

# Interim report

# January-March 2016

## January–March 2016

- Net sales of SEK 45,929 million (45,377)
- Underlying operating profit<sup>1</sup> of SEK 8,136 million (7,736)
- Operating profit of SEK 10,011 million (8,386)
- Profit after tax of SEK 6,602 million (4,987) for the period
- Electricity generation of 48.7 TWh (46.4)

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1) Underlying operating profit is defined as operating profit excluding items affecting comparability. For a specification of items affecting comparability, see page 8.

*Vattenfall discloses the information provided in this interim report pursuant to the Swedish Securities Market Act.*

*Rounding differences may occur in this document.*

## CEO's comments

"We have now concluded the first quarter of a very important year for Vattenfall. Overall the company reports an underlying operating profit of SEK 8.1 billion for the quarter, which is an increase of SEK 0.4 billion compared with the corresponding quarter a year ago. Good water supply for the hydro power plants, higher capacity at Ringhals 4 and greater availability at Forsmark 1 contributed to higher generation volumes. However, the negative trend in electricity prices with subsequently lower production margins is putting continued pressure on Vattenfall and the entire European energy market. At the same time that hedging of our future electricity generation has served us well, we are also seeing a continued dramatic drop in futures prices and, along with that, continued expectations for low commodity prices.

Given these conditions it is of utmost importance that we carry out the transformation of our production portfolio and employ measures to strengthen the company's financial position and profitability. We have set a clear direction in our strategy and our strategic targets, where sustainability is integrated as a natural component. The agreement to sell our lignite operations shows that we are taking strong measures to adapt the portfolio in the right direction. I am very satisfied that we have now signed an agreement under which EPH and PPF Investments will take over as the new owners of all the power plants and open cast mines. The deal is expected to close within a few months after securing the necessary confirmation from the owner. On the whole, profitability of the lignite operations has been entirely in line with Vattenfall's required rate of return. However, in view of our expectations for the future price development, the negative impact on Vattenfall's earnings would be higher if Vattenfall were to stay on as the owner than if the operations were sold. Against the backdrop of the current, difficult market conditions, we see the divestment as a key step on the path towards the new Vattenfall. As a result of the sale, we will lower our CO<sub>2</sub> emissions by approximately 60 million tonnes, which is more than 70% of our total emissions in 2015.

Renewable energy production will make up an increasingly larger part of the portfolio and contribute to sustainable and profitable growth. At the same time that we are breaking ground on our first large-scale solar farm, we have also concluded a partnership deal with the pension company AMF on a wind farm. Another fundamental measure involves our continued cost-cutting activities, where we have achieved very good results in recent years. An additional positive development during the quarter is that the Land and Environment Court and the Swedish Radiation Safety Authority (SSM) published SKB's applications to build a final repository for spent nuclear fuel in Forsmark and an encapsulating plant in Oskarshamn. Unfortunately, the challenge remains to our continued operation of nuclear power in Sweden on account of the nuclear tax, which needs to be abolished in order to secure Sweden's energy supply and enable the shift to a fully renewable energy system.

A sustainable production portfolio together with customer-centric energy solutions makes up the core of the new Vattenfall. We will be a climate-neutral company by 2050."

Magnus Hall

President and CEO

# Key data

Amounts in SEK million unless indicated otherwise	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	45 929	45 377	164 510	165 062
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	14 504	13 518	32 754	33 740
Operating profit (EBIT)	10 011	8 386	-22 967	-21 342
Underlying operating profit	8 136	7 736	20 541	20 941
Profit for the period	6 602	4 987	-19 766	-18 151
Funds from operations (FFO)	9 082	9 795	29 009	28 296
Net debt	60 729	78 825	64 201	
Adjusted net debt	137 387	150 737	137 585	
Return on capital employed, %	- 7.5 <sup>1</sup>	- 1.9 <sup>1</sup>	- 8.2	
Net debt/equity, %	48.8	58.5	55.4	
FFO/adjusted net debt, %	20.6 <sup>1</sup>	20.7 <sup>1</sup>	21.1	
Adjusted net debt/EBITDA, times	4.1 <sup>1</sup>	4.0 <sup>1</sup>	4.2	
Electricity generation, TWh	48.7	46.4	173.0 <sup>2</sup>	175.3
- of which, hydro power	10.9	9.8	39.5 <sup>2</sup>	40.6
- of which, nuclear power	13.6	12.0	42.2	43.8
- of which, fossil-based power <sup>3</sup>	22.5	22.7	84.0 <sup>2</sup>	83.8
- of which, wind power	1.5	1.4	5.8	5.9
- of which, biomass, waste <sup>3</sup>	0.2	0.5	1.5 <sup>2</sup>	1.2
Sales of electricity, TWh	56.1	53.4	197.2	199.9
Sales of heat, TWh	8.6	9.1	22.6	22.1
Sales of gas, TWh	22.0	21.8	50.7	50.9
CO <sub>2</sub> emissions, Mtonnes	21.9 <sup>4</sup>	20.3	83.8	
Number of employees, full-time equivalents	27 512	29 341	28 567	
Work related accidents, number (LTIF) <sup>5</sup>	2.2	2.6	2.3	

1) Last 12-month values.

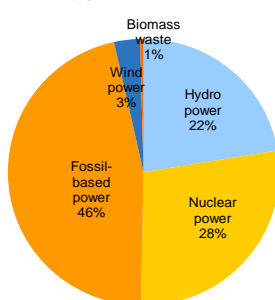
2) The value has been adjusted compared with the value presented in Vattenfall's 2015 year-end report.

3) The figures in 2016 are preliminary.

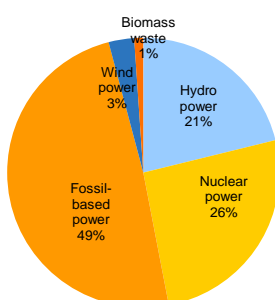
4) Consolidated values for 2016. Consolidated emissions are approximately 0.5% higher than pro rata emissions, corresponding to Vattenfall's share of ownership.

5) 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. Pertains only to Vattenfall employees.

Electricity generation, Q1 2016 %



Electricity generation, Q1 2015 %



## Targets and target achievement

Vattenfall's assignment is to generate a market rate of return by operating an energy business in such a way that the company is among the leaders in developing environmentally sustainable energy production.

Vattenfall's owner and Board of Directors have set four financial targets for the Group, and the Board has set six strategic targets that apply as from 2016.

### Financial targets

The financial targets relate to profitability, capital structure and the dividend policy, and were set by the owner in November 2012. These targets are intended to ensure that Vattenfall creates value and generates a market rate of return, that the capital structure is efficient, and that financial risk is kept at a reasonable level. The targets are to be evaluated over a business cycle.

	Target	31 March 2016	31 March 2015	Full year 2015
Return on capital employed (ROCE)	9%	-7.5 <sup>1</sup>	-1.9 <sup>1</sup>	-8.2
FFO/adjusted net debt	22%-30%	20.6 <sup>1</sup>	20.7 <sup>1</sup>	21.1
Net debt/equity	50%-90%	48.8	58.5	55.4
Dividend policy	40%-60% of the year's profit after tax	—	—	—

1) Last 12-month values.

**Comment:** Return on capital employed decreased mainly as a result of the preceding year's impairment of asset values totalling SEK 36.8 billion. Excluding impairment losses and other items affecting comparability, return on capital employed was 7.4% (7.6%). FFO/adjusted net debt, which was 20.6% (20.7%), is still below the target interval. The debt/equity ratio improved compared with 2015, mainly owing to the decrease in net debt.

### Strategic targets

Vattenfall aims to contribute to a sustainable energy system across the value chain and be a truly customer-centric company. At the same time, Vattenfall is working to shift to a long-term sustainable production portfolio. Vattenfall's strategy is built upon four strategic objectives: 1) Leading towards sustainable consumption, 2) Leading towards sustainable production, 3) High performing operations, and 4) Empowered and engaged organisation. To better reflect Vattenfall's strategy, on 10 December 2015 Vattenfall's Board of Directors adopted six new strategic targets, which replace the previous sustainability targets. The strategic targets have been set for 2020 and will be followed up on a quarterly and annual basis.

	Target 2020	31 March 2016	31 March 2015	Full year 2015
Customer loyalty, NPS (Net Promoter Score)	+2 NPS relative <sup>2</sup>	3	—	—
Commissioned renewables capacity	≥ 2,300 MW	38	—	375
Absolute CO <sub>2</sub> emissions pro rata	≤ 21 Mtonnes <sup>3</sup>	21.9 <sup>4</sup>	20.3	83.8
Return on capital employed (ROCE)	9%	-7.5 <sup>1</sup>	-1.9 <sup>1</sup>	-8.2
LTIF <sup>5</sup> (Lost Time Injury Frequency)	≤ 1.25	2.2 <sup>1</sup>	2.6 <sup>1</sup>	2.3
Employee Engagement Index	≥ 70% <sup>6</sup>	—	—	59

1) Last 12-month values.

2) NPS is a tool for measuring customer loyalty and for gaining an understanding of customers' perceptions of Vattenfall's products and services. The target is a positive NPS in absolute terms +2 compared to Vattenfall's peer competitors. NPS is a new strategic target that is measured on a yearly basis.

3) Requires significant structural changes.

4) Consolidated values for 2016. Consolidated emissions are approximately 0.5% higher than pro rata values, corresponding to Vattenfall's share of ownership.

5) 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. Pertains only to Vattenfall employees.

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

**Comment:** During the first quarter of 2016 the Swedish onshore wind farm Högabjär (38 MW) became operational. CO<sub>2</sub> emissions during the first quarter of 2016 increased compared with the corresponding period in 2015, which is mainly attributable to the commissioning of the Moorburg power plant in Germany. Lost Time Injury Frequency (LTIF) was considerably lower than in the corresponding period a year ago.

## Important events Q1 2016

### **Vattenfall and AMF enter into strategic partnership for UK wind farm**

In December Vattenfall signed a partnership agreement with the Swedish pension company AMF under which AMF will take a 49% ownership stake in Vattenfall's Ormonde offshore wind farm (150 MW) in northwest UK. The purchase consideration was approximately GBP 237 million, corresponding to approximately SEK 3 billion. The deal was completed in early January 2016.

### **Sale of Netzservice/Metering in Hamburg**

In January 2016 Vattenfall completed the sale of its network services operation in Hamburg, Germany. The sale generated a capital gain of SEK 1.2 billion. The sale of the network service operation is part of the previously carried out divestment of Vattenfall's electricity network operation in Hamburg, which was completed in February 2014.

### **Land and Environment Court and SSM publish SKB's applications to build final repository**

In January the Land and Environment Court and the Swedish Radiation Safety Authority (SSM) published SKB's (the Swedish Nuclear Fuel and Waste Management Company) applications to build a final repository for spent nuclear fuel in Forsmark and an encapsulating plant in Oskarshamn. The applications were filed in 2011 and the publication entails that the review may continue and will enter the next phase.

### **Vattenfall secures district heating supply in Hamburg**

In February Vattenfall took the decision to invest EUR 83.5 million in the refurbishment of the combined heat and power (CHP) plant in Wedel/Hamburg in order to secure the city's heat supply and to comply with environmental standards. In parallel with this, Vattenfall and the City of Hamburg are collaborating on development of a concept to achieve climate neutrality in Hamburg's heat operations by 2050.

### **Markets Business Area adapts its operations to Vattenfall's strategy**

As part of Vattenfall's new strategy, the Markets Business Area (BA Markets) has concentrated and adapted its business model. This entailed, among other things, a decision to change over from three trading platforms to two. Going forward, BA Markets will focus on delivering energy solutions that are in demand in the wholesale segment and on increasing its focus on renewables aside from traditional trading and production optimisation.

### **Planning process commenced for two large wind farms in the UK**

During the quarter Vattenfall commenced the planning process for two wind farms in the eastern North Sea off the Norfolk coast in England. The first project, Norfolk Vanguard (1.8 GW), will start in 2016. The second project, Norfolk Boreas (1.8 GW), is planned to begin in 2017. Once an investment decision has been made, the two projects will have combined installed capacity of 3.6 GW, corresponding to the electricity needs of more than 2.6 million British households.

### **First solar farm complete**

Vattenfall's first large-scale solar farm has been completed and began generating electricity for the first time at the end of March. The 5 MW solar farm consists of more than 18,500 solar panels and will have the capacity to annually generate 5.5 GWh of electricity, corresponding to the annual consumption of 1,440 British households. The solar farm, in southwest Wales, is adjacent to Vattenfall's Parc Cynog wind farm, with 11 turbines, and shares its grid connection with the wind farm. The total investment is worth approximately SEK 50 million.

### **Vattenfall, SSAB and LKAB launch joint industrial development project**

In partnership with the steel company SSAB and the minerals group LKAB, Vattenfall has initiated preliminary studies into the possibility of replacing coal with hydrogen gas in steelmaking processes in the aim of making Sweden's iron and steel manufacturing entirely carbon dioxide-free. The advantage of using hydrogen gas is that, instead of carbon dioxide, the only emissions are of water. The pre-study is expected to continue for a year and a half and will be followed by an R&D-focused pilot programme. It is estimated that the resulting technology can be employed in the early 2030s.

## **Important events after the balance sheet date**

### **Vattenfall to sell its German lignite operations**

On 18 April Vattenfall signed an agreement to sell its lignite operations to the Czech energy company EPH and its financial partner PPF Investments. The sale includes all of Vattenfall's lignite assets in Germany: the Jänschwalde, Boxberg and Schwarze Pumpe power plants, Vattenfall's share in the Lippendorf power plant, and the Jänschwalde, Nochten, Welzow-Süd, Reichwalde, and the recently closed Cottbus-Nord open cast mines. The buyer will take over all of the operations' assets, which include cash amounting to a total of SEK 15 billion, and liabilities and provisions totalling SEK 18 billion. Hedges with a market value of SEK 9 billion that Vattenfall has made to secure the electricity price for the lignite operations will remain in Vattenfall. The sale will give rise to a need to recognise impairment losses of SEK 22-27 billion, which is less than the impairment losses that would arise if Vattenfall were to remain as the owner. This negative item will be recognised in the second quarter results for 2016. The proposed deal has been submitted to Vattenfall's owner, the Swedish state. Finalisation of the deal is expected within a few months after obtaining the necessary confirmation by the owner. The deal is also contingent upon relevant regulatory approval.

# Sales, profit and cash flow

## Net sales

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	45 929	45 377	164 510	165 062

**Comment:** Consolidated net sales for the first quarter increased by SEK 0.6 billion compared with the corresponding period in 2015, mainly owing to higher production volumes.

## Earnings

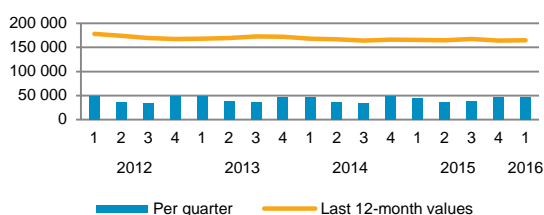
Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	14 504	13 518	32 754	33 740
Underlying operating profit before depreciation, amortisation and impairment losses	12 619	12 758	40 004	39 865
Operating profit (EBIT)	10 011	8 386	- 22 967	- 21 342
Items affecting comparability	1 875	650	- 43 508	- 42 283
Underlying operating profit	8 136	7 736	20 541	20 941

**Comment:** The underlying operating profit increased by SEK 0.4 million, which is explained by the following:

- Lower production margins as a result of average lower electricity prices achieved (SEK -1.2 billion)
- Higher production volumes, mainly attributable to hydro and nuclear power (SEK 0.5 billion)
- Lower operating costs (SEK 0.6 billion)
- Lower depreciation (SEK 0.5 billion)

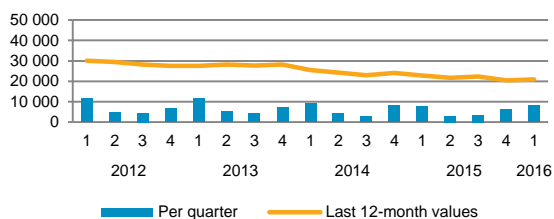
### Net sales

SEK million



### Underlying operating profit

SEK million



## Items affecting comparability affecting operating profit (EBIT)

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Capital gains	1 769	79	256	1 946
Capital losses	- 77	- 14	- 381	- 444
Impairment losses	- 10	- 110	- 36 792	- 36 692
Reversed impairment losses	—	—	534	534
Provisions	—	—	- 5 954	- 5 954
Unrealised changes in the fair value of energy derivatives	378	743	1 558	1 193
Unrealised changes in the fair value of inventories	204	- 36	- 657	- 417
Restructuring costs	- 308	- 12	- 1 233	- 1 529
Other non-recurring items affecting comparability	- 81	—	- 839	- 920
<b>Total</b>	<b>1 875</b>	<b>650</b>	<b>- 43 508</b>	<b>- 42 283</b>

**Comment:** Items affecting comparability amounted to SEK 1.9 billion (0.7) during the first quarter. Capital gains amounted to SEK 1.8 billion and pertained primarily to the sale of the network services operation in Hamburg (SEK 1.2 billion) and the sale of a property in Bramfeld (SEK 0.5 billion). These sales were part of the previously carried out divestment of Vattenfall's electricity network operation in Hamburg, which was completed in February 2014. Restructuring costs amounted to SEK 0.3 billion and are attributable to the trading operation. The item "Other items affecting comparability" pertains to necessary investments in Ringhals 1 and 2, which were expensed as a result of a decision on the reactors' early closure (SEK -0.1 billion).

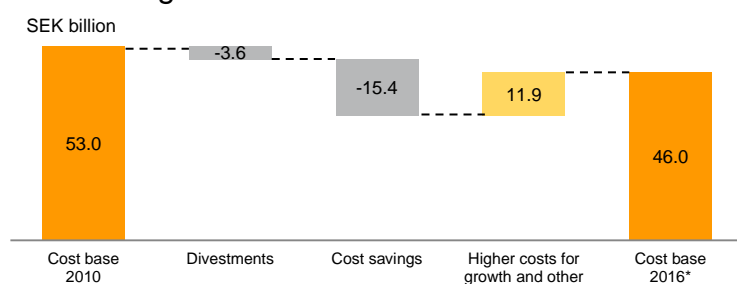
Items affecting comparability for the corresponding quarter in 2015 consisted mainly of unrealised changes in the market value of energy derivatives.

## Profit for the period

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Profit for the period	6 602	4 987	- 19 766	- 18 151

**Comment:** Profit for the first quarter of 2016 amounted to SEK 6.6 billion (5.0).

## Cost savings



\* Last 12-month values.

**Comment:** Vattenfall has taken numerous measures to cut costs, and compared with the cost base in 2010 has lowered costs under its control by approximately 29%. Divestments of operations have reduced costs by SEK 3.6 billion. These divestments pertain mainly to heat and electricity network operations in Poland, electricity network operations in Finland and Hamburg, the operations in Belgium, combined heat and power assets in Denmark, facility services in Germany, the Netzservice/Metering network services operation in Hamburg, a property in Bramfeld, and other assets and operations. Cost savings have been achieved mainly through reductions in personnel, IT costs and purchasing costs. Growth projects primarily in wind power have led to an increase in the cost base by approximately SEK 11.9 billion. The savings programme of SEK 2.5 billion for 2015–2016 is in progress. In addition, Vattenfall is currently studying the opportunity to outsource parts of administration and IT operations to external service providers.



## Financial items

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net financial items	- 1 703	- 1 543	- 5 225	- 5 385
- of which, interest income	114	55	914	973
- of which, interest expenses	- 1 154	- 678	- 3 426	- 3 902
- of which, return from the Swedish Nuclear Waste Fund	156	215	1 168	1 109
- of which, interest components related to pension costs	- 240	- 235	- 937	- 942
- of which, discounting effects attributable to provisions	- 905	- 875	- 3 370	- 3 400
- of which, other	326	- 25	426	777
Interest received <sup>1</sup>	534	249	845	1 130
Interest paid <sup>1</sup>	- 1 897	- 1 658	- 3 413	- 3 652

1) Pertains to cash flows.

**Comment:** Net financial items for the first quarter of 2016 were essentially unchanged compared with the corresponding period in 2015. The higher interest costs are mainly attributable to repurchase of bond loans.

## Cash flow

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Funds from operations (FFO)	9 082	9 795	29 009	28 296
Cash flow from changes in operating assets and operating liabilities (working capital)	- 11 740	- 3 042	11 925	3 227
Cash flow from operating activities	- 2 658	6 753	40 934	31 523

**Comment:** Funds from operations (FFO) decreased by SEK 0.7 billion, mainly as a result of average lower prices achieved.

Cash flow from changes in working capital for the first quarter of 2016 amounted to SEK -11.7 billion. This is mainly attributable to a change in inventories (SEK 1.5 billion), a net change in operating receivables and operating liabilities (SEK -11.5 billion), and a change in margin calls (SEK -1.7 billion). The net change in operating receivables and operating liabilities is mainly attributable to higher receivables in Customer & Solutions (SEK -3.4 billion), Heat (SEK -1.6 billion) and Power Generation (SEK -6.6 billion). The increase in Power Generation is partly attributable to temporary effects related to CO<sub>2</sub> emission allowances.

## Financial position

Amounts in SEK million	31 March 2016	31 Dec. 2015	Change, %
Cash and cash equivalents, and short-term investments	37 425	44 256	-15.4
Committed credit facilities (unutilised)	18 451	18 379	0.4

**Comment:** Cash and cash equivalents, and short-term investments decreased by SEK 6.8 billion compared with the level at 31 December 2015, mainly to the fact that a large bond loan of EUR 1.1 billion fell due for payment during the period.

Committed credit facilities consist of a EUR 2.0 billion Revolving Credit Facility that expires on 10 December 2020, with an option for a one-year extension. As per 31 March 2016, available liquid assets and/or committed credit facilities amounted to 29% of net sales. Vattenfall's target is to maintain a level of no less than 10% of the Group's net sales, but at least the equivalent of the next 90 days' maturities.

Amounts in SEK million	31 March 2016	31 Dec. 2015	Change, %
Interest-bearing liabilities	100 158	110 585	-9.4
Net debt	60 729	64 201	-5.4
Adjusted net debt (see page 23)	137 387	137 585	-0.1
Average interest rate, % <sup>1</sup>	4.0	3.9	—
Duration, years <sup>1</sup>	4.7	3.9	—
Average time to maturity, years <sup>1</sup>	9.0	8.1	—

1) Including Hybrid Capital and excluding loans from owners with non-controlling interests and associated companies.

**Comment:** Total interest-bearing liabilities for the first quarter of 2016 decreased by SEK 10.4 billion compared with the level at 31 December 2015. This is mainly owing to the fact that a large bond loan of EUR 1.1 billion fell due for payment during the period.

Net debt decreased by SEK 3.4 billion compared with the level at 31 December 2015.

Adjusted net debt was essentially unchanged compared with the level at 31 December 2015. For a calculation of adjusted net debt, see page 23.

### Credit ratings

On 13 February 2016, Moody's put Vattenfall's A3 rating and Baa2 junior subordinated debt rating on review for a downgrade. At the same time, Moody's affirmed Vattenfall's short-term P-2 rating. On 25 February 2016, Standard & Poor's placed Vattenfall's BBB+ rating under CreditWatch with negative implications. At the same time, Standard & Poor's affirmed Vattenfall's short-term A-2 rating.

## Investments and divestments

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Maintenance investments	2 237	2 582	15 720	15 375
Growth investments	1 335	2 801	12 092	10 626
<b>Total investments</b>	<b>3 572</b>	<b>5 383</b>	<b>27 812</b>	<b>26 001</b>
Accrued investments (-)/release of accrued investments (+)	186	174	914	926
<b>Total investments with cash flow effect</b>	<b>3 758</b>	<b>5 557</b>	<b>28 726</b>	<b>26 927</b>
<b>Divestments</b>	<b>3 035</b>	<b>754</b>	<b>2 814</b>	<b>5 095</b>
- of which, shares	1 124	180	206	1 150

**Comment:** Investments are specified in the table below. Divestments in 2016 pertain mainly to Netzservice/Metering, Vattenfall's network services operation in Hamburg, Germany, the sale of a property in Bramfeld in Hamburg, and the Nordjylland combined heat and power station in Denmark. Divestments during the corresponding period in 2015 pertained primarily to combined heat and power assets in Utrecht, the Netherlands.

### Specification of investments

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
<b>Electricity generation</b>				
Hydro power	264	193	1 706	1 777
Nuclear power	548	789	4 219	3 978
Coal power	108	425	1 947	1 630
Gas	63	12	174	225
Wind power	982	1 957	8 629	7 654
Biomass, waste	2	1	25	26
Other	—	143	—	- 143
<b>Total electricity generation</b>	<b>1 967</b>	<b>3 520</b>	<b>16 700</b>	<b>15 147</b>
<b>CHP/heat</b>				
Fossil-based power	349	370	1 949	1 928
Biomass, waste	12	22	145	135
Other	120	63	1 242	1 299
<b>Total CHP/heat</b>	<b>481</b>	<b>455</b>	<b>3 336</b>	<b>3 362</b>
<b>Electricity networks</b>				
Electricity networks	764	847	4 671	4 588
<b>Total Electricity networks</b>	<b>764</b>	<b>847</b>	<b>4 671</b>	<b>4 588</b>
Purchases of shares, shareholder contributions	- 151	- 7	- 267	- 411
Other	511	568	3 372	3 315
<b>Total investments</b>	<b>3 572</b>	<b>5 383</b>	<b>27 812</b>	<b>26 001</b>
Accrued investments (-)/release of accrued investments (+)	186	174	914	926
<b>Total investments with cash flow effect</b>	<b>3 758</b>	<b>5 557</b>	<b>28 726</b>	<b>26 927</b>

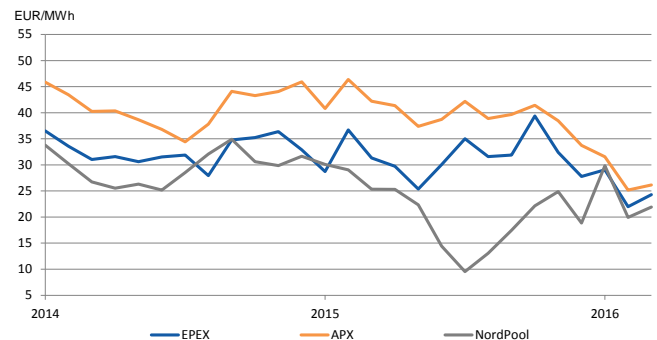
# Wholesale price trend

## Spot prices – electricity

Average Nordic spot prices were 15% lower during the first quarter of 2016 than in the corresponding period in 2015, mainly owing to lower commodity prices and a lower hydrological balance. In Germany, average spot prices were 22% lower, mainly as a result of lower commodity prices and warmer weather. In the Netherlands, exports to Belgium decreased, and as a result average spot prices were 36% lower. Compared with the fourth quarter of 2015, average spot prices were 9% higher in the Nordic countries, 24% lower in Germany, and 27% lower in the Netherlands.

Time period	Nord Pool Spot (Nordic countries)	EPEX (Germany)	APX (Netherlands)
EUR/MWh			
Q1 2016	24.0	25.1	27.7
Q1 2015	28.2	32.3	43.1
%	-15%	-22%	-36%
Q4 2015	22.0	33.3	38.0
%	9%	-24%	-27%

**Electricity spot prices in the Nordic countries, Germany and the Netherlands, monthly averages**

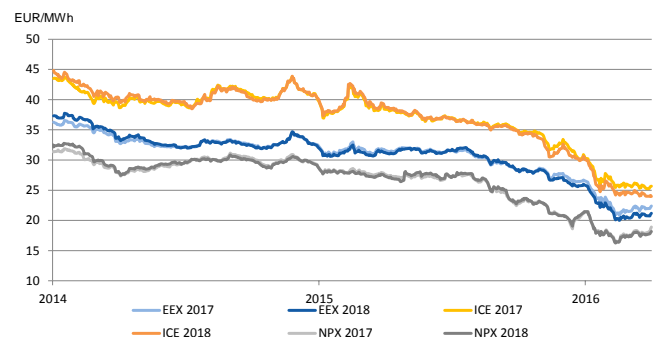


## Futures prices – electricity

Electricity futures prices were 28%-36% lower than in the first quarter of 2015, mainly owing to continued expectations for low commodity prices.

Time period	NPX (Nordic countries)		EEX (Germany)		ICE (Netherlands)	
	2017	2018	2017	2018	2017	2018
EUR/MWh						
Q1 2016	18.0	17.9	22.6	21.7	26.5	25.3
Q1 2015	28.0	27.8	31.6	31.2	39.1	39.5
%	-36%	-36%	-28%	-30%	-32%	-36%
Q4 2015	21.7	21.8	27.6	27.2	32.9	32.2
%	-17%	-18%	-18%	-20%	-20%	-21%

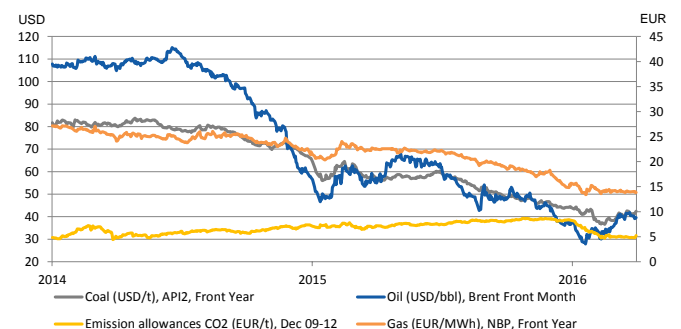
**Electricity futures prices in the Nordic countries, Germany and the Netherlands**



## Commodity prices

Oil prices (Brent crude) were an average of 36% lower than in the first quarter of 2015, mainly owing to greater supply and weak demand. For the same reasons, coal prices also weakened and were 32% lower. Gas prices were 35% lower, while prices of CO<sub>2</sub> emission allowances were 29% lower, mainly owing to a surplus of emission allowances. Compared with the fourth quarter of 2015, oil prices (Brent crude) were 21% lower, coal prices were 13% lower, and gas prices were 18% lower. Prices of CO<sub>2</sub> emission allowances were 33% lower.

**Price trend for oil, coal, gas and CO<sub>2</sub> emission allowances**



## Vattenfall's price hedging

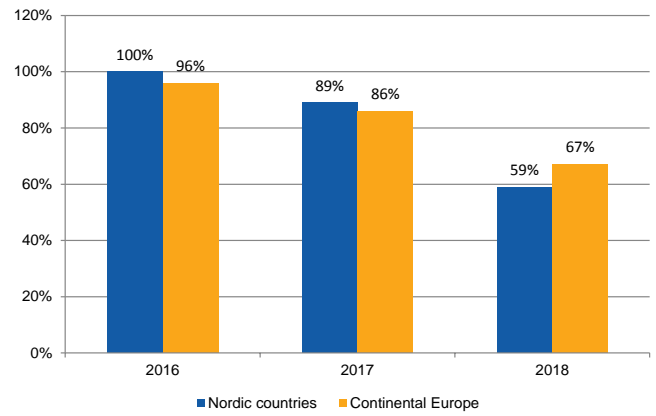
Vattenfall continuously hedges its future electricity generation through sales in the forward and futures markets. Spot prices therefore have only a limited impact on Vattenfall's earnings in the near term.

The chart shows the share of planned electricity generation that Vattenfall has hedged in the Nordic countries and Continental Europe (Germany and the Netherlands).

### Average price hedges as per 31 March 2016

EUR/MWh	2016	2017	2018
Nordic countries	32	30	29
Continental Europe	38	34	31

### Vattenfall's hedge ratio (%) as per 31 March 2016



# Operating segments

## Customers & Solutions

Amounts in SEK million unless indicated otherwise	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	21 182	26 740	87 523	81 965
External net sales <sup>1</sup>	20 660	26 317	84 905	79 248
Underlying operating profit before depreciation, amortisation and impairment losses	985	935	2 271	2 321
Underlying operating profit	756	728	1 390	1 418
Sales of electricity, TWh	23.9	33.9	123.2	113.2
- of which, private customers	8.5	8.4	26.8	26.9
- of which, resellers	1.9	9.4	33.5	26.0
- of which, business customers	13.5	16.1	62.9	60.3
Sales of gas, TWh	22.0	21.8	50.7	50.9
Number of employees, full-time equivalents	3 033	3 317	3 168	

1) Excluding intra-Group transactions

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

- Net sales for the first quarter of 2016 decreased by SEK 5.6 billion, of which SEK 3.3 billion is attributable to a reallocation of contracts with resellers from the Customers & Solutions Business Area to the Markets Business Area, which is included in the Power Generation operating segment.
- Lower operating costs for customer service activities, among others, in Germany and the Netherlands, and the sale of operations in the Netherlands had a positive effect on the underlying operating profit.
- The change in electricity sales is attributable to the reallocation of contracts with resellers. Sales of gas increased, mainly owing to higher sales in Germany.

## Power Generation

Amounts in SEK million unless indicated otherwise	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	33 393	31 816	113 969	115 546
External net sales <sup>1</sup>	18 010	12 714	56 717	62 013
Underlying operating profit before depreciation, amortisation and impairment losses	4 439	6 325	20 652	18 766
Underlying operating profit	2 753	3 974	12 443	11 222
Electricity generation, TWh <sup>2</sup>	38.7	35.9	137.2	140.0
- of which, hydro power	10.9	9.8	39.5 <sup>3</sup>	40.6
- of which, nuclear power	13.6	12.0	42.2	43.8
- of which, fossil-based power	14.2	13.9	54.8	55.1
- of which, biomass, waste	—	0.2	0.7 <sup>3</sup>	0.5
Sales of heat, TWh	0.6	0.8	2.0	1.8
Number of employees, full-time equivalents	14 540	14 737	14 571	

1) Excluding intra-Group transactions.

2) Values for 2016 are preliminary.

3) The value has been adjusted compared with the value presented in Vattenfall's 2015 year-end report.

*Power Generation comprises the Generation and Markets Business Areas, and the Mining & Generation unit. The segment includes Vattenfall's hydro and nuclear power operations, optimisation and trading operations, and lignite operations.*

- Net sales increased by SEK 1.6 billion during the first quarter of 2016. Higher production volumes mitigated lower production margins resulting from average lower prices achieved.

- The underlying operating profit decreased by SEK 1.2 billion, mainly owing to lower production margins resulting from average lower prices achieved.
- Hydro power generation increased as a result of good water supply. Nordic reservoir levels were 32% of capacity at the end of the first quarter, which is 7 percentage points above the normal level.
- Nuclear power generation increased compared with the corresponding period a year ago, owing to higher capacity at Ringhals 4 and higher availability at Forsmark 1. Combined availability for Vattenfall's nuclear power plants during the first quarter of 2016 was 87.1% (79.2%). During the first quarter of 2016 Forsmark had availability 98.4% (91.5%) and production of 7.1 TWh (6.5). Ringhals had availability of 77.7% (69.0%) and production of 6.5 TWh (5.6).

## Wind

Amounts in SEK million unless indicated otherwise	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	1 989	1 846	6 769	6 912
External net sales <sup>1</sup>	1 303	1 236	4 267	4 334
Underlying operating profit before depreciation, amortisation and impairment losses	1 509	1 339	4 621	4 791
Underlying operating profit	705	602	1 469	1 572
Electricity generation - wind power TWh	1.5	1.4	5.8	5.9
Number of employees, full-time equivalents	614	523	577	

1) Excluding intra-Group transactions

*The Wind Business Area is responsible for Vattenfall's wind power operations.*

- Net sales increased by SEK 0.1 billion during the first quarter of 2016, mainly owing to higher electricity generation from the new wind farms that were commissioned at the end of 2015: the DanTysk offshore wind farm in Germany, the Clashindarroch onshore wind farm in the UK, the Klim onshore wind farm in Denmark, and the extension of the Kentish Flats offshore wind farm in the UK.
- The underlying operating profit improved by SEK 0.1 million, mainly owing to higher revenue and higher electricity generation, mainly attributable to the commissioning of the new wind farms.
- Electricity generation during the first quarter of 2016 increased by 0.1 TWh.

## Heat

Amounts in SEK million unless indicated otherwise	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	8 191	8 655	27 380	26 916
External net sales <sup>1</sup>	5 032	5 164	14 356	14 224
Underlying operating profit before depreciation, amortisation and impairment losses	3 087	2 692	5 634	6 029
Underlying operating profit	2 122	1 772	1 704	2 054
Electricity generation - TWh <sup>2</sup>	8.5	9.1	30.0 <sup>3</sup>	29.4
- of which, fossil-based power	8.3	8.8	29.2 <sup>3</sup>	28.7
- of which, biomass, waste	0.2	0.3	0.8	0.7
Sales of heat, TWh	8.0	8.3	20.6	20.3
Number of employees, full-time equivalents	4 073	4 423	4 203	

1) Excluding intra-Group transactions.

2) Figures for 2016 are preliminary.

3) The value has been adjusted compared with the value presented in Vattenfall's 2015 year-end report.

*The Heat Business Area comprises Vattenfall's heat operations, including all thermal operations (except lignite).*

- Net sales decreased by SEK 0.5 billion during the first quarter of 2016, mainly attributable to the divestment of the Nordjylland combined heat and power station in Denmark.
- The underlying operating profit improved by SEK 0.4 billion, mainly owing to a higher gross margin resulting from lower fuel costs. Lower production volumes and higher depreciation related to the Moorburg power plant had a negative impact on the underlying operating profit.
- Electricity generation and heat production were lower during the first quarter of 2016, mainly owing to the divestment of the Nordjylland combined heat and power plant in Denmark.
- The decrease in the number of employees is mainly attributable to the divestment of the Nordjylland combined heat and power plant in Denmark.

## Distribution

Amounts in SEK million unless indicated otherwise	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	5 426	5 058	19 914	20 282
External net sales <sup>1</sup>	4 234	3 855	15 355	15 734
Underlying operating profit before depreciation, amortisation and impairment losses	2 573	2 162	8 189	8 600
Underlying operating profit	1 890	1 495	5 465	5 860
Number of employees, full-time equivalents	1 971	2 693	2 728	

1) Excluding intra-Group transactions.

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

- Net sales increased mainly as a result of higher prices.
- The underlying operating profit increased by SEK 0.4 billion, mainly owing to higher revenue and lower costs resulting from warmer weather and fewer storms.
- The decrease in the number of employees is mainly attributable to the divestment of the distribution operation in Hamburg.



## Other<sup>1</sup>

Amounts in SEK million unless indicated otherwise	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	1 302	1 257	5 361	5 406
External net sales <sup>2</sup>	59	22	178	215
Underlying operating profit before depreciation, amortisation and impairment losses	135	- 555	- 1 330	- 640
Underlying operating profit	19	- 695	- 1 897	- 1 183
Number of employees, full-time equivalents	3 281	3 648	3 320	

1) Other pertains mainly to all Staff functions and Shared Service Centres.

2) Excluding intra-Group transactions.

The data reported above for the operating segments also include eliminations in the Group's sales and earnings.  
See pages 20-21.

# Consolidated income statement

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	45 929	45 377	164 510	165 062
Cost of products sold <sup>1</sup>	- 33 294	- 33 042	- 167 075	- 167 327
<b>Gross profit</b>	<b>12 635</b>	<b>12 335</b>	<b>- 2 565</b>	<b>- 2 265</b>
Selling expenses, administrative expenses and research and development costs <sup>2</sup>	- 4 747	- 4 390	- 20 411	- 20 768
Other operating income and expenses, net	1 959	278	506	2 187
Participations in the results of associated companies <sup>3</sup>	164	163	- 497	- 496
<b>Operating profit (EBIT)<sup>4</sup></b>	<b>10 011</b>	<b>8 386</b>	<b>- 22 967</b>	<b>- 21 342</b>
Financial income <sup>5,8</sup>	641	414	2 762	2 989
Financial expenses <sup>6,7,8</sup>	- 2 344	- 1 957	- 7 987	- 8 374
<b>Profit before tax</b>	<b>8 308</b>	<b>6 843</b>	<b>- 28 192</b>	<b>- 26 727</b>
Income tax expense	- 1 706	- 1 856	8 426	8 576
<b>Profit for the period</b>	<b>6 602</b>	<b>4 987</b>	<b>- 19 766</b>	<b>- 18 151</b>
Attributable to owner of the Parent Company	6 272	4 679	- 16 672	- 15 079
Attributable to non-controlling interests	330	308	- 3 094	- 3 072
<b>Supplementary information</b>				
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	14 504	13 518	32 754	33 740
Underlying operating profit before depreciation, amortisation and impairment losses	12 619	12 758	40 004	39 865
Underlying operating profit	8 136	7 736	20 541	20 941
Financial items, net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund	- 954	- 883	- 3 023	- 3 094
1) Of which, depreciation, amortisation and impairment losses	- 4 116	- 5 003	- 54 247	- 53 360
2) Of which, depreciation, amortisation and impairment losses	- 377	- 129	- 1 433	- 1 681
3) Of which impairment losses	—	—	- 41	- 41
4) Including items affecting comparability	1 875	650	- 43 508	- 42 283
5) Including return from the Swedish Nuclear Waste Fund	156	215	1 168	1 109
6) Including interest components related to pension costs	- 240	- 235	- 937	- 942
7) Including discounting effects attributable to provisions	- 905	- 875	- 3 370	- 3 400
8) Items affecting comparability recognised as financial income and expenses, net	1	—	- 18	- 17

# Consolidated statement of comprehensive income

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
<b>Profit for the period</b>	<b>6 602</b>	<b>4 987</b>	<b>- 19 766</b>	<b>- 18 151</b>
<b>Other comprehensive income</b>				
<b>Items that will be reclassified to profit or loss when specific conditions are met</b>				
Cash flow hedges - changes in fair value	516	1 518	11 354	10 352
Cash flow hedges - dissolved against income statement	- 1 414	- 1 171	- 5 323	- 5 566
Cash flow hedges - transferred to cost of hedged item	- 7	14	- 3	- 24
Hedging of net investments in foreign operations	922	379	1 709	2 252
Translation differences	- 1 178	- 294	- 1 938	- 2 822
Income tax relating to items that will be reclassified	- 140	- 40	- 1 722	- 1 822
<b>Total Items that will be reclassified to profit or loss when specific conditions are met</b>	<b>- 1 301</b>	<b>406</b>	<b>4 077</b>	<b>2 370</b>
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement pertaining to defined benefit obligations	—	—	2 867	2 867
Income tax relating to items that will not be reclassified	—	—	- 762	- 762
<b>Total Items that will not be reclassified to profit or loss</b>	<b>—</b>	<b>—</b>	<b>2 105</b>	<b>2 105</b>
<b>Total other comprehensive income, net after tax</b>	<b>- 1 301</b>	<b>406</b>	<b>6 182</b>	<b>4 475</b>
<b>Total comprehensive income for the period</b>	<b>5 301</b>	<b>5 393</b>	<b>- 13 584</b>	<b>- 13 676</b>
Attributable to owner of the Parent Company	5 112	5 107	- 10 398	- 10 393
Attributable to non-controlling interests	189	286	- 3 186	- 3 283

# Operating segments, Vattenfall Group

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
<b>External net sales</b>				
<b>Customers &amp; Solutions</b>	20 660	26 317	84 905	79 248
<b>Power Generation</b>	18 010	12 714	56 717	62 013
<b>Wind</b>	1 303	1 236	4 267	4 334
<b>Heat</b>	5 032	5 164	14 356	14 224
<b>Distribution</b>	4 234	3 855	15 355	15 734
- of which, Distribution Germany	1 160	1 226	6 018	5 952
- of which, Distribution Sweden	3 074	2 629	9 337	9 782
<b>Other<sup>1</sup></b>	59	22	178	215
<b>Eliminations<sup>2</sup></b>	- 3 369	- 3 931	- 11 268	- 10 706
<b>Total</b>	<b>45 929</b>	<b>45 377</b>	<b>164 510</b>	<b>165 062</b>
<b>Internal net sales</b>				
<b>Customers &amp; Solutions</b>	522	423	2 618	2 717
<b>Power Generation</b>	15 383	19 102	57 252	53 533
<b>Wind</b>	686	610	2 502	2 578
<b>Heat</b>	3 159	3 491	13 024	12 692
<b>Distribution</b>	1 192	1 203	4 559	4 548
- of which, Distribution Germany	1 087	1 082	4 012	4 017
- of which, Distribution Sweden	105	121	547	531
<b>Other<sup>1</sup></b>	1 243	1 235	5 183	5 191
<b>Eliminations</b>	- 22 185	- 26 064	- 85 138	- 81 259
<b>Total</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total net sales</b>				
<b>Customers &amp; Solutions</b>	21 182	26 740	87 523	81 965
<b>Power Generation</b>	33 393	31 816	113 969	115 546
<b>Wind</b>	1 989	1 846	6 769	6 912
<b>Heat</b>	8 191	8 655	27 380	26 916
<b>Distribution</b>	5 426	5 058	19 914	20 282
- of which, Distribution Germany	2 247	2 308	10 030	9 969
- of which, Distribution Sweden	3 179	2 750	9 884	10 313
<b>Other<sup>1</sup></b>	1 302	1 257	5 361	5 406
<b>Eliminations</b>	- 25 554	- 29 995	- 96 406	- 91 965
<b>Total</b>	<b>45 929</b>	<b>45 377</b>	<b>164 510</b>	<b>165 062</b>

# Operating segments, Vattenfall Group cont.

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
<b><u>Operating profit before depreciation, amortisation and impairment losses (EBITDA)</u></b>				
<b>Customers &amp; Solutions</b>	969	912	1 657	1 714
<b>Power Generation</b>	4 668	7 023	14 981	12 626
<b>Wind</b>	1 533	1 352	4 282	4 463
<b>Heat</b>	3 050	2 774	5 555	5 831
<b>Distribution</b>	2 572	2 149	8 143	8 566
- of which, Distribution Germany	514	566	2 649	2 597
- of which, Distribution Sweden	2 058	1 583	5 494	5 969
<b>Other<sup>1</sup></b>	1 821	- 551	- 1 831	541
<b>Eliminations</b>	- 109	- 141	- 33	- 1
<b>Total</b>	<b>14 504</b>	<b>13 518</b>	<b>32 754</b>	<b>33 740</b>
<b><u>Underlying operating profit before depreciation, amortisation and impairment losses</u></b>				
<b>Customers &amp; Solutions</b>	985	935	2 271	2 321
<b>Power Generation</b>	4 439	6 325	20 652	18 766
<b>Wind</b>	1 509	1 339	4 621	4 791
<b>Heat</b>	3 087	2 692	5 634	6 029
<b>Distribution</b>	2 573	2 162	8 189	8 600
- of which, Distribution Germany	517	577	2 683	2 623
- of which, Distribution Sweden	2 056	1 585	5 506	5 977
<b>Other<sup>1</sup></b>	135	- 555	- 1 330	- 640
<b>Eliminations</b>	- 109	- 140	- 33	- 2
<b>Total</b>	<b>12 619</b>	<b>12 758</b>	<b>40 004</b>	<b>39 865</b>
<b><u>Operating profit (EBIT)</u></b>				
<b>Customers &amp; Solutions</b>	740	705	775	810
<b>Power Generation</b>	2 975	4 668	- 25 519	- 27 212
<b>Wind</b>	729	616	931	1 044
<b>Heat</b>	2 086	1 747	- 2 633	- 2 294
<b>Distribution</b>	1 888	1 482	5 419	5 825
- of which, Distribution Germany	321	370	1 848	1 799
- of which, Distribution Sweden	1 567	1 112	3 571	4 026
<b>Other<sup>1</sup></b>	1 702	- 692	- 1 907	487
<b>Eliminations</b>	- 109	- 140	- 33	- 2
<b>Operating profit (EBIT)</b>	<b>10 011</b>	<b>8 386</b>	<b>- 22 967</b>	<b>- 21 342</b>
Financial income and expenses	- 1 703	- 1 543	- 5 225	- 5 385
<b>Profit before tax</b>	<b>8 308</b>	<b>6 843</b>	<b>- 28 192</b>	<b>- 26 727</b>
<b><u>Underlying operating profit</u></b>				
<b>Customers &amp; Solutions</b>	756	728	1 390	1 418
<b>Power Generation</b>	2 753	3 974	12 443	11 222
<b>Wind</b>	705	602	1 469	1 572
<b>Heat</b>	2 122	1 772	1 704	2 054
<b>Distribution</b>	1 890	1 495	5 465	5 860
- of which, Distribution Germany	325	379	1 881	1 827
- of which, Distribution Sweden	1 565	1 116	3 584	4 033
<b>Other<sup>1</sup></b>	19	- 695	- 1 897	- 1 183
<b>Eliminations</b>	- 109	- 140	- 33	- 2
<b>Underlying operating profit</b>	<b>8 136</b>	<b>7 736</b>	<b>20 541</b>	<b>20 941</b>

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

2) For external net sales, the eliminations pertains to sales to the Nordic electricity exchange.

# Consolidated balance sheet

Amounts in SEK million	31 March 2016	31 March 2015	31 Dec. 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	17 424	18 964	17 564
Property, plant and equipment	242 768	271 402	244 563
Investment property	370	440	388
Biological assets	34	28	35
Participations in associated companies and joint arrangements	7 157	8 019	7 002
Other shares and participations	273	300	273
Share in the Swedish Nuclear Waste Fund	34 714	32 499	34 172
Derivative assets	24 386	20 702	20 220
Current tax assets, non-current	230	450	222
Prepaid expenses	109	111	103
Deferred tax assets	10 705	9 099	9 265
Other non-current receivables	6 311	8 304	9 484
<b>Total non-current assets</b>	<b>344 481</b>	<b>370 318</b>	<b>343 291</b>
<b>Current assets</b>			
Inventories	15 358	16 396	16 592
Biological assets	19	11	19
Intangible assets: current	6 549	5 244	1 091
Trade receivables and other receivables	28 626	33 658	26 193
Advance payments paid	4 377	2 036	3 607
Derivative assets	12 366	11 802	14 067
Prepaid expenses and accrued income	10 092	10 840	5 936
Current tax assets	2 858	795	3 285
Short-term investments	22 171	45 634	31 905
Cash and cash equivalents	15 254	11 606	12 351
Assets held for sale	37	4 045	3 980
<b>Total current assets</b>	<b>117 707</b>	<b>142 067</b>	<b>119 026</b>
<b>Total assets</b>	<b>462 188</b>	<b>512 385</b>	<b>462 317</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Attributable to owner of the Parent Company	109 756	120 367	103 984
Attributable to non-controlling interests	14 612	14 311	11 972
<b>Total equity</b>	<b>124 368</b>	<b>134 678</b>	<b>115 956</b>
<b>Non-current liabilities</b>			
Hybrid Capital	18 448	15 295	18 546
Other interest-bearing liabilities	63 825	70 463	68 179
Pension provisions	38 893	44 793	38 919
Other interest-bearing provisions	93 999	86 314	93 042
Derivative liabilities	12 388	11 718	10 579
Deferred tax liabilities	24 109	27 454	22 970
Other noninterest-bearing liabilities	6 155	5 733	6 273
<b>Total non-current liabilities</b>	<b>257 817</b>	<b>261 770</b>	<b>258 508</b>
<b>Current liabilities</b>			
Trade payables and other liabilities	22 426	26 771	23 958
Advance payments received	2 580	1 687	2 293
Derivative liabilities	7 588	5 533	8 023
Accrued expenses and deferred income	21 994	20 865	19 969
Current tax liabilities	1 645	1 254	306
Hybrid Capital	—	4 684	—
Other interest-bearing liabilities	17 885	46 937	23 860
Interest-bearing provisions	5 835	6 447	6 302
Liabilities associated with assets held for sale	50	1 759	3 142
<b>Total current liabilities</b>	<b>80 003</b>	<b>115 937</b>	<b>87 853</b>
<b>Total equity and liabilities</b>	<b>462 188</b>	<b>512 385</b>	<b>462 317</b>

# Consolidated balance sheet, cont.

## Supplementary information

Amounts in SEK million	31 March 2016	31 March 2015	31 Dec. 2015
<b>Calculation of capital employed</b>			
Intangible assets: current and non-current	23 973	24 208	18 655
Property, plant and equipment	242 768	271 402	244 563
Participations in associated companies and joint arrangements	7 157	8 019	7 002
Deferred and current tax assets	13 563	9 894	12 550
Non-current noninterest-bearing receivables	5 091	7 124	8 309
Inventories	15 358	16 396	16 592
Trade receivables and other receivables	28 626	33 658	26 193
Prepaid expenses and accrued income	10 092	10 840	5 936
Unavailable liquidity	7 335	7 356	6 813
Other	745	915	719
<b>Total assets excl. financial assets</b>	<b>354 708</b>	<b>389 812</b>	<b>347 332</b>
Deferred and current tax liabilities	- 25 754	- 28 708	- 23 276
Other noninterest-bearing liabilities	- 6 155	- 5 733	- 6 273
Trade payable and other liabilities	- 22 426	- 26 771	- 23 958
Accrued expenses and deferred income	- 21 994	- 20 865	- 19 969
Other	- 87	—	- 77
<b>Total noninterest-bearing liabilities</b>	<b>- 76 416</b>	<b>- 82 077</b>	<b>- 73 553</b>
Other interest-bearing provisions not related to adjusted net debt <sup>1</sup>	- 9 256	- 9 106	- 9 188
<b>Capital employed</b>	<b>269 036</b>	<b>298 629</b>	<b>264 591</b>
<b>Capital employed, average</b>	<b>283 833</b>	<b>298 803</b>	<b>279 435</b>
<b>Calculation of net debt</b>			
Hybrid Capital	- 18 448	- 19 979	- 18 546
Bond issues, commercial paper and liabilities to credit institutions	- 61 420	- 70 833	- 68 898
Present value of liabilities pertaining to acquisitions of Group companies	—	- 19 162	—
Liabilities to associated companies	- 2 530	- 2 680	- 2 751
Liabilities to owners of non-controlling interests	- 9 959	- 12 368	- 13 041
Other liabilities	- 7 801	- 12 357	- 7 349
<b>Total interest-bearing liabilities</b>	<b>- 100 158</b>	<b>- 137 379</b>	<b>- 110 585</b>
Cash and cash equivalents	15 254	11 606	12 351
Short-term investments	22 171	45 634	31 905
Loans to owners of non-controlling interests in foreign Group companies	2 004	1 314	2 128
<b>Net debt</b>	<b>- 60 729</b>	<b>- 78 825</b>	<b>- 64 201</b>
<b>Calculation of adjusted gross debt and net debt</b>			
Total interest-bearing liabilities	- 100 158	- 137 379	- 110 585
50% of Hybrid Capital <sup>2</sup>	9 224	7 647	9 273
Present value of pension obligations	- 38 893	- 44 793	- 38 919
Provisions for mining, gas and wind operations and other environment-related provisions	- 19 282	- 14 299	- 19 099
Provisions for nuclear power (net) <sup>3</sup>	- 33 061	- 33 049	- 32 944
Margin calls received	5 844	9 636	5 307
Liabilities to owners of non-controlling interests due to consortium agreements	8 849	11 616	11 939
<b>Adjusted gross debt</b>	<b>- 167 477</b>	<b>- 200 621</b>	<b>- 175 028</b>
Reported cash and cash equivalents and short-term investments	37 425	57 240	44 256
Unavailable liquidity	- 7 335	- 7 356	- 6 813
<b>Adjusted cash and cash equivalents and short-term investments</b>	<b>30 090</b>	<b>49 884</b>	<b>37 443</b>
<b>Adjusted net debt</b>	<b>- 137 387</b>	<b>- 150 737</b>	<b>- 137 585</b>

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

2) 50% of Hybrid Capital is treated as equity by the rating agencies, which thereby reduces adjusted net debt.

3) 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	Q1 2016	Q1 2015	Full year 2015	Last 12 months
<b>Operating activities</b>				
Profit before tax	8 308	6 843	- 28 192	- 26 727
Reversal of depreciation, amortisation and impairment losses	4 493	5 132	55 724	55 085
Tax paid	- 155	33	- 1 340	- 1 528
Capital gains/losses, net	- 1 693	- 65	143	- 1 485
Other, incl. non-cash items	- 1 871	- 2 148	2 674	2 951
<b>Funds from operations (FFO)</b>	<b>9 082</b>	<b>9 795</b>	<b>29 009</b>	<b>28 296</b>
Changes in inventories	1 471	1 992	- 553	- 1 074
Changes in operating receivables	- 12 546	- 7 659	4 074	- 813
Changes in operating liabilities	1 031	1 641	5 775	5 165
Other changes	- 1 696	984	2 629	- 51
<b>Cash flow from changes in operating assets and operating liabilities</b>	<b>- 11 740</b>	<b>- 3 042</b>	<b>11 925</b>	<b>3 227</b>
<b>Cash flow from operating activities</b>	<b>- 2 658</b>	<b>6 753</b>	<b>40 934</b>	<b>31 523</b>
<b>Investing activities</b>				
Acquisitions in Group companies	—	- 5	- 5	—
Investments in associated companies and other shares and participations	151	12	272	411
Other investments in non-current assets	- 3 909	- 5 564	- 28 993	- 27 338
<b>Total investments</b>	<b>- 3 758</b>	<b>- 5 557</b>	<b>- 28 726</b>	<b>- 26 927</b>
Divestments	3 035	754	2 814	5 095
Cash and cash equivalents in divested companies	—	- 384	- 563	- 179
<b>Cash flow from investing activities</b>	<b>- 723</b>	<b>- 5 187</b>	<b>- 26 475</b>	<b>- 22 011</b>
<b>Cash flow before financing activities</b>	<b>- 3 381</b>	<b>1 566</b>	<b>14 459</b>	<b>9 512</b>
<b>Financing activities</b>				
Changes in short-term investments	9 814	- 13 022	235	23 071
Changes in loans to owners of non-controlling interests in foreign Group companies	132	59	- 783	- 710
Loans raised <sup>1</sup>	5 343	4 493 <sup>2</sup>	5 088	5 938
Amortisation of debt pertaining to acquisitions of Group companies	—	—	- 19 152	- 19 152
Amortisation of other debt	- 12 934	- 5 210 <sup>2</sup>	- 10 223	- 17 947
Divestment of shares in Group companies to owners of non-controlling interests	2 835	—	—	2 835
Effect of early termination of swaps related to financing activities	936	—	1 690	2 626
Redemption of Hybrid Capital	—	- 4 514	- 9 172	- 4 658
Issue of Hybrid Capital	—	15 152	18 636	3 484
Dividends paid to owners	—	—	- 333	- 333
Contribution from owners of non-controlling interests	152	836	1 973	1 289
<b>Cash flow from financing activities</b>	<b>6 278</b>	<b>- 2 206</b>	<b>- 12 041</b>	<b>- 3 557</b>
<b>Cash flow for the period</b>	<b>2 897</b>	<b>- 640</b>	<b>2 418</b>	<b>5 955</b>



## Consolidated statement of cash flows, cont.

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
<b>Cash and cash equivalents</b>				
Cash and cash equivalents at start of period	12 351	12 283	12 283	11 606
Cash and cash equivalents included in assets held for sale	—	—	- 2 263	- 2 263
Cash flow for the period	2 897	- 640	2 418	5 955
Translation differences	6	- 37	- 87	- 44
<b>Cash and cash equivalents at end of period</b>	<b>15 254</b>	<b>11 606</b>	<b>12 351</b>	<b>15 254</b>
<b>Supplementary information</b>				
<b>Cash flow before financing activities</b>	<b>- 3 381</b>	<b>1 566</b>	<b>14 459</b>	<b>9 512</b>
<b>Financing activities</b>				
Divestment of shares in Group companies to owners of non-controlling interests	2 835	—	—	2 835
Effects from terminating swaps related to financing activities	936	—	1 690	2 626
Dividends paid to owners	—	—	- 333	- 333
Contribution from owners of non-controlling interests	152	836	1 973	1 289
<b>Cash flow after dividend</b>	<b>542</b>	<b>2 402</b>	<b>17 789</b>	<b>15 929</b>
<b>Analysis of change in net debt</b>				
Net debt at start of period	- 64 201	- 79 473	- 79 473	- 78 825
Cash flow after dividend	542	2 402	17 789	15 929
Changes as a result of valuation at fair value	- 1 061	- 821	274	34
Changes in interest-bearing liabilities for leasing	4	3	3	4
Interest-bearing liabilities/short-term investments acquired/divested	—	25	35	10
Changes in liabilities pertaining to acquisitions of Group companies, discounting effects	—	- 81	- 160	- 79
Cash and cash equivalents included in assets held for sale	—	—	- 2 263	- 2 263
Translation differences on net debt	889	- 880	- 406	1 363
Reclassification	3 098	—	—	3 098
<b>Net debt at end of period</b>	<b>- 60 729</b>	<b>- 78 825</b>	<b>- 64 201</b>	<b>- 60 729</b>
<b>Free cash flow</b>	<b>- 4 997</b>	<b>4 003</b>	<b>25 013</b>	<b>16 013</b>

- 1) Short-term borrowings in which the duration is three months or shorter are reported net.
- 2) The amount has been recalculated compared with previously published information in Vattenfall's 2015 interim reports as a result of the fact that short-term borrowings in which the duration is three months or shorter are reported net.

# Consolidated statement of changes in equity

Amounts in SEK million	31 March 2016			31 March 2015			31 Dec. 2015		
	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity	Attributable to owner of the Parent Company	Attributable to non-controlling interests	Total equity
<b>Balance brought forward</b>	<b>103 984</b>	<b>11 972</b>	<b>115 956</b>	<b>115 260</b>	<b>13 202</b>	<b>128 462</b>	<b>115 260</b>	<b>13 202</b>	<b>128 462</b>
<b>Profit for the period</b>	<b>6 272</b>	<b>330</b>	<b>6 602</b>	<b>4 679</b>	<b>308</b>	<b>4 987</b>	<b>- 16 672</b>	<b>- 3 094</b>	<b>- 19 766</b>
Cash flow hedges - changes in fair value	515	1	516	1 464	54	1 518	11 335	19	11 354
Cash flow hedges - dissolved against income statement	- 1 413	- 1	- 1 414	- 1 170	- 1	- 1 171	- 5 324	1	- 5 323
Cash flow hedges - transferred to cost of hedged item	- 5	- 2	- 7	9	5	14	- 4	1	- 3
Hedging of net investments in foreign operations	922	—	922	379	—	379	1 709	—	1 709
Translation differences	- 1 039	- 139	- 1 178	- 207	- 87	- 294	- 1 746	- 192	- 1 938
Remeasurement pertaining to defined benefit obligations	—	—	—	—	—	—	2 742	125	2 867
Income tax relating to other comprehensive income	- 140	—	- 140	- 47	7	- 40	- 2 438	- 46	- 2 484
<b>Total other comprehensive income for the period</b>	<b>- 1 160</b>	<b>- 141</b>	<b>- 1 301</b>	<b>428</b>	<b>- 22</b>	<b>406</b>	<b>6 274</b>	<b>- 92</b>	<b>6 182</b>
<b>Total comprehensive income for the period</b>	<b>5 112</b>	<b>189</b>	<b>5 301</b>	<b>5 107</b>	<b>286</b>	<b>5 393</b>	<b>- 10 398</b>	<b>- 3 186</b>	<b>- 13 584</b>
Dividends paid to owners	—	—	—	—	—	—	—	- 333	- 333
Group contributions from(+)/to(-) owners of non-controlling interests	—	—	—	—	—	—	—	355	355
Changes in ownership in Group companies on divestments of shares to owners of non-controlling interests	877	2 082	2 959	—	—	—	—	—	—
Additional purchase price pertaining to previous share purchase	—	—	—	—	—	—	- 878	—	- 878
Contribution from minority interest	—	152	152	—	836	836	—	1 973	1 973
Other changes in ownership	—	—	—	—	- 13	- 13	—	- 39	- 39
Other changes	- 217	217	—	—	—	—	—	—	—
<b>Total transactions with equity holders</b>	<b>660</b>	<b>2 451</b>	<b>3 111</b>	<b>—</b>	<b>823</b>	<b>823</b>	<b>- 878</b>	<b>1 956</b>	<b>1 078</b>
<b>Balance carried forward</b>	<b>109 756</b>	<b>14 612</b>	<b>124 368</b>	<b>120 367</b>	<b>14 311</b>	<b>134 678</b>	<b>103 984</b>	<b>11 972</b>	<b>115 956</b>
- Of which, Reserve for hedges	8 619	4	8 623	5 144	65	5 209	9 460	7	9 467

# Key ratios, Vattenfall Group

In % unless otherwise stated. (x) means times	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Operating margin	21.8	18.5	- 14.0	- 12.9
Operating margin <sup>1</sup>	17.7	17.0	12.5	12.7
Pre-tax profit margin	18.1	15.1	- 17.1	- 16.2
Pre-tax profit margin <sup>1</sup>	14.0	13.6	9.3	9.4
Return on equity	- 15.8 <sup>2</sup>	- 10.1 <sup>2</sup>	- 16.8	- 15.8
Return on capital employed	- 7.5 <sup>2</sup>	- 1.9 <sup>2</sup>	- 8.2	- 7.5
Return on capital employed <sup>1</sup>	7.4 <sup>2</sup>	7.6 <sup>2</sup>	7.4	7.4
EBIT interest cover, (x)	- 3.9 <sup>2</sup>	- 0.9 <sup>2</sup>	- 4.6	- 3.9
EBIT interest cover, (x) <sup>1</sup>	4.6 <sup>2</sup>	5.1 <sup>2</sup>	4.8	4.6
FFO interest cover, (x)	6.7 <sup>2</sup>	7.6 <sup>2</sup>	7.3	6.7
FFO interest cover, net, (x)	10.1 <sup>2</sup>	10.0 <sup>2</sup>	10.6	10.1
Cash flow interest cover after maintenance investments, (x)	5.0 <sup>2</sup>	7.4 <sup>2</sup>	7.8	5.0
FFO/gross debt	28.3 <sup>2</sup>	22.7 <sup>2</sup>	26.2	28.3
FFO/net debt	46.6 <sup>2</sup>	39.5 <sup>2</sup>	45.2	46.6
FFO/adjusted net debt	20.6 <sup>2</sup>	20.7 <sup>2</sup>	21.1	20.6
EBITDA/net financial items, (x)	15.2	15.3	10.8	10.9
EBITDA/net financial items, (x) <sup>1</sup>	13.2	14.4	13.2	12.9
Equity/total assets	26.9	26.3	25.1	26.9
Gross debt/equity	80.5	102.0	95.4	80.5
Net debt/equity	48.8	58.5	55.4	48.8
Gross debt/gross debt plus equity	44.6	50.5	48.8	44.6
Net debt/net debt plus equity	32.8	36.9	35.6	32.8
Net debt/EBITDA, (x)	1.8 <sup>2</sup>	2.1 <sup>2</sup>	2.0	1.8
Adjusted net debt/EBITDA, (x)	4.1 <sup>2</sup>	4.0 <sup>2</sup>	4.2	4.1

- 1) Based on Underlying operating profit.  
2) Last 12-month values.

## Quarterly information, Vattenfall Group

Amounts in SEK million	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>Income Statement</b>					
Net sales	45 929	45 499	37 519	36 115	45 377
Cost of products sold	- 33 294	- 36 452	- 29 354	- 68 228	- 33 042
Other operating income and expenses	- 2 788	- 4 923	- 5 039	- 5 831	- 4 112
Participations in the results of associated companies	164	- 434	- 125	- 101	163
Operating profit before depreciation, amortisation and impairment losses (EBITDA)	14 504	8 835	7 548	2 852	13 518
Operating profit (EBIT)	10 011	3 690	3 001	- 38 045	8 386
Underlying operating profit	8 136	6 449	3 388	2 966	7 736
Financial items, net	- 1 703	- 1 175	- 1 105	- 1 401	- 1 543
Profit before tax	8 308	2 515	1 896	- 39 446	6 843
<b>Profit for the period</b>	<b>6 602</b>	<b>2 460</b>	<b>1 600</b>	<b>- 28 812</b>	<b>4 987</b>
- of which, attributable to owner of the Parent Company	6 272	2 243	1 403	- 24 996	4 679
- of which, attributable to non-controlling interests	330	217	197	- 3 816	308
<b>Balance sheet</b>					
Non-current assets	344 481	343 291	348 656	339 871	370 318
Short-term investments	22 171	31 905	30 867	34 006	45 634
Cash and cash equivalents	15 254	12 351	12 497	20 006	11 606
Other current assets	80 282	74 770	65 338	69 666	84 827
<b>Total assets</b>	<b>462 188</b>	<b>462 317</b>	<b>457 358</b>	<b>463 549</b>	<b>512 385</b>
Equity	124 368	115 956	114 440	108 303	134 678
- of which, attributable to owner of the Parent Company	109 756	103 984	103 043	97 646	120 367
- of which, attributable to non-controlling interests	14 612	11 972	11 397	10 657	14 311
Hybrid Capital	18 448	18 546	15 387	15 192	19 979
Other interest-bearing liabilities	81 710	92 039	95 659	112 970	117 400
Pension provisions	38 893	38 919	42 320	41 986	44 793
Other interest-bearing provisions	99 834	99 344	99 663	97 550	92 761
Deferred tax liabilities	24 109	22 970	26 463	27 202	27 454
Other noninterest-bearing liabilities	74 826	74 543	63 426	60 346	75 320
<b>Total equity and liabilities</b>	<b>462 188</b>	<b>462 317</b>	<b>457 358</b>	<b>463 549</b>	<b>512 385</b>
Capital employed	269 036	264 591	267 116	269 657	298 629
Net debt	- 60 729	- 64 201	- 65 405	- 72 839	- 78 825
<b>Cash flow</b>					
Funds from operations (FFO)	9 082	9 362	5 698	4 154	9 795
Cash flow from changes in operating assets and operating liabilities	- 11 740	233	9 170	5 563	- 3 042
Cash flow from operating activities	- 2 658	9 595	14 868	9 717	6 753
Cash flow from investing activities	- 723	- 8 011	- 7 883	- 5 393	- 5 187
Cash flow before financing activities	- 3 381	1 584	6 985	4 324	1 566
Changes in short-term investments	9 814	- 1 581	3 501	11 336	- 13 022
Loans raised/Amortisation of debt, net, etc.	- 3 536	2 384	- 17 965	- 7 177	10 816
Dividends paid to owners	—	- 180	- 96	- 57	—
Cash flow from financing activities	6 278	623	- 14 560	4 102	- 2 206
<b>Cash flow for the period</b>	<b>2 897</b>	<b>2 207</b>	<b>- 7 575</b>	<b>8 426</b>	<b>- 640</b>
<b>Free cash flow</b>	<b>- 4 997</b>	<b>4 270</b>	<b>10 520</b>	<b>6 218</b>	<b>4 003</b>

## Quarterly information, Vattenfall Group, cont.

In % unless otherwise stated. (x) means times	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
<b>Key ratios</b>					
Return on equity <sup>1</sup>	- 15.8	- 16.8	- 14.8	- 32.6	- 10.1
Return on capital employed <sup>1</sup>	- 7.5	- 8.2	- 7.1	- 14.6	- 1.9
Return on capital employed <sup>1, 2</sup>	7.4	7.4	8.1	7.5	7.6
EBIT interest cover, (x) <sup>1</sup>	- 3.9	- 4.6	- 3.6	- 8.0	- 0.9
EBIT interest cover, (x) <sup>1, 2</sup>	4.6	4.8	4.8	4.6	5.1
FFO/gross debt <sup>1</sup>	28.3	26.2	28.9	24.5	22.7
FFO/net debt <sup>1</sup>	46.6	45.2	49.1	43.2	39.5
FFO/adjusted net debt <sup>1</sup>	20.6	21.1	22.5	21.1	20.7
Equity/assets ratio	26.9	25.1	25.0	23.4	26.3
Gross debt/equity	80.5	95.4	97.0	118.3	102.0
Net debt/equity	48.8	55.4	57.2	67.3	58.5
Net debt/net debt plus equity	32.8	35.6	36.4	40.2	36.9
Net debt/EBITDA, (x) <sup>1</sup>	1.8	2.0	1.8	2.0	2.1
Adjusted net debt/EBITDA, (x) <sup>1</sup>	4.1	4.2	4.0	4.0	4.0

1) Last 12-month values

2) Based on Underlying operating profit.

## Note 1 Accounting policies, risks and uncertainties

### Accounting policies

The consolidated accounts for 2016 have been prepared, as for the 2015 year-end accounts, in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Commission for application within the EU, and the Swedish Annual Accounts Act. This interim report for the Group has been prepared in accordance with IAS 34 – “Interim Financial Reporting”, and the Swedish Annual Accounts Act. The accounting policies and calculation methods applied in this interim report are the same as those described in Note 3 to the consolidated accounts, Accounting policies in Vattenfall's 2015 Annual and Sustainability Report. As described in the note, the amended IFRSs endorsed by the EU for application in the 2016 financial year have no significant effect on Vattenfall's financial statements.

### Risks and uncertainties

For a description of risks, uncertainties and risk management, please refer to Vattenfall's 2015 Annual and Sustainability Report, pages 70-78. Apart from the information provided under important events in this report, no other material changes have taken place since publication of the 2015 Annual and Sustainability Report.

### Other

Significant related-party transactions are described in Note 55 to the consolidated accounts in Vattenfall's 2015 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in the 2015 Annual and Sustainability Report.

## Note 2 Exchange rates

### Key exchange rates applied in the accounts of the Vattenfall Group:

	Q1 2016	Q1 2015	Full year 2015
<b>Average rate</b>			
EUR	9.2713	9.3534	9.3414
DKK	1.2429	1.2545	1.2523
NOK	0.9758	1.0647	1.0403
PLN	2.1421	2.2383	2.2297
GBP	12.0682	12.5424	12.8325
USD	8.4165	8.2469	8.4004
	31 March 2016	31 March 2015	31 Dec. 2015
<b>Balance sheet date rate</b>			
EUR	9.2253	9.2901	9.1895
DKK	1.2381	1.2437	1.2314
NOK	0.9799	1.0674	0.9569
PLN	2.1668	2.2740	2.1552
GBP	11.6547	12.7734	12.5206
USD	8.1030	8.6347	8.4408

## Note 3 Financial instruments by category and related effects on income

### Financial instruments by category: Carrying amount and fair value

Amounts in SEK million <sup>1</sup>	31 March 2016		31 Dec. 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss	59 632	59 632	65 042	65 042
Loans and receivables	88 219	90 182	86 617	87 693
Available-for-sale financial assets	273	273	273	273
Financial liabilities at fair value through profit or loss	19 976	19 976	18 602	18 602
Other financial liabilities	129 815	133 645	141 436	145 986

1) For information of what is included in each respective category in the table above, please refer to Note 47 to the consolidated accounts, Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income in Vattenfall's 2015 Annual and Sustainability Report.

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

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

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

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

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

### Financial assets and liabilities that are measured at fair value on the balance sheet at 31 March 2016

Amounts in SEK million	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative assets	—	36 572	181	<b>36 753</b>
Short-term investments and cash equivalents	14 962	7 917	—	<b>22 879</b>
<b>Total assets</b>	<b>14 962</b>	<b>44 489</b>	<b>181</b>	<b>59 632</b>
<b>Liabilities</b>				
Derivative liabilities	—	19 203	773	<b>19 976</b>
<b>Total liabilities</b>	<b>—</b>	<b>19 203</b>	<b>773</b>	<b>19 976</b>

### Financial assets and liabilities that are measured at fair value on the balance sheet at 31 December 2015

Amounts in SEK million	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Derivative assets	—	33 879	408	<b>34 287</b>
Short-term investments and cash equivalents	20 606	10 149	—	<b>30 755</b>
<b>Total assets</b>	<b>20 606</b>	<b>44 028</b>	<b>408</b>	<b>65 042</b>
<b>Liabilities</b>				
Derivative liabilities	—	17 164	1 438	<b>18 602</b>
<b>Total liabilities</b>	<b>—</b>	<b>17 164</b>	<b>1 438</b>	<b>18 602</b>

## Changes in level 3 financial instruments

Financial instruments at fair value through profit or loss

Amounts in SEK million	Derivative assets		Derivative liabilities	
	31 March 2016	31 Dec. 2015	31 March 2016	31 Dec. 2015
Balance brought forward	408	650	1 438	670
Revaluations recognised in operating profit (EBIT)	- 229	- 232	- 673	795
Translation differences	2	- 10	8	- 27
<b>Balance carried forward</b>	<b>181</b>	<b>408</b>	<b>773</b>	<b>1 438</b>
Total revaluations for the period included in operating profit (EBIT) for assets and liabilities held on the balance sheet date	- 25	- 83	34	459

## Sensitivity analysis for Level 3 contracts

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

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

The level 3 contracts in this interim report are the same as in Vattenfall's 2015 Annual and Sustainability Report. For additional information please refer to Note 47 to the consolidated accounts, Financial instruments by category, offsetting of financial assets and liabilities, and financial instruments' effects on income, in Vattenfall's 2015 Annual and Sustainability Report. The accumulated net value of all level 3 contracts as per 31 March 2016 have been calculated at SEK -592 million (-1,030). A change of +/-5% would affect the total value by approximately SEK +/-5 million (+/-42).

## Financial instruments: Effects on income by category

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

Amounts in SEK million	31 March 2016			31 Dec. 2015		
	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses	Net gains/ losses <sup>1</sup>	Interest income	Interest expenses
Derivative assets and derivative liabilities	1 440	62	- 223	3 940	116	- 76
Available-for-sale financial assets	1	—	—	15	—	—
Loans and trade receivables	- 12	200	—	- 241	1 546	—
Financial liabilities measured at amortised cost	- 209	—	- 927	1 000	—	- 3 306
<b>Total</b>	<b>1 220</b>	<b>262</b>	<b>- 1 150</b>	<b>4 714</b>	<b>1 662</b>	<b>- 3 382</b>

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



# The Parent Company Vattenfall AB

## Accounting policies

The Parent Company Vattenfall AB's accounts are prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 – Accounting for Legal Entities, issued by the Swedish Financial Reporting Board. The accounting policies used in this report are the same as those described in Vattenfall's 2015 Annual and Sustainability Report (Note 2 to the Parent Company accounts, Accounting policies).

## Q1 2016

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

- Net sales amounted to SEK 9,267 million (8,677).
- Profit before appropriations and tax was SEK 4,452 million (3,537).
- In the income statement, net financial income was positively affected by slightly more than SEK 3 billion from exchange rate movements.
- The balance sheet total was SEK 284,936 million (292,057).
- Investments during the period amounted to SEK 47 million (40).
- Cash and cash equivalents, and short-term investments amounted to SEK 28,782 million (38,794).

## Risks and uncertainties

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

## Other

Significant related-party transactions are described in Note 39 to the Parent Company accounts, Related party disclosures, in Vattenfall's 2015 Annual and Sustainability Report. No material changes have taken place in relations or transactions with related parties compared with the description in Vattenfall's 2015 Annual and Sustainability Report.

## Parent Company income statement

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Net sales	9 267	8 677	30 670	31 260
Cost of products sold	- 7 061	- 6 095	- 24 177	- 25 143
<b>Gross profit</b>	<b>2 206</b>	<b>2 582</b>	<b>6 493</b>	<b>6 117</b>
Selling expenses, administrative expenses and research and development costs	- 616	- 577	- 2 354	- 2 393
Other operating income and expenses, net	119	78	1 009	1 050
<b>Operating profit (EBIT)</b>	<b>1 709</b>	<b>2 083</b>	<b>5 148</b>	<b>4 774</b>
Result from participations in subsidiaries	14	2 423	3 654	1 245
Result from participations in associated companies	—	—	7	7
Other financial income	3 007	317	991	3 681
Other financial expenses	- 278	- 1 286	- 3 650	- 2 642
<b>Profit before appropriations and tax</b>	<b>4 452</b>	<b>3 537</b>	<b>6 150</b>	<b>7 065</b>
Appropriations	963	735	1 194	1 422
<b>Profit before tax</b>	<b>5 415</b>	<b>4 272</b>	<b>7 344</b>	<b>8 487</b>
Income tax expense	- 1 192	- 453	- 908	- 1 647
<b>Profit for the period</b>	<b>4 223</b>	<b>3 819</b>	<b>6 436</b>	<b>6 840</b>

## Parent Company statement of comprehensive income

Amounts in SEK million	Q1 2016	Q1 2015	Full year 2015	Last 12 months
Profit for the period	4 223	3 819	6 436	6 840
Total other comprehensive income	—	—	—	—
<b>Total comprehensive income for the period</b>	<b>4 223</b>	<b>3 819</b>	<b>6 436</b>	<b>6 840</b>

# Parent Company balance sheet

Amounts in SEK million	31 March 2016	31 March 2015	31 Dec. 2015
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: non-current	170	109	174
Property, plant and equipment	4 050	4 044	4 122
Shares and participations	151 865	118 182	151 865
Deferred tax assets	244	—	212
Other non-current receivables	77 885	85 654	83 624
<b>Total non-current assets</b>	<b>234 214</b>	<b>207 989</b>	<b>239 997</b>
<b>Current assets</b>			
Inventories	282	337	342
Intangible assets: current	422	420	215
Current receivables	21 236	15 631	12 172
Current tax assets	—	—	537
Short-term investments	18 109	41 549	28 491
Cash and cash equivalents	10 673	8 001	10 303
<b>Total current assets</b>	<b>50 722</b>	<b>65 938</b>	<b>52 060</b>
<b>Total assets</b>	<b>284 936</b>	<b>273 927</b>	<b>292 057</b>
<b>Equity, provisions and liabilities</b>			
<b>Equity</b>			
Restricted equity			
Share capital (131,700,000 shares with a share quota value of SEK 50)	6 585	6 585	6 585
Revaluation reserve	37 989	—	37 989
Other reserve	1 296	1 286	1 286
Non-restricted equity			
Retained earnings	50 163	43 737	43 736
Profit for the period	4 223	3 819	6 436
<b>Total equity</b>	<b>100 256</b>	<b>55 427</b>	<b>96 032</b>
<b>Untaxed reserves</b>	<b>13 919</b>	<b>15 493</b>	<b>14 882</b>
<b>Provisions</b>	<b>4 868</b>	<b>4 792</b>	<b>4 835</b>
<b>Non-current liabilities</b>			
Hybrid capital	18 652	15 290	18 603
Other interest-bearing liabilities	50 575	53 347	54 961
Deferred tax liabilities	—	185	—
Other noninterest-bearing liabilities	10 937	36 344	18 302
<b>Total non-current liabilities</b>	<b>80 164</b>	<b>105 166</b>	<b>91 866</b>
<b>Current liabilities</b>			
Hybrid capital	—	4 684	—
Other interest-bearing liabilities	79 317	82 685	78 348
Current tax liabilities	897	75	—
Other noninterest-bearing liabilities	5 515	5 605	6 094
<b>Total current liabilities</b>	<b>85 729</b>	<b>93 049</b>	<b>84 442</b>
<b>Total equity, provisions and liabilities</b>	<b>284 936</b>	<b>273 927</b>	<b>292 057</b>

## Definitions and calculations of key ratios

Figures for the Group in 2016. Amounts in SEK million unless indicated otherwise.

<b>EBIT:</b>	Earnings Before Interest and Tax (Operating profit)
<b>EBITDA:</b>	Earnings Before Interest, Tax, Depreciation and Amortisation. (Operating profit before depreciation, amortisation and impairment losses)
<b>Items affecting comparability:</b>	Capital gains and capital losses from shares and other non-current assets, impairment losses and reversed impairment losses and other material non-recurring items. Also included here are, for trading activities, unrealised changes in the fair value of energy derivatives, which according to IAS 39 cannot be recognised using hedge accounting and unrealised changes in the fair value of inventories
<b>Underlying operating profit:</b>	Operating profit (EBIT) excluding items affecting comparability
<b>FFO:</b>	Funds From Operations
<b>Free cash flow:</b>	Cash flow from operating activities less maintenance investments
<b>Hybrid Capital:</b>	Perpetual subordinated securities, junior to all Vattenfall's unsubordinated debt instruments.
<b>Capital employed:</b>	Balance sheet total less financial assets, noninterest-bearing liabilities and certain other interest-bearing provisions not included in adjusted net debt
<b>Net debt:</b>	Interest-bearing liabilities less loans to owners of non-controlling interests in Group companies, cash and cash equivalents and short-term investments
<b>Adjusted net debt:</b>	For calculation, see Consolidated balance sheet - Supplementary Information
<b>LTIF:</b>	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.

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

Key ratios based on last 12-month values April 2016 – March 2016:

<b>Operating margin, %</b>	= 100 x	$\frac{\text{EBIT}}{\text{Net sales}}$	$\frac{-21\,342}{165\,062}$	=	-12.9
<b>Operating margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Net sales}}$	$\frac{20\,941}{165\,062}$	=	12.7
<b>Pre-tax profit margin, %</b>	= 100 x	$\frac{\text{Profit before tax}}{\text{Net sales}}$	$\frac{-26\,727}{165\,062}$	=	-16.2
<b>Pre-tax profit margin excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Profit before tax excl. items affecting comparability}}{\text{Net sales}}$	$\frac{15\,573}{165\,062}$	=	9.4
<b>Return on equity, %</b>	= 100 x	$\frac{\text{Profit for the period attributable to owner of the Parent Company}}{\text{Average equity for the period attributable to owner of the Parent Company excl. the Reserve for cash flow hedges}}$	$\frac{-15\,079}{95\,464}$	=	-15.8
<b>Return on capital employed, %</b>	= 100 x	$\frac{\text{EBIT}}{\text{Capital employed, average}}$	$\frac{-21\,342}{283\,833}$	=	-7.5
<b>Return on capital employed excl. items affecting comparability, %</b>	= 100 x	$\frac{\text{Underlying EBIT}}{\text{Capital employed, average}}$	$\frac{20\,941}{283\,833}$	=	7.4
<b>EBIT interest cover, (x)</b>	=	$\frac{\text{EBIT + financial income excl. return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{-19\,462}{4\,974}$	=	-3.9
<b>EBIT interest cover excl. Items affecting comparability, (x)</b>	=	$\frac{\text{Underlying EBIT + financial income excl. Return from the Swedish Nuclear Waste Fund}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{22\,821}{4\,974}$	=	4.6
<b>FFO interest cover, (x)</b>	=	$\frac{\text{FFO + financial expenses excl. discounting effects attributable to provisions}}{\text{Financial expenses excl. discounting effects attributable to provisions}}$	$\frac{33\,270}{4\,974}$	=	6.7
<b>FFO interest cover, net, (x)</b>	=	$\frac{\text{FFO + financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{31\,390}{3\,094}$	=	10.1

<b>Cash flow interest cover after maintenance investments, (x)</b>	=	$\frac{\text{Cash flow from operating activities less maintenance investments + financial expenses excl. Discounting effects attributable to provisions and interest components related to pension costs}}{\text{Financial expenses excl. discounting effects attributable to provisions and interest components related to pension costs}}$	$\frac{20\,045}{4\,032} = 5.0$
<b>FFO/gross debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Interest-bearing liabilities}}$	$\frac{28\,296}{100\,158} = 28.3$
<b>FFO/net debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Net debt}}$	$\frac{28\,296}{60\,729} = 46.6$
<b>FFO/adjusted net debt, %</b>	= 100 x	$\frac{\text{FFO}}{\text{Adjusted net debt}}$	$\frac{28\,296}{137\,387} = 20.6$
<b>EBITDA/net financial items, (x)</b>	=	$\frac{\text{EBITDA}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{33\,740}{3\,094} = 10.9$
<b>EBITDA excl. items affecting comparability/net financial items, (x)</b>	=	$\frac{\text{EBITDA excl. items affecting comparability}}{\text{Financial items net excl. discounting effects attributable to provisions and return from the Swedish Nuclear Waste Fund}}$	$\frac{39\,865}{3\,094} = 12.9$

Key ratios based on the balance sheet per 31 March 2016:

<b>Equity/total assets, %</b>	= 100 x	$\frac{\text{Equity}}{\text{Balance sheet total}}$	$\frac{124\,368}{462\,188} = 26.9$
<b>Gross debt/equity, %</b>	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Equity}}$	$\frac{100\,158}{124\,368} = 80.5$
<b>Net debt/equity, %</b>	= 100 x	$\frac{\text{Net debt}}{\text{Equity}}$	$\frac{60\,729}{124\,368} = 48.8$
<b>Gross debt/gross debt equity, %</b>	= 100 x	$\frac{\text{Interest-bearing liabilities}}{\text{Interest-bearing liabilities + equity}}$	$\frac{100\,158}{224\,526} = 44.6$
<b>Net debt/net debt plus equity, %</b>	= 100 x	$\frac{\text{Net debt}}{\text{Net debt + equity}}$	$\frac{60\,729}{185\,097} = 32.8$
<b>Net debt/EBITDA, (x)</b>	=	$\frac{\text{Net debt}}{\text{EBITDA}}$	$\frac{60\,729}{33\,740} = 1.8$
<b>Adjusted net debt/EBITDA, (x)</b>	=	$\frac{\text{Adjusted net debt}}{\text{EBITDA}}$	$\frac{137\,387}{33\,740} = 4.1$

## Interim report signature

Solna, 28 April 2016

Magnus Hall  
President and CEO

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

## Financial calendar

Interim report January-June, 21 July 2016

Interim report January-September, 27 October 2016

Year-end report 2016, 2 February 2017 (preliminary)

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