidated statement of comprehensive income

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Profit for the period	14 861	12 007	488	3 100
Other comprehensive income				
Items that will be reclassified to profit or loss when specific conditions are met				
Cash flow hedges - changes in fair value	181	7 776	- 858	- 628
Cash flow hedges - dissolved against income statement	- 5 641	- 6 066	- 2 267	- 3 610
Cash flow hedges - transferred to cost of hedged item	- 34	3	- 8	- 3
Hedging of net investments in foreign operations	- 1 275	- 2 177	682	282
Translation differences, divested companies	- 94	2	- 18	—
Translation differences	2 728	4 193	- 1 865	- 642
Income taxes related to items that will be reclassified	2 157	- 237	901	1 255
Total items that will be reclassified to profit or loss when specific conditions are met	- 1 978	3 494	- 3 433	- 3 346
Items that will not be reclassified to profit or loss				
Remeasurement pertaining to defined benefit obligations	- 4 577	- 415	3 301	- 414
Income taxes related to items that will not be reclassified	1 244	- 5	- 913	9
Total items that will not be reclassified to profit or loss	- 3 333	- 420	2 388	- 405
Total other comprehensive income, net after income taxes	- 5 311	3 074	- 1 045	- 3 751
Total comprehensive income for the period	9 550	15 081	- 557	- 651
Attributable to owner of the Parent Company	7 757	12 821	- 532	- 1 179
Attributable to non-controlling interests	1 793	2 260	- 25	528

Operating segments, Vattenfall Group

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
External net sales				
Customers & Solutions	87 343	78 883	25 078	22 758
Power Generation	38 425	33 608 ²	10 230	10 503 ²
Wind	6 578	5 726 ²	1 899	2 137 ²
Heat	15 947	15 828	4 188	4 727
Distribution	17 903	17 845	4 719	4 855
- of which, Distribution Germany	6 498	6 265	1 599	1 678
- of which, Distribution Sweden	11 288	11 462	3 086	3 135
Other ¹	164	201	65	40
Total	166 360	152 091 ²	46 179	45 020 ²
Internal net sales				
Customers & Solutions	2 516	2 435	695	770
Power Generation	63 953	66 362 ²	17 448	21 992 ²
Wind	6 914	6 126 ²	2 091	1 876 ²
Heat	15 456	18 142	3 970	6 213
Distribution	4 637	4 529	1 219	1 234
- of which, Distribution Germany	4 156	4 053	1 078	1 092
- of which, Distribution Sweden	509	493	147	149
Other ¹	5 392	5 054	1 395	1 424
Eliminations	- 98 868	- 102 648 ²	- 26 818	- 33 509 ²
Total	—	—	—	—
Total net sales				
Customers & Solutions	89 859	81 318	25 773	23 528
Power Generation	102 378	99 970	27 678	32 495
Wind	13 492	11 852	3 990	4 013
Heat	31 403	33 970	8 158	10 940
Distribution	22 540	22 374	5 938	6 089
- of which, Distribution Germany	10 654	10 318	2 677	2 770
- of which, Distribution Sweden	11 797	11 955	3 233	3 284
Other ¹	5 556	5 255	1 460	1 464
Eliminations	- 98 868	- 102 648 ²	- 26 818	- 33 509 ²
Total	166 360	152 091 ²	46 179	45 020 ²

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
<u>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</u>				
Customers & Solutions	2 976	2 650	1 158	514
Power Generation	13 642	10 170	220	1 423
Wind	9 645	8 277	3 148	3 001
Heat	4 957	4 071	1 839	1 147
Distribution	8 236	9 260	2 397	2 517
- of which, Distribution Germany	2 175	1 923	562	569
- of which, Distribution Sweden	6 018	7 299	1 827	1 949
Other ¹	3 097	- 90	- 18	- 104
Eliminations	- 108	3	100	164
Total	42 445	34 341	8 844	8 662
<u>Underlying operating profit before depreciation, amortisation and impairment losses</u>				
Customers & Solutions	3 021	2 663	1 180	486
Power Generation	19 207	12 830	5 148	1 795
Wind	9 620	8 328	3 120	3 045
Heat	4 409	4 448	1 280	1 446
Distribution	8 248	9 292	2 402	2 540
- of which, Distribution Germany	2 189	1 957	567	594
- of which, Distribution Sweden	6 016	7 297	1 827	1 948
Other ¹	- 457	- 1 095	- 65	- 512
Eliminations	- 108	3	100	164
Total	43 940	36 469	13 165	8 964
Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
<u>Operating profit (EBIT)</u>				
Customers & Solutions	1 157	1 139	588	21
Power Generation	9 870	6 711	- 746	524
Wind	3 603	3 681	1 132	1 787
Heat	354	393	46	211
Distribution	4 986	6 218	1 540	1 696
- of which, Distribution Germany	1 118	950	277	309
- of which, Distribution Sweden	3 858	5 257	1 265	1 397
Other ¹	2 279	- 526	- 233	- 214
Eliminations	- 108	3	100	164
Operating profit (EBIT)	22 141	17 619	2 427	4 189
Operating profit (EBIT)	22 141	17 619	2 427	4 189
Financial income and expenses	- 3 819	- 3 616	- 2 254	- 1 147
Profit before tax	18 322	14 003	173	3 042
<u>Underlying operating profit</u>				
Customers & Solutions	1 337	1 269	744	110
Power Generation	15 437	9 371	4 186	896
Wind	4 155	3 747	1 680	1 845
Heat	550	771	232	511
Distribution	4 998	6 250	1 544	1 719
- of which, Distribution Germany	1 132	985	281	334
- of which, Distribution Sweden	3 856	5 254	1 265	1 395
Other ¹	- 1 274	- 1 528	- 279	- 618
Eliminations	- 108	3	100	164
Underlying operating profit	25 095	19 883	8 207	4 627

1) "Other" pertains mainly to all Staff functions, including Treasury, Shared Service Centres and material capital gains and -losses.

2) Due to changed presentation of transactions related to Renewable Obligation Certificates and due to netting of certain commodity trading contracts in order to better reflect the substance of these transactions, Net sales and Cost of purchases for the comparative periods have been adjusted, with no effect on EBITDA.

Consolidated balance sheet

Amounts in SEK million	31 Dec 2019	31 Dec 2018
Assets		
Non-current assets		
Intangible assets: non-current	18 735	18 082
Property, plant and equipment	256 700	238 801
Participations in associated companies and joint arrangements	4 827	5 429
Other shares and participations	333	331
Share in the Swedish Nuclear Waste Fund	45 691	42 038
Derivative assets	7 788	13 951
Deferred tax assets	14 583	11 719
Other non-current receivables	5 537	5 566
Total non-current assets	354 194	335 917
Current assets		
Inventories	13 353	13 647
Intangible assets: current	135	710
Trade receivables and other receivables	26 345	26 003
Contract assets	188	214
Advance payments paid	3 996	2 926
Derivative assets	10 080	23 955
Prepaid expenses and accrued income	7 853	8 427
Current tax assets	1 163	2 425
Short-term investments	22 551	22 977
Cash and cash equivalents	10 604	17 094
Assets held for sale	318	8 313
Total current assets	96 586	126 691
Total assets	450 780	462 608
Equity and liabilities		
Equity		
Attributable to owner of the Parent Company	93 631	88 096
Attributable to non-controlling interests	14 891	15 501
Total equity	108 522	103 597
Non-current liabilities		
Hybrid Capital	20 164	19 832
Other interest-bearing liabilities	52 405	43 981
Pension provisions	44 026	39 686
Other interest-bearing provisions	102 395	93 222
Derivative liabilities	7 833	14 042
Deferred tax liabilities	14 713	15 119
Contract liabilities	8 462	7 935
Other noninterest-bearing liabilities	2 134	2 305
Total non-current liabilities	252 132	236 122
Current liabilities		
Trade payables and other liabilities	27 809	29 482
Advance payments received	1 577	15 293
Derivative liabilities	13 701	27 245
Accrued expenses and deferred income	17 098	16 485
Current tax liabilities	1 502	850
Other interest-bearing liabilities	25 058	24 462
Interest-bearing provisions	3 371	3 734
Liabilities associated with assets held for sale	10	5 338
Total current liabilities	90 126	122 889
Total equity and liabilities	450 780	462 608

SUPPLEMENTARY INFORMATION

Amounts in SEK million	31 Dec 2019	31 Dec 2018
Calculation of capital employed		
Intangible assets: current and non-current	18 870	18 792
Property, plant and equipment	256 700	238 801
Participations in associated companies and joint arrangements	4 827	5 429
Deferred and current tax assets	15 746	14 144
Non-current noninterest-bearing receivables	3 758	3 657
Contract assets	188	214
Inventories	13 353	13 647
Trade receivables and other receivables	26 345	26 003
Prepaid expenses and accrued income	7 853	8 427
Unavailable liquidity	3 859	5 596
Other	530	624
Total assets excl. financial assets	352 029	335 334
Deferred and current tax liabilities	- 16 215	- 15 969
Other noninterest-bearing liabilities	- 2 134	- 2 305
Contract liabilities	- 8 462	- 7 935
Trade payable and other liabilities	- 27 809	- 29 482
Accrued expenses and deferred income	- 17 098	- 16 485
Total noninterest-bearing liabilities	- 71 904	- 72 176
Other interest-bearing provisions not related to adjusted net debt ¹	- 11 314	- 11 589
Capital employed²	268 811	251 569
Capital employed, average	260 190	250 283
Calculation of net debt		
Hybrid Capital	- 20 164	- 19 832
Bond issues, commercial paper and liabilities to credit institutions	- 51 099	- 50 303
Present value of liabilities pertaining to acquisitions of Group companies	- 28	- 51
Liabilities to associated companies	- 733	- 504
Liabilities to owners of non-controlling interests	- 10 647	- 10 406
Other liabilities	- 14 956	- 7 179
Total interest-bearing liabilities	- 97 627	- 88 275
Cash and cash equivalents	10 604	17 094
Short-term investments	22 551	22 977
Loans to owners of non-controlling interests in foreign Group companies	206	476
Net debt²	- 64 266	- 47 728
Calculation of adjusted gross debt and net debt		
Total interest-bearing liabilities	- 97 627	- 88 275
50% of Hybrid Capital ³	10 082	9 916
Present value of pension obligations	- 44 026	- 39 686
Provisions for gas and wind operations and other environment-related provisions	- 8 571	- 7 656
Provisions for nuclear power (net) ⁴	- 35 521	- 31 920
Margin calls received	3 706	3 370
Liabilities to owners of non-controlling interests due to consortium agreements	10 647	9 195
Adjustment related to assets/liabilities held for sale	—	- 1 743
Adjusted gross debt	- 161 310	- 146 799
Reported cash and cash equivalents and short-term investments	33 155	40 071
Unavailable liquidity	- 3 859	- 5 596
Adjusted cash and cash equivalents and short-term investments	29 296	34 475
Adjusted net debt²	- 132 014	- 112 324

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

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Operating activities				
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	42 445	34 341	8 844	8 662
Tax paid	- 1 528	- 3 698	- 522	405
Capital gains/losses, net	- 3 513	- 956	- 41	- 379
Interest received	329	343	156	158
Interest paid	- 2 969	- 3 046	- 252	- 247
Other, incl. non-cash items	185	- 3 709	3 335	- 1 334
Funds from operations (FFO)	34 949	23 275	11 520	7 265
Changes in inventories	- 196	1 549	- 219	- 210
Changes in operating receivables	- 6 294	- 790	- 8 159	- 8 138
Changes in operating liabilities	9 171	8 128	9 662	11 188
Other changes ³	- 20 911	8 892	- 7 814	- 4 341
Cash flow from changes in operating assets and operating liabilities	- 18 230	17 779	- 6 530	- 1 501
Cash flow from operating activities	16 719	41 054	4 990	5 764
Investing activities				
Acquisitions in Group companies	- 754	- 31	- 2	—
Investments in associated companies and other shares and participations	256	254	20	- 83
Other investments in non-current assets	- 26 335	- 22 136	- 9 810	- 8 952
Total investments	- 26 833	- 21 913	- 9 792	- 9 035
Divestments	7 452	1 569	150	610
Cash and cash equivalents in acquired companies	148	5	1	—
Cash and cash equivalents in divested companies	- 3 542	- 43	84	—
Cash flow from investing activities	- 22 775	- 20 382	- 9 557	- 8 425
Cash flow before financing activities	- 6 056	20 672	- 4 567	- 2 661
Financing activities				
Changes in short-term investments	559	- 4 523	- 1 913	- 1 667
Changes in loans to owners of non-controlling interests in foreign Group companies	282	562	33	134
Loans raised ¹	12 622	8 720	3 373	6 095
Amortisation of debt pertaining to acquisitions of Group companies	- 23	—	—	—
Amortisation of other debt	- 12 001	- 9 562	2 072	- 622
Effect of early termination of swaps related to financing activities	—	- 122	- 258	- 190
Dividends paid to owners	- 3 714	- 3 299	- 266	- 50
Contribution/repaid contribution from owners of non-controlling interests	- 1 138	- 1 260	- 466	- 659
Cash flow from financing activities	- 3 413	- 9 484	2 575	3 041
Cash flow for the period	- 9 469	11 188	- 1 992	380

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Cash and cash equivalents				
Cash and cash equivalents at start of period	17 094	8 805	12 773	19 720
Cash and cash equivalents included in assets held for sale	2 992	- 2 992	—	- 2 992
Cash flow for the period	- 9 469	11 188	- 1 992	380
Translation differences	- 13	93	- 177	- 14
Cash and cash equivalents at end of period	10 604	17 094	10 604	17 094

SUPPLEMENTARY INFORMATION

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Cash flow before financing activities	-6,056	20 672	- 4 567	- 2 661
Financing activities				
Effects from terminating swaps related to financing activities	—	- 122	- 258	- 190
Dividends paid to owners	- 3 714	- 3 299	- 266	- 50
Contribution from owners of non-controlling interests	- 1 138	- 1 260	- 466	- 659
Cash flow after dividend	- 10 908	15 991	- 5 557	- 3 560
Analysis of change in net debt				
Net debt at start of period	- 47 728	- 59 260	- 59 648	- 42 383
Changed accounting principle (IFRS 16)	- 4 609	—	—	—
Cash flow after dividend	- 10 908	15 991	- 5 557	- 3 560
Changes as a result of valuation at fair value	- 456	387	416	- 121
Changes in interest-bearing liabilities for leasing	- 711	—	- 177	—
Interest-bearing liabilities/short-term investments acquired/divested	- 11	—	- 9	—
Cash and cash equivalents included in assets held for sale	2 992	- 2 992	—	- 2 992
Interest-bearing liabilities associated with assets held for sale	- 792	781	2	781
Translation differences on net debt	- 2 043	- 2 635	707	547
Net debt at end of period	- 64 266	- 47 728	- 64 266	- 47 728
Cash flow from operating activities	16 719	41 054	4 990	5 764
Maintenance/replacement investments	- 15 148	- 13 479	- 6 161	- 4 998
Free cash flow²	1 571	27 575	- 1 171	766

- 1) Short-term borrowings in which the duration is three months or shorter are reported net.
- 2) See Definitions and calculations of key ratios for definitions of Alternative Performance Measures.
- 3) The value pertains mainly to changes in Margin calls related to commodity derivatives.

INVESTMENTS

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Electricity generation				
Hydro power	920	1 109	352	420
Nuclear power	2 213	2 389	583	778
Coal power	139	305	77	173
Gas	277	259	110	36
Wind power and solar PV	7 501	7 902	1 972	2 046
Biomass, waste	149	112	58	57
Total electricity generation	11 199	12 076	3 152	3 510
CHP/heat				
Fossil-based power	2 134	3 028	659	1 278
Biomass, waste	94	148	36	56
Other	2 188	1 776	900	856
Total CHP/heat	4 416	4 952	1 595	2 190
Electricity networks				
Electricity networks	7 071	6 449	2 939	2 641
Total electricity networks	7 071	6 449	2 939	2 641
Purchases of shares, shareholder contributions	498	- 223	- 18	83
Other	1 754	1 267	796	490
Total investments	24 938	24 521	8 464	8 914
Accrued investments, unpaid invoices (-)/ release of accrued investments (+)	1 895	- 2 608	1 328	121
Total investments with cash flow effect	26 833	21 913	9 792	9 035

Consolidated statement of changes in equity

Amounts in SEK million	31 Dec 2019			31 Dec 2018		
	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity
Balance brought forward	88 096	15 501	103 597	77 085	15 247	92 332
Profit for the period	13 173	1 688	14 861	10 157	1 850	12 007
Cash flow hedges - changes in fair value	181	—	181	7 776	—	7 776
Cash flow hedges - dissolved against income statement	- 5 624	- 17	- 5 641	- 6 074	8	- 6 066
Cash flow hedges - transferred to cost of hedged item	- 34	—	- 34	3	—	3
Hedging of net investments in foreign operations	- 1 275	—	- 1 275	- 2 177	—	- 2 177
Translation differences, divested companies	- 94	—	- 94	2	—	2
Translation differences	2 504	224	2 728	3 707	486	4 193
Remeasurement pertaining to defined benefit obligations	- 4 443	- 134	- 4 577	- 310	- 105	- 415
Income taxes related to other comprehensive income	3 369	32	3 401	- 263	21	- 242
Total other comprehensive income for the period	- 5 416	105	- 5 311	2 664	410	3 074
Total comprehensive income for the period	7 757	1 793	9 550	12 821	2 260	15 081
Dividends paid to owners	- 2 000	- 1 714	- 3 714	- 2 000	- 1 299	- 3 299
Group contributions from(+)/to(-) owners of non-controlling interests	—	30	30	—	743	743
Contribution to/from minority interest	—	- 1 138	- 1 138	—	- 1 260	- 1 260
Other changes in ownership	—	197	197	—	—	—
Other changes	- 222	222	—	190	- 190	—
Total transactions with equity holders	- 2 222	- 2 403	- 4 625	- 1 810	- 2 006	- 3 816
Balance carried forward	93 631	14 891	108 522	88 096	15 501	103 597
- Of which, Reserve for hedges	- 3 147	22	- 3 125	450	35	485

Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times ¹	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Operating margin	13.3	11.6 ⁴	5.3	9.3 ⁴
Operating margin ²	15.1	13.1 ⁴	17.8	10.3 ⁴
Pre-tax profit margin	11.0	9.2 ⁴	0.4	6.8 ⁴
Pre-tax profit margin ²	12.8	9.4 ⁴	12.9	7.7 ⁴
Return on equity	14.0	11.9	14.0 ³	11.9 ³
Return on capital employed	8.5	7.0	8.5 ³	7.0 ³
Return on capital employed ²	9.6	7.9	9.6 ³	7.9 ³
EBIT interest cover, (x)	5.3	4.3	5.3 ³	4.3 ³
EBIT interest cover, (x) ²	6.0	4.9	6.0 ³	4.9 ³
FFO interest cover, (x)	9.3	6.5	9.3 ³	6.5 ³
FFO interest cover, net, (x)	10.3	7.8	10.3 ³	7.8 ³
Cash flow interest cover after maintenance investments, (x)	1.5	9.1	1.5 ³	9.1 ³
FFO/gross debt	35.8	26.4	35.8 ³	26.4 ³
FFO/net debt	54.4	48.8	54.4 ³	48.8 ³
FFO/adjusted net debt	26.5	20.7	26.5 ³	20.7 ³
EBITDA/net financial items, (x)	11.2	10.1	8.7	21.2
EBITDA/net financial items, (x) ²	11.6	10.7	12.9	22.0
Equity/Total assets	24.1	22.4	24.1	22.4
Gross debt/equity	90.0	85.2	90.0	85.2
Net debt/equity	59.2	46.1	59.2	46.1
Gross debt/gross debt plus equity	47.4	46.0	47.4	46.0
Net debt/net debt plus equity	37.2	31.5	37.2	31.5
Net debt/EBITDA, (x)	1.5	1.4	1.5 ³	1.4 ³
Adjusted net debt/EBITDA, (x)	3.1	3.3	3.1 ³	3.3 ³

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

2) Based on Underlying operating profit.

3) Last 12-month values.

4) Due to changed presentation of transactions related to Renewable Obligation Certificates and due to netting of certain commodity trading contracts in order to better reflect the substance of these transactions, Net sales and Cost of purchases for the comparative periods have been adjusted, with no effect on EBITDA.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Income statement								
Net sales	46 179	35 938	34 691	49 552	45 020 ¹	32 035 ¹	31 176 ¹	43 860 ¹
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	8 844	13 499	7 515	12 587	8 662	7 854	6 888	10 938
Underlying Operating profit before depreciation, amortisation and impairment losses	13 165	8 416	8 268	14 092	8 964	6 301	7 883	13 322
Operating profit (EBIT)	2 427	8 677	2 869	8 168	4 189	3 680	2 775	6 975
Underlying operating profit	8 207	3 594	3 622	9 673	4 627	2 127	3 770	9 359
Profit before income taxes	173	7 798	2 490	7 861	3 042	2 181	3 500	5 279
Profit for the period	488	6 700	1 253	6 420	3 100	1 782	2 967	4 158
- of which, attributable to owner of the Parent Company	151	6 375	935 ²	5 713 ²	2 421	1 668	2 377	3 691
- of which, attributable to non-controlling interests	337	325	318 ²	707 ²	679	114	590	467
Balance sheet								
Non-current assets	354 194	354 122	349 931	343 569	335 961	338 105	333 706	323 689
Short-term investments	22 551	21 156	17 330	14 555	22 977	21 466	19 787	18 078
Cash and cash equivalents	10 604	12 773	11 676	12 233	17 094	19 720	15 662	14 414
Other current assets	63 431	58 339	75 095	84 164	86 576	84 566	76 135	70 918
Total assets	450 780	446 390	454 032	454 521	462 608	463 857	445 290	427 099
Equity	108 522	109 461	104 815	108 613	103 597	104 213	99 194	97 815
- of which, attributable to owner of the Parent Company	93 631	94 385	90 128 ²	92 680 ²	88 096	89 085	83 812	82 587
- of which, attributable to non-controlling interests	14 891	15 076	14 687 ²	15 933 ²	15 501	15 128	15 382	15 228
Hybrid Capital	20 164	20 622	20 272	20 096	19 832	19 865	20 033	19 615
Other interest-bearing liabilities	77 463	73 199	81 441	79 513	68 443	64 317	73 799	77 882
Pension provisions	44 026	48 321	44 560	40 037	39 686	43 208	43 704	43 276
Other interest-bearing provisions	105 766	98 952	98 983	98 076	96 956	93 967	94 615	91 300
Contract liabilities	8 462	8 391	8 163	7 819	7 935	7 883	7 814	7 684
Deferred tax liabilities	14 713	14 406	14 297	14 725	15 119	16 483	14 568	14 979
Other noninterest-bearing liabilities	71 664	73 038	81 501	85 642	111 040	113 921	91 563	74 548
Total equity and liabilities	450 780	446 390	454 032	454 521	462 608	463 857	445 290	427 099
Capital employed	268 811	265 390	270 533	270 536	251 569	254 745	262 393	259 921
Net debt	- 64 266	- 59 648	- 72 455	- 72 539	- 47 728	- 42 384	- 57 754	- 64 353
Cash flow								
Funds from operations (FFO)	11 520	7 583	6 057	9 789	7 265	3 246	4 006	8 758
Cash flow from changes in operating assets and operating liabilities	- 6 530	6 026	3 028	- 20 754	- 1 501	15 570	11 209	- 7 499
Cash flow from operating activities	4 990	13 609	9 085	- 10 965	5 764	18 816	15 215	1 259
Cash flow from investing activities	- 9 557	- 1 497	- 5 680	- 6 041	- 8 425	- 3 961	- 4 790	- 3 206
Cash flow before financing activities	- 4 567	12 112	3 405	- 17 006	- 2 661	14 855	10 425	- 1 947
Changes in short-term investments	- 1 913	- 3 636	- 2 610	8 718	- 1 667	- 1 943	- 1 438	525
Loans raised/Amortisation of debt, net, etc.	4 754	- 9 984	1 214	3 759	4 758	- 8 589	- 4 835	7 002
Dividends paid to owners	- 266	- 822	- 2 627	—	- 50	- 222	- 2 949	- 77
Cash flow from financing activities	2 575	- 14 442	- 4 023	12 477	3 041	- 10 754	- 9 222	7 450
Cash flow for the period	- 1 992	- 2 330	- 618	- 4 529	380	4 101	1 203	5 503
Free cash flow	- 1 171	10 940	6 725	- 14 921	766	15 973	12 002	- 1 165

- 1) Due to changed presentation of transactions related to Renewable Obligation Certificates and due to netting of certain commodity trading contracts in order to better reflect the substance of these transactions, Net sales and Cost of purchases for the comparative periods have been adjusted, with no effect on EBITDA.
- 2) The value has been adjusted compared with information previously published in Vattenfall's financial reports.

In % unless otherwise stated. (x) means times ¹	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Key ratios								
Return on equity ¹	14.0	16.8	12.0 ⁴	13.8 ⁴	11.9	12.4	11.5	11.2
Return on capital employed ²	8.5	9.2	7.1	7.1	7.0	7.9	7.1	7.8
Return on capital employed ^{2,3}	9.6	8.3	7.5	7.6	7.9	9.2	9.2	9.8
EBIT interest cover, (x) ²	5.3	6.0	5.1	5.1	4.3	3.4	3.0	3.3
EBIT interest cover, (x) ^{2,3}	6.0	5.4	5.4	5.4	4.9	3.9	3.9	4.0
FFO/gross debt ²	35.8	32.7	25.9	24.4	26.4	26.8	25.9	27.8
FFO/net debt ²	54.4	51.5	36.4	33.5	48.8	53.2	42.1	42.1
FFO/adjusted net debt ²	26.5	24.5	19.2	18.1	20.7	20.6	19.4	20.7
Equity/assets ratio	24.1	24.5	23.1	23.9	22.4	22.5	22.3	22.9
Gross debt/equity	90.0	85.7	97.0	91.7	85.2	80.8	94.6	99.7
Net debt/equity	59.2	54.5	69.1	66.8	46.1	40.7	58.2	65.8
Net debt/net debt plus equity	37.2	35.3	40.9	40.0	31.5	28.9	36.8	39.7
Net debt/EBITDA, (x) ²	1.5	1.4	2.0	2.0	1.4	1.2	1.7	1.8
Adjusted net debt/EBITDA, (x) ²	3.1	3.0	3.7	3.7	3.3	3.1	3.7	3.7

- 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.
- 4) The value has been adjusted compared with information previously published in Vattenfall's financial reports.

NOTE 1 | Accounting policies, risks and uncertainties

Accounting policies

The consolidated accounts for 2019 have been prepared, as for the 2018 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 Vattenfall’s 2018 Annual and Sustainability Report in Note 3 to the consolidated accounts, Accounting policies. As described, IFRS 16 “Leases” will affect the Vattenfall Group’s financial statements. Other amended IFRSs endorsed by the EU for application in the 2019 financial year have no significant effect on Vattenfall’s financial statements.

Impact of IFRS 16 on the Vattenfall’s Group’s financial statements

Implementation of IFRS 16 entails an increase of the Group’s property, plant and equipment and interest-bearing liabilities by SEK 4.6 billion as per 1 January 2019. IFRS 16 has no effect on equity. Vattenfall has transitioned to the new leasing standard by applying the modified retrospective approach, and therefore the 2018 financial statements were not restated.

The implementation of IFRS 16 resulted in a higher EBITDA by SEK 841 million and in a higher interest expense by SEK 104 million for the full year 2019, compared with previous years accounting under IAS 17 where all cost for operational lease contracts were accounted for in operating profit.

Lease liabilities as per 1 January 2019 amounted to SEK 5.2 billion. The difference between the operating lease commitment as per 31 December 2018 according to IAS 17 and lease liabilities as per 1 January 2019 according to IFRS 16 is shown below:

Operating lease commitment as per 31 December 2018	5,830
Recognition exemption for short-term leases and leases of low-value assets	-202
Effect of discounting operating lease commitment	-1,019
Lease liabilities as a result of IFRS 16 implementation	4,609
Finance lease liabilities recognised as per 31 December 2018	601
Lease liabilities as per 1 January 2019	5,210

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall’s 2018 Annual and Sustainability Report, pages 62-69. Apart from the information provided under “Important events” in this report and under “Important events” in previously published interim reports in 2019, no other material changes have taken place since publication of Vattenfall’s 2018 Annual and Sustainability Report.

Other

Significant related-party transactions are described in Note 44 to the consolidated accounts in Vattenfall’s 2018 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in Vattenfall’s 2018 Annual and Sustainability Report.

NOTE 2 | Exchange rates

KEY EXCHANGE RATES APPLIED IN THE ACCOUNTS OF THE VATTENFALL GROUP

	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Average rate				
EUR	10.5572	10.2591	10.5980	10.3212
DKK	1.4140	1.3765	1.4188	1.3832
GBP	12.0391	11.5785	12.2887	11.5930
USD	9.4180	8.6988	9.5800	9.0342
			31 Dec 2019	31 Dec 2018
Balance sheet date rate				
EUR			10.4468	10.2548
DKK			1.3982	1.3733
GBP			12.2788	11.4639
USD			9.2993	8.9562

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

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

The carrying amounts of financial assets do not differ significantly from their fair values. The difference between carrying amounts and fair values for financial liabilities amounts to SEK 7,580 million (31 December 2018: 5,204).

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.

FINANCIAL ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON THE BALANCE SHEET AT 31 DECEMBER 2019

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Share in the Swedish Nuclear Waste Fund	45 691	—	—	45 691
Derivative assets	—	17 490	377	17 867
Short-term investments, cash equivalents and other shares and participations	15 870	8 430	—	24 300
Total assets	61 561	25 920	377	87 858
Liabilities				
Derivative liabilities	—	21 514	20	21 534
Total liabilities	—	21 514	20	21 534

FINANCIAL ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON THE BALANCE SHEET AT 31 DECEMBER 2018

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Share in the Swedish Nuclear Waste Fund	42 038	—	—	42 038
Derivative assets	—	37 905	1	37 906
Short-term investments, cash equivalents and other shares and participations	15 471	13 361	—	28 832
Total assets	57 509	51 266	1	108 776
Liabilities				
Derivative liabilities	—	41 191	96	41 287
Total liabilities	—	41 191	96	41 287

NOTE 4 | Acquired and divested operations

Acquired operations

End of February 2019, Vattenfall finalized the acquisition of the Dutch electricity and gas sales company DELTA Energie. DELTA Energie supplies green electricity and gas to households and small and medium-sized companies, mainly in the Dutch province Zeeland. The company has 120 employees and 170,000 customers.

End of March 2019, Vattenfall finalized the acquisition of the Dutch company Senfal. Senfal is a company that offers innovative software services to large industrial customers, wind and solar farms and owners of large batteries.

In addition to the operations mentioned above Vattenfall has acquired a number of wind- and solar project companies that are currently in a pre-construction stage.

The total purchase consideration paid was SEK 754 million.

Divested operations

On 2nd of September 2019, Vattenfall finalized the divestment of the district heating in Hamburg to the City of Hamburg. The transaction was based on the decision taken by the City of Hamburg in October 2018 to exercise its option to acquire Vattenfalls shareholding of 74,9% in the company. The consideration received amounts to EUR 634 million.

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 interim report are the same as those described in Vattenfall's 2018 Annual and Sustainability Report, Note 3 to the Parent Company accounts, Accounting policies. New accounting policies applicable from 1 January 2019 has had no significant effect on the Parent Company's financial statements. The Parent Company report leases in accordance with the exemption rule for IFRS 16 provided in RFR 2, which entails no change compared with the previous year.

January – December 2019

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

- Net sales amounted to SEK 49,807 million (42,450).
- Profit before appropriations and income taxes was SEK 21,088 million (1,400).
- Higher prices in the beginning of the year on electricity have had a positive effect on earnings. Earnings are also positively impacted by unrealized changes in fair value of energy derivatives. Dividend received from subsidiaries amounted to SEK 8,226 million (3,389). Lower financial expenses due to favorable exchange rate effects have also had a positive effect on earnings.

- The balance sheet total was SEK 282,662 million (31 December 2018: 278,819).
- Investments during the year amounted to SEK 11,917 million (1,318), where of SEK 10,500 million pertains to group internal share transactions.
- Cash and cash equivalents, and short-term investments amounted to SEK 28,573 million (31 December 2018: 39,798).
- Dividend paid to the owner of SEK 2,000 million (2,000)

Presentation of Parent Company income statements

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

Risks and uncertainties

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

Other

Significant related-party transactions are described in Note 44 to the consolidated accounts, Related party disclosures, in Vattenfall's 2018 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in Vattenfall's 2018 Annual and Sustainability Report.

Parent Company income statement

Amounts in SEK million	Full year 2019	Full year 2018
Net sales	49 807	42 450
Cost of purchases	- 28 256	- 34 751
Other external expenses	- 3 697	- 3 745
Personnel expenses	- 2 083	- 2 053
Other operating incomes and expenses, net	160	71
Participations in the results of associated companies	—	—
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	15 931	1 972
Depreciation, amortisation and impairments	- 525	- 501
Operating profit (EBIT)	15 406	1 471
Result from participations in subsidiaries	8 226	3 389
Result from participations in associated companies	1	—
Result from other shares and participations	—	—
Other financial income	1 592	1 403
Other financial expenses	- 4 137	- 4 863
Profit before appropriations and income taxes	21 088	1 400
Appropriations	498	919
Profit before income taxes	21 586	2 319
Income taxes	- 2 890	135
Profit for the period	18 696	2 454

Parent Company balance sheet

Amounts in SEK million	31 Dec 2019	31 Dec 2018
Assets		
Non-current assets		
Intangible assets: non-current	333	193
Property, plant and equipment	5 273	4 563
Shares and participations	160 465	149 779
Deferred tax assets	762	1 921
Other non-current receivables	66 195	63 366
Total non-current assets	233 028	219 822
Current assets		
Inventories	383	269
Intangible assets: current	168	337
Current receivables	20 510	17 949
Current tax assets	—	644
Short-term investments	21 702	22 129
Cash and cash equivalents	6 871	17 669
Total current assets	49 634	58 997
Total assets	282 662	278 819
Equity, provisions and liabilities		
Equity		
Restricted equity		
Share capital (131,700,000 shares with a share quota value of SEK 50)	6 585	6 585
Revaluation reserve	37 989	37 989
Other reserves	1 480	1 341
Non-restricted equity		
Retained earnings	46 479	46 163
Profit for the period	18 696	2 454
Total equity	111 229	94 532
Untaxed reserves	11 598	11 753
Provisions	5 219	5 256
Non-current liabilities		
Hybrid capital	20 167	19 837
Other interest-bearing liabilities	40 494	39 171
Other noninterest-bearing liabilities	12 148	11 196
Total non-current liabilities	72 809	70 204
Current liabilities		
Other interest-bearing liabilities	70 892	86 207
Current tax liabilities	249	—
Other noninterest-bearing liabilities	10 666	10 867
Total current liabilities	81 807	97 074
Total equity, provisions and liabilities	282 662	278 819

Definitions and calculations of key ratios

Alternative Performance Measures

In order to ensure a fair presentation of the Group's operations, a number of Alternative Performance Measures that are not defined in IFRS or in the Swedish Annual Accounts Act are used. These 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, Taxes, Depreciation and Amortisation)
Items affecting comparability:	Capital gains and capital losses from shares and other non-current assets, impairment losses and reversed impairment losses and other material items that are of an infrequent nature. Also included here are, for trading activities, unrealised changes in the fair value of energy derivatives, which according to IFRS 9 cannot be recognised using hedge accounting and unrealised changes in the fair value of inventories. See Consolidated income statement for a specification of items affecting comparability.
Underlying EBITDA:	Underlying operating profit before depreciation, amortisation and impairment losses. This measure is intended to provide a better view on the operating result by excluding items affecting comparability that are of an infrequent nature, while also excluding non-cash depreciation and amortisation.
Underlying operating profit:	Operating profit (EBIT) excluding items affecting comparability. This measure is intended to provide a better view on the operating result by excluding items affecting comparability that are of an infrequent nature.
FFO:	Funds From Operations, see Consolidated statement of cash flow
Free cash flow:	Cash flow from operating activities less maintenance investments
Interest-bearing liabilities	See Consolidated balance sheet - Supplementary Information
Net debt:	See Consolidated balance sheet - Supplementary Information
Adjusted net debt:	See Consolidated balance sheet - Supplementary Information
Capital employed:	Total assets less financial assets, noninterest-bearing liabilities and certain other interest-bearing provisions not included in adjusted net debt. see Consolidated balance sheet - Supplementary Information
Other definitions	Definition
Hybrid Capital:	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments.
LTIF:	Lost Time Injury Frequency (LTIF) is expressed in terms of the number of lost time work injuries (per 1 million hours worked), i.e., work-related accidents resulting in absence longer than one day, and accidents resulting in fatality.

CALCULATION OF EBITDA, UNDERLYING EBITDA AND UNDERLYING EBIT

Amounts in SEK million	Full year 2019	Full year 2018	Oct-Dec 2019	Oct-Dec 2018
Operating profit (EBIT)	22 141	17 619	2 427	4 189
Depreciation, amortisation and impairment losses	- 20 304	- 16 722	- 6 417	- 4 473
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	42 445	34 341	8 844	8 662
Items affecting comparability excl. impairment losses and reversed impairment losses	1 495	2 128	4 321	302
Underlying operating profit before depreciation, amortisation and impairment losses	43 940	36 469	13 165	8 964
Operating profit (EBIT)	22 141	17 619	2 427	4 189
Items affecting comparability	2 954	2 264	5 780	438
Underlying operating profit	25 095	19 883	8 207	4 627

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

KEY RATIOS BASED ON CONTINUING OPERATIONS AND LAST 12-MONTH VALUES JANUARY 2019– DECEMBER 2019

Operating margin, %	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}}$	$\frac{22\,141}{166\,360}$	=	13.3
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}}$	$\frac{25\,095}{166\,360}$	=	15.1
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before income taxes}}{\text{Net sales}}$	$\frac{18\,322}{166\,360}$	=	11.0
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before income taxes excl. items affecting comparability}}{\text{Net sales}}$	$\frac{21\,277}{166\,360}$	=	12.8
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{13\,173}{94\,417}$	=	14.0
Return on capital employed, %	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}}$	$\frac{22\,141}{260\,190}$	=	8.5
Return on capital employed excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}}$	$\frac{25\,095}{260\,190}$	=	9.6
EBIT interest cover, (x)	=	$\frac{\text{EBIT + financial income excl. return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{22\,592}{4\,225}$	=	5.3
EBIT interest cover excl. Items affecting comparability, (x)	=	$\frac{\text{Underlying EBIT + financial income excl. Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{25\,546}{4\,225}$	=	6.0
FFO interest cover, (x)	=	$\frac{\text{FFO + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{39\,174}{4\,225}$	=	9.3
FFO interest cover, net, (x)	=	$\frac{\text{FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{38\,723}{3\,774}$	=	10.3
Cash flow interest cover after maintenance investments, (x)	=	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl. Discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}$	$\frac{4\,925}{3\,354}$	=	1.5
FFO/gross debt, %	= 100 x	$\frac{\text{FFO}}{\text{Interest-bearing liabilities}}$	$\frac{34\,949}{97\,627}$	=	35.8
FFO/net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Net debt}}$	$\frac{34\,949}{64\,266}$	=	54.4
FFO/adjusted net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Adjusted net debt}}$	$\frac{34\,949}{132\,014}$	=	26.5

EBITDA/net financial items, (x)	=	<u>EBITDA</u>	42 445	=	11.2
		Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3 774		
EBITDA excl. items affecting comparability/net financial items, (x)	=	<u>EBITDA excl. items affecting comparability</u>	43 940	=	11.6
		Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	3 774		

KEY RATIOS BASED ON THE BALANCE SHEET PER 31 DECEMBER 2019

Equity/total assets, %	= 100 x	<u>Equity</u>	108 522	=	24.1
		Balance sheet total	450 780		
Gross debt/equity, %	= 100 x	<u>Interest-bearing liabilities</u>	97 627	=	90.0
		Equity	108 522		
Net debt/equity, %	= 100 x	<u>Net debt</u>	64 266	=	59.2
		Equity	108 522		
Gross debt/gross debt equity, %	= 100 x	<u>Interest-bearing liabilities</u>	97 627	=	47.4
		Interest-bearing liabilities + equity	206 149		
Net debt/net debt plus equity, %	= 100 x	<u>Net debt</u>	64 266	=	37.2
		Net debt + equity	172 788		
Net debt/EBITDA, (x)	=	<u>Net debt</u>	64 266	=	1.5
		EBITDA	42 445		
Adjusted net debt/EBITDA, (x)	=	<u>Adjusted net debt</u>	132 014	=	3.1
		EBITDA	42 445		

Year-end report signature

In accordance with Vattenfall's dividend policy, the Board of Directors proposes a dividend of SEK 7,245 million, corresponding to 55% of profit for the year attributable to owners of the Parent Company.

Year-end report signature

The Annual General Meeting will be held on 28 April 2020, in Solna. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English versions) is expected to be published on www.vattenfall.se and www.vattenfall.com, respectively, on 20 March 2020.

Year-end report signature

Solna, 4 February 2020

Vattenfall AB (publ)
The Board of Directors

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

Financial calendar

Annual General Meeting, 28 April 2020

Interim report January-March, 29 April 2020

Interim report January-June, 21 July 2020

Interim report January-September, 27 October 2020

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This information is such that Vattenfall AB is obliged to make public in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CET on 5 February 2020. 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.