

INTERIM REPORT JANUARY-MARCH 2017

Business highlights, January–March 2017

- High availability and production in Swedish nuclear
- Significant renewables growth following the full commissioning of Sandbank (288 MW) and partial commissioning of Pen y Cymoedd (144 MW of a total of 228 MW)
- Increase in customer base by about 95,000 contracts and strong Net Promoter Score, NPS, (customer loyalty)
- Continued investments to improve quality of supply in distribution grids in Germany and Sweden
- Build out of charging infrastructure for electric vehicles

Financial development, January–March 2017

- Net sales decreased by 4% to SEK 40,064 million (41,619)
- Underlying operating profit¹ remained unchanged at SEK 8,341 million (8,300)
- Operating profit¹ of SEK 6,024 million (10,199)
- Profit for the period of SEK 3,782 million (6,820)
- Electricity generation of 36.6 TWh (34.5)

KEY DATA

Amounts in SEK million unless indicated otherwise	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	40 064	41 619	139 208	137 653
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	9 704	13 736	27 209	23 177
Operating profit (EBIT) ¹	6 024	10 199	1 337	-2 838
Underlying operating profit ¹	8 341	8 300	21 697	21 738
Profit for the period	3 782	6 820	-2 171	-5 209
Electricity generation, TWh ²	36.6	34.5	119.0	121.1
Sales of electricity, TWh ³	45.2	56.1	193.2	182.3
Sales of heat, TWh	7.6	7.9	20.3	20.0
Sales of gas, TWh	23.1	22.0	54.8 ⁴	55.9
Return on capital employed, continuing operations, %	- 1.1 ⁵	- 1.0 ⁵	0.5	- 1.1
Net debt/equity, %	62.6	48.8	60.5	62.6
FFO/adjusted net debt, continuing operations, %	20.9 ⁵	19.7 ⁵	21.6	20.9

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

2) Figures for 2017 are preliminary.

3) Sales of electricity also include bilateral sales to Nordpool.

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 29. 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 Total Vattenfall, and comparison figures for 31 March 2016 include the divested lignite operations. The statement of cash flows pertains to Total Vattenfall, and reporting of figures for Q1 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 in Q1 2017.

Rounding differences may occur in this document.

CEO's comments

“We are showing strength in the businesses that are at the core of the future Vattenfall”



During the first quarter we saw strong performance for several of the businesses that are at the core of the future Vattenfall. Our Swedish nuclear power had availability of more than 98% after Ringhals 2 was restarted with good performance at the start of December following an extended operational outage. This also resulted in record-high generation. In sales, distribution and heat we saw a continued strong customer inflow with a total of about 95,000 customer contracts during the first three months of the year.

One of our most important strategic targets is to grow in renewable generation. During the quarter we fully commissioned the wind farm Sandbank, off Germany's North Sea coast, and part of Pen y Cymoedd in Wales. With combined capacity of more than 500 MW, they meet the annual electricity needs of approximately 400,000 homes. In other words, enough electricity for a major city. We also continued to invest heavily in our distribution networks in Sweden and Germany to ensure security of supply, enable new connections in expanding urban regions, and handle a higher share of renewable electricity in the system.

The underlying operating profit for the quarter was SEK 8.3 billion, which is about the same as a year ago. However, we are reporting a lower profit for the period by SEK 3 billion owing to a one-time gain from a divestment during the first quarter of 2016 and to lower commodity prices which impacted the valuation of derivatives and inventories. Nevertheless, the latter is an accounting recognition and will reverse over time. The underlying business result will always materialize when the instruments are sold.

Wholesale electricity prices were high during the period, but unfortunately this did not make any contribution to earnings since our electricity generation was hedged at a lower price. On the other hand, several other business areas made greater contributions, which compensated for the underlying operating profit.

Price pressure in the electricity market is not showing any signs of easing, and we continue to work hard in both nuclear and hydro power to bring down costs and raise efficiency. We must have profitable generation even in the fierce competitive situation that we are currently facing. Parallel with this, as I mentioned we are ramping up our wind power generation, which made a positive contribution to earnings during the first quarter, and we are also investing in solar power.

Many positive things are happening at Vattenfall right now. One important part, of course, is the Swedish energy agreement, which is now being concretised in the form of ready legislative proposals in Swedish parliament. For instance, we have learned that it has been proposed that the funding of nuclear power dismantling and final storage via the Swedish Nuclear Waste Fund be spread over 50 years instead of 40 as currently. Moreover, it has been proposed that it shall be possible to invest the capital in corporate bonds and equities, which has not been possible previously.

An energy market in change and with rising competition puts demands not only on efficiency. Vattenfall must also drive the business forward with the help of new technology and new business models, and lead the way in R&D. Electrification can contribute to solutions to the climate issue in many ways. Apart from the project we are involved in with SSAB and LKAB surrounding fossil-free steel production, we have partnered with the oil company Preem on the production of biofuels using climate-smart hydrogen gas. We are also offering our customers geothermal heating solutions aside from district heating and air source heat pumps.

Vattenfall is a driver of the expansion of an effective charging infrastructure for electric vehicles, where among other things we are currently building out a system of chargers for electric vehicles on eight streets in Stockholm and increasing the number of charging points in Amsterdam. Our InCharge charging network links together our own stations with other actors' stations through a joint payment and administrative solution. Vattenfall is also supporting the plans to build Europe's largest lithium battery factory in Sweden through cooperation with the company Northvolt.

The path forward for Vattenfall is described clearly in our purpose, which we call Power Climate Smarter Living. We aspire to help our customers and partners live and work to a higher degree without fossil fuels, with the goal of being entire fossil-free within a generation. This is Vattenfall's mission.

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

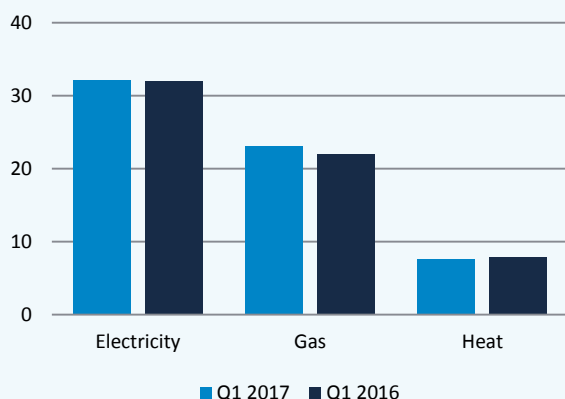
Magnus Hall
President and CEO

Group overview

Sales development

Sales of electricity to customers increased by 0.2 TWh in the first quarter of 2017. Sales of gas increased by 1.1 TWh, mainly as a result of an increased customer base in Germany. Sales of heat decreased by 0.3 TWh due to divestments in Sweden and the Netherlands.

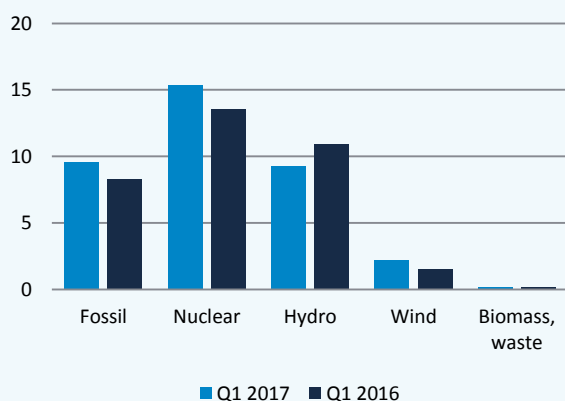
CUSTOMER SALES DEVELOPMENT (TWh)



Generation development

Total electricity generation increased by 2.1 TWh in the first quarter of 2017. Higher availability within nuclear, new assets commissioned within wind and higher spreads within fossil contributed to the increase in electricity generation. The decrease in generation from hydro is explained by lower reservoir levels compared to the first quarter of 2016. Generation from biomass and waste remained unchanged.

ELECTRICITY GENERATION (TWh)



Price development

Average Nordic spot prices were 30% higher during the first quarter of 2017 at 31.1 EUR/MWh (24.0) compared with the corresponding period in 2016, mainly driven by higher fuel prices and a lower hydrological balance. The price in Germany increased by 65% to 41.4 EUR/MWh (25.1), and the price in the Netherlands increased by 55% to 42.9 EUR/MWh (27.7), mainly as a result of stronger fuel prices and dry weather conditions in the Alps. Electricity futures prices for delivery in 2018 and 2019 were 18%-38% higher compared with the first quarter of 2016, primarily explained by the recovery in coal and gas prices.

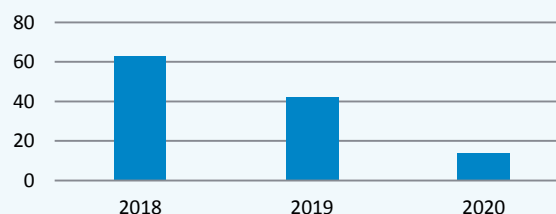
Compared with the first quarter of 2016, gas prices¹ were 24% higher at 17.4 EUR/MWh (14.0), coal prices were 69% higher at 68.4 USD/t (40.5), and prices of CO₂ emission allowances were 8% lower at 5.2 EUR/t (5.6).

Hedging

AVERAGE INDICATIVE NORDIC HEDGE PRICES AS PER 31 MARCH 2017

EUR/MWh	2018	2019	2020
	28	29	36

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



SENSITIVITY ANALYSIS – CONTINENTAL PORTFOLIO

Market quoted	+/- 10% impact on future profit before tax, SEK million ²			Observed yearly volatility ³
	2017	2018	2019	
Electricity	+/- 275	+/- 391	+/- 742	22%-23%
Coal	-/+7	-/+221	-/+214	31%-32%
Gas	-/+146	-/+395	-/+371	25%-27%
CO ₂	-/+21	-/+59	-/+67	54%-55%

- 1) Based on TTF prices.
- 2) The denotation +/- entails that a higher price affects operating profit favourably, and -/+ vice versa.
- 3) Observed yearly volatility in 2016 for daily price movements for each commodity, based on forward contracts for the period 2017-2019. Volatility normally declines the further ahead in time the contract pertains to.

Net sales

Comment January-March: Consolidated net sales decreased by SEK 1.6 billion, mainly owing to lower sales volumes.

Earnings

Comment January-March: The underlying operating profit was at a similar level as in the first quarter of 2016, which is explained by the following:

- Lower production margins in the Power Generation segment mainly owing to hydro power (SEK -0.3 billion)
- Higher earnings contribution from the heat operations as a result of lower costs and depreciation (SEK 0.1 billion)
- Higher earnings contribution from the wind operations mainly owing to an improved gross margin (as a result of new capacity added) (SEK 0.2 billion)
- Other items, net (SEK 0.1 billion)

Items affecting comparability amounted to SEK -2.3 billion. Unrealised changes in the fair value of energy derivatives (SEK -2.0 billion) and inventories (SEK -0.5 billion) pertain mainly to temporary effects related to our sourcing activities. Items affecting comparability in the first quarter of 2016 amounted to SEK 1.9 billion and were positively affected by a capital gain of SEK 1.8 billion from the divestment of the network service operation in Hamburg, Germany, and a property in Bramfeld.

Profit for the period in the first quarter of 2017 amounted to SEK 3.8 billion (6.8).

Cash flow

Comment January-March: Funds from operations (FFO) decreased by SEK 0.3 billion, mainly owing to higher taxes paid due to tax refunds in Sweden in the first quarter of 2016. Cash flow from changes in working capital amounted to SEK -9.4 billion. This is mainly attributable to a higher inventory of CO₂ emission allowances (SEK -1.1 billion), net change in operating receivables and operating liabilities (SEK -4.1 billion) and net changes in margin calls due to lower prices for CO₂ emission allowances (SEK -3.6 billion).

Important events after the balance sheet date

- Anna Borg started her new position as Head of Business Area Markets. She will be a member of Vattenfall's Executive Group Management and took up her new position on 1 April 2017.
- The Swedish government presented further propositions in relation to the energy policy agreement. The Nuclear Waste Fund is proposed to have a broader investment mandate that includes investments of corporate bonds and stocks. Payments into the fund are proposed to be based on 50 years of operational life compared with 40 years, which is currently being used.
- Vattenfall has acquired 35% of BrainHeart Energy Sweden, which is the largest supplier of geothermal solutions to private customers in Sweden. BrainHeart Energy Sweden has annual sales of approximately SEK 200 million.

KEY FIGURES – GROUP OVERVIEW

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	40 064	41 619	139 208	137 653
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	9 704	13 736	27 209	23 177
Underlying operating profit excluding items affecting comparability ¹	8 341	8 300	21 697	21 738
Items affecting comparability ¹	-2 317	1 899	-20 360	-24 576
Operating profit (EBIT)	6 024	10 199	1 337	-2 838
Profit for the period	3 782	6 820	-2 171	-5 209
Funds from operations (FFO) ²	8 228	8 570	26 895	26 553
Cash flow from changes in operating assets and operating liabilities (working capital) ²	-9 420	-12 800	1 688	5 068
Cash flow from operating activities ²	-1 192	-4 230	28 583	31 621

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

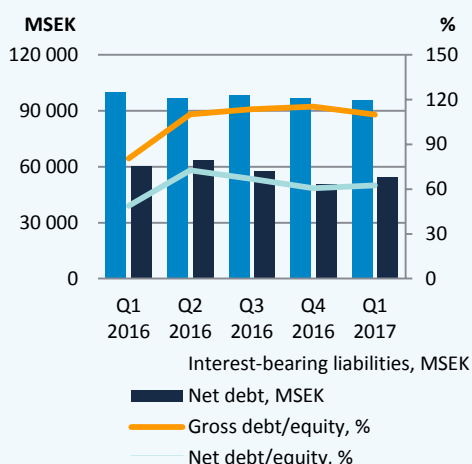
2) Pertains to Vattenfall's continuing operations. The statement of cash flow on page 19 pertains to Total Vattenfall, including the lignite operations.

Capital structure

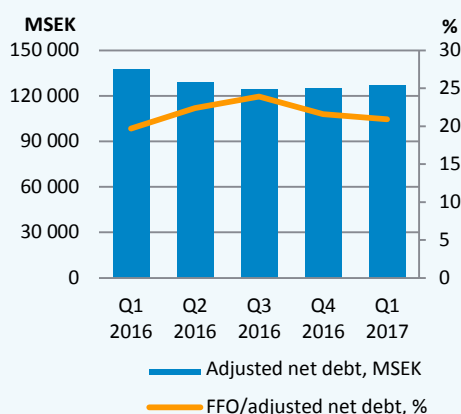
Cash and cash equivalents, and short-term investments decreased by SEK 4.0 billion compared with the level at 31 December 2016. This is mainly attributable to negative cash flow from operating activities and investing activities. Committed credit facilities consist of a EUR 2.0 billion Revolving Credit Facility that expires on 10 December 2021. As per 31 March 2017, available liquid assets and/or committed credit facilities amounted to 37% of net sales. Vattenfall's target is to maintain a level of no less than 10% of the Group's net sales, but at least the equivalent of the next 90 days' maturities.

Total interest-bearing liabilities decreased by SEK 0.7 billion compared with the level at 31 December 2016. This is mainly attributable to repayment of short-term debt. Net debt increased by SEK 4 billion compared with the level at 31 December 2016. This is mainly attributable to negative cash flow from operating activities and investing activities. Adjusted net debt increased by SEK 2.3 billion compared with the level at 31 December 2016. The increase is mainly attributable to a higher level of net debt. The lower amount of nuclear provisions, net, had an offsetting impact by SEK 1.0 billion.

NET DEBT



ADJUSTED NET DEBT



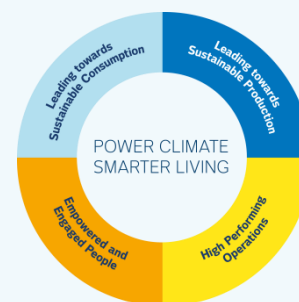
Strategic targets

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 CO₂ roadmap).

To achieve this, we must have

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



Strategic objectives	Strategic targets for 2020	Outcome Q1 2017	Full Year 2016
Leading towards Sustainable Consumption	1. Customer engagement, Net Promoter Score relative (NPS relative): +2	+4	+7
Leading towards Sustainable Production	2. Aggregated commissioned new renewables capacity 2016-2020: ≥2,300 MW 3. Absolute CO ₂ emissions pro rata: ≤21 Mt	513 MW 7.2 Mt	297 MW 23.2 Mt
High Performing Operations	4. Return On Capital Employed (ROCE), last 12 months: ≥9%	-1.1%	0.5%
Empowered and Engaged People	5. Lost Time Injury Frequency (LTIF): ≤1.25 6. Employee Engagement Index: ≥70% ¹	1.7 -	2.0 57%

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

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

Ramping up investments in electric vehicle infrastructure and growing the customer base

- Vattenfall to provide chargers for electric vehicles on eight streets in Stockholm
- Winning tender for close to 2,500 charging points in the southern Netherlands
- The customer base in Customer & Solutions grew by 78,000 contracts during the first quarter of 2017

Net sales decreased due to lower gas sales prices. Currency effects had an offsetting impact on net sales. The underlying operating profit in the first quarter of 2017 was at a similar level compared with the corresponding period of 2016.

Electricity sales increased in the first quarter of 2017 by 0.5 TWh to 24.4 TWh compared with the same period in 2016. Sold gas volumes increased by 0.6 TWh. An increased customer base in Germany offset lower gas sales in the Netherlands.

Vattenfall aims at leading the way in the expansion of a functioning electric vehicle charging infrastructure. This summer and further on, e-vehicle owners will be able to park and charge their e-vehicles or hybrids at more locations in Stockholm, Sweden. In all, 60 new charging points will be incorporated into the public charging network, InCharge. The charging points are part of the City of Stockholm's initiative for



a more sustainable city environment and should help traffic become less dependent on fossil fuels.

In the Netherlands, Nuon is the e-mobility partner of the city of Amsterdam, and together with its partner Heijmans recently won a tender to install and operate 2,480 public charging points in the provinces of Noord Brabant and Limburg. The charging points will be located in 65 municipalities in two provinces in the southern part of the Netherlands. The installation started in March 2017 and will be completed by the end of 2018. Currently, a total of 5,000 charging points in the Netherlands are operated by Nuon, serving 15,000 customer on a daily basis.

Vattenfall's customer base in Customers & Solutions grew by some 78,000 contracts during the first quarter of 2017, driven primarily by strong growth in Germany.

KEY FIGURES - CUSTOMERS & SOLUTIONS

Amounts in SEK million unless indicated otherwise	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	20 705	21 182	69 230	68 753
External net sales	20 284	20 660	67 862	67 486
Underlying operating profit before depreciation, amortisation and impairment losses	985	985	2 825	2 825
Underlying operating profit	728	756	1 830	1 802
Sales of electricity, TWh	24.4	23.9	88.9	89.4
- of which, private customers	8.1	8.5	27.0	26.6
- of which, resellers	1.5	1.9	5.5	5.1
- of which, business customers	14.8	13.5	56.4	57.7
Sales of gas, TWh	22.6	22.0	53.1	53.7
Number of employees, full-time equivalents	2 914	3 033	2 930	

Power Generation

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

Generation: Stable operations, high availability and positive regulatory developments

- 98.2% availability in nuclear production
- Government bill presented on abolishment of the nuclear capacity tax and the stepwise reduction of the property tax on hydro power by 2020
- Government proposition includes a broader investment mandate for the Swedish Nuclear Waste Fund and that payments into the fund be based on a 50 year operational lifetime

Markets: Securing major business contracts and optimising the asset base

- Direct market access to physical energy markets
- TenneT contract to manage grid congestion
- Gas sourcing deal to hedge against low temperatures

Net sales in the first quarter of 2017 decreased, mainly owing to lower electricity sales volumes, average lower electricity prices achieved and lower production volumes in hydro. The underlying operating profit decreased, mainly owing to lower production margins, which was partly offset by higher realised earnings contribution from sourcing and trading activities.

Nuclear power generation increased as a result of higher availability. Combined availability for Vattenfall's nuclear power plants in the first quarter of 2017 increased to 98.2% (87.1%). Forsmark had availability of 96.0% (98.4%) and generation of 6.8 TWh (7.1). Ringhals had availability of 99.9% (77.7%) and generation of 8.5 TWh (6.5).

Hydro power generation decreased as a result of lower reservoir levels. The Nordic water reservoir levels were at 23% (32%) of capacity, which is a normal level. Vattenfall decided



to close the hydro operations centre in Storuman in northern Sweden as a result of continuous efficiency measures. Negotiations are ongoing with the unions.

At the end of March 2017 the Swedish government presented a government bill to the Parliament on the gradual phase-out of the nuclear capacity tax and a stepwise reduction of the property tax on hydro power until 2020 from 2.8% to 0.5%. The financial impact on Vattenfall after implementation is expected to be about SEK 5 billion per year. As for the Swedish Nuclear Waste Fund, the proposal includes a broader investment mandate and that payments into the fund be based on a 50 year operational lifetime.

Vattenfall offers customers direct market access (DMA) to Europe's physical over-the-counter (OTC) energy markets, which gained momentum with 8.2 TWh being traded. In order to support Dutch TSO TenneT in managing grid congestion and balancing the higher inflow of electricity, Vattenfall offered production restriction at Eemshaven plant. Business Area Markets closed a 2-year 6 TWh temperature-dependent gas supply deal to hedge Vattenfall's retail gas portfolio sourcing in Germany.

KEY FIGURES - POWER GENERATION

Amounts in SEK million unless indicated otherwise

	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	28 355	28 781	98 997	98 571
External net sales	12 335	13 699	49 276	47 912
Underlying operating profit before depreciation, amortisation and impairment losses	3 369	3 643	14 354	14 080
Underlying operating profit	2 616	2 906	11 410	11 120
Electricity generation, TWh ¹	24.7	24.5	81.7	81.9
- of which, hydro power	9.3	10.9	34.8	33.2
- of which, nuclear power	15.4	13.6	46.9	48.7
Sales of electricity, TWh	7.4	8.0	37.6	37.0
- of which, private customers	0.8	—	3.0 ²	3.8
- of which, resellers	5.5	8.0	31.6	29.1
- of which, business customers	1.1	—	3.0 ²	4.1
Sales of gas, TWh	0.5	—	1.7 ²	2.2
Number of employees, full-time equivalents	7 458	7 675	7 493	

1) Values for 2017 are preliminary.

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

Wind

The Wind Business Area is responsible for Vattenfall's wind power and solar energy operations.

Solid operational performance and new strategy to grow in solar PV and battery storage

- High availability of producing assets at 97.1%
- Sandbank offshore wind farm receives Taking Over Certificate (TOC)¹ 34 days earlier than planned
- Vattenfall has decided to continue to grow in solar PV



Net sales increased as a result of new capacity that has been added: the Sandbank offshore wind farm (288 MW) in Germany and the onshore wind farms Ray (54 MW) and Pen y Cymoedd (228 MW) in the UK. The underlying operating profit increased as a result of the newly added capacity.

In 2016, solar PV was the largest new-built generation capacity with 72 GW of capacity added globally. This strong growth rate will continue and drive costs further down, with similar development for battery storage. Vattenfall has already gained substantial experience in solar PV and battery storage. In order to capture future opportunities, Vattenfall decided on a growth strategy for solar PV and battery storage that will lead to increased investments within the next two years. The strategy is based on two main pillars:

1. Decentralised solar PV & storage: Offering solutions for commercial and residential customers. Besides winning new customers Vattenfall will also offer these solutions to existing customers.

2. Large-scale solar: Installing solar PV at our wind farms or other existing sites offers synergies from using joint grid connections and infrastructure.

Vattenfall increased its production of wind energy despite less wind in the first quarter of 2017. The increase can be explained by newly commissioned assets in combination with a faster construction process in some projects. In mid- January the installation vessel *MPI Adventure* installed the last of a total of 72 wind turbines in Sandbank. Thus the construction phase for the wind turbines has been completed three months ahead of the originally planned time schedule. Hence the remaining turbines could be commissioned and successively connected to the grid earlier. Sandbank also received the important Taking Over Certificate (TOC) from Siemens 34 days earlier than planned.

KEY FIGURES – WIND

Amounts in SEK million unless indicated otherwise	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	2 543	1 989	6 702	7 256
External net sales	1 720	1 303	4 384	4 801
Underlying operating profit before depreciation, amortisation and impairment losses	1 833	1 509	4 297	4 621
Underlying operating profit	858	705	878	1 031
Electricity generation - wind power TWh	2.2	1.5	5.8	6.5
Sales of electricity, business customers, TWh	0.3	—	0.6 ²	0.9
Number of employees, full-time equivalents	720	614	706	

1) A Taking Over Certificate (TOC) is issued once a wind farm has been commissioned and ownership has been transferred from the turbine supplier.

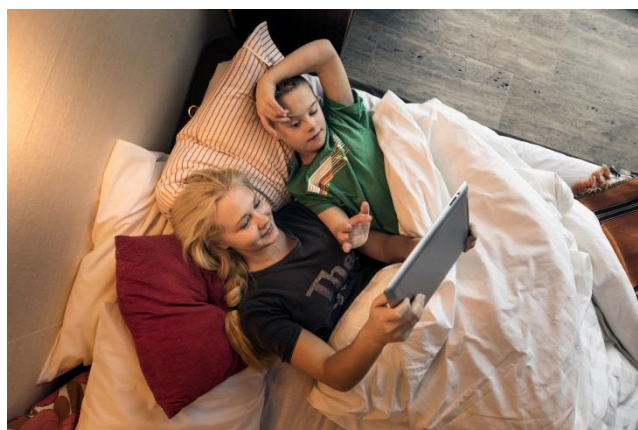
2) The value has been adjusted compared with information previously published in Vattenfall's 2016 year-end report and 2016 Annual and Sustainability Report.

Heat

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

Strengthened market position

- Increase in net sales and higher underlying operating profit
- Broader product offering in Germany with decentralised energy solutions, such as micro combined heat and power (CHP) plants
- Smart meter roll-out under way



Net sales in the first quarter increased, mainly owing to increased production volumes in Germany and the Netherlands. The underlying operating profit increased due to lower operating expenses and lower depreciation as a result of the impairment losses in 2016. Heat sales decreased by 0.3 TWh, mainly owing to divestments in Sweden and the Netherlands.

During the first quarter of 2017 Business Area Heat confirmed the ambition to strengthen its market position by offering cost competitive, resource efficient and low CO₂-emitting heat and energy solutions that fit customers' specific situations and preferences.

Activities to reshape the production portfolio for CO₂ reductions are under way. Business Area Heat focuses on increasing the share of existing external heat sources, for instance integration of heat from waste-to-energy or industry surplus heat. The first contract has been signed for the new business concept SamEnergi in Sweden, which is based on

utilisation of small scale excess heat or cooling from local suppliers. The decision for a EUR 325 million investment into a highly flexible and modern gas-fired combined heat and power (CHP) plant in Berlin-Marzahn and the upcoming construction start of the Power-to-Heat (PtH) project Karoline in Hamburg are further proof points. PtH is a concept of using excess electricity during periods of low/negative spot market prices to generate heat. In Germany, Vattenfall's PtH projects are part of the public funding programmes WindNODE and NEW4.0.

Green heat products are offered to customers in Sweden and Germany, and pilots are being conducted in the Netherlands. We have also started a smart meter roll-out that will give customers the opportunity to monitor and reduce their energy consumption. Customers are enabled to recognise patterns in energy consumption as well as evaluate data of similar assets in their real estate portfolios.

KEY FIGURES - HEAT

Amounts in SEK million unless indicated otherwise	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	10 040	8 191	28 414	30 263
External net sales	5 038	5 032	15 110	15 116
Underlying operating profit before depreciation, amortisation and impairment losses	3 115	3 092	7 059	7 082
Underlying operating profit	2 235	2 128	3 230	3 337
Electricity generation - TWh ¹	9.7	8.5	31.5	32.7
- of which, fossil-based power	9.5	8.3	30.8	32.0
- of which, biomass, waste	0.2	0.2	0.7	0.7
Sales of electricity, TWh	—	—	0.5 ²	0.5
- of which, private customers	—	—	0.2 ²	0.2
- of which, business customers	—	—	0.3 ²	0.3
Sales of heat, TWh	7.6	7.9	20.3	20.0
Number of employees, full-time equivalents	3 762	4 073	3 790	

1) Figures for 2017 are preliminary.

2) The value has been adjusted compared with information previously published in Vattenfall's 2016 year-end report 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 to improve quality of supply

- Planning for growth investments of SEK 5.6 billion in 2017-2018
- Continued need for high investments to improve quality of supply, in particular in northern Sweden
- Decision to phase out the use of creosote poles from 2017 in new investment projects for environmental reasons

Improved financial development as a result of a lower number of power outages and increased net sales based on higher network tariffs in Sweden and Germany. The underlying operating profit improved due to increasing revenues, thereby enabling increased investments in the Swedish and the German distribution networks. Planned investments will improve quality of supply, enable connection of new customers in growing areas and accommodate more renewable energy in the system. For Sweden, the target investment level during 2017-2018 is SEK 9 billion.

For Germany, the majority of investments will be allocated to maintenance and modernisation of the distribution network. Substantial investments will also be made in smart grids and digitalisation as well as investments in relation to growth in Berlin.



To improve size and technical condition of the Charlottenburg switchplant, Stromnetz Berlin (Vattenfall's distribution subsidiary) has decided to invest SEK 465 million in a 110 kV nodal point switchplant. The Wuhletal substation in Berlin needs to secure quality service to 3,400 small businesses and 64,300 residential customers. The total investment amounts to SEK 225 million.

Vattenfall has decided to phase out the use of creosote poles from 2017 when renewing the distribution network for environmental reasons. Furthermore, the use of creosote poles in the regional network will be phased out from 2018. The creosote poles will be replaced with alternative materials and new impregnation methods.

KEY FIGURES - DISTRIBUTION

Amounts in SEK million unless indicated otherwise	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	5 969	5 426	19 661	20 204
External net sales	4 693	4 234	15 233	15 692
Underlying operating profit before depreciation, amortisation and impairment losses	2 860	2 573	7 669	7 956
Underlying operating profit	2 154	1 890	4 863	5 127
Number of employees, full-time equivalents	2 052	1 971	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	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	1 177	1 302	5 363	5 238
External net sales	142	59	326	409
Underlying operating profit before depreciation, amortisation and impairment losses	- 26	135	- 58	- 219
Underlying operating profit	- 132	19	- 512	- 663
Number of employees, full-time equivalents	2 986	3 281	3 006	

Consolidated income statement

Amounts in SEK million	Q1 2017	Q1 2016 ⁹	Full year 2016	Last 12 months
Continuing operations				
Net sales	40 064	41 619	139 208	137 653
Cost of products sold ¹	- 30 013	- 29 032	- 119 217	- 120 198
Gross profit	10 051	12 587	19 991	17 455
Selling expenses, administrative expenses and research and development costs ²	- 4 482	- 4 476	- 19 259	- 19 265
Other operating income and expenses, net	194	1 924	2 456	726
Participations in the results of associated companies ³	261	164	- 1 851	- 1 754
Operating profit (EBIT)⁴	6 024	10 199	1 337	- 2 838
Financial income ^{5,8}	609	640	1 767	1 736
Financial expenses ^{6,7,8}	- 1 613	- 2 213	- 8 149	- 7 549
Profit before income taxes	5 020	8 626	- 5 045	- 8 651
Income taxes expense	- 1 238	- 1 806	2 874	3 442
Profit for the period from continuing operations	3 782	6 820	- 2 171	- 5 209
Discontinued operations				
Profit for the period from discontinued operations, net after income taxes	—	- 218	- 23 833	- 23 615
Profit for the period	3 782	6 602	- 26 004	- 28 824
Attributable to owner of the Parent Company	3 220	6 272	- 26 324	- 29 376
Attributable to non-controlling interests	562	330	320	552
Supplementary information for continuing operations				
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	9 704	13 736	27 209	23 177
Underlying operating profit before depreciation, amortisation and impairment losses	12 018	11 833	36 144	36 329
Underlying operating profit	8 341	8 300	21 697	21 738
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 786	- 959	- 4 005	- 3 832
1) Of which, depreciation, amortisation and impairment losses	- 3 216	- 3 169	- 23 423	- 23 470
2) Of which, depreciation, amortisation and impairment losses	- 464	- 368	- 1 331	- 1 427
3) Of which, impairment losses	—	—	- 1 118	- 1 118
4) Including items affecting comparability	- 2 317	1 899	- 20 360	- 24 576
- of which, capital gains	170	1 769	2 152	553
- of which, capital losses	- 1	- 76	- 376	- 301
- of which, impairment losses	- 3	- 4	- 12 354	- 12 353
- of which, reversed impairment losses	—	—	929	929
- of which, provisions	—	—	- 8 249	- 8 249
- of which, unrealised changes in the fair value of energy derivatives	- 1 965	378	- 2 417	- 4 760
- of which, unrealised changes in the fair value of inventories	- 469	204	997	324
- of which, restructuring costs	- 16	- 291	- 761	- 486
- of which, other non-recurring items affecting comparability	- 33	- 81	- 281	- 233
5) Including return from the Swedish Nuclear Waste Fund	368	156	866	1 078
6) Including interest components related to pension costs	- 204	- 236	- 954	- 922
7) Including discounting effects attributable to provisions	- 586	- 770	- 3 243	- 3 059
8) Items affecting comparability recognised as financial income and expenses, net	—	1	- 176	- 177

9) The value has been recalculated compared with information previously published in Vattenfall's 2016 interim reports. This is because the lignite operations have been divested and are reported as a discontinued operation in accordance with IFRS 5.

Consolidated statement of comprehensive income

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Profit for the period	3 782	6 602	- 26 004	- 28 824
Other comprehensive income				
Items that will be reclassified to profit or loss when specific conditions are met				
Cash flow hedges - changes in fair value	1 059	516	- 17 620	- 17 077
Cash flow hedges - dissolved against income statement	- 478	- 1 414	2 737	3 673
Cash flow hedges - transferred to cost of hedged item	- 3	- 7	- 71	- 67
Hedging of net investments in foreign operations	79	922	- 923	- 1 766
Translation differences and exchange rate effects net, divested companies	28	—	1 164	1 192
Translation differences	- 190	- 1 178	1 927	2 915
Income taxes related to items that will be reclassified	- 99	- 140	4 022	4 063
Total items that will be reclassified to profit or loss when specific conditions are met	396	- 1 301	- 8 764	- 7 067
Items that will not be reclassified to profit or loss				
Remeasurement pertaining to defined benefit obligations	—	—	- 1 805	- 1 805
Income taxes related to items that will not be reclassified	—	—	500	500
Total items that will not be reclassified to profit or loss	—	—	- 1 305	- 1 305
Total other comprehensive income, net after income taxes	396	- 1 301	- 10 069	- 8 372
Total comprehensive income for the period	4 178	5 301	- 36 073	- 37 196
Attributable to owner of the Parent Company	3 689	5 112	- 36 485	- 37 908
Attributable to non-controlling interests	489	189	412	712

Operating segments, Vattenfall Group

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
External net sales				
Customers & Solutions	20 284	20 660	67 862	67 486
Power Generation	12 335	13 699 ³	49 276	47 912
Wind	1 720	1 303	4 384	4 801
Heat	5 038	5 032	15 110	15 116
Distribution	4 693	4 234	15 233	15 692
- of which, Distribution Germany	1 492	1 160	4 978	5 310
- of which, Distribution Sweden	3 201	3 074	10 255	10 382
Other ¹	142	59	326	409
Eliminations ²	- 4 148	- 3 368	- 12 983	- 13 763
Total continuing operations	40 064	41 619	139 208	137 653
Discontinued operations	—	4 310 ³	13 459	9 149
Total	40 064	45 929	152 667	146 802
Internal net sales				
Customers & Solutions	421	522	1 368	1 267
Power Generation	16 020	15 082 ³	49 721	50 659
Wind	823	686	2 318	2 455
Heat	5 002	3 159	13 304	15 147
Distribution	1 276	1 192	4 428	4 512
- of which, Distribution Germany	1 166	1 087	3 954	4 033
- of which, Distribution Sweden	110	105	474	479
Other ¹	1 035	1 243	5 037	4 829
Eliminations	- 24 577	- 21 884 ³	- 76 176	- 78 869
Total continuing operations	—	—	—	—
Discontinued operations	—	—	—	—
Total	—	—	—	—
Total net sales				
Customers & Solutions	20 705	21 182	69 230	68 753
Power Generation	28 355	28 781 ³	98 997	98 571
Wind	2 543	1 989	6 702	7 256
Heat	10 040	8 191	28 414	30 263
Distribution	5 969	5 426	19 661	20 204
- of which, Distribution Germany	2 658	2 247	8 932	9 343
- of which, Distribution Sweden	3 311	3 179	10 729	10 861
Other ¹	1 177	1 302	5 363	5 238
Eliminations	- 28 725	- 25 252 ³	- 89 159	- 92 632
Total continuing operations	40 064	41 619	139 208	137 653
Discontinued operations	—	4 310 ³	13 459	9 149
Total	40 064	45 929	152 667	146 802

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
<u>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</u>				
Customers & Solutions	978	969	2 775	2 784
Power Generation	927	3 890 ³	3 962	999
Wind	1 833	1 533	4 442	4 742
Heat	3 204	3 055 ³	7 062	7 211
Distribution	2 859	2 572	7 644	7 931
- of which, Distribution Germany	586	514	1 337	1 409
- of which, Distribution Sweden	2 273	2 058	6 307	6 522
Other ¹	21	1 821	1 326	- 474
Eliminations	- 118	- 104	- 2	- 16
Total continuing operations	9 704	13 736	27 209	23 177
Discontinued operations	—	768 ³	943	175
Total	9 704	14 504	28 152	23 352
<u>Underlying operating profit before depreciation, amortisation and impairment losses</u>				
Customers & Solutions	985	985	2 825	2 825
Power Generation	3 369	3 643 ³	14 354	14 080
Wind	1 833	1 509	4 297	4 621
Heat	3 115	3 092 ³	7 059	7 082
Distribution	2 860	2 573	7 669	7 956
- of which, Distribution Germany	588	517	1 355	1 426
- of which, Distribution Sweden	2 272	2 056	6 314	6 530
Other ¹	- 26	135	- 58	- 219
Eliminations	- 118	- 104	- 2	- 16
Total continuing operations	12 018	11 833	36 144	36 329
Discontinued operations	—	786 ³	2 068	1 282
Total	12 018	12 619	38 212	37 611

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Operating profit (EBIT)				
Customers & Solutions	722	740	1 749	1 731
Power Generation	174	3 153 ³	- 3 648	- 6 627
Wind	856	729	898	1 025
Heat	2 324	2 091 ³	- 3 366	- 3 133
Distribution	2 151	1 888	4 838	5 101
- of which, Distribution Germany	378	321	527	584
- of which, Distribution Sweden	1 773	1 567	4 311	4 517
Other ¹	- 85	1 702	868	- 919
Eliminations	- 118	- 104	- 2	- 16
Operating profit (EBIT) continuing operations	6 024	10 199	1 337	- 2 838
Discontinued operations	—	- 188 ³	- 22 542	- 22 354
Operating profit (EBIT)	6 024	10 011	- 21 205	- 25 192
Operating profit (EBIT) continuing operations	6 024	10 199	1 337	- 2 838
Financial income and expenses continuing operations	- 1 004	- 1 573	- 6 382	- 5 813
Profit before tax from continuing operations	5 020	8 626	- 5 045	- 8 651
Underlying operating profit				
Customers & Solutions	728	756	1 830	1 802
Power Generation	2 616	2 906 ³	11 410	11 120
Wind	858	705	878	1 031
Heat	2 235	2 128 ³	3 230	3 337
Distribution	2 154	1 890	4 863	5 127
- of which, Distribution Germany	381	325	544	600
- of which, Distribution Sweden	1 773	1 565	4 319	4 527
Other ¹	- 132	19	- 512	- 663
Eliminations	- 118	- 104	- 2	- 16
Underlying operating profit continuing operations	8 341	8 300	21 697	21 738
Discontinued operations	—	- 164 ³	- 4	160
Underlying operating profit	8 341	8 136	21 693	21 898

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.

3) The value has been recalculated compared with information previously published in Vattenfall's 2016 interim reports. This is because the lignite operations have been divested and are reported as a discontinued operation in accordance with IFRS 5.

Consolidated balance sheet

Amounts in SEK million	31 March 2017	31 March 2016	31 Dec. 2016
Assets			
Non-current assets			
Intangible assets: non-current	16 737	17 424	16 792
Property, plant and equipment	215 654	242 768	217 136
Investment property	127	370	128
Biological assets	33	34	34
Participations in associated companies and joint arrangements	5 018	7 157	4 839
Other shares and participations	159	273	118
Share in the Swedish Nuclear Waste Fund	36 943	34 714	36 199
Derivative assets	12 093	24 386	14 036
Current tax assets, non-current	—	230	—
Prepaid expenses	21	109	20
Deferred tax assets	11 631	10 705	11 538
Other non-current receivables	3 765	6 311	3 788
Total non-current assets	302 181	344 481	304 628
Current assets			
Inventories	13 158	15 358	14 566
Biological assets	13	19	13
Intangible assets: current	1 658	6 549	315
Trade receivables and other receivables	25 365	28 626	26 008
Advance payments paid	1 339	4 377	1 311
Derivative assets	6 581	12 366	10 656
Prepaid expenses and accrued income	9 867	10 092	6 463
Current tax assets	1 551	2 858	1 314
Short-term investments	21 298	22 171	23 297
Cash and cash equivalents	18 010	15 254	19 995
Assets held for sale	740	37	694
Total current assets	99 580	117 707	104 632
Total assets	401 761	462 188	409 260
Equity and liabilities			
Equity			
Attributable to owner of the Parent Company	71 961	109 756	68 272
Attributable to non-controlling interests	15 404	14 612	15 528
Total equity	87 365	124 368	83 800
Non-current liabilities			
Hybrid Capital	19 086	18 448	19 164
Other interest-bearing liabilities	63 597	63 825	63 494
Pension provisions	40 555	38 893	40 644
Other interest-bearing provisions	78 938	93 999	79 341
Derivative liabilities	8 823	12 388	12 464
Deferred tax liabilities	14 980	24 109	14 776
Other noninterest-bearing liabilities	6 102	6 155	6 440
Total non-current liabilities	232 081	257 817	236 323
Current liabilities			
Trade payables and other liabilities	21 995	22 426	25 330
Advance payments received	1 758	2 580	2 164
Derivative liabilities	7 524	7 588	11 552
Accrued expenses and deferred income	16 331	21 994	15 481
Current tax liabilities	2 322	1 645	1 888
Other interest-bearing liabilities	13 330	17 885	14 009
Interest-bearing provisions	18 599	5 835	18 359
Liabilities associated with assets held for sale	456	50	354
Total current liabilities	82 315	80 003	89 137
Total equity and liabilities	401 761	462 188	409 260

SUPPLEMENTARY INFORMATION

Amounts in SEK million	31 March 2017	31 March 2016	31 Dec. 2016
Calculation of capital employed			
Intangible assets: current and non-current	18 395	23 973	17 107
Property, plant and equipment	215 654	242 768	217 136
Participations in associated companies and joint arrangements	5 018	7 157	4 839
Deferred and current tax assets	13 182	13 563	12 852
Non-current noninterest-bearing receivables	2 641	5 091	2 659
Inventories	13 158	15 358	14 566
Trade receivables and other receivables	25 365	28 626	26 008
Prepaid expenses and accrued income	9 867	10 092	6 463
Unavailable liquidity	6 998	7 335	6 995
Other	363	745	484
Total assets excl. financial assets	310 641	354 708	309 109
Deferred and current tax liabilities	- 17 302	- 25 754	- 16 664
Other noninterest-bearing liabilities	- 6 102	- 6 155	- 6 440
Trade payable and other liabilities	- 21 995	- 22 426	- 25 330
Accrued expenses and deferred income	- 16 331	- 21 994	- 15 481
Other	—	- 87	—
Total noninterest-bearing liabilities	- 61 730	- 76 416	- 63 915
Other interest-bearing provisions not related to adjusted net debt ¹	- 12 381	- 9 256	- 12 505
Capital employed²	236 530	269 036	232 689
Capital employed, average	252 783	283 833	248 640
Calculation of net debt			
Hybrid Capital	- 19 086	- 18 448	- 19 164
Bond issues, commercial paper and liabilities to credit institutions	- 56 016	- 61 420	- 55 807
Present value of liabilities pertaining to acquisitions of Group companies	- 51	—	- 51
Liabilities to associated companies	- 3 110	- 2 530	- 2 798
Liabilities to owners of non-controlling interests	- 10 305	- 9 959	- 10 109
Other liabilities	- 7 445	- 7 801	- 8 738
Total interest-bearing liabilities	- 96 013	- 100 158	- 96 667
Cash and cash equivalents	18 010	15 254	19 995
Short-term investments	21 298	22 171	23 297
Loans to owners of non-controlling interests in foreign Group companies	2 024	2 004	2 651
Net debt²	- 54 681	- 60 729	- 50 724
Calculation of adjusted gross debt and net debt			
Total interest-bearing liabilities	- 96 013	- 100 158	- 96 667
50% of Hybrid Capital ³	9 543	9 224	9 582
Present value of pension obligations	- 40 555	- 38 893	- 40 644
Provisions for mining, gas and wind operations and other environment-related provisions	- 4 320	- 19 282	- 4 367
Provisions for nuclear power (net) ⁴	- 40 903	- 33 061	- 41 896
Margin calls received	3 698	5 844	3 961
Liabilities to owners of non-controlling interests due to consortium agreements	9 189	8 849	8 993
Adjusted gross debt	- 159 361	- 167 477	- 161 038
Reported cash and cash equivalents and short-term investments	39 308	37 425	43 292
Unavailable liquidity	- 6 998	- 7 335	- 6 995
Adjusted cash and cash equivalents and short-term investments	32 310	30 090	36 297
Adjusted net debt²	- 127 051	- 137 387	- 124 741

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

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

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

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

Consolidated statement of cash flows

(Reporting of figures for Q1 2016, Full year 2016 and Last 12 months includes the lignite operations which were divested in the second quarter 2016)

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Operating activities				
Profit before income taxes	5 020	8 308	- 27 975	- 31 263
Reversal of depreciation, amortisation and impairment losses	3 680	4 493	49 539	48 726
Tax paid	- 857	- 155	1 290	588
Capital gains/losses, net	- 169	- 1 693	- 1 581	- 57
Interest received	85	534	979	530
Interest paid	- 1 327	- 1 897	- 3 409	- 2 839
Other, incl. non-cash items	1 796	- 508	9 343	11 647
Funds from operations (FFO)	8 228	9 082	28 186	27 332
Changes in inventories	922	1 471	1 199	650
Changes in operating receivables	- 5 077	- 12 546	- 2 287	5 182
Changes in operating liabilities	- 1 625	1 031	3 623	967
Other changes	- 3 640	- 1 696	62	- 1 882
Cash flow from changes in operating assets and operating liabilities	- 9 420	- 11 740	2 597	4 917
Cash flow from operating activities	- 1 192	- 2 658	30 783	32 249
Investing activities				
Acquisitions in Group companies	- 97	—	- 129	- 226
Investments in associated companies and other shares and participations	31	151	541	421
Other investments in non-current assets	- 3 926	- 3 909	- 23 482	- 23 499
Total investments	- 3 992	- 3 758	- 23 070	- 23 304
Divestments	1 086	3 035	4 406	2 457
Cash and cash equivalents in acquired companies	—	—	98	98
Cash and cash equivalents in divested companies	- 106	—	- 199	- 305
Cash flow from investing activities	- 3 012	- 723	- 18 765	- 21 054
Cash flow before financing activities	- 4 204	- 3 381	12 018	11 195
Financing activities				
Changes in short-term investments	1 933	9 814	12 004	4 123
Changes in loans to owners of non-controlling interests in foreign Group companies	621	132	- 434	55
Loans raised ¹	2 860	5 343	8 764	6 281
Amortisation of other debt	- 3 292	- 12 934	- 21 549	- 11 907
Divestment of shares in Group companies to owners of non-controlling interests	—	2 835	2 745	- 90
Effect of early termination of swaps related to financing activities	121	936	2 244	1 429
Dividends paid to owners	—	—	- 882	- 882
Contribution from owners of non-controlling interests	- 23	152	2 107	1 932
Cash flow from financing activities	2 220	6 278	4 999	941
Cash flow for the period	- 1 984	2 897	17 017	12 136
Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Cash and cash equivalents				
Cash and cash equivalents at start of period	19 995	12 351	12 351	15 254
Cash and cash equivalents included in assets held for sale/sold	—	—	- 9 443	- 9 443
Cash flow for the period	- 1 984	2 897	17 017	12 136
Translation differences	- 1	6	70	63
Cash and cash equivalents at end of period	18 010	15 254	19 995	18 010

SUPPLEMENTARY INFORMATION

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Cash flow before financing activities	-4,204	-3,381	12,018	11,195
Financing activities				
Divestment of shares in Group companies to owners of non-controlling interests	—	2 835	2 745	- 90
Effects from terminating swaps related to financing activities	121	936	2 244	1 429
Dividends paid to owners	—	—	- 882	- 882
Contribution from owners of non-controlling interests	- 23	152	2 107	1 932
Cash flow after dividend	- 4 106	542	18 232	13 584
Analysis of change in net debt				
Net debt at start of period	- 50 724	- 64 201	- 64 201	- 60 729
Cash flow after dividend	- 4 106	542	18 232	13 584
Changes as a result of valuation at fair value	90	- 1 061	- 914	237
Changes in interest-bearing liabilities for leasing	—	4	13	9
Interest-bearing liabilities/short-term investments acquired/divested	- 140	—	4	- 136
Cash and cash equivalents included in assets held for sale	—	—	- 9 443	- 9 443
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	199	889	- 127	- 817
Reclassification	—	3 098	3 098	—
Net debt at end of period	- 54 681	- 60 729	- 50 724	- 54 681
Cash flow from operating activities	- 1 192	- 2 658	30 783	32 249
Maintenance investments	- 2 435	- 2 339	- 11 566	- 11 662
Free cash flow²	- 3 627	- 4 997	19 217	20 587

- 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.

INVESTMENTS

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Electricity generation				
Hydro power	223	264	1 511	1 470
Nuclear power	368	548	2 162	1 982
Coal power	45	66	454	433
Gas	72	63	164	173
Wind power and solar PV	968	982	8 782	8 768
Biomass, waste	- 2	2	22	18
Total electricity generation	1 674	1 925	13 095	12 844
CHP/heat				
Fossil-based power	192	349	1 840	1 683
Biomass, waste	6	6	156	156
Other	205	120	1 064	1 149
Total CHP/heat	403	475	3 060	2 988
Electricity networks				
Electricity networks	839	764	5 248	5 323
Total electricity networks	839	764	5 248	5 323
Purchases of shares, shareholder contributions	66	- 151	- 361	- 144
Other	221	222	1 076	1 075
Total investments from continuing operations	3 203	3 235	22 118	22 086
Accrued investments (-)/release of accrued investments (+)	789	98	- 197	494
Total investments with cash flow effect from continuing operations	3 992	3 333	21 921	22 580
Investments with cash flow effect from discontinued operations	—	425	1 149	724
Total investments with cash flow effect	3 992	3 758	23 070	23 304

Consolidated statement of changes in equity

	31 March 2017			31 March 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
Amounts in SEK million									
Balance brought forward	68 272	15 528	83 800	103 984	11 972	115 956	103 984	11 972	115 956
Profit for the period	3 220	562	3 782	6 272	330	6 602	- 26 324	320	- 26 004
Cash flow hedges - changes in fair value	1 118	- 59	1 059	515	1	516	- 17 691	71	- 17 620
Cash flow hedges - dissolved against income statement	- 478	—	- 478	- 1 413	- 1	- 1 414	2 746	- 9	2 737
Cash flow hedges - transferred to cost of hedged item	- 2	- 1	- 3	- 5	- 2	- 7	- 52	- 19	- 71
Hedging of net investments in foreign operations	79	—	79	922	—	922	- 923	—	- 923
Translation differences and exchange rate effects net, divested companies	28	—	28	—	—	—	1 164	—	1 164
Translation differences	- 167	- 23	- 190	- 1 039	- 139	- 1 178	1 812	115	1 927
Remeasurement pertaining to defined benefit obligations	—	—	—	—	—	—	- 1 726	- 79	- 1 805
Income taxes related to other comprehensive income	- 109	10	- 99	- 140	—	- 140	4 509	13	4 522
Total other comprehensive income for the period	469	- 73	396	- 1 160	- 141	- 1 301	- 10 161	92	- 10 069
Total comprehensive income for the period	3 689	489	4 178	5 112	189	5 301	- 36 485	412	- 36 073
Dividends paid to owners	—	- 476	- 476	—	—	—	—	- 882	- 882
Group contributions from(+)/to(-) owners of non-controlling interests	—	—	—	—	—	—	—	- 352	- 352
Changes in ownership in Group companies on divestments of shares to owners of non-controlling interests	—	—	—	877	2 082	2 959	895	2 082	2 977
Contribution from minority interest	—	- 23	- 23	—	152	152	—	2 107	2 107
Other changes in ownership	—	- 114	- 114	—	—	—	—	- 28	- 28
Other changes	—	—	—	- 217	217	—	- 122	217	95
Total transactions with equity holders	—	- 613	- 613	660	2 451	3 111	773	3 144	3 917
Balance carried forward	71 961	15 404	87 365	109 756	14 612	124 368	68 272	15 528	83 800
- Of which, Reserve for hedges	- 1 165	- 7	- 1 172	8 619	4	8 623	- 1 711	43	- 1 668

Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Operating margin, continuing operations	15.0	24.5	1.0	- 2.1
Operating margin, continuing operations ¹	20.8	19.9	15.6	15.8
Pre-tax profit margin, continuing operations	12.5	20.7	- 3.6	- 6.3
Pre-tax profit margin, continuing operations ¹	18.3	16.2	11.1	11.7
Return on equity, Total Vattenfall	- 41.0 ²	- 15.8 ²	- 33.4	- 41.0
Return on capital employed, continuing operations	- 1.1 ²	- 1.0 ²	0.5	- 1.1
Return on capital employed, Total Vattenfall	- 10.0 ²	- 7.5 ²	- 8.5	- 10.0
Return on capital employed, continuing operations ¹	8.6 ²	7.6 ²	8.7	8.6
Return on capital employed, Total Vattenfall ¹	8.7 ²	7.4 ²	8.7	8.7
EBIT interest cover, continuing operations, (x)	- 0.5 ²	- 0.2 ²	0.5	- 0.5
EBIT interest cover, continuing operations, (x) ¹	5.0 ²	4.7 ²	4.6	5.0
FFO interest cover, continuing operations, (x)	6.9 ²	6.4 ²	6.5	6.9
FFO interest cover, net, continuing operations, (x)	7.9 ²	9.6 ²	7.7	7.9
Cash flow interest cover after maintenance investments, continuing operations, (x)	6.8 ²	6.0 ²	5.6	6.8
FFO/gross debt, continuing operations	27.7 ²	27.0 ²	27.8	27.7
FFO/gross debt, Total Vattenfall	28.5 ²	28.3 ²	29.2	28.5
FFO/net debt, continuing operations	48.6 ²	44.5 ²	53.0	48.6
FFO/net debt, Total Vattenfall	50.0 ²	46.6 ²	55.6	50.0
FFO/adjusted net debt, continuing operations	20.9 ²	19.7 ²	21.6	20.9
FFO/adjusted net debt, Total Vattenfall	21.5 ²	20.6 ²	22.6	21.5
EBITDA/net financial items, continuing operations, (x)	12.3	14.3	6.8	6.0
EBITDA/net financial items, continuing operations, (x) ¹	15.3	12.3	9.0	9.5
Equity/Total assets, Total Vattenfall	21.7	26.9	20.5	21.7
Gross debt/equity, Total Vattenfall	109.9	80.5	115.4	109.9
Net debt/equity, Total Vattenfall	62.6	48.8	60.5	62.6
Gross debt/gross debt plus equity, Total Vattenfall	52.4	44.6	53.6	52.4
Net debt/net debt plus equity, Total Vattenfall	38.5	32.8	37.7	38.5
Net debt/EBITDA, continuing operations, (x)	2.4 ²	1.9 ²	1.9	2.4
Net debt/EBITDA, Total Vattenfall, (x)	2.3 ²	1.8 ²	1.8	2.3
Adjusted net debt/EBITDA, continuing operations, (x)	5.5 ²	4.2 ²	4.6	5.5
Adjusted net debt/EBITDA, Total Vattenfall, (x)	5.4 ²	4.1 ²	4.4	5.4

1) Based on Underlying operating profit.

2) Last 12-month values.

Quarterly information, Vattenfall Group

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

In % unless otherwise stated. (x) means times	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Key ratios					
Return on equity, Total Vattenfall ¹	- 41.0	- 33.4	- 23.6	- 20.6	- 15.8
Return on capital employed, continuing operations ¹	- 1.1	0.5	3.1	3.1	- 1.0
Return on capital employed, Total Vattenfall ¹	- 10.0	- 8.5	- 5.8	- 5.5	- 7.5
Return on capital employed, continuing operations ^{1,2}	8.6	8.7	8.4	8.4	7.6
Return on capital employed, Total Vattenfall ^{1,2}	8.7	8.7	8.5	8.3	7.4
EBIT interest cover, continuing operations (x) ¹	- 0.5	0.5	1.9	2.2	- 0.2
EBIT interest cover, continuing operations, (x) ^{1,2}	5.0	4.6	4.7	5.2	4.7
FFO/gross debt, continuing operations ¹	27.7	27.8	30.1	29.8	27.0
FFO/gross debt, Total Vattenfall ¹	28.5	29.2	30.8	31.7	28.3
FFO/net debt, continuing operations ¹	48.6	53.0	51.2	45.3	44.5
FFO/net debt, Total Vattenfall ¹	50.0	55.6	52.4	48.1	46.6
FFO/adjusted net debt, continuing operations ¹	20.9	21.6	23.9	22.4	19.7
FFO/adjusted net debt, Total Vattenfall ¹	21.5	22.6	24.5	23.7	20.6
Equity/assets ratio, Total Vattenfall	21.7	20.5	21.7	21.0	26.9
Gross debt/equity, Total Vattenfall	109.9	115.4	113.6	110.2	80.5
Net debt/equity, Total Vattenfall	62.6	60.5	66.8	72.6	48.8
Net debt/net debt plus equity, Total Vattenfall	38.5	37.7	40.0	42.1	32.8
Net debt/EBITDA, continuing operations, (x) ¹	2.4	1.9	1.8	2.0	1.9
Net debt/EBITDA, Total Vattenfall, (x) ¹	2.3	1.8	1.7	1.8	1.8
Adjusted net debt/EBITDA, continuing operations, (x) ¹	5.5	4.6	3.9	4.1	4.2
Adjusted net debt/EBITDA, Total Vattenfall, (x) ¹	5.4	4.4	3.7	3.7	4.1

1) Last 12-month values.

2) 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.

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, no other material changes have taken place since publication of the 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 the 2016 Annual and Sustainability Report.

NOTE 2 | Exchange rates

KEY EXCHANGE RATES APPLIED IN THE ACCOUNTS OF THE VATTENFALL GROUP

	Q1 2017	Q1 2016	Full year 2016
Average rate			
EUR	9.5257	9.2713	9.4496
DKK	1.2811	1.2429	1.2690
NOK	1.0583	0.9758	1.0181
PLN	2.2061	2.1421	2.1647
GBP	11.1226	12.0682	11.6081
USD	8.9485	8.4165	8.5807
	31 March 2017	31 March 2016	31 Dec. 2016
Balance sheet date rate			
EUR	9.5322	9.2253	9.5525
DKK	1.2816	1.2381	1.2849
NOK	1.0397	0.9799	1.0513
PLN	2.2553	2.1668	2.1660
GBP	11.1419	11.6547	11.1571
USD	8.9161	8.1030	9.0622

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

FINANCIAL INSTRUMENTS BY CATEGORY: CARRYING AMOUNT AND FAIR VALUE

Amounts in SEK million ¹	31 March 2017		31 Dec. 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss	41 772	41 772	56 206	56 206
Loans and receivables	81 311	83 626	75 759	78 456
Available-for-sale financial assets	159	159	118	118
Financial liabilities at fair value through profit or loss	16 347	16 347	24 016	24 016
Other financial liabilities	118 082	125 899	122 779	130 474

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

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

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

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

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

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

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

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	18 544	130	18 674
Short-term investments and cash equivalents	12 150	10 948	—	23 098
Total assets	12 150	29 492	130	41 772
Liabilities				
Derivative liabilities	—	16 165	182	16 347
Total liabilities	—	16 165	182	16 347

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

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	24 438	254	24 692
Short-term investments and cash equivalents	13 935	17 579	—	31 514
Total assets	13 935	42 017	254	56 206
Liabilities				
Derivative liabilities	—	23 898	118	24 016
Total liabilities	—	23 898	118	24 016

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

Amounts in SEK million	Financial instruments at fair value through profit or loss			
	Derivative assets		Derivative liabilities	
	31 March 2017	31 Dec. 2016	31 March 2017	31 Dec. 2016
Balance brought forward	254	408	118	1 438
Revaluations recognised in operating profit (EBIT)	- 123	- 168	64	- 1 361
Translation differences	- 1	14	—	41
Balance carried forward	130	254	182	118
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	61	49	34	- 183

SENSITIVITY ANALYSIS FOR LEVEL 3 CONTRACTS

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

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

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

The level 3 contracts in this interim report are the same as in Vattenfall's 2016 Annual and Sustainability Report. For additional information please refer to Note 40 to the consolidated accounts, Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income, in Vattenfall's 2016 Annual and Sustainability Report. The accumulated net value of all level 3 contracts as per 31 March 2017 has been calculated at SEK -52 million (136). A change of +/-5% would affect the total value by approximately SEK +/-26 million (+/-37).

FINANCIAL INSTRUMENTS: EFFECTS ON INCOME BY CATEGORY

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

Amounts in SEK million	31 March 2017			31 Dec. 2016		
	Net gains/ losses ¹	Interest income	Interest expenses	Net gains/ losses ¹	Interest income	Interest expenses
Derivative assets and derivative liabilities	- 297	52	- 191	1 758	203	- 475
Available-for-sale financial assets	—	—	—	- 143	—	—
Loans and trade receivables	- 88	403	—	25	1 004	—
Financial liabilities measured at amortised cost	- 187	—	- 618	- 816	—	- 3 017
Total	- 572	455	- 809	824	1 207	- 3 492

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

NOTE 4 | Discontinued operations

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

operations”, and the Power Generation and Heat operating segments have been 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	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net Sales	—	4 310	13 459	9 149
Expenses	—	- 4 497	- 13 957	- 9 460
Net financial items	—	- 130	- 387	- 257
Realised gains related to fair value hedges	—	—	37	—
Translation differences related to hedging of net investments in foreign operations	—	—	- 477	- 477
Capital gain	—	—	278	278
Impairment loss recognised on the remeasurement to fair value less costs to sell	—	—	- 21 883	- 21 883
Profit before income taxes from discontinued operations	—	- 317	- 22 930	- 22 613
Income taxes	—	99	- 903	- 1 002
Profit for the period from discontinued operations attributable to owners of the Parent Company	—	- 218	- 23 833	- 23 615

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Operating profit (EBIT)	—	- 188	- 22 542	- 22 354
Items affecting comparability	—	24	22 538	22 514
Underlying operating profit	—	- 164	- 4	160

CASH FLOW FROM DISCONTINUED OPERATIONS

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Funds from operations (FFO)	—	512	1 291	779
Cash flow from operating activities	—	1 572	2 200	628
Cash flow from investing activities	—	- 387	- 950	- 563
Cash flow from financing activities	—	- 9	466	475

TOTAL EARNINGS EFFECT OF SALE OF LIGNITE OPERATIONS

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

The Parent Company Vattenfall AB

Accounting policies

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

Q1 2017

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

- Net sales amounted to SEK 8,537 million (9,267).
- Profit before appropriations and income taxes was SEK 2,013 million (4,452).
- Earnings were affected by a small capital gain from the sale of the heating plant Munksund.

- The balance sheet total was SEK 262,078 million (261,902).
- Investments during the period amounted to SEK 4,182 million (47), of which SEK 4,000 million is related to a shareholder contribution to Vattenfall Vindkraft AB.
- Cash and cash equivalents, and short-term investments amounted to SEK 30,435 million (35,682).

Risks and uncertainties

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

Other

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

Parent Company income statement

Amounts in SEK million	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Net sales	8 537	9 267	29 752	29 022
Cost of products sold	- 6 141	- 7 061	- 23 999	- 23 079
Gross profit	2 396	2 206	5 753	5 943
Selling expenses, administrative expenses and research and development costs	- 538	- 616	- 2 398	- 2 320
Other operating income and expenses, net	131	119	275	287
Operating profit (EBIT)	1 989	1 709	3 630	3 910
Result from participations in subsidiaries	—	14	- 11 545	- 11 559
Result from participations in associated companies	—	—	- 2	- 2
Result from other shares and participations	—	—	1	1
Other financial income	822	3 007	5 127	2 942
Other financial expenses	- 798	- 278	- 3 721	- 4 241
Profit before appropriations and income taxes	2 013	4 452	- 6 510	- 8 949
Appropriations	516	963	1 466	1 019
Profit before income taxes	2 529	5 415	- 5 044	- 7 930
Income taxes	- 562	- 1 192	- 1 480	- 850
Profit for the period	1 967	4 223	- 6 524	- 8 780

Parent Company balance sheet

Amounts in SEK million	31 March 2017	31 March 2016	31 Dec. 2016
Assets			
Non-current assets			
Intangible assets: non-current	212	170	174
Property, plant and equipment	3 912	4 050	4 151
Shares and participations	149 631	151 865	145 586
Deferred tax assets	266	244	329
Other non-current receivables	59 795	77 885	58 897
Total non-current assets	213 816	234 214	209 137
Current assets			
Inventories	252	282	255
Intangible assets: current	570	422	275
Current receivables	17 005	21 236	16 553
Short-term investments	17 771	18 109	18 733
Cash and cash equivalents	12 664	10 673	16 949
Total current assets	48 262	50 722	52 765
Total assets	262 078	284 936	261 902
Equity, provisions and liabilities			
Equity			
Restricted equity			
Share capital (131,700,000 shares with a share quota value of SEK 50)	6 585	6 585	6 585
Revaluation reserve	37 989	37 989	37 989
Other reserves	1 318	1 296	1 316
Non-restricted equity			
Retained earnings	43 617	50 163	50 142
Profit for the period	1 967	4 223	- 6 524
Total equity	91 476	100 256	89 508
Untaxed reserves	12 779	13 919	13 294
Provisions	5 294	4 868	5 308
Non-current liabilities			
Hybrid capital	19 073	18 652	19 101
Other interest-bearing liabilities	49 528	50 575	49 870
Other noninterest-bearing liabilities	12 811	10 937	13 099
Total non-current liabilities	81 412	80 164	82 070
Current liabilities			
Other interest-bearing liabilities	64 517	79 317	64 688
Current tax liabilities	731	897	520
Other noninterest-bearing liabilities	5 869	5 515	6 514
Total current liabilities	71 117	85 729	71 722
Total equity, provisions and liabilities	262 078	284 936	261 902

Definitions and calculations of key ratios

Alternative Performance Measures

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

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

	Definition
EBIT:	Operating profit (Earnings Before Interest and Tax)
EBITDA:	Operating profit before depreciation, amortisation and impairment losses (Earnings Before Interest, Tax, Depreciation and Amortisation)
Items affecting comparability:	Capital gains and capital losses from shares and other non-current assets, impairment losses and reversed impairment losses and other material 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	Q1 2017	Q1 2016	Full year 2016	Last 12 months
Operating profit (EBIT)	6 024	10 199	1 337	-2 838
Depreciation, amortisation and impairment losses	3 680	3 537	25 872	26 015
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	9 704	13 736	27 209	23 177
Items affecting comparability excl. impairment losses and reversed impairment losses	2 314	-1 903	8 935	13 152
Underlying operating profit before depreciation, amortisation and impairment losses	12 018	11 833	36 144	36 329
Operating profit (EBIT)	6 024	10 199	1 337	-2 838
Items affecting comparability	2 317	-1 899	20 360	24 576
Underlying operating profit	8 341	8 300	21 697	21 738

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

KEY RATIOS BASED ON CONTINUING OPERATIONS AND LAST 12-MONTH VALUES APRIL 2016 – MARCH 2017

Operating margin, %	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}}$	$\frac{-2\,838}{137\,653}$	=	-2.1
Operating margin excl items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}}$	$\frac{21\,738}{137\,653}$	=	15.8
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before income taxes}}{\text{Net sales}}$	$\frac{-8\,651}{137\,653}$	=	-6.3
Pre-tax profit margin excl items affecting comparability, %	= 100 x	$\frac{\text{Profit before income taxes excl items affecting comparability}}{\text{Net sales}}$	$\frac{16\,102}{137\,653}$	=	11.7
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl the Reserve for cash flow hedges}}$	$\frac{-29\,376}{71\,713}$	=	-41.0
Return on capital employed, %	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}}$	$\frac{-2\,838}{252\,783}$	=	-1.1
Return on capital employed excl items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}}$	$\frac{21\,738}{252\,783}$	=	8.6
EBIT interest cover, (x)	=	$\frac{\text{EBIT + financial income excl return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl discounting effects attributable to provisions}}$	$\frac{-2\,180}{4\,490}$	=	-0.5
EBIT interest cover excl Items affecting comparability, (x)	=	$\frac{\text{Underlying EBIT + financial income excl Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl discounting effects attributable to provisions}}$	$\frac{22\,396}{4\,490}$	=	5.0
FFO interest cover, (x)	=	$\frac{\text{FFO + financial expenses excl discounting effects attributable to provisions}}{\text{Financial expenses excl discounting effects attributable to provisions}}$	$\frac{31\,044}{4\,490}$	=	6.9
FFO interest cover, net, (x)	=	$\frac{\text{FFO + financial items net excl discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{30\,386}{3\,832}$	=	7.9

Cash flow interest cover after maintenance investments, (x)	=	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl Discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl discounting effects attributable to provisions and interest components related to pension costs}}$	=	6.8
FFO/gross debt, %	= 100 x	$\frac{\text{FFO}}{\text{Interest-bearing liabilities}}$	=	27.7
FFO/net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Net debt}}$	=	48.6
FFO/adjusted net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Adjusted net debt}}$	=	20.9
EBITDA/net financial items, (x)	=	$\frac{\text{EBITDA}}{\text{Financial items net excl discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	=	6.0
EBITDA excl items affecting comparability/net financial items, (x)	=	$\frac{\text{EBITDA excl items affecting comparability}}{\text{Financial items net excl discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	=	9.5

KEY RATIOS BASED ON THE BALANCE SHEET PER 31 MARCH 2017

Equity/total assets, %	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	=	21.7
Gross debt/equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	=	109.9
Net debt/equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	=	62.6
Gross debt/gross debt equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	=	52.4
Net debt/net debt plus equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	=	38.5
Net debt/EBITDA, (x)	=	$\frac{\text{Net debt}}{\text{EBITDA}}$	=	2.4
Adjusted net debt/EBITDA, (x)	=	$\frac{\text{Adjusted net debt}}{\text{EBITDA}}$	=	5.5

Interim report signature

Solna, 28 April 2017

Magnus Hall
President and CEO

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

Financial calendar

Interim report January-June, 21 July 2017

Interim report January-September, 27 October 2017

Year-end report 2017, 7 February 2018 (preliminary)

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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 28 April 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.