

Half Year Report. January - June 2018.

Business review.

Key financials January–June 2018

- Net sales amounted to SEK 3,542 million (3,538)
- Distributed electricity amounted to a total of 14.3 TWh (14.1)
- Operating profit amounted to SEK 1,217 million (1,213)
- Free cash flow totalled SEK 1,912 million (1,269)
- Capital expenditure amounted to SEK 1,022 million (975)

Business operations

Ellevio has currently more than 1,000 ongoing investment projects strengthening and regenerating the electricity network in cities as well as weather and future proofing the electricity network in rural areas. We safeguard the quality of life of our customers by ensuring that the electricity networks in our areas are sustainable in the long term and contribute to the transition towards a climate-smart energy system. Safety is a foundation of a stable electricity grid and a prerequisite for our entire business.

The investments during the first six months totalled SEK 1,022 million. Between 2016 and 2019 Ellevio will invest approximately SEK 10 billion in our power grids in order to strengthen and modernise the networks. Looking ahead, the investments will continue beyond 2019, and in the coming regulation periods.

During the first six months of the year, Ellevio have for example initiated two large projects in Stockholm. One on Stora Essingen, where Ellevio will replace a total of 40 kilometers of cables, 120 cable cabinets and nine power stations during the coming two years. The other large project in Stockholm is part of Stockholm Ström, where the a 220kV overhead line through the Royal National Park, Norra Djurgården, will be replaced by five 220kV cables in the ground. Great consideration is given to animals, nature and people in this unique environment. Other examples of projects, is the expansion of the power grids in Idrefjällen and Grövelsjön, Dalarna as well as a connection of 16 new wind turbines in Lekeberg, Närke, supporting the transition to a renewable energy system.

Customer relations

During the first six months of 2018, Ellevio welcomed approximately 2,200 new customers to its network, yielding a total of approximately 941,000 customers at the end of period.

The digitalization of our customer services has continued. For example, Ellevio has improved the possibility for customers with several connections to collect data with robotic process automation. Other examples of digital services implemented during the first six months are a chat function with the customer services and an electronic identification system, so called BankID, to make it easier and more secure for customers to use self-services online.

The transition of the energy tax from the electricity sales companies to the distribution companies on 1 January 2018 went smoothly. Ellevio conducted an information campaign in conjunction with the change, in order to minimize confusion and criticism for increased prices. In addition, Ellevio has also made the necessary adoptions in order to be compliant with General Data Protection Regulation (GDPR), which took effect on 25 May 2018.

Acquisitions and integration

The integration of Elverket Vallentuna has continued during the period. In the beginning of the year, Elverket Vallentuna finalized the divestment of the retail operations. In addition, the transfer of the control centre from Vallentuna to Karlstad has been successfully conducted as well the outsourcing of field personnel. The remaining employees of Elverket has moved to Ellevio's office in Stockholm. The integration will be finalized during the autumn.

Ellevio continues to evaluate different potential acquisitions as we believe a market consolidation not only would benefit the company but also customers, society and the energy transition as a whole.

Safety

Ellevio's work to improve the safety focus in the company and in the industry has continued during the first half of 2018. The aim of Ellevio's safety program, "Safe workplace", is to secure that everybody working for Ellevio – own staff and contractors – return safely home after a day's work.

In February Ellevio, as the first DSO, joined the initiative "Håll Nollan" (english translation Retain Zero), an health and safety initiative from the construction industry. An important part of the initiative's philosophy is that all industry actors help each other to improve by sharing knowledge transparently.

A majority of the safety enhancing activities involve Ellevio's partners in one way or another. Ellevio has therefor further developed the company's audit process. During the first six months of the year, Ellevio has intensified the work with compliance audits. Compliance audits are a complement to regular announced audits and unannounced site visits, so called flying audits, focusing on health and safety as well as ethical compliance. Ellevio's internal auditors as well as external third party expertise conduct these audits.

In total, Ellevio had two accidents leading to sick leave during the first six months of 2018. Both accidents concerned contractors and resulted in hand injuries. The company has analyzed the accidents and taken actions to minimize the risk of similar accidents in the future.

Regulatory update

The work on establishing the regulatory framework for the third regulatory period, 2020–2023, is ongoing. In October 2017, Ei delivered a report to the Ministry with suggested changes to the regulation. The proposed changes included a decreased cost of capital, which would be a return to a more short-term regulation. On the 19 June 2018, the bill for "Elmarknadsfrågor" (English translation Questions concerning the electricity market) was passed in the

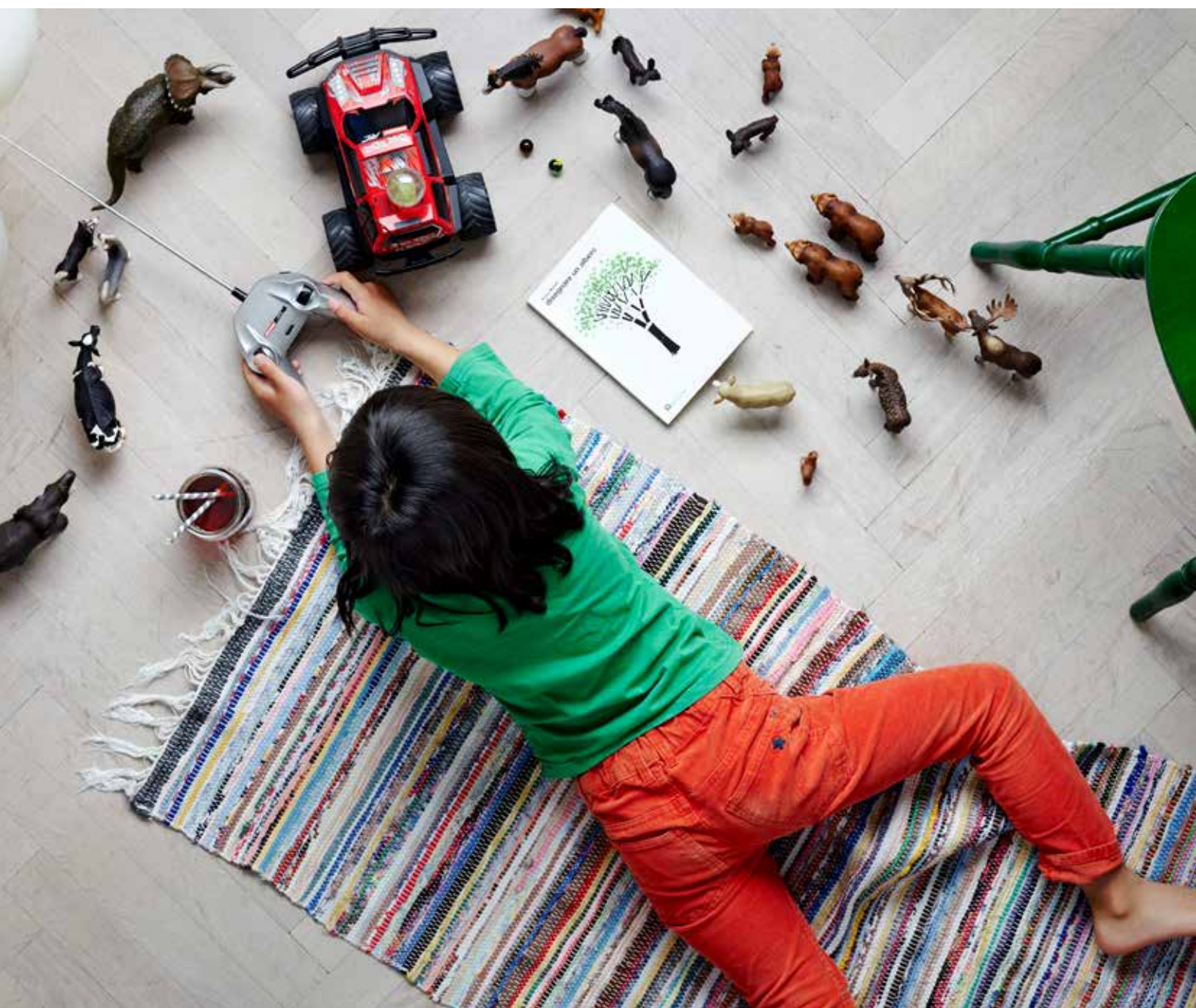
Swedish parliament. The bill does not propose any larger changes to the existing Electricity Act, but rather some rewriting of the main paragraphs.

After the end of the reporting period, on 16 August 2018, the government decided on a new ordinance regarding the regulatory framework, for further information please see "Significant events after the end of the period". Ellevio will continue to engage in a constructive dialogue with all relevant stakeholders in order to work for a long term, predictable and stable regulation.

In addition, the Swedish government passed a new ordinance on the 28 June 2018 for new functional requirements for electricity metering. The government established the functional requirements in accordance with Ei:s proposal.

About the regulation

Electricity distribution is a natural monopoly and as such a fully regulated business. This means that Ellevio operates under a regulatory framework, and is supervised by a government agency, the Swedish Energy Markets Inspectorate (Ei). Ei's remit is to ensure fair prices for electricity users, secure reliable electricity 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 the allowed revenue 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 nondiscriminatory.



Earnings and financial position.

Financial result

Net sales for the first half year 2018 totalled SEK 3,542 million (3,538). The distribution revenue increased, as a result of higher distribution volume because of cold weather in the first quarter of the year, which was offset by lower revenue from new connections related to the implementation of IFRS 15, Revenue from contracts with customers*. The volume of local and regional network transmissions from January to June totalled 7.7 TWh (7.5) and 6.6 TWh (6.6), respectively. EBITDA totalled SEK 2,252 million (2,230) and operating profit totalled SEK 1,217 million (1,213).

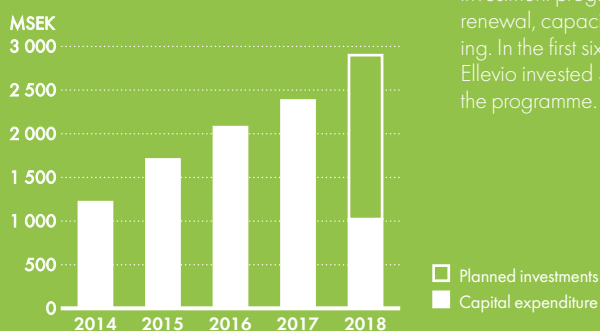
Interest expense and similar items were SEK -1,574 million (-1,497), of which SEK -858 million (-831) were related to Group internal interest expenses and SEK -715 million (-667) to external interest expenses. The external interest expenses include changes in the fair value of financial instruments of SEK -42 million (66) as well as SEK -27 million (-128) in transaction costs, primarily related to the original acquisition financing. Excluding the items above the external interest expenses have increased with SEK 41 million compared to 2017, mainly due to extended debt maturity profile and interest rate duration. Loss after financial items amounted to SEK -356 million (-284).

The deferred tax liabilities have been re-evaluated due to a decision in the Parliament to decrease the Swedish Corporate tax rate to 21,4% in 2019 and 20,6% in 2021, impacting the income tax positively with SEK 883 million. Profit for the period amounted to SEK 438 million (-353).

MSEK	Jan-Jun 2018	Jan-Jun 2017	Full year 2017
Net sales	3,542	3,538	6,894
EBITDA	2,252	2,230	4,207
Comparable EBITDA	2,252	2,229	4,230
Operating profit	1,217	1,213	2,161
Profit/loss after net financial income/expense	-356	-284	-750
Profit/loss for the period	438	-353	288
Free cash flow	1,912	1,269	1,748
Capital expenditure	1,022	975	2,381
Total assets	80,282	77,139	80,048
Total equity	6,639	5,560	6,201
Equity/assets ratio	9.3%	8.0%	8.8%
External net debt	37,915	34,275	35,528
Leverage ratio	8.9x	8.3x	8.4x
Interest cover ratio	3.1x	3.6x	3.3x
Class A net debt	34,934	34,275	35,528
Class A leverage ratio	8.2x	8.3x	8.4x
Class A interest cover ratio	3.4x	3.6x	3.3x

*The presentation of net sales in 2018 was affected by the initial application of IFRS 15, "Revenue from Contracts with Customers" effective from the 1 January 2018. Due to the application of IFRS 15, revenue from new connections are periodised over the lifetime of the asset instead of recognised at the time of the completion of the connection. As a result the net sales and profit for the first half year of 2018 declined by SEK 72 million. There were no effect on cash flow from operating activities.

Capital expenditure 2014-2018



In 2015, Ellevio launched a major investment programme including renewal, capacity and weather proofing. In the first six months of 2018 Ellevio invested SEK 1,022 million in the programme.



Financial position and cash flow

Cash flow from operating activities for the first half year increased by SEK 674 million to SEK 3,078 million (2,404), mainly due to an increase in EBITDA of SEK 22 million, received connection fees of SEK 75 million and an increase in contributions from changes in working capital of SEK 487 million. The increased contribution from change in working capital is primarily related to energy tax, which from the 1 January 2018 is collected by the distribution companies instead of the electricity suppliers. Change in working capital contributed with SEK 803 million (316).

Paid capital expenditure increased by SEK 30 million to SEK -1,165 million (-1,135). In addition, cash flow for 2018 includes an intra-Group acquisition of the shares in Elverket Vallentuna AB from Ellevio Holding 1 AB in the amount of SEK -627 million and 2017 of Nynäshamn Energi AB in the amount of SEK -438 million. Free cash flow amounted to SEK 1,912 million (1,269) and cash flow before financing activities to SEK 1,286 million (835).

Paid interest amounted to SEK -1,271 million (-1,006), of which external interest relating to senior debt accounted for SEK -669 million (-513) and intra-Group interest for SEK -602 million (-493). The internal interest is indirectly relating to the junior debt SEK -102 million (-74) and to shareholder loans SEK -500 million (-419).

The external net debt amounted to SEK 37,915 (34,275) million. Since year-end 2017 the external net debt has increased by SEK 3,640 million, of which SEK 3,000 million is related issuance of external Class B debt.

Financing

During the first half of 2018 Ellevio concluded a series of financing transactions. The purpose of these transactions was to refinance existing debt in the Ellevio Group and to finance the company's investment program.

In February, the company issued a SEK 3,000 million 7-year fixed-rate Class B bond. The Class B bond is contractually subordinated to the existing senior Class A debt, but benefits from same ring-fenced security package as in Ellevio AB (publ). The purpose of issuing Class B debt was to refinance the SEK 3,000 million junior debt facility in Ellevio Holding 2 AB. The junior debt was prepaid in full in June 2018.

The net result of these two transaction is that Ellevio will lower its financing cost going forward, at the same time as debt maturity of the subordinated debt was extended from 2022 to 2025. The introduction of a second layer of debt (Class B) also means that all external debt in Ellevio Group now is concentrated to the operating company Ellevio AB (publ).

In May, the company signed a SEK 1,500 million loan facility from the Nordic Investment Bank to finance part of the company's investment program in 2017-2019. The full facility amount was drawn in May 2018, whereby a 15-year loan in Swedish Krona amounting to SEK 1,500 million was raised under the facility.

Ellevio's senior Class A debt is rated "BBB" (Outlook stable) and its subordinated Class B debt is rated "BB+" by Standard and Poor's.

Significant events after the end of the period.

On a press conference on 15 August 2018, the Energy Minister Ibrahim Baylan presented a new ordinance regarding the regulatory framework for the third regulatory period, 2020-2023. The ordinance was decided by the Government in a meeting on 16 August. In short, the ordinance states six different parameters which should be applied when calculating WACC (weighted average cost of capital) and the allowed revenue. In addition, the depreciation time for certain assets will be prolonged. According to the Minister, based on today's conditions, these changes will lead to a WACC-level of approximately 3 per cent, SEK 60 billion lower allowed revenue for the industry and in average a 21 per cent decrease in consumer tariffs for the period 2020-2023.

Following the decision in the Government, Ei will continue to formulate the regulations based on the ordinance. Ellevio continues to engage in dialogue with Ei and other relevant stakeholders to work for a long term, predictable and stable regulatory framework.



Condensed income statement.

MSEK	1 Jan 2018 30 Jun 2018	1 Jan 2017 30 Jun 2017	1 Jan 2017 31 Dec 2017
Net sales	3,542	3,538	6,894
Capitalised own work	43	34	70
Other operating income	34	31	70
	3,619	3,604	7,034
OPERATING EXPENSES			
Costs for purchase and transit of power	-576	-526	-1,023
Other external expenses	-561	-639	-1,384
Employee benefits expense	-230	-209	-419
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-1,035	-1,017	-2,046
Operating profit	1,217	1,213	2,161
FINANCIAL INCOME AND EXPENSES			
Interest income and similar items	1	1	1
Interest expense and similar items	-1,574	-1,497	-2,912
Profit/loss after net financial income/expense	-356	-284	-750
Appropriations	-	-	1,207
Profit/loss before tax	-356	-284	457
Income tax expense	794	-70	-169
PROFIT/LOSS FOR THE PERIOD	438	-353	288

The company has no transactions in other comprehensive income. This means that comprehensive income for the period corresponds to profit for the period above. As a result no separate statement of comprehensive income is presented.

Condensed balance sheet.

MSEK	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	44,530	45,188	44,866
Property, plant and equipment	30,040	29,043	29,718
Non-current financial assets	3,633	1,492	2,138
Total non-current assets	78,203	75,722	76,721
CURRENT ASSETS			
Current receivables			
Trade receivables	716	449	632
Receivables from Group companies	1	1	1,493
Current tax assets	-	59	-
Other receivables	160	108	155
Prepaid expenses and accrued income	1,056	790	1,037
Total current receivables	1,932	1,408	3,317
Cash and cash equivalents	146	9	10
Total current assets	2,078	1,417	3,327
TOTAL ASSETS	80,282	77,139	80,048
EQUITY AND LIABILITIES			
Equity			
Share capital	1	1	1
Other reserves	20	13	20
Retained earnings	6,181	5,900	5,893
Profit/loss for the period	438	- 353	288
Total equity	6,639	5,560	6,201
Untaxed reserves	1,069	783	1,069
Deferred tax liability	13,141	14,018	14,005
Other provisions	1	0	0
NON-CURRENT LIABILITIES			
Bond loans	32,719	32,114	29,749
Liabilities to credit institutions	4,218	1,726	5,005
Liabilities to Group companies	17,664	20,076	21,131
Derivative instruments	430	448	388
Other non-current liabilities	323	166	207
Total non-current liabilities	55,354	54,530	56,480
CURRENT LIABILITIES			
Liabilities to credit institutions	850	144	509
Trade payables	479	409	607
Liabilities to Group companies	761	787	38
Current tax liabilities	4	-	29
Other current liabilities	1,037	138	167
Accrued expenses and deferred income	947	771	944
Total current liabilities	4,078	2,248	2,293
TOTAL EQUITY AND LIABILITIES	80,282	77,139	80,048

Condensed cash flow statement.

MSEK	1 Jan 2018 30 Jun 2018	1 Jan 2017 30 Jun 2017	1 Jan 2017 31 Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit	1,217	1,213	2,161
Received connection fees	115	40	94
Adjustments for non-cash items:			
Depreciation and amortisation	1,035	1,017	2,046
Disposals/retirements of non-current assets	-	-1	23
Change in provision for doubtful receivables	2	0	0
Income tax paid	-94	-181	-199
Cash flow from operating activities before changes in working capital	2,274	2,087	4,125
CHANGES IN WORKING CAPITAL			
Decrease(+)/increase(-) in trade receivables	-86	107	-76
Decrease(+)/increase(-) in other operating receivables	-26	212	-79
Decrease(-)/increase(+) in trade payables	16	-1	25
Decrease(-)/increase(+) in other operating liabilities	901	-2	122
Cash flow from operating activities	3,078	2,404	4,117
INVESTING ACTIVITIES			
Capital expenditure in intangible assets	-47	-21	-64
Capital expenditure in property, plant and equipment	-1,118	-1,113	-2,305
Acquisition of shares	-627	-438	-438
Proceeds from sales of tangible assets	-	4	4
Cash flow from investing activities	-1,792	-1,568	-2,802
Cash flow before financing activities	1,286	835	1,314
FINANCING ACTIVITIES			
Borrowings	5,305	13,020	14,063
Repayment of borrowings	-5,809	-12,910	-12,695
Loans given	-	-	-650
Repayment of loan receivables	624	-	-
Received interest	1	1	1
Paid interest	-1,271	-1,006	-2,094
Cash flow from financing activities	-1,149	-895	-1,374
CASH FLOW FOR THE PERIOD	136	-60	-60
Cash and cash equivalents at the beginning of the period	10	55	55
Cash in merged company	-	15	15
Cash and cash equivalents at the end of the period	146	9	10

Definitions.

Adjusted cash

Cash and cash equivalents less customer deposits

Adjusted equity

Total equity plus 78 percent of the untaxed reserves

Class A financial items

External financial items less Class B interest expense

Class A interest cover ratio

Comparable EBITDA less income tax paid divided by Class A financial items

Class A leverage ratio

Class A net debt divided by comparable EBITDA

Class A net debt

External net debt less Class B debt

Comparable EBITDA

EBITDA less items affecting comparability

EBITDA

Operating profit plus depreciation, amortisation and impairments

Equity/assets ratio

Adjusted equity divided by total assets multiplied with 100

External financial items

Net financial income/expense less intra-Group interest, unrealised results from derivatives and transaction costs related to financing activities

External net debt

External interest-bearing liabilities less adjusted cash

Free cash flow

Cash flow from operating activities less paid capital expenditure

Interest cover ratio

Comparable EBITDA less income tax paid divided by external financial items

Items affecting comparability

Gains/losses from sales of fixed assets, scrapping of fixed assets and restructuring costs

Leverage ratio

External net debt divided by comparable EBITDA

The company presents certain financial measures in the Half Year Report that are not defined according to IFRS. The company considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment and benchmarking of the company's performance. Since not all companies calculate financial measures in the same way, these are not always comparable to measures used by other companies. These financial measures should not therefore be regarded as substitutes for measures defined according to IFRS. The above key ratios are not defined according to IFRS, unless otherwise stated.

The Board of Directors and CEO of Ellevio AB (publ) confirm that the Half Year Report gives a fair presentation of the operations and financial results. The financial statements was prepared in accordance with the Recommendation RFR 2 Financial Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The application of RFR 2 requires the company to apply, insofar as possible, all EU-adopted International Financial Reporting Standards (IFRS) and interpretations of IFRS 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 take account of the relationship between accounting and taxation. Unless otherwise stated, amounts in tables refer to millions of Swedish Krona (SEK million). Due to rounding of amounts to the nearest million Swedish Krona, some totals may not be exactly equal to the sum of all line items. There are no requirements to prepare interim financial statements for an issuer with securities admitted to trading on the Irish Stock Exchange. Since chapter 9 of the annual accounts act (interim reporting) is not applicable to the company this half year report is prepared on a voluntary basis. The Report has not been reviewed by the company's auditors.

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