

ELLEVIO



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All values are explained in SEK. Figures within parentheses refer to, if nothing else is specified, 2014. The data about markets and competitive situations are Ellevio's own estimations unless a specific source is indicated. These estimates are based on the best and latest available facts from published sources.

About us.

All our efforts lead to something you hardly notice: a reliable flow of electricity silently streaming out of your outlet into mobile phones, coffee machines, bedside lamps and other everyday objects making life easier. Or into electric motors that power elevators, pumps and cranes.

All in all, our 71,000 kilometers of power lines supply electricity to more than 910,000 households and businesses in Sweden. Wherever electricity is needed. Day and night. All year round. Regardless of weather conditions.

Seen from a bird's eye view, we reliably move power from point A to point B. Putting it simply, we bring electricity to you.

Welcome to Ellevio.

Building the network of the future.

Our mission

A reliable and stable electricity supply is a prerequisite for our modern lives, as anyone who has ever experienced a power cut knows.

Ellevio gives more than 910,000 Swedish homes and workplaces access to electricity – at all times. As one of Sweden’s biggest distribution network operators, we play an important role in society.

To ensure that Sweden has a reliable power network going forward, major investments are required to renew, reinforce, maintain and convert the network for the sustainable energy systems of the future. Consequently, ongoing investments in future-proofing the power network are a central part of our operations. Between 2016 and 2019, we will invest more than SEK 9 billion in improvements for our customers. Our focus is clear: Ellevio’s customers must have an uninterrupted electricity supply – today, tomorrow and in 50 years.

About us

We own, operate and develop regional and local power networks and distribute electricity from about a thousand production sites in Sweden. Our network is 71,000 kilometres long in total, corresponding to almost two trips around the Earth. Our customers are spread across Dalarna, Hälsingland, Gästrikland, Värmland, Närke, Bohuslän, Halland and the Stockholm area. Most of the power network is in the countryside while the majority of customers are in Stockholm. In 2015, Ellevio distributed 26.8 TWh electricity in total. We have more than 400 employees and provide

jobs for around 3,000 people all told. The company is owned by a consortium consisting of three Swedish pension funds (Third National Pension Fund, Folksam and First National Pension Fund) and Borealis Infrastructure Management, which invests in infrastructure for OMERS, one of Canada’s biggest pension plans. Ellevio has a long history, but the company only took the name Ellevio in 2015 when Fortum sold its Swedish network operations to the current owners. In 2015, Ellevio had net sales of more than SEK 6 billion.

Strategy

Our overall strategy is to deliver value to our customers and investors by ensuring a reliable power network, efficient operations and committed employees.

Reliability, commitment and development

Our three values govern our day-to-day work and conduct, in every encounter and every conversation, in simple and difficult situations.

Reliability – Ellevio’s power network and employees can be relied on, in all situations.

Commitment – We demonstrate initiative and it should be evident that we care about and listen to our customers and stakeholders.

Development – In matters large and small, we think innovatively. We are constantly developing our services and are responsive to feedback and new knowledge.

Mission.

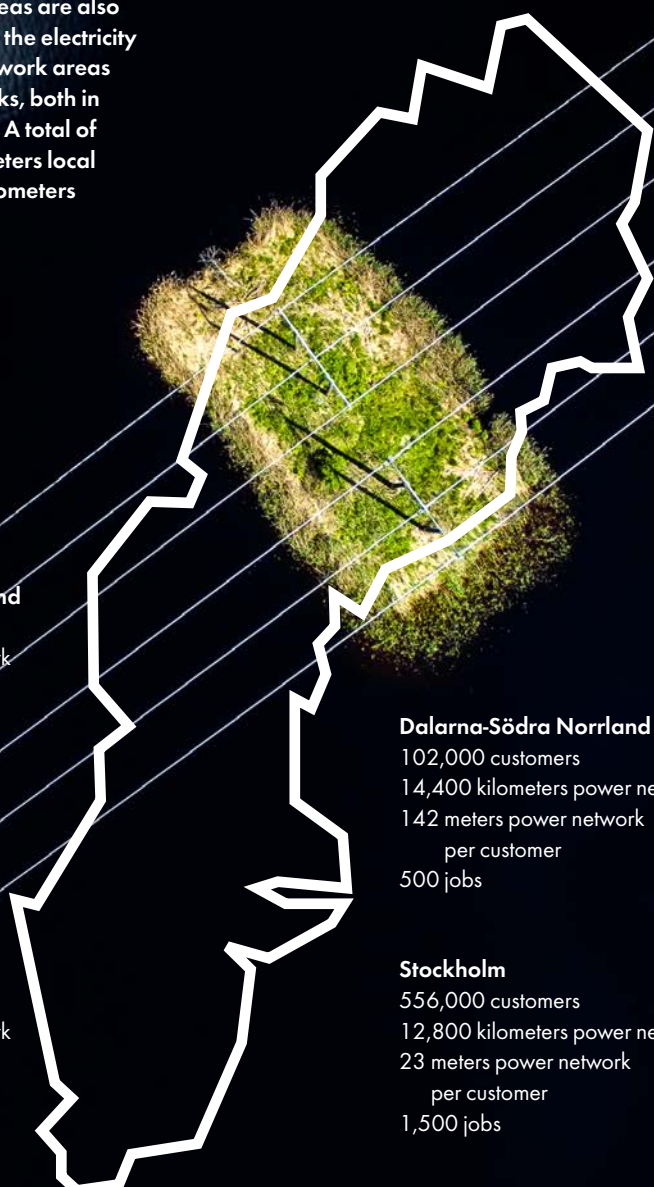
We improve the quality of life by ensuring a long-term sustainable power network.

Vision.

With commitment and expertise, we are contributing to a bright and sustainable future.



Our power grid is divided into four local network areas, which largely follows the geographical areas. These areas are also our price areas. In addition to the electricity networks of the four local network areas we also own regional networks, both in Stockholm and in rural areas. A total of approximately 65,000 kilometers local networks and some 6,400 kilometers regional networks.



Västra Svealand-Västergötland

132,000 customers
 25,000 kilometers power network
 188 meters power network
 per customer
 600 jobs

Dalarna-Södra Norrland

102,000 customers
 14,400 kilometers power network
 142 meters power network
 per customer
 500 jobs

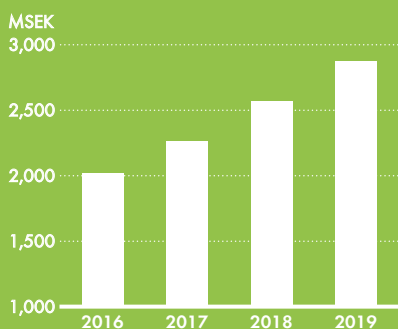
West coast

121,000 customers
 13,500 kilometers power network
 111 meters power network
 per customer
 400 jobs

Stockholm

556,000 customers
 12,800 kilometers power network
 23 meters power network
 per customer
 1,500 jobs

Investment plan 2016–2019



Net sales 2015

6,014 MSEK

Investments in tangible and intangible assets 2015

1,706 MSEK

Ellevio is modernising the network – for a bright and sustainable future.

No heat, no light, no smartphone, no fridge... Can any of us imagine a life without electricity? Electricity is the foundation of our society and we at Ellevio have a single overarching mission: to make sure our customers always have access to electricity.

That might seem simple, considering that our supply reliability rate is 99.98 percent. But that reliability is the outcome of very hard work over the very long term. We have invested a great deal over the years and will be investing even more going forward. The electricity network is in great need of renewal, improvement and reinforcement. And it cannot wait.

When it comes to our business and operations, we are very old hands indeed, but as an independent company and as a brand, Ellevio is a newcomer. We have had new owners since 2015 – the Swedish Third National Pension Fund, Folksam and the First National Pension Fund, all pension managers, and the Canadian multinational, Borealis Infrastructure Management. Their shared long-term ownership perspective is a perfect fit with the long-term investment perspective of our business.

Regulation for longevity and stability

Our business is regulated and we operate in compliance with the laws and regulations that apply to all Swedish distribution network operators. The regulations are intended to create balance between supply reliability in the electricity network and the prices customers pay for electricity distribution, as well as generating reasonable returns for owners. The regulations are also intended to ensure that we,

as a distribution network operator, have adequate incentives for long-term improvement and development of the network in the manner required. The new distribution network regulation, effective 2016, is designed to reward investments. We fully support this orientation, as it enables the necessary development of the electricity network, an infrastructure that is indispensable to society. It ensures that we can guarantee the quality of electricity supply both now and in the future.

Creating value for customers and investors

Ellevio's overarching strategy is to create value for customers and investors through a reliable electricity network, efficient operations and committed employees.

One of the ways we are ensuring a reliable electricity network is by focusing on improvement and development. Between 2016 and 2019 we will be investing more than SEK 9 billion in improvements for our customers. This is an historic initiative. One of the objectives is to step up the pace in weather-proofing the rural electricity network, a project we embarked upon after Storm Gudrun eleven years ago. Another objective is to renew and increase network capacity in the Stockholm region.

Our investments will equip us to respond effectively to the urbanisation trend, with the attendant population growth in Stockholm, while ensuring that electricity supply meets the stringent demands that consumers and businesses impose for reliable power distribution. These investments are also creating opportunities for more renewable, weather-dependent and locally produced electricity and the continued electrification of the transport sector. In this way, we are a key player in the transition to a sustainable society.

Our business is powered by our employees. Without them, it all stops. We have been working for several years to increase our collective ability and enhance personal leadership in the organisation. In so doing, we are creating more efficient teams and more committed employees.

In addition to our own employees, we provide jobs for thousands of people every year via the contractor market. The safety of everyone who works for us, whether directly or indirectly, is one of our most important focus areas. As we increase our investments, we also create job opportunities. Today we employ around 3,000 persons, directly or through our contractors. That puts stringent demands on us to maintain clear procedures and processes and on the contractor market to meet our needs and comply with our conditions. Through streamlining the procurement of services, which is supported by the longevity of our investment plans, we can be a sustainable partner to our contractors over the long term.

Continuous improvement in the cost-effectiveness of the company is a prerequisite for long-term financial sustainability. We must build electricity networks and run our business with optimal efficiency. Accordingly, one of our objectives is to continually reduce operating expenses. As part of our separation from the Fortum Group, many of our IT systems are going to be replaced. This is going to give us solutions that are customised to our business and better conditions for managing operations. The new IT systems will be deployed in 2017.

A reliable electricity network is our customers' prime concern, of course, but to gain their confidence we must also be communicative, open and service-oriented. We intend to get even better in this regard and commenced a major project in 2015 aimed at further developing our digital channels and services to meet the needs of our customers. This effort is being intensified in 2016.



The foundation is laid

In 2015, we built the platform for the new Ellevio. We drafted our business plan and set our objectives, defined our vision and values, initiated a massive investment programme and established our brand. We now have a strong foundation to stand upon and during 2016 we will be increasing the rate of investment and completing ongoing initiatives.

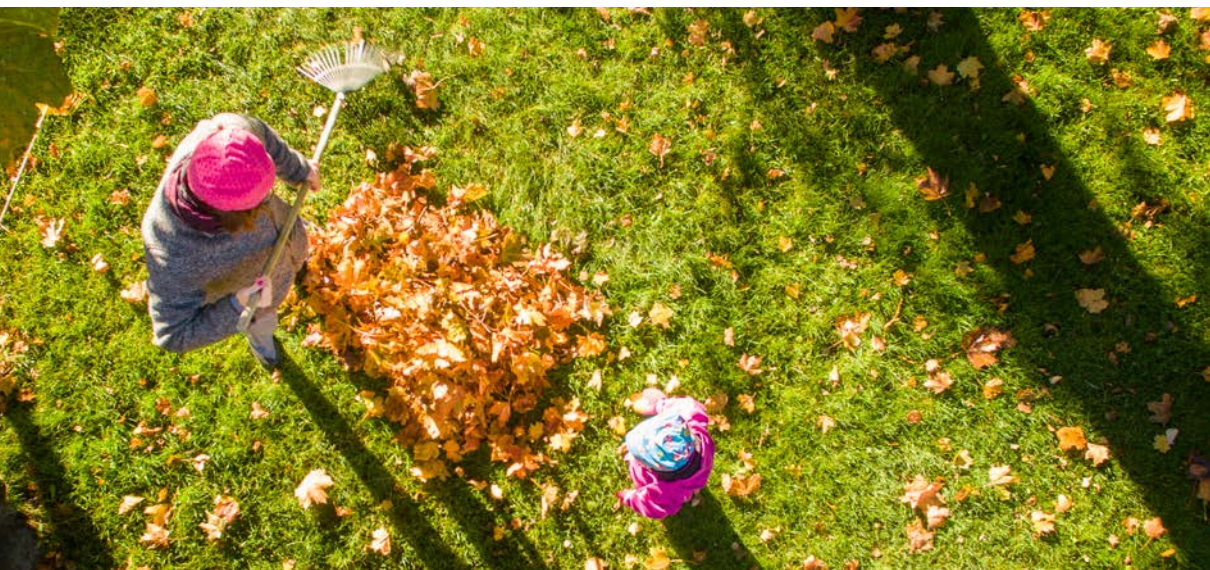
Ellevio has a promising future. We have driven, highly skilled and responsible employees who are working together to ensure an electricity network that is sustainable over the long-term. We have long-term owners who understand the dynamics of our business. We are governed by regulations that support investments. And we have customers who inspire us to get better all the time. All of this gives us outstanding conditions for attaining our goals.

You are cordially invited to join us on our journey into a bright and sustainable future.

Johan Lindehag
Chief Executive Officer

The most important events of the year.

2015 was the year Ellevio became an independent company, when Fortum sold its electricity network operations. The year was also characterised to a great extent by increased investments in building the power network of the future to meet the needs and expectations of customers and society.



Christmas present for Save the Children. Children are particularly vulnerable and severely affected when disaster strikes. In response, the employees of Ellevio chose to donate their Christmas present of SEK 100,000 to Save the Children's Disaster Fund.



Ellevio's customer base is growing. In 2015 the number of Ellevio's customers increased by 4,400 to a total of 912,281 by the year's end. Substantial migration to the Stockholm area is the primary reason for the increase.



Quarter

1.

Widespread outage after Storm Egon. On 10 January 2015, Storm Egon moved in over Sweden and eleven thousand of Ellevio's (Fortum Distribution at that time) customers were affected. Numerous and widespread faults made the repair work challenging but by 13 January all customers had power again.

Fortum closes agreement to sell network operations. On 13 March, Fortum announced that the company's network operations would be sold to a consortium composed of three Swedish pension funds, the Third National Pension Fund, Folksam and the First National Pension Fund, and the multinational infrastructure investor Borealis Infrastructure Management Inc.

Distribution network operators win their case. The legal action that distribution network operators brought against the Swedish Energy Markets Inspectorate concerning the revenue framework for 2012–2015 was decided in the distribution network operators' favour. The court ruled that the discount rate (the WACC) must be set to 6.5 percent and based on a long-term investment horizon. The ruling means that Ellevio can now carry out the investments required to ensure reliable power networks.

Quarter

3.

The owners appear at Almedalen. Ellevio's new owners were introduced at a seminar during the annual Swedish political conference in Almedalen. The owners described what kind of owners they are and how Ellevio's customers will notice the new ownership. Kerim Kaskal from the Third National Swedish Pension Fund remarked: "All four of us are responsible owners with extremely good credentials for managing this type of business. We have access to substantial capital, a prerequisite for investing in a good power network."

Ellevio's vision and mission formulated and adopted. Mission: We improve the quality of life by ensuring a long-term sustainable electrical grid. Vision: A bright and sustainable future.

Revenue framework decided and appealed. The Swedish Energy Markets Inspectorate decoded the revenue framework for 2016–2019, where in the WACC was set at 4.53 percent with a short-term investment horizon. Ellevio and some 80 other distribution network operators appealed against the decision.

Quarter

2.

Network station nominated for architecture awards. Ellevio's network station in the Stockholm Royal Seaport area was nominated for two architecture awards, the Swedish Steel Structure Award and the Stockholm Building of the Year Award. The architecture of the building is outstanding in terms of form and function. The facade is clad in Corten steel and decorated with text and silhouettes of deer. The interior is characterised by innovation and the construction of the smart grid. At the station, local residents can read about electricity's journey to the socket, and track electricity consumption in real-time.

Fortum Distribution becomes Ellevio – the first pension-owned network company in Sweden. The sale of Fortum's network operations for SEK 57.6 billion was completed on 1 June. This created the first pension-owned distribution network operator in Sweden. Shortly afterwards the company changed its name to Ellevio. The name was inspired by the company's most important task: to ensure that electricity is always delivered.

Quarter

4.

Decision to increase investments. Ellevio decided to significantly increase investments in the electricity networks, thus embarking upon the largest investment programme in the company's history of nearly 100 years. Over the next few years, investments will increase from the 2015 level of about SEK 1.7 billion per year to about SEK 3 billion 2019. The investments will focus mainly on increasing the capacity and renewing the network in the Stockholm area, continuing to weatherproof the rural network and preparing the network for receiving more renewable electricity.

Wind farm in Hälsingland connected to the network. Work got underway to connect 37 wind turbines in Sörby, Hälsingland to Ellevio's network. The wind turbines will produce about 380 GWh a year, corresponding to household electricity for 76,000 homes. The connection is thirty km long and requires unique solutions, in part because it travels underneath the Ljusnan River.

Wave power connected to Ellevio's network. The world's first underwater switchgear was connected to Ellevio's network. The new wave power farm is located in Bohuslän and supplies electricity equivalent to the household requirements of about 800 homes.

Reliable network and committed employees create value.

Ellevio's overall strategy is to create value to customers and investors by ensuring a reliable power network, efficient operations and committed employees.

We are responsible for a critical infrastructure that performs an essential function in society. And so, our mission is important: improving the quality of life for people by ensuring a long-term sustainable and reliable power network. As we carry out our tasks, we are moving step-by-step towards our vision: to contribute with commitment and expertise to a bright and sustainable future.

Defining the key parameters that will ensure we are moving in the right direction was an important task in 2015. The most critical areas are: reliable power supply, customer satisfaction, employee commitment and operational efficiency.

Six strategic focus areas set the framework for Ellevio's operations and priorities:

1. Sustainability


For Ellevio, sustainability means striking the right balance between financial, social and environmental sustainability.

Financial sustainability means implementing network investments that create long-term value for investors, customers and employees while continuously working to streamline operations.

Social responsibility means promoting the health, safety, wellbeing and equal opportunities of employees and others. We must guarantee a reliable power network for everyone and be an


active social agent and a safe, attractive employer. The safety of the people who work at and for Ellevio is a top priority and we have a zero vision in relation to accidents.

Environmental sustainability has two dimensions. We aim to consume as few resources as possible and to be a key player in the transition to a sustainable energy system by fostering renewable electricity generation, locally produced electricity, more efficient use of electricity and, long-term, new applications for electricity.

 **Read more** about the environment and sustainability on page 27.

2. Customer experience

The core of the customer experience is a reliable electricity supply and an attractive range of services. The main focus is on managing power failures and other faults and keeping our customers informed. By making life easier for the customer, we also want to improve their experience of Ellevio. One of the ways we are doing this is by increasing our range of digital services and enabling hourly metering for everyone. When we communicate with our customers, openness and simplicity are the key words – which will also contribute to increasing brand awareness.

 **Read more** about customers on page 18.

3. Committed employees

Ellevio is an organisation where everyone takes responsibility for their own, their team's and the company's development. Our conduct is guided by our values of reliability, commitment and development.

To maintain the commitment in the organisation, we are investing, for example, in individual and team efficiency by enhancing personal leadership and collective ability. We start from the company's objectives and break them down to team level to create clear expectations. To be open and sharing are important building blocks as we build Ellevio's corporate culture.

! **Read more** about employees on page 32.

4. Regulation and industry development

The electricity network market is regulated and for Ellevio it is important to be involved in developing regulations and to contribute knowledge, experience and opinions. Our view is that regulations must strike a balance among several perspectives – the needs of customers and society for reliable electricity and a transition to a sustainable energy system, as well as the customer's willingness to pay and the company's profit requirement.

The new revenue regulation that applies for the period 2016–2019 provides clear incentives to invest in the network, which is a positive and necessary change. We are still working to bring about a reasonable discount rate based on the long-term investment horizon of our industry. We are also working for the option to harmonise prices across the country to deal with the strong urbanisation trend in Sweden, where increasing numbers are moving to cities and fewer people are staying in rural areas. We also want to contribute to a common vision of the future of the industry to ensure excellent and long-term regulations.

! **Read more** about regulation on page 16.

5. Improved reliability through efficient investments

Investments to maintain high reliability, further improve it in certain areas and ensure conversion to a sustainable energy system are important parts of Ellevio's operations. Today, reliability is 99.98 percent, but there are variations among geographical and urban/rural areas. The regulations that govern the electricity market were introduced with the aim of increasing the rate of investment by providing incentives for investments. Between 2016 and 2019, we will invest over SEK 9 billion in improvements for our customers.

We are committed to use every invested krona as efficiently as possible. This will be achieved in a variety of ways, including improving how we procure and implement projects, optimising our investments and maintenance, and maintaining dialogue with the contractor market to prepare it for more and larger contracts.

! **Read more** about investments on page 18.

6. Operational efficiency

Ellevio's strategy for operational efficiency includes investing in the network to reduce fault repair and maintenance costs. We also intend to achieve smoother and more efficient processes, increase digitalisation, coordinate maintenance work and simplify the IT infrastructure. The fact that Ellevio has been an independent company since 2015 creates good conditions for improving operational efficiency.



Six strategic focus areas set the framework for Ellevio's operations and priorities.

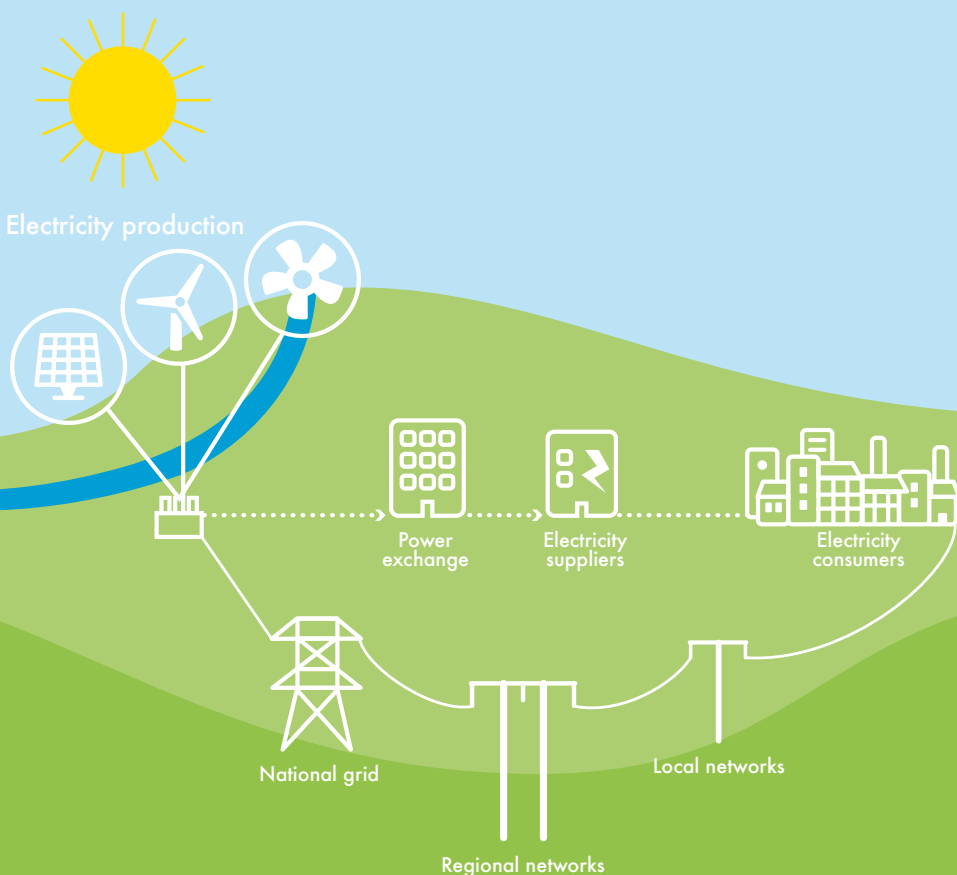
1. Sustainability
2. Customer experience
3. Committed employees
4. Regulation and industry development
5. Improved reliability through efficient investments
6. Operational efficiency

The Swedish electricity market – how it works.

In Sweden, all electricity consumers are free to choose their electricity supplier, but the actual transmission of electricity takes place via the distribution network operator that owns the network where the customer lives or does business.

This means that all electricity consumers are customers of two companies in the electricity market – an electricity supplier that buys the electricity its customers need and a distribution network operator that

distributes the electricity to the home or place of business. Sometimes these are part of the same corporate group, but they are always two different companies.



Ellevio owns, runs and develops regional and local networks on the west coast as well as in Värmland, Skaraborg, Dalarna, Gävleborg and the Stockholm area and is thus responsible for transmitting electricity to consumers in these areas. To ensure stable transmission, a reliable, well maintained network is required that also meets the new conditions for the future electricity market.

A regulated monopoly

The reason that distribution network operators have a monopoly within their areas is that it is very expensive to build and maintain networks, so it is not economically feasible to build parallel networks in a single area. A government agency – the Swedish Energy Markets Inspectorate – regulates distribution network operators in order to protect the interests of electricity consumers.

The regulations govern the distribution network operators' businesses so that consumers pay a fair price for electricity transmission while the companies also achieve a reasonable return. The regulations are also intended to create conditions for networks that are sustainable in the long term. This means that distribution network operators must adjust their networks to demands for an increased share of electricity from renewable sources, such as wind power. Power networks must also maintain high quality to prevent outages.

Three types of networks

In Sweden, we have three types of networks: the national grid, regional networks and local networks. The national grid is a "transmission network" with a voltage of 220,000 V or higher. Regional and local networks are "distribution networks" with lower voltage levels. The electricity that comes out of wall sockets at home is normally 230 V.

The national grid can be likened to a highway where large quantities of electricity can be transported across long distances. The regional networks can be likened to main roads where the electricity is transported to cities, urban areas and larger industries. The local networks – which can be likened to city streets – then distribute the electricity to the consumer's home or place of business.

Sweden's national grid is managed and developed by an authority operated in the form of a state-owned enterprise, Svenska Kraftnät, which is also responsible for the entire Swedish power system. Local and regional networks are owned and run by some 170 different distribution network operators. The three biggest distribution network operators Ellevio, E.ON and Vattenfall provide more than half of Sweden's electricity consumers with electricity. Many distribution network operators are also owned by municipalities.

Production – increasingly local and renewable

Electricity can be produced for example as hydroelectric power, nuclear power, wind power, bio power, coal power, gas power, wave power and solar power. In Sweden, more than 80 percent of electricity production is hydroelectric and nuclear. The biggest electricity producers in Sweden are Vattenfall, Uniper, Fortum, Statkraft and Skellefteå Kraft.

A major change is currently underway in electricity production in that an increased proportion of the electricity produced is renewable – solar and wind power. Electricity is also produced locally to an increasing extent. In some cases, consumers are also electricity producers ("prosumers"), since they have connected systems such as solar panels or small wind turbines to the network, where they can feed in their surplus electricity to the grid.

Distribution – new demands on the network

These changed production conditions are putting new demands on the electricity network, which has to be more flexible and work in both directions. On some days and at some times, the network needs to receive locally produced surplus electricity. On other days it needs to distribute supplemental electricity from power stations far away. Sun and wind are examples of weather-dependent energy sources that do not facilitate production planning. The power networks must be able to manage an irregular inflow from these sources.

Electricity trading – a free market

Electricity trading means that electricity producers sell power to electricity suppliers, which in turn sell it on to the consumers. In most cases, this trading takes place over the power exchange. The Nordic power exchange is called Nord Pool. While electricity transmission is a regulated monopoly market, trading takes place in open competition. There are hundreds of Swedish electricity suppliers. The biggest are Vattenfall, E.ON, Fortum, DinEl and Bixia.

Cooperation across borders

The electricity market is also affected by the power systems in neighbouring countries. It is often said that the electricity market today is Nordic and becoming increasingly European as transmission links are built between various countries. Today, Sweden has 17 transmission links to Norway, Finland, Denmark, Poland, Germany and, most recently, Lithuania, where the NordBalt submarine power cable will be deployed in 2016.



Ellevio is paving the way for electric cars.

Electric carmaker Tesla has decided that more of its electric cars should be seen on Swedish roads. Achieving this will require more charging stations – and there must be someone to monitor and maintain the stations so that they function properly when drivers want to charge their electric cars fast. This is where Ellevio comes in. Since 2015, we have been responsible for operating and monitoring of Tesla's Supercharger Stations. In the meantime, the Swedish Government has launched its Climate Leap initiative, which aims to establish 1,650 new charging stations around the country.



Stockholm Royal Seaport best in the world in sustainable urban development.

In 2015, the new Stockholm Royal Seaport district in north-east Stockholm received the prestigious “Best Sustainable Urban Development Project” award. Among else, the district is a centre of Swedish environmental technology development. Research by The Cities Climate Leadership Group is also underway here to build the world’s smartest electricity network – a network that will make it easier to utilise solar and wind energy and integrate electric vehicles through forecasting production, distribution and consumption in a smart way. We can use the information in the network to schedule maintenance at the right time. Ellevio has built smart network stations in the area, which in addition to supplying electricity also enable the use of new technology to adapt electricity usage to the power system of the future.

Urbanisation, digitalisation and renewable electricity bringing new demands.

A number of social trends indicate that the operation and maintenance of today's networks are inadequate to guarantee future electricity requirements. Urbanisation, increasing quantities of renewable, weather-dependent and distributed electricity production, as well as the electrification of society are examples of trends that are going to require network modernisation.

Here we present a number of relevant areas that affect the electricity market and our operations.

Customer and society

Increasing volumes of locally produced renewable electricity

Until now, the production of electricity largely followed demand for electricity, but as renewable electricity becomes more common, this will change. Electricity consumption will to some extent need to be adapted to the volume of electricity that can be produced, because access to weather-dependent electricity, such as wind power and solar power, is more difficult to predict and control. More unpredictable electricity production also implies new requirements for network versatility.

The network must also be adapted to electricity that to a greater extent is locally produced and sometimes produced by the consumers themselves using systems like solar panels or wind turbines. At present, there are relatively few consumers who are also producers ("prosumers"), but there are

expected to be more of them in the future, in part because subsidies and falling prices for solar panels make producing your own electricity attractive.

Since locally produced electricity is becoming more commonplace, the power system has to be able to manage the electricity in both directions, for example. It has to be just as simple for consumers to feed electricity into the network as it is to receive electricity on days when self-produced electricity is insufficient. The network will be part of the "sharing economy", which means that people share resources when they are not using them themselves.

An urbanised, electricity-dependent society

How we use electricity is also changing. Society is becoming increasingly urbanised, electrified and dependent on a constant power supply.

In the wake of urbanisation, demand for electricity is concentrated to a greater extent in large towns and cities. Because, as things stand, each network area has to cover its own costs, urbanisation also means a higher network cost for people who live

and work in rural areas. The costs of necessary investments in rural networks will have to be shared among fewer and fewer people.

The electrified, digitised society is also placing very high demands on reliability because these days electricity is essential to everything from work and leisure activities to life-saving public services. That is why the electricity network must be future-proofed so that faults can be identified and rectified before there is a power cut. It is also important to create redundancy in the network, meaning the network must to a greater extent be built using alternative connections. If a fault occurs in one location in the network, it must be possible for the electricity to be reconnected and rerouted so that as few customers as possible are affected by the outage.

The electrification of the transport sector is one of the most important trends for the network of the future. The electrification of public transport and private motoring has begun, mostly in metropolitan areas, and there were about 15,000 electric cars in Sweden in 2015. Electrically powered vehicles present both an opportunity and a challenge for the network – they will lead to increased load and a need for more capacity in the long term.

The energy industry

Investments are affecting industry players

The market for electricity distribution is fragmented, with about 170 companies that have a natural monopoly in their respective network areas. Consolidation has been low in the last ten years and Ellevio believes this will probably change in coming years, partly because the network in Sweden is in need of major investments that may be difficult for some smaller distribution network operators to handle.

The contractor market must also be developed to correspond to increased investment levels. Contracts awarded by players like Ellevio will be more numerous, bigger, more project-based and run over longer periods of time. The contractors also need to be ready for formalised tendering processes. Ellevio is engaging in ongoing dialogue with Swedish and international contractors in this respect and, among else, participates in contractor meetings.

The long permit approval processes for developing the electricity network are a challenge – not just for distribution network operators but also for electricity producers. There is a need for change and simplification in this area. Obtaining approval to build a new power line often takes longer than obtaining approval to expand a wind farm, for example.

Regulation

Investments rewarded

The Swedish Energy Markets Inspectorate (Ei) regulates the operations of distribution network operators.

The regulation that applies between 2016 and 2019 is designed to reward investments. Ellevio feels that this is a step in the right direction because it will otherwise be difficult to guarantee an adequate and efficient electricity network in the future.

Development of the power system must also be planned in the long term. Towards that end, the Government appointed the Energy Commission in 2015, whose remit is to bring about broad political consensus on the direction of energy policy. Ellevio is actively seeking to contribute to the Commission's efforts.

Some of the areas under discussion concerning the future include:

- Harmonised pricing to address the imbalance in tariffs between urban and rural areas. Ellevio believes harmonised pricing is a good way to deal with this problem.
- A supplier-centric market model, in which the electricity suppliers assume full responsibility for the billing and moving processes while distribution network operators remain the customers' point of contact on issues such as power outages and connections. The aim is to make things simpler for customers.
- Harmonisation of the European electricity market.
- Long-term development of revenue regulation in terms of efficiency requirements for distribution network operators, innovation incentives and quality aspects in order to meet future needs.

Technology

Digitalisation is creating opportunities

Technological developments are having an impact on the electricity distribution network sector in several ways. Digitalisation and new IT tools are facilitating storage and analysis of metering data, as well as automation and remote control of the network.

Other areas in which technological progress is affecting the sector include new methods of energy storage and microgeneration: small-scale, local production of electricity.

Trust

Knowledge about the industry must increase

Customer satisfaction and confidence in the electricity industry are measured once a year by EPSI Rating Group. In recent years, customer satisfaction has increased, but the industry remains at a low level. Since 2012, the industry organisation Swedenergy and its member companies have been running a project to improve the industry's reputation, "Ladda Sverige" ("Charge Sweden"). Ellevio is a driving force in this work. One of the keys to improving the industry's reputation is to increase awareness of the importance of electricity and knowledge about the energy market.



Our market – a regulated monopoly.

Distribution network operators in Sweden have a monopoly on electricity distribution in the areas where they are responsible for the network. Consequently, their operations are regulated by a government agency, the Swedish Energy Markets Inspectorate (Ei).

Ei's remit is to ensure fair prices for electricity users, secure reliable supply and facilitate reasonable returns for investors in the network. Ei decides how much distribution network operators like Ellevio are allowed to charge. These limits are known as revenue frames and the levels are determined in advance for four years at a time in an ex ante regulation process. According to the Swedish Electricity Act, the electricity network charges paid by customers must be fair, objective and non-discriminatory.

The revenue frames should cover reasonable operating costs and also produce a fair return.

Ei also considers quality aspects such as reliability of supply when it determines our allowed revenue – how much we can charge customers. Separate rules apply for longer power outages – customers then receive compensation directly from us.

Under the current regulation, revenue frames are divided into geographical areas and all customers in an area share the costs of that specific area. Accordingly, the costs of an electricity distribution network in a sparsely populated rural area are shared between a small number of customers, while the costs of an urban electricity distribution



network are shared by a far larger number of customers.

With effect from the beginning of 2016, the regulation will favour companies that are investing to meet future demands on the network by providing incentives for new investments. The regulation also encourages high-quality supply and penalises companies that are unable to provide reliable supply. Ellevio's business plan for the next few years is aligned with regulatory requirements, for instance with regard to increased investments and lower operating costs.

Revenues are adjusted retrospectively

Like other distribution network operators, Ellevio applies for a revenue frame every four years. In 2015, we submitted an application for the period 2016–2019. In early 2020 we will submit a report on our revenue in the period 2016–2019. Ei will then determine whether our revenue was within the frames or whether an adjustment is required for the next period.

If a distribution network operator has been overpaid or underpaid by its customers, it affects how much the company is permitted to charge in the subsequent four-year period. If we have charged too little, our allowed revenue is higher, and vice versa.

If a distribution network operator has charged its customers more than the permitted amount, the company may have to pay a penalty charge.

Society's needs are driving regulatory developments

Social trends, such as a rise in renewable, weather dependent and distributed energy production, the electrification of the transport sector and urbanisation, are placing new demands on electricity networks. Ei believes that more research is required on how some of these trends are affecting stability and supply security, and Ellevio concurs with this view.

At Ellevio we foresee a need for changes in the regulatory framework in two areas in particular: One is that there should be incentives for innovation and avenues for testing new solutions. The second is the issue of how costs are distributed among customers, both in terms of geographical area, which is linked to urbanisation, and over time. Increasing numbers of people are moving to the cities, which leaves fewer people in rural areas to share the costs. The goal should be that the electricity distribution network is developed in a cost-effective way that supports society while offering customers long-term, stable development of prices.

Ellevio's current activities in the strategic focus area of Regulation and industry development.

- Drive regulatory issues that are important from the customer, society and industry perspectives, including price harmonisation between urban and rural areas.
- Develop the business in line with the network regulation.
- Foster consensus on the future of the industry in order to secure good development of regulations, including clear efficiency requirements and incentives for innovation.

We are investing SEK 9 billion in improve- ments for our customers.

Ellevio is responsible for infrastructure that enables an essential function – we cannot do without electricity. Sweden’s network is one of the most reliable in the world. But major investments are required to maintain security of supply while adapting the power system towards increased production of renewable energy.



Investing for a reliable network

In autumn 2015, we launched the biggest investment programme in the history of our company. In 2015, Ellevio invested SEK 1.7 billion in improving and strengthening the network and we will be investing more than SEK 9 billion in improvements for our customers between 2016 and 2019.

These improvements include continuing weatherproofing in rural areas, a task that we embarked on after Storm Gudrun eleven years ago and which is now being deployed at a significantly faster pace, and the work to renew and increase capacity in the growing city of Stockholm. Our goal is that our customers should receive an uninterrupted supply of electricity – now and in the future. Accordingly, investing in a reliable network is one of the most important things we are doing.

Our investments are allocated over all network areas: Dalarna-Södra Norrland includes a total of about SEK 1.5 billion, in Västra Svealand-Västergötaland approximately SEK 2 billion, on the West coast about SEK 1.3 billion, and in Stockholm about SEK 5 billion.

In order to ensure that every Swedish krona invested generates the greatest possible value, work is underway to streamline, systematise and quality assure project procurement from contractors and suppliers. The contractor market also needs to prepare to be able to respond to our increased volumes and stricter requirements with regard to sustainability aspects and longevity. We are maintaining ongoing

dialogue with the contractor market in order to achieve this.

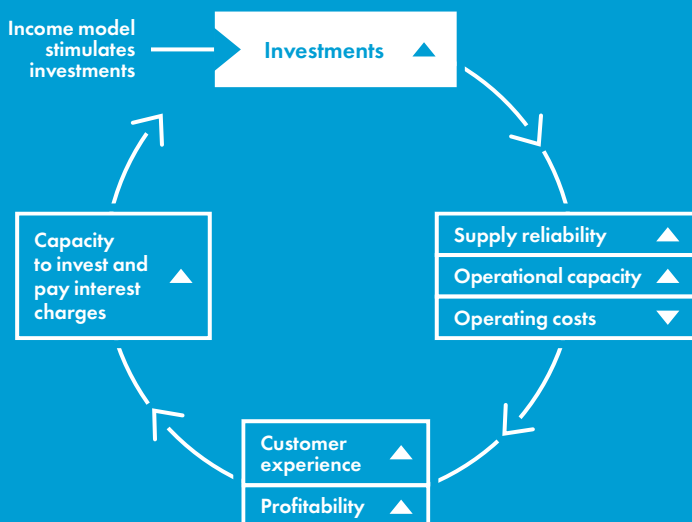
The improvements that are being carried out will not only result in weatherproofing, renewal and increased capacity, but may also contribute to lower costs of operation and maintenance in the long term. This is an important aspect when we take decisions on investments and contributes to efficient operations.

Focus on customer satisfaction

Satisfied customers who have confidence in Ellevio are indispensable. Being perceived as reliable, fair and non-discriminatory is critical, especially for a company like us that has a natural monopoly. Because our customers cannot vote with their feet, we simply must do everything we can to meet their needs and expectations. Our “licence to operate” is predicated on meeting our customers’ needs and earning their confidence.

Electricity makes life easier and better for everyone. Nevertheless, the energy sector is having to deal with challenges arising from customers generally having little or no knowledge of the industry – and little interest in it. Nowadays, electricity is something we think about only when it is not available, a bit like not getting any water from the tap. Ellevio is seeking to increase understanding of the advantages of electricity and knowledge about the electricity industry. We are also engaged in industry initiatives aimed at fostering greater understanding of the sector and the conditions in which we operate.

Longevity and stability in the power network.



High level of service and digital services

Clear and accurate information, rapid fault repair and digital services are important aspects of customer confidence in Ellevio. Digital services and self-service are standard these days and something that customers take for granted. Ellevio uses digital channels to offer customers the opportunity to self-manage services such as moving notifications, requests for compensation, notifications of change of address and subscription choices. Digital services will be simplified, improved and developed further in 2016.

Naturally, digital channels cannot replace all personal interaction. The customer service we offer via telephone and email remains very important and our experienced, service-oriented customer service staff receive continuing training in customer service and technical issues.

Uninterrupted electricity supply, today and tomorrow

Reducing outages and ensuring rapid fault repair is a more long-term process. This is where the large investments come into play. By modernising and future-proofing the network we are able to eliminate many of the reasons that faults and outages occur. It is, however, also important to remember that the Swedish networks are among the most reliable in the world – for us, the number one challenge is to maintain this level also in the future.

Sometimes we also have to take decisions about which faults to deal with first, without forgetting the requirement to treat all customers equally. In 2015, a new operations system was installed that allows us to see what types of customers are affected by a power cut. We can, for instance, give higher priority to a year-round residential neighbourhood or an industrial estate than to an area of holiday homes

when there is an outage in late autumn, when fewer people spend time at their summer cottages.

Providing information during power outages is important to our customers and is something we have been actively working on for many years. During power outages we communicate via our text message service for power cuts – to which about 450,000 of our customers currently subscribe – mass media, social media and our customer service. Customer surveys have shown that good information can substantially alleviate the negative experience of a power outage.

More customised information

In the past year we have also focused on defining the varying needs of different customer groups, in order to be able to meet these needs in the best possible way with regard to both information and channels. Household customers living in single family homes do not have the same needs as owners of summer cottages or household customers living in apartments. And small businesses do not have the same needs as municipalities and large industries. These different needs may involve helping customers choose the subscription that is best for them, based on how and when they use electricity, or providing support concerning times when a planned outage will cause the least disruption. This may also involve local information about our investments in the customer's community.

Our largest customers are other, smaller distribution network operators and municipalities. Once or twice a year we hold events for these major customers where we offer in-depth information on various themes, such as regulatory issues or network investments. In 2015, we held a meeting in Karlstad and one in Leksand.

Current activities within the strategic focus area of Customer experience.

- Ensure rapid and correct handling and information for all those concerned in the case of power outages and other faults.
- Create easy-to-use and accessible digital channels for customer contacts.
- Prepare for hourly metering for all.

Current activities within the strategic focus area of Improved reliability through efficient investments.

- Significantly increase investment levels.
- Maximise the value of each krona invested through efficient project procurement.
- Prepare the contractor market for new requirements and larger volumes.
- Optimise investment versus fault repair and maintenance.



Soon Stockholm is home to 2.6 million people. The Stockholms Ström project is making sure they will have electricity.

Ellevio is cooperating with national grid company Svenska Kraftnät and distribution network operator Vattenfall on the investment programme “Stockholms Ström”, which will ensure that residents of Stockholm will be able to carry on their day-to-day activities in the future as well. The population of Stockholm is expected to have risen to 2.6 million 2030, and for all these people to be able to enjoy a high quality of life, the networks of the future must be built now.

Stockholms Ström is focusing on the national grid and regional networks and will involve an entirely new structure for Stockholm’s electricity network. We are working together to build new stations and connections involving cables and overhead lines.



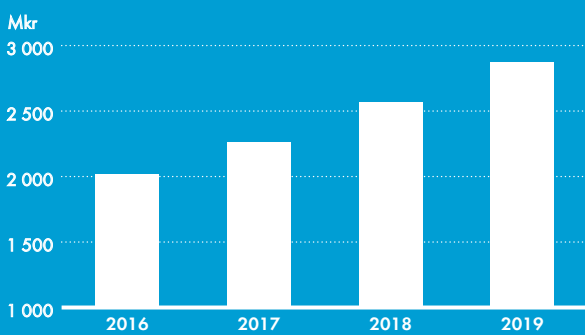
Examples of modernisation projects currently underway.

- Modernisation and replacement of stations that are important hubs in the grid. A lot of new technology will be installed, giving operations staff new ways to control the network remotely.
- Continuing weatherproofing of the low and medium voltage network in order to reduce the number of power outages.
- Connection of new residential, commercial and industrial areas to the network.
- Expansion of the network in order to be able to connect more wind power.
- Renewal of the network in Stockholm, much of which dates from the 1960s and 1970s and now needs to be replaced.
- Replacement of parts of the regional network that functions as a large artery and supplies electricity to local networks.

The investments also mean that Ellevio will become an important client for contractors in various parts of the country. We expect to provide work for about 3,000 people on an annual basis.



Investment plan 2016–2019



Sustainable economy a prerequisite for a sustainable electricity network.

Electricity network operation is a regulated business that requires long-term commitment and social responsibility. The regulations set the frameworks for the business and determine our revenue framework. Ellevio's new long-term owners have made possible the investments required for an electricity network that is sustainable over the long term.

Our business generates value for many stakeholders

Electricity distribution is a fundamental public service. Without it, Sweden would grind to a halt. We at Ellevio have a vital public task that affects millions of people every day.

We provide a reliable service and serve our customers well. Our contractors and suppliers are paid for their efforts, employees earn a good living, the owners make a return on their investments and we pay taxes to support the common good.

A large portion of our resources are being invested in the development of a sustainable electricity network. We have more than 400 direct employees and by engaging contractors and suppliers for our electricity network projects, we are creating revenues and jobs in their operations as well. At present, we provide employment for somewhere around 3,000 people a year, in total.

Our new owners have a long-term perspective on ownership that is clearly aligned with the long-term investment horizon required in the electricity network business. We are embarking on a period of comprehensive projects and the new owners are making

possible the investments necessary for us to continue offering our customers a reliable electricity network.

Revenue regulation sets the frameworks of allowed revenues for electricity network operators

Ellevio's operations are fully regulated and supervised by the Swedish Energy Markets Inspectorate (Ei). Ei reviews our costs and on that basis decides our allowed revenue – to put it simply, how much we are allowed to charge our customers. Our revenues are meant to cover reasonable costs for operating the business and to provide a reasonable return. The same regulations and method of calculating the revenue framework apply to all Swedish electricity network companies, regardless of who owns the business or how operations are financed. No electricity network company can charge its customers more than the revenue regulation permits. This regulation thus provides security to the customer.

The revenue framework decided by the Ei consists of four parts: compensation for capital costs, controllable costs, non-controllable costs and finally, a quality incentive. These costs and distribution of the customer's invoice are explained in the fact box on page 26.

Explanatory notes to the balance sheet and income statement for 2015

Until 31 May 2015, our operations were part of the Fortum Group. As a consequence of the change of ownership effective 1 June 2015, all of our assets were valued at market price. At 1 December 2015, the acquiring company Ellevio Sverige AB was merged down to Ellevio AB and the loans raised for the acquisition were taken over by Ellevio AB as a result of the merger.

These changes affect the company's key financial figures and the comparability of the income statements and balance sheets between 2015 and 2014.

Net sales, operating expenses and profit before depreciation are not affected and are comparable between 2014 and 2015. Net sales in 2015, mainly consisting of network and connection fees, amounted to SEK 6,014 million (5,870).

Operating profit of SEK 1,675 million (2,131) covers in the next stage interest, tax and returns. Assets measured at higher value result in higher depreciation and amortisation while higher net debt results in higher interest expense. In turn, this results in lower operating profit and lower profit after net financial income/expense.

The investments in a reliable electricity network for our customers amounted to SEK 1,706 million

(1,217). Salaries and other benefits to employees amounted to SEK 250 million. Based on this year's results we will pay SEK 373 million in tax*. During the year we paid SEK 489 million in returns to our shareholders. In addition, we paid suppliers, contractors and lenders.

Assets as well as equity and liabilities were affected on the balance sheet compared with 2014 and total assets have increased. As a result of the market valuation of assets, the value was higher than the previous carrying amount.

The acquisition was partially financed via shareholder contributions from the new owners, which increased equity, and partially financed through loans, from the owners and other lenders, which increased net debt. This may be compared to how most people finance the purchase of a home.

As a result, total assets have increased due to higher valued assets financed through higher equity and higher net debt.

! Read more about Ellevio's profit and financial position in the company's statutory annual report for 2015.

* Tax refers to all the company's taxes in the form of income tax, property tax, social security contributions and special payroll tax on pension costs.

Profit and financial position (SEKm)	2015	2014
Net sales	6,014	5,870
Operating expenses (excluding depreciation/amortisation)	-2,853	-2,737
Profit before depreciation	3,275	3,269
Operating profit	1,675	2,131
Profit after net financial income/expense	285	2,073
Investments (excluding acquisition)	1,706	1,217
Total assets	75,235	25,534
Equity	6,163	637
External net debt	32,398	-



Regulatory compensation for four types of costs

Compensation for capital costs is compensation for the actual electricity network assets, including systems for operating the electricity network and metering electricity use, and investments made in these systems. The compensation is based on each company's electricity network assets (a regulatory calculation that is the same for all electricity network companies) and an estimated interest rate (weighted average cost of capital, WACC) that is meant to cover interest on loans, taxes and returns. The WACC is currently 4.53%.

Non-controllable costs are costs that we cannot affect and which instead pass "straight through" our operations. This refers mainly to costs for "neighbouring grids", which are the grids that transmit the electricity from the production site to our electricity network, such as the national grid owner Svenska Kraftnät, and costs for purchasing electricity that is lost in transmission ("grid losses"). Non-controllable costs also include public author-

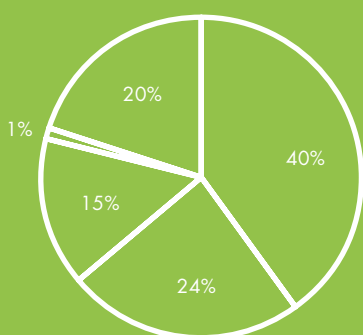
ity fees that electricity network companies are required to charge customers.

Controllable costs are costs that we can affect: the costs of maintenance, customer service, network monitoring, etc. These costs are subject to efficiency requirements. These require us to incrementally improve efficiency each year. If we are less efficient than the industry average, we are penalised with a reduction of the allowed revenue.

The quality incentive is based on power cuts that last between three minutes and twelve hours. Depending upon the reliability of our electricity network, our allowed revenue may be increased or decreased. Compensation for power outages that last for more than twelve hours is treated outside the revenue regulation. The electricity network companies pay this compensation directly to their customers.

Breakdown of the customer's bill

The tariffs paid by customers – what customer must pay for electricity distribution – are based on the revenue framework determined by Ei. If we look at the customer's bill, we naturally also see a tax paid to society in the form of VAT.



Capital costs, 40%
Non-controllable costs, 24%
Controllable costs, 15%
Quality incentive, 1%
VAT, 20%

Sustainability – work that strengthens common objectives.

In our business, taking a sustainable approach is natural – we have a socially important function, we are enabling the transition to a sustainable energy system and we facilitate new solutions and innovations.

Two of the sustainability issues with the highest priority in recent times are health and safety and procedures for monitoring and evaluating suppliers and contractors. Establishing our Code of Conduct and creating consensus on the sustainability programme are also high on the agenda.

Opportunities and responsibilities

Building on our financial, social and environmental responsibilities, Ellevio wants to make the most of our opportunities and manage the challenges of our business.

Long-term sustainable investments in our electricity network are the foundation of our business. Along with the continuous streamlining of the business, investments create value for investors, customers, employees and other stakeholders. Ellevio currently supplies electricity at 99.98 per cent supply reliability. In 2015, we invested SEK 1.7 billion in maintaining and further enhancing reliability. A reliable electricity network helps to provide our customers with good quality of life, strengthens the national economy and is crucial for maintaining the functions and innovation that are vital to society.

Current activities within the focus area of Sustainability.

- Continued focus on safety improvement, sound procedures and an attitude that puts safety first.
- Systematic safety and environmental work, by means including unannounced audits at contractors and continuous monitoring.
- Investments must be evaluated from a sustainability perspective.
- The Code of Conduct must be well established within the organisation.
- The sustainability policy and strategy must be widely supported within the organisation.

In our environmental work, Ellevio aims to reduce our impact on the climate and natural resources. We are also an important part of the transition to a sustainable energy system by providing for renewable electricity generation, locally produced electricity, the more efficient use of electricity. And, in the long term, new applications for electricity in connection with, for example, the increasing electrification of the transport sector.

Ellevio is committed to being a safe and attractive employer for our employees. The safety of the people who work for us is an extremely high priority and we have a zero vision in relation to accidents. Naturally, this work also covers suppliers and contractors. Maintaining and investing in electricity networks requires a long-term approach. That means Ellevio engage in active dialogue and strive for good cooperation with partners, customers, government agencies and other stakeholders to further the development of a sustainable energy system.

Systematics and good governance

In 2015, Ellevio drew up a sustainability plan that is linked to the ongoing sustainability work. The internal rollout of the plan began in late 2015.

In line with the sustainability plan, a sustainability policy was also adopted at the end of the year, along with a Code of Conduct that reflects the ten principles of the UN Global Compact and is based on analysis of the expectations of internal and external stakeholders. External stakeholders involved in the dialogue include government agencies, contractors and industry representatives. Both the policy and the code have been adopted by Ellevio's Board of Directors and will be firmly established at the company during 2016.

Ellevio has been carrying out environmental work in accordance with the ISO 14001 environmental management system standard for some time and, following a certification process during the year, Ellevio received certification as an independent company. This confirms the direction and effectiveness of our environmental work

Read more: Ellevio's Sustainability Policy and Code of Conduct are available on our website: www.ellevio.se

Objectives and results

Ellevio is continuing to develop its sustainability work and is defining measurements to ensure result-oriented management, with clear avenues for follow-up and transparent reporting. There are currently five corporate sustainability objectives that reflect the relevant aspects of Ellevio's work:

- Employee accidents (TRIF¹⁾)
- Contractor accidents (LWIF²⁾)
- Safety and environmental audits³⁾
- Sustainability review of proposed investments⁴⁾
- Follow-up of compliance with the Code of Conduct through audits⁵⁾

¹⁾ TRIF, 'Total Recordable Incidents Frequency', the number of accidents per 1 million hours worked for Ellevio's employees. Includes accidents that have resulted in absence from work of more than one day, the need for restricted work or medical treatment.

²⁾ LWIF, 'Lost Workday Injury Frequency', indicates the number of working days lost per 1 million hours worked as a result of personal injury at Ellevio's contractors.

³⁾ The number of unannounced safety and environmental audits of Ellevio's projects.

⁴⁾ Proportion (%) of proposed network investments reviewed with regard to sustainability in accordance with the company guidelines.

⁵⁾ Number of audits at suppliers and contractors in order to ensure compliance with Ellevio's Code of Conduct.





Zero vision for accidents.

Ellevio engages contractors for network maintenance and infrastructure projects and has long-term working relationships with established players. The contractors we engage are required to have not only a high level of professional competence, but also training in safety procedures and knowledge of the requirements of a safe work environment. Ellevio has a zero vision for accidents. Nevertheless, despite stringent requirements and continuous monitoring, accidents can happen, with serious consequences. In autumn 2015, an employee of a subcontractor of one of our contractors died in an accident. The investigations made by the contractor and Ellevio resulted in lessons learnt and a review of procedures. At present, the public prosecutor's investigation is still in progress.

Ellevio invests significant resources in preventing accidents through training and follow-up. The regular follow-ups examine safety procedures, with any shortcomings reported and rectified immediately. Ellevio will be further intensifying this work in 2016 and aims to carry out 300 unannounced audits. This involves making unannounced site visits to ensure compliance with Ellevio's requirements for project activities in the areas of quality and health, safety and environment.



Clearer sustainability requirements for suppliers.

Only suppliers who meet a number of criteria in relation to the environment and working conditions can be qualified to supply Ellevio. We also conduct both quality audits and sustainability audits on site at suppliers before beginning collaboration. On each visit, one or more areas for improvement have been identified and the supplier has been requested to confirm that improvement measures have been implemented. In 2015, three visits were made to suppliers and ten to contractors, who are also covered by these requirements.

In 2016, Ellevio will be further intensifying its monitoring procedures for suppliers and contractors in order to clarify expectations and requirements within sustainability.



Sustainability assessment of investments and new projects.

There are several sustainability aspects that must be considered for large infrastructure projects and investments in the network, such as choice of materials, construction method and whether the intended location involves any environmental or human impact. Ellevio intends to raise its ambitions with regard to sustainability in contracts it awards. All larger projects are thus required to have a sustainability plan that includes a description of systematic sustainability work, objectives and improvements, as well as risk management.

Committed employees who take responsibility.

Ellevio encourages employees to take personal responsibility for their own development, as well as that of the team and the company. We want to create effective teams while promoting individual development.

The hallmarks of Ellevio's culture are Reliability, Commitment and Development. These three values were defined in 2015 through participation in the organisation. Activities are underway in 2016 with the aim of firmly establishing these values among all employees. This includes holding discussions on these values and breaking down the import of the words at group and individual level. The aim is for all employees to thoroughly understand the implications of the values for each individual in their day-to-day work.

Our actions are also governed by our Code of Conduct, which was also drawn up in 2015 after Ellevio became an independent company. The Code of Conduct is available on the company's intranet and

workshops are being held in 2016 to spread knowledge and understanding of the content of the Code.

Employee survey as control mechanism

Twice a year, Ellevio carries out an employee survey that measures factors including the level of commitment. Underpinning this survey is the Employee Engagement Index, which is based on four questions about satisfaction, pride, job-seeking and recommendation. The results display a positive trend and Ellevio's target is an index score of 70 percent. In 2015, the result was 69, which we consider a good, high level, but which we will strive to improve further in order to achieve our goal.

Values.

We have three values that describe how we must act when carrying out our mission:

Reliability, Commitment and Development.



Reliability – above all, you should be able to rely on our electricity network and the people who work here. We are here when you need us and we have the technology and the skills necessary to supply electricity to your home.



Commitment – we care about and listen to our customers and our stakeholders. We demonstrate initiative and act in a sustainable manner.



Development – we innovate in areas small and large, we constantly develop and improve ourselves and we welcome feedback. We seek out new knowledge, we share what we know, and we build our electricity networks so that they meet the energy needs of the future.

Team development plans are drawn up on the basis of these results, with improvement activities and goals. All managers also take part in “leadership days” twice a year, at which they improve their leadership skills by sharing how they achieve team development based on for example the results of the employee survey.

Internal communication and openness

Activities in our internal communication channels, such as the intranet, help spread knowledge about the company, our strategy, objectives and values, and promote an open culture.

Active internal communication makes our employees aware of what is happening, both at the company and in the industry, which encourages participation and commitment and gives the employees the tools they need to do a good job.

Attracting and retaining staff

Ellevio is a new brand. This means that we are currently prioritising efforts to increase awareness of the company. In order to attract new employees, we are taking various actions to strengthen our employer brand, such as working with universities. Offering summer jobs to students is another way of spreading awareness of the company and we offer 25 summer jobs in 2016. We also offer work experience placements and opportunities for students to do their thesis projects at the company. By engaging in industry ini-

tiatives and being active in social media, we also help to spread knowledge about ourselves and the industry.

Development for individuals and teams

All Ellevio employees have annual pay and performance reviews with their manager. The first review at the beginning of the year is dedicated to following up on the previous year’s goals and setting new ones. A second review is held during the summer, focusing on opportunities for individual development.

In order to provide clear expectations at all levels of the company, we break down the company’s overall objectives into goals for each team. Managers have a range of tools at their disposal for working on team development: job rotation, skills development, improving cooperation and helping one another to develop, through feedback for instance.

Diversity step by step

The electricity industry is a male-dominated industry and the majority of Ellevio’s employees are men. The management group, however, comprises six women and five men, which is unusual for our industry. We are working in a number of ways to gradually achieve more even gender distribution.

Current activities within the strategic focus area of Committed employees.

- Create conditions for an organisation where everyone takes responsibility for their own development, as well as that of the team and the company, for example through focus on leadership and individual and team efficiency.
- Improving internal communication so that it contributes to building the company culture.
- Strengthen the employer brand.

Corporate governance.

Ellevio AB (Ellevio) is a Swedish limited liability company whose registered office is in Stockholm. Corporate governance at Ellevio is meant to ensure good risk and internal management, clear allocation of responsibility, a sound company culture, effective decision-making and good relationships with the company's stakeholders. The ultimate objective is to foster long-term value creation for the company's owners.

The Board of Directors of Ellevio believes that good corporate governance is essential to running a successful business, as it creates the conditions for well-founded decision-making and maintaining a high level of confidence among the company's stakeholders.

Corporate structure

Authority, management and governance are allocated among shareholders, the Board of Directors, the CEO and the Management Team. Corporate governance at Ellevio proceeds from applicable laws and ordinances, the articles of association and shareholder agreement, internal policies and directives.

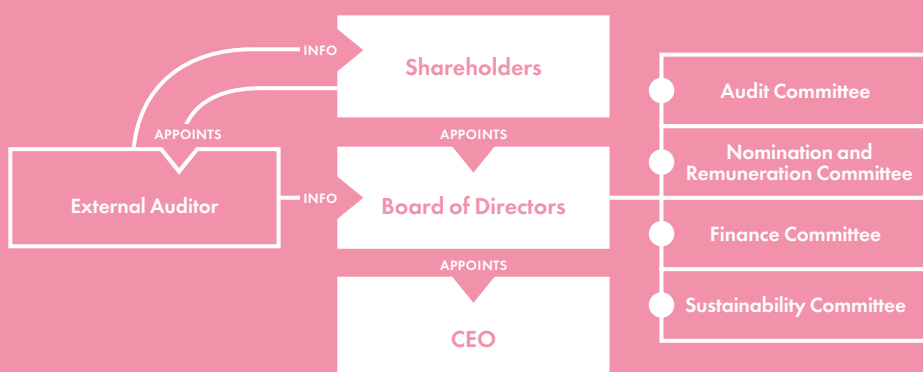
Owners

Ellevio is owned by Borealis Infrastructure (50 percent), the Swedish Third National Pension Fund (20 percent), Folksam (17.5 percent) and the Swedish First National Pension Fund (12.5 percent).

Annual general meetings

The annual general meeting is Ellevio's supreme governing body, through which shareholders in Ellevio are empowered to determine Ellevio's affairs.

The 2016 annual general meeting was held 19 April on the company's premises at Hangövägen 19, Stockholm.



Board of Directors

The Board of Directors is responsible for the organisation and administration of Ellevio and for the ongoing assessment of the company's financial situation. The Board's remit also includes ensuring that Ellevio's organisation is designed in a manner that assures satisfactory control of accounting, treasury management and financial conditions otherwise. The Board must furthermore adopt operational targets and strategy, evaluate operational management and ensure that effective systems for monitoring and control are in place. The Board is also required to draft a written charter for its own work, which must be revised and adopted annually.

The Board of Directors of Ellevio held 14 meetings in 2015.

Board committees

Four Board committees have been established to improve efficiency and opportunities for deepening the work of the Board. These are the Audit Committee, the Nomination and Remuneration Committee, the Finance Committee and the Sustainability Committee. The committees work in an advisory capacity only and their work primarily involves preparing matters for decision by the Board. Meetings are minuted and committee chairs report the progress of their work at every board meeting. Representatives of Ellevio's executive management participate at committee meetings.

The Audit Committee is responsible for reviewing the audited accounts and discussing the accounting policies to be applied with the company's auditors. The Audit Committee monitors compliance with relevant laws and the application of and compliance with corporate governance policies, including internal control and risk management.

The Nomination and Remuneration Committee is responsible for adopting policy for appointment and dismissal of senior management personnel, establishing remuneration policies and terms of employment for senior management personnel and reviewing the performance of senior management personnel in relation to set objectives.

The Finance Committee is responsible for ongoing monitoring of Ellevio's financial risk exposure and financial strategies.

The Sustainability Committee is responsible for reviewing the Health, Safety and Environment (HSE) strategy, monitoring HSE performance in relation to set targets, identifying key areas of improvement and encouraging greater awareness of the importance of HSE.

CEO and Management Team

The Board of Directors appoints the CEO, who is responsible for day-to-day management of Ellevio in accordance with the Board's instructions. The allocation of responsibility between the Board and the CEO is, in addition to the rules that apply to limited liability companies, specified in a directive adopted by the Board of Directors each year.

The CEO's responsibility includes but is not limited to operation of the business, human resources, finances and accounting and regular contact with Ellevio's stakeholders, such as government agencies. The CEO is responsible for ensuring that the Board is furnished the information required for decision-making. The CEO delivers monthly reports to the Board covering financial circumstances, significant events and other important information.

The CEO has appointed a Management Team that is in charge of day-to-day operations. The Management Team meets regularly to make decisions about and follow up the business, current projects and other matters and to discuss organisational and human resources issues. The Management Team, including the CEO, are presented on page 36.

Auditors

The external auditor or auditors are appointed by the annual general meeting and are tasked with reviewing the management of Ellevio by the Board of Directors and the CEO. The articles of association establish that Ellevio must have one or two auditors. An accounting firm may be appointed as Ellevio's auditor.

The annual general meeting of shareholders in Ellevio held 18 February 2015 appointed Deloitte as the auditor for the period ending at the close of the 2016 annual general meeting. The principal auditor is authorised public accountant Kristian Stensjö.

Policies and directives

Directives and detailed process descriptions based on policies adopted by the Board must exist for all parts of Ellevio's business operations. During 2015, the Board of Directors adopted the Code of Conduct, Sustainability Policy and Financial Policy.

Policies, directives and process descriptions must establish rules and responsibility for specific areas and state mandates and powers. The documents must be available to all employees. They must be reviewed annually or as needed to ensure compliance with applicable laws, ordinances, etc. The organisation must be continuously informed and trained as regards policies, directives and process descriptions.

Board of Directors and Management Team.

Board of Directors

Sören Mellstig

Chairman

Year of birth: 1951, year of election 2015

Oskar Backman

Year of birth: 1971, year of election 2015

Ralph Berg

Year of birth: 1972, year of election 2015

Bengt Hellström

Year of birth: 1959, year of election 2015

Jens Henriksson

Year of birth: 1967, year of election 2015

Colin Hood

Year of birth: 1955, year of election 2015

Nicola Shaw

Year of birth: 1969, year of election 2015

Pamela Sundin

Employee representative

Year of birth: 1972, year of election 2015

Patrik Widén

Employee representative

Year of birth: 1979, year of election 2015

Management Team

Johan Lindehag

CEO

Year of birth: 1972, joined the operations in 2000

Erika Abrahamsson

Legal

Year of birth: 1965, joined the operations in 2011

Rigmor Anshelm

Human Resources and Sustainability

Year of birth: 1962, joined the operations in 2011

David Bjurhall

Regulation

Year of birth: 1975, joined the operations in 2010

Anna-Carin Joelsson

Projects and IT

Year of birth: 1972, joined the operations in 2007

Bengt Johansson

Network

Year of birth: 1961, joined the operations in 1989

Anna-Karin Käck

Finance

Year of birth: 1976, joined the operations in 1999

Anna Lidberg

Communications

Year of birth: 1968, joined the operations in 2008

Lowina Lundström

Customer and Market

Year of birth: 1967, joined the operations in 2009

Thomas Saubach

Operations

Year of birth: 1969, joined the operations in 2002

Jan Seveborg

Treasury

Year of birth: 1962, joined the operations in 2015*

* Before joining Ellevio, Jan Seveborg was VP, Treasury at Fortum Group, and as such also responsible for the financing of the electricity distribution business.



The board and the CEO of Ellevio AB hereby present their annual report of the financial year 2015. This document is a translation of the original, published in Swedish. In cases of any discrepancies between the Swedish and English versions, or in any other context, the Swedish original shall have precedence.

Annual Report 2015.

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Directors' Report.

Operations

Ellevio AB is one of Sweden's largest network companies. The company ensures that electricity reaches more than 900,000 homes and workplaces, and invests several billion SEK each year to weatherproof the electricity grid in the countryside and strengthen and renew electricity networks in urban areas. Ellevio works every day to improve the quality of life for its customers and society at large, and to enable the ongoing transition to more sustainable energy sources through investments in a long-term sustainable electricity grid. Ellevio has around 400 employees and indirectly employs around 2,900 people across Sweden. Ellevio AB conducts electricity network operations in concession areas on the West Coast, in Värmland, Skaraborg, Dalarna, Gävleborg and the Stockholm region.

Ellevio AB welcomed new owners in 2015. On 1 June 2015 the sale of Fortum Distribution to a consortium of four companies was completed. The consortium consists of Borealis Infrastructure (50%), the Third Swedish National Pension Fund (20%), Folksam (17.5%) and the First Swedish National Pension Fund (12.5%). The purchase was made in the form of a share transfer, which means that the legal entity remained unchanged. A new Board of Directors has been appointed and principles for the governance of the company have been drawn up and implemented. On 15 June the name of the company was changed from Fortum Distribution AB to Ellevio AB. On 1 December 2015 the acquiring company Ellevio Sverige AB was merged into Ellevio AB through a downstream merger (see also Notes 2 and 39).

Electricity distribution is essential to modern society and uninterrupted electricity supply is becoming ever more important. During the year, following the change of ownership, Ellevio launched a major investment programme covering all of the company's electricity network areas. In rural areas the programme involves continuing the company's efforts to weatherproof the networks, which began after the Gudrun storm 11 years ago and can now be stepped up significantly. In Stockholm the main focus is on renewal and capacity improvements, partly to meet the needs of the growing city but also because large parts of the electricity network were built in the 1960s and 70s and now need to be replaced.

These investments are aimed at maintaining the security of supply that Sweden has today, at 99.98% for Ellevio, but also at preparing the networks for the future. A higher share of renewable electricity from large- and small-scale solar and wind power facilities, more electric cars, and improved energy efficiency require a reliable and flexible electricity network. The trend towards more renewable electricity in the electricity system continues. In 2015 work continued on connecting the wind farm in Sörby in Hälsingland, and on the West Coast Sweden's first wave farm was connected to the grid.

To study which needs and requirements the electricity network will be required to meet in future, Ellevio is running and participating in a number of pilot projects. Work continued on the project in Stockholm Royal Seaport, a new, sustainable district in Stockholm where Ellevio is testing new technical solutions for the electricity network together with a number of other companies and with support from the Swedish Energy Agency. During the year one of the substations in Stockholm Royal Seaport, which combines architecture and modern technology, was also nominated for two architecture awards, the Steel Building Prize (Stålbyggnadspriset) and Stockholm Building of the Year (Årets Stockholmsbyggnad). At the substation local residents can read more about how electricity is transmitted and ends up in their sockets and follow in real time how much electricity is being used. An attempt to make electricity, and especially the electricity network, understandable to the public.

New accounting policies

The annual report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. Under RFR 2, the company is required to apply all International Financial Reporting standards (IFRS) adopted by the EU insofar as possible subject to the provisions of the Annual Accounts Act. See also Note 2 Significant accounting policies. Previously Ellevio AB applied BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3).

Earnings and financial position

(KSEK)	2015	2014	2013	2012	2011
Net sales	6,014,182	5,870,243	5,956,474	5,742,613	5,398,641
Profit after net financial expense	285,295	2,072,892	2,342,712	1,679,273	1,771,489
Total assets	75,234,681	25,534,098	26,688,689	25,717,646	25,930,225
Investments	59,426,233	1,216,903	1,047,921	1,281,059	1,396,300
Equity	6,162,721	636,699	617,858	200,114	107,281
Equity/assets ratio ¹⁾	9.0%	64.0%	61.0%	59.0%	58.0%
Average number of employees	407	378	359	344	351

¹⁾ Adjusted equity / Total assets.

Net sales in 2015 were SEK 6,014 million (5,870). Sales were impacted by the mild weather, especially in the first quarter of the year. Profit after net financial expense, SEK 285 million (2,073), was lower in 2014 due to increased amortisation charges on excess values arising from the merger as well as financing costs related to interest expenses in Ellevio Sverige AB, which has now been merged into Ellevio AB.

Investments recognised in 2015 totalled SEK 59,426 million (1,217), of which SEK 57,721 million refers to the now merged parent company's acquisition of the shares of Fortum Distribution AB. Investments in property, plant and equipment and intangible assets increased to SEK 1,706 million (1,217) as a result of an increased rate of electricity network investments.

Other significant circumstances

In March 2015 the legal process concerning the revenue framework for the 2012–2015 regulation period that has been ongoing since autumn 2011 was concluded. The background was that the Swedish Energy Markets Inspectorate (Ei) introduced a new revenue regulation model for Sweden's electricity network companies on 1 January 2012, with an initial regulation period of 2012–2015. The new model was based on a short-term discount rate, included a restrictive transition rule and did not support the development of tomorrow's electricity grid, as there were no incentives for investment. The court established that the transition rule had no legal basis and that the discount rate must be based on a long-term investment horizon and be set at 6.5%. The ruling was delivered in March 2015, at which point only nine months remained of the regulation period, which means that the company will have a regulatory revenue deficit in the following regulation period that can be used in 2016–2019. This means that the company is now in a position to carry out all those investments that are required to guarantee secure electricity networks for its customers.

The new Swedish electricity network regulation that takes effect on 1 January 2016 is aimed at creating clearer incentives for investments in electricity networks. During the year Ei adopted a new revenue framework for the 2016–2019 regulation period. Ei decided to apply a short-term discount rate of 4.53%, which means that it is ignoring the ruling of the court on the discount rate that was delivered in March and is also setting aside the ambition to stimulate investments in the electricity networks. This has once again pushed the electricity network companies to initiate a legal process in which around 80 companies are going to court with the principal objective of establishing a reasonable discount rate.

During the year Ei completed its regulatory supervision in respect of electricity network fees for 2010 and 2011, with no issues being identified.

Outlook

Ellevio works actively to shape the Swedish energy market, with a focus on electricity distribution operations. The company is driving a number of important regulatory matters through active involvement in industry trade groups, contacts with regulators and collaboration with other players, both nationally and internationally. In 2015 Ellevio worked on IVA's Vägval el (Electricity Choice) project, which contributes knowledge to the Swedish government's work in the Energy Commission, on which a report will be submitted in February 2016.

In 2016 the legal process concerning the revenue framework for electricity network companies in the 2016–2019 regulation period will continue.

Work on shaping the Nordic retail market continues. The goal is to create a market model in which electricity suppliers take full responsibility for the billing and switching process. The electricity network companies will continue to be the customer's point of contact for power outages, connections and certain other matters.

Investments in the electricity grid continues to increase, from around SEK 1.7 billion in 2015 to around SEK 2 billion in 2016, with projected annual investments of around SEK 3 billion by the end of the regulation period in 2019.

Information on risks and uncertainties

Risk management is an integral part of operational planning, governance and monitoring. Business risks are assessed through management's and the Board of Directors' strategy and planning work, and are documented in a business plan that is adopted by the Board. The management of operational and financial risks is based on the company's adopted policies, which specify principles, frameworks and responsibilities with the aim of limiting the company's risk exposure. The policies are reviewed and submitted for adoption annually. Operational risks are identified, assessed and addressed as an integral part of the company's day-to-day activities.

Strategic risks refer primarily to risks that change the operating environment for the electricity distribution business. Various political decisions and changes to the regulatory framework can affect the company's operations. Strategic risks also include legal compliance risks, as the business forms an important part of the country's infrastructure, and the company is therefore required to comply with many laws, directives and regulations. Along with other industry players, Ellevio is actively involved in driving regulatory issues that are of importance for our business.

The ownership and operation of electricity distribution facilities entails operational risks, primarily in the form of operational disruptions that result in interruptions in the delivery of power to our customers. These risks are managed mainly through the reinvestment and maintenance programmes that the company is running, with a focus on reducing the sensitivity to storms and improving the general reliability of our electricity network. The company also has a well developed major disruption organisation and fault repair process that is continually being developed to ensure that power is restored to customers as soon as possible after an outage.

Through its operations the company is exposed to various types of financial risks, such as market, liquidity and credit risks. Market risks consist mainly of currency, electricity price and interest rate risks. The company enters into derivatives transactions to reduce these risks. See also Note 4 Financial risk management and financial instruments.

Employees

At year-end 2015 Ellevio had 410 employees, most of whom were based at the head office in Stockholm and at the office in Karlstad. Since 2011 Ellevio has been operating in accordance with a model in which the management and planning of electricity network projects are performed in-house while operations in the field are outsourced to external contractors. The company works actively on staff development, including leadership development, collective team ability and personal leadership. In autumn 2015 new company values have been developed and work on implementing these in the organisation has been initiated. Ellevio has a low rate of sick leave and low staff turnover.

Health and safety issues have a high priority at Ellevio, both for our in-house staff and for the contractors that work for the company. The company takes a structured approach to these issues, which are governed and coordinated by a central function for health, safety, environment, quality and sustainability, and works on continuous improvements, partly through ongoing audits of the operations and among our contractors. Progress is followed up in the organisation, by management and by the Board of Directors, on a continuous basis and at monthly intervals. Ellevio has also established a separate committee of the Board that handles health and safety issues as well as sustainability issues.

Ellevio has a zero vision for accidents. Even with high requirements and continuous follow-up of the health and safety work, serious accidents can however

occur. In autumn 2015, a fitter who was working as a subcontractor to Ellevio's contractor died in connection with a fall while working on a project in Hälsingland. An accident is always a failure, and we are sincerely sorry this happened. The accident is being investigated by the Swedish Work Environment Authority and the police, as well as by the contractor and Ellevio.

Environment

In 2015 Ellevio recertified itself under ISO 14001 and has for the first time received a separate certificate as an independent company.

During the year a new sustainability policy was developed. The policy covers financial, social as well as environmental responsibility. Environmental responsibility involves ensuring that the company through various activities reduces its impact on the environment and biological diversity by:

- Setting environmental requirements for purchases, taking account of environmental aspects in the company's commercial activities and giving priority to solutions that help reduce environmental impact.
- Promoting the application of a lifecycle perspective in all activities.
- Applying the principles of the waste hierarchy to minimise waste. Providing information on and raising awareness of how the company's operations can affect the environment.
- Avoiding materials and substances that can be harmful to humans, animals and the environment.
- Applying a sustainability perspective when choosing venues for meetings and means of transport for travel.

During the year Ellevio also produced a new code of conduct for its employees and a code of conduct for suppliers. The company has conducted nearly 20 code of conduct audits of suppliers. The code of conduct has been produced to establish a minimum level with which the companies' suppliers are required to comply. It sets forth the basic sustainability requirements with which Ellevio's suppliers must comply.

Under the Swedish Electricity Act, a permit for construction and use of an electricity line ("concession") can be provided for a line covering a specified distance or an electricity network in a certain area. As of 1 June 2013 the company's concession applies until further notice. The examination of the application for a concession includes an assessment in accordance with the provisions of the Swedish Environmental Code. Electricity network operations are not regulated by the provisions of the Environmental Code with regard to permit and notification requirements.

Significant events after the end of the financial year

The Board of Directors has proposed to the Annual General Meeting that the company should change company category to become a public liability company. The reason for this is to give the company increased flexibility to source long-term financing through enabling issuance of publicly traded bonds.

Proposed allocation of retained earnings (SEK)

The following earnings are at the disposal of the Annual General Meeting:

Retained earnings	-9,301,078,684
Profit for the year	15,463,416,958
	6,162,338,274

The Board of Directors proposes:

Retained earnings	6,162,338,274
	6,162,338,274

For further information on the company's performance and financial position, see the following income statement, balance sheet, statement of changes in equity, statement of cash flows and the notes to the accounts. Unless otherwise stated, amounts in tables refer to thousands of Swedish kronor (KSEK). Due to rounding of amounts to the nearest thousand Swedish kronor, some totals may not be exactly equal to the sum of all line items.

Income statement.

(KSEK)	Note	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014
Net sales	5, 6	6,014,182	5,870,243
Capitalised own work		71,619	61,644
Other operating income	7	42,201	74,248
		6,128,002	6,006,135
OPERATING EXPENSES			
Costs for purchase and transit of power		-1,208,637	-1,221,427
Other external expenses	8, 9	-1,289,474	-1,201,121
Employee benefits expense	10, 11	-354,583	-314,748
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	-1,600,735	-1,138,105
Operating profit		1,674,573	2,130,734
FINANCIAL INCOME AND EXPENSES			
Interest income and similar items	13	160	5,247
Interest expense and similar items	14	-1,389,438	-63,089
Profit after net financial income/expense		285,295	2,072,892
Appropriations	15	19,833,810	-2,048,270
Profit before tax		20,119,105	24,622
Income tax expense	16	-4,655,688	-5,781
PROFIT FOR THE YEAR		15,463,417	18,841

Statement of comprehensive income.

(KSEK)	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014
Profit for the year	15,463,417	18,841
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	15,463,417	18,841

Balance sheet.

(KSEK)	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	17	5,793,361	–
Concessions	18	40,000,308	–
IT systems	19	122,993	79,152
Utility easements	20	128,978	119,930
Projects in progress and advance payments	21	35,399	71,192
		46,081,039	270,274
Property, plant and equipment			
Buildings and land	22	553,487	568,404
Machinery and other technical plant	23	25,698,083	21,758,002
Equipment, tools and facilities	24	17,038	14,633
Assets under construction	25	1,381,628	842,594
		27,650,236	23,183,633
Non-current financial assets			
Investments in subsidiaries	26	60	60
Investments in associates	27	32	32
		92	92
Total non-current assets		73,731,367	23,453,999
Current assets			
Current receivables			
Trade receivables	28	464,555	48,385
Receivables from Group companies	29	100	504,202
Receivables from associates		–	414
Current tax assets		–	58
Other receivables	30	108,374	69,575
Prepaid expenses and accrued income	31	809,438	722,828
		1,382,467	1,345,462
Cash and cash equivalents	32	120,847	734,637
Total current assets		1,503,314	2,080,099
TOTAL ASSETS		75,234,681	25,534,098

Balance sheet, cont.

(KSEK)	Note	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		300	300
Statutory reserve		82	82
		382	382
Non-restricted equity			
Retained earnings		-9,301,079	617,476
Profit for the year		15,463,417	18,841
Total equity		6,162,721	636,699
Untaxed reserves	33	444,344	20,278,154
Provisions			
Deferred tax liability	16	14,166,488	79,471
Non-current liabilities			
Bond loans	34	6,546,410	-
Liabilities to credit institutions		25,857,420	-
Liabilities to Group companies		20,426,538	1,200,022
Other non-current liabilities		33,586	934
Total non-current liabilities		52,863,954	1,200,956
Current liabilities			
Liabilities to credit institutions		115,439	-
Trade payables		536,172	318,856
Liabilities to Group companies	35	38,643	2,654,074
Current tax liabilities		179,063	-
Other current liabilities	36	196,031	120,638
Accrued expenses and deferred income	37	531,826	245,250
		1,597,174	3,338,818
TOTAL EQUITY AND LIABILITIES		75,234,681	25,534,098
Memorandum items			
Pledged assets	38	711,508	-
Contingent liabilities		None	None

Statement of changes in equity.

(KSEK)	Note	Restricted equity		Non-restricted equity	Total equity
		Share capital	Statutory reserve	Retained earnings including profit for the year	
Balance at 1 January 2014		300	82	617,476	617,858
Profit for the year				18,841	18,841
Other comprehensive income				-	-
Total comprehensive income				18,841	18,841
Balance at 31 December 2014		300	82	636,317	636,699
Balance at 1 January 2015		300	82	636,317	636,699
Profit for the year				15,463,417	15,463,417
Other comprehensive income				-	-
Total comprehensive income				15,463,417	15,463,417
Merger difference	39			-9,937,396	-9,937,396
Balance at 31 December 2015		300	82	6,162,338	6,162,721

The company has a total of 30 (30) shares. The quotient value is SEK 10,000 (10,000) per share.

Statement of cash flow.

(KSEK)	Note	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		1,674,574	2,130,734
Adjustments for non-cash items:			
Depreciation and amortisation	41	1,600,735	1,138,106
Other items	41	1,314	12,909
Interest received		160	5,247
Interest paid		-807,606	-63,089
Income tax paid		-114,853	44,776
Cash flow from operating activities before changes in working capital		2,354,323	3,268,683
CHANGES IN WORKING CAPITAL			
Decrease(+)/increase(-) in trade receivables		-406,334	-51,587
Decrease(+)/increase(-) in other current receivables		492,784	75,140
Decrease(-)/increase(+) in trade payables		149,272	31,008
Decrease(-)/increase(+) in other current liabilities		45,894	-190,451
Cash flow from operating activities		2,635,939	3,132,793
INVESTING ACTIVITIES			
Acquisition in merged company	39	-57,720,632	-
Acquisition of intangible assets		-59,752	-50,178
Acquisition of property, plant and equipment		-1,523,464	-1,166,725
Sale of property, plant and equipment		-	450
Cash flow from investing activities		-59,303,848	-1,216,453
FINANCING ACTIVITIES			
Borrowings	39	52,504,106	-
Repayment of borrowings		-1,800,000	-1,200,000
Decrease in non-current liabilities		-	33
Group contribution paid		-1,985,188	-1,926,158
Shareholder contribution received in merged company	39	7,335,201	-
Cash flow from financing activities		56,054,119	-3,126,125
Cash flow for the year		-613,790	-1,209,785
Cash and cash equivalents at 1 January		734,637	1,944,421
Cash and cash equivalents at 31 December	32	120,847	734,637

Accounting policies and notes.

NOTE 1

GENERAL INFORMATION ABOUT THE COMPANY

Ellevio AB, corporate ID number 556037-7326, is a limited company registered in Sweden whose registered office is in Stockholm. The address of the head office is Hangövägen 19, 115,77 Stockholm. The company conducts electricity network operations. Ellevio AB is a wholly owned subsidiary of Ellevio Holding 4 AB, corporate ID number 559005-2451. Consolidated financial statements are prepared by Ellevio Holding 1 AB, corporate ID number 559005-2444.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

The annual report has been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board. This is the first year in which the company applies RFR 2 and the transition date to RFR 2 has been set at 1 January 2014. Previously the company applied the Swedish Annual Accounts Act and BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3). The application of RFR 2 requires that the company apply, as far as possible, all EU-adopted International Financial Reporting Standards (IFRS) and interpretations of IFRSs issued by the IFRS Interpretation Committee (IFRIC) subject to the provisions of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and taking account of the relationship between accounting and taxation. The transition has had no impact on the company's income statement or balance sheet.

Assets, provisions and liabilities have been recognised at cost unless otherwise indicated.

The statement of cash flows was prepared using the indirect method. As Ellevio AB was part of the Fortum group's cash pool account until 2014, the company's cash and cash equivalents were recognised as current receivables from Group companies. To ensure comparability between 2015 and 2014, the company has elected to recognise cash and cash equivalents for 2014 as cash instead of current receivables in the balance sheet and the statement of cash flows.

The company is classified as a large company in accordance with Ch.1 section 3 of the Swedish Annual Accounts Act (1995:1554). Pursuant to Ch. 7 section 2 of the Annual Accounts Act, consolidated financial statements are not prepared for Ellevio AB.

Reclassification in income statement

Income from relocation of network facility was previously recognised as other income but is now considered a component of operating income and recognised in net sales. Outage compensation was previously recognised in net sales but is considered equivalent to damages and is instead recognised in other external expenses. Due to the reclassifications, the comparative figures in the five-year summary have been restated and the adjustment in profit and loss in respect of 2014 is presented below:

	2014
Income from relocation of network facility	
Transfer from other operating income to net sales	80,351
Outage compensation	
Transfer from net sales to other external expenses	-20,189

New and amended standards and interpretations that have not yet become effective

New and amended standards and interpretations and changes in RFR 2 that have been issued but become effective for reporting periods beginning after 1 January 2016 have not yet been applied by the company. New and amended standards and interpretations that are deemed to have an impact on the company's financial statements in the period in which they are first applied are described in the following.

IFRS 15 Revenue from Contracts with Customers was issued on 28 May 2014 and will replace IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes a model for revenue recognition for nearly all types of revenue arising from contracts with customers, with the exception of leases, financial instruments and insurance contracts. The basic principle for recognition of revenue under IFRS 15 is that a company should recognise revenue in the manner that reflects the transfer of the promised goods or service to the customer, in the amount that the company expects to receive in exchange for the goods or service. Revenue is recognised when control of the good or service has passed to the customer. IFRS 15 is applicable for reporting periods beginning 1 January 2018 or later and earlier application is permitted. It has not yet been adopted by the EU.

IFRS 9 Financial Instruments was issued on 24 July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard has been issued in stages and the version that was issued in July 2014 replaces all previous versions. The standard contains new requirements for the classification and measurement of financial instruments, for derecognition and impairment, and general rules for hedge accounting. The macro hedging section has been removed to form a separate project. The standard, which is mandatory for periods beginning on or after 1 January 2018, has not yet been adopted by the EU.

IFRS 16 Leases was issued on 13 January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a right of use model under which the lessee is required to recognise essentially all leases in the balance sheet. No classification into operating and finance leases should therefore be made. The exceptions are leases with a term of 12 months or less and low-value leases. Depreciation/amortisation of the asset and interest expenses on the liability are recognised in profit and loss. The standard contains more extensive disclosure requirements compared with the current standard. For lessors IFRS 16 does not entail any real differences compared with IAS 17. IFRS 16 is applicable for reporting periods on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 is applied simultaneously. The standard has not yet been adopted by the EU.

Management has not yet performed a detailed analysis of the effects of applying IFRS 15, IFRS 9 and IFRS 16 and is therefore unable to quantify the effects. Management considers that the other new and amended standards and interpretations that have not yet become effective will not have material impact on the company's financial statements when they are initially applied.

Merger

During the year the parent company, Ellevio Sverige AB (559005-2469), whose registered office was in Stockholm, was merged downstream into the company through a downstream merger. A merger between a parent company and subsidiary has been recognised in accordance with FAR's recommendation RedR9 Accounting of Downstream Mergers. The consolidated value method has been applied, which means that the subsidiary has recognised the assets and liabilities of the merged parent company at the values stated in the consolidated financial statements. See also Note 39 Merger.

Revenue

Revenue is recognised at the fair value of the consideration received or receivable after deducting VAT, discounts, returns and similar deductions. The company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the company and specific criteria have been met for each of the company's categories of revenue.

The company's revenue comes mainly from network services, connection services and other network-related services. The company's revenue is covered by revenue regulation and any excess or deficit revenue is handled in the subsequent regulation period for accounting purposes.

Network services

Revenue from the sale of network services is based on actual measured consumption during the period (excluding VAT and duties) and revenue is recognised upon completion of delivery.

Connection services

Revenue from the sale of connection services is recognised as revenue to the extent that it is not intended to cover future obligations. Revenue from the connection of wind farms in the regional network is allocated over 25 years in accordance with the contracted future tariff reduction.

Other network-related services

Revenue from the relocation of network facilities is recognised as revenue to the extent that it is not intended to cover future obligations. Other recurring operating income such as income from reconnection services and other customer-initiated activities are recognised in connection with the performance of the service.

Communication and rental income

Income from the lease of capacity in company-owned fibre-optic networks, space in masts and poles and rent for premises is recognised in accordance with the rules for operating leases (lessor).

Leases

A finance lease is a lease that transfers substantially all the economic risks and rewards incidental to ownership of an asset to the lessee. Other leases are classified as operating leases. All leases, both finance leases and operating leases, are recognised as operating leases. Lease payments are charged to profit and loss on a straight-line basis over the term of the lease unless another method systematically provides a better reflection of the user's economic benefit over time.

Future lease payments refer to operating leases. Ellevio AB has no (material) finance leases.

Foreign currency

Receivables and liabilities in foreign currency have been translated at closing rates. Unrealised foreign exchange gains and losses are included in profit or loss. Foreign exchange gains (losses) on operating receivables and liabilities are recognised in the same item of income and expense as that to which the income or expense refers. Foreign exchange differences related to financial assets and liabilities are recognised under net financial income and expenses.

Borrowing costs

Borrowing costs are recognised on an ongoing basis in profit or loss in the period to which they refer.

Employee benefits

Employee benefits in the form of salaries, bonuses, paid annual leave, paid sick leave, etc. as well as pensions are recognised as they are earned. Pensions and other post-employment benefits are classified as defined contribution pension plans and are charged to profit and loss. The company has both defined benefit and defined contribution pension plans.

Under RFR 2, the provisions of IAS 19 concerning defined benefit pension plans do not need to be applied in a legal entity.

Taxes

The tax expense consists of the sum of current tax and deferred tax.

Current tax

Current tax is the amount of income taxes payable in respect of the taxable profit for the period. The taxable profit differs from the profit recognised in profit and loss, as it has been adjusted for non-taxable income and other non-deductible expenses and for income and expenses that are taxable or deductible in other periods. The company's current tax liability is calculated based on the tax rates applying at the balance sheet date.

Deferred tax

Deferred tax is recognised for temporary differences that arise between the carrying amount of assets and liabilities and the tax base used in calculating the taxable profit. Deferred tax is recognised in accordance with the balance sheet liability method. Deferred tax liabilities are recognised for practically all taxable temporary differences, and deferred tax assets are recognised for practically all temporary differences to the extent that it is probable that the amounts can be used to offset future taxable profits. Deferred tax liabilities and tax assets are not recognised if the temporary difference is attributable to goodwill or if it arises from a transaction that constitutes the initial recognition of an asset or liability (that is not a business combination) and that at the time of the transaction does not affect recognised profit or taxable profit.

Untaxed reserves are recognised inclusive of deferred tax liability.

The carrying amount of deferred tax assets is tested for impairment at the end of each financial year and an impairment loss is recognised to the extent that it is no longer probable that sufficient taxable profits will be available against which the deferred tax asset can be fully or partially offset.

Deferred tax is calculated using the tax rates that are expected to apply for the period in which the asset is recovered or the liability settled, based on the tax rates (and tax laws) that have been enacted or announced by the balance sheet date.

Deferred tax assets and tax liabilities are offset when they refer to income tax, are paid to the same authority and when the company intends to settle the tax by paying the net amount.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit and loss.

Group contributions

Group contributions paid and received are recognised as appropriations.

Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the site and working condition for its intended use. Subsequent costs are only included in the asset or accounted for as a separate asset when it is probable that future economic benefits associated with the asset will flow to the company and the cost of the same can be reliably measured. All other subsequent costs are recognised in profit and loss in the period in which they are incurred.

Depreciation of property, plant and equipment is charged to profit and loss so that the cost of the asset, less any residual value at the end of its useful life, is depreciated on a straight-line basis over the asset's estimated useful life. An item of property, plant and equipment is depreciated as of the date when it can be taken into use. The estimated useful lives for property, plant and equipment are:

Buildings	10–50 years
Land improvements	20 years
Machinery and other technical plant	8–40 years
Equipment, tools and facilities	3–20 years

Land has an indefinite useful life and is therefore not depreciated.

Estimated useful lives, residual values and depreciation methods are reviewed at the end of each accounting period or more frequently and the effect of any changes in assessments is recognised prospectively.

The carrying amount of an item of property, plant and equipment is derecognised upon retirement or disposal or when no future economic benefits are expected from the use or disposal/sale of the asset. The gain or loss on the retirement or disposal of the asset consists of the difference between the net proceeds, if any, and the carrying amount of the item and is recognised in profit or loss in the period when the asset is derecognised.

Intangible assets

Internally generated intangible assets

Internally generated intangible assets resulting from the company's development of IT systems are recognised only when the following conditions are met:

- it is technically feasible to complete the intangible asset and use it,
- the company intends to complete the intangible asset and use it,
- it is possible to use the intangible asset,
- the company can demonstrate how the intangible asset will generate probable future economic benefits,
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Separate acquisition of intangible assets

Intangible assets with definite useful lives that have been acquired separately are recognised at cost less accumulated amortisation and any accumulated impairment. The assets are amortised on a straight-line basis over their estimated useful lives.

The estimated useful lives for intangible assets are:

Concessions	100 years
Goodwill	20 years
IT systems	3–8 years

Utility easements and intangible assets that are not yet available for use are not amortised.

Estimated useful lives and amortisation methods are reviewed at the end of each accounting year or more frequently and the effect of any changes in assessments is recognised prospectively.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date the company assesses the carrying amounts of intangible assets to determine whether there is any indication of impairment. If this is the case, the asset's recoverable amount is calculated to determine the value of any impairment loss. If it is not possible to calculate the recoverable amount for an individual asset the company calculates the recoverable amount for the cash-generating unit to which the asset belongs.

Utility easements and intangible assets that are not yet available for use must be tested for impairment annually, or when there is an indication of impairment.

The recoverable amount is the higher of the fair value of the asset less costs to sell and its value in use. In measuring value in use, the estimated future cash flow is discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the determined recoverable amount of an asset (or cash-generating unit) is lower than the carrying amount, the carrying amount of the asset (or cash-generating unit) is written down to the recoverable amount. An impairment loss must be recognised immediately in profit and loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the reassessed recoverable amount, but the increased carrying amount may not exceed the carrying amount that would have been determined if no impairment loss had been recognised on the asset (or cash-generating unit) in previous years. A reversal of an impairment loss is recognised directly in profit and loss.

Goodwill

The company's goodwill item in the balance sheet has arisen as a result of a downstream merger of the company's parent company into the company in accordance with the consolidated value method. Goodwill is amortised on a straight-line basis over its estimated useful life. The estimated useful life is 20 years. In testing for impairment, goodwill is allocated to company level. Any impairment loss is immediately recognised to profit and loss and cannot be reversed.

Non-current financial assets

Investments in subsidiaries are recognised at cost less any impairment. Cost includes acquisition-related costs and any additional consideration paid.

When there is an indication that interests in a subsidiary are impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount an impairment loss is recognised. Impairment losses are recognised in the item "Profit/(loss) from shares in group companies".

Investments in associates are recognised at cost less any impairment. Cost includes acquisition-related costs and any additional consideration paid. When there is an indication that interests in an associate are impaired, an estimate is made of the recoverable amount. If the recoverable amount is less than the carrying amount an impairment loss is recognised. Impairment losses are recognised in the item "Investments in associates".

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the contractual terms and conditions of the instrument. A financial asset is derecognised when the contractual right to the cash flow from the asset expires or is settled or when the company loses control of it. A financial liability, or portion of a financial liability, is derecognised when the contractual obligation is fulfilled or is otherwise extinguished.

Current assets and current liabilities are measured at cost on initial recognition. Non-current receivables and non-current liabilities are measured at amortised cost on initial recognition. Borrowing costs are allocated to accounting periods as part of the interest expense of the loan.

Subsequent to initial recognition, current assets are measured using the lower of cost or market method, i.e. at the lower of cost and net realisable value at the balance sheet date. Current liabilities are measured at their nominal amount.

Subsequent to initial recognition, non-current receivables and non-current liabilities are measured at amortised cost.

Amortised cost

Amortised cost refers to the amount at which the asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of the initial difference between the amount received/paid and the amount payable/receivable at maturity and less impairment losses.

Loans and receivables

Financial assets classified as "Loans and receivables" are financial assets that are not derivatives, have fixed or determinable payments, and are not listed on an active market. This includes trade receivables and cash and cash equivalents. Loans and receivables are measured at amortised cost less any impairment.

The expected maturity of trade receivables is short, however, and these are therefore recognised at the nominal amount on an undiscounted basis. A deduction is made for doubtful debts. Impairment of trade receivables is recognised in operating expenses.

As cash and cash equivalents are payable on demand, amortised cost is the same as the nominal amount.

Derivatives

The company enters into derivatives transactions for the purpose of managing currency, price and interest rate risks. See also Note 4 for further information on the Group's risks and hedging strategies.

Derivatives are accounted for by applying the lower of cost or market method. Derivatives with negative value are measured at the amount that is most favourable for the company if the obligation is settled or transferred at the balance sheet date.

Hedge accounting

Hedge accounting is applied for derivatives that are included in a documented hedge relationship. The use of hedge accounting requires that there exist an explicit link between the hedging instrument and the hedged item. It is also required that the hedge effectively protects against the risk that is intended to be hedged, that the effectiveness can be shown to be sufficiently high on an ongoing basis through effectiveness measurements and that hedge documentation has been established. The assessment of whether hedge accounting should be applied is made at the inception of the hedge relationship. The accounting of the change in value depends on the type of hedge that has been entered into.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances as well as other short-term liquid investments that can be quickly converted into cash and are subject to insignificant risk of changes in value. To be classified as cash and cash equivalents, the maturity must not exceed three months from the date of purchase.

Provisions

Provisions are recognised when the company has an existing (legal or constructive) obligation as a result of a past event, it is likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

The amount that is set aside is the best estimate of the amount that is required to settle the existing obligation at the balance sheet date, taking account of risks and uncertainties associated with the obligation. When a provision is calculated by estimating the payments that are expected to be required to settle the obligation, the carrying amount must equal the present value of these payments.

NOTE 3

SIGNIFICANT ESTIMATES AND JUDGEMENTS

In preparing financial statements Ellevio is required to make judgements, estimates and assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. These judgements are based on previous experience as well as assumptions that are deemed to be reasonable under present circumstances and are reviewed continuously. The actual outcome and actual date may differ from the estimates if other assumptions are taken into account or other circumstances are present. Significant estimates and judgements for Ellevio are described below:

Network income and network expenses

Network income and network expenses as well as the associated receivable and liability are calculated mainly on the basis of measured volumes, but a small portion refers to a share of estimated volume based on historical data in combination with actual temperature data for the period. Income and expenses are assessed and accrued on a monthly basis. Reconciliation of previous periods and potential adjustments are also made on a monthly basis.

Useful life of concessions

Concessions to operate a grid are granted to network companies, apply until further notice and can only be revoked in a potential bankruptcy situation or in case of gross negligence. Under IAS 38, an intangible asset with an indefinite useful life should not be amortised but reviewed in each period to determine whether events and circumstances continue to support the assessment of an indefinite useful life for the asset. Under RFR 2, IAS 38 should not be applied in respect of the financial reporting of intangible assets with indefinite useful lives. Instead, such assets should be amortised based on the same rules that apply for other intangible assets. As concessions to operate the grid apply until further notice and thus have an indefinite useful life, the company considers that an elected useful life of 100 years best reflects the company's consumption of the asset. The amortisation period and method are reviewed at the end of each financial year or more frequently.

Useful life of goodwill

Goodwill arising from a merger has a useful life of 20 years. Goodwill has arisen from a merger of an electricity distribution business, which is a stable, long-term business with long-term investments, as reflected in the amortisation period. The amortisation period and method are reviewed at the end of each financial year or more frequently.

Useful life of other intangible assets

The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network has been defined as 8 years based on the minimum expected life of the monitoring system.

Utility easements (including land leases) refer to contracts that give the company access to land belonging to third parties for an indefinite period for the establishment of electricity network facilities. The company therefore considers the asset equivalent to land and no amortisation is recognised. The value of utility easements is tested for impairment annually or when there is an indication of impairment.

Useful life of property, plant and equipment

The company has property, plant and equipment with a significant carrying amount, and assumptions about the useful lives of the assets involve the use of estimates and assessments. These estimates are based on the status and condition of the assets and on historical knowledge of useful lives for equivalent assets. Continuous inspections and monitoring activities are carried out to ensure that the company's network assets are adequately maintained.

Deferred tax and current tax

The company has deferred tax assets and liabilities that are expected to be realised in the income statement over extended future periods. When calculating deferred tax, the company is required to make certain assumptions and estimates concerning the future tax consequences for temporary differences between the carrying amounts and tax bases of assets and liabilities.

NOTE 4 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Through its operations the company is exposed to various types of financial risks, such as market, liquidity and credit risks. Market risks consist mainly of currency, electricity price and interest rate risks. The company enters into derivatives transactions to mitigate these risks. Ultimate responsibility for defining the framework and regulations for managing and monitoring the company's financial risks rests with the Board of Directors. The framework and regulations are set forth in a financial policy adopted by the Board that is reviewed annually.

MARKET RISKS

Currency risk

Currency risk refers to the risk that the fair value or future cash flows will fluctuate as a result of changes in exchange rates. The exposure to currency risk comes mainly from the company's financing as well as payment flows in foreign currency.

Transaction exposure

Transaction exposure is the risk that earnings will be adversely affected by fluctuations caused by changes in exchange rates for cash flows in foreign currency. The company's commercial transaction exposure is limited, as the company's inflows and outflows are mainly in SEK.

Balance sheet exposure

Balance sheet exposure is the risk that the value of balance sheet items in foreign currency will be negatively affected by changes in exchange rates. A significant portion of the company's financing is in foreign currency but there is no other significant exposure.

The company's policy is to hedge all balance sheet exposures and contracted cash flows in foreign currency. The company mainly uses cross-currency interest rate swaps for this purpose.

At the balance sheet date there were outstanding cross-currency interest rate swaps in a nominal amount of EUR 605,000 thousand (0) and USD 100,000 thousand (0).

The following table shows outstanding cross-currency interest rate swaps at the balance sheet date converted into SEK thousands:

	2015-12-31		2014-12-31	
	Nominal amount	Fair value	Nominal amount	Fair value
EUR converted into KSEK				
Maturity over 10 years	5,700,310	-247,530	-	-
USD converted into KSEK				
Maturity over 10 years	846,100	667	-	-

The currency contracts refer to hedging of loan capital and future interest payments. Interest payments are made every six months, at which time the company settles the fixed interest amount in foreign currency and the fixed interest amount in SEK with its counterparty. These derivatives have been identified as hedging instruments in a cash flow hedge. Payments of interest and principal on the loan and derivatives are made at the same dates and the amount for the hedged risk that has accumulated in equity is reclassified to the income statement when the payment affects the income statement.

Electricity price risk

Electricity price risk refers to the risk that future cash flows will fluctuate as a result of changes in the electricity price. The company is exposed to electricity price risk through its consumption of electricity in the form of transmission losses that arise in connection with the distribution of electricity. The company's policy is to hedge forecast costs for future network losses. The company uses forwards contracts for this purpose.

The following table shows outstanding electricity derivatives at the balance sheet date:

	2015-12-31		2014-12-31	
	Volume, GWh	Fair value	Volume, GWh	Fair value
Maturity within 12 months	1,596	-102,386	1,648	-65,916
Maturity within 1-5 years	2,349	-86,002	2,458	-36,685
Maturity after 5 years	-	-	-	-

The hedged item consists of highly probable forecast transactions relating to purchases of electricity. Cash flows are expected to be generated in those periods when the futures mature, as specified above, at which time the cumulative change in value of the futures contract is reclassified from equity to profit and loss.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows will fluctuate as a result of changes in market interest rates. The company is mainly exposed to interest rate risk through its debt financing. Some borrowings are at variable interest rates, which means that the company's future financial expense is affected by changes in market interest rates. The company hedges the interest rate risk in its financing by borrowing at fixed interest rates and by using interest rate swaps to extend fixed-rate terms for variable-rate loans.

The tables below present fixed-rate terms for interest-bearing liabilities, including intercompany loans, and interest rate derivatives based on nominal amounts converted into SEK.

Fixed-rate term	31 Dec 2015	31 Dec 2014
Within 12 months	4,431,029	1,200,000
Within 1-5 years	15,000,000	-
Within 5-10 years	10,000,000	-
Over 10 years	24,033,666	-
Total	53,464,695	1,200,000

The company's policy is to reduce the volatility of net financial income/expense by mainly financing operations at fixed long-term interest rates. The financial policy specifies that at least 75 percent of the company's interest-bearing debt must be financed or secured at fixed rates. At the balance sheet date 96 percent of the company's external debt was subject to fixed interest rates after taking account of interest rate derivatives. The weighted average interest rate on all borrowings, taking account of derivatives contracts, was 4.49% and the corresponding average interest rate on external debt was 2.23%.

The company applies hedge accounting. The hedge is a cash flow hedge. During the period SEK 34 million was recognised in profit and loss in respect of the market valuation of derivatives attributable to this hedge that do not meet the criteria for hedge accounting. Derivatives recognised in accordance with the lower of cost or market method are measured on the basis of contractual cash flows discounted at market interest rates at the balance sheet date.

The following table shows outstanding interest rate swaps at the balance sheet date:

	2015-12-31		2014-12-31	
	Nominal amount	Fair value	Nominal amount	Fair value
Maturity within 12 months	-	-	-	-
Maturity within 1-5 years	15,000,000	-167,785	-	-
Maturity over 5 years	10,000,000	-122,476	-	-
Maturity over 10 years	955,360	-33,586	-	-

In all interest rate swaps, the company swaps variable interest rates for fixed interest rates. Payments of interest under the interest rate swaps are made mainly on a quarterly basis, at which time the company settles the variable interest amount and fixed interest amount in SEK with the counterparty. These derivatives have been identified as hedging instruments in a cash flow hedge. Payments of interest and principal on the loans and derivatives are made at the same dates.

Sensitivity analysis

At 31 December 2015 around 8 percent of the Group's debt portfolio, including intercompany loans, was subject to variable interest rates. The effect of a 1 percent change in the interest rate for the debt portfolio is SEK 34 million for 2016.

LIQUIDITY AND FINANCING RISK

Liquidity risk refers to the risk that the company will struggle to meet its obligations related to financial liabilities or other payment obligations. Financing risk refers to the risk that the company will be unable to obtain sufficient financing at a reasonable cost. To reduce its liquidity risk and financing risk, the financial policy states that the company must at all times maintain a liquidity reserve consisting of cash and cash equivalents and binding loan commitments of at least 1.2 times the sum of forecast repayments on loans and investments in non-current assets for the coming 12-month period. At the balance sheet date the company had total external loan facilities of SEK 41,962 million, of which SEK 8,985 million was unutilised, and cash and cash equivalents of SEK 121 million. No more than 25% of the total outstanding loan volume may be repayable in any single calendar year and the average remaining maturity of the total volume of external loans must exceed five years.

The maturity structure of contractual payment obligations related to the company's financial liabilities excluding derivatives is presented in the following tables. The amounts in these tables are not the discounted values and also include any accrued interest expense, which means that they cannot be reconciled to the amounts presented in the balance sheets. Amounts in foreign currency have been converted into SEK at the closing rates.

The company's loan agreements contain no specific terms under which the payment dates could be significantly earlier than indicated in the tables. As regards long-term liabilities to credit institutions, 100% mature in 4.5 years and 100% of all bond loans are repayable within 12–15 years.

31 Dec 2015	Within 12 months	1–5 years	Over 5 years	Total
Liabilities to credit institutions	161,078	26,315,590	–	26,476,668
Liabilities to Group companies	38,643	–	20,487,256	20,525,899
Bond loans	61,876	–	6,546,410	6,608,286
Trade payables	536,172	–	–	536,172
Total	797,769	26,315,590	27,033,666	54,147,025

The maturity structure of contractual payment obligations related to the company's derivatives is presented in the table below. The amounts in these tables are not discounted values. The table is based on net inflows and outflows for derivatives that are settled on a net basis and gross inflows and outflows for those derivatives that cannot be settled on a net basis.

Interest payments and electricity prices have been determined on the basis of the circumstances applying at the balance sheet date. Amounts in foreign currency have been converted into SEK at the closing rates.

31 Dec 2015	Within 12 months	1–5 years	Over 5 years	Total
Gross settlement:				
Electricity derivatives (liabilities)	17,087	51,356	–	68,443
Cross-currency interest rate swaps (liabilities)	269,020	1,073,875	2,313,526	3,656,421
Cross-currency interest rate swaps (receivables)	–192,764	–765,081	–1,780,960	–2,738,805
Interest rate swaps (liabilities)	407,048	1,574,375	985,045	2,966,468
Total	500,391	1,934,525	1,517,611	3,952,527

CREDIT AND COUNTERPARTY RISK

Credit risk refers to the risk that a counterparty to a transaction will cause a loss by failing to fulfil its contractual obligations. The company's exposure to credit risk is primarily attributable to trade receivables and derivatives. The company's derivatives are transacted with counterparties with a minimum credit rating of BBB+ (S&P, Fitch) or Baa1 (Moody's). Trade receivables are spread across a large number of customers and no individual customer accounts for a significant share of the company's total trade receivables. Nor are the company's trade receivables concentrated to a specific geographic area. The company therefore considers the concentration risks to be limited.

The company's credit risk in relation to external banks arising from cash and cash equivalents is deemed to be low, as the majority of the company's liquid assets are held in the Swedish bank system.

The exposure to credit risk is offset by the carrying amounts of financial assets excluding derivatives and is presented in the table below.

	31 Dec 2015	31 Dec 2014
Receivables from associates	–	414
Trade receivables	464,555	48,385
Other current receivables	851,374	773,427
Cash and cash equivalents	120,847	734,637
Total	1,436,776	1,556,863

CAPITAL STRUCTURE

The company's goal is to maintain an efficient capital structure that minimises the cost of the sum of equity and debt while ensuring long-term access to debt financing. In 2015 the company initiated an effort to restructure its financing with the aim of extending maturities and mitigating refinancing risk.

The company monitors its capital structure by calculating net debt in relation to EBITDA. The debt ratio shows how many years it would take the company to pay off its debts if net debt and EBITDA remained constant. Net debt is calculated on the basis of interest-bearing liabilities excluding intercompany loans less cash and cash equivalents. EBITDA is calculated by adding depreciation, amortisation and impairment to operating profit. Comparable EBITDA is calculated by excluding extraordinary items. The company's external loan agreements also include financial covenants that limit the company's maximum debt level through a specified interest coverage ratio and a ratio of cash flow to external net debt.

External net debt / Comparable EBITDA	31 Dec 2015	31 Dec 2014
Interest-bearing liabilities	52,945,807	1,800,000
Less intercompany interest-bearing liabilities	–20,426,538	–1,800,000
Less cash and cash equivalents	–120,847	–734,637
External net debt	32,398,422	–734,637
Operating profit	1,674,574	2,130,734
Plus depreciation, amortisation and impairment	1,600,735	1,138,105
EBITDA	3,275,309	3,268,839
Adjustment, extraordinary items	838	12,909
Comparable EBITDA	3,276,147	3,281,748
External net debt / Comparable EBITDA	9.9	–

NOTE 5 GROUP INTERNAL PURCHASES AND SALES

	2015	2014
Purchases	0.0%	30.0%
Sales	0.0%	4.0%

NOTE 6 NET SALES BY PRICE AREA

	2015	2014
Regional networks Rest of Sweden	863,871	970,265
Regional networks Stockholm	79,428	94,752
Local networks West Svealand	1,103,876	1,031,862
Local networks South Norrland	646,333	629,469
Local networks West Coast	890,701	844,410
Local networks Stockholm	2,429,973	2,299,485
Total	6,014,182	5,870,243

NOTE 7 OTHER OPERATING INCOME

	2015	2014
Communication income	12,932	12,520
Rental income	6,764	9,642
Reconnection income	5,066	5,090
Network monitoring services	2,839	4,017
Gain on sale of property, plant and equipment	–	285
Other operating income	14,600	42,694
Total	42,201	74,248

NOTE 8 REMUNERATION TO AUDITORS

	2015	2014
Deloitte AB		
Audit engagement	675	500
Audit activities in addition to audit engagement	168	–
Tax advisory services	645	–
Other services	419	–
Total	1,907	500

Audit engagement refers to the auditor's remuneration for the statutory audit, which comprises the audit of the annual report, consolidated financial statements and accounting records, and the Board of Directors' and CEO's management as well as fees for audit advice provided in connection with the audit engagement.

Other services largely comprise advice and assessment of the Group's transition to IFRS.

NOTE 9 LEASES

Operating leases – lessee	2015	2014
Expense for the year, operating leases		
Lease expenses	134,261	124,849
Total	134,261	124,849

The leases refer primarily to land leases and rents for stations. At the balance sheet date the outstanding obligations in the form of minimum lease expenses under non-cancellable operating leases, falling due as follows:

	2015	2014
Maturity:		
Within 1 year	114,832	118,642
1–5 years	182,391	175,137
Later than 5 years	506,554	476,807
Total	803,777	770,586

Operating leases – lessor

The leases refer to the lease of premises, capacity in the fibre-optic network and space in masts and poles. Lease income in the financial year totalled SEK 6,765 thousand. Future minimum lease expenses under non-cancellable operating leases fall due as follows:

	2015	2014
Maturity:		
Within 1 year	7,458	6,593
1–5 years	4,292	4,450
Later than 5 years	2,424	1,810
Total	14,174	12,853

NOTE 10 EMPLOYEE BENEFITS

Average number of employees	2015	2014
Women	117	112
Men	290	266
Total	407	378

Directors and other senior executives

	2015	2014
Women:		
Board of Directors	2	2
Other senior executives including the CEO	6	5
Men:		
Board of Directors	7	3
Other senior executives including the CEO	5	4
Total	20	14

Salaries and remuneration

Salaries and remuneration to directors and CEO	3,621	2,322
Salaries and other remuneration to other employees	216,053	196,126
Post-employment benefit costs (Note 11)	39,582	30,957
Social security contributions	79,379	69,920
Total	338,635	299,325

Salaries and other remuneration in a total amount of SEK 3,036 thousand (2,322) were paid to the CEO, of which SEK 1,575 thousand (886) refers to variable remuneration under the incentive scheme of the Fortum Group. The total remuneration paid to the Board of Directors was SEK 585 thousand (0), of which SEK 233 thousand was paid to the Chairman of the Board, Sören Mellstig, SEK 267 thousand to Nicola Shaw and SEK 85 thousand to Colin Hood. Other directors have not received any remuneration for their board service to the company.

The CEO is covered by ITP 2 but has chosen an alternative ITP plan in the form of Birkaplanen, which is a defined benefit pension plan insured by Skandia (see Note 11). The premium paid was SEK 619 thousand (547). The retirement age for the Chief Executive Officer is 65 years.

The CEO's period of notice is three months for either voluntary resignation or termination by the company. If the CEO is terminated by the company, a one-off payment equivalent to six months' salary is payable in addition to the regular salary during the notice period. No other remuneration is paid if the CEO resigns.

The employment terms of other senior executives are consistent with market terms and there are no agreements providing for termination salary in excess of six months or agreements on severance pay.

NOTE 11 PENSIONS

All employees are covered by collective agreements and the company's pension obligations comprise both defined contribution and defined benefit pension plans. The company has elected not to apply the provisions of IAS 19 in a legal entity, which means that the company's defined benefit pension plans are treated as defined contribution plans and charged to profit and loss as premiums are paid. A description of the company's defined benefit pension plans and information on the fair values of post employment benefit obligations and plan assets in accordance with IAS 19 are provided in the following.

Defined benefit pension plans

The company has undertaken to make pre-defined payments to the employee on or after retirement. The company has the following defined benefit pension plans: PA-KL (including SPP), Birkaplanen and the ITP 2 Plan. PA-KL (including SPP) is a plan for local government employees in Sweden. There are currently no active employees in that plan. The plan is administered and valued by SPP. Birkaplanen is an alternative ITP plan (supplementary pension plan for salaried employees in industry and commerce). The benefits are administered by and secured through an insurance policy with Skandia Liv, ömsesidigt. The ITP 2 Plan is partly closed, which means that only new employees born before 1979 have the option of choosing the ITP 2 solution. The ITP 2 Plan is insured with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of the ITP 2 Plan Funded through Insurance with Alecta, this is a defined benefit plan covering several employers. For the financial year 2015 the company has not had access to information that would enable it to account for its proportionate share of the plan's obligations, assets and expenses. It has therefore not been possible to recognise the plan as a defined benefit plan. The ITP 2 pension plan secured through an insurance policy with Alecta is therefore accounted for as a defined contribution plan.

The defined benefit obligations in the Group's annual report that are presented in the following have been calculated based on the salary levels applying at each balance sheet date and using a discount rate of 3.3%. Assumed annual returns are defined by the company.

Defined benefit pension plans in the consolidated balance sheet

	31 Dec 2015
Total present value of defined benefit obligations	187,307
Fair value of plan assets	218,278
Net amount, defined benefit pension plans	30,971

Defined contribution pension plans

The company pays fixed premiums to a number of different insurance companies upon payment of the premiums the company has fulfilled its obligation in respect of pension payments. Defined contribution plans are charged to profit and loss in the period in which the employee performs his or her services.

Total premiums paid during the year in respect of defined benefit and defined contribution plans

	2015	2014
Cost in profit or loss		
Costs relating to service during current period	39,582	30,957
Total	39,582	30,957

NOTE 12

DEPRECIATION, AMORTISATION AND IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	2015	2014
Amortisation of intangible assets	451,409	45,861
Depreciation of buildings and land improvements	19,169	19,088
Depreciation of machinery and other technical plant	1,124,947	1,070,115
Depreciation of equipment, tools and facilities	5,210	3,042
Total	1,600,735	1,138,105

NOTE 13

OTHER INTEREST INCOME AND SIMILAR ITEMS

	2015	2014
External interest income	160	137
Intercompany interest income	-	5,110
Total	160	5,247

NOTE 14

INTEREST EXPENSE AND SIMILAR ITEMS

	2015	2014
External interest expense	379,577	1,368
Intercompany interest expense	958,542	61,721
Derivatives that do not meet the criteria for hedge accounting	33,586	-
Other financial expenses	17,733	-
Total	1,389,438	63,089

NOTE 15

APPROPRIATIONS

	2015	2014
Group contribution paid	-	1,985,188
Distribution to tax allocation reserve	444,344	-
Accelerated depreciation	-20,278,154	63,082
Total	-19,833,810	2,048,270

NOTE 16

TAX

	2015	2014
Current tax		
Current tax on profit for the year	293,975	3,300
Deferred tax		
Deferred tax attributable to temporary differences	4,361,005	2,481
Deferred tax attributable to prior years	708	-
Total	4,655,688	5,781

Reconciliation, tax expense for the year

	2015	2014
Profit before tax	20,119,105	24,622
Tax calculated at Swedish rate (22%)	4,426,203	5,417
Tax effect of non-deductible expenses	228,811	394
Tax effect of non-taxable income	-35	-30
Deferred tax attributable to prior years	708	-
Total	4,655,688	5,781
Recognised tax expense for the year	4,655,688	5,781

Deferred tax assets and deferred tax liabilities

The company's deferred tax assets and deferred tax liabilities refer to the following items:

	31 Dec 2015	31 Dec 2014
Deferred tax assets		
Doubtful debts	145	151
Unrealised losses on derivatives	7,389	-
Residual value depreciation, machinery and equipment	25,648	-
Adjustment of accelerated depreciation from prior years	4,618	9,237
Other	156	93
Deferred tax assets	37,956	9,481
Deferred tax liability		
Deferred tax through merger	9,657,101	-
Dissolution of accelerated depreciation	4,460,486	-
Buildings and land improvements	86,857	88,952
Deferred tax liability	14,204,444	88,952
Net deferred tax liabilities	14,166,488	79,471

Deferred tax assets are measured at the highest amount that is likely to be recoverable based on current and future taxable profits. Deferred tax assets and tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when the deferred taxes relate to the same taxation authority and the taxes can be settled on a net basis.

The tax rate for calculating deferred tax is 22%.

NOTE 17

GOODWILL

	31 Dec 2015	31 Dec 2014
Cost via merger	5,967,410	-
Accumulated cost at 31 December	5,967,410	-
Amortisation for the year	-174,049	-
Accumulated amortisation at 31 December	-174,049	-
Carrying amount at 31 December	5,793,361	-

NOTE 18

CONCESSIONS

	31 Dec 2015	31 Dec 2014
Cost via merger	40,235,013	-
Accumulated cost at 31 December	40,235,013	-
Amortisation for the year	-234,704	-
Accumulated amortisation at 31 December	-234,704	-
Carrying amount at 31 December	40,000,308	-

NOTE 19 IT SYSTEMS

	31 Dec 2015	31 Dec 2014
Cost at 1 January	324,053	305,812
Transferred from projects in progress	86,496	18,241
Accumulated cost at 31 December	410,549	324,053
Amortisation at 1 January	-244,901	-199,040
Amortisation for the year	-42,655	-45,861
Accumulated amortisation at 31 December	-287,556	-244,901
Carrying amount at 31 December	122,993	79,152

The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network has been defined as 8 years based on the minimum expected life of the monitoring system. The historical cost is SEK 26,906 thousand and the residual value at 31 December 2015 is SEK 25,224 thousand.

NOTE 20 UTILITY EASEMENTS

	31 Dec 2015	31 Dec 2014
Cost at 1 January	119,930	112,397
Transferred from projects in progress	9,048	7,533
Cost at 31 December	128,978	119,930
Carrying amount at 31 December	128,978	119,930

NOTE 21 PROJECTS IN PROGRESS AND ADVANCES RELATED TO INTANGIBLE ASSETS

	31 Dec 2015	31 Dec 2014
Cost at 1 January	71,192	-
Costs incurred during the year	57,392	50,178
Reclassification	2,360	21,014
Costs capitalised during the year	-95,545	-
Costs incurred at 31 December	35,399	71,192

NOTE 22 BUILDINGS AND LAND

	31 Dec 2015	31 Dec 2014
Cost at 1 January	973,892	967,099
Transferred from assets under construction	4,251	6,793
Cost at 31 December	978,143	973,892
Depreciation at 1 January	-405,488	-386,400
Depreciation for the year	-19,168	-19,088
Accumulated depreciation at 31 December	-424,656	-405,488
Carrying amount at 31 December	553,487	568,404

NOTE 23 MACHINERY AND OTHER TECHNICAL PLANT

	31 Dec 2015	31 Dec 2014
Cost at 1 January	39,283,545	38,219,396
Cost via merger	3,970,916	-
Disposals/retirements	-2,314	-14,968
Transferred from assets under construction	1,094,950	1,079,117
Cost at 31 December	44,347,097	39,283,545
Depreciation at 1 January	-17,525,543	-16,457,037
Disposals/retirements	1,476	1,609
Depreciation for the year	-1,124,947	-1,070,115
Accumulated depreciation at 31 December	-18,649,014	-17,525,543
Carrying amount at 31 December	25,698,083	21,758,002

NOTE 24 EQUIPMENT, TOOLS AND FACILITIES

	31 Dec 2015	31 Dec 2014
Cost at 1 January	115,306	107,531
Transferred from assets under construction	7,615	7,775
Cost at 31 December	122,921	115,306
Depreciation at 1 January	-100,673	-97,631
Depreciation for the year	-5,210	-3,042
Accumulated depreciation at 31 December	-105,883	-100,673
Carrying amount at 31 December	17,038	14,633

NOTE 25 ASSETS UNDER CONSTRUCTION AND ADVANCES RELATED TO PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2015	31 Dec 2014
Balance at 1 January	842,594	816,341
Costs incurred during the year	1,648,210	1,166,725
Costs capitalised during the year	-1,106,816	-1,119,458
Reclassifications	-2,360	-21,014
Costs incurred at 31 December	1,381,628	842,594

NOTE 26 INVESTMENTS IN SUBSIDIARIES

	31 Dec 2015	31 Dec 2014
At 1 January	60	60
Carrying amount at 31 December	60	60

Name	Share of equity ¹⁾	Share of votes	Number of shares	Carrying amount 31 Dec 2015
Laforsen Produktionsnät AB	60%	60	60	60

Name	Corp. ID no.	Reg. office
Laforsen Produktionsnät AB	556050-9191	Karlstad

¹⁾ Share of equity is the same as share of votes.

NOTE 27 INVESTMENTS IN ASSOCIATES

	31 Dec 2015	31 Dec 2014
Cost at 1 January	32	32
Carrying amount at 31 December	32	32

Name	Share of equity ¹⁾	Share of votes	Number of shares	Value 31 Dec 2015
Triangelbolaget	25%	25%	525	32

Name	Corp. ID no.	Reg. office
Triangelbolaget	556007-9799	Stockholm

¹⁾ Share of equity is the same as share of votes.

NOTE 28 TRADE RECEIVABLES

	31 Dec 2015	31 Dec 2014
Trade receivables, gross ¹⁾	467,459	50,813
Provision for bad debts	-2,904	-2,428
Trade receivables, net after provision for bad debts	464,555	48,385

¹⁾ Trade receivables relating to network services are included in receivables from Group companies for the comparative year 2014.

Management deems that the carrying amount of trade receivables, net after provision for bad debts, is the same as the fair value.

Changes in provision for doubtful debts

	31 Dec 2015
Provision for bad debts at 1 January	-2,428
Provision for bad debts for the year	-2,787
Reversal of unused amount	2,311
Provision at 31 December	-2,904

31 Dec 2015	Gross	Provision for doubtful debts	Net
Not yet payable	463,951	-	463,951
30 days past due	5,992	-	5,992
31-60 days past due	-3,839	-	-3,839
61-90 days past due	-1,068	-	-1,068
> 90 days past due	2,423	-2,904	-481
Total	467,459	-2,904	464,555

The company's assessment is that payment will be received for trade receivables that are due but have not been written down, as the customers' payment histories are good.

NOTE 29 RECEIVABLES FROM GROUP COMPANIES

	31 Dec 2015	31 Dec 2014
Receivable, network services	-	300,040
Settlement, billing agent	-	204,162
Other receivables	100	-
Total	100	504,202

NOTE 30 OTHER RECEIVABLES

	31 Dec 2015	31 Dec 2014
Settlement account for taxes and fees	2,299	66,563
Settlement, billing agent	104,623	-
Other current receivables	1,452	2,412
Deposit	-	600
Total	108,374	69,575

NOTE 31 PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2015	31 Dec 2014
Accrued income from fuse tariff customers	456,804	453,998
Accrued income from power tariff customers	274,566	246,724
Accrued interest	39,091	-
Prepaid rents	7,997	17,270
Other items	30,980	4,836
Total	809,438	722,828

NOTE 32 CASH AND CASH EQUIVALENTS

	31 Dec 2015	31 Dec 2014
Available balances with banks and other credit institutions	120,847	734,637
Total	120,847	734,637

NOTE 33 UNTAXED RESERVES

	31 Dec 2015	31 Dec 2014
Accumulated accelerated depreciation	-	20,278,154
Tax allocation reserve	444,344	-
Total	444,344	20,278,154

NOTE 34 NON-CURRENT LIABILITIES

	31 Dec 2015	31 Dec 2014
Maturity within 1 years	-	-
Maturity within 1-5 years	25,857,420	956
Maturity within 5 years	27,006,534	1,200,000
Total carrying amount	52,863,954	1,200,956

The fair value of the loans at the closing date was SEK 53,207 million.

The Group's utilised overdraft facility is SEK 15,439 thousand and is included in the item "Current liabilities to credit institutions". The limit on the overdraft facility is SEK 136,900 thousand.

NOTE 35 LIABILITIES TO GROUP COMPANIES

	31 Dec 2015	31 Dec 2014
Group contributions	–	1,985,188
Current portion of long-term liability	–	600,000
Accrued interest	38,643	253
Other liabilities	–	68,633
Total	38,643	2,654,074

NOTE 36 OTHER CURRENT LIABILITIES

	31 Dec 2015	31 Dec 2014
Restructuring reserve	3,812	–
Liability, VAT	81,035	76,192
Employer contributions and deduction of withholding tax	11,332	9,923
Repayments to customers	–	3,848
Advances received	95,182	27,773
Other liabilities	4,670	2,902
Total	196,031	120,638

NOTE 37 ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2015	31 Dec 2014
Accrued interest	107,515	–
Accrued salaries	14,722	12,080
Accrued holiday pay	21,648	19,781
Accrued social security contributions	13,930	12,035
Deferred income	5,314	9,312
Accrued investment expenses	98,711	63,912
Accrued outage compensation and damages	4,861	2,426
Accrued transmission costs ¹⁾	75,664	45,287
Accrued measurement value costs	17,976	9,285
Accrued and prepaid rents	32,268	21,460
Accrued field services	84,502	26,998
Accrued customer service costs ¹⁾	10,435	–
Other items	44,280	22,673
Total	531,826	245,250

¹⁾ Accrued customer service costs and a portion of transmission costs are included in other liabilities to Group companies for the comparative year 2014.

NOTE 38 PLEGDED ASSETS

	31 Dec 2015	31 Dec 2014
Floating charges	136,300	–
Property mortgages	461,588	–
Bank deposits	113,620	–
Total	711,508	0

NOTE 39 MERGER

As of 1 December 2015 the former parent company Ellevio Sverige AB, corporate ID number 559005-2469, was merged with Ellevio AB. The income statement for Ellevio AB for 2015 includes an operating cost of SEK 7,743 thousand and financial expenses of SEK 1,155,833 thousand that relate to the income statement of Ellevio Sverige AB before the merger (taking account of elimination of internal transactions between the companies). Ellevio AB's net sales have not been affected by the merger, as Ellevio Sverige AB did not have any external income. During the year Ellevio AB was acquired by Ellevio Sverige AB for a consideration of SEK 57,720,632 thousand and a shareholder contribution of SEK 7,735,201 thousand was received in connection with the acquisition. In the merger, fair values in the consolidated accounts from intangible assets and property, plant and equipment and the related deferred tax and amortisation and depreciation have been taken over by Ellevio AB. The breakdown by balance sheet item is as follows:

Assets	
Goodwill	5,818,225
Surplus values, concessions	40,033,838
Surplus values, machinery and equipment	3,906,364
Current assets	50,589
Total assets	49,809,016

Equity and liabilities	
Merger difference	–9,937,395
Profit for the year	–1,536,811
Deferred tax	9,666,844
Non-current liabilities	51,060,346
Current liabilities	556,032
Total equity and liabilities	49,809,016

NOTE 40 RELATED-PARTY TRANSACTIONS

The company's balances with Group companies mainly consist of interest-bearing liabilities and related interest expenses to the parent company, Ellevio Holding 4 AB. Information on transactions with related parties is provided in Notes 4, 5, 13, 14, 29 and 35.

NOTE 41 ADJUSTMENTS FOR NON-CASH ITEMS

	2015	2014
Depreciation and amortisation	1,600,735	1,138,106
Disposals/retirements of non-current assets	838	12,909
Change in bad debts	476	–
Total	1,602,049	1,151,015

CEO's and Board of Directors' approval.

The annual accounts were approved for release by the Board of Directors and the CEO on 19 April 2016 and the Income statement and Balance sheet was adopted by the Annual General Meeting the same date.

Stockholm, April 19, 2016

Sören Mellstig
Chairman of the Board

Oskar Backman

Ralph Berg

Bengt Hellström

Jens Henriksson

Colin Hood

Nicola Shaw

Pamela Sundin

Patrik Widén

Johan Lindehag
Chief Executive Officer

We submitted our audit report on April 19, 2016

Deloitte AB
Kristian Stensjö
Authorised Public Accountant

Auditor's Report.

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF ELLEVIO AB CORPORATE IDENTITY NUMBER 556037-7326

Report on the annual accounts

We have audited the annual accounts of Ellevio AB for the financial year 2015-01-01–2015-12-31.

Responsibilities of the Board of Directors and the Managing Director for the annual 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 for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual 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 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 are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual 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 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.

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 Ellevio AB 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 statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance.

Report on other legal and regulatory requirements

In addition to our audit of the annual 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 Ellevio AB for the financial year 2015-01-01–2015-12-31.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

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 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, 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 we have obtained is sufficient and appropriate to provide a basis for our opinions.

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.

Stockholm, April 19, 2016

Deloitte AB
Kristian Stensjö
Authorized public accountant



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