

Interim report January–June 2018

Business highlights, April–June 2018

- Higher electricity generation as a result of increased hydro power generation
- Construction started on one of Sweden's largest wind farms, Blakliden/Fäbodberget (353 MW)
- Planned early closure by 2024 of the Hemweg 8 coal-fired power plant in the Netherlands, for reduced CO₂ emissions
- Agreement with Facebook on supply of renewable electricity and power balancing
- Continued growth in e-vehicle charging solutions through new partnerships and expansion of the InCharge charging network
- Accelerated pace of investment in electricity grids where the need for renewal and expansion remains great

Financial highlights, January–June 2018

- Net sales increased by 10% (6% excluding currency effects) to SEK 76,286 million (69,418)
- Underlying operating profit¹ of SEK 13,129 million (13,234)
- Operating profit¹ of SEK 9,750 million (10,490)
- Profit for the period of SEK 7,125 million (5,926)

Financial highlights, April–June 2018

- Net sales increased by 9% (4% excluding currency effects) to SEK 31,959 million (29,306)
- Underlying operating profit¹ decreased to SEK 3,770 million (4,826)
- Operating profit¹ of SEK 2,775 million (4,399)
- Profit for the period of SEK 2,967 million (2,097)

KEY DATA

Amounts in SEK million unless indicated otherwise	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	76 286	69 418	31 959	29 306	135 114	141 982
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	17 826	18 501	6 888	8 718	34 399	33 724
Operating profit (EBIT) ¹	9 750	10 490	2 775	4 399	18 524	17 784
Underlying operating profit ¹	13 129	13 234	3 770	4 826	23 203	23 098
Profit for the period	7 125	5 926	2 967	2 097	9 484	10 683
Electricity generation, TWh	66.6	64.9	29.4	28.3	127.3	129.0
Sales of electricity, TWh ²	86.0	79.8	36.2	34.6	157.3	163.5
- of which, customer sales	60.6	56.5	28.5	25.4	109.3	113
Sales of heat, TWh	10.6	10.8	2.4	3.2	18.8	18.6
Sales of gas, TWh	33.9	32.0	8.0	8.9	56.4	58.3
Return on capital employed, % ¹	7.1 ³	4.2 ³	7.1 ³	4.2 ³	7.7	7.1
FFO/adjusted net debt, % ¹	19.4 ³	22.3 ³	19.4 ³	22.3 ³	21.4	19.4

1) See Definitions and calculations of key ratios on page 38 for definitions of Alternative Performance Measures.

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

3) Last 12-month values.

CEO's comments

Increased electricity generation contributes to stable earnings for Vattenfall during the first half of 2018.



Vattenfall delivered a stable result for the first half of 2018. Profit for the period during the first half of the year was SEK 7.1 billion, which is an increase of SEK 1.2 billion. The increase was SEK 0.9 billion for the second quarter and profit for the period was SEK 3 billion. A lowering of Sweden's corporate tax rate and a one-time effect related to the valuation of our holding in the Swedish Nuclear Waste Fund were contributing factors.

The underlying operating profit was SEK 13.1 billion, which is level with the corresponding period a year ago. Strained market conditions in the Heat operations were compensated by higher earnings in other operating segments, especially during the first quarter. This development led to a weaker second quarter, where the underlying operating profit decreased by SEK 1 billion to SEK 3.8 billion.

Higher prices for coal, gas and CO₂ emission allowances continue to push electricity prices up on the Continent, but are having a negative effect on margins for coal- and gas-fired power generation. The reduction in underlying profit for the first half of the year by SEK 1.7 billion to SEK 1 billion for Heat is due in large part to this trend as well as to certain one-time effects related to subsidies in 2017. In line with our strategy we are continuing our adaptation of the portfolio with the phase-out of fossil fuels. In the Netherlands, where coal-fired power will be banned in 2030, we are planning for the closure of the Hemweg 8 coal-fired power plant by the end of 2024 at the latest. This is ten years earlier than the plant's technical life span. We are also studying the opportunity to use hydrogen instead of natural gas at the gas-fired Magnum and Hemweg 9 power plants in the Netherlands.

Extremely dry and warm early summer weather has resulted in considerably lower expected water flows than normal. This, together with the price trend on the Continent, has contributed to higher electricity prices also in the Nordic countries. However, at present Vattenfall's Swedish hydro power has satisfactory reservoir levels and increased its production by nearly 3 TWh compared with the preceding year. Higher prices benefited both hydro and nuclear power during the first half of the year. The underlying profit from the Power Generation operating segment increased by SEK 0.9 billion to SEK 6.5 billion.

Fossil free electricity generation continues to grow in importance for Vattenfall's total earnings performance, and in the Wind operating segment the underlying profit increased by SEK 0.6 billion to SEK 1.6 billion as a result of improved prices. In addition, we now have begun construction of the Blakliden/Fäbodberget (353 MW) offshore wind farm in Åsele and Lycksele municipalities in northern Sweden, where we have also brought Vestas and the Danish pension fund PKA onboard as partners. Approximately 60% of the production will be sold to Norsk

Hydro. This will be our largest onshore wind farm to date and represents a very important step forward for the expansion of wind power in Sweden. Added to this, we have signed a long-term Power Purchase Agreement for the supply of renewable electricity to Novo Nordisk and Novozymes. This will be supplied by our Kriegers Flak offshore wind farm in Denmark, which is currently in the development phase.

The Customers & Solutions operating segment significantly increased its net sales during the first half of 2018. This is mainly attributable to higher wholesale prices, higher sales in France and Germany, and to our expansion in the UK. The underlying profit increased by SEK 0.1 billion to SEK 1.2 billion. Two important customer agreements were secured during the second quarter. We will supply renewable electricity and provide market access to two of Facebook's data centres in the Nordic countries. In addition, we entered into a partnership with Volvo Cars in Sweden on e-vehicle charging solutions.

The underlying profit for the Distribution operating segment increased by SEK 0.1 billion to SEK 3.4 billion. We are proceeding with an extensive modernisation of the electricity grid, entailing an investment of approximately SEK 20 billion over the next five years. We are doing this at the same time that the number of queries for new connections for homes, electricity-intensive industry and renewable energy production is rising.

We believe that electrification gives us a vital opportunity to become fossil-free within one generation. Regulations and climate goals for continued growth of renewable electricity generation are developing in the right direction. However, the networks are what interweave the vision of a fossil-free future with a climate-smart life. It is furthermore an infrastructure which, just as our roads, railroads and bridges, is completely central for connecting people and companies in society. The new regulation model for distribution companies in Sweden will be completely decisive as to whether continued investments can uphold this vital role. Needed efforts require large investments over a long period of time. It is thereby also important that the regulation is reliable and provides a reasonable return in the longer perspective. Moreover, the permitting process for building distribution lines must be simplified and accelerated to support development.

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

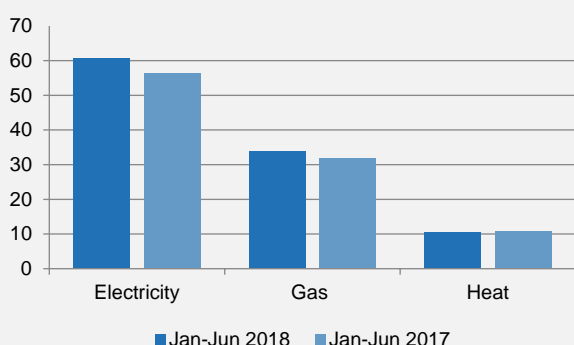
Magnus Hall
President and CEO

Group overview

Sales development

Sales of electricity, excluding sales to Nord Pool Spot and deliveries to minority shareholders, increased by 4.1 TWh to 60.6 TWh (56.5), mainly owing to higher sales to business customers in France and Germany. Sales of gas increased by 1.9 TWh to 33.9 TWh (32.0) as a result of colder weather during the first quarter of 2018. Sales of heat decreased by 0.2 TWh to 10.6 TWh (10.8), mainly owing to warmer weather during the second quarter of 2018.

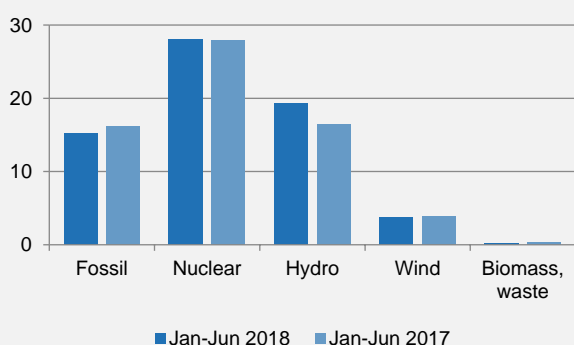
CUSTOMER SALES DEVELOPMENT (TWh)



Generation development

Total electricity generation increased by 1.7 TWh to 66.6 TWh (64.9) during the first half of 2018. Higher hydro power generation (+2.8 TWh) was offset by lower power fossil-based power generation (-1.0 TWh) in the Heat Business Area.

ELECTRICITY GENERATION (TWh)



Price development

Average Nordic spot prices were 42% higher, at EUR 38.9/MWh (27.5), during the second quarter of 2018 compared with the corresponding period in 2017, mainly owing to higher fuel prices and prices for CO₂ emission allowances and a lower hydrological balance. Prices in Germany increased by 21% to EUR 35.9/MWh (29.8), and prices in the Netherlands increased by 33% to EUR 46.1/MWh (34.6). Spot prices in Germany and the

Netherlands were affected mainly by higher fuel prices and prices for CO₂ emission allowances. Electricity futures prices for delivery in 2019 and 2020 were 37%–55% higher compared with the second quarter of 2017, mainly owing to higher fuel prices and prices for CO₂ emission allowances and a lower hydrological balance.

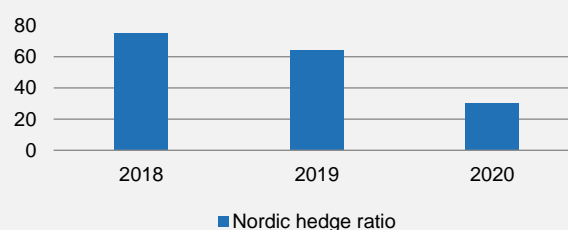
Compared with the second quarter of 2017, the average spot price for gas was 35% higher, at EUR 21.1/MWh (15.6). Spot prices for coal were 17% higher, at USD 89.9 USD/t (76.7). The futures price for gas was 19% higher, at EUR 19.5/MWh (16.4), and the futures price for coal was 28% higher, at USD 85.5/t (66.8). Prices of CO₂ emission allowances were 201% higher, at EUR 14.5/t (4.8). The higher prices for CO₂ emission allowances are mainly attributable to greater clarity surrounding the Market Stability Reserve (MSR), which will be implemented in 2019 to manage the surplus of CO₂ emission allowances.

Hedging

AVERAGE INDICATIVE NORDIC HEDGE PRICES (SE, DK, NO, FI)¹ AS PER 30 JUNE 2018

EUR/MWh	2018	2019	2020
	27	27	30

VATTENFALL'S ESTIMATED NORDIC HEDGE RATIO (%) AS PER 30 JUNE 2018



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

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

Market-quoted	2019	2020	2021	Observed yearly volatility ³
Electricity	+/- 1,513	+/- 1,397	+/- 1,449	15%-19%
Coal	-/+ 360	-/+ 303	-/+ 268	20%-28%
Gas	-/+ 768	-/+ 713	-/+ 652	14%-16%
CO ₂	-/+ 278	-/+ 318	-/+ 347	35%-47%

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

Net sales

Comment January–June: Consolidated net sales increased by SEK 6.9 billion (of which, positive currency effects of SEK 3.0 billion). The increase is mainly attributable to higher sold volumes in the Netherlands, Germany, France and the UK, partly owing to colder weather and a larger customer base in Germany. Added to this were positive price effects in the Nordic countries and increased hydro power generation.

Comment April–June: Consolidated net sales increased by SEK 2.7 billion (of which, positive currency effects of SEK 1.6 billion), mainly attributable to higher sold volumes in the Netherlands, France and the UK, and to a larger customer base in Germany, positive price effects in the Nordic countries and increased hydro power generation.

Earnings

Comment January–June: The underlying operating profit decreased by SEK -0.1 billion, which is explained by:

- Lower earnings contribution from the Heat operating segment (SEK -1.7 billion), mainly owing to lower production margins, with higher costs for gas and CO₂ emission allowances. One-off items of approximately SEK 800 million, partly related to lower subsidies for gas-fired combined heat and power plants in Germany, also had a negative effect on earnings.
- Higher earnings contribution from the Power Generation operating segment (SEK 0.9 billion), mainly owing to lower taxes, increased hydro power generation and higher prices achieved in the Nordic countries.
- Other items, net (SEK 0.7 billion).

Items affecting comparability amounted to SEK -3.4 billion (-2.7), of which unrealised changes in fair value of energy derivatives (SEK -2.5 billion) pertain mainly to temporary effects. Profit for the period amounted to SEK 7.1 billion (5.9) and was positively affected by a lower income tax expense in Sweden and by an increase in net financial items resulting from a revaluation of shares in the Swedish Nuclear Waste Fund at fair value.

Comment April–June: The underlying operating profit decreased by SEK -1.1 billion mainly owing to a negative contribution from the Heat operating segment (SEK -1.0 billion), which was partly offset by a positive contribution from

the Wind operating segment (SEK 0.4 billion). Profit for the period amounted to SEK 3.0 billion (2.1) and was affected by a lower income tax expense in Sweden and an increase in net financial items resulting from a revaluation of shares in the Swedish Nuclear Waste Fund at fair value.

On 14 June Swedish parliament adopted new tax rules, including a reduction in two steps of the corporate tax rate from 22.0% today to 21.4% effective 1 January 2019 and to 20.6% effective 1 January 2021. As a result of this change, deferred tax has been remeasured, with an earnings effect of SEK 246 million.

Cash flow

Comment January–June: Funds from operations (FFO) decreased by SEK 2.4 billion, mainly owing to higher paid tax in 2018 and a lower operating profit before depreciation, amortisation and impairment losses (EBITDA). Cash flow from changes in working capital amounted to SEK 3.7 billion, which is mainly explained by net changes in margin calls (SEK 2.4 billion) and a net change in operating receivables and operating liabilities related to investments in wind power (SEK 1.1 billion).

Comment April–June: Funds from operations (FFO) decreased by SEK 2.8 billion, mainly owing to a lower operating profit before depreciation, amortisation and impairment losses (EBITDA). Cash flow from changes in working capital amounted to SEK 11.2 billion, which is mainly explained by net changes in margin calls (SEK 6.2 billion) and a net change in operating receivables and operating liabilities related to seasonal effects in the Customers & Solutions and Heat operating segments (SEK 4.5 billion).

Important events after the balance sheet date

- Vattenfall has entered into a long-term agreement with Novo Nordisk and Novozymes on the supply of renewable energy from the Kriegers Flak wind farm in Denmark. The agreement covers roughly a fifth of the wind farm's total anticipated generation. Kriegers Flak is expected to be fully operational at the end of 2021, with a capacity of 605 MW.

KEY FIGURES – GROUP OVERVIEW

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	76 286	69 418	31 959	29 306	135 114	141 982
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	17 826	18 501	6 888	8 718	34 399	33 724
Operating profit (EBIT) ¹	9 750	10 490	2 775	4 399	18 524	17 784
Underlying operating profit ¹	13 129	13 234	3 770	4 826	23 203	23 098
Items affecting comparability ¹	- 3 379	- 2 744	- 995	- 427	- 4 679	- 5 314
Profit for the period	7 125	5 926	2 967	2 097	9 484	10 683
Funds from operations (FFO)	12 764	15 115	4 006	6 807	26 643	24 292
Cash flow from changes in operating assets and operating liabilities (working capital)	3 709	- 9 488	11 209	- 19	- 915	12 282
Cash flow from operating activities	16 473	5 627	15 215	6 788	25 728	36 574

1) See Definitions and calculations of key ratios on page 38 for definitions of Alternative Performance Measures.

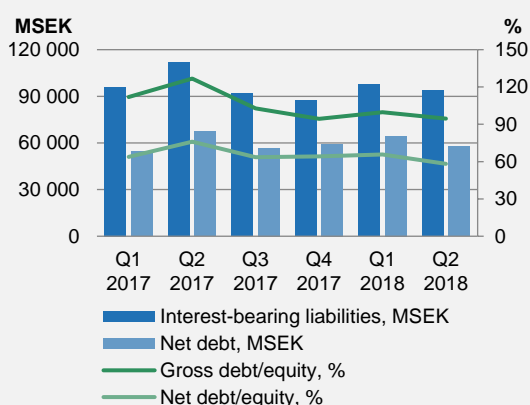
Capital structure

Cash and cash equivalents, and short-term investments increased by SEK 8.6 billion compared with the level at 31 December 2017. Committed credit facilities consist of a EUR 2.0 billion Revolving Credit Facility that expires on 10 December 2021. As per 30 June 2018 available liquid assets and/or committed credit facilities amounted to 35% of net sales. Vattenfall's target is to maintain a level of no less than 10% of net sales, but at least the equivalent of the next 90 days' maturities.

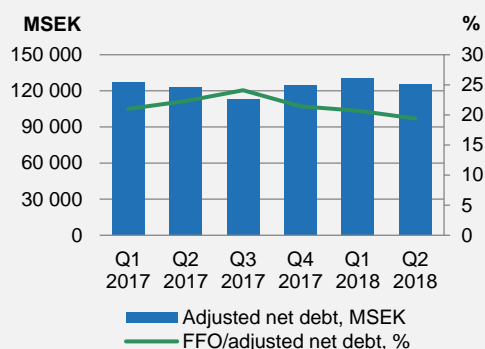
Total interest-bearing liabilities increased by SEK 6.7 billion compared with the level at 31 December 2017. The increase is mainly explained by the issuance of short-term debt (SEK 7.9 billion) and a weaker Swedish krona (SEK 4.7 billion). Repayment of a bond had an offsetting effect of SEK 5.2 billion.

Net debt decreased by SEK 1.5 billion compared with the level at 31 December 2017, mainly owing to a positive cash flow after investments. Negative currency effects and payment of dividends had an offsetting effect. Adjusted net debt increased by SEK 0.8 billion compared with the level at 31 December 2017. The positive effect of the reduction in net debt (SEK 1.5 billion) was countered by higher pension provisions (SEK 1.7 billion) as a result of negative currency effects.

NET DEBT



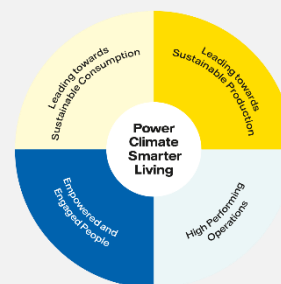
ADJUSTED NET DEBT



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 and build a sizeable position in decentralised energy) and
- 2. Leading towards Sustainable Production** (grow in renewables and implement our CO₂ roadmap).
To achieve this, we must have
- 3. High Performing Operations** (reduce costs and improve operational efficiency) and
- 4. Empowered and Engaged People** (develop culture, competence and our brand).



Strategic objectives	Targets for 2020	Q2 2018	Full Year 2017
Leading towards Sustainable Consumption	1. Customer engagement, Net Promoter Score relative to peers ¹ (NPS relative): +2	+4	+2
Leading towards Sustainable Production	2. Aggregated commissioned new renewables capacity 2016-2020: ≥2,300 MW	652 MW	652 MW
	3. Absolute CO ₂ emissions pro rata: ≤21 Mt	11.1 Mt	22.6 Mt
High Performing Operations	4. Return On Capital Employed (ROCE), last 12 months: ≥8%	7.1%	7.7%
Empowered and Engaged People	5. Lost Time Injury Frequency (LTIF): ≤1.25	1.5	1.5
	6. Employee Engagement Index ² : ≥70%	-	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) Documentation for measurement of target achievement is derived from the results of an employee survey, which is conducted on an annual basis.

Operating segments



Customers & Solutions



Power Generation
– Generation



Power Generation
– Markets



Wind



Heat



Distribution

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
<u>Underlying operating profit</u>						
Customers & Solutions	1 213	1 137	204	330	1 866	1 942
Power Generation	6 487	5 632	2 670	3 016	10 820	11 675
- of which, trading	203	894	- 88	106	1 138 ¹	447
Wind	1 638	1 051	597	193	2 137	2 724
Heat	1 025	2 717	- 532	484	3 371	1 679
Distribution	3 434	3 341	1 149	1 198	6 075	6 168
- of which, Distribution Germany	452	564	128	183	962	850
- of which, Distribution Sweden	2 968	2 777	1 011	1 015	5 120	5 311
Other²	- 554	- 509	- 273	- 378	- 1 007	- 1 052
Eliminations	- 114	- 135	- 45	- 17	- 59	- 38
Underlying operating profit	13 129	13 234	3 770	4 826	23 203	23 098

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

2) "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.

Renewable electricity for business customers and continued growth in e-mobility

- Supply agreement with two Facebook data centres
- Agreement on largest commercial solar installation to date in the Netherlands with real estate company Merin
- Continued growth in charging solutions for electric vehicles with Volvo and Tanka partnerships and expansion of InCharge into the UK



Net sales increased as a result of higher sales in most of Vattenfall's markets. In France, sales increased in the B2B segment, and the expansion of sales to smaller companies progressed well. In the UK, sales increased as a result of the acquisition of iSupplyEnergy in 2017. In the Netherlands, sales increased as a result of positive price and volume effects. Positive price effects in the Nordic B2B segment, an increased customer base in Germany that now amounts to 3.6 million contracts, and positive currency effects also contributed to the increase in net sales.

The underlying operating profit increased during the first half of 2018. Positive sales and margin developments were partly offset by higher operating expenses and expansion in the UK. The underlying operating profit decreased during the second quarter of 2018 mainly due to lower volumes related to warmer weather.

Vattenfall has entered into a supply agreement with Facebook for supply of renewable electricity to two of Facebook's data centres in the Nordic countries. The supply agreement for the data centre in Luleå, Sweden has been extended and a new supply agreement for the data centre in Odense, Denmark has been reached. The supply agreements are a joint deal where

the Markets Business Area will also provide market access and balancing services.

In the Netherlands, Vattenfall will deliver solar panels with a total capacity of 9 MW (equivalent to the electricity consumption of 2,600 households) to the real estate company Merin. The solar panels will be installed on most of Merin's buildings throughout the Netherlands. This represents the largest commercial solar panel installation undertaken by Vattenfall in the Netherlands.

Together with Volvo Cars in Sweden, Vattenfall has entered into a new partnership on charging infrastructure. The customers of Volvo that purchase an electric hybrid car now have the option to choose the "InCharge Smart Hemma" charging solution. In addition, Vattenfall has begun a cooperation with Tanka i Sverige AB entailing the installation of 300 charging stations over a three-year period adjacent to Tanka's gasoline stations at Volvo and Renault dealers throughout Sweden. Vattenfall has also introduced the InCharge charging network in the UK.

In Sweden Vattenfall offers the app "OneTonneFuture" for promoting a climate-smarter life. The app allows consumers to measure their carbon footprint and provides suggestions for how to reduce their climate impact. OneTonneFuture is available on the App Store and Google Play.

KEY FIGURES – CUSTOMERS & SOLUTIONS

Amounts in SEK million unless indicated otherwise	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	41 644	35 228	17 214	14 462	68 953	75 369
External net sales	40 549	34 468	16 686	14 124	67 402	73 483
Underlying operating profit before depreciation, amortisation and impairment losses	1 869	1 686	539	610	3 006	3 189
Underlying operating profit	1 213	1 137	204	330	1 866	1 942
Sales of electricity, TWh	45.3	43.6	20.8	19.1	84.0	85.7
- of which, private customers	14.7	14.0	5.7	5.8	27.1	27.8
- of which, resellers	2.5	2.5	1.0	1.0	5.1	5.1
- of which, business customers	28.1	27.1	14.1	12.3	51.8	52.8
Sales of gas, TWh	33.0	31.4	7.7	8.7	55.3	56.9
Number of employees, full-time equivalents	3 054	2 899	3 054	2 899	3 067	

Power Generation

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

Generation: High and stable nuclear and hydro power generation

- Stable electricity generation and good availability
- Low inflows of water expected due to unusually warm and dry weather conditions

Markets: Continued growth in services for supply of renewable energy

- Balancing services agreement with Facebook
- Business customers offered purchase of renewable electricity from the South Kyle onshore wind farm in the UK

Net sales and the underlying operating profit increased during the first half year of 2018 mainly because of higher Nordic hydro power generation and higher prices achieved in the Nordic countries combined with a positive effect from the abolished nuclear capacity tax by SEK 1.4 billion. A lower realised earnings contribution from the trading operations and hedging activities had an offsetting impact. Currency effects contributed positively to net sales. The underlying operating profit decreased during the second quarter of 2018 due to negative hedging effects.

Hydro power generation increased by 2.8 TWh during the first half of 2018 as a result of an early spring flood in combination with a high reservoir level in the beginning of the year. Nordic reservoir levels were at 60% (58%) of capacity at the end of the second quarter, which is 1 percentage point below the normal level. However, extremely dry and warm weather conditions have contributed to considerably lower than normal expected inflows of water. Nuclear power generation was stable at a similar level compared to 2017, and combined availability for Vattenfall's nuclear power plants during the first half of 2018 was 90.4% (90.6%). Safety review work at nuclear power plants has continued according to plan.



Digitalisation work is proceeding at a fast pace, among other things within the framework of the company Kärnkraftssäkerhet och Utbildning AB (KSU), which conducts training for operations and maintenance employees at Sweden's nuclear power plants. For example, KSU is currently working with virtual classrooms, nuclear power simulators and increasingly more digitalised instruction methods.

Vattenfall has entered into an agreement with Facebook to provide market access and power balancing of electricity generation from three new Norwegian wind farms. Facebook has undertaken to buy 100% of the output of the wind farms from the owner Luxcara, and Vattenfall will be responsible for balancing of production and consumption. The wind farms will be ready in mid-2019 and will have a combined capacity of 294 MW. The contract is in combination with the supply agreements in the Customers & Solutions operating segment.

Through a tendering process Vattenfall is offering business customers in the UK the opportunity to purchase electricity from the South Kyle onshore wind farm in Scotland. The wind farm will have a capacity of approximately 200 MW and is planned to be commissioned in 2022. Customers can purchase power purchase agreements for as low as 1 MW, making renewable energy accessible to a larger group of business customers.

KEY FIGURES – POWER GENERATION

Amounts in SEK million unless indicated otherwise	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	45 551	40 397	18 664	16 190	79 566	84 720
External net sales	14 036	14 733	6 128	6 545	28 797	28 100
Underlying operating profit before depreciation, amortisation and impairment losses	8 168	7 142	3 518	3 773	13 936	14 962
Underlying operating profit	6 487	5 632	2 670	3 016	10 820	11 675
- of which, trading	203	894	- 88	106	1 138 ¹	447
Electricity generation, TWh	47.4	44.5	21.2	19.8	87.5	90.4
- of which, hydro power	19.3	16.5	8.5	7.2	35.6	38.4
- of which, nuclear power	28.1	28.0	12.7	12.6	51.9	52.0
Sales of electricity, TWh	14.2	11.9 ¹	6.9	5.6 ¹	23.7	26.0
- of which, resellers	12.8	10.3	6.2	4.8	20.5	23.0
- of which, business customers	1.4	1.6 ¹	0.7	0.8 ¹	3.2	3.0
Sales of gas, TWh	0.9	0.6	0.3	0.2	1.1	1.4
Number of employees, full-time equivalents	7 328	7 396	7 328	7 396	7 413	

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

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 earnings development despite unfavourable wind conditions

- Vattenfall started construction of one of Sweden's largest onshore wind farms, Blakliden/Fäbodberget
- Final turbine installed at the European Offshore Wind Deployment Centre in Aberdeen, Scotland
- Installation of a 22 MW battery at Pen y Cymoedd onshore wind farm in the UK (see picture at right)



Net sales and the underlying operating profit increased as a result of new capacity and positive price and currency effects. Electricity generation decreased as a consequence of lower wind speeds across all markets and curtailments.

In May, construction started on the Blakliden/Fäbodberget wind farm in Åsele and Lycksele municipalities in northern Sweden. The wind farm will comprise 84 turbines with a total capacity of 353 MW. Once commissioned in 2021/2022 it will be one of Sweden's largest onshore wind farms. Approximately 60% of production will be sold under a 20-year power purchase agreement (PPA) with Norsk Hydro. Vattenfall (30%) has entered into a partnership together with the Danish turbine manufacturer Vestas and the Danish pension fund PKA (together 70%) for ownership of the wind farm.

The last of a total of eleven turbines has been installed at Vattenfall's European Offshore Wind Deployment Centre (93 MW) in Aberdeen, Scotland. The first electricity generation

began in early July. The wind turbines have the largest turbine capacity in commercial operation in the world (8.8 MW and 8.4 MW) and use a new type of jacket foundation, so-called suction buckets.

Vattenfall's 22 MW battery installation became operational at the Pen y Cymoedd onshore wind farm in the UK in May. This is the largest co-located battery installation at a wind farm in the UK. The battery will help the UK National Grid to enhance frequency response services, which will contribute to a stable and reliable network for British consumers.

Vattenfall will also build solar panel installations at existing plants in Velsen, Eemshaven and Hemweg in the Netherlands. The solar panels will have total capacity of 10.2 MW and are expected to begin operating during the fourth quarter of 2018.

KEY FIGURES – WIND

Amounts in SEK million unless indicated otherwise	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	5 569	4 593	2 605	2 051	9 438	10 414
External net sales	3 882	3 234	1 868	1 514	6 669	7 317
Underlying operating profit before depreciation, amortisation and impairment losses	3 883	3 184	1 738	1 351	6 397	7 096
Underlying operating profit	1 638	1 051	597	193	2 137	2 724
Electricity generation - wind power TWh	3.8	3.9	1.6	1.7	7.6	7.5
Sales of electricity, TWh	0.6	0.5	0.3	0.2	1.0	1.1
Number of employees, full-time equivalents	839	737	839	737	773	

Heat

The Heat Business Area comprises Vattenfall's heat operations including sales, decentralised solutions and gas- and coal-fired condensing.

Higher costs for fuel and emission rights put pressure on earnings

- Planned early closure of Hemweg 8 coal-fired power plant in the Netherlands
- Energy collaboration under the "Samenergi" concept with Lindvalls Kaffe in Uppsala
- Agreement with the City of Berlin on supply of heat to municipal buildings

Net sales increased due to higher prices for electricity and heat as well as positive currency effects. The underlying operating profit decreased mainly due to deteriorated spreads with higher costs for gas and CO₂ emission allowances, which resulted in lower electricity generation. One-off items of about SEK 800 million, partly related to lower subsidies for gas-fired CHP plants in Germany, also had a negative earnings impact. Sales of heat decreased as a result of warmer weather during the second quarter.

The Dutch government has introduced a law that prohibits the use of coal as a fuel for electricity generation. As a result of this, Vattenfall's Hemweg 8 coal-fired power plant will be closed at the latest in the end of 2024, which is ten years earlier than the plant's technical life span. At the Magnum gas-fired power plant in Eemshaven, Vattenfall is investigating the use of hydrogen instead of natural gas for electricity generation. In the long run, this could also be used for the Hemweg 9 gas-fired power plant.

Uppsala-based Lindvalls Kaffe has entered into an energy collaboration with Vattenfall under the "Samenergi" concept launched by Vattenfall in Sweden in 2017, entailing the use of surplus heat from local suppliers connected to Vattenfall's district heating network. The surplus heat generated by Lindvalls Kaffe at its coffee roasting facility in Uppsala, which otherwise would be wasted, is recycled and delivered to Vattenfall for sustainable use in the district heating network. With the annual surplus energy generated by Lindvalls Kaffe estimated to be 500



MWh, this represents a decrease in carbon emissions by approximately 100 tonnes per year.

Vattenfall has signed a ten-year agreement with the City of Berlin for supply of heat to municipal buildings. An important component of the contract is the additional reduction of CO₂ emissions. The contract is an important step towards the CO₂ free administration of the Berlin municipality by 2030. The City of Berlin is the largest district heating customer of Vattenfall in Berlin.

Investment projects in new heat and electricity capacity are currently ongoing. Three power-to-heat boilers for what will be Germany's largest power-to-heat plant have now been delivered and installed in Berlin's Spandau district. The plant will have a heat capacity of 120 MW and will supply environmentally-friendly district heating to 30,000 households in Berlin, starting in 2019. The start of the Lichterfelde combined heat and power (CHP) plant in Berlin has been delayed by about three months due to a defect in the gas turbine. The plant is now expected to begin operating in February 2019. Security of supply for customers in Berlin will be ensured through full availability of the old CHP plant and the new boilers.

KEY FIGURES – HEAT

Amounts in SEK million unless indicated otherwise	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	16 124	16 064	6 470	6 026	30 724	30 784
External net sales	8 525	8 072	3 155	3 036	14 882	15 335
Underlying operating profit before depreciation, amortisation and impairment losses	2 820	4 501	404	1 386	6 951	5 270
Underlying operating profit	1 025	2 717	- 532	484	3 371	1 679
Electricity generation - TWh	15.4	16.5	6.6	6.8	32.2	31.1
- of which, fossil-based power	15.2	16.2	6.4	6.7	31.8	30.8
- of which, biomass, waste	0.2	0.3	0.2	0.1	0.4	0.3
Sales of electricity business customers, TWh	0.5	0.5 ¹	0.5	0.5 ¹	0.6 ¹	0.6
Sales of heat, TWh	10.6	10.8	2.4	3.2	18.8	18.6
Number of employees, full-time equivalents	3 808	3 716	3 808	3 716	3 771	

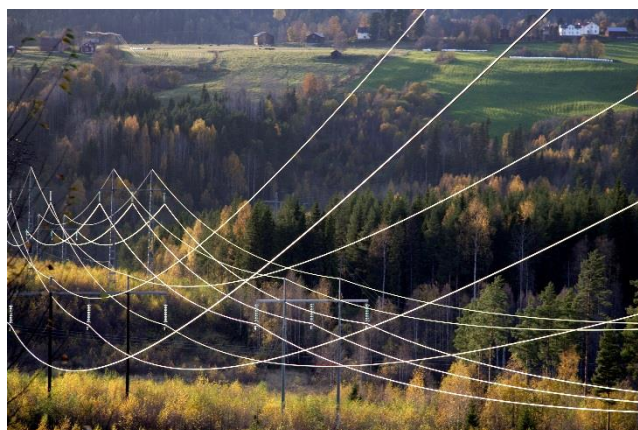
1) Values have been adjusted compared with information previously published in Vattenfall's financial reports.

Distribution

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

Stable financial development and continued increase in investments to modernise the grid and enable more electrification

- Vattenfall's investment report for 2018 highlights a continued large need for investments in the electricity grid
- Development of smart grids. Large-scale test in Norrland, Sweden aimed at locating outages more quickly.



Net sales increased in Sweden, mainly owing to higher regulated network tariffs and higher volumes as a result of cold weather in early 2018. In Germany, net sales decreased slightly compared with the first half of 2017 due to lower prices following lower costs from the transmission system operator (TSO), which was partly offset by positive currency effects. The underlying operating profit increased slightly during the first half of 2018, mainly due to positive price and volume effects in Sweden, which were partly offset by higher operating expenses. The underlying operating profit for the second quarter of 2018 decreased slightly as a result of higher operating expenses. Earnings in Germany decreased also due to higher depreciation and a lower gross margin.

Vattenfall is seeing an increase in the number of queries for new connections for homes, electricity-intensive industries and renewable energy generation. To be able to manage these queries and use the full potential of electrification, the permitting process for building power transmission lines needs to be simplified.

Vattenfall is proceeding with planned investments to reduce outages and reinforce the electricity grid to be able to accept more renewable electricity generation and locally generated electricity, and meet the rapidly growing need for electricity and capacity in major metropolitan areas. Vattenfall's recently published investment report for 2018 points to a continued great need for investments in the electricity grid. The work begun in 2014 and that is expected to continue until 2019 on increasing security of supply in northern Sweden is continuing. Transmission corridors are being shortened, and the grid is being rebuilt to provide more opportunities for change-over

switching, which will reduce the risk for extended outages. The investment programme is worth approximately SEK 2.7 billion.

A large number of weatherproofing projects are currently in progress in Götaland and Svealand, Sweden. In the rapidly growing municipalities surrounding Stockholm, investments are continuing in improved quality of supply as well as in expansion of the grid to increase capacity in pace with the growing communities.

Vattenfall is also continuing its work on developing the electricity grid with new, smart technology in order to be able to provide faster customer service. A large-scale test is being conducted in northern Norrland, Sweden on locating electricity outages faster for 65,000 customers. The goal is to be able to monitor electricity distribution to all customers via the new system by 2020.

The last of four refurbishment phases at the new switchgear station (110kV) in Malchow, Germany was begun in June. The finishing work will continue until the end of next year, for a total investment sum of SEK 300 million.

Vattenfall Networks Ltd has received final approval of a licence to operate as an Independent Distribution Network Operator (IDNO) in the UK. This was achieved after demonstrating that the company has the necessary competence and capacity to operate electricity networks and that the company meets the requirements laid out in the Grid Code for distribution operations.

KEY FIGURES – DISTRIBUTION

Amounts in SEK million unless indicated otherwise	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	11 421	10 997	5 146	5 039	21 430	21 854
External net sales	9 182	8 637	4 066	3 955	16 840	17 385
Underlying operating profit before depreciation, amortisation and impairment losses	4 915	4 760	1 894	1 909	8 963	9 118
Underlying operating profit	3 434	3 341	1 149	1 198	6 075	6 168
Number of employees, full-time equivalents	2 193	2 089	2 193	2 089	2 126	

Other

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

Net sales consist primarily of revenues attributable to Vattenfall's service organisations such as Shared Services, IT and Vattenfall Insurance.

KEY FIGURES – OTHER

Amounts in SEK million unless indicated otherwise	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Net sales	2 505	2 412	1 271	1 236	4 951	5 044
External net sales	112	274	56	132	524	362
Underlying operating profit before depreciation, amortisation and impairment losses	- 336	- 285	- 165	- 258	- 550	- 601
Underlying operating profit	- 554	- 509	- 273	- 378	- 1 007	- 1 052
Number of employees, full-time equivalents	2 737	2 969	2 737	2 969	2 891	

Consolidated income statement

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017 ⁶	Apr-Jun 2018	Apr-Jun 2017 ⁶	Full year 2017 ⁶	Last 12 months
Net sales	76 286	69 418	31 959	29 306	135 114	141 982
Cost of purchases	- 40 766	- 34 603	- 15 634	- 11 748	- 65 206	- 71 369
Other external expenses	- 8 752	- 8 158	- 5 162	- 4 868	- 19 466	- 20 060
Personnel expenses	- 9 885	- 9 287	- 4 985	- 4 648	- 18 063	- 18 661
Other operating incomes and expenses, net	602	881	658	687	1 655	1 376
Participations in the results of associated companies	341	250	52	- 11	365	456
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	17 826	18 501	6 888	8 718	34 399	33 724
Depreciation, amortisation and impairments	- 8 076	- 8 011	- 4 113	- 4 319	- 15 875	- 15 940
Operating profit (EBIT)¹	9 750	10 490	2 775	4 399	18 524	17 784
Financial income ^{2,5}	2 578	1 239	2 372	630	2 670	4 009
Financial expenses ^{3,4,5}	- 3 549	- 3 359	- 1 647	- 1 746	- 8 425	- 8 615
Profit before income taxes	8 779	8 370	3 500	3 283	12 769	13 178
Income taxes expense	- 1 654	- 2 444	- 533	- 1 186	- 3 285	- 2 495
Profit for the period	7 125	5 926	2 967	2 097	9 484	10 683
Attributable to owner of the Parent Company	6 068	5 120	2 377	1 853	8 333	9 281
Attributable to non-controlling interests	1 057	806	590	244	1 151	1 402
Supplementary information						
Underlying operating profit before depreciation, amortisation and impairment losses	21 205	20 853	7 883	8 754	38 644	38 996
Underlying operating profit	13 129	13 234	3 770	4 826	23 203	23 098
Financial items, net excl. Discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 2 244	- 1 882	- 939	- 1 096	- 4 538	- 4 900
1) Including items affecting comparability	- 3 379	- 2 744	- 995	- 427	- 4 679	- 5 314
- of which, capital gains	638	586	620	415	728	780
- of which, capital losses	- 70	3	- 2	5	- 89	- 162
- of which, impairment losses	—	- 392	—	- 391	- 438	- 46
- of which, reversed impairment losses	—	—	—	—	4	4
- of which, provisions	- 756	- 557	- 756	- 557	- 2 438	- 2 637
- of which, unrealised changes in the fair value of energy derivatives	- 2 317	- 3 125	- 518	- 1 160	- 3 637	- 2 829
- of which, unrealised changes in the fair value of inventories	- 223	- 563	98	- 93	10	350
- of which, restructuring costs	- 262	- 37	- 215	- 20	- 348	- 573
- of which, other non-recurring items affecting comparability	- 389	1 341	- 222	1 374	1 529	- 201
2) Including return from the Swedish Nuclear Waste Fund	2 404	936	2 228	568	1 138	2 606
3) Including interest components related to pension costs	- 420	- 409	- 212	- 206	- 820	- 831
4) Including discounting effects attributable to provisions	- 1 131	- 1 174	- 564	- 588	- 2 355	- 2 312
5) Items affecting comparability recognised as financial income and expenses, net	2 040	—	2 040	—	7	2 047
6) Certain amounts for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.						

Consolidated statement of comprehensive income

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Profit for the period	7 125	5 926¹	2 967	2 097¹	9 484¹	10 683
Other comprehensive income						
Items that will be reclassified to profit or loss when specific conditions are met						
Cash flow hedges - changes in fair value	724	584	1 147	- 475	4 442	4 582
Cash flow hedges - dissolved against income statement	- 974	- 1 026	- 628	- 548	- 2 844	- 2 792
Cash flow hedges - transferred to cost of hedged item	11	- 4	- 8	- 1	1	16
Hedging of net investments in foreign operations	- 3 126	- 167	- 663	- 246	- 1 147	- 4 106
Translation differences and exchange rate effects net, divested companies	2	17	—	- 11	17	2
Translation differences	6 313	409 ¹	1 414	597 ¹	2 360 ¹	8 264
Income taxes related to items that will be reclassified	424	171	- 222	270	- 217	36
Total items that will be reclassified to profit or loss when specific conditions are met	3 374	- 16	1 040	- 414	2 612	6 002
Items that will not be reclassified to profit or loss						
Remeasurement pertaining to defined benefit obligations	—	1 296	—	1 296	- 659	- 1 955
Income taxes related to items that will not be reclassified	- 15	- 389	- 15	- 389	169	543
Total items that will not be reclassified to profit or loss	- 15	907	- 15	907	- 490	- 1 412
Total other comprehensive income, net after income taxes	3 359	891	1 025	493	2 122	4 590
Total comprehensive income for the period	10 484	6 817	3 992	2 590	11 606	15 273
Attributable to owner of the Parent Company	8 727	6 042	3 225	2 304	10 228	12 913
Attributable to non-controlling interests	1 757	775	767	286	1 378	2 360

1) The amount has been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

Operating segments, Vattenfall Group

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
External net sales						
Customers & Solutions	40 549	34 468 ²	16 686	14 124 ²	67 402 ²	73 483
Power Generation	14 036	14 733 ³	6 128	6 545 ³	28 797 ³	28 100
Wind	3 882	3 234	1 868	1 514	6 669	7 317
Heat	8 525	8 072 ²	3 155	3 036 ²	14 882 ²	15 335
Distribution	9 182	8 637 ²	4 066	3 955 ²	16 840 ²	17 385
- of which, Distribution Germany	3 138	3 010	1 533	1 518	5 970	6 098
- of which, Distribution Sweden	5 993	5 627 ²	2 507	2 437 ²	10 870 ²	11 236
Other ¹	112	274	56	132	524	362
Total	76 286	69 418 ²	31 959	29 306 ²	135 114 ²	141 982
Internal net sales						
Customers & Solutions	1 095	760	528	338	1 551	1 886
Power Generation	31 515	25 664	12 536	9 645	50 769	56 620
Wind	1 687	1 359	737	537	2 769	3 097
Heat	7 599	7 992	3 315	2 990	15 842	15 449
Distribution	2 239	2 360	1 080	1 084	4 590	4 469
- of which, Distribution Germany	2 002	2 151	970	985	4 141	3 992
- of which, Distribution Sweden	243	209	113	99	449	483
Other ¹	2 393	2 138	1 215	1 104	4 427	4 682
Eliminations	- 46 528	- 40 273	- 19 411	- 15 698	- 79 948	- 86 203
Total	—	—	—	—	—	—
Total net sales						
Customers & Solutions	41 644	35 228 ²	17 214	14 462 ²	68 953 ²	75 369
Power Generation	45 551	40 397 ³	18 664	16 190 ³	79 566 ³	84 720
Wind	5 569	4 593	2 605	2 051	9 438	10 414
Heat	16 124	16 064 ²	6 470	6 026 ²	30 724 ²	30 784
Distribution	11 421	10 997 ²	5 146	5 039 ²	21 430 ²	21 854
- of which, Distribution Germany	5 140	5 161	2 503	2 503	10 111	10 090
- of which, Distribution Sweden	6 236	5 836 ²	2 620	2 536 ²	11 319 ²	11 719
Other ¹	2 505	2 412	1 271	1 236	4 951	5 044
Eliminations	- 46 528	- 40 273 ³	- 19 411	- 15 698 ³	- 79 948 ³	- 86 203
Total	76 286	69 418 ²	31 959	29 306 ²	135 114 ²	141 982

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Operating profit before depreciation, amortisation and impairment losses (EBITDA)						
Customers & Solutions	1 842	1 672 ²	525	602 ²	2 913 ²	3 083
Power Generation	4 308	4 256	1 958	3 328	9 254	9 306
Wind	3 885	3 184	1 742	1 351	6 404	7 105
Heat	2 811	4 662 ²	405	1 461 ²	7 114 ²	5 263
Distribution	4 908	4 963 ²	1 891	2 115 ²	9 164 ²	9 109
- of which, Distribution Germany	916	979	366	393	1 822	1 759
- of which, Distribution Sweden	3 964	3 984 ²	1 509	1 722 ²	7 349 ²	7 329
Other ¹	186	- 101	412	- 122	- 391	- 104
Eliminations	- 114	- 135	- 45	- 17	- 59	- 38
Total	17 826	18 501²	6 888	8 718²	34 399²	33 724
Underlying operating profit before depreciation, amortisation and impairment losses						
Customers & Solutions	1 869	1 686 ²	539	610 ²	3 006 ²	3 189
Power Generation	8 168	7 142	3 518	3 773	13 936	14 962
Wind	3 883	3 184	1 738	1 351	6 397	7 096
Heat	2 820	4 501 ²	404	1 386 ²	6 951 ²	5 270
Distribution	4 915	4 760 ²	1 894	1 909 ²	8 963 ²	9 118
- of which, Distribution Germany	923	985	369	396	1 835	1 773
- of which, Distribution Sweden	3 964	3 775 ²	1 509	1 513 ²	7 135 ²	7 324
Other ¹	- 336	- 285	- 165	- 258	- 550	- 601
Eliminations	- 114	- 135	- 45	- 17	- 59	- 38
Total	21 205	20 853²	7 883	8 754²	38 644²	38 996
Operating profit (EBIT)						
Customers & Solutions	1 186	1 124 ²	190	322 ²	1 772 ²	1 834
Power Generation	2 627	2 745	1 109	2 572	6 138	6 020
Wind	1 639	658	600	- 198	1 713	2 694
Heat	1 016	2 880 ²	- 531	558 ²	3 533 ²	1 669
Distribution	3 427	3 544 ²	1 146	1 403 ²	6 276 ²	6 159
- of which, Distribution Germany	444	558	125	179	948	834
- of which, Distribution Sweden	2 968	2 986 ²	1 011	1 224 ²	5 335 ²	5 317
Other ¹	- 31	- 326	306	- 241	- 849	- 554
Eliminations	- 114	- 135	- 45	- 17	- 59	- 38
Operating profit (EBIT)	9 750	10 490²	2 775	4 399²	18 524²	17 784
Operating profit (EBIT)	9 750	10 490 ²	2 775	4 399 ²	18 524 ²	17 784
Financial income and expenses	- 971	- 2 120	725	- 1 116	- 5 755	- 4 606
Profit before tax	8 779	8 370²	3 500	3 283²	12 769²	13 178
Underlying operating profit						
Customers & Solutions	1 213	1 137 ²	204	330 ²	1 866 ²	1 942
Power Generation	6 487	5 632	2 670	3 016	10 820	11 675
Wind	1 638	1 051	597	193	2 137	2 724
Heat	1 025	2 717 ²	- 532	484 ²	3 371 ²	1 679
Distribution	3 434	3 341 ²	1 149	1 198 ²	6 075 ²	6 168
- of which, Distribution Germany	452	564	128	183	962	850
- of which, Distribution Sweden	2 968	2 777 ²	1 011	1 015 ²	5 120 ²	5 311
Other ¹	- 554	- 509	- 273	- 378	- 1 007	- 1 052
Eliminations	- 114	- 135	- 45	- 17	- 59	- 38
Underlying operating profit	13 129	13 234²	3 770	4 826²	23 203²	23 098

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

2) The amount has been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

3) Starting in 2018, purchases from the Nordic electricity exchange made under assignment by the sales operations are offset in the Power Generation segment (previously at the Group level) against sales of production to the Nordic electricity exchange.

Consolidated balance sheet

Amounts in SEK million	30 Jun 2018	30 Jun 2017 ¹	31 Dec 2017 ¹
Assets			
Non-current assets			
Intangible assets: non-current	18 928	16 576	18 292
Property, plant and equipment	237 263	218 864	227 094
Investment property	68	128	130
Biological assets	34	33	33
Participations in associated companies and joint arrangements	5 364	5 028	4 985
Other shares and participations	166	150	148
Share in the Swedish Nuclear Waste Fund	41 750	37 832	38 591
Derivative assets	13 947	10 529	12 801
Prepaid expenses	28	20	20
Deferred tax assets	12 323	11 868	12 535
Contract assets	213	53	99
Other non-current receivables	3 602	4 009	3 964
Total non-current assets	333 686	305 090	318 692
Current assets			
Inventories	14 920	13 563	15 670
Biological assets	21	16	17
Intangible assets: current	205	266	1 845
Trade receivables and other receivables	24 911	23 084	23 437
Contract assets	4	300	138
Advance payments paid	3 331	1 000	3 600
Derivative assets	23 607	6 150	11 029
Prepaid expenses and accrued income	7 350	6 083	7 010
Current tax assets	1 806	1 912	797
Short-term investments	19 787	21 230	18 092
Cash and cash equivalents	15 662	21 583	8 805
Total current assets	111 604	95 187	90 440
Total assets	445 290	400 277	409 132
Equity and liabilities			
Equity			
Attributable to owner of the Parent Company	83 812	72 764	77 085
Attributable to non-controlling interests	15 382	15 594	15 247
Total equity	99 194	88 358	92 332
Non-current liabilities			
Hybrid Capital	20 033	19 007	19 118
Other interest-bearing liabilities	49 160	58 263	54 335
Pension provisions	43 704	39 556	41 962
Other interest-bearing provisions	90 530	81 532	86 001
Derivative liabilities	15 964	8 954	12 798
Deferred tax liabilities	14 568	14 663	15 032
Contract liabilities	6 700	6 125	6 435
Other noninterest-bearing liabilities	2 467	2 412	2 371
Total non-current liabilities	243 126	230 512	238 052
Current liabilities			
Trade payables and other liabilities	23 549	17 921	23 872
Contract liabilities	1 114	968	1 098
Advance payments received	8 887	2 454	8 745
Derivative liabilities	29 759	8 066	13 200
Accrued expenses and deferred income	10 305	10 768	13 161
Current tax liabilities	632	3 283	1 254
Other interest-bearing liabilities	24 639	34 724	13 701
Interest-bearing provisions	4 085	3 223	3 717
Total current liabilities	102 970	81 407	78 748
Total equity and liabilities	445 290	400 277	409 132

SUPPLEMENTARY INFORMATION

Amounts in SEK million	30 Jun 2018	30 Jun 2017 ¹	31 Dec 2017 ¹
Calculation of capital employed			
Intangible assets: current and non-current	19 133	16 842	20 137
Property, plant and equipment	237 263	218 864	227 094
Participations in associated companies and joint arrangements	5 364	5 028	4 985
Deferred and current tax assets	14 129	13 780	13 332
Non-current noninterest-bearing receivables	2 520	2 900	2 910
Contract assets	217	353	237
Inventories	14 920	13 563	15 670
Trade receivables and other receivables	24 911	23 084	23 437
Prepaid expenses and accrued income	7 350	6 083	7 010
Unavailable liquidity	7 271	7 012	6 978
Other	490	430	1 616
Total assets excl. financial assets	333 568	307 939	323 406
Deferred and current tax liabilities	- 15 200	- 17 946	- 16 286
Other noninterest-bearing liabilities	- 2 467	- 2 412	- 2 371
Contract liabilities	- 7 814	- 7 093	- 7 533
Trade payable and other liabilities	- 23 549	- 17 921	- 23 872
Accrued expenses and deferred income	- 10 305	- 10 768	- 13 161
Total noninterest-bearing liabilities	- 59 419	- 56 140	- 63 223
Other interest-bearing provisions not related to adjusted net debt ²	- 11 824	- 12 482	- 11 316
Capital employed³	262 325	239 317	248 867
Capital employed, average	250 821	236 690	240 778
Calculation of net debt			
Hybrid Capital	- 20 033	- 19 007	- 19 118
Bond issues, commercial paper and liabilities to credit institutions	- 51 644	- 54 982	- 52 113
Present value of liabilities pertaining to acquisitions of Group companies	- 51	- 51	- 161
Liabilities to associated companies	- 564	- 4 671	- 462
Liabilities to owners of non-controlling interests	- 10 565	- 10 448	- 10 369
Other liabilities	- 10 975	- 22 836	- 4 931
Total interest-bearing liabilities	- 93 832	- 111 995	- 87 154
Cash and cash equivalents	15 662	21 583	8 805
Short-term investments	19 787	21 230	18 092
Loans to owners of non-controlling interests in foreign Group companies	629	2 015	997
Net debt³	- 57 754	- 67 167	- 59 260
Calculation of adjusted gross debt and net debt			
Total interest-bearing liabilities	- 93 832	- 111 995	- 87 154
50% of Hybrid Capital ⁴	10 017	9 504	9 559
Present value of pension obligations	- 43 704	- 39 556	- 41 962
Provisions for gas and wind operations and other environment-related provisions	- 7 141	- 4 375	- 6 507
Provisions for nuclear power (net) ⁵	- 31 367	- 25 330	- 30 716
Margin calls received	3 321	3 420	3 312
Liabilities to owners of non-controlling interests due to consortium agreements	9 346	9 268	9 189
Adjusted gross debt	- 153 360	- 159 064	- 144 279
Reported cash and cash equivalents and short-term investments	35 449	42 813	26 897
Unavailable liquidity	- 7 271	- 7 012	- 6 978
Adjusted cash and cash equivalents and short-term investments	28 178	35 801	19 919
Adjusted net debt³	- 125 182	- 123 263	- 124 360

1) Certain amounts for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

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

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

4) 50% of Hybrid Capital is treated as equity by the rating agencies, which thereby reduces adjusted net debt.

5) 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	Jan-Jun 2018	Jan-Jun 2017 ¹	Apr-Jun 2018	Apr-Jun 2017 ¹	Full year 2017 ¹	Last 12 months
Operating activities						
Operating profit before depreciation, amortisation and impairment losses	17 826	18 501	6 888	8 718	34 399	33 724
Tax paid	- 2 683	- 1 529	- 982	- 672	- 3 218	- 4 372
Capital gains/losses, net	- 568	- 589	- 618	- 420	- 639	- 618
Interest received	154	146	87	61	289	297
Interest paid	- 2 474	- 2 568	- 1 140	- 1 242	- 4 896	- 4 802
Other, incl. non-cash items	509	1 154	- 229	362	708	63
Funds from operations (FFO)	12 764	15 115	4 006	6 807	26 643	24 292
Changes in inventories	325	578	- 2 317	- 344	- 481	- 734
Changes in operating receivables	2 390	1 618	8 758	6 804	- 3 387	- 2 615
Changes in operating liabilities	- 1 361	- 8 836	- 1 450	- 7 272	- 2 250	5 225
Other changes	2 355	- 2 848	6 218	793	5 203	10 406
Cash flow from changes in operating assets and operating liabilities	3 709	- 9 488	11 209	- 19	- 915	12 282
Cash flow from operating activities	16 473	5 627	15 215	6 788	25 728	36 574
Investing activities						
Acquisitions in Group companies	- 18	- 375	- 10	- 278	- 1 491	- 1 134
Investments in associated companies and other shares and participations	317	43	40	13	254	528
Other investments in non-current assets	- 9 141	- 8 613	- 5 588	- 4 657	- 20 057	- 20 585
Total investments	- 8 842	- 8 945	- 5 558	- 4 922	- 21 294	- 21 191
Divestments	890	2 334	811	1 248	2 795	1 351
Cash and cash equivalents in acquired companies	—	—	—	—	48	48
Cash and cash equivalents in divested companies	- 43	- 213	- 43	- 107	- 213	- 43
Cash flow from investing activities	- 7 995	- 6 824	- 4 790	- 3 781	- 18 664	- 19 835
Cash flow before financing activities	8 478	- 1 197	10 425	3 007	7 064	16 739
Financing activities						
Changes in short-term investments	- 913	2 133	- 1 438	200	5 646	2 600
Changes in loans to owners of non-controlling interests in foreign Group companies	417	658	39	37	1 700	1 459
Loans raised ²	9 130	3 898	178	1 038	6 088	11 320
Amortisation of other debt	- 6 893	- 3 806	- 4 992	- 514	- 13 438	- 16 525
Payment to the nuclear energy fund in Germany	—	—	—	—	- 17 322	- 17 322
Effect of early termination of swaps related to financing activities	68	105	—	- 17	105	68
Dividends paid to owners	- 3 027	- 441	- 2 949	- 441	- 865	- 3 451
Contribution/repaid contribution from owners of non-controlling interests	- 554	158	- 60	182	- 243	- 955
Cash flow from financing activities	- 1 772	2 705	- 9 222	485	- 18 329	- 22 806
Cash flow for the period	6 706	1 508	1 203	3 492	- 11 265	- 6 067

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Cash and cash equivalents						
Cash and cash equivalents at start of period	8 805	19 995	14 414	18 010	19 995	21 583
Cash flow for the period	6 706	1 508	1 203	3 492	- 11 265	- 6 067
Translation differences	151	80	45	81	75	146
Cash and cash equivalents at end of period	15 662	21 583	15 662	21 583	8 805	15 662

SUPPLEMENTARY INFORMATION

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017 ¹	Apr-Jun 2018	Apr-Jun 2017 ¹	Full year 2017 ¹	Last 12 months
Cash flow before financing activities	8,478	-1,197	10,425	3,007	7,064	16,739
Financing activities						
Effects from terminating swaps related to financing activities	68	105	—	- 17	105	68
Dividends paid to owners	- 3 027	- 441	- 2 949	- 441	- 865	- 3 451
Contribution from owners of non-controlling interests	- 554	158	- 60	182	- 243	- 955
Cash flow after dividend	4 965	- 1 375	7 416	2 731	6 061	12 401
Analysis of change in net debt						
Net debt at start of period	- 59 260	- 50 724	- 64 353	- 54 681	- 50 724	- 67 167
Cash flow after dividend	4 965	- 1 375	7 416	2 731	6 061	12 401
Changes as a result of valuation at fair value	273	428	147	337	1 474	1 319
Interest-bearing liabilities/short-term investments acquired/divested	—	- 141	—	- 1	- 146	- 5
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	—	—	—	—	- 110	- 110
Translation differences on net debt	- 3 732	239	- 964	41	- 141	- 4 112
Reclassification	—	- 15 594 ³	—	- 15 594 ³	- 15 674 ³	- 80
Net debt at end of period	- 57 754	- 67 167	- 57 754	- 67 167	- 59 260	- 57 754
Cash flow from operating activities	16 473	5 627	15 215	6 788	25 728	36 574
Maintenance investments	- 5 637	- 5 144	- 3 213	- 2 677	- 12 637	- 13 130
Free cash flow⁴	10 836	483	12 002	4 111	13 091	23 444

1) Certain amounts for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

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

3) Reclassification of provisions for nuclear power in Germany.

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

INVESTMENTS

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Electricity generation						
Hydro power	434	494	264	271	1 317	1 257
Nuclear power	1 033	807	567	439	1 885	2 111
Coal power	67	50	57	5	168	185
Gas	214	122	30	50	228	320
Wind power and solar PV	2 622	2 658	1 900	1 690	5 445	5 409
Biomass, waste	19	7	12	9	32	44
Total electricity generation	4 389	4 138	2 830	2 464	9 075	9 326
CHP/heat						
Fossil-based power	981	627	529	435	1 830	2 184
Biomass, waste	54	25	30	20	114	143
Other	542	461	368	256	1 515	1 596
Total CHP/heat	1 577	1 113	927	711	3 459	3 923
Electricity networks						
Electricity networks	2 452	2 044	1 374	1 205	5 306	5 714
Total electricity networks	2 452	2 044	1 374	1 205	5 306	5 714
Purchases of shares, shareholder contributions	- 299	332	- 30	265	1 237	606
Other	445	464 ¹	317	213 ¹	1 359 ¹	1 340
Total investments	8 564	8 091	5 418	4 858	20 436	20 909
Accrued investments (-)/release of accrued investments (+)	278	854	140	64	858	282
Total investments with cash flow effect	8 842	8 945	5 558	4 922	21 294	21 191

1) The amount has been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018.

Consolidated statement of changes in equity

Amounts in SEK million	30 Jun 2018			30 Jun 2017			31 Dec 2017		
	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
Balance brought forward	77 085	15 247	92 332	68 272	15 528	83 800	68 272	15 528	83 800
Transitional effect of adoption of new accounting rules (IFRS 9, 15)	—	—	—	- 1 550	- 84	- 1 634	- 1 550	- 84	- 1 634
Profit for the period	6 068	1 057	7 125	5 120 ¹	806	5 926	8 333 ¹	1 151	9 484
Cash flow hedges - changes in fair value	724	—	724	691	- 107	584	4 442	—	4 442
Cash flow hedges - dissolved against income statement	- 991	17	- 974	- 1 026	—	- 1 026	- 2 827	- 17	- 2 844
Cash flow hedges - transferred to cost of hedged item	11	—	11	- 3	- 1	- 4	1	—	1
Hedging of net investments in foreign operations	- 3 126	—	- 3 126	- 167	—	- 167	- 1 147	—	- 1 147
Translation differences and exchange rate effects net, divested companies	2	—	2	17	—	17	17	—	17
Translation differences	5 626	687	6 313	351 ¹	58	409	2 065 ¹	295	2 360
Remeasurement pertaining to defined benefit obligations	—	—	—	1 296	—	1 296	- 585	- 74	- 659
Income taxes related to other comprehensive income	413	- 4	409	- 237	19	- 218	- 71	23	- 48
Total other comprehensive income for the period	2 659	700	3 359	922	- 31	891	1 895	227	2 122
Total comprehensive income for the period	8 727	1 757	10 484	6 042	775	6 817	10 228	1 378	11 606
Dividends paid to owners	- 2 000	- 1 068	- 3 068	—	- 669	- 669	—	- 865	- 865
Group contributions from(+)/to(-) owners of non-controlling interests	—	—	—	—	—	—	—	- 153	- 153
Contribution from minority interest	—	- 554	- 554	—	158	158	—	- 243	- 243
Other changes in ownership	—	—	—	—	- 114	- 114	—	- 179	- 179
Other changes	—	—	—	—	—	—	135	- 135	—
Total transactions with equity holders	- 2 000	- 1 622	- 3 622	—	- 625	- 625	135	- 1 575	- 1 440
Balance carried forward	83 812	15 382	99 194	72 764	15 594	88 358	77 085	15 247	92 332
- Of which, Reserve for hedges	- 1 056	42	- 1 014	- 1 935	- 46	- 1 981	- 540	29	- 511

1) The amount has been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times ¹	Jan-Jun 2018	Jan-Jun 2017 ⁴	Apr-Jun 2018	Apr-Jun 2017 ⁴	Full year 2017 ⁴	Last 12 months
Operating margin	12.8	15.1	8.7	15.0	13.7	12.5
Operating margin ²	17.2	19.1	11.8	16.5	17.2	16.3
Pre-tax profit margin	11.5	12.1	11.0	11.2	9.5	9.3
Pre-tax profit margin ²	13.3	16.0	7.7	12.7	12.9	11.6
Return on equity	11.5 ³	1.4 ³	11.5 ³	1.4 ³	11.1	11.5
Return on capital employed	7.1 ³	4.2 ³	7.1 ³	4.2 ³	7.7	7.1
Return on capital employed ²	9.2 ³	9.7 ³	9.2 ³	9.7 ³	9.6	9.2
EBIT interest cover, (x)	3.0 ³	2.2 ³	3.0 ³	2.2 ³	3.3	3.0
EBIT interest cover, (x) ²	3.9 ³	4.9 ³	3.9 ³	4.9 ³	4.1	3.9
FFO interest cover, (x)	4.9 ³	6.9 ³	4.9 ³	6.9 ³	5.4	4.9
FFO interest cover, net (x)	6.0 ³	7.1 ³	6.0 ³	7.1 ³	6.9	6.0
Cash flow interest cover after maintenance investments, (x)	5.3 ³	4.8 ³	5.3 ³	4.8 ³	3.5	5.3
FFO/gross debt	25.9 ³	24.5 ³	25.9 ³	24.5 ³	30.6	25.9
FFO/net debt	42.1 ³	40.8 ³	42.1 ³	40.8 ³	45.0	42.1
FFO/adjusted net debt	19.4 ³	22.3 ³	19.4 ³	22.3 ³	21.4	19.4
EBITDA/net financial items, (x)	7.9	9.8	7.3	8.0	7.6	6.9
EBITDA/net financial items, (x) ²	9.4	11.1	8.4	8.0	8.5	8.0
Equity/Total assets	22.3	22.1	22.3	22.1	22.6	22.3
Gross debt/equity	94.6	126.8	94.6	126.8	94.4	94.6
Net debt/equity	58.2	76.0	58.2	76.0	64.2	58.2
Gross debt/gross debt plus equity	48.6	55.9	48.6	55.9	48.6	48.6
Net debt/net debt plus equity	36.8	43.2	36.8	43.2	39.1	36.8
Net debt/EBITDA, (x)	1.7 ³	2.4 ³	1.7 ³	2.4 ³	1.7	1.7
Adjusted net debt/EBITDA, (x)	3.7 ³	4.4 ³	3.7 ³	4.4 ³	3.6	3.7

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) The key ratios for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

Quarterly information, Vattenfall Group

Amounts in SEK million	Q2 2018	Q1 2018	Q4 2017 ¹	Q3 2017 ¹	Q2 2017 ¹	Q1 2017 ¹
Income statement						
Net sales	31 959	44 328	38 342	27 353	29 307	40 112
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	6 888	10 938	9 999	5 899	8 718	9 783
Underlying Operating profit before depreciation, amortisation and impairment losses	7 883	13 322	11 246	6 545	8 754	12 097
Operating profit (EBIT)	2 775	6 975	5 920	2 114	4 399	6 091
Underlying operating profit	3 770	9 359	7 213	2 756	4 826	8 408
Profit before income taxes	3 500	5 279	3 589	809	3 283	5 087
Profit for the period	2 967	4 158	2 808	749	2 097	3 829
- of which, attributable to owner of the Parent Company	2 377	3 691	2 519	694	1 853	3 267
- of which, attributable to non-controlling interests	590	467	289	55	244	562
Balance sheet						
Non-current assets	333 686	323 671	318 692	307 961	305 090	302 859
Short-term investments	19 787	18 078	18 092	21 800	21 230	21 298
Cash and cash equivalents	15 662	14 414	8 805	12 366	21 583	18 010
Other current assets	76 155	70 936	63 543	47 810	52 374	60 801
Total assets	445 290	427 099	409 132	389 937	400 277	402 968
Equity	99 194	97 815	92 332	89 454	88 358	85 780
- of which, attributable to owner of the Parent Company	83 812	82 587	77 085	73 851	72 763	70 460
- of which, attributable to non-controlling interests	15 382	15 228	15 247	15 603	15 595	15 320
Hybrid Capital	20 033	19 615	19 118	18 908	19 007	19 086
Other interest-bearing liabilities	73 799	77 882	68 036	73 003	92 987	76 927
Pension provisions	43 704	43 276	41 962	39 554	39 556	40 555
Other interest-bearing provisions	94 615	91 300	89 718	85 039	84 755	97 537
Contract liabilities	7 814	7 684	7 533	7 249	7 094	6 890
Deferred tax liabilities	14 568	14 979	15 032	15 015	14 663	15 086
Other noninterest-bearing liabilities	91 563	74 548	75 401	61 715	53 857	61 107
Total equity and liabilities	445 290	427 099	409 132	389 937	400 277	402 968
	806 768					
Capital employed	262 325	259 821	248 867	235 305	239 315	234 945
Net debt	- 57 754	- 64 353	- 59 260	- 56 841	- 67 167	- 54 681
Cash flow						
Funds from operations (FFO)	4 006	8 758	6 527	5 000	6 809	8 307
Cash flow from changes in operating assets and operating liabilities	11 209	- 7 499	- 1 977	10 550	- 20	- 9 468
Cash flow from operating activities	15 215	1 259	4 550	15 550	6 789	- 1 161
Cash flow from investing activities	- 4 790	- 3 206	- 6 836	- 5 004	- 3 781	- 3 043
Cash flow before financing activities	10 425	- 1 947	- 2 286	10 546	3 008	- 4 204
Changes in short-term investments	- 1 438	525	4 036	- 523	200	1 933
Loans raised/Amortisation of debt, net, etc.	- 4 835	7 002	- 5 328	- 18 794	725	287
Dividends paid to owners	- 2 949	- 77	- 31	- 393	- 441	—
Cash flow from financing activities	- 9 222	7 450	- 1 323	- 19 710	484	2 220
Cash flow for the period	1 203	5 503	- 3 609	- 9 164	3 492	- 1 984
Free cash flow	12 002	- 1 165	917	11 688	4 111	- 3 627

1) Certain amounts for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

In % unless otherwise stated. (x) means times ¹	Q2 2018	Q1 2018	Q4 2017 ⁴	Q3 2017 ⁴	Q2 2017 ⁴	Q1 2017 ⁴
Key ratios						
Return on equity ¹	11.5	11.2	11.1	2.4	1.4	- 41.1
Return on capital employed ²	7.1	7.8	7.7	4.2	4.2	- 1.1
Return on capital employed ^{2,3}	9.2	9.8	9.6	9.9	9.7	8.7
EBIT interest cover, (x) ²	3.0	3.3	3.3	2.2	2.2	- 0.5
EBIT interest cover, (x) ^{2,3}	3.9	4.0	4.1	5.2	4.9	5.0
FFO/gross debt ²	25.9	27.8	30.6	29.6	24.5	27.7
FFO/net debt ²	42.1	42.1	45.0	47.9	40.8	48.7
FFO/adjusted net debt ²	19.4	20.7	21.4	24.1	22.3	21.0
Equity/assets ratio	22.3	22.9	22.6	22.9	22.1	21.3
Gross debt/equity	94.6	99.7	94.4	102.7	126.8	111.9
Net debt/equity	58.2	65.8	64.2	63.5	76.0	63.7
Net debt/net debt plus equity, Total Vattenfall	36.8	39.7	39.1	38.9	43.2	38.9
Net debt/EBITDA, (x) ²	1.7	1.8	1.7	2.1	2.4	2.4
Adjusted net debt/EBITDA, (x) ²	3.7	3.7	3.6	4.1	4.4	5.5

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 key ratios for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.

NOTE 1 | Accounting policies, risks and uncertainties

Accounting policies

The consolidated accounts for 2018 have been prepared, as for the 2017 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 2018 in Vattenfall’s 2017 Annual and Sustainability Report in Note 3 to the consolidated accounts, Accounting policies and Note 51 to the consolidated accounts, Significant accounting policies applicable as from 1 January 2018. As described in these notes, IFRS 9 “Financial Instruments” and IFRS 15 – “Revenue from Contracts with Customers” will affect the Vattenfall Group’s financial statements. The effects in the restated financial statement are presented in this report in Note 4 to the consolidated accounts, Adjustments of 2017 financial statements as an effect of the implementation of IFRS 9 and IFRS 15 and Note 5 to the consolidated accounts, Transition from IAS 39 to IFRS 9. Other amended IFRSs endorsed by the EU for application in the 2018 financial year have no significant effect on Vattenfall’s financial statements.

IFRS 16 – “Leases”

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

Presentation of Consolidated income statement and Consolidated statement of cash flows

Starting with the first quarter of 2018 Vattenfall has changed the presentation of the income statement from a function of expense method to a nature of expense method. The external presentation of the income statement has thereby been aligned with the internal governance of Vattenfall’s business. In addition, relevant items such as depreciation and amortisation and personnel-related expenses are now directly visible in the income statement. Since operating profit before depreciation, amortisation and impairment losses (EBITDA) is presented as a separate line item in the income statement, EBITDA is now used as the starting point for the consolidated statement of cash flows instead of profit before income taxes. This affects some line items within FFO (funds from operations), but FFO remains unchanged. The comparative figures have been adjusted accordingly.

Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall’s 2017 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 2018, no other material changes have taken place since publication of Vattenfall’s 2017 Annual and Sustainability Report.

Other

Significant related-party transactions are described in Note 48 to the consolidated accounts in Vattenfall’s 2017 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in Vattenfall’s 2017 Annual and Sustainability Report.

NOTE 2 | Exchange rates

KEY EXCHANGE RATES APPLIED IN THE ACCOUNTS OF THE VATTENFALL GROUP

	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017
Average rate					
EUR	10.1722	9.5900	10.3762	9.6399	9.6392
DKK	1.3658	1.2895	1.3928	1.2960	1.2958
NOK	1.0566	1.0438	1.0813	1.0284	1.0316
PLN	2.4038	2.2465	2.4254	2.2891	2.2659
GBP	11.5453	11.1460	11.7999	11.1684	11.0311
USD	8.4417	8.8211	8.6957	8.7174	8.5405
			30 Jun 2018	30 Jun 2017	31 Dec 2017
Balance sheet date rate					
EUR			10.4530	9.6398	9.8438
DKK			1.4026	1.2963	1.3222
NOK			1.0990	1.0072	1.0004
PLN			2.3902	2.2811	2.3567
GBP			11.7973	10.9627	11.0950
USD			8.9664	8.4471	8.2080

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

FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY: CARRYING AMOUNT AND FAIR VALUE

Amounts in SEK million ¹	30 Jun 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount ²	Fair value ²
Financial assets at fair value through profit or loss	101 629 ³	101 629 ³	41 122	41 122
Financial assets at amortised cost	41 601 ³	41 627 ³	74 647	76 820
Financial liabilities at fair value through profit or loss	45 723	45 723	25 998	25 998
Financial liabilities at amortised cost	121 368	127 899	115 589	123 222

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.

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

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

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

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

FINANCIAL ASSETS AND LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON THE BALANCE SHEET AT 30 JUNE 2018

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Share in the Swedish Nuclear Waste Fund	41 750	—	—	41 750
Derivative assets	—	37 432	122	37 554
Short-term investments, cash equivalents and other shares and participations	9 655	12 670	—	22 325
Total assets	51 405	50 102	122	101 629
Liabilities				
Derivative liabilities	—	45 648	75	45 723
Total liabilities	—	45 648	75	45 723

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

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	22 971 ²	129	23 100
Short-term investments and cash equivalents	10 700	7 322	—	18 022
Total assets	10 700	30 293	129	41 122
Liabilities				
Derivative liabilities	—	25 900	98	25 998
Total liabilities	—	25 900	98	25 998

CHANGES IN LEVEL 3 FINANCIAL INSTRUMENTS

Amounts in SEK million	Financial instruments at fair value through profit or loss			
	Derivative assets		Derivative liabilities	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
Balance brought forward	129	254	98	118
Revaluations recognised in operating profit (EBIT)	- 15	- 130	- 29	- 23
Translation differences	8	5	6	3
Balance carried forward	122	129	75	98
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	122	129	- 39	- 24

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.

Vattenfall's Level 3 contracts consist of CDM, virtual gas storage contracts and gas swing contracts. 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 2017 Annual and Sustainability Report. The accumulated net value of all level 3 contracts as per 30 June 2018 has been calculated at SEK 47 million (31). A change of +/-5% would affect the total value by approximately SEK +/-11 million (+/-15).

FINANCIAL INSTRUMENTS: EFFECTS ON INCOME BY MEASUREMENT CATEGORY

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

Amounts in SEK million	30 Jun 2018			31 Dec 2017		
	Net gains/ losses ⁴	Interest income	Interest expenses	Net gains/ losses ⁴	Interest income	Interest expenses
Financial assets at fair value through profit or loss	- 5 509	2 446	- 236	- 3 215	117	- 34
Financial assets at amortised cost	12	—	—	100	1 138 ⁵	—
Financial liabilities at fair value through profit or loss	- 114	70	—	- 202	115 ⁵	—
Financial liabilities at amortised cost	- 1 251	—	- 1 423	312	—	- 5 018
Total	- 6 862	2 516	- 1 659	- 3 005	1 370	- 5 052

- 1) For information of what is included in each respective measurement category in the table above, please refer to Note 5 Transition from IAS 39 to IFRS 9 in the notes to the consolidated accounts.
- 2) Certain amounts for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 4 to the consolidated accounts.
- 3) Due to changed investment policy for the Swedish Nuclear Waste Fund, the measurement category for Share in the Swedish Nuclear Waste Fund has been changed from amortised cost to fair value through profit or loss.
- 4) Exchange rate gains and losses are included in net gains/losses.
- 5) The value has been adjusted compared with information previously published in Vattenfall's financial reports.

NOTE 4 | Adjustments of 2017 financial statements as an effect of the implementation of IFRS 9 and IFRS 15

As described in Note 1 to the consolidated accounts, new accounting rules apply as of 2018 according to the implementation of IFRS 9 – “Financial Instruments” and IFRS 15 – “Revenue from Contracts with Customers”. This has had the following impact on Vattenfall’s financial statements.

	31 December 2016/1 January 2017				1 January - 31 March 2017			
	As reported previously	Adjustments IFRS 9	Adjustments IFRS 15	After adjustments	As reported previously	Adjustments IFRS 9	Adjustments IFRS 15	After adjustments
Consolidated balance sheet:								
Intangible assets: non-current	16 792	—	86	16 878	16 737	—	105	16 842
Deferred tax assets	11 538	—	520	12 058	11 631	—	523	12 154
Contract assets long term	—	—	49	49	—	—	52	52
Other non-current receivables	3 788	- 1	—	3 787	3 765	- 1	—	3 764
Trade receivables and other receivables	26 008	—	122	26 130	25 365	—	209	25 574
Contract assets short term	—	—	302	302	—	—	320	320
Total assets	409 260	- 1	1 079	410 338	401 761	- 1	1 208	402 968
Equity	83 800	- 1	- 1 634	82 165	87 365	- 1	- 1 584	85 780
Deferred tax liabilities	14 776	—	84	14 860	14 980	—	106	15 086
Contract liabilities long term	—	—	5 357	5 357	—	—	6 018	6 018
Other noninterest-bearing liabilities	6 440	—	- 3 217	3 223	6 102	—	- 3 882	2 220
Contract liabilities short term	—	—	545	545	—	—	872	872
Accrued expenses and deferred income	15 481	—	- 56	15 425	16 331	—	- 322	16 009
Total equity and liabilities	409 260	- 1	1 079	410 338	401 761	- 1	1 208	402 968
Consolidated income statement:								
Net sales					40 064	—	48	40 112
Other external expenses					- 3 321	—	31	- 3 290
Depreciation, amortisation and impairments					- 3 680	—	- 12	- 3 692
Operating profit (EBIT)					6 024	—	67	6 091
Income taxes expense					- 1 238	—	- 20	- 1 258
Profit for the period					3 782	—	47	3 829
Consolidated statement of cash flows:								
Funds from operations (FFO)					8 228	—	79	8 307
Cash flow from changes in operating assets and operating liabilities					- 9 420	—	- 48	- 9 468
Cash flow from operating activities					- 1 192	—	31	- 1 161
Cash flow from investing activities					- 3 012	—	- 31	- 3 043
Cash flow from financing activities					2 220	—	—	2 220
Cash flow for the period					- 1 984	—	—	- 1 984
Key ratios (in % unless otherwise stated (x) means times):								
Return on equity					- 41.0	—	- 0.1	- 41.1
Return on capital employed					- 1.1	—	—	- 1.1
FFO/adjusted net debt					20.9	—	0.1	21.0
Equity/Total assets					21.7	—	- 0.4	21.3
Gross debt/equity					109.9	—	2.0	111.9
Net debt/equity					62.6	—	1.1	63.7

	1 January - 30 June 2017				1 January - 30 September 2017			
	As reported previously	Adjustments IFRS 9	Adjustments IFRS 15	After adjustments	As reported previously	Adjustments IFRS 9	Adjustments IFRS 15	After adjustments
Consolidated balance sheet:								
Intangible assets: non-current	16 456	—	120	16 576	17 906	—	132	18 038
Deferred tax assets	11 341	—	527	11 868	11 272	—	530	11 802
Contract assets long term	—	—	53	53	—	—	159	159
Other non-current receivables	4 010	- 1	—	4 009	4 125	- 1	—	4 124
Trade receivables and other receivables	22 822	—	262	23 084	18 710	—	301	19 011
Contract assets short term	—	—	300	300	—	—	143	143
Total assets	399 016	- 1	1 262	400 277	388 673	- 1	1 265	389 937
Equity	89 962	- 1	- 1 603	88 358	91 101	- 1	- 1 646	89 454
Deferred tax liabilities	14 558	—	105	14 663	14 926	—	89	15 015
Contract liabilities long term	—	—	6 125	6 125	—	—	6 209	6 209
Other noninterest-bearing liabilities	6 365	—	- 3 953	2 412	6 389	—	- 4 011	2 378
Contract liabilities short term	—	—	968	968	—	—	1 040	1 040
Accrued expenses and deferred income	11 148	—	- 380	10 768	11 941	—	- 416	11 525
Total equity and liabilities	399 016	- 1	1 262	400 277	388 673	- 1	1 265	389 937
Consolidated income statement:								
Net sales	69 413	—	5	69 418	96 839	—	- 67	96 772
Other external expenses	- 8 216	—	58	- 8 158	- 12 462	—	87	- 12 375
Depreciation, amortisation and impairments	- 7 985	—	- 26	- 8 011	- 11 755	—	- 41	- 11 796
Operating profit (EBIT)	10 453	—	37	10 490	12 626	—	- 21	12 605
Income taxes expense	- 2 432	—	- 12	- 2 444	- 2 512	—	6	- 2 506
Profit for the period	5 901	—	25	5 926	6 690	—	- 15	6 675
Consolidated statement of cash flows:								
Funds from operations (FFO)	15 053	—	62	15 115	20 097	—	19	20 116
Cash flow from changes in operating assets and operating liabilities	- 9 483	—	- 5	- 9 488	995	—	67	1 062
Cash flow from operating activities	5 570	—	57	5 627	21 092	—	86	21 178
Cash flow from investing activities	- 6 766	—	- 58	- 6 824	- 11 742	—	- 86	- 11 828
Cash flow from financing activities	2 704	—	1	2 705	- 17 006	—	—	- 17 006
Cash flow for the period	1 508	—	—	1 508	- 7 656	—	—	- 7 656
Key ratios (in % unless otherwise stated (x) means times):								
Return on equity	1.4	—	—	1.4	2.4	—	—	2.4
Return on capital employed	4.2	—	—	4.2	4.2	—	—	4.2
FFO/adjusted net debt	22.2	—	0.1	22.3	24.0	—	0.1	24.1
Equity/Total assets	22.5	—	- 0.4	22.1	23.4	—	- 0.5	22.9
Gross debt/equity	124.5	—	2.3	126.8	100.9	—	1.8	102.7
Net debt/equity	74.7	—	1.3	76.0	62.4	—	1.1	63.5

1 January - 31 December 2017

	As reported previously	Adjustments IFRS 9	Adjustments IFRS 15	After adjustments
Consolidated balance sheet:				
Intangible assets: non-current	18 140	—	152	18 292
Deferred tax assets	12 001	—	534	12 535
Contract assets long term	—	—	99	99
Other non-current receivables	3 964	- 2	2	3 964
Trade receivables and other receivables	23 096	—	341	23 437
Contract assets short term	—	—	138	138
Total assets	407 868	- 2	1 266	409 132
Equity	94 045	- 2	- 1 711	92 332
Deferred tax liabilities	14 964	—	68	15 032
Contract liabilities long term	—	—	6 435	6 435
Other noninterest-bearing liabilities	6 570	—	- 4 199	2 371
Contract liabilities short term	—	—	1 098	1 098
Accrued expenses and deferred income	13 586	—	- 425	13 161
Total equity and liabilities	407 868	- 2	1 266	409 132
Consolidated income statement:				
Net sales	135 295	—	- 181	135 114
Other external expenses	- 19 588	—	122	- 19 466
Other operating income and expenses, net	1 656	- 1	—	1 655
Depreciation, amortisation and impairments	- 15 815	—	- 60	- 15 875
Operating profit (EBIT)	18 644	- 1	- 119	18 524
Income taxes expense	- 3 318	—	33	- 3 285
Profit for the period	9 571	- 1	- 86	9 484
Consolidated statement of cash flows:				
Funds from operations (FFO)	26 704	- 1	- 60	26 643
Cash flow from changes in operating assets and operating liabilities	- 1 096	—	181	- 915
Cash flow from operating activities	25 608	- 1	121	25 728
Cash flow from investing activities	- 18 543	—	- 121	- 18 664
Cash flow from financing activities	- 18 330	1	—	- 18 329
Cash flow for the period	- 11 265	—	—	- 11 265
Key ratios (in % unless otherwise stated (x) means times):				
Return on equity	11.0	—	0.1	11.1
Return on capital employed	7.7	—	—	7.7
FFO/adjusted net debt	21.5	—	- 0.1	21.4
Equity/Total assets	23.1	—	- 0.5	22.6
Gross debt/equity	92.7	—	1.7	94.4
Net debt/equity	63.0	—	1.2	64.2

NOTE 5 | Transition from IAS 39 to IFRS 9

CLASSIFICATION & MEASUREMENT

Financial assets at January 1 2017:

Amounts in SEK million	Category under IAS 39	Measurement category under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Derivative assets	Fair value through profit or loss	Fair value through profit or loss	24 692	24 692
Short-term investments	Fair value through profit or loss	Fair value through profit or loss	19 554	19 554
Short-term investments ¹	Fair value through profit or loss	Amortised cost	1 202	1 202
Short-term investments	Loans and receivables	Amortised cost	2 541	2 541
Cash equivalents	Fair value through profit or loss	Fair value through profit or loss	10 759	10 759
Share in the Nuclear Waste Fund	Loans and receivables	Amortised cost	36 199	36 199
Other non-current receivables	Loans and receivables	Amortised cost	3 788	3 788
Trade receivables and other receivables	Loans and receivables	Amortised cost	23 100	23 100
Advanced payments paid	Loans and receivables	Amortised cost	893	893
Cash and bank balances	Loans and receivables	Amortised cost	9 236	9 236
Other shares and participations ²	Available-for-sale financial assets	Fair value through profit or loss	118	118
Total financial assets			132 082	132 082

Financial liabilities at January 1 2017:

Amounts in SEK million	Category under IAS 39	Measurement category under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
Derivative liabilities	Fair value through profit or loss	Fair value through profit or loss	24 016	24 016
Hybrid Capital, non-current interest-bearing liabilities	Other financial liabilities	Amortised cost	19 164	19 164
Other non-current interest-bearing liabilities	Other financial liabilities	Amortised cost	63 494	63 494
Other non-current noninterest-bearing liabilities	Other financial liabilities	Amortised cost	6 440	6 440
Current interest-bearing liabilities	Other financial liabilities	Amortised cost	14 009	14 009
Trade payables and other liabilities	Other financial liabilities	Amortised cost	17 509	17 509
Advance payments received	Other financial liabilities	Amortised cost	2 164	2 164
Total financial liabilities			146,796	146,796

TRANSITION FROM IAS 39 TO IFRS 9 – IMPAIRMENT (EXPECTED CREDIT LOSSES)

The following table is a reconciliation of the closing impairment balance at December 31, 2016 in accordance with IAS 39 and the opening impairment allowance in accordance with IFRS 9 at January 1, 2017. Changes to the impairment allowance under IFRS 9 are due to remeasurement of impairment using the expected credit loss requirements.

	IAS 39 Dec 31, 2016	Remeasurement	IFRS 9 Jan 1, 2017
Impaired non-current receivables at amortized cost	—	1	1
Impaired current receivables at amortized cost	1 132	—	1 132
Total	1 132	1	1 133

- 1) Some Short-term investments that were previously classified as Financial assets at fair value through profit or loss under IAS 39 were assessed to have a business model whose objective is achieved by collecting contractual cash flows, and accordingly, are classified as Amortised cost under IFRS 9. However, all these short-term investments at 31 December 2016 are derecognised at 1 January 2018, which is the date of initial application, meaning no effect in the balance sheet at 1 January 2017.
- 2) For Other shares and participations, the fair value is approximated by using cost.

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 2017 Annual and Sustainability Report, Note 3 to the Parent Company accounts, Accounting policies and Note 51 to the consolidated accounts, Significant accounting policies applicable as from 1 January 2018. As described in these notes, IFRS 9 "Financial Instruments" and IFRS 15 – "Revenue from Contracts with Customers" have affect the Parent Company's financial statements. The effects in the restated financial statement are presented in this report in Note 1 to the Parent Company accounts, Adjustments of 2017 financial statements as an effect of the implementation of IFRS 9 and IFRS 15. Other amended IFRSs endorsed by the EU for application in the 2018 financial year have no significant effect on the Parent Company's financial statements.

January – June 2018

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

- Net sales amounted to SEK 20,253 million (15,522).
- Profit before appropriations and income taxes was SEK -1,676 million (7,870).
- Earnings were negatively affected by higher futures prices for the unrealised derivatives compared with the same period a year ago. Higher electricity generation and higher spot prices have had a positive effect on earnings. Dividends received amount to SEK 3,670 million, of which SEK 2,904 million from N.V. Nuon Energi. The change in other financial expenses is mainly attributable to currency effects.

- The balance sheet total was SEK 262,537 million (31 December 2017: 255,092).
- Changed tax rules in Sweden, see page 4, have required a remeasurement of Vattenfall AB's deferred tax assets, with an earnings effect of SEK -51 million.
- Investments during the period amounted to SEK 348 million (4,333), of which SEK 0 million (4,000) pertains to a shareholder contribution to Vattenfall Vindkraft AB.
- Cash and cash equivalents, and short-term investments amounted to SEK 31,735 million (31 December 2017: 23,621).
- Dividend paid to the owner of SEK 2 000 million (0).

Presentation of Parent Company income statements

See Note 1 to the consolidated accounts, Accounting policies, Presentation of Consolidated income statements.

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 2017 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in Vattenfall's 2017 Annual and Sustainability Report.

Parent Company income statement

Amounts in SEK million	Jan-Jun 2018	Jan-Jun 2017 ¹	Full year 2017 ¹	Last 12 months
Net sales	20 253	15 522	31 271	36 002
Cost of purchases	- 19 151	- 8 986	- 20 370	- 30 535
Other external expenses	- 1 594	- 1 477	- 3 246	- 3 363
Personnel expenses	- 1 121	- 1 059	- 1 933	- 1 995
Other operating incomes and expenses, net	8	393	564	179
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	- 1 605	4 393	6 286	288
Depreciation, amortisation and impairments	- 246	- 243	- 496	- 499
Operating profit (EBIT)	- 1 851	4 150	5 790	- 211
Result from participations in subsidiaries	3 670	4 529	4 855	3 996
Other financial income	781	1 061	1 445	1 165
Other financial expenses	- 4 276	- 1 870	- 5 693	- 8 099
Profit before appropriations and income taxes	- 1 676	7 870	6 397	- 3 149
Appropriations	740	1 027	1 037	750
Profit before income taxes	- 936	8 897	7 434	- 2 399
Income taxes	946	- 1 027	- 607	1 366
Profit for the period	10	7 870	6 827	- 1 033

- 1) Certain amounts for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 1 to the Parent Company accounts.

Parent Company balance sheet

Amounts in SEK million	30 Jun 2018	30 Jun 2017 ¹	31 Dec 2017 ¹
Assets			
Non-current assets			
Intangible assets: non-current	174	209	187
Property, plant and equipment	4 329	3 927	4 277
Shares and participations	149 980	149 641	149 914
Deferred tax assets	2 274	782	1 040
Other non-current receivables	54 902	60 369	59 388
Total non-current assets	211 659	214 928	214 806
Current assets			
Inventories	245	255	221
Intangible assets: current	183	231	246
Current receivables	17 564	9 162	16 092
Current tax assets	1 151	—	106
Short-term investments	18 927	20 122	17 205
Cash and cash equivalents	12 808	8 920	6 416
Total current assets	50 878	38 690	40 286
Total assets	262 537	253 618	255 092
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	1 333	1 318	1 322
Non-restricted equity			
Retained earnings	46 172	41 359	41 355
Profit for the period	10	7 870	6 827
Total equity	92 089	95 121	94 078
Untaxed reserves	11 544	12 268	12 284
Provisions	5 287	5 299	5 194
Non-current liabilities			
Hybrid capital	20 040	19 019	19 126
Other interest-bearing liabilities	45 123	53 167	50 401
Other noninterest-bearing liabilities	9 924	8 534	9 895
Total non-current liabilities	75 087	80 720	79 422
Current liabilities			
Other interest-bearing liabilities	67 019	53 510	54 354
Current tax liabilities	—	735	—
Other noninterest-bearing liabilities	11 511	5 965	9 760
Total current liabilities	78 530	60 210	64 114
Total equity, provisions and liabilities	262 537	253 618	255 092

1) Certain amounts for 2017 have been recalculated compared with previously published information in Vattenfall's 2017 Interim reports and 2017 Annual and Sustainability Report as a result of new accounting rules (IFRS 9 and 15) that took effect in 2018. See Note 1 to the Parent Company accounts.

NOTE 1 | Adjustments of 2017 financial statements as an effect of the implementation of IFRS 9 and IFRS 15

As described in Note 1 to the consolidated accounts, new accounting rules apply as of 2018 according to the implementation of IFRS 9 – “Financial Instruments” and IFRS 15 – “Revenue from Contracts with Customers”. This has had the following impact on the Parent Company’s financial statements.

	31 December 2016/1 January 2017				1 January - 31 March 2017			
	As reported previously	Adjustments IFRS 9 ¹	Adjustments IFRS 15	After adjustments	As reported previously	Adjustments IFRS 9 ¹	Adjustments IFRS 15	After adjustments
Parent Company balance sheet:								
Intangible assets: non-current	174	—	2	176	212	—	2	214
Deferred tax assets	329	593	44	966	266	66	44	376
Other non-current receivables	58 897	8 708	1	67 606	59 795	8 639	1	68 435
Current receivables	16 553	2 922	8	19 483	17 005	2 620	11	19 636
Short-term investments	18 733	25	—	18 758	17 771	30	—	17 801
Cash and cash equivalents	16 949	5	—	16 954	12 664	3	—	12 667
Total assets	261 902	12 252	55	274 209	262 078	11 358	58	273 494
Equity	89 508	- 2 102	- 156	87 250	91 476	- 232	- 155	91 089
Hybrid capital	19 101	76	—	19 177	19 073	25	—	19 098
Other non-current interest-bearing liabilities	49 870	10 600	—	60 470	49 528	9 382	—	58 910
Other non-current noninterest-bearing liabilities	13 099	—	199	13 298	12 811	—	201	13 012
Other current interest-bearing liabilities	64 688	- 15	—	64 673	64 517	- 87	—	64 430
Other current noninterest-bearing liabilities	6 514	3 693	12	10 219	5 869	2 269	12	8 150
Total equity and liabilities	261 902	12 252	55	274 209	262 078	11 358	58	273 494
Parent Company income statement:								
Net sales					8 537	—	1	8 538
Cost of purchases					- 5 425	2 618	—	- 2 807
Other financial expenses					- 798	- 221	—	- 1 019
Income taxes					- 562	- 527	—	- 1 089
Profit for the period					1 967	1 870	1	3 838

	1 January - 30 June 2017				1 January - 30 September 2017			
	As reported previously	Adjustments IFRS 9 ¹	Adjustments IFRS 15	After adjustments	As reported previously	Adjustments IFRS 9 ¹	Adjustments IFRS 15	After adjustments
Parent Company balance sheet:								
Intangible assets: non-current	207	—	2	209	190	—	2	192
Deferred tax assets	408	329	45	782	362	644	45	1 051
Other non-current receivables	52 994	7 373	2	60 369	52 998	6 584	5	59 587
Current receivables	6 956	2 198	8	9 162	8 309	2 098	5	10 412
Short-term investments	20 091	31	—	20 122	20 787	34	—	20 821
Cash and cash equivalents	8 918	2	—	8 920	9 785	1	—	9 786
Total assets	243 628	9 933	57	253 618	246 644	9 361	57	256 062
Equity	96 444	- 1 165	- 158	95 121	97 874	- 2 282	- 160	95 432
Hybrid capital	19 221	- 202	—	19 019	19 233	- 315	—	18 918
Other non-current interest-bearing liabilities	44 318	8 849	—	53 167	44 010	9 072	—	53 082
Other non-current noninterest-bearing liabilities	8 331	—	203	8 534	8 332	—	205	8 537
Other current interest-bearing liabilities	53 599	- 89	—	53 510	55 300	- 93	—	55 207
Other current noninterest-bearing liabilities	3 413	2 540	12	5 965	4 221	2 979	12	7 212
Total equity and liabilities	243 628	9 933	57	253 618	246 644	9 361	57	256 062
Parent Company income statement:								
Net sales	15 524	—	- 2	15 522	22 275	—	- 5	22 270
Cost of purchases	- 10 438	1 452	—	- 8 986	- 14 312	- 125	—	- 14 437
Other financial expenses	- 1 619	- 251	—	- 1 870	- 2 458	- 107	—	- 2 565
Income taxes	- 763	- 264	—	- 1 027	- 1 070	51	1	- 1 018
Profit for the period	6 935	937	- 2	7 870	8 366	- 181	- 4	8 181

	1 January - 31 December 2017			
	As reported previously	Adjustments IFRS 9 ¹	Adjustments IFRS 15	After adjustments
Parent Company balance sheet:				
Intangible assets: non-current	185	—	2	187
Deferred tax assets	363	632	45	1 040
Other non-current receivables	52 904	6 473	11	59 388
Current receivables	13 826	2 266	—	16 092
Short-term investments	17 229	- 24	—	17 205
Cash and cash equivalents	6 369	47	—	6 416
Total assets	245 640	9 394	58	255 092
Equity	96 479	- 2 241	- 160	94 078
Hybrid capital	19 500	- 374	—	19 126
Other non-current interest-bearing liabilities	41 264	9 137	—	50 401
Other non-current noninterest-bearing liabilities	9 689	—	206	9 895
Other current interest-bearing liabilities	54 436	- 82	—	54 354
Other current noninterest-bearing liabilities	6 794	2 954	12	9 760
Total equity and liabilities	245 640	9 394	58	255 092
Parent Company income statement:				
Net sales	31 276	—	- 5	31 271
Cost of purchases	- 20 317	- 53	—	- 20 370
Other financial expenses	- 5 568	- 125	—	- 5 693
Income taxes	- 647	39	1	- 607
Profit for the period	6 970	- 139	- 4	6 827

- 1) The effect is mainly attributable to a changed measurement of non-current and current derivative assets and derivative liabilities. The items are included in Other non-current receivables and Current receivables, and Other non-current interest-bearing liabilities and Other current noninterest-bearing liabilities, respectively. In accordance with RFR 2, measurement of these derivatives is based on cost using the lower of cost or net realizable value principle, in accordance with the Annual Accounts Act, while in IFRS 9 they are included in the measurement category Fair value through profit or loss.

Definitions and calculations of key ratios

Alternative Performance Measures

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

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

	Definition
EBIT:	Operating profit (Earnings Before Interest and Tax)
EBITDA:	Operating profit before depreciation, amortisation and impairment losses (Earnings Before Interest, Tax, Depreciation and Amortisation)
Items affecting comparability:	Capital gains and capital losses from shares and other non-current assets, impairment losses and reversed impairment losses and other material items that are of an infrequent nature. Also included here are, for trading activities, unrealised changes in the fair value of energy derivatives, which according to 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	Jan-Jun 2018	Jan-Jun 2017	Apr-Jun 2018	Apr-Jun 2017	Full year 2017	Last 12 months
Operating profit (EBIT)	9 750	10 490	2 775	4 399	18 524	17 784
Depreciation, amortisation and impairment losses	- 8 076	- 8 011	- 4 113	- 4 319	- 15 875	- 15 940
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	17 826	18 501	6 888	8 718	34 399	33 724
Items affecting comparability excl. impairment losses and reversed impairment losses	3 379	2 352	995	36	4 245	5 272
Underlying operating profit before depreciation, amortisation and impairment losses	21 205	20 853	7 883	8 754	38 644	38 996
Operating profit (EBIT)	9 750	10 490	2 775	4 399	18 524	17 784
Items affecting comparability	3 379	2 744	995	427	4 679	5 314
Underlying operating profit	13 129	13 234	3 770	4 826	23 203	23 098

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

KEY RATIOS BASED ON CONTINUING OPERATIONS AND LAST 12-MONTH VALUES JULY 2017 – JUNE 2018

Operating margin, %	= 100	EBIT	17 784	=	12.5
	x	Net sales	141 982		
Operating margin excl. items affecting comparability, %	= 100	Underlying EBIT	23 098	=	16.3
	x	Net sales	141 982		
Pre-tax profit margin, %	= 100	Profit before income taxes	13 178	=	9.3
	x	Net sales	141 982		
Pre-tax profit margin excl. items affecting comparability, %	= 100	Profit before income taxes excl. items affecting comparability	16 445	=	11.6
	x	Net sales	141 982		
Return on equity, %	= 100	Profit for the period attributable to owner of the Parent Company	9 281	=	11.5
	x	Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges	80 396		
Return on capital employed, %	= 100	EBIT	17 784	=	7.1
	x	Capital employed, average	250 821		
Return on capital employed excl. items affecting comparability, %	= 100	Underlying EBIT	23 098	=	9.2
	x	Capital employed, average	250 821		
EBIT interest cover, (x)	=	EBIT + financial income excl. return from the Swedish Nuclear Waste Fund	19 187	=	3.0
		Financial expenses excl. discounting effects attributable to provisions	6 303		
EBIT interest cover excl. Items affecting comparability, (x)	=	Underlying EBIT + financial income excl. Return from the Swedish Nuclear Waste Fund	24 501	=	3.9
		Financial expenses excl. discounting effects attributable to provisions	6 303		
FFO interest cover, (x)	=	FFO + financial expenses excl. discounting effects attributable to provisions	30 595	=	4.9
		Financial expenses excl. discounting effects attributable to provisions	6 303		
FFO interest cover, net, (x)	=	FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	29 192	=	6.0
		Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	4 900		

Cash flow interest cover after maintenance investments, (x)	=	Cash flow from operating activities less maintenance investments + financial expenses excl. Discounting effects attributable to provisions and interest components related to pension costs	<u>28 916</u>	=	5.3
		Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs	<u>5 472</u>		
FFO/gross debt, %	= 100	FFO	<u>24 292</u>	=	25.9
	x	Interest-bearing liabilities	<u>93 832</u>		
FFO/net debt, %	= 100	FFO	<u>24 292</u>	=	42.1
	x	Net debt	<u>57 754</u>		
FFO/adjusted net debt, %	= 100	FFO	<u>24 292</u>	=	19.4
	x	Adjusted net debt	<u>125 182</u>		
EBITDA/net financial items, (x)	=	EBITDA	<u>33 724</u>	=	6.9
		Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	<u>4 900</u>		
EBITDA excl. items affecting comparability/net financial items, (x)	=	EBITDA excl. items affecting comparability	<u>38 996</u>	=	8.0
		Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	<u>4 900</u>		

KEY RATIOS BASED ON THE BALANCE SHEET PER 30 JUNE 2018

Equity/total assets, %	= 100	Equity	<u>99 194</u>	=	22.3
	x	Balance sheet total	<u>445 290</u>		
Gross debt/equity, %	= 100	Interest-bearing liabilities	<u>93 832</u>	=	94.6
	x	Equity	<u>99 194</u>		
Net debt/equity, %	= 100	Net debt	<u>57 754</u>	=	58.2
	x	Equity	<u>99 194</u>		
Gross debt/gross debt equity, %	= 100	Interest-bearing liabilities	<u>93 832</u>	=	48.6
	x	Interest-bearing liabilities + equity	<u>193 026</u>		
Net debt/net debt plus equity, %	= 100	Net debt	<u>57 754</u>	=	36.8
	x	Net debt + equity	<u>156 948</u>		
Net debt/EBITDA, (x)	=	Net debt	<u>57 754</u>	=	1.7
		EBITDA	<u>33 724</u>		
Adjusted net debt/EBITDA, (x)	=	Adjusted net debt	<u>125 182</u>	=	3.7
		EBITDA	<u>33 724</u>		

Interim report signature

The Board of Directors and the President certify that this half-year interim report presents a true and fair overview of the Vattenfall Group's and the Parent Company Vattenfall AB's operations, financial position and results of operations, and describes the significant risks and uncertainties facing the Parent Company and the companies belonging to the Group.

Solna, 19 July 2018

Lars G. Nordström
Chairman of the Board

Magnus Hall
President and CEO

Fredrik Arp

Viktoria Bergman

Håkan Erixon

Tomas Kåberger

Jenny Lahrin

Robert Lönnqvist

Rolf Ohlsson

Jeanette Regin

Fredrik Rystedt

Åsa Söderström Winberg

Financial calendar

Interim report January-September, 30 October 2018

Year-end report 2018, 7 February 2019

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This information is such that Vattenfall AB is obliged to make public in accordance with the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CEST on 20 July 2018. This report has been prepared in both Swedish and English versions. In the event of discrepancies between the two versions, the Swedish version shall govern.

Review report

Introduction

We have reviewed the condensed interim report for Vattenfall AB (publ) as at 30 June 2018 and for the six month period then ended. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 19 July 2018

Ernst & Young AB

Staffan Landén
Authorised Public Accountant