

Year-End Report 2018

Business highlights, January–December 2018

- Record high nuclear power generation
- City of Hamburg exercises its option to buy back Vattenfall's stake in district heating system
- Investment programme of SEK 3.5 billion in Uppsala heating system
- Continued customer growth, mainly driven by German market
- Record high investments in electricity grids in 2018, but new Swedish legislation will curtail future investments
- Important progress in renewable energy with new installed capacity and continued headway for investment projects, including completion of Aberdeen Bay (97 MW) and winning bid for Hollandse Kust Zuid 1 & 2 (~700 MW)

Financial highlights, January–December 2018

- Net sales increased by 16% (11% excluding currency effects) to SEK 156,824 million (135,114)
- Underlying operating profit¹ of SEK 19,883 million (23,203)
- Operating profit¹ of SEK 17,619 million (18,524)
- Profit for the period of SEK 12,007 million (9,484)
- The Board of Directors proposes a dividend of SEK 2,000 million, corresponding to 20% of profit for the year attributable to owner of the Parent Company

Financial highlights, October–December 2018

- Net sales increased by 25% (21% excluding currency effects) to SEK 48,048 million (38,342)
- Underlying operating profit¹ decreased to SEK 4,627 million (7,213)
- Operating profit¹ of SEK 4,189 million (5,920)
- Profit for the period of SEK 3,100 million (2,811)

KEY DATA

Amounts in SEK million unless indicated otherwise	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	156 824	135 114	48 048	38 342
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	34 341	34 399	8 662	9 999
Operating profit (EBIT) ¹	17 619	18 524	4 189	5 920
Underlying operating profit ¹	19 883	23 203	4 627	7 213
Profit for the period	12 007	9 484	3 100	2 811
Electricity generation, TWh	130.3	127.3	35.9	35.1
Sales of electricity, TWh ²	174.1	157.3	49.9	43.6
- of which, customer sales	119.2	109.8	31.7	30.6
Sales of heat, TWh	18.3	18.8	5.8	6.1
Sales of gas, TWh	57.2	56.4	18.0	18.5
Return on capital employed, % ¹	7.0	7.7	7.0 ³	7.7 ³
FFO/adjusted net debt, % ¹	20.7	21.4	20.7 ³	21.4 ³

1) See Definitions and calculations of key ratios on page 40 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

A challenging year with important progress on achieving the vision of a fossil-free future



Vattenfall is determined to make it possible for people to live a life free from fossil fuels within one generation. In 2018 we pursued our plan with continued expansion in fossil-free forms of energy, a growing customer base and investments in areas in which electrification is replacing fossil fuels.

Electricity prices rose during the year, and sales of electricity increased. At the same time, our fossil-free electricity generation also increased, which included record high nuclear power generation. However, high prices for coal, gas and CO₂ emission allowances had a strongly negative effect on earnings in our heat operations.

Profit for the year amounted to SEK 12 billion, an increase of SEK 2.5 billion. Lower corporate income taxes made a positive contribution. The Board of Directors proposes a dividend of SEK 2 billion. The underlying operating profit decreased by SEK 3.3 billion to SEK 19.9 billion. Granted, electricity prices have been high, but since Vattenfall's risk management entails that we continuously hedge our electricity sales, this effect did not bear impact during the year. Owing to an improved risk profile, today we only hedge Nordic electricity sales. While contracts coupled to the Continental market are successively expiring, they still had a negative impact during the year. Strong earnings from nuclear power and hydro power were thereby offset by these effects. Wind power made a positive contribution, while we saw a drop in earnings from the heat operations.

Profit for the fourth quarter increased by SEK 300 million to SEK 3.1 billion. The difference is largely due to the one-off effect of a tax refund in Germany. The underlying operating profit for the quarter decreased by SEK 2.6 billion to SEK 4.6 billion. This development is mainly explained by price hedging and weak earnings for the heat and sales operations.

To increase efficiency Vattenfall is conducting a programme to cut costs of SEK 2 billion in staff and support functions by 2020. This is being implemented according to plan, and at year-end we had reduced the workforce by 400 full-time positions.

Electricity generation in the Nordic countries stood strong during the year. In nuclear power we are seeing the results of our hard work with efficiency improvement, where generation for the year reached a record high 55 TWh. For hydro power, the unusually dry and warm summer was partly compensated by a rainy autumn. At year-end, reservoir levels were close to normal, and generation for the year totalled 36 TWh, which is level with the preceding year. The underlying operating profit for Power Generation decreased by SEK 1.4 billion to SEK 9.4 billion, mainly owing to previously contracted price hedges.

Our heat operations showed a significantly lower profit than in 2017. A combination of positive one-off items in the preceding year and this year's sharply higher costs for fuel and CO₂ emission allowances – which could not be passed on in the near term – led to a sharp decline in earnings, which fell by SEK 2.6 billion to SEK 800 million. Hard work now

lies ahead of us with continued efficiency improvements and reduced exposure to emissions costs. As an example, in Berlin we achieved our goal to halve emissions by 2020 three years ahead of schedule. We also adopted an investment plan of SEK 3.5 billion for a new heating plant and more environment-friendly district heating in Uppsala. In Hamburg we are preparing for a carve-out of the district heating system since the city has unfortunately decided to exercise its option to buy back Vattenfall's 75% ownership stake. This transaction is expected to close later in 2019.

Wind power made significant progress in 2018. We started the year with a winning bid for Hollandse Kust Zuid 1 & 2 (700 MW), an unsubsidised offshore wind farm in the Netherlands. In Scotland Aberdeen Bay (97 MW) was inaugurated, and in Denmark we made the decision to invest in the Kriegers Flak (605 MW) offshore wind farm. Also offshore the Danish coast, construction of the Horns Rev 3 (407 MW) wind farm continued on schedule, with full commissioning scheduled for 2019. In terms of generation, new capacity compensated for unfavourable wind conditions. Earnings were positively affected by higher prices and increased by SEK 1.6 billion to SEK 3.7 billion.

Sales increased in most markets. The number of electricity and gas customers increased by 170,000 to 8.9 million contracts. The underlying operating profit for Customers & Solutions decreased by SEK 600 million to SEK 1.3 billion, largely owing to investments in growth. Our InCharge charging network for electric cars is growing steadily and reached 10,500 charging points during the year.

With respect to our electricity grid operations, we continue to invest in more reliable electricity supply and the feed-in of new generation throughout Sweden, with an increase in investment of more than 20% in the country. However, as a consequence of new legislation that takes effect in 2020, unfortunately we will be scaling back our investments in the electricity grid at a time when they are needed most. Major strengthening is needed to accommodate steady growth in the major metropolitan areas as well as more wind and solar power. At present, extensive repair work is being conducted to fix the damage caused by the storm Alfrida in Roslagen and the Stockholm archipelago. In Berlin, our distribution operations received a distinction from the German regulatory authority for being "super-efficient", something that rarely occurs. Earnings increased by SEK 200 million to SEK 6.3 billion.

In closing I want to direct great thanks to our employees for their outstanding work during the year. We can now continue our work on driving Vattenfall forward to new challenges and away from fossil fuels.

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

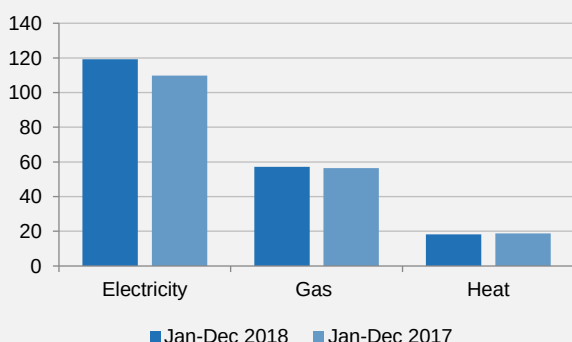
Magnus Hall
President and CEO

Group overview

Customer sales development

Sales of electricity, excluding sales to Nord Pool Spot and deliveries to minority shareholders, increased by 9.4 TWh to 119.2 TWh (109.8) in 2018, mainly owing to higher sales to business customers in France and Germany. Sales of gas increased by 0.8 TWh to 57.2 TWh (56.4) as a result of entry to the UK market. Sales of heat decreased by 0.5 TWh to 18.3 TWh (18.8).

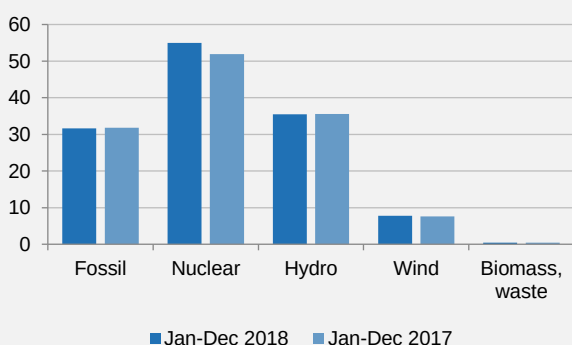
CUSTOMER SALES (TWh)



Generation development

Total electricity generation increased by 3.0 TWh to 130.3 TWh (127.3) in 2018 as a result of higher nuclear power generation (+3.1 TWh), which was partly offset by lower fossil-based power generation (-0.2 TWh).

ELECTRICITY GENERATION (TWh)



Price development

Average Nordic spot prices were 55% higher, at EUR 47.6/MWh (30.6), during the fourth quarter of 2018 than in the corresponding period in 2017, mainly owing to higher prices for fuel and CO₂ emission allowances, and a lower hydrological balance. Prices in Germany increased by 58% to EUR 52.6/MWh (33.4), and prices in the Netherlands increased by 36% to EUR 60.7/MWh (44.7). Spot prices in Germany and the Netherlands were affected mainly by higher prices for gas and CO₂ emission allowances. Electricity futures prices for delivery in 2019 and 2020 were 30%–54% higher than in the fourth quarter of 2017, mainly owing to

higher prices for gas and CO₂ emission allowances, and a lower hydrological balance.

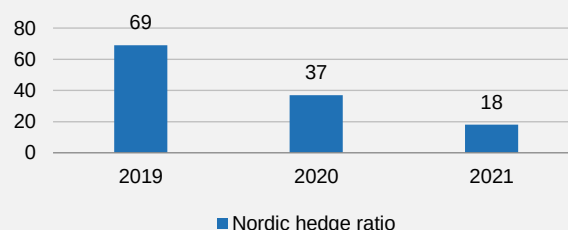
Compared with the fourth quarter of 2017, the average spot price for gas was 29% higher, at EUR 24.7/MWh (19.1). The spot price for coal was 2% lower, at USD 91.9/t (93.5). The futures price for gas was 31% higher, at EUR 23.4/MWh (17.9), and the futures price for coal was 6% higher, at USD 90.7/t (85.4). The price of CO₂ emission allowances was 171% higher, at EUR 20.3/t (7.5). The higher price of CO₂ emission allowances is partly attributable to the Market Stability Reserve (MSR), which will be in effect in 2019 to manage the surplus of CO₂ emission allowances.

Hedging

AVERAGE INDICATIVE NORDIC HEDGE PRICES (SE, DK, NO, FI)¹ AS PER 31 DECEMBER 2018

EUR/MWh	2019	2020	2021
	29	31	33

VATTENFALL'S ESTIMATED NORDIC HEDGE RATIO (%) AS PER 30 SEPTEMBER 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	+/- 2,184	+/- 2,006	+/- 1,962	19%-23%
Coal	-/+ 403	-/+ 355	-/+ 293	21%-25%
Gas	-/+ 964	-/+ 841	-/+ 790	16%-21%
CO ₂	-/+ 513	-/+ 575	-/+ 623	44%-48%

- 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–December: Consolidated net sales increased by SEK 21.7 billion (of which, positive currency effects of SEK 6.5 billion). The increase is mainly attributable to higher sold volumes in Germany, France and the UK. Added to this were positive price effects in the Nordic countries and the Netherlands, and higher nuclear power generation.

Comment October–December: Consolidated net sales increased by SEK 9.7 billion (of which, positive currency effects of SEK 1.7 billion), mainly attributable to higher sold volumes to business customers in Germany, positive price effects in the Nordic countries and the Netherlands, and higher nuclear power generation.

Earnings

Comment January–December: The underlying operating profit decreased by SEK 3.3 billion, which is explained by:

- Lower earnings contribution from the Heat operating segment (SEK -2.6 billion), mainly owing to lower production margins and one-off items in 2017 of approximately SEK 800 million, partly related to subsidies for gas-fired combined heat and power plants in Germany.
- Lower earnings contribution from the Power Generation operating segment (SEK -1.4 billion), mainly owing to negative effects of price hedges. Contracts coupled to the Continental market are successively expiring, but together with Nordic price hedges also had negative impact during the year.
- Higher earnings contribution from the Wind operating segment (SEK 1.6 billion) as a result of positive price and currency effects and additional capacity.
- Other items, net (SEK -0.9 billion).

Items affecting comparability amounted to SEK -2.3 billion (-4.7). Provisions of SEK 1.6 billion were mainly related to nuclear power dismantling, partly owing to adjusted discount rates. Capital gains of SEK 1.1 billion pertain mainly to sales of properties in Hamburg and Berlin, and the sale of 70% of Blakliden/Fäbodberget wind farm. Profit for the year amounted to SEK 12.0 billion (9.5) and was positively affected by lower income taxes in Sweden and an increase in net financial items resulting from a remeasurement of shares in Swedish Nuclear Waste Fund at fair value.

Comment October–December: The underlying operating profit decreased by SEK 2.6 billion, mainly owing to negative contributions from the Power Generation (SEK -1.8 billion) and Heat (SEK -0.5 billion) operating segments, which was partly compensated by a positive contribution from the Wind operating segment (SEK 0.5 billion). Profit for the period was SEK 3.1 billion (SEK 2.8 billion) and was positively affected by a one-off tax refund in Germany (SEK 0.5 billion).

Cash flow

Comment January–December: Funds from operations (FFO) decreased by SEK 3.4 billion, mainly owing to a lower underlying profit before depreciation/amortisation and impairment losses. Cash flow from changes in working capital amounted to SEK 17.8 billion, which is mainly explained by a net change in margin calls (SEK 8.9 billion) and changes related to CO₂ emission allowances (SEK 4.6 billion). Changes in inventories contributed SEK 1.5 billion, mainly related to consumption of nuclear fuel.

Comment October–December: Funds from operations (FFO) increased by SEK 0.7 billion, mainly owing to a tax refund in Germany (SEK 0.4 billion). Cash flow from changes in working capital amounted to SEK -1.5 billion, mainly owing to a net change in margin calls (SEK -4.3 billion), which was partly compensated by higher liabilities for CO₂ emission allowances in the Power Generation and Heat operating segments.

Important events after the balance sheet date

- Vattenfall will be acquiring the Dutch electricity and gas sales company DELTA Energie. DELTA Energie supplies green electricity and gas to households and small and medium-sized companies, mainly in the Dutch province Zeeland. The company has 120 employees and 170,000 customers. The acquisition is subject to positive advice from DELTA's works council and approval by the Netherlands Authority for Consumers and Markets (ACM).
- The storm Alfrida, which hit Sweden's Roslagen region and the Stockholm archipelago on the night of January 1, had severe consequences and caused major damage to the electricity grid. At most, 65,000 Vattenfall customers experienced power outages. The last customers had their electricity service restored on 23 January. Repair work will continue for several months.

KEY FIGURES – GROUP OVERVIEW

Amounts in SEK million	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	156 824	135 114	48 048	38 342
Operating profit before depreciation, amortisation and impairment losses (EBITDA) ¹	34 341	34 399	8 662	9 999
Operating profit (EBIT) ¹	17 619	18 524	4 189	5 920
Underlying operating profit ¹	19 883	23 203	4 627	7 213
Items affecting comparability ¹	- 2 264	- 4 679	- 438	- 1 293
Profit for the period	12 007	9 484	3 100	2 811
Funds from operations (FFO)	23 275	26 643	7 265	6 527
Cash flow from changes in operating assets and operating liabilities (working capital)	17 779	- 915	- 1 501	- 1 977
Cash flow from operating activities	41 054	25 728	5 764	4 550

1) See Definitions and calculations of key ratios on page 40 for definitions of Alternative Performance Measures.

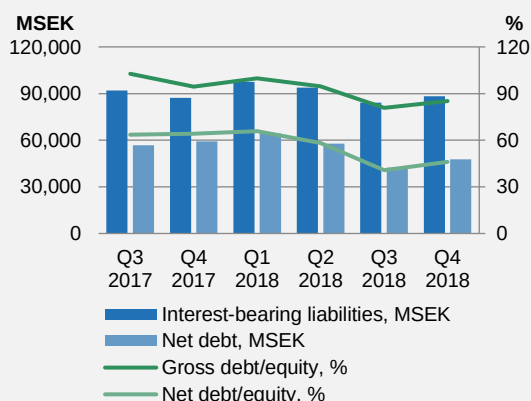
Capital structure

Cash and cash equivalents, and short-term investments increased by SEK 13.2 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 31 December 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 consolidated net sales, but at least the equivalent of the next 90 days' maturities.

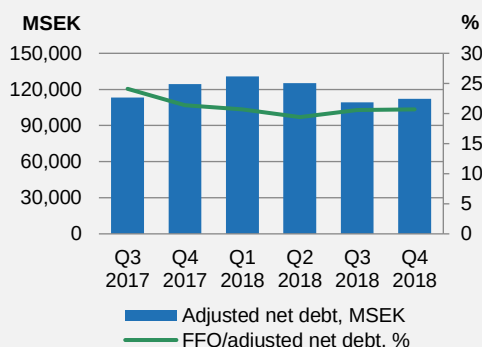
Total interest-bearing liabilities increased by SEK 1.1 billion compared with the level at 31 December 2017. The increase is mainly attributable to the weaker Swedish krona, which had a negative effect on debt by SEK 3.3 billion. Repayment of bonds (SEK -6.6 billion) exceeded new issuance of short-term debt (SEK 5.6 billion).

Net debt decreased by SEK 11.5 billion compared with the level at 31 December 2017, mainly owing to a positive cash flow after investments. Adjusted net debt decreased by SEK 12.0 billion compared with the level at 31 December 2017, mainly owing to the decrease in net debt.

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

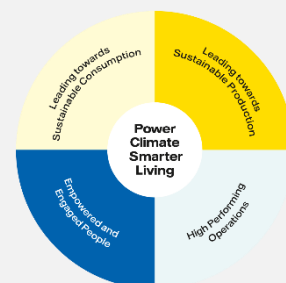
1. Leading towards Sustainable Consumption (increase customer centricity and build a sizeable position in decentralised energy) and

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	Full year 2018	Full Year 2017
Leading towards Sustainable Consumption	1. Customer engagement, Net Promoter Score relative to peers ¹ (NPS relative): +2	+1	+2
Leading towards Sustainable Production	2. Aggregated commissioned new renewables capacity 2016-2020: ≥2,300 MW	752 MW	652 MW
	3. Absolute CO ₂ emissions pro rata: ≤21 Mt	21.7² Mt	22.6 Mt
High Performing Operations	4. Return On Capital Employed (ROCE), last 12 months: ≥8%	7.0%	7.7%
Empowered and Engaged People	5. Lost Time Injury Frequency (LTIF): ≤1.25	1.9	1.5
	6. Employee Engagement Index ³ : ≥70%	64%	64%

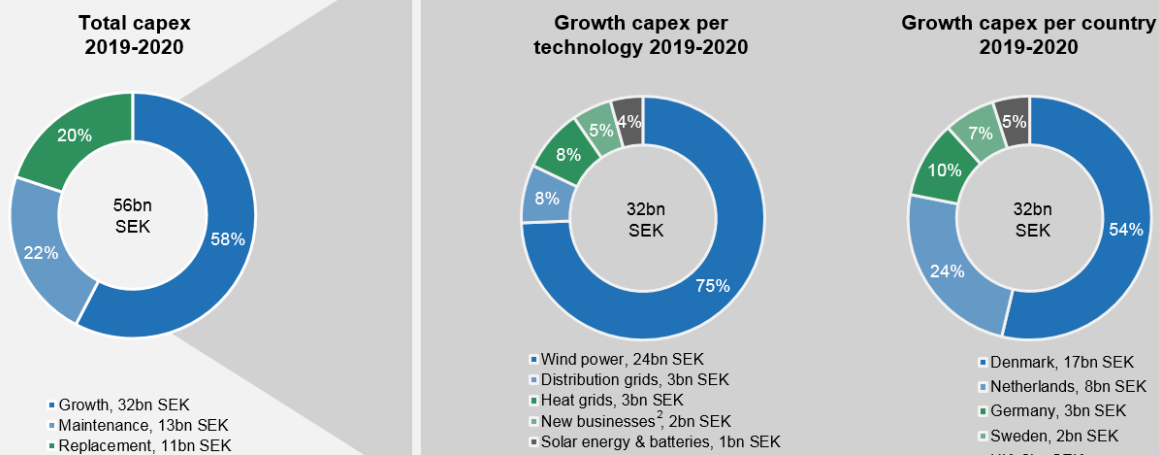
1) The target is a positive NPS in absolute terms and +2 compared to Vattenfall's peer competitors to be achieved by 2020.

2) Preliminary value. The final value will be presented in the Annual and Sustainability Report.

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

Investment plan 2019-2020

Vattenfall has decided on an investment plan for 2019–2020 of SEK 56 billion¹. Growth investments amount to SEK 32 billion. The largest share of this, SEK 24 billion – or 75% – is planned to be invested in wind power. Vattenfall will also invest in solar power and new business areas such as decentralised solutions, energy storage and e-mobility.



¹ Of which SEK 0.5 billion pertains to investments in the district heating system in Hamburg, where the city has decided to exercise its option to buy back the operation.

² Mainly decentralised solutions, energy storage and e-mobility.

Operating segments



Customers & Solutions



Power Generation
– Generation



Power Generation
– Markets



Wind



Heat



Distribution

Amounts in SEK million	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
<u>Underlying operating profit</u>				
Customers & Solutions	1 269	1 866	110	620
Power Generation	9 371	10 820	896	2 683
- of which, trading	581	1 138	- 40	668
Wind	3 747	2 137	1 845	1 385
Heat	771	3 371	511	973
Distribution	6 250	6 075	1 719	1 633
- of which, Distribution Germany	985	962	334	235
- of which, Distribution Sweden	5 254	5 120	1 395	1 405
Other¹	- 1 528	- 1 007	- 618	- 209
Eliminations	3	- 59	164	128
Underlying operating profit	19 883	23 203	4 627	7 213

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

Customers & Solutions

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

Customer growth and continued expansion of charging solutions

- Increased net sales in most of Vattenfall's markets
- Long-term electricity supply agreement with Norwegian industrial group Elkem
- First charging stations installed in the UK
- Expansion into French retail market



Full year: 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 and Sweden, sales increased as a result of positive price effects. The total customer base grew by 1.9% to 8.9 million contracts, mainly owing to an increase in the customer base in Germany. This also had a positive effect on sales together with currency effects. However, the underlying operating profit decreased compared with 2017, mainly owing to increased pressure on margins in the UK and growth activity in energy solutions.

Q4: Net sales increased mainly as a result of higher sales in the B2B segment in the Nordic countries, positive price effects in the Netherlands, a larger customer base in Germany and higher sales in France. The underlying operating profit decreased mainly as a result of growth activities.

Vattenfall and the Norwegian industrial group Elkem have entered into a long-term electricity supply agreement for the period 2020–2026. The deal includes supply of 260 GWh yearly, or a total of approximately 1.8 TWh. The agreement marks a continuation of Vattenfall's many years of cooperation with Norwegian base industry.

Six months after the InCharge charging network – which today has a total of 10,500 charging points – was launched in the UK, Vattenfall and BMM Energy Solutions reached an agreement to install e-vehicle charging stations, with electricity supplied from British wind farms. Vattenfall will initially install and operate 20 charging stations at five public car parks.

In Stockholm Vattenfall has partnered with the car-sharing service aimo. aimo is the first car-sharing service in Sweden to use 100% electricity to power its 300 cars. The ambition of the partnership is to provide Stockholmers with convenient and reliable charging of fossil-free electricity from any of Vattenfall's eight charging streets operated by InCharge in Stockholm.

Since the first of October Vattenfall has been offering electricity to retail customers in France with the goal of helping them reduce their dependence on fossil fuels. Vattenfall has operated in France since 2000 and supplies more than 4,000 business customers with portfolio solutions and renewable energy. The French retail market has recently opened up, and 80% of retail customers are still on regulated tariffs. Vattenfall has a competitive offering, and growth potential in the country is great.

KEY FIGURES – CUSTOMERS & SOLUTIONS

Amounts in SEK million unless indicated otherwise	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	81 318	68 953	23 528	20 150
External net sales	78 883	67 402	22 758	19 695
Underlying operating profit before depreciation, amortisation and impairment losses	2 663	3 006	486	915
Underlying operating profit	1 269	1 866	110	620
Sales of electricity, TWh	88.3	84.0	23.5	23.5
- of which, private customers	27.4	27.1	7.5	7.9
- of which, resellers	4.9	5.1	1.4	1.6
- of which, business customers	56.0	51.8	14.6	14.0
Sales of gas, TWh	55.5	55.3	17.4	18.1
Number of employees, full-time equivalents	2 962	3 067	2 962	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 certain large business customers.

Generation: High nuclear power generation when needed the most

- Record high generation for Swedish nuclear power in 2018
- Dismantling and demolition license received for Brunsbüttel

Markets: Digitalisation of processes

- Automation of trading and balancing services for renewable electricity generation

Full year: Net sales increased mainly as a result of higher electricity prices and higher nuclear power generation combined with higher sales of electricity and gas, and positive currency effects. The underlying operating profit decreased mainly as a result of hedging. Contracts coupled to the Continental market are successively expiring, but together with Nordic price hedges also had negative impact during the year. The trading operation posted a lower underlying profit due to lower realised earnings.

Q4: Net sales increased as a result of higher electricity prices and higher sales to business customers in Germany, which was partly offset by hedging. The underlying operating profit decreased as a result of Nordic and Continental price hedges, a lower realised earnings contribution from the trading operations, and lower hydro power generation.

Vattenfall's nuclear power had high availability during the full year and fourth quarter of 2018. Combined availability for Vattenfall's nuclear power plants for the full year 2018 and fourth quarter was 88.9% (84.9%) and 94.0% (90.8%), respectively. For the full year an historic nuclear power generation record of 55.0 TWh was reached.



Availability for hydro power for the full year 2018 was 98.7%, and generation totalled 35.5 TWh, which is slightly lower than normal due to the dry weather during the summer. A rainy autumn partly compensated for the dry summer weather, and at year-end Nordic reservoir levels were at 55% of capacity, which is 2 percentage points below normal.

Vattenkraftens Miljöfond Sverige AB was established by eight major hydro power operators in 2018 to provide SEK 10 billion in funding for environment-related measures, of which Vattenfall will stand for just over half. Investments will be made during the coming 20 years in accordance with a national plan.

On 21 December 2018 Vattenfall received the requisite licence to dismantle and demolish the Brunsbüttel nuclear power plant in Schleswig-Holstein. This is a milestone for Vattenfall's coming dismantling work in Germany, which is expected to continue for 10 to 15 years.

During the autumn Vattenfall implemented an automated process for trading and balancing services for renewable generation in the German market. Algorithms and automation are being used to an ever-greater extent in trading and power balancing.

KEY FIGURES – POWER GENERATION

Amounts in SEK million unless indicated otherwise	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	99 970	79 566	32 495	23 127
External net sales	36 064	28 797	12 959	7 225
Underlying operating profit before depreciation, amortisation and impairment losses	12 830	13 936	1 795	3 504
Underlying operating profit	9 371	10 820	896	2 683
- of which, trading	581	1 138 ¹	- 40	668 ¹
Electricity generation, TWh	90.5	87.5	23.9	23.8
- of which, hydro power	35.5	35.6	9.1	9.4
- of which, nuclear power	55.0	51.9	14.8	14.4
Sales of electricity, TWh	28.7	23.7	7.6	6.4
- of which, resellers	24.6	20.5	6.6	5.5
- of which, business customers	4.1	3.2	1.0	0.9
Sales of gas, TWh	1.7	1.1	0.6	0.4
Number of employees, full-time equivalents	7 332	7 413	7 332	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.

Strong earnings development and continued growth in installed capacity

- Higher prices and new capacity made positive contribution to earnings
- Investment decision on the Kriegers Flak offshore wind farm in Denmark
- First deliveries of electricity from the Horns Rev 3 offshore wind farm in Denmark

Full year: Net sales and the underlying operating profit increased in 2018 as a result of positive price and currency effects and additional capacity. During 2017 and 2018, 451 MW of capacity were commissioned, of which the Aberdeen Bay (97 MW) in 2018. Electricity generation was stable compared with 2017, as the effect of added capacity was offset by less favourable wind conditions.

Q4: Net sales increased during the quarter mainly as a result of additional capacity and positive price and currency effects, which also contributed to an increase in the underlying profit. Higher onshore generation, generally high availability and additional offshore capacity (Aberdeen bay) were partly offset by lower generation at the Horns Rev 1 offshore wind farm due to transformer problems.

In December Vattenfall made the investment decision for the Kriegers Flak offshore wind farm in Denmark. The investment decision for the Vesterhav Syd & Nord offshore wind farms, also in Denmark, is pending the outcome of a legal process. The total investment for the three projects amounts to SEK 17 billion. The wind farms will have combined capacity of 949 MW, which corresponds to the electricity supply for approximately one million Danish households. Power generation from the Kriegers Flak and Vesterhav Syd & Nord wind farms will increase Vattenfall's total offshore wind power generation by approximately 25%.



At the end of December Denmark's largest offshore wind farm, Horns Rev 3, also began supplying electricity from the North Sea to the Danish electricity grid. The wind farm is expected to be put into full operation during the first half of 2019 with capacity of 407 MW, which is enough to meet the annual electricity needs of approximately 425,000 Danish households.

In November Vattenfall made the investment decision for two onshore wind farms in the Netherlands, Moerdijk and Haringvliet. Moerdijk consists of seven turbines with total capacity of 27 MW, and is located in a vibrant port area. This is a highly special project in which Vattenfall will demonstrate its ability to develop a wind farm in an urban environment by addressing the challenges surrounding design and operation, adaptation to existing infrastructure and the public's acceptance. Haringvliet has a capacity of 22 MW and will be built in southwest Netherlands. The wind farm is expected to be commissioned in mid-2020 and has been developed together with the Wind Business Area's Solar & Batteries business unit, as a battery project will also be developed adjacent to the wind farm.

Haringvliet is one of several projects in which existing facilities are being used for solar panel and battery installations. At the Moorburg power plant in Hamburg, 2,464 solar panel modules are being installed on a rooftop measuring 4,000 square metres. The installation has capacity of 750 kW and began generating renewable electricity in January 2019. Vattenfall plans to invest SEK 1 billion in solar power and batteries in 2019 and 2020.

KEY FIGURES – WIND

Amounts in SEK million unless indicated otherwise

	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	11 852	9 438	4 013	3 298
External net sales	8 003	6 669	2 709	2 384
Underlying operating profit before depreciation, amortisation and impairment losses	8 328	6 397	3 045	2 483
Underlying operating profit	3 747	2 137	1 845	1 385
Electricity generation - wind power TWh	7.8	7.6	2.5	2.4
Sales of electricity, TWh	1.1	1.0	0.3	0.4
Number of employees, full-time equivalents	894	773	894	773

Heat

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

Carve-out of heat operations in Hamburg and major investments in Uppsala

- City of Hamburg exercising its option to buy back Vattenfall's stake in the city's district heating system
- Investment programme of SEK 3.5 billion in Uppsala heating system
- Energy storage pilot project in Berlin

Full year: Net sales increased as a result of higher electricity prices and positive currency effects. The underlying operating profit decreased mainly due to higher costs for CO₂ emission allowances and fuel, and a positive one-off effect of approximately SEK 800 million in 2017, partly related to subsidies for gas-fired combined heat and power (CHP) plants in Germany. Sales of heat decreased during the year as a result of warmer weather, but the number of customers increased by 2.3%, to a total corresponding to 2.1 million households.

Q4: Net sales increased compared with the same quarter in 2017. Higher electricity prices and volumes were offset by positive one-off effects in 2017 partly related to subsidies for gas-fired CHP plants in Germany. The underlying profit decreased mainly due to higher costs for CO₂ emission allowances and fuel.

The City of Hamburg has decided to exercise its purchase option to take over Vattenfall's 74.9% ownership of the city's district heating system. The agreed purchase price is EUR 625 million, based on a valuation of the company's equity. Work is currently being carried out to separate the operation, and the transaction is expected to close in 2019. The buyback includes the district heating network and the Tiefstack and Wedel heating plants.

In December 2018 Vattenfall initiated an investment programme of SEK 3.5 billion in production facilities and network infrastructure in Uppsala to streamline heat production and phase out fossil fuels. The investments include a new boiler (112 MW), among other things, and preparations are being made for the possibility of also installing a turbine for electricity



generation. The investment programme, combined with a recently completed project involving the conversion of two boilers from fossil oil to bio-oil, will play a major role in Uppsala Municipality's efforts to be climate-neutral by 2030.

Vattenfall and Gesobau, one of Berlin's six municipally owned tenant-owner associations, have entered into a 10-year contract under which Vattenfall will supply Gesobau with heat. The parties have agreed on a capacity of 102 MW, part of which will be used to provide the Märkisches Viertel city district with 100% CO₂-free heat.

In October Vattenfall initiated a project with the German company Gewobag and the start-up company Lumenion for energy storage in Berlin. In addition, in December Vattenfall and the Swedish company SaltX announced the start of construction for another pilot project in Berlin. SaltX will build and operate a plant that needs electricity to store heat in specific Nano Coated Salts.

In Berlin, the major investment projects are proceeding according to plan, including the gas-fired combined heat and power plants Lichterfelde (300 MW_{el}, 222 MW_{th}) and Marzahn (264 MW_{el}, 231 MW_{th}) as well as Europe's largest power-to-heat plant in Reuter West (120 MW_{el}, 120 MW_{th}). The total investment for the three projects is EUR 800 million.

In Hamburg, Vattenfall inaugurated the Karoline power-to-heat plant in November. The plant has a capacity of 45 MW, which is enough to provide 13,500 households with heat. Karoline is a flexible plant for supply of heat during peak consumption periods and can utilise surplus electricity from renewable production.

KEY FIGURES – HEAT

Amounts in SEK million unless indicated otherwise	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	33 970	30 724	10 940	9 142
External net sales	15 828	14 882	4 727	4 357
Underlying operating profit before depreciation, amortisation and impairment losses	4 448	6 951	1 446	1 905
Underlying operating profit	771	3 371	511	973
Electricity generation - TWh	32.0	32.2	9.5	8.9
- of which, fossil-based power	31.6	31.8	9.4	8.9
- of which, biomass, waste	0.4	0.4	0.1	—
Sales of electricity business customers, TWh	1.1	1.1 ¹	0.3	0.3 ¹
Sales of heat, TWh	18.3	18.8	5.8	6.1
Number of employees, full-time equivalents	3 822	3 771	3 822	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.

Record level of investment in 2018, but new legislation will affect future investments

- Record high level of investment (+21% over 2017) and stable financial performance in 2018
- Investment plan in Sweden being reviewed as consequence of lower revenue frameworks
- Distinction from the German regulatory authority for being "super-efficient"
- Agreement on charging infrastructure in Berlin



Full year: Net sales increased in 2018 mainly as a result of higher network tariffs in the local network and higher revenues for the regional network in Sweden. This was partly offset by lower net sales in Germany, with lower prices as a consequence of lower grid fees. The underlying operating profit increased compared with 2017 as a result of higher revenues in Sweden.

Q4: Net sales and the underlying operating profit increased mainly as a result of higher revenues in Sweden, which was partly offset by higher depreciation and a decrease in other revenue.

During 2018 Vattenfall proceeded with extensive investments in modernising the electricity grid. These will reduce outages and reinforce the grid to be able to accept more renewable electricity generation and meet the rapidly growing need for electricity and capacity in major metropolitan areas. Queries related to new connections for homes, electricity-intensive industries and renewable generation increased during the year. The number of connections of solar cell systems increased by 59%.

In northern Sweden, investments are continuing according to plan, and to date Vattenfall has invested SEK 2.4 billion of the investment programme of SEK 2.7 billion that was begun in 2014 to ensure more reliable supply of electricity to customers in northern Sweden. In total, investments in the Swedish electricity grid amounted to SEK 4.7 billion, representing an historic record and an increase of 21% compared with 2017.

We see a need for long-term and sustainable regulation to finance the investments that need to be made in the electricity grid. However, as a result of new legislation that affects electricity grid operators' revenue frameworks that take effect in

2020, the investment plan for the period 2020–2023 will need to be reduced.

Parts of the extensive investments that Vattenfall is making entail increasing capacity in the electricity grid. Rapid, high growth especially in the major metropolitan areas is giving rise to challenges to expand and increase capacity in the electricity grid at the same pace. Bottlenecks in the grid combined with extensive housing construction and the establishment of electricity-intensive industry and infrastructure have led to a shortage of capacity in the electricity grid. Vattenfall is therefore testing new, innovative solutions, such as new forms of load and production management to meet capacity shortages and increase efficiency in the grid. A programme for capacity- and reliability-raising measures has also been initiated in the Stockholm area.

Vattenfall's electricity grid company in Berlin has received an outstanding rating in the recent nationwide efficiency comparison of Distribution System Operators. The Federal Network Agency attested not only to an efficiency value of 100%, but to the highest possible "super efficiency" rating of 105%. The cost audit resulted in an additional efficiency bonus of around EUR 3 million per year for the current regulatory period (2019-2023). This rewards efficiency efforts that have already been made.

In Berlin we have also earned renewed trust to supply both charging infrastructure and street lights. As part of its efforts to be a more sustainable city, Berlin will replace 1,400 diesel buses with electric buses. We recently signed an agreement with BVG, Berlin's municipal transport company, to supply the charging infrastructure for the electric buses.

KEY FIGURES – DISTRIBUTION

Amounts in SEK million unless indicated otherwise	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	22 374	21 430	6 089	5 770
External net sales	17 845	16 840	4 855	4 555
Underlying operating profit before depreciation, amortisation and impairment losses	9 292	8 963	2 540	2 402
Underlying operating profit	6 250	6 075	1 719	1 633
Number of employees, full-time equivalents	2 190	2 126	2 190	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	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Net sales	5 255	4 951	1 464	1 318
External net sales	201	524	40	126
Underlying operating profit before depreciation, amortisation and impairment losses	- 1 095	- 550	- 512	- 91
Underlying operating profit	- 1 528	- 1 007	- 618	- 209
Number of employees, full-time equivalents	2 710	2 891	2 710	2 891

Consolidated income statement

Amounts in SEK million	Full year 2018	Full year 2017 ⁶	Oct-Dec 2018	Oct-Dec 2017 ⁶
Net sales	156 824	135 114	48 048	38 342
Cost of purchases	- 85 196	- 65 206	- 28 615	- 17 518
Other external expenses	- 19 375	- 19 466	- 6 209	- 7 091
Personnel expenses	- 19 157	- 18 063	- 4 919	- 4 640
Other operating incomes and expenses, net	925	1 655	345	766
Participations in the results of associated companies	320	365	12	140
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	34 341	34 399	8 662	9 999
Depreciation, amortisation and impairments	- 16 722	- 15 875	- 4 473	- 4 079
Operating profit (EBIT)¹	17 619	18 524	4 189	5 920
Financial income ^{2,5}	2 887	2 670	374	1 091
Financial expenses ^{3,4,5}	- 6 503	- 8 425	- 1 521	- 3 422
Profit before income taxes	14 003	12 769	3 042	3 589
Income taxes expense	- 1 996	- 3 285	58	- 778
Profit for the period	12 007	9 484	3 100	2 811
Attributable to owner of the Parent Company	10 157	8 333	2 421	2 520
Attributable to non-controlling interests	1 850	1 151	679	291
Supplementary information				
Underlying operating profit before depreciation, amortisation and impairment losses	36 469	38 644	8 964	11 246
Underlying operating profit	19 883	23 203	4 627	7 213
Financial items, net excl. Discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 3 407	- 4 538	- 408	- 1 672
1) Including items affecting comparability	- 2 264	- 4 679	- 438	- 1 293
- of which, capital gains	1 067	728	406	141
- of which, capital losses	- 111	- 89	- 28	- 54
- of which, impairment losses	- 136	- 438	- 136	- 46
- of which, reversed impairment losses	—	4	—	—
- of which, provisions	- 1 649	- 2 438	- 893	- 1 881
- of which, unrealised changes in the fair value of energy derivatives	- 156	- 3 637	695	104
- of which, unrealised changes in the fair value of inventories	61	10	76	166
- of which, restructuring costs	- 554	- 348	- 263	- 96
- of which, other non-recurring items affecting comparability	- 786	1 529	- 295	373
2) Including return from the Swedish Nuclear Waste Fund	2 030	1 138	- 191	- 66
3) Including interest components related to pension costs	- 844	- 820	- 212	- 207
4) Including discounting effects attributable to provisions	- 2 239	- 2 355	- 548	- 593
5) Items affecting comparability recognised as financial income and expenses, net	2 040	7	—	4
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	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Profit for the period	12 007	9 484¹	3 100	2 811¹
Other comprehensive income				
Items that will be reclassified to profit or loss when specific conditions are met				
Cash flow hedges - changes in fair value	7 776	4 442	- 628	2 568
Cash flow hedges - dissolved against income statement	- 6 066	- 2 844	- 3 610	- 1 366
Cash flow hedges - transferred to cost of hedged item	3	1	- 3	5
Hedging of net investments in foreign operations	- 2 177	- 1 147	282	- 965
Translation differences and exchange rate effects net, divested companies	2	17	—	—
Translation differences	4 193	2 360 ¹	- 642	1 918 ¹
Income taxes related to items that will be reclassified	- 237	- 217	1 255	- 100
Total items that will be reclassified to profit or loss when specific conditions are met	3 494	2 612	- 3 346	2 060
Items that will not be reclassified to profit or loss				
Remeasurement pertaining to defined benefit obligations	- 415	- 659	- 414	- 1 954
Income taxes related to items that will not be reclassified	- 5	169	9	557
Total items that will not be reclassified to profit or loss	- 420	- 490	- 405	- 1 397
Total other comprehensive income, net after income taxes	3 074	2 122	- 3 751	663
Total comprehensive income for the period	15 081	11 606	- 651	3 474
Attributable to owner of the Parent Company	12 821	10 228	- 1 179	3 016
Attributable to non-controlling interests	2 260	1 378	528	458

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	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
External net sales				
Customers & Solutions	78 883	67 402 ²	22 758	19 695 ²
Power Generation	36 064	28 797 ³	12 959	7 225 ³
Wind	8 003	6 669	2 709	2 384
Heat	15 828	14 882 ²	4 727	4 357 ²
Distribution	17 845	16 840 ²	4 855	4 555 ²
- of which, Distribution Germany	6 265	5 970	1 678	1 580
- of which, Distribution Sweden	11 462	10 870 ²	3 135	2 975 ²
Other ¹	201	524	40	126
Total	156 824	135 114 ²	48 048	38 342 ²
Internal net sales				
Customers & Solutions	2 435	1 551	770	455
Power Generation	63 906	50 769	19 536	15 902
Wind	3 849	2 769	1 304	914
Heat	18 142	15 842	6 213	4 785
Distribution	4 529	4 590	1 234	1 215
- of which, Distribution Germany	4 053	4 141	1 092	1 072
- of which, Distribution Sweden	493	449	149	143
Other ¹	5 054	4 427	1 424	1 192
Eliminations	- 97 915	- 79 948	- 30 481	- 24 463
Total	—	—	—	—
Total net sales				
Customers & Solutions	81 318	68 953 ²	23 528	20 150 ²
Power Generation	99 970	79 566 ³	32 495	23 127 ³
Wind	11 852	9 438	4 013	3 298
Heat	33 970	30 724 ²	10 940	9 142 ²
Distribution	22 374	21 430 ²	6 089	5 770 ²
- of which, Distribution Germany	10 318	10 111	2 770	2 652
- of which, Distribution Sweden	11 955	11 319 ²	3 284	3 118 ²
Other ¹	5 255	4 951	1 464	1 318
Eliminations	- 97 915	- 79 948 ³	- 30 481	- 24 463 ³
Total	156 824	135 114 ²	48 048	38 342 ²

Amounts in SEK million	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
<u>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</u>				
Customers & Solutions	2 650	2 913 ²	514	843 ²
Power Generation	10 170	9 254	1 423	2 400
Wind	8 277	6 404	3 001	2 495
Heat	4 071	7 114 ²	1 147	1 841 ²
Distribution	9 260	9 164 ²	2 517	2 403 ²
- of which, Distribution Germany	1 923	1 822	569	470
- of which, Distribution Sweden	7 299	7 349 ²	1 949	1 939 ²
Other ¹	- 90	- 391	- 104	- 111
Eliminations	3	- 59	164	128
Total	34 341	34 399²	8 662	9 999²
<u>Underlying operating profit before depreciation, amortisation and impairment losses</u>				
Customers & Solutions	2 663	3 006 ²	486	915 ²
Power Generation	12 830	13 936	1 795	3 504
Wind	8 328	6 397	3 045	2 483
Heat	4 448	6 951 ²	1 446	1 905 ²
Distribution	9 292	8 963 ²	2 540	2 402 ²
- of which, Distribution Germany	1 957	1 835	594	474
- of which, Distribution Sweden	7 297	7 135 ²	1 948	1 935 ²
Other ¹	- 1 095	- 550	- 512	- 91
Eliminations	3	- 59	164	128
Total	36 469	38 644²	8 964	11 246²

Amounts in SEK million	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
<u>Operating profit (EBIT)</u>				
Customers & Solutions	1 139	1 772 ²	21	549 ²
Power Generation	6 711	6 138	524	1 575
Wind	3 681	1 713	1 787	1 354
Heat	393	3 533 ²	211	909 ²
Distribution	6 218	6 276 ²	1 696	1 633 ²
- of which, Distribution Germany	950	948	309	231
- of which, Distribution Sweden	5 257	5 335 ²	1 397	1 409 ²
Other ¹	- 526	- 849	- 214	- 228
Eliminations	3	- 59	164	128
Operating profit (EBIT)	17 619	18 524²	4 189	5 920²
Operating profit (EBIT)	17 619	18 524 ²	4 189	5 920 ²
Financial income and expenses	- 3 616	- 5 755	- 1 147	- 2 331
Profit before tax	14 003	12 769²	3 042	3 589²
<u>Underlying operating profit</u>				
Customers & Solutions	1 269	1 866 ²	110	620 ²
Power Generation	9 371	10 820	896	2 683
Wind	3 747	2 137	1 845	1 385
Heat	771	3 371 ²	511	973 ²
Distribution	6 250	6 075 ²	1 719	1 633 ²
- of which, Distribution Germany	985	962	334	235
- of which, Distribution Sweden	5 254	5 120 ²	1 395	1 405 ²
Other ¹	- 1 528	- 1 007	- 618	- 209
Eliminations	3	- 59	164	128
Underlying operating profit	19 883	23 203²	4 627	7 213²

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	31 Dec 2018	31 Dec 2017 ¹
Assets		
Non-current assets		
Intangible assets: non-current	18 082	18 292
Property, plant and equipment	238 801	227 257
Participations in associated companies and joint arrangements	5 429	4 985
Other shares and participations	331	148
Share in the Swedish Nuclear Waste Fund	42 038	38 591
Derivative assets	13 951	12 801
Prepaid expenses	28	20
Deferred tax assets	11 719	12 535
Contract assets	44	99
Other non-current receivables	5 538	3 964
Total non-current assets	335 961	318 692
Current assets		
Inventories	13 647	15 687
Intangible assets: current	710	1 845
Trade receivables and other receivables	26 003	23 437
Contract assets	170	138
Advance payments paid	2 926	3 600
Derivative assets	23 955	11 029
Prepaid expenses and accrued income	8 427	7 010
Current tax assets	2 425	797
Short-term investments	22 977	18 092
Cash and cash equivalents	17 094	8 805
Assets held for sale	8 313	—
Total current assets	126 647	90 440
Total assets	462 608	409 132
Equity and liabilities		
Equity		
Attributable to owner of the Parent Company	88 096	77 085
Attributable to non-controlling interests	15 501	15 247
Total equity	103 597	92 332
Non-current liabilities		
Hybrid Capital	19 832	19 118
Other interest-bearing liabilities	43 981	54 335
Pension provisions	39 686	41 962
Other interest-bearing provisions	93 222	86 001
Derivative liabilities	14 042	12 798
Deferred tax liabilities	15 119	15 032
Contract liabilities	6 883	6 435
Other noninterest-bearing liabilities	2 305	2 371
Total non-current liabilities	235 070	238 052
Current liabilities		
Trade payables and other liabilities	29 482	23 872
Contract liabilities	1 052	1 098
Advance payments received	15 293	8 745
Derivative liabilities	27 245	13 200
Accrued expenses and deferred income	16 485	13 161
Current tax liabilities	850	1 254
Other interest-bearing liabilities	24 462	13 701
Interest-bearing provisions	3 734	3 717
Liabilities associated with assets held for sale	5 338	—
Total current liabilities	123 941	78 748
Total equity and liabilities	462 608	409 132

SUPPLEMENTARY INFORMATION

Amounts in SEK million	31 Dec 2018	31 Dec 2017 ¹
Calculation of capital employed		
Intangible assets: current and non-current	18 792	20 137
Property, plant and equipment	238 801	227 257
Participations in associated companies and joint arrangements	5 429	4 985
Deferred and current tax assets	14 144	13 332
Non-current noninterest-bearing receivables	3 657	2 910
Contract assets	214	237
Inventories	13 647	15 687
Trade receivables and other receivables	26 003	23 437
Prepaid expenses and accrued income	8 427	7 010
Unavailable liquidity	5 596	6 978
Other	624	1 566
Total assets excl. financial assets	335 334	323 536
Deferred and current tax liabilities	- 15 969	- 16 286
Other noninterest-bearing liabilities	- 2 305	- 2 371
Contract liabilities	- 7 935	- 7 533
Trade payable and other liabilities	- 29 482	- 23 872
Accrued expenses and deferred income	- 16 485	- 13 161
Total noninterest-bearing liabilities	- 72 176	- 63 223
Other interest-bearing provisions not related to adjusted net debt ²	- 11 589	- 11 316
Capital employed³	251 569	248 997
Capital employed, average	250 283	240 906
Calculation of net debt		
Hybrid Capital	- 19 832	- 19 118
Bond issues, commercial paper and liabilities to credit institutions	- 50 303	- 52 113
Present value of liabilities pertaining to acquisitions of Group companies	- 51	- 161
Liabilities to associated companies	- 504	- 462
Liabilities to owners of non-controlling interests	- 10 406	- 10 369
Other liabilities	- 7 179	- 4 931
Total interest-bearing liabilities	- 88 275	- 87 154
Cash and cash equivalents	17 094	8 805
Short-term investments	22 977	18 092
Loans to owners of non-controlling interests in foreign Group companies	476	997
Net debt³	- 47 728	- 59 260
Calculation of adjusted gross debt and net debt		
Total interest-bearing liabilities	- 88 275	- 87 154
50% of Hybrid Capital ⁴	9 916	9 559
Present value of pension obligations	- 39 686	- 41 962
Provisions for gas and wind operations and other environment-related provisions	- 7 656	- 6 507
Provisions for nuclear power (net) ⁵	- 31 920	- 30 716
Margin calls received	3 370	3 312
Liabilities to owners of non-controlling interests due to consortium agreements	9 195	9 189
Adjustment related to assets/liabilities held for sale	- 1 743	—
Adjusted gross debt	- 146 799	- 144 279
Reported cash and cash equivalents and short-term investments	40 071	26 897
Unavailable liquidity	- 5 596	- 6 978
Adjusted cash and cash equivalents and short-term investments	34 475	19 919
Adjusted net debt³	- 112 324	- 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	Full year 2018	Full year 2017 ¹	Oct-Dec 2018	Oct-Dec 2017 ¹
Operating activities				
Operating profit before depreciation, amortisation and impairment losses	34 341	34 399	8 662	9 999
Tax paid	- 3 698	- 3 218	405	- 1 273
Capital gains/losses, net	- 956	- 639	- 379	- 87
Interest received	343	289	158	71
Interest paid	- 3 046	- 4 896	- 247	- 2 019
Other, incl. non-cash items	- 3 709	708	- 1 334	- 164
Funds from operations (FFO)	23 275	26 643	7 265	6 527
Changes in inventories	1 549	- 481	- 210	- 2 668
Changes in operating receivables	- 790	- 3 387	- 8 138	- 9 111
Changes in operating liabilities	8 128	- 2 250	11 188	7 488
Other changes	8 892	5 203	- 4 341	2 314
Cash flow from changes in operating assets and operating liabilities	17 779	- 915	- 1 501	- 1 977
Cash flow from operating activities	41 054	25 728	5 764	4 550
Investing activities				
Acquisitions in Group companies	- 31	- 1 491	—	- 26
Investments in associated companies and other shares and participations	254	254	- 83	134
Other investments in non-current assets	- 22 136	- 20 057	- 8 952	- 7 284
Total investments	- 21 913	- 21 294	- 9 035	- 7 176
Divestments	1 569	2 795	610	340
Cash and cash equivalents in acquired companies	5	48	—	—
Cash and cash equivalents in divested companies	- 43	- 213	—	—
Cash flow from investing activities	- 20 382	- 18 664	- 8 425	- 6 836
Cash flow before financing activities	20 672	7 064	- 2 661	- 2 286
Financing activities				
Changes in short-term investments	- 4 523	5 646	- 1 667	4 036
Changes in loans to owners of non-controlling interests in foreign Group companies	562	1 700	134	- 60
Loans raised ²	8 720	6 088	6 095	1 336
Amortisation of other debt	- 9 562	- 13 438	- 622	- 6 127
Payment to the nuclear energy fund in Germany	—	- 17 322	—	- 105
Effect of early termination of swaps related to financing activities	- 122	105	- 190	—
Dividends paid to owners	- 3 299	- 865	- 50	- 31
Contribution/repaid contribution from owners of non-controlling interests	- 1 260	- 243	- 659	- 372
Cash flow from financing activities	- 9 484	- 18 329	3 041	- 1 323
Cash flow for the period	11 188	- 11 265	380	- 3 609

Amounts in SEK million	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Cash and cash equivalents				
Cash and cash equivalents at start of period	8 805	19 995	19 720	12 366
Cash and cash equivalents included in assets held for sale	- 2 992	—	- 2 992	—
Cash flow for the period	11 188	- 11 265	380	- 3 609
Translation differences	93	75	- 14	48
Cash and cash equivalents at end of period	17 094	8 805	17 094	8 805

SUPPLEMENTARY INFORMATION

Amounts in SEK million	Full year 2018	Full year 2017 ¹	Oct-Dec 2018	Oct-Dec 2017 ¹
Cash flow before financing activities	20,672	7,064	-2,661	-2,286
Financing activities				
Effects from terminating swaps related to financing activities	- 122	105	- 190	—
Dividends paid to owners	- 3 299	- 865	- 50	- 31
Contribution from owners of non-controlling interests	- 1 260	- 243	- 659	- 372
Cash flow after dividend	15 991	6 061	- 3 560	- 2 689
Analysis of change in net debt				
Net debt at start of period	- 59 260	- 50 724	- 42 383	- 56 841
Cash flow after dividend	15 991	6 061	- 3 560	- 2 689
Changes as a result of valuation at fair value	387	1 474	- 121	904
Interest-bearing liabilities/short-term investments acquired/divested	—	- 146	—	- 4
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	—	- 110	—	—
Cash and cash equivalents included in assets held for sale	- 2 992	—	- 2 992	—
Interest-bearing liabilities associated with assets held for sale	781	—	781	—
Translation differences on net debt	- 2 635	- 141	547	- 534
Reclassification	—	- 15 674 ³	—	- 96 ³
Net debt at end of period	- 47 728	- 59 260	- 47 728	- 59 260
Cash flow from operating activities	41 054	25 728	5 764	4 550
Maintenance investments	- 13 479	- 12 637	- 4 998	- 4 725
Free cash flow⁴	27 575	13 091	766	- 175

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	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Electricity generation				
Hydro power	1 109	1 317	420	577
Nuclear power	2 389	1 885	778	635
Coal power	305	168	173	99
Gas	259	228	36	75
Wind power and solar PV	7 902	5 445	2 046	1 757
Biomass, waste	112	32	57	23
Total electricity generation	12 076	9 075	3 510	3 166
CHP/heat				
Fossil-based power	3 028	1 830	1 278	1 025
Biomass, waste	148	114	56	52
Other	1 776	1 515	856	680
Total CHP/heat	4 952	3 459	2 190	1 757
Electricity networks				
Electricity networks	6 449	5 306	2 641	2 116
Total electricity networks	6 449	5 306	2 641	2 116
Purchases of shares, shareholder contributions	- 223	1 237	83	- 108
Other	1 267	1 359 ¹	490	447 ¹
Total investments	24 521	20 436	8 914	7 378
Accrued investments, unpaid invoices (-)/ release of accrued investments (+)	- 2 608	858	121	- 202
Total investments with cash flow effect	21 913	21 294	9 035	7 176

- 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	31 Dec 2018			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
Balance brought forward	77 085	15 247	92 332	68 272	15 528	83 800
Transitional effect of adoption of new accounting rules (IFRS 9, 15)	—	—	—	- 1 550	- 84	- 1 634
Profit for the period	10 157	1 850	12 007	8 333 ¹	1 151	9 484
Cash flow hedges - changes in fair value	7 776	—	7 776	4 442	—	4 442
Cash flow hedges - dissolved against income statement	- 6 074	8	- 6 066	- 2 827	- 17	- 2 844
Cash flow hedges - transferred to cost of hedged item	3	—	3	1	—	1
Hedging of net investments in foreign operations	- 2 177	—	- 2 177	- 1 147	—	- 1 147
Translation differences and exchange rate effects net, divested companies	2	—	2	17	—	17
Translation differences	3 707	486	4 193	2 065 ¹	295	2 360
Remeasurement pertaining to defined benefit obligations	- 310	- 105	- 415	- 585	- 74	- 659
Income taxes related to other comprehensive income	- 263	21	- 242	- 71	23	- 48
Total other comprehensive income for the period	2 664	410	3 074	1 895	227	2 122
Total comprehensive income for the period	12 821	2 260	15 081	10 228	1 378	11 606
Dividends paid to owners	- 2 000	- 1 299	- 3 299	—	- 865	- 865
Group contributions from(+)/to(-) owners of non-controlling interests	—	743	743	—	- 153	- 153
Contribution to/from minority interest	—	- 1 260	- 1 260	—	- 243	- 243
Other changes in ownership	—	—	—	—	- 179	- 179
Other changes	190	- 190	—	135	- 135	—
Total transactions with equity holders	- 1 810	- 2 006	- 3 816	135	- 1 575	- 1 440
Balance carried forward	88 096	15 501	103 597	77 085	15 247	92 332
- Of which, Reserve for hedges	450	35	485	- 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	Full year 2018	Full year 2017 ⁴	Oct-Dec 2018	Oct-Dec 2017 ⁴
Operating margin	11.2	13.7	8.7	15.4
Operating margin ²	12.7	17.2	9.6	18.8
Pre-tax profit margin	8.9	9.5	6.3	9.4
Pre-tax profit margin ²	9.1	12.9	7.2	12.7
Return on equity	11.9	11.1	11.9 ³	11.1 ³
Return on capital employed	7.0	7.7	7.0 ³	7.7 ³
Return on capital employed ²	7.9	9.6	7.9 ³	9.6 ³
EBIT interest cover, (x)	4.3	3.3	4.3 ³	3.3 ³
EBIT interest cover, (x) ²	4.9	4.1	4.9 ³	4.1 ³
FFO interest cover, (x)	6.5	5.4	6.5 ³	5.4 ³
FFO interest cover, net, (x)	7.8	6.9	7.8 ³	6.9 ³
Cash flow interest cover after maintenance investments, (x)	9.1	3.5	9.1 ³	3.5 ³
FFO/gross debt	26.4	30.6	26.4 ³	30.6 ³
FFO/net debt	48.8	45.0	48.8 ³	45.0 ³
FFO/adjusted net debt	20.7	21.4	20.7 ³	21.4 ³
EBITDA/net financial items, (x)	10.1	7.6	21.2	6.0
EBITDA/net financial items, (x) ²	10.7	8.5	22.0	6.7
Equity/Total assets	22.4	22.6	22.4	22.6
Gross debt/equity	85.2	94.4	85.2	94.4
Net debt/equity	46.1	64.2	46.1	64.2
Gross debt/gross debt plus equity	46.0	48.6	46.0	48.6
Net debt/net debt plus equity	31.5	39.1	31.5	39.1
Net debt/EBITDA, (x)	1.4	1.7	1.4 ³	1.7 ³
Adjusted net debt/EBITDA, (x)	3.3	3.6	3.3 ³	3.6 ³

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

2) Based on Underlying operating profit.

3) Last 12-month values.

4) 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	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017 ¹	Q3 2017 ¹	Q2 2017 ¹	Q1 2017 ¹
Income statement								
Net sales	48 048	32 489	31 959	44 328	38 342	27 354	29 307	40 112
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	8 662	7 854	6 888	10 938	9 999	5 900	8 718	9 783
Underlying Operating profit before depreciation, amortisation and impairment losses	8 964	6 301	7 883	13 322	11 246	6 546	8 754	12 097
Operating profit (EBIT)	4 189	3 680	2 775	6 975	5 920	2 115	4 399	6 091
Underlying operating profit	4 627	2 127	3 770	9 359	7 213	2 757	4 826	8 408
Profit before income taxes	3 042	2 181	3 500	5 279	3 589	811	3 283	5 087
Profit for the period	3 100	1 782	2 967	4 158	2 808	749	2 097	3 829
- of which, attributable to owner of the Parent Company	2 421	1 668	2 377	3 691	2 519	695	1 853	3 267
- of which, attributable to non-controlling interests	679	114	590	467	289	54	244	562
Balance sheet								
Non-current assets	335 961	338 105	333 706	323 689	318 709	307 981	305 106	302 872
Short-term investments	22 977	21 466	19 787	18 078	18 092	21 800	21 230	21 298
Cash and cash equivalents	17 094	19 720	15 662	14 414	8 805	12 366	21 583	18 010
Other current assets	86 576	84 566	76 135	70 918	63 526	47 790	52 358	60 788
Total assets	462 608	463 857	445 290	427 099	409 132	389 937	400 277	402 968
Equity	103 597	104 213	99 194	97 815	92 332	89 454	88 358	85 780
- of which, attributable to owner of the Parent Company	88 096	89 085	83 812	82 587	77 085	73 935	72 763	70 460
- of which, attributable to non-controlling interests	15 501	15 128	15 382	15 228	15 247	15 519	15 595	15 320
Hybrid Capital	19 832	19 865	20 033	19 615	19 118	18 908	19 007	19 086
Other interest-bearing liabilities	68 443	64 317	73 799	77 882	68 036	73 003	92 987	76 927
Pension provisions	39 686	43 208	43 704	43 276	41 962	39 554	39 556	40 555
Other interest-bearing provisions	96 956	93 967	94 615	91 300	89 718	85 039	84 755	97 537
Contract liabilities	7 935	7 883	7 814	7 684	7 533	7 249	7 094	6 890
Deferred tax liabilities	15 119	16 483	14 568	14 979	15 032	15 015	14 663	15 086
Other noninterest-bearing liabilities	111 040	113 921	91 563	74 548	75 401	61 715	53 857	61 107
Total equity and liabilities	462 608	463 857	445 290	427 099	409 132	389 937	400 277	402 968
Capital employed	251 569	254 679	262 325	259 821	248 867	235 305	239 315	234 945
Net debt	- 47 728	- 42 384	- 57 754	- 64 353	- 59 260	- 56 841	- 67 167	- 54 681
Cash flow								
Funds from operations (FFO)	7 265	3 246	4 006	8 758	6 527	5 001	6 809	8 307
Cash flow from changes in operating assets and operating liabilities	- 1 501	15 570	11 209	- 7 499	- 1 977	10 549	- 20	- 9 468
Cash flow from operating activities	5 764	18 816	15 215	1 259	4 550	15 550	6 789	- 1 161
Cash flow from investing activities	- 8 425	- 3 961	- 4 790	- 3 206	- 6 836	- 5 004	- 3 781	- 3 043
Cash flow before financing activities	- 2 661	14 855	10 425	- 1 947	- 2 286	10 546	3 008	- 4 204
Changes in short-term investments	- 1 667	- 1 943	- 1 438	525	4 036	- 523	200	1 933
Loans raised/Amortisation of debt, net, etc.	4 758	- 8 589	- 4 835	7 002	- 5 328	- 18 794	725	287
Dividends paid to owners	- 50	- 222	- 2 949	- 77	- 31	- 393	- 441	—
Cash flow from financing activities	3 041	- 10 754	- 9 222	7 450	- 1 323	- 19 710	484	2 220
Cash flow for the period	380	4 101	1 203	5 503	- 3 609	- 9 164	3 492	- 1 984
Free cash flow	766	15 973	12 002	- 1 165	- 175	12 782	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	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Key ratios								
Return on equity ¹	11.9	12.4	11.5	11.2	11.1	2.4	1.4	- 41.1
Return on capital employed ²	7.0	7.9	7.1	7.8	7.7	4.2	4.2	- 1.1
Return on capital employed ^{2,3}	7.9	9.2	9.2	9.8	9.6	9.9	9.7	8.7
EBIT interest cover, (x) ²	4.3	3.4	3.0	3.3	3.3	2.2	2.2	- 0.5
EBIT interest cover, (x) ^{2,3}	4.9	3.9	3.9	4.0	4.1	5.2	4.9	5.0
FFO/gross debt ²	26.4	26.8	25.9	27.8	30.6	29.6	24.5	27.7
FFO/net debt ²	48.8	53.2	42.1	42.1	45.0	47.9	40.8	48.7
FFO/adjusted net debt ²	20.7	20.6	19.4	20.7	21.4	24.1	22.3	21.0
Equity/assets ratio	22.4	22.5	22.3	22.9	22.6	22.9	22.1	21.3
Gross debt/equity	85.2	80.8	94.6	99.7	94.4	102.7	126.8	111.9
Net debt/equity	46.1	40.7	58.2	65.8	64.2	63.5	76.0	63.7
Net debt/net debt plus equity	31.5	28.9	36.8	39.7	39.1	38.9	43.2	38.9
Net debt/EBITDA, (x) ²	1.4	1.2	1.7	1.8	1.7	2.1	2.4	2.4
Adjusted net debt/EBITDA, (x) ²	3.3	3.1	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.

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 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” replaces IAS 17 – “Leases” along with the accompanying interpretations. IFRS 16 becomes effective as from 2019. Vattenfall transitions to the new leasing standard by applying the modified retrospective approach, and therefore the 2018 financial statements will not be restated. Starting 1 January 2019, a right-of-use asset along with a lease liability will be recognised on the balance sheet for all lease contracts except for leases for which the underlying asset is of low value and short-term leases. Short-term leases are leasing contracts with a duration of 12 months or less.

As per 1 January 2019, a lease liability will be recognised for leases that were previously classified as operating leases through application of IAS 17. The lease liability is measured as the present value of the remaining lease payments discounted by Vattenfall's incremental borrowing rate as per 1 January 2019. The right-of-use asset is recognised generally at the same value as the lease liability. In the income statement, the lease expenses will be replaced by depreciation of the right-of-use asset and interest expense on the lease liability. The implementation of IFRS 16 also entails a positive effect on operating cash flows and a negative effect on cash flow from financing activities. The effect on the Group's balance sheet total as of January 1 2019 is approximately SEK 4,3 billion.

In its capacity as a lessee, Vattenfall mainly has lease contracts relating to real estate leases, land leases and car leases. Vattenfall's lessor accounting remains mainly unchanged with application of the new leasing standard IFRS 16.

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

	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017	Full year 2017
Average rate					
EUR	10.2591	9.6392	10.3212	9.7889	9.6392
DKK	1.3765	1.2958	1.3832	1.3153	1.2958
NOK	1.0641	1.0316	1.0670	1.0141	1.0316
PLN	2.4074	2.2659	2.3992	2.3146	2.2659
GBP	11.5785	11.0311	11.5930	11.1004	11.0311
USD	8.6988	8.5405	9.0342	8.2810	8.5405

		31 Dec 2018	31 Dec 2017	31 Dec 2017
Balance sheet date rate				
EUR		10.2548	9.8438	9.8438
DKK		1.3733	1.3222	1.3222
NOK		1.0308	1.0004	1.0004
PLN		2.3841	2.3567	2.3567
GBP		11.4639	11.0950	11.0950
USD		8.9562	8.2080	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	31 Dec 2018		31 Dec 2017	
	Carrying amount	Fair value	Carrying amount ²	Fair value ²
Financial assets at fair value through profit or loss	108 776 ³	108 776 ³	41 122	41 122
Financial assets at amortised cost	42 276 ³	42 304 ³	74 647	76 820
Financial liabilities at fair value through profit or loss	41 287	41 287	25 998	25 998
Financial liabilities at amortised cost	125 322	130 526	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 31 DECEMBER 2018

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

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

Amounts in SEK million	Level 1	Level 2	Level 3	Total
Assets				
Derivative assets	—	23 701 ⁵	129	23 830
Short-term investments, cash equivalents and other shares and participations	10 700	6 592 ²	—	17 292
Total assets	10 700	30 293	129	41 122
Liabilities				
Derivative liabilities	—	25 900	98	25 998
Total liabilities	—	25 900	98	25 998

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 31 December 2018 has been calculated at SEK -95 million (31). A change of +/-5% would affect the total value by approximately SEK +/- 35 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	31 Dec 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	- 5 866	2 077	56	- 3 215	117	- 34
Financial assets at amortised cost	33	—	—	100	1 138 ⁵	—
Financial liabilities at fair value through profit or loss	- 131	106	—	- 202	115 ⁵	—
Financial liabilities at amortised cost	- 377	—	- 3 246	312	—	- 5 018
Total	- 6 341	2 183	- 3 190	- 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 in quarter 2 2018, 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 affected 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. As from 2019, no changed accounting standards and interpretations are considered to have any material effect on the Parent Company's financial statements. The Parent Company will report leases in accordance with the exemption rule for IFRS 16 provided in RFR 2, which entails no change compared with the current year.

January – December 2018

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

- Net sales amounted to SEK 42,450 million (31,271).
- Profit before appropriations and income taxes was SEK 1,400 million (6,397).
- Earnings were negatively affected by higher futures prices for the unrealized derivatives compared with the same period a year ago. Higher electricity generation and higher spot prices have had a positive effect on earnings. The result from participations in subsidiaries was SEK 3,389 million (4,855), of which SEK 2,904 million pertains to a dividend from N.V. Nuon Energi. The remaining

amount consists of dividends, impairment losses and the result from liquidations. The change in other financial expenses is mainly attributable to currency effects.

- The balance sheet total was SEK 278,819 million (255,092).
- Changed tax rules in Sweden have required a remeasurement of Vattenfall AB's deferred tax assets, with an earnings effect of SEK - 80 million.
- Investments during the period amounted to SEK 1,318 million (5,204), of which SEK 4,000 million of the amount for 2017 pertains to a shareholder contribution to Vattenfall Vindkraft AB.
- Cash and cash equivalents, and short-term investments amounted to SEK 39,798 million (23,621). The increase pertains mainly to dividends, the repayment of loans from subsidiaries and changes in the company's debt portfolio.
- 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	Full year 2018	Full year 2017 ¹
Net sales	42 450	31 271
Cost of purchases	- 34 751	- 20 370
Other external expenses	- 3 745	- 3 246
Personnel expenses	- 2 053	- 1 933
Other operating incomes and expenses, net	71	564
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	1 972	6 286
Depreciation, amortisation and impairments	- 501	- 496
Operating profit (EBIT)	1 471	5 790
Result from participations in subsidiaries	3 389	4 855
Other financial income	1 403	1 445
Other financial expenses	- 4 863	- 5 693
Profit before appropriations and income taxes	1 400	6 397
Appropriations	919	1 037
Profit before income taxes	2 319	7 434
Income taxes	135	- 607
Profit for the period	2 454	6 827

- 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	31 Dec 2018	31 Dec 2017 ¹
Assets		
Non-current assets		
Intangible assets: non-current	193	187
Property, plant and equipment	4 563	4 277
Shares and participations	149 779	149 914
Deferred tax assets	1 921	1 040
Other non-current receivables	63 366	59 388
Total non-current assets	219 822	214 806
Current assets		
Inventories	269	221
Intangible assets: current	337	246
Current receivables	17 949	16 092
Current tax assets	644	106
Short-term investments	22 129	17 205
Cash and cash equivalents	17 669	6 416
Total current assets	58 997	40 286
Total assets	278 819	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
Revaluation reserve	37 989	37 989
Other reserves	1 341	1 322
Non-restricted equity		
Retained earnings	46 163	41 355
Profit for the period	2 454	6 827
Total equity	94 532	94 078
Untaxed reserves	11 753	12 284
Provisions	5 256	5 194
Non-current liabilities		
Hybrid capital	19 837	19 126
Other interest-bearing liabilities	39 171	50 401
Other noninterest-bearing liabilities	11 196	9 895
Total non-current liabilities	70 204	79 422
Current liabilities		
Other interest-bearing liabilities	86 207	57 308
Other noninterest-bearing liabilities	10 867	6 806
Total current liabilities	97 074	64 114
Total equity, provisions and liabilities	278 819	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	- 231	- 155	91 090
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	3 678	—	68 366	64 517	2 182	—	66 699
Other current noninterest-bearing liabilities	6 514	—	12	6 526	5 869	—	12	5 881
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	2 451	—	56 050	55 300	2 886	—	58 186
Other current noninterest-bearing liabilities	3 413	—	12	3 425	4 221	—	12	4 233
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	2 872	—	57 308
Other current noninterest-bearing liabilities	6 794	—	12	6 806
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. The measurement of these have in previous years been based on cost using the lower of cost or net realizable value principle, in accordance with the Annual Accounts Act, while after the transition to 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	Full year 2018	Full year 2017	Oct-Dec 2018	Oct-Dec 2017
Operating profit (EBIT)	17 619	18 524	4 189	5 920
Depreciation, amortisation and impairment losses	- 16 722	- 15 875	- 4 473	- 4 079
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	34 341	34 399	8 662	9 999
Items affecting comparability excl. impairment losses and reversed impairment losses	2 128	4 245	302	1 247
Underlying operating profit before depreciation, amortisation and impairment losses	36 469	38 644	8 964	11 246
Operating profit (EBIT)	17 619	18 524	4 189	5 920
Items affecting comparability	2 264	4 679	438	1 293
Underlying operating profit	19 883	23 203	4 627	7 213

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

KEY RATIOS BASED ON CONTINUING OPERATIONS AND LAST 12-MONTH VALUES JANUARY 2018– DECEMBER 2018

Operating margin, %	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}} = \frac{17\,619}{156\,824}$	=	11.2
Operating margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}} = \frac{19\,883}{156\,824}$	=	12.7
Pre-tax profit margin, %	= 100 x	$\frac{\text{Profit before income taxes}}{\text{Net sales}} = \frac{14\,003}{156\,824}$	=	8.9
Pre-tax profit margin excl. items affecting comparability, %	= 100 x	$\frac{\text{Profit before income taxes excl. items affecting comparability}}{\text{Net sales}} = \frac{14\,227}{156\,824}$	=	9.1
Return on equity, %	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}} = \frac{10\,157}{85\,500}$	=	11.9
Return on capital employed, %	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}} = \frac{17\,619}{250\,283}$	=	7.0
Return on capital employed excl. items affecting comparability, %	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}} = \frac{19\,883}{250\,283}$	=	7.9
EBIT interest cover, (x)	=	$\frac{\text{EBIT + financial income excl. return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{18\,476}{4\,264}$	=	4.3
EBIT interest cover excl. Items affecting comparability, (x)	=	$\frac{\text{Underlying EBIT + financial income excl. Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{20\,740}{4\,264}$	=	4.9
FFO interest cover, (x)	=	$\frac{\text{FFO + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}} = \frac{27\,539}{4\,264}$	=	6.5
FFO interest cover, net, (x)	=	$\frac{\text{FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}} = \frac{26\,682}{3\,407}$	=	7.8

Cash flow interest cover after maintenance investments, (x)	=	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl. Discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}$	$\frac{30\,995}{3\,420} = 9.1$
FFO/gross debt, %	= 100 x	$\frac{\text{FFO}}{\text{Interest-bearing liabilities}}$	$\frac{23\,275}{88\,275} = 26.4$
FFO/net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Net debt}}$	$\frac{23\,275}{47\,728} = 48.8$
FFO/adjusted net debt, %	= 100 x	$\frac{\text{FFO}}{\text{Adjusted net debt}}$	$\frac{23\,275}{112\,324} = 20.7$
EBITDA/net financial items, (x)	=	$\frac{\text{EBITDA}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{34\,341}{3\,407} = 10.1$
EBITDA excl. items affecting comparability/net financial items, (x)	=	$\frac{\text{EBITDA excl. items affecting comparability}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{36\,469}{3\,407} = 10.7$

KEY RATIOS BASED ON THE BALANCE SHEET PER 31 DECEMBER 2018

Equity/total assets, %	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{103\,597}{462\,608} = 22.4$
Gross debt/equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{88\,275}{103\,597} = 85.2$
Net debt/equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	$\frac{47\,728}{103\,597} = 46.1$
Gross debt/gross debt equity, %	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	$\frac{88\,275}{191\,872} = 46.0$
Net debt/net debt plus equity, %	= 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	$\frac{47\,728}{151\,325} = 31.5$
Net debt/EBITDA, (x)	=	$\frac{\text{Net debt}}{\text{EBITDA}}$	$\frac{47\,728}{34\,341} = 1.4$
Adjusted net debt/EBITDA, (x)	=	$\frac{\text{Adjusted net debt}}{\text{EBITDA}}$	$\frac{112\,324}{34\,341} = 3.3$

Dividend

In accordance with Vattenfall's dividend policy, the Board of Directors proposes a dividend of SEK 2,000 million, corresponding to 20% of profit for the year attributable to owners of the Parent Company.

Annual General Meeting

The Annual General Meeting will be held on 11 April 2019, in Solna. The Annual General Meeting is open to the general public. The Annual Report (in both Swedish and English versions) is expected to be published on www.vattenfall.se and www.vattenfall.com, respectively, on 20 March 2019.

Year-end report signature

Solna, 6 February 2019

Vattenfall AB (publ)
The Board of Directors

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

Financial calendar

Annual General Meeting, 11 April 2019

Interim report January-March, 25 April 2019

Interim report January-June, 19 July 2019

Interim report January-September, 29 October 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. The information was submitted for publication, through the agency of the contact persons set out above, at 08.00 CET on 7 February 2019. 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.