

CORPORATE GOVERNANCE REPORT

The following pages include information on corporate governance during the 2015 financial year, as prescribed by law and the Swedish Corporate Governance Code. The corporate governance report has been reviewed by the company's auditors.



FURTHER INFORMATION
VATTENFALL.COM

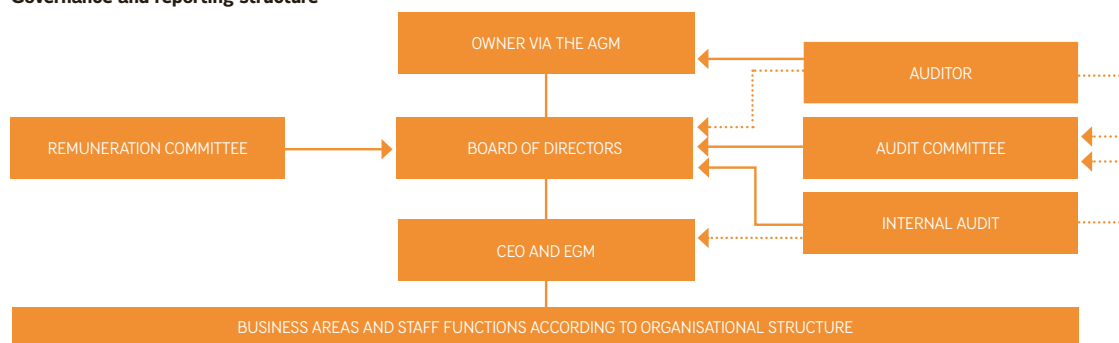
Vattenfall's Articles of Association and continuously updated information about corporate governance at Vattenfall are available on Vattenfall's website: vattenfall.com (original Swedish documents available on vattenfall.se). The website is also a source of previous corporate governance reports, documentation and video presentations from the most recent Annual General Meetings, and links to the Swedish state's ownership policy, the Swedish Corporate Governance Code and Vattenfall's Code of Conduct.

Corporate governance at Vattenfall – general

The Parent Company of the Vattenfall Group, Vattenfall AB, is a Swedish public limited liability company with registered office in Solna. Vattenfall AB is thereby subject to the provisions of the Swedish Companies Act. The main decision-making bodies are the Annual General Meeting, the Board of Directors, and the

President. The Board of Directors is appointed by the Annual General Meeting. The Board, in turn, appoints the President, who is responsible for the day-to-day administration of the company in accordance with the Board's guidelines and instructions.

Governance and reporting structure



Application of the Code

Vattenfall adheres to the Swedish Corporate Governance Code ("the Code"). However, since Vattenfall is wholly owned by the Swedish state, certain stipulations in the Code are not applicable. This applies to the matter of reporting on board members' independence, among other things. In addition, Vattenfall also deviates from the Code with respect to the following points:

Point 1.3, pertaining to the requirement that the nomination committee shall propose a person to serve as AGM chairman. Due to its ownership structure, Vattenfall has no nomination committee. Election of an AGM chairman is instead done at the AGM in accordance

with the stipulations of the Swedish Companies Act and the Swedish state's ownership policy.

Chapter 2, pertaining to the requirement that the company shall have a nomination committee. The nomination process for the Board and auditors is conducted in accordance with the Swedish state's ownership policy and is described below. Thus the references to the nomination committee in points 1.2, 1.3, 4.6, 8.1 and 10.2 are not applicable either. However, information on the nomination of board members for new election or re-election is posted on the company's website in accordance with point 2.6.

Important external and internal rules and regulations for Vattenfall

External rules and regulations:

- Swedish and foreign legal rules, particularly the Swedish Companies Act and the Swedish Annual Accounts Act
- The Swedish state's ownership policy
- The Swedish Corporate Governance Code ("the Code")
- Stock exchange rules¹
- International Financial Reporting Standards (IFRS) and other accounting rules
- The Global Reporting Initiative (GRI) G4 Guidelines

Internal rules:

- Vattenfall's Articles of Association
- The Board's and committees' Rules of Procedure, including the CEO's instructions and instructions for reporting to the Board
- The Vattenfall Management System (VMS) and other internal governance documents

1) Vattenfall adheres to the stock exchange rules that apply for companies that have fixed-income instruments registered on Nasdaq OMX Stockholm and other marketplaces.

Shareholders and general meetings

Vattenfall AB is wholly owned by the Swedish state. The shareholder's right to make decisions about Vattenfall's affairs is exercised at the Annual General Meeting (AGM) and other general meetings. The Annual General Meeting of Vattenfall AB is to be held within six months after the end of the financial year by law and not later than 30 April in accordance with the Swedish state's ownership policy. Notice of the AGM is issued not earlier than six weeks and not later than four weeks before the meeting is to be held.

Vattenfall held its 2015 AGM on 27 April 2015, at which it decided on the following items of business. The company's owner, the Swedish state, participated at the AGM through its owner representative. Viktoria Bergman and Tomas Kåberger were elected as new directors on the Board, while Eli Arnstad declined re-election. Members of Parliament were given the opportunity to ask questions, in accordance with Vattenfall's Articles of Association. An open Q&A session was held after the AGM, in accordance with the Swedish state's ownership

policy. The AGM was open to the general public and was aired live via webcast.

The 2016 AGM will be held on 27 April 2016 in Solna, Sweden.

Duties of the Annual General Meeting:

- Elect the Board of Directors, the Chairman of the Board and the auditors, and decide on their fees
- Adopt the income statement and balance sheet for Vattenfall AB and the Vattenfall Group
- Decide on distribution of the company's profit
- Grant discharge from liability for the board members and the President
- Decide on guidelines for remuneration of senior executives
- Decide on other matters of business as prescribed by law or the Company's Articles of Association

Board of Directors

The Board's duties

The Board's fundamental duties are laid out in the Swedish Companies Act and the Code. Each year the Board adopts its Rules of Procedure and a number of instructions. The Rules of Procedure and instructions regulate such matters as reporting to the Board, delegation of duties between the Board, the President and the Board's committees, the Chairman's duties, the form and content of board meetings, and the evaluation of the work of the Board and the President.

The Board's Rules of Procedure stipulate that the Board shall set the overarching goals for Vattenfall's operations, decide on Vattenfall's strategy for achieving those goals, and ensure that effective systems are in place for monitoring and controlling Vattenfall's operations and financial position towards the set goals. The Board is responsible for approving major investments, acquisitions and divestments, and for

adopting central policies and instructions. The Board shall also approve certain important contracts, including contracts between Vattenfall and the President, Executive Vice Presidents and other persons in the Group who are defined as senior executives. The Board's duties pertain to Vattenfall AB as well as the Vattenfall Group.

The Chairman leads the work of the Board in accordance with the Swedish Companies Act and the Code, and is responsible for – among other things – ensuring that the board members receive relevant information, contacts with the owner on ownership matters, and for conveying views from the owner to the Board. According to the Rules of Procedure, the Board – through the Chairman – shall coordinate its views with representatives of the owner when the company is facing particularly important decisions.

The Board's yearly planning



Board meetings

According to the Board's Rules of Procedure, the Board shall hold eight to twelve regular board meetings every year. In addition to the regular meetings, the Board meets when necessary.

The Rules of Procedure stipulate that the agenda of every regular meeting shall include the following items of business:

- The Group's business situation
- Financial report for the Group
- Reports from board committees, in case such meetings were held
- Matters that are not handled by the President in the day-to-day administration
- Other matters of material importance for the Group
- In addition, certain items of business are included on the agenda every year, in accordance with the yearly planning in the Board's Rules of Procedure

Investments approved by the Board are followed up by the Board one year after their implementation. The Board holds at least one board seminar every year. At these seminars the Board receives more detailed information and discusses Vattenfall's long-term development, strategy, competitive situation and risk management.

The Board met ten times in 2015, including the statutory meeting and one meeting conducted via circulation.

The Board's main items of business in 2015:

- Vattenfall's strategic direction, sustainability targets and sustainability reporting
- Cost-cutting and cost-cutting targets
- Impairment losses and revaluation of Vattenfall's assets
- Sale of the lignite operations in Germany
- Early closure of the Ringhals 1 and 2 nuclear reactors
- Investments in new wind farms and wind power partnerships in Sweden
- Maintenance investments in Forsmark

Sustainability issues addressed by the Board

The Swedish state's ownership policy stipulates that companies with state ownership shall serve as a model for sustainable business. The ownership policy defines sustainable business as "a development that meets the needs of today without jeopardising future generations' ability to meet their needs" and covers human rights, work conditions, the environment, anti-corruption, business ethics, and equality and diversity.

The Board has adopted an overarching sustainability policy as a complement to individual policies for such areas as the environment, the Code of Conduct, and health and safety. It stipulates that for Vattenfall, sustainability entails taking responsibility for future generations by contributing to sustainable development in society – economically, environmentally and socially. The sustainability policy also stipulates that environmental issues are the top-priority focus area, based on a decision by Swedish Parliament in 2010 that Vattenfall shall operate a commercial energy business that enables the company to be among the leaders in developing environmentally sustainable energy production. This parliamentary decision is also reflected in Vattenfall AB's Articles of Association. Additionally, in 2015 the Board adopted four strategic objectives,

which in themselves constitute sustainability objectives:

- Leading towards Sustainable Consumption
- Leading towards Sustainable Production
- High Performing Operations
- Empowered and Engaged Organisation

Appointment of the Board

For companies that are wholly owned by the Swedish state, uniform and joint principles for a structured nomination process apply. These principles are set forth in the Swedish state's owner policy and supersede the Code's rules on drafting work for decisions on the nomination of board members and auditors.

The board nomination process in the Swedish Government Offices is coordinated by the Ministry of Enterprise and Innovation. The competency needs are analysed on the basis of the company's operations, situation and future challenges as well as the Board's composition and evaluations of the Board that have been carried out. Thereafter, any recruitment needs are determined and recruitment work is initiated. Once this process has been completed, the nominations are publicly announced in accordance with the Code; however, no account is made regarding directors' independence. Vattenfall provides orientation training for new directors who are elected by the AGM.

More detailed information on the board nomination process is provided in the Swedish state's owner policy, at regeringen.se.

The Board's composition

Vattenfall's Articles of Association stipulate that the Board of Directors shall have, in addition to the employee representatives, a minimum of five and a maximum of ten members without deputies. The directors are elected annually by the Annual General Meeting, which also appoints the Chairman of the Board.

Up until the AGM the Board consisted of eight and thereafter nine directors elected by a general meeting. No member of the Executive Group Management (EGM) is a director on the Board. Lars G. Nordström was Chairman of the Board in 2015. By law, the unions are entitled to appoint three board members plus three deputies, and they have exercised this right. After the AGM, five of the Board's twelve members were women, and among the directors elected by a general meeting, four of nine were women. The average age of board members was 58. Up until the AGM, one director (Eli Arnstad) was a foreign citizen. Biographical information about the board members is provided on pages 66–67.

Guidelines for directors' fees

Directors' fees and fees for committee work are set by the owner at the AGM, in accordance with the Swedish state's ownership policy. The 2015 AGM resolved in favour of unchanged fees. Information on directors' fees in 2015 is provided in the 2015 Annual and Sustainability Report, Note 53 to the consolidated accounts, Number of employees and personnel costs.

Evaluation of the Board's and President's work

The Board evaluates its own work and the President's work once a year as part of efforts to develop the Board's way of working and effectiveness. This evaluation is conducted under the direction of the Chairman and is reported to the Board and the owner.

The most recent board evaluation was begun at the board meeting on 26 October 2015. As in previous years, with the support of external consultants the Board conducted a self-assessment using questionnaires, where the individual board members evaluated both their own and other board members' performance. This evaluation used a questionnaire for the Board as a whole, which each of the directors and deputy directors responded to, and a questionnaire for the individual directors' evaluation, responded to by the directors elected

by a general meeting. The questions addressed Vattenfall's current challenges, management and organisation, the Board's effectiveness, composition and expertise, and its relationship with the owner, the Chairman and the President. The evaluation was reported on and discussed at the Board meeting on 10 December 2015. As a follow-up to the written evaluation, the Chairman held discussions individually with each of the directors elected by a general meeting and jointly with the employee representatives.

Board committees

The Board has established two committees, which are described below, and has drawn up Rules of Procedure for these. At the statutory board meeting, the Board appointed four directors elected by a general meeting for each committee, of whom one serves as committee chair. In addition, the Board can, where necessary, establish other board committees or temporary work groups to address matters in more defined areas. No such additional committees or temporary work groups were active in 2015.

The committees report their work to the Board at the next regular board meeting, whereby the committee chair presents a report accompanied by minutes from the committee meetings. Except for a few matters handled by the Audit Committee, the committees are only drafting bodies. The Board's legal responsibility under company law for the company's organisation and administration of the company's affairs is not constrained by the committees' work.

Audit Committee

The Audit Committee's most important duties are as follows:

- To oversee Vattenfall's financial reporting, including sustainability reporting
- With respect to financial reporting, to monitor the effectiveness of Vattenfall's internal control, internal audit and risk management
- To stay informed about the audit of the annual report and consolidated accounts
- To review and monitor the auditor's impartiality and independence, and in connection with that, to pay particular attention to whether the auditor provides other services to the company than auditing services
- To assist in the drafting of recommendations for decisions on the election of auditor by the Annual General Meeting
- To review and oversee the management of market and credit risks
- To conduct an annual evaluation of the external auditors' work

Important issues in 2015 included preparatory work for decisions in connection with Vattenfall's annual impairment testing of asset values, which resulted in the recognition of both impairment losses and in asset revaluations, and appointment of an external auditor for approval by the AGM in April 2016.

The Audit Committee is responsible for meeting with Vattenfall AB's external and internal auditors on a regular basis in order to stay informed about the planning, focus and scope of the company's audit. The Audit Committee is also responsible for discussing coordination of the external and internal audit work and views of the company's risks. Internal Audit's budget, the Internal Audit Charter and the internal audit plan are prepared by the committee.

The Audit Committee has the right, on behalf of the Board, to decide on guidelines for other services than auditing that Vattenfall may procure from the Group's auditors.

The Audit Committee meets prior to Vattenfall's publication of interim reports and when warranted by the prevailing conditions. The CFO and head of Internal Audit serve in a reporting role on the committee. The company's external auditors attend all regular meetings and report on their observations of the audit. During the entire year 2015 the committee had at least one member with accounting or auditing competence.

Remuneration Committee

The Remuneration Committee's most important duties are as follows:

- To conduct drafting work for board decisions on matters regarding remuneration principles, remuneration and other terms of employment for members of the Executive Group Management and other senior executives
- To monitor and evaluate application of the guidelines for remuneration of senior executives, which the AGM, by law, is required to decide on as well as the applicable remuneration structures and levels of remuneration in the company
- To conduct drafting work for the Board's decisions regarding overarching remuneration principles in general, such as the general existence of, amount and structure of variable remuneration

The committee's duties include the following:

- Serving as a drafting body to ensure implementation and compliance with guidelines
- Where applicable, conducting drafting work for any special reasons that may exist in an individual case to deviate from the guidelines
- Conducting drafting work for the Board's report on remuneration of senior executives in the annual report and, ahead of the Annual General Meeting, monitoring and following up the auditors' review

The President serves in a reporting role on the Remuneration Committee.

Other committees

Up until 27 April 2015 the Board also had a Safety and Risk Committee and an External Relations and Ethics Committee. For the time thereafter the entire Board has taken over the duties previously delegated to these committees. This has entailed, among other things, that the Board's yearly planning puts greater emphasis on reporting on sustainability targets and strategy, customer satisfaction, and on nuclear power and dam safety.

Auditor

The Swedish state's ownership policy stipulates that the owner is responsible for the election of auditors and that the auditors are to be appointed by the Annual General Meeting. The auditors are elected for a mandate period of one year, in accordance with the main rule in the Swedish Companies Act. Vattenfall's Articles of Association stipulate that the company shall have one or two auditors with or without one or two deputy auditors, or a chartered auditing firm as auditor.

At the 2015 AGM, the auditing firm Ernst & Young AB was re-elected as auditor. The auditing firm appointed Authorised Public Accountant Staffan Landén as auditor-in-charge. Staffan Landén succeeded Hamish Mabon, who served as auditor-in-charge for seven years and thus could no longer hold that assignment. Staffan Landén is also the auditor of, among others, Capio AB, Viking Supply Ships AB, Academedia AB, Papyrus AB and Nederman Holding AB, and is the stock exchange auditor appointed by Nasdaq Stockholm. The auditor has no assignments with companies that affect its independence as auditor of Vattenfall. The auditor's audit assignment also includes a review of the company's sustainability reporting.

The Audit Committee has approved guidelines for how procurement of other services than auditing shall take place from the auditor. Consulting services provided by Ernst & Young AB from 2013 to 2015 mainly pertained to tax and accounting

issues, special input in connection with the divestment of subsidiaries that are no longer core businesses, and studies of organisational issues.

At the 2015 AGM the auditor reported on the audit work in 2014 and on its review of compliance with the guidelines for remuneration of senior executives that had applied since the 2014 AGM. The auditor reported on its review of the year-end accounts for 2015 to the entire Board at the board meeting on 2 February 2016 (without the presence of any person from the Executive Group Management), and also reported on its observations at the board meeting on 10 December 2015. In addition, the auditors performed a review of the half-year interim report. The auditor has access to minutes of board meetings and board committee meetings, as stipulated in the Board's Rules of Procedure.

In accordance with the Act on Auditing of State Activities, etc., the Swedish National Audit Office may appoint one or more auditors to participate in the annual audit. No such auditor was appointed in 2015.

The auditor's fees are payable according to an approved invoice. The Group's auditing costs are described in more detail in the Annual Report, in Note 22 to the consolidated accounts, Auditors' fees, and in Note 19 to the Parent Company accounts, Auditors' fees.

CEO and Executive Group Management

The President of Vattenfall AB, who is also Chief Executive Officer (CEO) of the Vattenfall Group, is responsible for the day-to-day administration in accordance with the Swedish Companies Act. The CEO in 2015 was Magnus Hall. However, the former CEO, Øystein Løseth, was employed by Vattenfall AB through 31 March 2015, as per the terms of his employment contract. Magnus Hall's remuneration is described in the Annual and Sustainability Report, Note 53 to the consolidated accounts, Number of employees and personnel costs.

The CEO has set up internal bodies for governance of the Group and makes decisions independently or with the support of these bodies. The most important of these are the Executive

Group Management (EGM) and the Vattenfall Risk Committee (VRC).

The EGM focuses on the Group's overall direction and addresses – within the framework of the CEO's mandate from the Board of Directors – matters of importance for the Group, such as certain investments. The VRC focuses on decisions pertaining to risk mandates and credit limits, among other things, and exercises oversight of the risk management framework. Both of these bodies conduct preparatory drafting work on matters that are to be decided by the Board of Directors.

Biographical information on the members of the Executive Group Management is provided on page 68.

Internal governance

Core values and vision

Vattenfall's core values are Safety, Performance and Cooperation. Vattenfall's vision is to be an engaged partner, both with our customers and with society in general. We stand for convenient and innovative energy solutions. Vattenfall is a leader in sustainable energy production to ensure reliable and cost effective energy supply. We call it Energy You Want.

Governing business ethics and sustainability

Vattenfall's internal Code of Conduct builds upon eight principles in the areas of Health and Safety, People, Customers and Suppliers, Business Ethics, Communication, Information Security, Company Resources, and the Environment, and includes references to the Vattenfall Management System (VMS), which elaborates on the principles in more detail. Information about the Code of Conduct is provided on the company's intranet in all of the company's languages, through articles in Vattenfall's employee news magazine, and in connection with new hiring and training. These measures have contributed to employees' familiarisation with the Code of Conduct.

To ensure that the organisation acts in an ethical and non-corrupt manner, Vattenfall requires all employees to take personal responsibility by acting in accordance with the company's ethical guidelines, which are set forth in the Code of Conduct as well as in internal policies and instructions. Vattenfall believes that competition plays a decisive role for a market to function effectively and has zero tolerance for bribery and corruption. An important step in ensuring this is the training that is conducted within the Vattenfall Integrity Programme, which is described on page 55.

The Code of Conduct gives employees the opportunity to report incidents anonymously through a whistleblower function staffed by locally appointed external ombudsmen (advocates),

to whom employees, consultants and contractors can turn to report suspected, serious improprieties that the whistleblower does not want to report internally via the normal reporting channels. Read more about reported incidents on page 55. Ongoing legal processes are described in Note 51 to the consolidated accounts, Contingent liabilities.

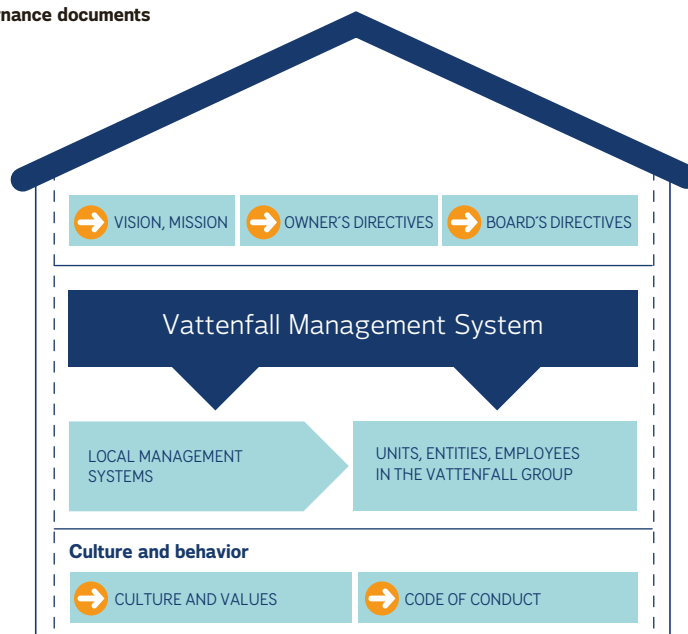
Vattenfall Management System (VMS)

The Vattenfall Management System (VMS) is the framework that ensures that Vattenfall's governance adheres to formal requirements as well as to requirements made by the Board, the President, the business operations and the Staff Functions. The VMS is documented in binding governance documents consisting of policies, instructions and process documents on three different levels: corporate level, function level and business level. Certain central documents are approved by the Board of Directors of Vattenfall AB. The VMS is an integrated management system that applies for the entire Vattenfall Group, along with the limitations that may arise from legal requirements, such as regarding the unbundling of the electricity distribution business. Special routines are in place to ensure adherence to the management system also by subsidiaries.

Vattenfall's governance with respect to sustainability issues is based on the company's sustainability policy along with a number of other policies, including:

- The environmental policy
- The health and safety policy
- The Code of Conduct
- The Code of Conduct for Suppliers, which addresses – among other things, human rights and work conditions, the environment and anti-corruption, based on the UN Global Compact

VMS structure and other governance documents



The sustainability policy, the environmental policy and the Code of Conduct are decided on by the Board of Directors, while other policies are decided on by the President. In the EGM, the Head of Strategic Development is responsible for sustainability issues. All of the aforementioned policies are part of the VMS. They are accessible to employees on the company's intranet and are also communicated externally. However, Vattenfall does not require any signatures from employees or members of management. The content is concretised in instructions and process documents within the VMS, for example in special instructions for matters concerning competition law and for countering bribery and corruption. Vattenfall's Environmental Management System is integrated in the VMS. Of Vattenfall's production portfolio, 87% has certified environmental management systems in accordance with ISO 14001. In addition, the Group's business units are certified in accordance with OHSAS 18001 for occupational health and safety and seven units have certified energy management system in accordance with ISO 50001.

During 2015 work was conducted on updating the VMS to incorporate the most recent organisational changes, among other things.

Organisation

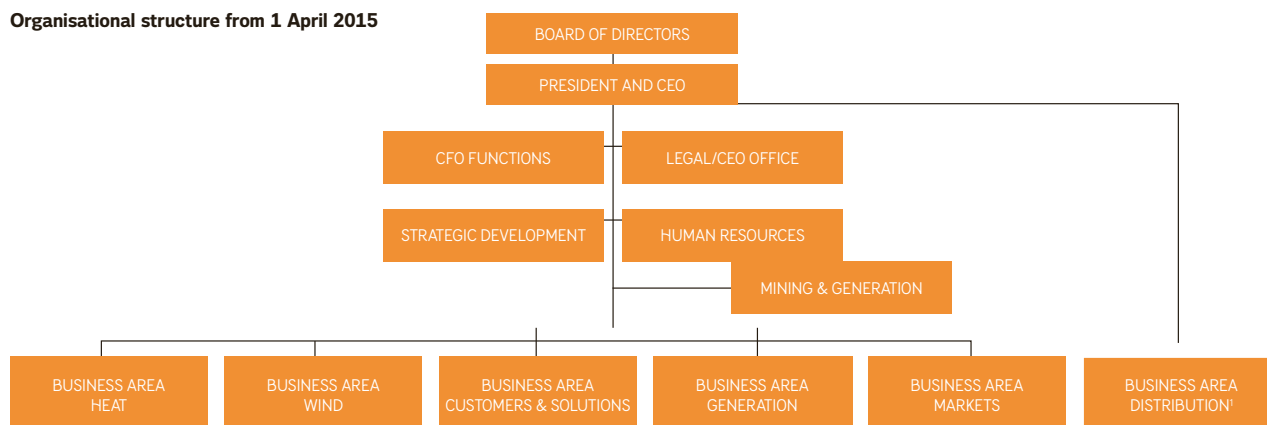
Vattenfall's organisational structure comprises six Business Areas: Heat, Wind, Customers & Solutions, Generation, Markets and Distribution. Vattenfall's lignite operations forms a separate unit, Mining & Generation, in line with Vattenfall's ambition to find a new owner. Vattenfall's Business Areas are organised in five operating segments, where Generation, Markets and the lignite operations make up a single operating segment. The central Staff Functions are organised in a Corporate Centre which supports and directs the business activities. For further information see pages 36-51.

The organisational structure has been formed to reflect Vattenfall's overall strategy for the coming years, which is broken down into the following four strategic objectives:

- Leading towards Sustainable Consumption
- Leading towards Sustainable Production
- High Performing Operations
- Empowered and Engaged Organisation

The company structure differs from the business structure. Governance is conducted financially, non-financially (such as through Staff Functions), and operationally. Unit scorecards and the VMS are the most important governance tools.

Organisational structure from 1 April 2015



1) The electricity distribution operations are regulated by the Swedish Electricity Act (Ellagen) and the German Energy Industry Act (Energiewirtschaftsgesetz), and are unbundled from Vattenfall's other operations.

Guidelines for remuneration of senior executives

Vattenfall AB applies the Swedish Government Offices' "Guidelines for terms of employment for senior executives in state-owned companies". These guidelines are available on the Government Offices' website: regeringen.se.

The 2015 AGM approved Vattenfall's application of the guidelines with the deviation that instead of the definition of senior executive in the Swedish Companies Act, senior executives shall be defined on the basis of whether they have a significant impact on the Group's earnings, through use of the International Position Evaluation (IPE) model. Managers with positions of IPE 68 and higher are to be considered as senior executives. The Board's explanation for this deviation is stated in the 2014 Annual and Sustainability Report, on page 65.

Based on the AGM's definition, in 2015 a total of 16 persons, excluding the current and former Presidents, were

covered by the stipulations on contracts with senior executives. Actions taken with respect to agreements with these executives were continuously reported to the Remuneration Committee and Board, which also decided on the entering into such agreements. Remuneration of senior executives and compliance with the adopted guidelines are described in more detail in the Annual and Sustainability Report, Note 53 to the consolidated accounts, Number of employees and personnel costs.

The Board and Remuneration Committee's report on compliance with the guidelines for remuneration of senior executives set by the AGM is posted on vattenfall.se (English translation is available on vattenfall.com). The proposed guidelines ahead of the 2016 AGM are shown on page 69.

Internal control over financial reporting

This section describes the most important elements in Vattenfall's system of internal control and risk management in connection with financial reporting, as prescribed by the Annual Accounts Act and the Code. Vattenfall's framework for this control is based on the COSO framework, which has been developed by the Committee of Sponsoring Organizations of the Treadway Commission. For further information see also the risk section, pages 71-78.

Control environment

According to the Swedish Companies Act and the Code, the Board of Directors has overarching responsibility for internal control over financial reporting. In this context the Board shall ensure that the company's organisation is structured in such a way that the bookkeeping, treasury management and the company's financial conditions in general are controlled in a satisfactory manner. The Board's audit committee conducts drafting work for the Board on matters related to internal control over financial reporting.

The control environment is based on the division of responsibility between the Board and the President, which is set forth in the Board's Rules of Procedure, along with the reporting requirements made by the Board. The Board has also adopted Vattenfall's Code of Conduct, which lays out the overarching rules governing employee conduct.

The VMS is an integrated management system for the Vattenfall Group and is revised on a continuing basis (see also the section on internal governance on page 62). The VMS contains governance documents for all identified material areas, including roles and responsibilities, authority, decision-making processes, risk management, internal control, and ethics and integrity issues. The VMS lays out the "grandfather principle" and "four eyes principle" for decision-making. The VMS also stipulates which decision-making, oversight and advisory bodies exist within the Group, on top of those required by law.

Vattenfall has an internal financial control (IFC) process whose overall purpose is to ensure that controls are in place in the financial reporting.

Risk assessment

The Board addresses the Group's risk assessment and risk management process at an overarching level. The Board's audit committee conducts drafting work for evaluation and monitoring of risks and quality in financial reporting. The Audit Committee maintains continuous and regular contact with the Group's internal and external audit functions.

The Board's risk management and reporting is centrally coordinated via Vattenfall's risk committee (VRC). A continuous Enterprise Risk Management (ERM) process makes it possible to quantify and compare both financial and non-financial risks.

For the financial reporting, the IFC process serves as a framework for internal control that identifies and defines risks for material errors in the financial reporting. These are overseen by the CFO Function through regular reporting on tests performed of defined control points. The CFO Function is also responsible for performing regular analyses of risks related to financial reporting and for updating this framework.

The external and internal auditors discuss Vattenfall's risk situation in connection with the planning work ahead of the annual audit.

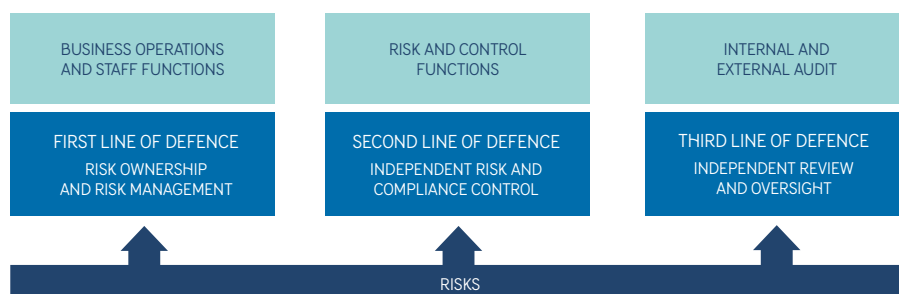
Control activities and monitoring

Vattenfall applies the "three lines of defence" model for management and control of risks.

The first line of defence consists of the business operations (Business Units and Staff Functions), which are responsible for managing risks.

The risk organisation, which is headed by the Chief Risk Officer (CRO), makes up the second line of defence and is responsible for monitoring and controlling risks. The CRO

Three lines of defence



heads the risk management organisation within the Group and provides information to the Board's audit committee on a regular basis. The CRO is also responsible for processes related to, among other things, new products and certain contracts with long durations. The second line of defence also includes the Group Internal Financial Control Officer (IFCO), who is responsible for monitoring and control of risks in the financial reporting.

Internal and external audit make up the third line of defence. Internal Audit is an independent and objective function that oversees and evaluates the first and second lines of defence. Internal Audit evaluates, recommends and monitors improvements to the effectiveness of Vattenfall's risk management, internal controls and governance processes throughout the Group. This also applies to compliance with Vattenfall's governance documents, including the Code of Conduct. The Internal Audit function is directly subordinate to the Board of Directors and Audit Committee, and performs its work in accordance with an established internal audit plan. Internal Audit's budget, the Internal Audit Charter and the internal audit plan are drafted by the Audit Committee and decided on by the Board of Directors. The Head of Internal Audit reports administratively to the President and informs the management teams of the Business Units and other units about audit activities that have been performed.

The Executive Group Management holds regular follow-up meetings with the heads of the Business Areas and Staff Functions regarding the financial outcome. Operations are followed up on a monthly basis via Business Performance Meetings, where outcomes, forecasts, important events and challenges are discussed to ensure that the organisation performs in line with expectations. Every quarter a more comprehensive picture of the current situation is presented (including status reports on Vattenfall's sustainability focus areas and sustainability targets), which is discussed with the top management of each Business Unit.

The internal framework for internal control includes processes for self assessments, monitoring, reporting and improvement of control activities in order to prevent, discover and correct errors in the financial reporting. Written confirmation of adherence to internal and external stipulations is part of these processes.

Since 2015 an upgraded IFC process has been in place, aimed at strengthening the governance structure and effectiveness of controls. Going forward, continuous improvements to the IFC process will be ensured through the implementation of an annual evaluation and updating process. This includes appointment of a Group IFC Officer.

The Board monitors and addresses the Group's financial situation at every regular board meeting, with a starting point from the financial report submitted by the President and the Chief Financial Officer. The Board's monitoring of the effectiveness of internal control is conducted via the Audit Committee, which regularly receives status reports on the Group's internal control over financial reporting, in accordance with the IFC process. A financial report, including a report on accounting issues, is presented at every regular Audit Committee meeting, and tax issues are reported on and followed up on a regular basis. A follow-up of the Group's sustainability targets is also reported to the Board every quarter. The timing and forms of this reporting are set in the Board's and Audit Committees' respective Rules of Procedure.

Information and communication

The Group's governance documents are accessible via Vattenfall's intranet. The forms for handling internal and external communication are documented in a VMS instruction which aims to ensure that Vattenfall is in compliance with legal as well as stock exchange rules, the state's ownership policy (including guidelines for external reporting), and other obligations. Accounting policies and reporting principles are laid out in a joint manual for the entire Group. Updates and changes in these policies and principles are communicated on a continuous basis via the intranet as well as at meetings with representatives of the Group's Business Areas and Staff Functions.

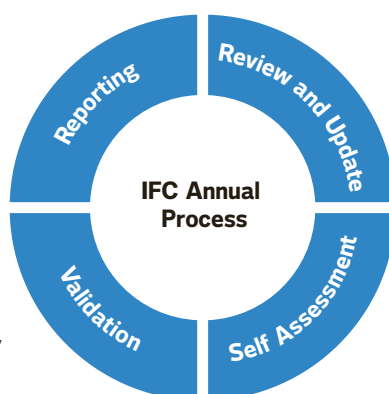
Reporting and follow-up reporting to the Board and EGM are part of monitoring activities. Internal Audit and the CRO also report on their observations to the Board's audit committee.

Financial reporting includes interim reports, the year-end report and the annual report. In addition to these reports, financial information is provided to the Group's external stakeholders via press releases and Vattenfall's websites, in accordance with the Swedish Securities Market Act, among other things.

The IFC process

Reporting: Quarterly IFC status reporting and mid-year/year-end report to Audit Committee.

Validation: Complementary evaluations of control points, e. g., via on-site validations.



Review and Update: Implement improvements and correct errors in the IFC process and the IFC Framework. Define the IFC scope for the current year.

Self Assessment: A yearly questionnaire used to evaluate the status of the control points and identify the need for corrective action.

BOARD OF DIRECTORS



Name	Lars G. Nordström , <i>Chairman of the Board</i>	Fredrik Arp , <i>Board member</i>	Gunilla Berg , <i>Board member</i>
Born	1943	1953	1960
Education	Law studies	B.Sc. Econ. Honorary Doctor of Economics	B. Sc. Econ.
Current position			CFO of PostNord Group
Other assignments	Chairman of the Finnish-Swedish Chamber of Commerce. Board member of Nordea Bank, Viking Line Abp, the Swedish-American Chamber of Commerce and SNS. Member of the Royal Swedish Academy of Engineering Sciences (IVA). Honorary Consul for Finland in Sweden.	Chairman of Nolato AB and Parques Reunidos. Board member of Technogym Spa.	Board member of Alfa Laval.
Previous positions	Board member of TeliaSonera (2006–2010). Chairman of the Royal Swedish Opera (2005–2009). President and CEO of Posten Norden AB (2008–2011). Various executive positions with Nordea Bank (1993–2007), including as President and Group CEO (2002–2007). Various positions with Skandinaviska Enskilda Banken (1970–1993), including as Executive Vice President (1989–1993).	President and CEO of Volvo Car Corporation (2005–2008). CEO of Trelleborg AB (1999–2005), PLM AB (1996–1999), Trelleborg Industrier AB (1989–1996) and Boliden Kemi AB (1988–1989). Various positions in Trelleborg AB (1986–1989) and Tarkett (1979–1986).	Executive Vice President and CFO of Teracom Group (2010–2014). Executive Vice President and CFO of SAS Group (2002–2009). Executive Vice President and CFO of the KF Group (1997–2001). Various positions in the AGA Group (1987–1997).
Elected	2011	2014	2012
Committee assignment	Member of the Remuneration Committee	Member of the Remuneration Committee	Chairman of the Audit Committee
Board meeting attendance	10 of 10	10 of 10	8 of 10
Committee meeting attendance	RemCom: 3 of 3	RemCom: 3 of 3	AC: 8 of 8



Name	Viktoria Bergman , <i>Board member</i>	Håkan Buskhe , <i>Board member</i>	Håkan Erixon , <i>Board member</i>
Born	1965	1963	1961
Education	Communication Executive Program at IFL/ Stockholm School of Economics. Berghs School of Communication	M. Sc. Eng., Licentiate in transport and logistics	B.Sc. International Business Administration and Economics
Current position		President and CEO of Saab AB	
Other assignments	Chairman of Galber AB. Board member of GS-Hydro Oy and The Swedish Association of Communication Professionals.		Chairman of Orio AB (publ) and Capacent AB (publ). Board member of Norrporten (publ) AB, Alfvén & Didrikson Invest AB and IT Gården i Landskrona AB.
Previous positions	Member of Group Management and Senior Vice President Stakeholder Management & Corporate Sustainability E.ON Nordic, Board member E.ON Försäkring, E.ON Kundsupport, E.ON Smart Living (2012–2014). Positions in Trelleborg Group (2002–2011), member of Group Management and Senior Vice President Corporate Communications Trelleborg Group (2005–2011). Various positions in Falcon Breweries/ Unilever (1989–1996), Cerealia Group (1987–1989).	President and CEO of E.ON Nordic AB and E.ON Sverige AB (2008–2010). Executive Vice President of E.ON Sverige AB (2007–2008). Senior Vice President of E.ON Sverige AB (2006–2007). CEO of Schenker North (2002–2006). Managing Director Schenker-BTL AB (2000–2002).	Member of the Nasdaq Stockholm AB Listing Committee (2011–2016). Board member of Saab Automobile Parts AB (2012–2013). Senior Advisor, Corporate Finance, Swedish Government Offices, which included work for the Swedish National Debt Office (2007–2010). Board member of Carnegie Investment Bank AB (2008–2009). Board member of Vasakronan AB (2007–2008). Various positions with UBS Investment Bank Ltd, London (1997–2007), including as Vice Chairman of the Investment Banking Division. Various positions with Merrill Lynch International Ltd, London (1992–1997). Kansallis-Osake-Pankki, London (1991–1992). Citicorp Investment Bank Ltd, London (1989–1991).
Elected	2015	2012	2011
Committee assignment	Member of the Remuneration Committee.		Member of the Audit Committee.
Board meeting attendance	8 of 8	6 of 10	10 of 10
Committee meeting attendance	RemCom: 1 of 1		AC: 8 of 8

Board member who left the Board in 2015:
Eli Arnstad left the Board in connection with the 2015 AGM.



Name	Tomas Käberger, Board member	Jenny Lahrin, Board member	Åsa Söderström Jerring, Board member
Born	1961	1971	1957
Education	M Sc Engineering Physics, Ph D Physical Resource Theory, Associate professor (Docent), Environmental Science	Master of Laws, Executive MBA.	B. Sc. Econ.
Current position	Professor, Chalmers University of Technology, Industrial Energy Policy.	Investment Director, Division for State-Owned Enterprises, Ministry of Enterprise and Innovation.	
Other assignments	Chairman of the board of Japan Renewable Energy Foundation. Board member of Cleanergy AB and Industrifonden. Chairman of the steering committee of European Biofuels Technology Platform.	Board member of AB Göta kanalbolag.	Chairman of Delete OY and ELU Konsult AB, Board member of JM AB, OEM International AB, Scanmast AB and Nordic Home Improvement AB, Member of the Royal Swedish Academy of Engineering Sciences (IVA).
Previous positions	Professor Lund University, International Sustainable Energy Systems (2006-2008). Director General, Swedish Energy Agency (2008-2011).	Board member of Swedavia AB (2012-2015), Board member of RISE Research Institutes of Sweden AB (2012-2013), Legal Counsel at the Division for State-Owned Enterprises, Ministry of Enterprise/Ministry of Finance (2008-2012). Legal Director at Veolia Transport Northern Europe AB (2003-2008) and admitted to the bar association (2001-2002).	President SWECO Theorells AB (2001-2006) and Ballast Väst AB (1997-2001). Marketing Manager NCC Industry (1994-1997), and Communications Manager NCC Bygg AB (1991-1993).
Elected	2015	2013	2013
Committee assignment	Member of the Audit Committee	Member of the Audit Committee	Chairman of the Remuneration Committee
Board meeting attendance	8 of 8	10 of 10	10 of 10
Committee meeting attendance	AC: 5 of 6	AC: 8 of 8	RemCom: 3 of 3



Name	Carl-Gustaf Angelin, Employee representative	Johnny Bernhardsson, Employee representative	Ronny Ekwall, Employee representative
Born	1951	1952	1953
Education	M.Sc. Eng	Engineering studies with supplementary coursework in economics	Electrical engineer
Current position	Employee representative for Akademikerrådet at Vattenfall. Vattenfall employee since 1988, currently in Business Area Customers & Solutions.	Employee representative for Unionen. Vattenfall employee since 1970, currently in Human Resource Service at Vattenfall Business Services.	Employee representative for SEKO Facket för Service och Kommunikation
Other assignments		Chairman of the European Works Council.	
Elected	2003	1995	1999
Committee assignment			Member of the Audit Committee
Board meeting attendance	10 of 10	10 of 10	10 of 10
Committee meeting attendance			AC: 6 of 8



Name	Lennart Bengtsson, Employee representative, (deputy)	Christer Gustafsson, Employee representative, (deputy)	Jeanette Regin, Employee representative, (deputy)
Born	1958	1959	1965
Education	Two-year secondary school degree in mechanics and network technology training in IT	Four-year education in technology	Secondary school diploma and two-year education in healthcare
Current position	Employee representative for SEKO Facket för Service och Kommunikation. Vattenfall employee since 1979, currently as IT technician.	Employee representative for Ledarna (the Association of Management and Professional Staff). Employed at Vattenfall since 1986, currently in the staff function for the engineering department, Forsmarks Kraftgrupp AB.	Employee representative for Unionen. Currently head of customer service/office services for Gotland Energientreprenad.
Other assignments		Representative for energy & technology, Confédération Européenne des Cadres (for energy issues).	
Elected	2011	2013	2011
Committee assignment			
Board meeting attendance	7 of 10	7 of 10	6 of 10
Committee meeting attendance			

EXECUTIVE GROUP MANAGEMENT



Name	Magnus Hall, <i>President and CEO</i>	Kerstin Ahlfont <i>Senior Vice President, Human Resources</i>	Ingrid Bonde, <i>Chief Financial Officer and Deputy CEO</i>	Stefan Dohler, <i>Senior Vice President, Business Area Markets</i>
Vattenfall employee	1 October 2014	1995	2012	1998
Born	1959	1971	1959	1966
Education	M. Sc. Industrial Engineering and Management	M. Sc. Eng.	M. Sc. Econ	M.Sc. Aerospace Engineering, MBA.
Previous positions	President and CEO of the forestry group Holmen, plus several other executive positions with Holmen.	Acting head of Human Resources and various manager positions within Finance in BU Heat Nordic, BG Pan Europe, BD Production and Region Nordic.	President and CEO of AMF (2008–2012), Director General of the Swedish Financial Supervisory Authority (2002–2008). Many years of experience in the financial sector, both from the public sector and private business.	Vice President Finance, Business Division Production (2011–2012), CEO of the Management Board of Distribution and Transmission System Operators (2008–2010), Head of network operations Vattenfall Europe AG.
Other assignments	Chairman of NTM AB. Board member of the Confederation of Swedish Enterprise.		Chairman of Hoist Finance AB, board member of Loomis AB and a commission member of the Global Commission on the Economy and Climate.	Board member of GASAG.



Name	Gunnar Groebler <i>Senior Vice President, Business Area Wind</i>	Anne Gynnerstedt <i>Senior Vice President, General Counsel and Secretary to the Board of Directors</i>	Martijn Hagens <i>Senior Vice President, Business Area Customers & Solutions</i>	Tuomo Hatakka <i>Senior Executive Vice President, Business Area Heat, German region, Executive Vice President of Vattenfall AB</i>
Vattenfall employee	1999	2012	2003	2002
Born	1972	1957	1971	1956
Education	Mechanical Engineering	LL.B.	M. Sc. Industrial Engineering and Management	B. Sc. Econ. MBA.
Previous positions	Vice President, BU Renewables, Region Continental/UK, Vattenfall (2014-2015). Head of BU Hydro Germany, Vattenfall (2011-2013). Head of Corporate Development & M&A, BG Central Europe, Vattenfall Europe AG (2009-2010). Head of Mergers & Acquisitions, BG Central Europe, Vattenfall Europe AG (2008-2009). Head of Corporate Restructuring, Vattenfall Europe AG (2007-2008). Head of Purchasing, Vattenfall Europe Hamburg AG (2005-2007).	General Counsel, Secretary to the Board and member of executive management of SAAB AB (2004–2012). General Counsel and member of executive management of the Swedish National Debt Office (2002–2004). Corporate Legal Counsel, SAS (1990–2002).	Head of Heat Continental/ UK, Vattenfall (2014-2015). Head of Customer Service, Vattenfall (2011-2013). Head of Customer Care Centre, Nuon (2008-2010). Program Director Unbundling, Nuon (2006-2007). Nuon Consultancy Group & Lean Competence Center, Nuon (2005-2006).	Head of Business Division Production (2010–2013). Head of Business Group Central Europe (2008–2010). Head of Business Group Poland (2005–2007).
Other assignments		Board member of the Swedish Space Corporation.	COO Nuon Netherlands.	



Name	Andreas Regnell <i>Senior Vice President, Strategic Development</i>	Torbjörn Wahlborg <i>Senior Executive Vice President, Business Area Generation, Executive Vice President of Vattenfall AB</i>
Vattenfall employee	2010	1990
Born	1966	1962
Education	B. Sc. Econ.	M.Sc. Eng.
Previous positions	Head of Nordic Business Strategy (2014-2015) Head of Strategy and Sustainability (2010-2013) Senior Partner and Managing Director, Managing Partner of Nordic Region, The Boston Consulting Group (1992-2010). Analyst and Account Manager, Citibank (1989-1992).	Head of Business Division Nuclear (2012–2013). Head of Business Division Distribution and Sales (2010–2012). Head of Business Group Nordic (2010). Held positions in Vattenfall's Polish operations (1997–2010), including as country manager (2008–2009).
Other assignments		Board member of the Confederation of Swedish Enterprise and of Swedish Energy.

In 2015 Magnus Hall did not have any significant shareholdings in companies with which Vattenfall has business relations.

No persons left the Executive Group Management in 2015.

AGM proposal

Proposed principles for compensation and other terms of employment for senior executives

The Annual General Meeting resolved on 27 April 2015 to adopt the Board's proposed guidelines for compensation of senior executives. The Board proposes that the 2016 Annual General Meeting resolve to adopt the Board's proposal for unchanged guidelines for compensation of senior executives.

The Board's proposed guidelines correspond to the government's guidelines for terms of employment for senior executives of state-owned companies, adopted by the government on 20 April 2009 (www.regeringen.se), with the deviation set out below.

In accordance with a resolution by the Annual General Meeting on 27 April 2015, Vattenfall deviates from the definition of senior executive of a subsidiary in such way that instead of using the definition of senior executive set forth in the Swedish Companies Act, senior executives shall be defined based on whether they have significant influence on the Group's earnings. Through application of the International Position Evaluation (IPE) model, executives with positions of IPE 68 and higher shall be considered to be senior.

The Board certifies that the compensation in question is in compliance with the guidelines set by the Annual General Meeting, in the following respects. Before a decision is made on compensation and other terms of employment for a senior executive, written documentation shall be available that shows the company's total cost. The proposal for decision shall be drafted by the Board's remuneration committee and thereafter be put to the Board for a decision. The company's auditors shall perform a review to ensure that the set compensation levels and other terms of employment have not been exceeded and, in accordance with the Companies Act, shall once a year – not later than three weeks before the Annual General Meeting – issue a written statement as to whether the adopted guidelines have been adhered to.

The Board's explanation for deviations from the guidelines

The deviation decided on by the owner at the 2015 Annual General Meeting entails use of a generally accepted ranking model instead of the definition of senior executive of a subsidiary in the Swedish Companies Act. The Board is of the opinion that the following, special reasons exist for deviating from the guidelines.

Like other international groups, Vattenfall governs its operations from a commercial perspective and not according to the legal company structure. For commercial and legal reasons, the

Vattenfall Group has approximately 300 subsidiaries. Through application of the government's guidelines for subsidiaries, a very large number of executives would be considered to be senior, without them having any significant influence on the Group's earnings.

The proposed deviation reflects these circumstances. The criteria used to define what constitutes a senior executive are the individual subsidiary's size based on sales, the number of employees and number of links in the value chain, as well as the requirements on the individual executive for innovation, knowledge, strategic/visionary role and international responsibility.

The International Position Evaluation (IPE) model is used as support for determining in a systematic manner which positions can be considered to be senior. The Board's conclusion is that, in addition to the members of the Executive Group Management, executives in positions of IPE 68 or higher should be considered to be senior.

Proposed distribution of profits

The Annual General Meeting has at its disposal retained profits including the result for the year, totalling SEK 50,172,717,807. In accordance with the dividend policy adopted by the Annual General Meeting of Vattenfall AB, the Board of Directors and President propose, in view of the result for the year, that the profits to be distributed as follows:

To be distributed to the shareholders:	SEK 0
To be carried forward:	SEK 50,172,717,807

The Board of Directors' and President's assurance upon signing the Annual and Sustainability Report for 2015

The undersigned certify that the consolidated accounts and the Annual Report have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Commission, for application within the EU, and generally accepted accounting principles, respectively, and give a true and fair view of the Parent Company's and the Group's financial position and earnings, and that the Administration Report for the Parent Company and the Group presents a fair overview of the development of the Parent Company's and the Group's operations, financial position and earnings and describes significant risks and uncertainties that the companies in the Group face. In addition, the undersigned certify that the sustainability data, as defined in the GRI Index on pages 165–170, has been prepared in accordance with the GRI G4 Guidelines, and has been adopted by the Board of Directors.

Solna 18 March 2016

Lars G. Nordström
Chairman of the Board

Carl-Gustav Angelin	Fredrik Arp	Gunilla Berg	Viktoria Bergman	Johnny Bernhardsson	Håkan Buskhe
Ronny Ekwall	Håkan Erixon	Tomas Kåberger	Åsa Söderström Jerring	Jenny Lahrin	

Magnus Hall
President and CEO

AUDITOR'S REPORT

To the annual meeting of the shareholders of Vattenfall AB, corporate identity number 556036-2138

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Vattenfall AB for the year 2015, except for the corporate governance statement on pages 56–69. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4–5, 9–10, 31–33 and 56–153.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 56–69. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Vattenfall AB for the year 2015. We have also conducted an examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 56–69 has been prepared in accordance with the "The Government's owner policy and guidelines for government owned companies" (Statens ägarpolicy och riktlinjer för företag med statligt ägande).

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, in accordance with the owner policy, and its mandatory statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, March 18, 2016
Ernst & Young AB

Staffan Landén
Authorized Public Accountant