ELLEVIO

2019

Contents.

The Annual Report consists of an Administration Report, Financial Statements and notes on pages 45–74. (The auditors' report appears on pages 73–74.)

The sustainability report has been produced in line with Global Reporting Initiatives (GRI) standards "core" level. The complete sustainability report comprises the description of our sustainability efforts on pages 2–5,8–43 along with Sustainability Disclosures and the GRI index on pages 82–96. The sustainability report also covers Ellevio's Communication on Progress to the UN Global Compact.

The statutory sustainability report in accordance with the Annual Accounts Act can be found on pages 2–5, 18–35 and 82–96.

Ellevio AB (publ)
Box 242 07
104 51 Stockholm
www.ellevio.se

All values are expressed in SEK. Figures within parentheses refer to 2018, unless specified otherwise. The data concerning markets and the competitive situation are Ellevio's own estimates unless a specific source is indicated. These estimates are based on the best and latest available facts from published sources.

About us.

Sometimes it's warm, sometimes it's cold. Sometimes light, sometimes dark. We need to cool down, heat up, add darkness and bring light. And of course, we need to charge our cars, trim beards, manage industries, cook food, transport goods, milk cows, surf the internet, check our teeth and ride in lifts. How lucky we are to have electricity!

Reliable and stable distribution of electricity is a prerequisite for the functioning of our daily lives as well as the ability to develop solutions and innovations and ensure that Sweden achieves its climate targets.

Our responsibility is to ensure a reliable supply of electricity to our current 962,000 customers, while also enabling society and Sweden to keep developing. Step-by-step, these efforts bring us closer to our vision of using our commitment and expertise to contribute to a bright and sustainable future.

Welcome to Ellevio.

Ellevio is future-proofing Sweden.

Our mission

Ellevio is one of Sweden's largest electricity network companies. Our task is to safeguard the supply of electricity to homes, workplaces and societal functions by ensuring that the electricity network in our network areas is sustainable in the long term and can thus ensure the development of a climate-smart energy system. An important part of this responsibility consists of weather-proofing the electricity network in rural areas and strengthening and regenerating the electricity network in cities.

Producing and maintaining a reliable supply of electricity is one of society's most vital assignments. We view this responsibility with humility and a strong desire to keep contributing to sustainable societal development. With the right conditions and in collaboration with society, we want to realise our vision of using our commitment and expertise to contribute to a bright and sustainable future, step by step.

A few facts about us

We own, operate and develop regional and local electricity grids and distribute electricity with 99.98 percent availability to 962,000 customers in Sweden. Our network is 77,500 km long, corresponding to almost two trips around the Earth. Our customers are spread across the West coast, mid-Sweden, and Stockholm County. The main proportion of our networks is located in rural areas, but most of our customers are in Stockholm. We have a clear objective; Ellevio's customers are to have an uninterrupted supply of electricity, regardless of whether they live in the country or in an urban area.

Electrification, digitalisation, urbanisation and new types of production are all placing new requirements on our electricity network. Ellevio invested more than SEK 10 billion between 2016 and 2019 to modernise and future-proof our electricity grids, a tripling compared with the previous four-year period. The need for investments in the future-proofing of Sweden will remain for the foreseeable future. With the right circumstances and with reasonable conditions, Ellevio will continue its investment programme for decades to come.

We are a regulated business subject to the provisions of the Electricity Act. The governmental authority Swedish Energy Markets Inspectorate implements legislation and regulations and monitors the extent to which we fulfil our mission.

The company is owned by pension savers via the Swedish Third National Pension Fund, Folksam and the First National Pension Fund, as well as OMERS Infrastructure, which invests in infrastructure for OMERS, one of Canada's largest pension funds. The owners all share a long-term approach and want to invest in businesses that contribute to sustainable development. The value we create goes back to the pension savers.

Mission.

To improve quality of life by guaranteeing a long-term sustainable electricity network.

Vision.

Through our commitment and expertise, we contribute to a bright and sustainable future.

Our electricity network.

Our electricity network is divided into four local network areas based on geographical location. Since 1 January 2018 these have been divided up into two tariff zones. In addition to the four local network areas, we also own regional grids in Stockholm and rural areas. In total, this represents about 71,000 km of local grids and 6,500 km of regional grids.

Seven strategic focus areas.

Ellevio is responsible for critical infrastructure that fulfils a fundamental function in society. Our operations involve a very wide range of responsibilities. Ellevio's overall strategy to achieve our vision and create value for our customers and investors is to guarantee a reliable electricity network, customer-focused and efficient operations, committed employees and continued growth.

We have seven strategic focus areas that aim to create value for our customers and investors.

1. Sustainability

For Ellevio, sustainability means striking a balance between social, financial and environmental sustainability in order to create long-term value for all our stakeholders, with safety being our priority in everything we do. Together with our customers, we want to play an active role in efforts to create a carbon-neutral and climate-smart society.

2. Customer and brand experience

Ellevio is a monopoly, which is exactly why we feel a great responsibility with regard to our customers. We want them to perceive us as reliable, committed and sustainable. We achieve this by working to ensure an improved customer experience through openness, the simplification and digitalisation of the customer interface, and fast and accurate information about outages and the customer dialogue, at the same time as we increase our customers' knowledge about us as a company and our role in the society.

3. Committed employees

Ellevio is to be an organisation where everyone takes responsibility for their own development, as well as that of their team and the company. Our conduct is guided by our values of reliability, commitment and development.

4. Regulation and sector development

The electricity network market is regulated, and it is important to Ellevio to be involved in developing those regulations and to contribute knowledge, experience and opinions to issues that are important in terms of ensuring the electricity market functions and that Sweden is in a position to achieve its climate targets.

5. Improved reliability through efficient investments

Investments to maintain high security of supply and further improve it in our urban and rural areas is an important aspect of Ellevio's operations.

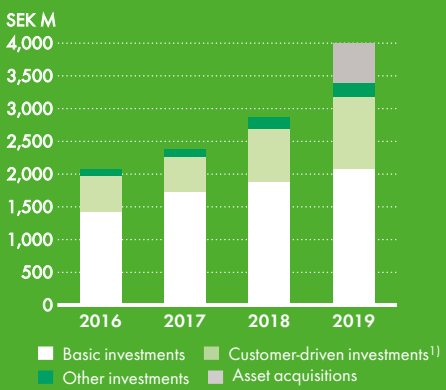
6. Operational efficiency

Our operational efficiency strategy involves reducing the costs of maintenance and fault repairs through efficient operations and investments, as well as preventive maintenance and digitalisation of the customer interface.

7. Growth through business development and acquisitions

According to the strategy for growth through acquisitions, Ellevio will identify, evaluate and, when the opportunity arises, carry out acquisitions of electricity network businesses. The company will also continuously evaluate new business development opportunities.

Investments 2016–2019



1) Investments initiated by our customers, for example investments made in wind parks and solar panels.

Net sales 2019

SEK **6,709** M

(SEK 6,974 M)

Investments in tangible and intangible assets 2019

SEK **4,000** M

(SEK 2,870 M)

Review of 2019.

Investments in the electricity network of the future

New ultra-modern switchgear station at Stockholm Värtan

"Värtan" is a switchgear station that dates back to 1918 and forms an important part of Stockholm's energy supply. A total modernisation project was launched during the year to increase the capacity and reliability of the station, in which it is being rebuilt to a quarter of its original size. The project is being carried out at the same site at which the switchgear station is currently located, and it will continue to supply Stockholm with electricity throughout the entire period of construction.

New power line in west Stockholm

In September 2019 work commenced on the reconstruction of the power line between Beckomberga and Bredäng; a route of around 12 kilometres. The electricity network needs to be reinforced to meet increasing future electricity demands in a rapidly growing Stockholm.

New wind power investment in Härjedalen

In order to connect one of Sweden's largest land based wind farms, Ellevio is building an entirely new transmission substation in Olingan, south of Sveg, together with Svenska kraftnät. Once the wind farm has been completed, 53 wind turbines will provide renewable electricity to 160,000 households.

Heightened preparedness for major fires

Ellevio assessed all of its power lines based on their risk of being knocked out during a major fire. We also enhanced our preparedness by way of larger stocks of reserve materials and developed our weather-monitoring services to identify the risks of fires starting.

Green bond certification

During the year Ellevio drew up a framework for issuing green bonds. The framework was reviewed by the independent climate and environmental research institute CICERO, receiving the highest score of "Dark Green" during the review.

Operating environment and regulations

Stockholm's electricity supply crisis averted in the short term

In October a dialogue between Ellevio and the government led to a solution to the most acute threat of capacity shortages in Stockholm's electricity network. The solution involves Ellevio enabling continued electricity production at the city's CHP plant.

Decision regarding reduced basic investments

During the year The Swedish Energy Markets Inspectorate (Ei) took the decision to reduce revenue frameworks for the period 2020–2023, based on the directive resolved by the government for 2018. This will lead to a major disincentive to invest in the electricity network. Following the result, Ellevio conducted a review of its investment plans for the coming years. We currently expect our basic investments to fall by 40 percent compared with the period 2016–2019.

Ei takes decision on reduced regulated interest rate

The new regulated interest rate (WACC) for the period 2020–2023 will be 2.16 percent, which is a decrease by more than half in comparison to previous levels. As a result of the decision, Standard & Poor reduced its outlook of Ellevio's credit assessment from stable to negative.

Ei's decision, which has been appealed, sparked criticism for threatening the transition to a renewable energy system.

Focus on customer experience

One million smart electricity meters procured

Fewer and shorter power outages, making it easier for customers to control their energy consumption and a decisive step on the road towards the electrification of society. These are just some of the expected results of Ellevio's procurement of new electricity meters that will be installed for all of our customers before the end of 2023.

Larger numbers of solar panel customers

In 2019 the number of Ellevio customers producing their own electricity via solar panels on their houses increased by 80 percent. At year-end a total of circa 5,550 customers had their own solar panel installation.

Agreement with GodEl

From June 2019 GodEl will be a designated electricity trader for Ellevio's moving customers not making an active choice of electricity trader. This collaboration means that customers will be offered one of the market's best prices for environmentally certified electricity. Ellevio is the first network company to have procured a designated electricity trader.

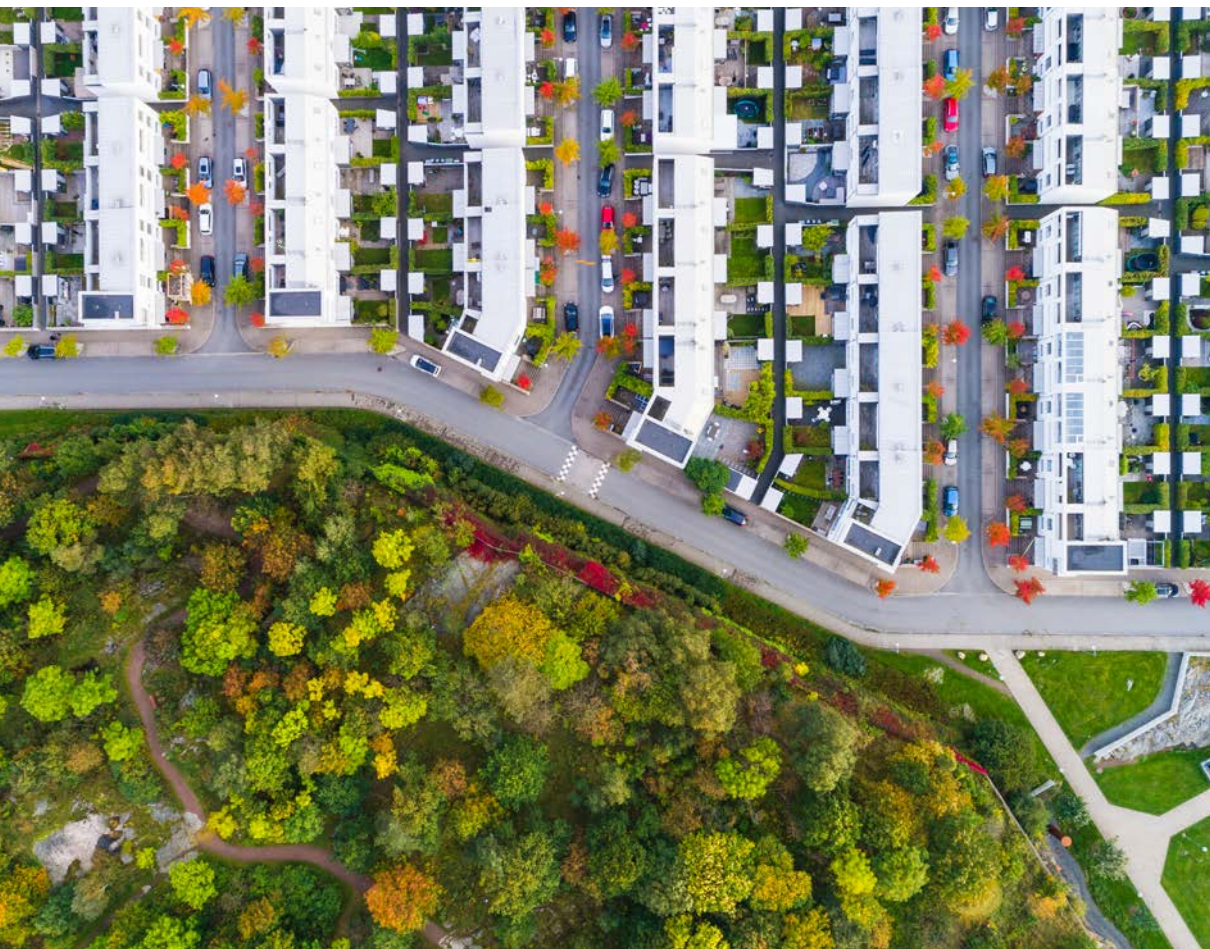
Safe workplace

Collaboration with Håll Nollan

Ellevio became the first energy company to sign up for the Håll Nollan (Keep to Zero) security initiative run by the construction industry. In 2019 Ellevio was nominated for Håll Nollan's work environment prize with the justification being that Ellevio's safety programme meets the major challenges in terms of promoting safety initiatives among contractors.

Joint projects together with contractors

Efforts linked to the safety of Ellevio's contractors continued throughout 2019. Ellevio's three largest contractors participated in a pilot project promoting safe behaviour when cutting off power during electricity work and keeping it disconnected during the entire work. Today this is one of the riskiest aspects of their work and a common cause for electric shocks.



Network vital for climate targets.

We at Ellevio are ready to make the major investments in the electricity network required to manage the energy transition. This is why we are working to ensure Sweden has a sustainable network regulation that enables us to attract capital needed.

Replacing fossil fuels with climate-smart electricity is at the heart of the transition towards a climate-neutral society. In 2019 we at Ellevio were deeply involved in the important discussion concerning solutions, collaboration and coordination to manage the demanding – but entirely necessary – transition our society is facing.

Acute capacity shortage threat averted

On 25 October 2019 we were able to give Stockholm's residents and companies the pleasing news that the acute threat of a capacity shortage on the city's network had been adverted. After many long discussions between Ellevio and the government, we arrived at a short-term solution that resolves the most acute obstacles to a guaranteed electricity supply and growth in the city of Stockholm. The solution involves Ellevio enabling continued production at the city's CHP plant.

However, it is important to emphasise that this is a short-term solution. Stockholm is growing rapidly and will face – if nothing is done – another situation with bottlenecks on the network within three to five years. And this applies not only to Stockholm, but several regions across the country. Major investments are needed to meet rapidly increasing demand for electricity.

In 2019 sector after sector has produced ambitious roadmaps for achieving the target of net zero emissions of CO_2 by 2045. The solution in these plans is often electrification, whereby fossil-free electricity replaces fossil fuels in both industry and the transport sector.

Major rise in demand by 2045

As a network company, these roadmaps are vital tools for us in obtaining knowledge about future demands and the demands that will be placed on the network. During the year we contributed to the roadmap for our own electricity sector. This plan reveals that by 2045, Sweden is expected to see a rise in demand of 50 TWh, which corresponds to the entirety of Denmark's electricity consumption multiplied by a factor of 1.5.

The need for investment in the network has never been greater. To manage the energy transition, investments of some SEK 500 billion are required, according to the plan for a fossil-free society released by Swedenergy in early 2020. At the same time, the incentive to invest in the electricity network has never been worse. Naturally, this is not a sustainable situation.

Stable rules required

The new regulated reference interest rate for Swedish network companies for the next four years will be 2.16 percent – a fall by more than half compared to the previous 5.85 percent. Together with the majority of other network companies, we have appealed the decision. This major change in conditions is highly unfortunate, as is the regulatory uncertainty linked to continuous legal proceedings. For this reason, we maintain a broad dialogue with our stakeholders about the need for stable and predictable rules that enable us to offer investors a reasonable return on the capital required to finance the necessary major investments. During discussions in the autumn with the

government, the region, the municipality and other stakeholders about the capacity issue in the city of Stockholm, I felt that we had a positive climate of discussion about the measures required to meet future challenges. I am looking forward to maintaining this dialogue based on a shared vision of the next step towards a long-term, stable regulation.

Record investments in 2019

Ellevio carried out record investments in our electricity network in 2019. During the period 2016–2019 we invested more than SEK 10 billion, a tripling compared with the previous regulatory period. We weather-proofed thousands of kilometres of power lines in rural areas and set up modern secondary substations to make the network smarter. In the Stockholm region we worked hard to modernise and reinforce the electricity network.

Cultural journey with customers at the heart

We in the electricity sector have long been poor at focusing on the customer when compared to other sectors. At Ellevio we have set out on a cultural journey to become a more customer-oriented company. In every decision we are to ask ourselves: What is best for the customer?

Over the coming years our customers will see concrete results. One important area on which we have worked hard over the past year and in which we will continue to develop is digital services, whereby customers are able to manage their tasks, such as moving or amended subscriptions, in an efficient way.

An important part of our ambition to present a more attractive customer offering is the ability to offer different services that enable our customers to make climate-smart choices. In 2019 we launched the Ellevio Smart Laddinfra service, whereby Ellevio takes full responsibility and is able to deliver turnkey charging sites. By including this connection in Ellevio's offering, it will become simpler, faster and more environmentally friendly for charging operators to connect new charging stations.

In 2020 we will begin work to install the next generation of smart electricity meters among all our customers – nearly one million households throughout Sweden. The new meters will open up the development of new services that will improve customer experience while also contributing to the transition to a climate-smart society.

Equality – a key factor for success

Our initiative promoting greater equality and diversity is beginning to yield clear results. When we launched Ellevio's equality initiative Switch a couple of years ago, 27 percent of our employees were women. Today that proportion is 31 percent – a result of doubling the number of new female employees. We have also made progress in terms of the proportion of female managers, with every fourth Ellevio manager now a woman. However, we will

not be satisfied until our organisation reflects the diversity of wider society – that is, that no gender should comprise less than 40 percent of employees and managers.

Safe behaviour collaboration with contractors

We have a vision of an accident-free workplace. In 2019 we made vital progress within Ellevio's health and safety programme. Our safety initiatives are based on two insights. The first is that a large number of rules does not lead to greater safety; what is crucial is having simple and clear rules that are properly followed. The second is that methods rarely fall short; shortcomings are found in behaviours. For this reason, we have opted to focus on how we change behaviour out in the field – it is a matter of identifying tasks at risk of unsafe behaviours and promoting safe ones.

During the year we implemented a project focusing on safe behaviours together with three of our largest contractors. During the project we saw the number of safe behaviours increase by around 50–60 percent in teams that took part. We also continued efforts to roll out Ellevio's safety handbook among our contractors.

Sustainable development contributions

This year's annual and sustainability reports also serve as our Communication on Progress report in line with the UN Global Compact. I confirm our continued support for the initiative and we describe here the results of our efforts to contribute to sustainable development based on the ten principles in the areas of human rights, labour law, the environment and anti-corruption.

I am proud of the great results we have achieved over the past year. Moving forward, focus will be placed on constant improvements to our safety initiatives, the transition to a sustainable energy society and reform of our customer offering, and we will work to obtain a regulation that supports maintained investment in the electricity network of the future.

Johan Lindehag
CEO of Ellevio AB (publ)

Market conditions and drivers.

Sweden's aim to become climate-neutral requires a major expansion of renewable energy sources and electrification of transport and industry. This is placing major demands on future investments in the electricity network.

Market conditions

The energy transition

The framework of Sweden's energy policy is shaped by the Paris Agreement's aim to keep global temperature increases below 1.5°C as well as the EU's energy policy framework. Sweden's ambition is to be at the forefront of climate efforts, and it has set an aim of becoming the world's first fossil-free welfare state. In 2016 the Swedish Parliament decided that Sweden is to no longer produce any net emissions of greenhouse gases by 2045.

A greater degree of electrification is central to Sweden's ability to manage the energy transition. This is placing major demands on the electricity network of the future. If Sweden is to achieve its climate targets, electricity network companies must invest heavily in the electricity networks at every level: nationally, regionally and locally. To meet these future needs, Ellevio needs to implement its largest investments in the electricity network since the 1960s and 1970s. We want to be able to invest in modern, reliable and flexible electricity networks to guarantee future economic growth and ensure the transition to a sustainable society. To enable necessary investments to be made in the electricity networks, a long-term, predictable and stable regulation is required.

Regulation of the electricity network

The electricity network is a fundamental form of infrastructure in our society. We take for granted that it is secure, offers a reliable security of supply and has the capacity to enable us to use electricity whenever the need arises. To meet these needs in the future too, it is vital for the regulations governing the electricity network to keep pace with societal developments.

Revenue regulation

Electricity networks are known as natural monopolies, and network companies are regulated and monitored by the Swedish Energy Markets Inspectorate (Ei), a government authority. The reason that network companies have a monopoly in their geographical areas is that it would not be socioeconomically feasible to build parallel networks.

The regulation should ensure that the networks maintain good quality and provide a reliable security of supply around the clock, every day of the year. This compensates network companies for reasonable costs linked to managing their business and a reasonable yield on investments made. According to the Electricity Act, the prices that customers pay should be fair, objective and non-discriminatory. The revenue regulation applicable to the period 2016–2019 provided an incentive for investments in the electricity network – a positive and necessary change compared to the past. Consequently, Ellevio has increased its investments in the electricity network to meet the needs of the future in this way.

The government's directive concerning new electricity network regulation for the period 2020–2023 means that revenue frameworks will be reduced, which will lead to reduced network prices in the short term for companies' customers, but in the long term will also lead to insufficient investments being made to maintain security of supply, enable growth and achieve environmental and climate-related targets. The investments needed are extensive. The planning horizon for network investments stretches 50–60 years into the future and the importance of having a long-term, predictable and stable governing framework cannot be emphasised strongly enough.

Revenue

The permitted revenues resolved by Ei comprise four different components: compensation for capital costs, controllable costs, non-controllable costs and finally various different incentives of which the quality incentive is the most significant.

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 network companies) and a reference interest rate (weighted average cost of capital, WACC) that is meant to cover interest on loans and returns to shareholders. The reference rate for the regulatory period 2016–2019 was 5.85 percent. Ahead of the regulatory period 2020–2023, the Swedish Energy Markets Inspectorate has decided to reduce the reference interest rate to 2.16 percent.

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

Controllable costs are costs that we can affect: fault repairs, staff costs, customer service, network monitoring, etc. These costs are subject to efficiency requirements, which require us to incrementally improve efficiency each year.

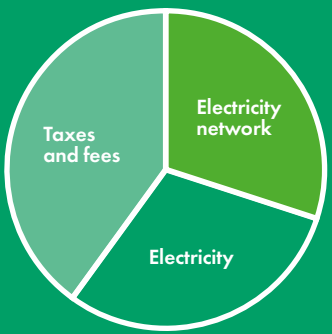
The quality incentive was previously based on power outages that last between three minutes and twelve hours. Now, power outages that last for more than twelve hours are also included. Depending upon the reliability of our electricity network, our permitted revenue may be increased or decreased.

Customers' total electricity costs comprise three components

Electricity network – the cost of having the electricity transmitted from the production source (such as a hydropower plant, wind farm or nuclear power plant) through power lines, cables, substations and secondary substations to the home or workplace.

Electricity – the cost of the actual electricity consumed by the customer, which the electricity supplier purchases via the electricity market and sells to the customer.

Taxes and fees – about 40 percent of the electricity cost comprises government taxes and fees to authorities, such as the energy tax and VAT.



The network component consists in turn of several parts

The network companies bear costs for running the electricity networks. These are determined by Ei and distributed roughly as outlined below:

1. **Compensation for the electricity network and investments made,** known as compensation for capital costs.
2. **Costs of the national network and network losses etc.**, known as non-controllable costs.
3. **Operational costs, such as staff and customer service etc.**, known as controllable costs.

The network companies have also been tasked with invoicing taxes and fees to customers on behalf of the state. This means that electricity network invoices also include a large share of such taxes.

Long investment horizon

Electricity networks entail operations with a very long planning horizon of 50–60 years. Ellevio and other network companies are currently planning for the society in which our children and grandchildren will grow up. This is why it is important for regulations to create the conditions for investments that are stable and predictable over a long period.

Sweden currently has an old electricity network, with one third of the network being 40 years old or older and needing replacement. At the same time, the transport sector and industry need to be electrified, half a million homes need to be built in the short term and the electricity network needs to be adapted to manage the transition to a renewable energy system. Ellevio needs to make the biggest investment in the electricity network since the 1960s and 70s.

Ellevio works to ensure that Sweden has a stable network regulation that creates the conditions to make the major investments that are necessary. We have criticised the new network regulation directive for its short-term approach and because it threatens the opportunity to create the electrified, digitalised and sustainable society with growing cities and vibrant rural areas that we all want to see. If these conditions do not improve, we risk ending up in a situation where the current structure is continually patched up but the space for developing the electricity network in the future is extremely limited.

Fragmented market

The Swedish market for electricity distribution is fragmented, with over 160 companies that have a natural monopoly in their respective network areas. This large amount of companies is unique from a European perspective. Many of the companies are small and limited to individual municipalities or cities. We believe that a major need for investment to maintain security of supply and develop electricity networks ahead of future demands and stricter efficiency enhancement requirements will contribute to a change. From an efficiency perspective, it is often beneficial to consolidate smaller parts into larger units, and we believe that a consolidation of the electricity network market may be about to pick up momentum.

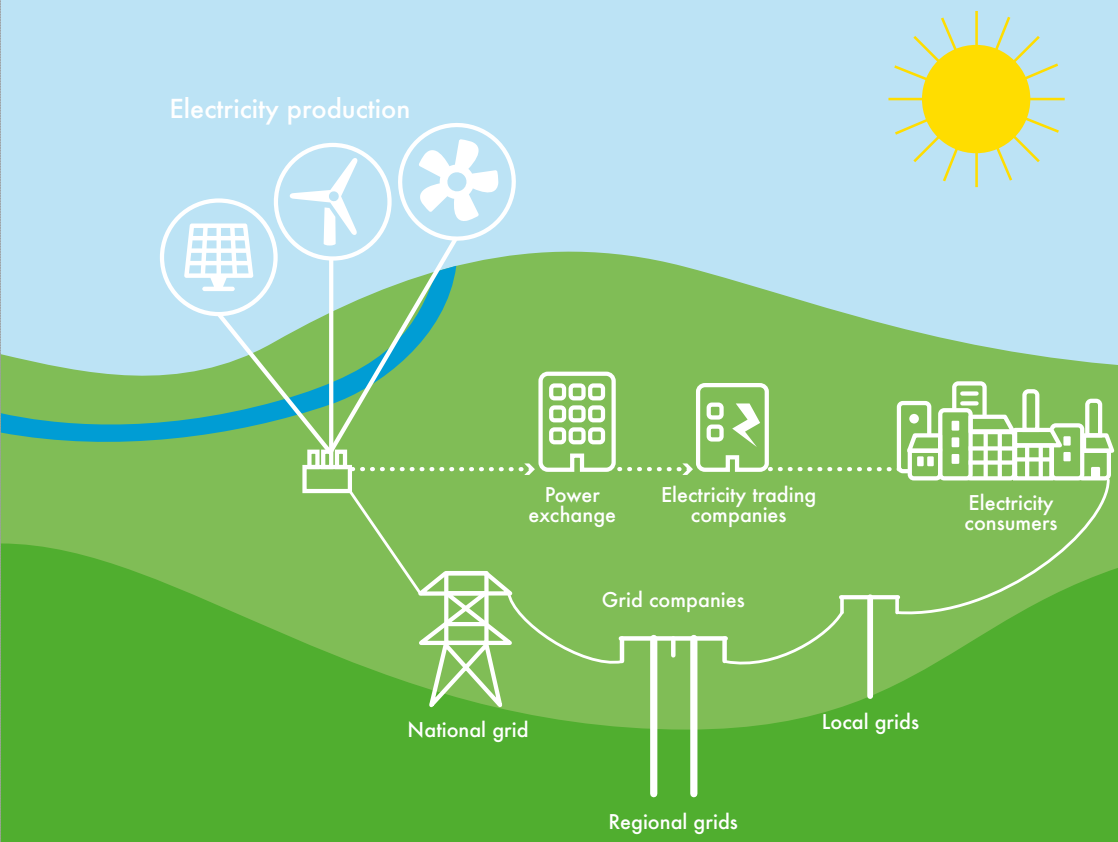
Dialogue with contractor market

Contractors are a vital part of the Swedish electricity network market. They are the people responsible for building the electricity network, taking the plans on our desk and turning them into a completed facility. There is potential for development in this area, too. Contracts awarded to contractors will in parts of our network areas be more comprehensive, project-based and will run over longer periods. At the same time, we are forced to decrease the reinvestments in other network areas, focusing on securing maximal current customer benefit, for instance minimizing power cuts. That means that we will not be able to build for the future in the same extent in these areas. In total the new regulatory framework has resulted in a situation where the contractors' capacity requirements becomes more uncertain and harder to plan as investment conditions deteriorate or change due to a short-term and unpredictable framework. Ellevio is engaged in ongoing dialogue with Swedish and international contractors in this respect, arranging meetings with contractors among other activities.

Permit processes create obstacles

Time-consuming permit processes represent a serious obstacle to necessary investments in the electricity network. They cause lead times – from decision to implemented project – to become needlessly protracted, at times as long as 10 years. In 2019 the government presented an inquiry containing proposals to simplify the regulation governing network operation concessions, that is, the permits for building or using high-power lines. However, the proposals only allow for a shortening of the permit process by one year, which is insufficient in terms of meeting the need for upgrading the electricity network. Our view is that more measures are needed.

The Swedish electricity market – how it works.



Electricity producers
Electricity can be produced as hydroelectric power, nuclear power, wind power, bio power, wave power and solar power, for example. In Sweden, hydro and nuclear power account for more than 80 percent of electricity production.

Electricity network companies
The companies that own, manage and develop the regional and local grids and transport the electricity from the production site to the customers. Electricity networks are known as natural monopolies due to the fact that it is not socioeconomically feasible to build parallel networks. Customers cannot choose themselves which network companies they want to use, which is why the companies are regulated by the Swedish Energy Markets Inspectorate (Ei).

Electricity trading companies
The companies that purchase electricity from the electricity market and sell it on to end customers. In Sweden, there is free competition between electricity trading companies and so customers can choose their own company.

National network
"The trunk of the electricity tree" – the lines that transport electricity from the major power stations to the regional networks. The national network is owned and managed by the state via Svenska kraftnät.

Regional grids
"The branches of the electricity tree" – the lines that hold the national network and local grids together. The regional grids are owned by grid companies such as Ellevio.

Local grids
"The leaves of the electricity tree" – the lines that distribute electricity at the very last stage to customers, i.e. companies and households, etc. The local grids are owned by network companies such as Ellevio.

Drivers.

Capacity shortages in electricity networks

Increasing urbanisation with more people moving to densely populated areas and major cities is creating new challenges for Sweden's electricity network. In the municipality of Stockholm, the population is estimated to increase by 30 percent by 2030, with the need for new housing expected to amount to 180,000–330,000. The underground system will also be expanded, the transport sector electrified and new data centres established. These developments will place greater demands on the capacity and efficiency of the electricity network.

It is not only Stockholm that faces this challenge; we can see similar developments in other major cities too. Urban planning has taken the electricity supply for granted and not considered the need for extending the electricity network. This is a major shortcoming that risks threatening both growth and the climate transition.

In 2019 Ellevio was a driving force in terms of highlighting capacity shortage issues in Stockholm's electricity network to Sweden's politicians. In October a dialogue between Ellevio and the government led to a solution to the most acute threat of capacity shortages. The solution involves Ellevio enabling continued electricity production at the city's CHP plant and giving us the opportunity to use older revenue frameworks that were never exploited.

However, there is much left to do to manage the challenges surrounding capacity in the major cities, and Ellevio will continue a broad dialogue with our stakeholders concerning the required measures. If we continue as we are without making any changes, Ellevio's assessment is that significant capacity issues could arise as soon as in three to five years' time.

Ellevio works on several fronts to create the requisite conditions to tackle these capacity challenges, both in the short and long term:

- Network companies must be given reasonable financial conditions to make the necessary investments.
- We are working to offer customers simple digital services that help us steer demand for electricity away from the times at which the electricity network and the energy system are most under strain.

Read more about capacity shortages in the electricity network on page 16.

Production – increasingly local and renewable

Sweden's energy system has historically been built to manage stable electricity production from hydro and nuclear power generated by a limited number of plants. Now, however, a major expansion of solar and wind power is under way, whereby production is geographically spread out and access varies during the day and in line with the seasons.

More and more consumers are also choosing to produce their own electricity by connecting systems such as solar panels to the network, into which they can feed their surplus electricity. On specific days and at specific times, the network needs to receive locally produced surplus electricity, while on other days it needs to distribute supplementary electricity from power stations far away.

The fact that access to solar and wind power is weather-dependent makes it harder to plan production. Electricity networks must be able to manage an irregular inflow from these sources, with rapid fluctuations in electricity production. Our electricity networks were not originally intended to be run in this manner, which is leading to greater demand for increased management. In certain cases, electricity network reinforcements are also required in the form of capacity-enhancing investments.

At certain times, more electricity will be produced than is used and, in these cases, the network must ensure that electricity can be distributed to other parts of the country, exported or stored for use later in the day or week.

At other times, the demand for electricity will be greater than the capacity of the existing networks can supply. This will need to be remedied by investments in national, regional and local grids as well as via innovative approaches to how the electricity system can be governed more smartly. This could be achieved by way of local production and flexibility in consumption.

This changing production, combined with the announced decline in nuclear power production, will place demands on the electricity network, which will need to rapidly become more flexible and able to function in both directions.

Electrification of transport and industry

Within the framework of the government's Fossilfritt Sverige (Fossil-free Sweden) initiative, various sectors have produced roadmaps detailing how each sector will become fossil-free and strengthen its international competitiveness. In 2019, Swedenergy tasked a group of researchers with making an assessment of how electricity consumption will develop by 2045. The study indicates that electricity consumption in Sweden will be around 190 TWh in 2045, which is an increase of more than 50 percent compared with today's levels. To handle this increase, the need for investment is estimated to be around SEK 500 billion in the electricity network and SEK 600 billion in production.[1)]

The major increase in electricity consumption is mainly due to increased electrification in three sectors: the transport sector with its transition to electrical vehicles, the service and corporate sector in which a major expansion of data centers is expected, and the processing industry that will transition to electricity-based solutions.

The significance of electric vehicles in terms of adapting to the climate and reducing air pollution means electrification of the transport sector is an urgent and prioritised issue for the future. Today, transportation by road accounts for almost 30 percent of Swedish carbon dioxide emissions. Luckily, the transport sector is right in the middle of a rapid and accelerating transition towards electrification. Ellevio support the Swedish vision to have a fossil-free vehicle fleet by 2030.

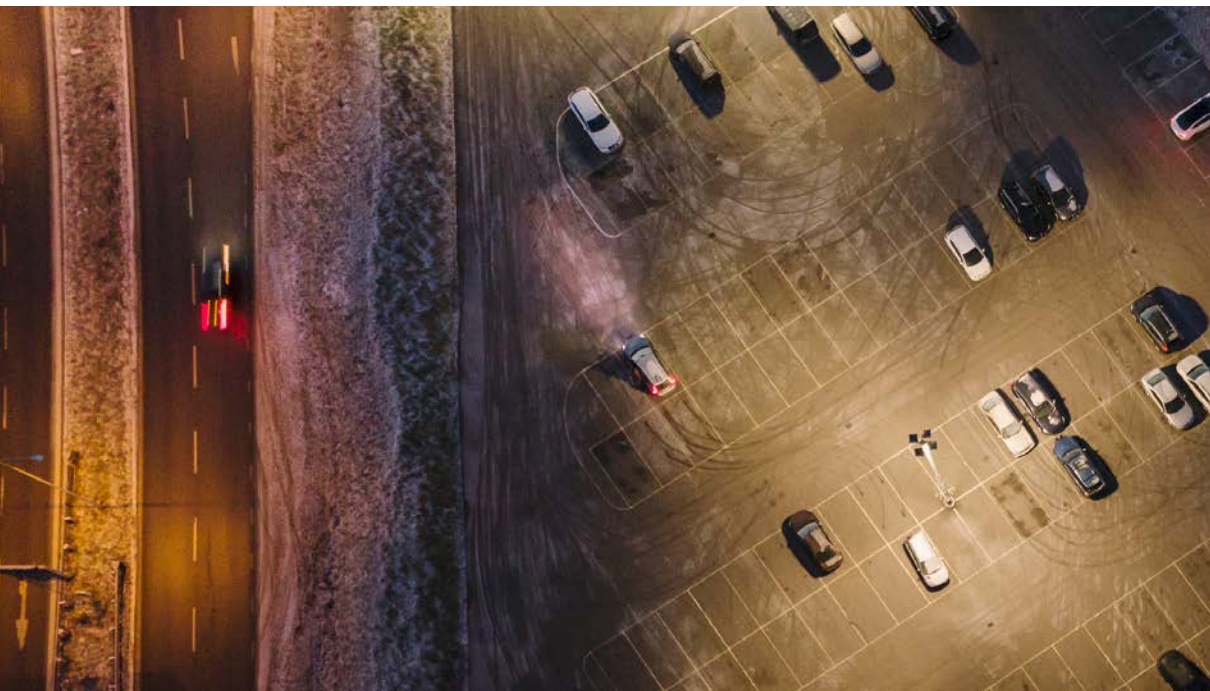
In 2019 the number of electrical vehicles in Sweden rose by 49 percent, and by 2030 this number is expected to increase to 2.5 million according to a report released in 2019 by the association Powercharge. Electric vehicles present both an opportunity and a challenge for the electricity network – they lead to increased load and a need for more capacity and load governance, but at the same time offer an opportunity for storage that could balance electricity consumption in the future.

The environmental effects linked to the vehicle fleet no longer running on fossil fuels will be very significant. In addition to a massive reduction in carbon dioxide emissions, emissions of many other harmful chemical combinations will also fall. The air quality in our cities will significantly improve while noise levels will be considerably reduced. Furthermore, less oil will need to be refined and transported, which will represent a major environmental gain in itself. To ensure the success of these transitions, an extensive and accelerated expansion of charging possibilities for both private cars and heavy goods traffic will need to be initiated as soon as possible. Developments within the transport sector are moving incredibly fast and if the expansion of charging infrastructure falls behind then obstacles may risk hindering progress. An expansion will require investments.

A sustainable energy system – a giant leap into the future

Major investments are currently being made around the globe to modernise electricity networks and turn

[1)] Färdplan för fossilfri konkurrenskraft – Elbranschen, Energiföretagen Sverige 2020.



them into smart networks, which will then become the hub of a sustainable energy system.

Smart electricity networks provide electricity consumers and producers new opportunities to contribute to a sustainable energy system that uses energy more efficiently. In the case of the electricity networks of the future, we will install information technology that gathers, relays, stores and analyses information from thousands of measurement points. This makes it possible to manage the electricity network more effectively, but also to offer new services to our customers to simplify their daily lives. Another major advantage of better data is that future decisions surrounding the construction, maintenance, safety and use of electricity networks will be facilitated by access to information of a much higher quality and resolution than today.

As networks become smarter, it will also become easier to rectify outages. In part, the networks will be able to solve problems on their own by reconfiguring how the electricity is transported, while it will also become possible to obtain immediate information about the occurrence and location of an outage, as well as see that an outage is about to happen before it does, thus enabling preventive measures to be taken. That said, a smart network cannot be a substitute for a robust, reliable network with sufficient capacity built using high-quality components. The electricity network needs to be both smart and robust.

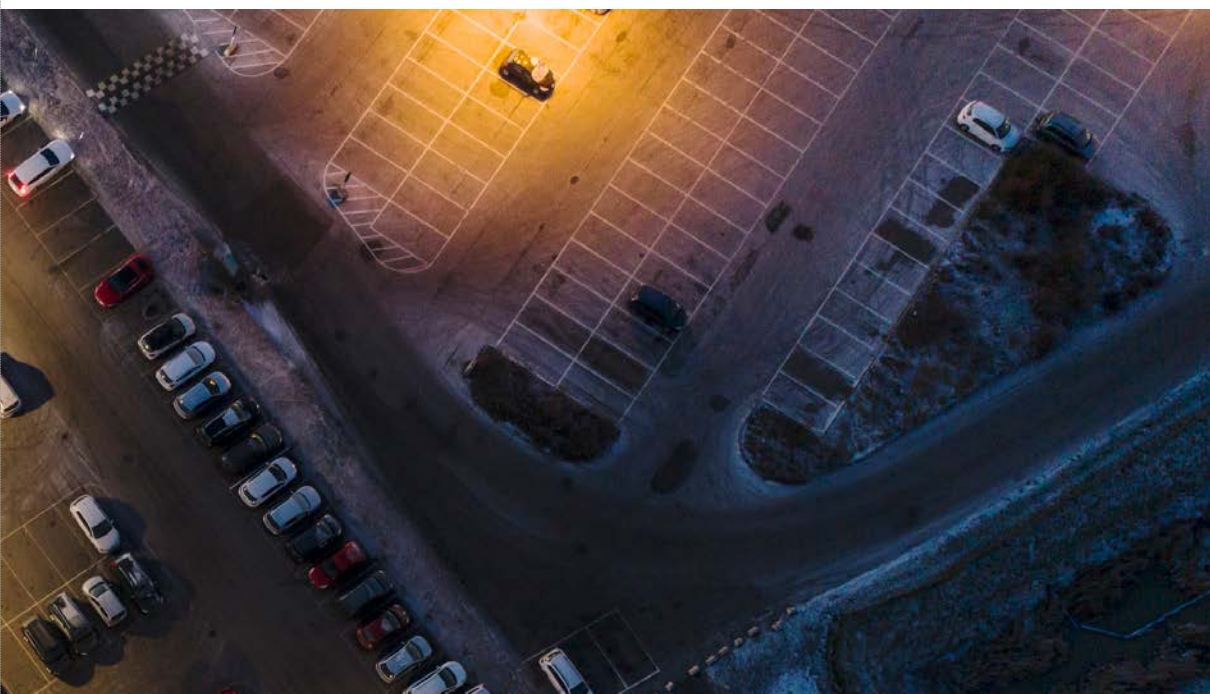
The next generation of smart electricity meters are currently being introduced, representing an important part of the electricity networks of the future. The new meters will enable a range of improvements, both for our customers and for society as a whole.

Read more about Ellevio's investment in smart electricity meters on page 25.

Cyber security – new opportunities, but also new threats

Although smarter electricity networks enable us to supply electricity in a more secure way, we also need to manage new threats. Smart components can be attacked by individuals, organisations or foreign powers who aim to damage networks. Just like banks, teleoperators and suppliers of critical functions, we at Ellevio work to maximise the opportunities afforded by digitalisation while minimising the risks for society, the electricity network and our customers. Of course, individuals' data and privacy should also be protected from unauthorised access.

The new Protective Security Act applicable from 1 April 2019 has created a new and clear framework governing which protective measures need to be taken to protect socially critical information and assets. Following an initial protective security analysis, suitable measures are being planned and implemented to further enhance security. We invest in cyber security, build the most robust systems possible and collaborate with authorities and other actors involved in the electricity network. By preparing our organisation and using the latest technology, we are able to manage the cyber security issue – one of the most important aspects when it comes to a future-proofed electricity network.



New technology is contributing to solutions concerning capacity challenges on the electricity network.

How will we manage Stockholm's capacity and power challenges over the long term while the city has ambitious sustainability targets and a growing population? This is an area on which we focus on a daily basis at Ellevio. It is almost akin to a huge puzzle whose pieces we are fitting together one by one.

Puzzle piece 1: The smart electricity networks of the future

A smarter electricity network is required in order to resolve the capacity shortage. It generates more data and thus better conditions for us to obtain knowledge about our customers' electricity consumption, as well as greater opportunities for managing that electricity consumption.

Ellevio is currently building the electricity network of the future, with the aim of greatly reducing outage periods for our customers. The basis of this is the next generation of smart electricity meters and automated electricity networks, which have the option of remote monitoring and automatic fault repair that reconnects the power in the event of disruptions. This makes the electricity network more robust.

Puzzle piece 2: Big data and machine learning

We have produced new tools to analyse the large amount of data concerning electricity networks and electricity consumption. Using network data from the past ten years, we have created an analysis model that gives a considerably more exact forecast of the flows and demand on the electricity network. This means that we can produce more precise forecasts of levels of demand at a specific location on the electricity network on a particular day and at a particular time.

We are also continuing to develop a capacity database that covers our largest customers, with a connection of over 1 MW. We can use this to create hourly load profiles in which we can compare the actual consumption with the ordered consumption. This way we can help customers tailor their contracts to their needs, while also finding a use for the power that has gone unused.

Puzzle piece 3: Collaborations to reduce power consumption peaks

Part of the solution to the capacity issue involves levelling out electricity consumption and reducing the power consumption peaks that typically occur. For this reason, we joined forces with other major network owners in the Stockholm region to send an enquiry out into the market. In brief, it involved finding smart, technical solutions to free up capacity on the electricity network in conjunction with the business community, property owners, private customers and other actors. In practice it involves customers shifting or reducing their electricity consumption at times of high demand on the electricity network.

The enquiry generated a lot of interest and, in total, some 30 customers and suppliers submitted their responses by the end of the year. The potential to launch different kinds of flexible power demand solutions is positive, although the market remains extremely new and efforts to establish the next stage will only begin in early 2020.

What is a capacity shortage?

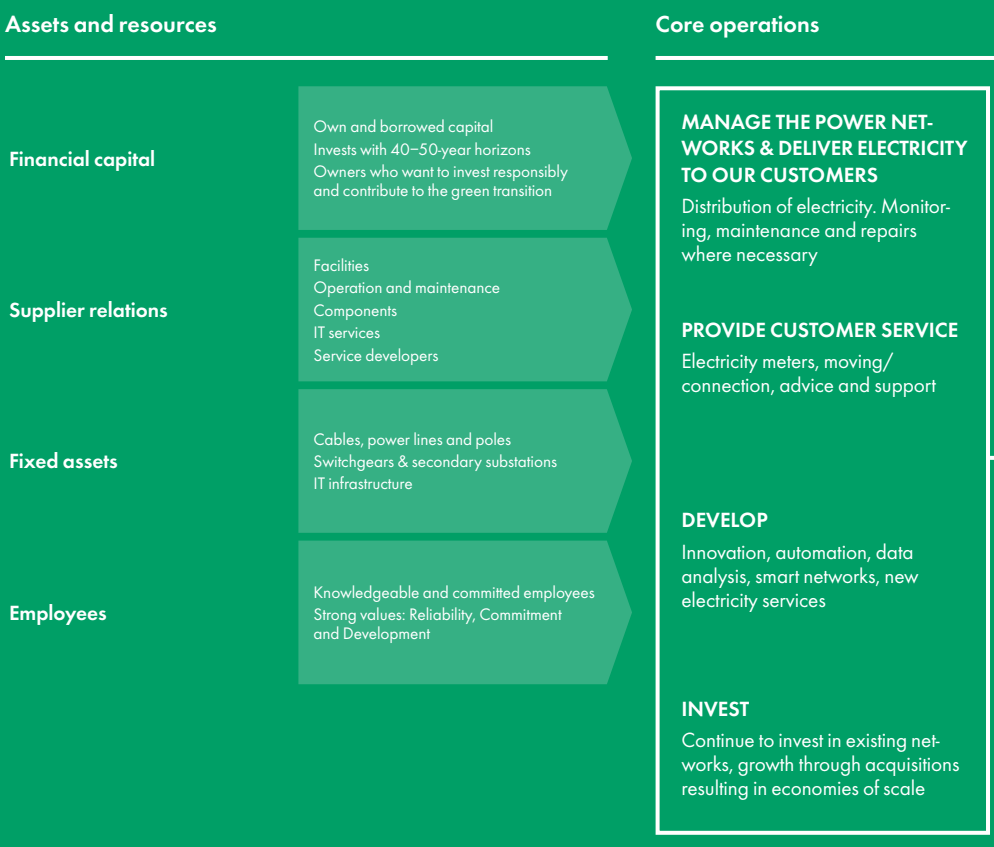
In Stockholm we have a shortage of capacity on the electricity network, known as a network capacity shortage. The problem mainly entails a shortage of transmission capacity on the national network, the motorway of electricity, but soon will also entail shortages on regional and local grids. Historically we have had stable electricity networks with ample capacity to transmit electricity network from where it is produced to where it is consumed. Now, however, we are in a different situation, at least in some parts of the country. Our major cities are growing, just as a significant transition is taking place in terms of how we run our societies. This means the electricity network and the production guarantees we have will not suffice in the long term.

Value creation – from the little things to the big things.

Ellevio's operations are significant to society as a whole. Our operations enable us to create value for customers.

Without electricity, people's everyday lives cannot function. Traffic and other vital societal functions would cease. Industries and companies would lose revenue, as would competitiveness and innovative capability in the longer term. New start-ups would be lost. We at Ellevio are responsible for electricity

Ellevio's model for sustainable value creation



reaching almost one million households and companies in Sweden. We view this great responsibility with humility and a strong desire to keep contributing to sustainable societal development. The confidence our customers have in our ability to supply their electricity needs now and in the future is the most important measure of our success.

The UN's global sustainable development goals

Ellevio's business strategy involves taking the UN's sustainable development goals into account and identifying the goals to which Ellevio prioritises its contribution. As part of this strategy, we have selected the following goals to actively focus on: Goal 7 "Affordable and clean energy", Goal 9 "Industry, innovation and infrastructure" and Goal 5 "Gender Equality".

Goal 7, Affordable and clean energy, essentially represents our mission in society and the aim of our long-term investments. Between 2016 and 2019, Ellevio invested more than SEK 10 billion in the development and future-proofing of the electricity network. Goal 7 also contains guidelines for realising energy efficiency enhancements, to which our work on the next generation of smart electricity meters is making a contribution. The next generation of meters will allow producers, network companies and consumers to all monitor their electricity production and consumption in real time. In the case of the electricity networks of the future, we will install information technology that gathers, relays, stores and analyses information from thousands of measurement points.

Goal 9, Industry, innovation and infrastructure, also forms part of our mission in society. Efficient infrastructure is currently dependent upon an efficiently functioning electricity network; for instance, it allows people to get to work or school in a smooth and reliable way. It also ensures everyone has access to information and communication technology, that companies can rely on transport systems and energy services functioning as they should and that new businesses can be set up whenever needed. Sustainable infrastructure is accessible, reliable, environmentally friendly and robust.

Ellevio also actively focuses on Goal 5, Gender Equality, in order to develop the company, industry and offer support to equality efforts outside our sphere by way of social responsibility initiatives and sponsorship. For Ellevio, equality is both a goal in itself and a prerequisite of sustainable development. By working towards a more equal Ellevio, we want to contribute to a more equal industry and, eventually, a more equal society.

RELIABLE, FLEXIBLE AND SMART ELECTRICITY NETWORKS TODAY, TOMORROW AND IN 50 YEARS

Creates value

For society
Secure supply of electricity in both urban and rural areas
Stable electricity supply to vital societal functions
Secure supply of electricity to an electricity-dependent society
Jobs

For customers
Secure and outage-free electricity supply
High level of service to customers
New services as part of a smarter network
Opportunity to produce your own electricity
Fair tariffs between cities/rural areas

For employees
Stimulating work duties
Safe workplace
Knowledgeable and committed employees
An equal workplace

For the environment
Adapting the electricity network to the fossil-free transport system of the future
Transition to 100 percent renewable electricity
Biodiversity along power lanes

For owners
Opportunity to make a sustainable investment with a long-term horizon
Secure and long-term value growth

Ellevio makes an active contribution to:
Goal 7, Affordable and clean energy.
Goal 9, Industry, innovation and infrastructure.
Goal 5, Equality.

THE GLOBAL GOALS
For Sustainable Development

Value creation for society.

Investing for a sustainable energy system

The electricity network plays a key role in the transition to a more sustainable energy society. As transport and industry become electrified, electricity consumption will increase. Vulnerability will also increase as more societal functions become dependent upon electricity. We are also seeing urbanisation with strong population growth in the major cities, creating demand for greater capacity on the electricity network.

Over the past few years, Ellevio has made major investments in the modernisation and weather-proofing of grids in our network areas across Sweden. We want to be in a position to continue these efforts. To make this possible, there must be reasonable conditions for attracting capital for the requisite investments. Ellevio maintains an active dialogue with politicians and authorities to spread awareness of the significance of the regulations in terms of implementing necessary future investments in the electricity networks. We also engage with the public debate, for instance by publishing debate articles and participating in the politicians' Almedalen Week.

Read more about Ellevio's investments on page 36.

Climate change requires weather-proofing

The effects of global warming on the climate are already beginning to become visible and are expected to escalate over time. The risk of storms and major fires is rising, which could lead to damage to the electricity network. At the same time, society is becoming increasingly dependent on electricity and the importance of an outage-free supply is growing.

Ellevio has been working on weatherproofing the electricity grids since the beginning of the 2000s and the storm Gudrun. At present, a total of approximately 57,600 km of our local network is buried, which corresponds to approximately 80 percent. In addition, our entire regional network is weather-proofed in the form of the large conduits that are created to prevent trees from falling over the power lines. Over the coming years, as the regulation leads to lower investment volumes, Ellevio will prioritise the areas in which we have the most outages.

In 2019 we also worked to enhance preparedness for major fires by mapping all of our power lines based on their risk of being knocked out during a major fire. We also enhanced our preparedness by way of larger stocks of reserve materials and developed our weather-monitoring services to identify the risks of fires starting. Read more about how climate changes effect Ellevio on page 34.

Economic value creation

The Swedish electricity network market is highly fragmented, with many small municipal players. Through its size and strategy of acquiring smaller network companies, Ellevio helps create economies of scale on the Swedish electricity network market. We also work continuously to make our operations more efficient and reduce operational costs through increased digitalisation and investment in preventive maintenance.

We also contribute to society by way of the jobs we create with our contractors and, indirectly, among our customers. We must guarantee a secure supply of electricity in an electricity-dependent society, both in urban and rural areas.

We are strongly committed to using every invested krona as efficiently as possible. For example, we work to jointly lay electricity networks and other infrastructure, such as fibre networks, district heating systems and charging infrastructure for electric vehicles, whenever possible.

Value creation in local communities

For us, sustainability initiatives are not merely a question of complying with laws and regulations; they are also an opportunity to fulfil our societal mission in the best way possible by serving as an active and committed partner to the areas affected by our operations, either in that we have networks distributed across that area or that we supply electricity there. We take responsibility for the local communities in which our customers live and work by ensuring we provide a sustainable electricity network that offers a secure supply in the long term. The removal of overhead lines also enables us to make way for more agriculture and housing in the areas where they are needed. For example, together with Vattenfall and Svenska kraftnät, Ellevio runs the Stockholms Ström project, which involves central overhead lines that distribute electricity to Stockholm and its environs being buried or placed in tunnels, thus leading to land being made available for developing society.

As we develop our electricity network, it is important to invite local stakeholders to ensure that the project is linked to the local area and to minimise potentially negative effects on the environment, the

local business community and the residents who live near our electricity networks and facilities. In the case of major local projects, we inform customers by way of open houses, meetings in the town square, letters and other forms of direct communication. The aim is for our customers, stakeholders and local communities to feel well-informed about what we are doing and how they are affected. In the event of planned outages, we attempt as far as possible to consider those who will be affected, sensitive industries, supermarkets, care homes, etc. Reliability, commitment and development are key words in our dialogue with local communities and our customers.

Responsible purchasing

Ellevio has a joint purchasing function responsible for all procurement of services, materials and contracts. Purchases mainly fall into five categories: contractors, IT, consultants, strategic materials and indirect materials and services. In 2019, Ellevio purchased goods and services for approximately SEK 4.3 billion, of which 77 percent were contract services and materials for our electricity grids, partly for fault remediation and maintenance and partly for investments.

In its risk assessment, Ellevio identified contractor operations and their working environments to be the greatest challenge facing the company, which is why we have placed major focus on this area, partly via the Safe workplace programme that can be seen in more detail under Health and Safety, and partly in the purchasing process.

To qualify as a contractor and major material supplier, there is firstly a specific Code of Conduct directed at our suppliers, and secondly an extensive, specific appendix to each agreement containing sustainability requirements as a supplement to the Code of Code of Conduct, which is more general in nature. The Code is based on the UN Global Compact's ten principles and contains clear requirements relating to human rights, labour law, the environment and anti-corruption. The aim of the Code of Conduct for suppliers is to minimise risks and protect Ellevio's stakeholders.

The Code of Conduct applies to all suppliers of services, materials and contracts in every part of the world. All suppliers are obliged to implement the requirements throughout their operations and ensure that their subcontractors adhere to the requirements in Ellevio's Code of Conduct for suppliers.

Ellevio's suppliers must also confirm their compliance with the Code and be able to show documentation of such compliance. To follow up on compliance of the requirements established during the purchasing process, Ellevio employs two types of checks: firstly, unannounced visits to the site of the projects, and secondly extensive and planned audits focusing on environment, health & safety and the Code of Conduct. In 2019, 301 unannounced site visits were carried out, along with 10 planned audits. In addition, all new major suppliers were audited. Read more about Ellevio's work surrounding responsible purchasing in the Sustainability management and results section.

Managing sustainability from the start of a project to implementation

Availability on Ellevio's electricity network

99.98%

No. of outage minutes during the year

98

No. of customers

962,000

No. of new customers in 2019

5,000

Ellevio's customer promise

Our customers should have an uninterrupted electricity supply – today, tomorrow and in 50 years.

Distribution, type of customer

Company

14%

Single-family homes

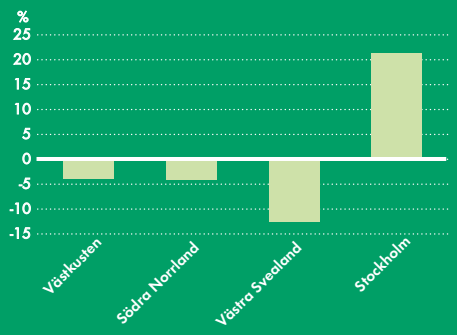
36%

Apartments

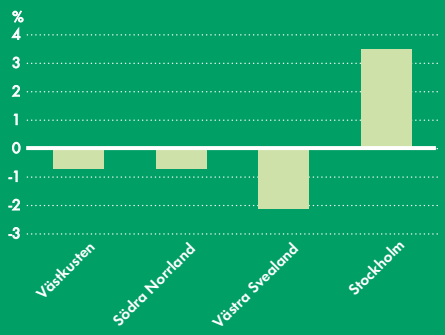
50%

Price change 2014 to February 2020 for six types of consumers[1)]

Average total price change for the six categories



Average yearly price change



[1)] The six categories of consumers are; Apartment 16A, 2,000 kWh, House 16A, 5,000 kWh, House 20A, 10,000 kWh, House 20A, 20,000 kWh, House 25A, 20,000 kWh, House 25A, 30,000 kWh. The data is based on reported data to Ei, where we have removed Nynäshamn and Vallentuna as both these areas were acquired during the period and their price changes are not representative for Ellevio.

Value creation for customers.

Ellevio has 962,000 customers, of which circa 86 percent are households and 14 percent are companies. Our customers are spread across the West coast, mid-Sweden, and Stockholm County. Our main priority is that our customers should have an uninterrupted electricity supply – today, tomorrow and in 50 years. We want to adopt a long-term approach and contribute to a sustainable society through the product and services we offer our customers. We achieve this through our investment in new electricity meters, by giving our customers the conditions to install solar panels and, from 2019, via our agreement with GodEl. This agreement means that Ellevio was the first network company to go out into the open market and select a designated electricity trader – for those of our customers who had not selected a trader – which will offer our customers environmentally certified electricity at a market price.

Customer satisfaction

Improving our customer experience is a strategically important area for us at Ellevio. We are available around the clock to provide the technology and expertise required to ensure the electricity network functions as it should. Over the past few years we have seen a positive trend in customer satisfaction surveys.

Fair tariffs

An important aspect of our responsibility to customers is that we prioritise all customers equally. To make it easier for our customers to live and support themselves in rural areas, we have long worked to level out the network tariffs between densely and sparsely populated areas. In 2017 the Swedish Energy Markets Inspectorate decided to permit this kind of price harmonisation, and since that time Ellevio has gradually levelled out the prices across its network areas. In practice this will entail lower or unchanged prices for sparsely populated areas and small rises for customers in the Stockholm region. This price harmonisation is to be completed by 2023 at the latest.

Security of supply

Nothing is more important to us than ensuring our customers have a secure supply of electricity that is free from outages. High accessibility of electricity is vital if society is to function, and accessibility will become increasingly important as new industries become electrified. Although we currently offer an almost outage-free supply, the electricity network is occasionally hit by disruptions from time to time. Most outages are currently due to either planned works, damage to cables or challenging weather conditions.

Availability on Ellevio's electricity network is 99.98 percent. This is very good when making international comparisons, but as electrification and digitalisation increase, each outage becomes a challenge with economic consequences for society. We also have an ageing electricity network today that requires replacement to maintain the high level of availability in the future.

There are also major differences between different parts of our network. While hundreds of thousands of our customers experience no outages, there is sadly a group of customers who experience several per year. If you compare the number of outages minutes for 2019 the Stockholm area landed on 67 minutes while our rural areas had a total of 152 minutes.

Planned electricity outages are sometimes necessary. When maintaining or expanding our networks, we are sometimes forced to shut off the power. Around 10 percent of our outages are planned and we always ensure that we inform our customers as to when they will be taking place.

A further 10 percent of outages are due to damage to cables or other equipment, for example during excavation works carried out by a company other than Ellevio. To reduce this type of outage, we offer free guidance for everyone carrying out works close to our cables.

The remaining share of outages are due to storms, snowfall and other severe weather or components that break. Sweden is a sparsely populated country, meaning we have many metres of cable per customer. Outside the major urban areas, we continue to maintain long overhead lines, leading to a higher risk of outages in these areas.

Opportunity to produce your own electricity

There is great interest among our customers in producing its own electricity, and technological progress in areas such as solar panels has made it possible for more people to produce electricity at a reasonable cost for their own use or for sale. Ellevio's website provides advice and instructions to help customers looking to install solar panels. In 2019 Ellevio arranged meetings for housing associations in Stockholm to explain how they, as associations, can start producing their own electricity by way of solar panels on their roofs.

Facilitate charging infrastructure

A prerequisite for Sweden's achievement of its climate targets is for more people to opt to make the transition from fossil-fuel vehicles to electric vehicles. This requires efficiently developed charging infrastructure, this has so far been hindered by costly and time-consuming excavation works in cities and densely populated areas. There are currently just under 2,000 public charging points in Stockholm; the majority of which are located in parking garages. The City of Stockholm has established the target of having around 15,000–25,000 public charging points by 2030.

Through its new Smart Laddinfra ("Smart charging infrastructure") service, Ellevio is taking comprehensive responsibility for the installation process that includes planning, permit applications, excavation and connection. Previously it has been up to the charging operators to connect new charging stations to the cable boxes. As Ellevio now includes connection in its offering, connections of new charging points will from now on be completed faster, more cheaply and with a smaller environmental impact. In this way Ellevio is contributing to the optimisation of the resources required to build up Sweden's charging infrastructure. Ellevio also maintains a dialogue with shipping and heavy goods traffic representatives about how these forms of transport could charge in the future.

New services as part of a smarter network

In the case of the electricity networks of the future, we will install information technology that gathers, relays, stores and analyses information from thousands of measurement points.

In 2019 efforts began to prepare for the installation of the next generation of smart electricity meters among all of Ellevio's customers. The next meters will allow producers, network companies and consumers to all monitor their electricity production and consumption in real time. It will also become simpler for customers to connect new energy services, manage their electricity consumption and make it easier for customers to install solar panels. The smart meters are an important step towards changing energy behaviour, with customers being given the tools to manage their electricity consumption in a way that reduces the burden on the network at times of peak consumption. The new smart meters will also make it possible to remotely monitor the electricity supply to our households, which will have a major positive effect in terms of reducing the amount of work out in the field and thus less vehicle usage.

Flexible electricity consumption is a potentially vital solution to the capacity issue on Stockholm's electricity network. In 2019 Ellevio initiated a dialogue with corporate customers and technology suppliers to find smart technical solutions together that free up capacity on the electricity network. This could, for example, include services that make properties automatically reduce heating around 5 p.m. as most households begin cooking dinner. It could also entail companies with back-up units or server centres providing extra production to create more space on the electricity network at critical moments. The aim is to examine the resources available among customers and determine the structure of a commercial model that exploits such resources.

One million smart electricity meters.

In 2020 Ellevio will begin work to install the next generation of smart electricity meters among all of its customers – nearly one million households and companies throughout Sweden. The new electricity meters will help make the electricity network smarter while also opening up the development of new services and areas of application that will prove useful for customers and, at the same time, contribute to the transition towards a climate-smart society.

New services for customers
Thanks to the new electricity meters, Ellevio's customers will gain a better insight into their electricity consumption and will be able to use the electricity in a more climate-smart and cost-effective manner by using the new services made available in line with the replacement of their meters. Some of the services rendered available by the new electricity meters include smart electric car charging, smart heating and the opportunity to produce your own electricity more easily.

Pilot project in Älvsjö
Work to install the new meters will commence in spring 2020 and is estimated to be completed by 2023. To ensure an efficient and safe process for Ellevio's customers, this work will start with a pilot project in the suburb of Älvsjö in Stockholm. During the pilot, a range of tests on the IT systems and communication solutions will be carried out to ensure that the national roll-out is conducted as efficiently as possible. As Älvsjö is a suburb with a mixture of single-family homes, apartments and companies, it is a suitable area to test out the replacement of the meters and learn valuable lessons ahead of the national roll-out.

Climate-smart electricity consumption
As a society, Sweden is dependent upon electricity in both urban and rural areas, and the demands placed on reliable, flexible and smart electricity networks are considerable. Combined with ambitious climate targets such as 100 percent renewable energy production by 2040 and net zero carbon emissions by 2045, this creates a need for a rapid transition to a climate-smart society. Thanks to new, smart electricity meters, Ellevio's customers will be able to consume electricity in a more climate-smart manner. When almost one million households and companies contribute to the little things, Ellevio can make a difference to the big things.

Value creation for employees and everyone who works for us.

Our employees work each day to develop society and shape the electricity network of the future together with our customers. Ellevio is continuing to grow rapidly and is constantly on the lookout for new colleagues.

Attractive employer

In order to attract new employees, we work to strengthen our brand as an employer, including by collaborating with colleges and offering summer jobs and work experience placements for students. We also help to spread knowledge about Ellevio and our sector through involvement in industry initiatives and an active social media presence. Our goal is for Ellevio to be seen as an attractive and inclusive company and a preferred option for both potential and existing employees. During the year we rolled out a campaign using videos on social media, with the message that being an employee of Ellevio means contributing to the creation of sustainable communities and cities.

As part of these efforts to attract and retain skilled employees, we formulated Ellevio's offering to our employees through a new EVP, or Employee Value Proposition.

Introduction of new employees

Ellevio has grown rapidly over the past few years, with 512 employees at the end of the year. In light of such considerable growth at the organisation, it is important for new employees to rapidly gain an overview and feel at home within the business. The annual introduction day brought together 70 new employees.

Investment in collective ability

Our strength lies in our collective ability to utilise our employees' skills in the right way. All new employees undergo training in this collective ability so they can adopt the approach that permeates the entire company – that we are better when we work together. The training course is based on research from the Stockholm School of Economics regarding efficient organisations and the abilities that need to be developed within a team in order to achieve and maintain efficiency. Internally trained coaches conduct continuous exercises with the different teams to develop their collective ability and reinforce their understanding of the importance of our collective ability for our joint success.

Employee survey

Each year, Ellevio undertakes an employee survey that assesses the level of commitment – the Employee Engagement Index – which is based on four questions relating to job satisfaction, pride, job-seeking and recommendation. Each business unit reviews the results and produces action plans for improvement areas. The result in 2019 was 68.1 (70.5) out of 100. The fall this year can be linked to the high workload in connection with operational disruptions on the grids, as well as the major investments being carried out by the company.

Managers and supervisors

The task of a manager is partly to guide his or her employees in the way that most effectively develops and uses their potential, both through dialogue and feedback, and partly to prioritise areas to ensure each employee is able to perform well.

We offer you personal development and a career with opportunities to contribute to a sustainable society

Ellevio's offering

Corporate culture
- Safety first
- Focus on the customer
- Governed by values
- Trust
- Openness
- Collaboration
- Diversity and inclusiveness
- Sustainability initiatives
- Social, financial and environmental responsibility

Career
- Career development
- Internal mobility
- Evaluation and feedback
- Mentorship
- Career framework
- Learning and development
- Management programme

Compensation
- Competitive salaries
- Bonus programme
- Annual salary review
- Salary surveys
- Equal treatment

Benefits
- Benefits portal
- Flexibility
- Insurance
- Pension
- Preventive wellness activities
- Wellness contribution
- Sports association
- Parental leave allowance
- Compressed working hours

Work environment
- Feedback
- Work–life balance
- Personal development
- Focus on safety
- Ergonomic and activity-based office
- Systematic work environment initiatives

In order to provide clear expectations at all levels of the company, a business plan is produced every year containing overall goals for the business. These goals are then broken down into targets for each business unit/team and individual.

Each year, Ellevio gathers all of the managers at the company for a Management Day. The theme of this year's meeting was improving the customer experience. All managers were given tools to use with their teams to identify behaviours and activities that could strengthen our customer focus. The fundamental point was that we should always ask ourselves: How will this affect the customer? The customer perspective should always be considered, whether it is a minor or major decision.

In November 2019 Ellevio launched a management programme that will be mandatory for all managers. The programme consists of four parts: 1) Role of the manager 2) Working environment 3) Attractive employer and 4) Development.

Equality and diversity

Ellevio considers diversity among employees to be an asset and works actively to increase diversity at the company in terms of skills, gender and ethnicity. We work to gradually achieve a more equal gender distribution across the company. In 2018 Ellevio's equality group was formed, containing representatives from different parts of the business whose task is to highlight these issues and propose measures where shortcomings have been identified. During the year we obtained clear proof that our equality efforts are yielding results. There was a major rise in the proportion of female employees and the proportion of female managers.

Ellevio's equality targets include continuously working to:

- Maintain an equal distribution between men and women in the management team, 60 percent women today (50).
- Increase the number of female managers at the company, 22 percent today (21), excluding the management team.
- Increase the total number of women at the company, 31 percent today (27).

When it comes to ethnicity, we want to reflect wider society. Currently, 10.5 (9) percent of our employees have a non-Swedish cultural background, which is however lower than wider society where 19 percent of the Swedish population was born outside Sweden.

We at Ellevio and across the wider energy sector have more work to do to achieve an even gender distribution, and we need to look at new perspectives to make the sector more attractive to women. For this reason, we have launched "Switch – an equality initiative." We collaborate with, among others, Stockholm's football association, Female Legends and Popkollo, who all work to establish better conditions for girls to develop in each area. The idea behind these collaborations is to be visible in their channels and reach out to our target groups via new contexts. Another way we do this is by participating in our business partners' events.

Ethics and Code of Conduct

Ellevio's core business operates as a monopoly, which means we have a profound responsibility to the wider community. It is important that we live up to the demands and expectations of our customers and other stakeholders, as we want to earn their trust. Our values – reliability, commitment and development – must serve as guiding principles for every employee and permeate everything we do. The health, safety, well-being and equality of employees and other people are vital issues for our business. Ellevio is to be an inclusive, safe and attractive workplace and contractor.

The way we should conduct ourselves is described in our Code of Conduct. Varied training courses, workplace meetings and internal audits ensure that the Code of Conduct is followed.

Read more about our employees in the Sustainability disclosures section.

Our values

Ellevio is to be an organisation where everyone takes responsibility for their own development, as well as that of their team and the company. Our values of reliability, commitment and development guide us in everything we do.

Reliability
Our customers should be able to rely on our electricity network and on those of us who work at Ellevio. We are available around the clock to provide the technology and expertise required to supply electricity all the way to customers' homes.

Commitment
It should be evident that we care about our customers and community and that we listen. We are driven and take sustainable action in terms of the safety of all who work for us, our impact on the environment and our responsibility as an employer, business and supplier.

Development
We think innovatively in matters both large and small. We continuously develop and improve our services and look for new expertise while sharing our own, with the aim of ensuring that Sweden's electricity network is developed in a long-term and sustainable manner. Our network should be constructed in a way that meets society's existing and future energy needs. We are building the electricity networks of tomorrow, today.

Health and safety

We have a vision of an accident-free and safe workplace. To achieve this, we need to improve the safety culture and increase the amount of safe behaviour so that all work is carried out in a safe manner, both at our workplace and particularly among our contractors.

Ellevio does not currently have any employees who work out in the field, as all physical work on our electricity network is conducted by contractors. It is this work that leads to the majority of our work-related accidents, and we have a great responsibility in terms of laying the foundations of a safe workplace for our contractors. The contractors we engage must not only be experts in their fields; they must also have knowledge of and training in health and safety procedures and demonstrate safe behaviours to create a safe workplace.

Collaboration med our contractors

In 2016 Ellevio launched the "Safe workplace" programme that forms part of our health and safety management system. The programme aims to further improve processes and work methods, as well as change behaviours. Our aim is to become more proactive in our efforts to create a safe work environment for those who work at and for Ellevio.

Ellevio has chosen to use a method known as behaviour-based safety (BBS). This is based on research within behavioural psychology and is a proven effective method in influencing safe behaviours and building a strong safety culture.

In 2019 we took the next step in this initiative, implementing a major project together with three of our largest contractors that focused on safe behaviours among contractors disconnecting the power when working with low levels of voltage. That means on one hand, securing that the power is switched off before electrical work and on the other, ensure that it is switched off during the entire work. This is one of the most accident-afflicted tasks according to both our own statistics and those from the National Electrical Safety Board, and during the course of the project safe behaviours increased by 50–60 percent in the relevant teams.

A safety handbook was produced in 2018 to promote the safety initiatives of contractors, which serves as an introduction to our safety initiatives and the safety culture we strive for. It establishes the safe behaviours we want our contractors to adopt during different work tasks. In 2019 Ellevio continued efforts to implement the handbook's guidance among our contractors and participated in workplace meetings among all of our major contractors at which the handbook was presented.

Training and skills

For the second year in a row we carried out our internal safety day in both Stockholm and Karlstad. During this year's safety day, we focused on work in the field and getting our contractors to become more involved. We arranged two stations where employees were able to test safe working methods relating to tree-felling, pole-climbing and cable-cutting.

We have taken stock of the need for safety training as part of our aim to increase awareness of safety and the work environment. Focus has been placed on employees who have "one foot in the field", for example project managers and network planners. The training package will be launched in 2020 and will initially affect 200 key individuals.

Furthermore, all project managers in Stockholm, some 60 people, underwent a half-day training course in behaviour-based safety. During the year we launched a training course with the aim of creating a group of internal coaches who can continuously train people in the areas of change management and safe behaviours.

Sector initiatives

With the aim of learning from other sectors and sharing our experience, Ellevio was the first energy company to join the construction sector's "Håll Nollan" (Keep to Zero) safety initiative, which aims to reduce work-related accidents at construction sites. In 2019 Ellevio was nominated for Håll Nollan's work environment award, together with three other finalists.

Ellevio annually awards the Ellevio Safety Award. Its aim is to highlight the importance of systematic safety initiatives and reward successful ideas that contribute to a better safety culture within the electricity network sector. This year's award was given to Kraftringen for their structured safety initiative that focuses on the manager's role and openness.

Site audits

Ellevio invests substantial resources in preventing accidents through training and follow-up work. Compliance with sustainability requirements is ensured among contractors out in the field, and any shortcomings are reported and remedied immediately. In 2019, 301 (334) unannounced audits were made to ensure compliance with Ellevio's requirements governing safety, environment and quality. The unannounced site audits are an important tool in terms of identifying potential areas of improvement and enabling a continuous dialogue.

In 2019 Ellevio updated its evaluation form and trained the teams that carry out the audits. We also introduced procedures for reporting deviations to the contractors and following up on whether the deviation was remedied.

The results of the unannounced site audits form the basis of our safety index, which supplements our more reactive key indicators in the form of the LWIF (Lost Workday Injury Frequency). One of the conclusions drawn from the audits is that the work environment is not always prioritised in the necessary way during the planning stage, and that resources are lacking on site to clearly delegate responsibility for the work environment. Work is halted in the event of serious deviations, and this occurred on one occasion in 2019.

Read more about Ellevio's health and safety efforts in the Sustainability disclosures section.

Safe workplace.

We want to create an accident-free and safe workplace for everyone by increasing safe behaviours and safe working practices. We must improve the safety culture throughout Ellevio and for all those who work on behalf of the company.

We work in a safe manner or not at all

- We are open and honest about all working environment and safety issues.
- We help each other to consistently work in a safe manner.
- We always encourage safe behaviour and prevent risks.
- We always stop unsafe work.

Collective understanding

- We create a positive safety climate through continuous dialogue, communication and actions across all organisational levels of the company and our contractors.
- Ambitions, priorities and objectives relating to the work environment and safety must be identical at corporate and individual level.

Commitment and consideration

- Ellevio is characterised by a culture in which everyone's commitment to, and consideration of, each other leads to an accident-free workplace.
- We take responsibility for our own safety and that of others by remembering the shared objective that everyone should come home safely from work.

Management

- As a manager at Ellevio, I am constantly engaged and focused on issues relating to the work environment and safety.
- All managers at Ellevio take full responsibility for the work environment and safety.

Personal responsibility

- I take personal responsibility for safety in my work and I comply with safety regulations and adopted working methods. This is enabled by clear descriptions of roles, responsibilities and expected results.

Number of unannounced site audits

301

The number of accidents per 1 million hours worked by:

- Ellevio's in-house staff (TRIF): 0
- Ellevio's contractors (LWIF): 3.3

Nine areas assessed out in the field

1. Planning and organisation
2. Training and skills
3. Monitoring and intervention
4. Behaviour and working methods
5. Safety relating to tools and equipment
6. Orderliness and waste management
7. Quality of work and caution
8. Safety issues and shortcomings
9. Reporting


ELLEVIO
ELLEVIO

Value creation for the environment.

At Ellevio, we believe in a sustainable future and think we can make a difference as a company. To deliver on that, we have four overall environmental goals: playing an active role in the transition to a sustainable energy system, reducing our impact on the environment and climate as well as contributing to strong biodiversity.

Ellevio's overall environmental goals are to be achieved using the following strategies:

- Establishing environmental requirements for purchases, taking account of environmental aspects in the company's business and operational activities and promoting solutions that reduce our environmental impact.
- Promoting the application of a lifecycle perspective in all of our activities.
- Avoiding materials and substances that can be harmful to humans, animals and the environment as far as possible.
- Applying the precautionary principle in connection with investments and purchasing.
- Employing the principles of the waste hierarchy to reduce waste.
- Providing information about, and raising awareness of, how the company's operations can affect the environment.
- Adopting a sustainability perspective when selecting venues for meetings and modes of transport for travel.

Sustainable energy system.

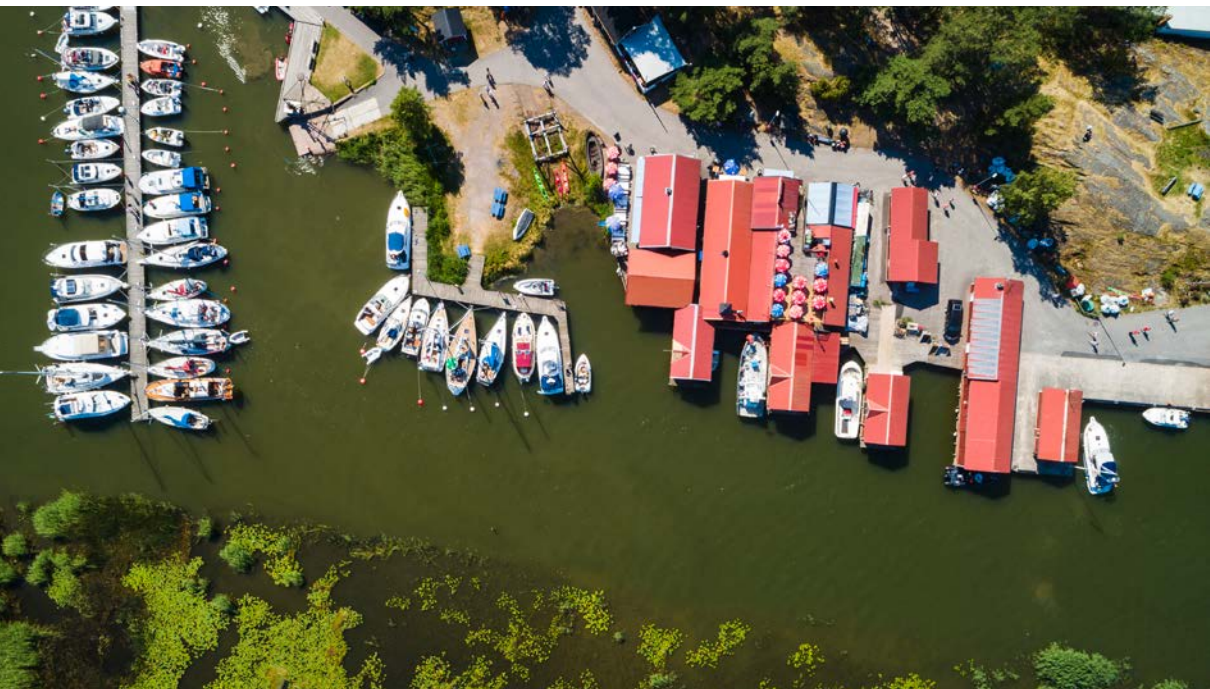
Ellevio is strongly committed to contributing to the transition to a climate-neutral society. This means we actively contribute to the global Goal 7 concerning Affordable and clean energy and Goal 9 concerning Industry, innovation and infrastructure. We also take active steps to adapt our electricity network to the transition to solar and wind power and enable the charging of electric vehicles.

We take responsibility for our environmental impact

Ellevio has an environmental management system certified in accordance with ISO 14001:2015, and we have an ongoing programme that ensures our operations meet that standard. External and internal audits are carried out each year, including an evaluation of the environmental issues on which Ellevio has a significant effect.

As part of its environmental efforts, Ellevio has identified significant environmental issues in the form of:

- Use of creosote in power line poles
- Oil leakages from cables and capacitators
- Use of the greenhouse gas sulphur hexafluoride (SF_6) as insulation media
- Energy losses from the electricity network.



Creosote

Ellevio principally uses wooden poles in its network of overhead lines. These wooden poles are impregnated with creosote, which is classed as a hazardous substance for people and the environment, to protect them against rot. The use of creosote poles when constructing overhead lines has, however, so far proved to be the most sustainable solution for power lines in terms of the impact on the environment, overall climate impact, finances and lifespan. Ellevio exclusively uses poles containing preservatives approved by the Swedish Chemicals Agency and the EU, and monitors the development of alternative materials.

Ellevio works to weather-proof its low-voltage networks by burying cables in the ground. By doing this we also reduce the risk of creosote having any local impact in individual cases by removing poles impregnated with creosote. In 2019 13,500 (net) poles impregnated with creosote were taken down.

Oil leakage

Another risk area is the leakage of oil containing environmentally hazardous PCBs from cables and capacitators. Ellevio has a specific policy in place to prevent this kind of leakage.

Sulphur hexafluoride (SF_6)

Ellevio considers it vital to minimise – or ideally avoid – the use of the gas sulphur hexafluoride (SF_6), which contributes strongly to the greenhouse effect. Ellevio's policy is not to use gases that impact the climate more than is absolutely necessary on the grounds of technology or space. In practice, we minimise the use of SF_6 as a means of insulation for the entire switchgear, even though SF_6 has strong insulation capabilities that offer compact and operationally safe solutions. In growing cities such as Stockholm, where there is a fierce competition for space, new facilities at higher voltages are constructed using SF_6, as there are currently no technological options that are enough tested and safe. To minimise the risk of the gas leaking out into the atmosphere, Ellevio employs a monitoring system and modern transformers. In 2019 the total SF_6 leakage amounted to 47 kg.

We take responsibility for our environmental impact

We take active steps to reduce our carbon footprint. Since 2018 Ellevio has been actively measuring, following up and reducing CO_2 emissions generated by its operations. From 2019 we report results in line with the Greenhouse Gas Protocol (GHG), which is an internationally accepted standard for calculating and reporting CO_2 emissions. To begin with, our CO_2 reporting covers our direct (scope 1) and indirect emissions (scope 2) of CO_2.

Our direct emissions come from the burning of fossil fuels at and SF_6-leakage from our own facilities along with emissions from our proprietary and leased vehicles. Our indirect emissions come from the purchase of heating and cooling for our own use along with network losses. In 2019 Ellevio's total CO_2 emissions amounted to 1,245 tonnes CO_2 equivalents – an increase of 359 percent compared with 2018. The main reason for the increase in 2019 is an increased leakage of SF_6 compared with the previous year.

Our direct emissions accounted for 96 percent, while our indirect emissions accounted for 4 percent.

In 2019 we also began measuring and following up on the accumulated reduction of network losses that occur as we replace the old transformers with new and more efficient ones. Network losses decreased by a total of 1,500 MWh during the year.

Biodiversity

Our power lanes are kept free from trees so that electricity can be transported with a high level of reliability. Regular clearing of brushwood can often be enough to ensure that open meadows and pastures are not able to grow again. As areas of meadow and pastural land have shrunk dramatically in Sweden over the past century, other types of open land will become important habitats for our threatened meadow species. The power lines that run over grassland environments thus contribute to Sweden's biodiversity.

Ellevio has an action plan that describes how the management and development of areas rich in species within our power line network should be conducted. During 2019, a total length of approximately 600 km power lanes were studied within our network with a voltage level of 50 kV and higher, of which one-third of the distance was field inventoried and approximately 200 km of valuable areas were identified. The distances of which field inventories are carried out are those identified as potentially species-rich areas. During the year, we also made plans for how to adapt our maintenance plans for these species-rich areas.

Read more about Ellevio's environmental initiatives in the Sustainability disclosures section.

More extreme climate placing new demands on the network.

Forest fires, torrential downpours and more storms – these are just some examples of the climate phenomena to which we will have to become accustomed in the future. As electricity network owners, this has created a new situation for us.

Erik Kjellström, Professor of Climatology at the Swedish Meteorological and Hydrological Institute, believes we will have to get used to more extreme weather phenomena in the future.

"Temperature increases will continue, meaning warmer summers and milder winters. Low pressure bands which have a major influence on our weather, will likely follow a more northerly route.

On a global scale there will be fewer low pressure bands, but they will be more intense. In the future, we in Sweden will likely be struck by more tornadoes and intense hailstorms than we are today. Many aspects connected to extreme weather and how it may change in a warmer climate remains uncertain, but intensive research is being conducted into this area," Kjellström explains.

Fires

The summer of 2018 went down in history as the hottest ever. Major forest fires raged across Sweden, homes were destroyed and valuable forest was incinerated. The electricity network was also affected. On 17 July three of Ellevio's power lines in Hälsingland were destroyed. The flames engulfed several poles that began to burn and break away; the power lines collapsed. No household customers were affected, but several hydropower plants along the Ljusnan river became disconnected from Ellevio's network. In total, eighty kilometres of Ellevio's power lines were knocked out as the fires spread.

"The situation was very different to normal circumstances when a power line breaks. In those cases we are able to quickly investigate the fault and immediately deploy the right teams to repair the line. In this case, however, it took several weeks before we even knew what was wrong," explains Anders Ekberg, Head of Ellevio's operational organisation.

The fires heightened Ellevio's awareness of the risk of fires. Since last summer, the company has been undertaking methodical work aiming to prepare for the future. Ellevio assessed all of its power lines based on the likelihood and risk of being knocked out during a major fire.

"We also examined which steps we can take when planning expansions and updates of our power lines to reduce the risk of these kinds of major fires damaging our electricity network," adds Ekberg.

Torrential rain

In mid-August 2019 a typical year's worth of rain fell on Åsa in Halland municipality over the course of three days. Many houses were flooded and the emergency services worked flat out to help stranded inhabitants. The enormous quantities of water also created problems for the electricity network.

"We pumped 30 cubic metres of water out of a protective pit over just a few days, compared with 40 cubic metres throughout all of 2018," explains Mathias Lersten, Project Manager for Ellevio's regional networks.

There are protective barriers under the transformers in switchgears in the form of cavities that can collect any oil leakage from the facilities, should a disaster occur. Due to the violent rainfall, there was a risk that the cavities would flood and polluted water would leak out. However, using new smart technology, Ellevio was able to react quickly as the rain was falling.

"We are testing different types of equipment, including automatic pumps with sensors that can detect oil present in the water. The water then stops being pumped out and we are alerted by an alarm. We are also testing a level gauge that emits an alarm if the water in the cavity exceeds a certain level. It can also detect any leakage within the cavity," adds Lersten.

Storms

There are several historical examples of storms that have knocked out the electricity supply in large parts of the country. Storm Gudrun in 2005 had unprecedented consequences and in more recent years storms such as Dagmar, Egon, Helga and Alfrida have left tens of thousands of households without power over long periods. There is, however, a clear pattern: the consequences of storms are not as destructive now as they once were. The main explanation for this is that thousands of kilometres of electrical power lines have bene buried in the earth, so called cabling, thus safeguarding them against the forces of the weather.

Ellevio has invested around SEK 20 billion since 2005 in the modernisation and reinforcement of the electricity network. In total, approximately 57,600 kilometres of the power lines have been cablified and older lines have been demolished. This corresponds to approximately 80 percent of Ellevio's local network. We will continue to weather-proof the grids over the coming years, while smart technology is introduced into many key hubs of the network. This affords us the opportunity to report faults more quickly and restore power to the power lanes that have not been affected.

Value creation for owners.

Our owners

Our operations are stable and predictable and have a long-term investment horizon. At the same time, a shareholding in network companies requires extensive access to capital and long-term responsibility for critical infrastructure.

Our owners – the Third National Pension Fund, Folksam, the First National Pension Fund and OMERS Infrastructure, have a long-term perspective that is clearly aligned with the long-term investment horizon required in the electrical network business. We are facing a major need for investment and our owners therefore want to enable the investments necessary for us to continue offering our customers a reliable electricity network – under the right conditions.

The Third National Pension Fund is one of five national pension funds tasked with helping safeguard the value of the Swedish state pension for both current and future pensioners. The task of this fund is to responsibly invest in and manage the pension system's buffer capital. Total managed capital amounts to approximately SEK 374 billion.

Folksam is one of Sweden's largest insurance and pension companies, with a major investment business and total managed capital of around SEK 455 billion.

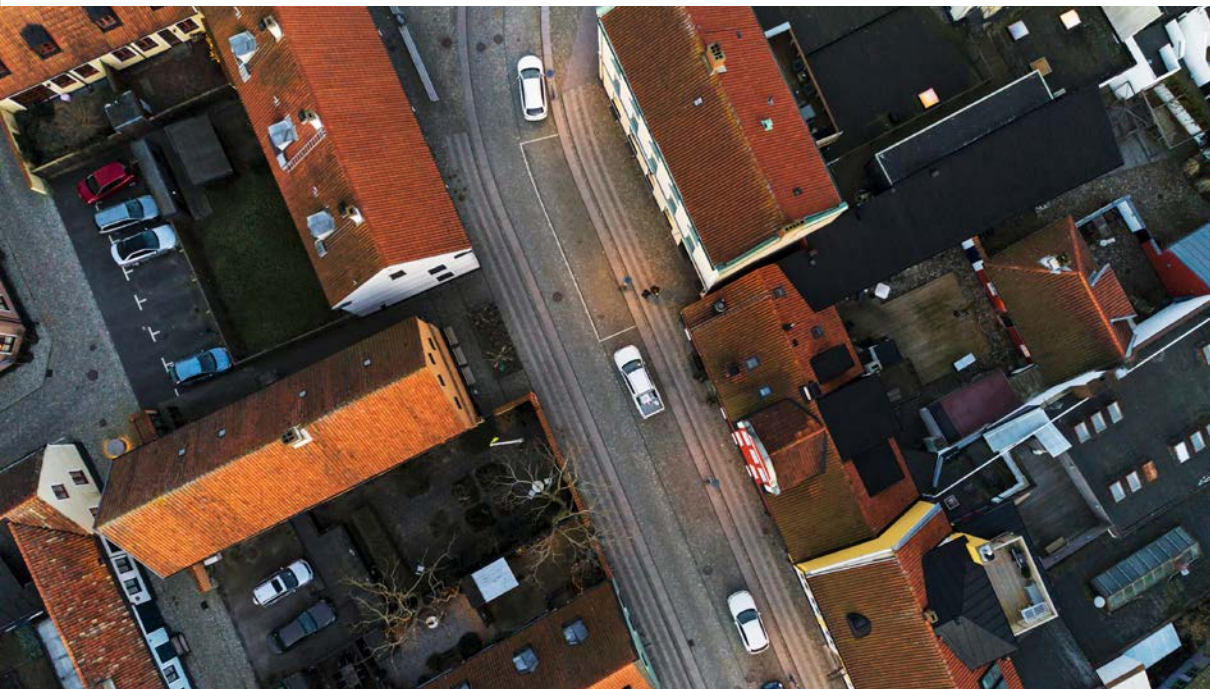
The First National Pension Fund aims to invest in a way that ensures the greatest benefit for the pension system. The fund is to strive for a high long-term return while ensuring the risk to current and future pensions remains low. The investments are being made across the globe. Total managed capital amounts to approximately SEK 352 billion.

OMERS Infrastructure represents a branch of the Canadian pension fund OMERS, which manages pensions for the province of Ontario's public sector employees. Total managed capital amounts to around CAD 97 billion, which is the equivalent of around SEK 695 billion.

Our model

Ellevio's owners have created a model whereby pension savings can be channelled into investments in the transition to a sustainable energy system. Those who are currently in work can save into pension funds that offer both financial security after pension age and enable investments in a sustainable energy system for future generations.

This is structured so that the pensions funds which manage the pension capital place long-term capital at Ellevio's disposal, which we in turn invest in the electricity networks of the future. In return, we are to offer the pension funds a reasonable, long-term and stable return. As both Ellevio and the pension funds work based on a long-term horizon, the pension funds can be considered appropriate and responsible owners. One prerequisite for the functioning of this model, however, is that network regulation remains stable over time and permits a reasonable return on invested capital.



Investments and financing.

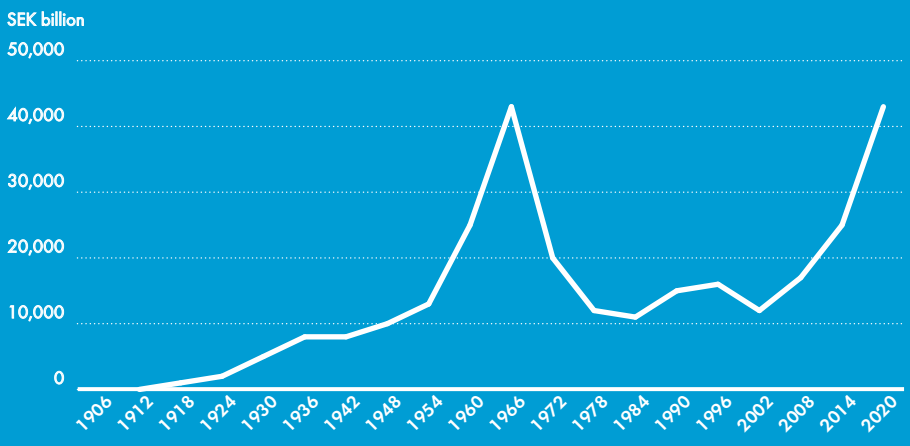
Investment in our electricity network is the most important action we take. Our objective is for our customers to receive an uninterrupted supply of electricity – now and in the future.

Swedish network companies, whether state-owned, privately owned, municipal companies or local electricity associations, are facing the need for record investments if the energy agreement's vision for a reliable and 100 percent renewable energy system is to be achieved. Such investments require a stable and long-term supply of financing, which is why it is important for the framework governing electricity network investments to also be long-term, stable and predictable.

Investments

Ellevio invested more than SEK 10 billion between 2016 and 2019 to modernise and reinforce the electricity network, which is a tripling compared with the previous regulatory period, 2012–2015. The investments are allocated among all areas: circa SEK 2 billion in Dalarna-Gävleborg, SEK 2 billion in Värmland-Skaraborg-Närke, SEK 1.1 billion on the west coast and SEK 5.3 billion in Stockholm.

Investment cycles in the Swedish electricity network. The need for investment in the electricity network is cyclical in nature. At the current time the entire sector is in a period of heavy investment.



Source: IVA, Vägval El, 2016

Thanks to these investments, we have made some progress towards achieving the electricity network of the future. We have weather-proofed thousands of kilometres of power lines in rural areas and set up modern secondary substations to make the electricity network smarter. We have connected new wind power sources to the network, which is an important addition to Sweden's energy system. We have also worked hard to modernise and reinforce the electricity network in the Stockholm region.

New regulation creating obstacles

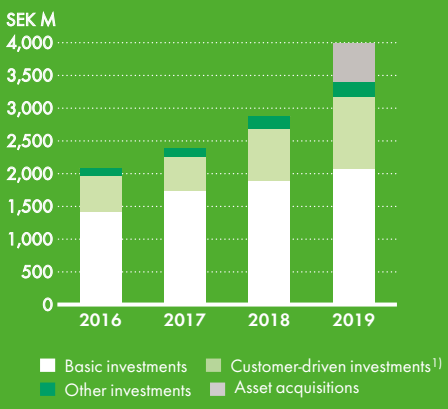
The government's directive concerning new electricity network regulation for the period 2020–2023, presented in August 2018, followed by the Swedish Energy Markets Inspectorate's (Ei) decision to reduce the revenue frameworks for the period 2020–2030 means that revenue frameworks will lead to a major disincentive to invest in the electricity network, without a thorough impact assessment having been carried out and before the effects of the framework in place today have had a chance to be evaluated. This reduction will entail Sweden's network companies having one of Europe's lowest regulated interest rates: 2.16 percent.

In the short term, the advantages of lowered revenue frameworks may outweigh the negatives; electricity prices are estimated to fall for customers. In the long term, however, the change – together with the reduced incentive for grid companies to invest – could lead to insufficient investments in maintenance and development of the electricity networks and thus to reduced security of supply and fewer opportunities to achieve growth and established climate and environmental targets. The transition of the energy system towards major and minor-scale renewable energy production and electrified transport and industry is under threat.

Following the decision, we conducted a review of our investment plans in which our basic investments will fall by 40 percent compared to the plan. It is important for network regulation to offer an incentive to carry out the required investments. Establishing reasonable conditions for attracting capital to the major investments in network capacity and automation required to meet demand in an increasingly electricity-dependent society is one of our most important priorities.

The improvements will not only result in weather-proofing, upgrades and increased capacity, but will also contribute to lowering operating and maintenance costs over the long term. It is important for us at Ellevio not to lose speed and momentum in our investments for the future. We have therefore appealed the new revenue framework.

Investments 2016–2019



1) Investments initiated by our customers, for example investments made in wind parks and solar panels.

Increase in investment in modernisation and reinforcement of the electricity network 2014[1] compared to 2019

240 %

1) The year before Ellevio became an independent company

Planned investments for 2020–2023:

- Roll-out of the new smart electricity meters
- Capacity-increasing projects in Stockholm and surrounding area
- Continued weather-proofing of our electricity networks
- Connection of renewable energy

Switchgear at Värtan an important part of Stockholm's development.

In 1918 the City of Stockholm took an important step in the electrification of the city when a 110 kV-switchgear at Värtahamnen began distributing electricity from the hydro power plant at Dalälven. At that time this was Sweden's longest long-distance transmission of electricity and was seen as a pioneering step. Värtan had been providing distribution of electricity to Stockholmers since the late 1800s, but at that point via coal-fired steam turbines. Never before had people worked with such high voltages.

The foundations of the plant that were laid over 100 years ago are still supplying electricity to large parts of Stockholm today. The switchgear proved revolutionary for the electrification of Stockholm – "electricity for all" became a mantra and proved decisive in terms of Stockholm's growth over the past 100 years.

Until the end of the Second World War, the Värta plant was alone in supplying the city and went on to eventually be expanded by a second switchgear. With the expansion of nuclear power during the 1970s, electrification got a new boost and the Värta plant needed to be expanded. It is these switchgears that have now fulfilled their technical lifespan and need replacing. The station is beginning to age at the same time as the city are growing, which means Stockholm is reaching its limit in terms of capacity.

Ellevio therefore launched one of its most complex projects ever in 2019: the old switchgear will be demolished and replaced by an entirely new and modern facility. We are building for the society of the future, in which we will have electric vehicles, buses, ships and perhaps even aeroplanes. We will have smarter and more autonomous systems in our homes that will control everything from lights to heating and alarms to gadgets.

Greater capacity over a smaller area

It is not just in terms of electricity transmission that Stockholm is reaching its capacity limit, but also in terms of space. Any area that can be spared is required by the City of Stockholm to build on; housing, schools, hospitals etc.

The current switchgear is an air-insulated switching centre, which means that the parts of the switchgear that transmit voltage are separated by air pockets that surround them. The disadvantage of this technology is that it requires a lot of space – space that is not available in a growing city. The new switchgear will therefore be built using another established technology, namely an encapsulated, gas-insulated switchgear in which the gas SF_6 is used to insulate the parts that transmit voltage. The gas provides very good insulation and so it is possible to built the switchgear in a more compressed way.

SF_6 is not toxic but if it were to escape into the atmosphere then it would contribute to the greenhouse effect. However, with normal usage and correct handling only extremely small amounts of gas should reach the atmosphere and cause any damage. The total contribution to global warming from fluorine compounds such as SF_6 is also incredibly small. According to the UN Intergovernmental Panel on Climate Change, or IPCC, these gases account for 2 percent of all greenhouse gases from human activity, with the largest additions coming from gases used in cooling facilities. As a comparison, meat production alone accounts for around 15 percent of total global emissions, according to figures from the IPCC.

The advantage – in addition to being able to build the switchgear on a much smaller area, roughly one quarter of the current area – is that the actual switchgear can be housed in just one building. The equipment is not exposed to the cold or snow but is in fact entirely sheltered, thus obviously reducing maintenance and the risk of faults. The risk of unauthorised persons entering and causing damage or being injured themselves is also reduced.

The major challenge

The new switchgear is planned for completion in late 2024, and there is much work still to be done. For instance, the five new transformers that will be used to replace the old ones need to be transported. Each transformer weighs around 300 tonnes, which corresponds to around 15 public buses. To handle this weight, a special road needs to be built from the port to the Värta plant. However, the greatest challenge is naturally that the project is being carried out at the same site at which the switchgear is currently located, and it will continue to supply our customers with electricity throughout the entire period of construction – every day, every hour, every minute!

Dalarna

- Approx. 35,000 customers

Investments

- We have invested some SEK 600 million in modernising and weather-proofing the electricity network in Dalarna during the period 2016 to 2019.
- To increase security of supply, we have replaced existing overhead lines with underground cables in several areas, including Mora, Orsa, Ryssa, Gesunda and Älvdalen.
- Major expansion is taking place in the mountains, particularly in Idre Himmelfjäll, but also in Grövelsjön and Storsätern. Major and minor secondary substations are being installed, while cables in the local and regional electricity networks are being replaced to increase capacity in the network.

Värmland

- Approx. 105,000 customers

Investments

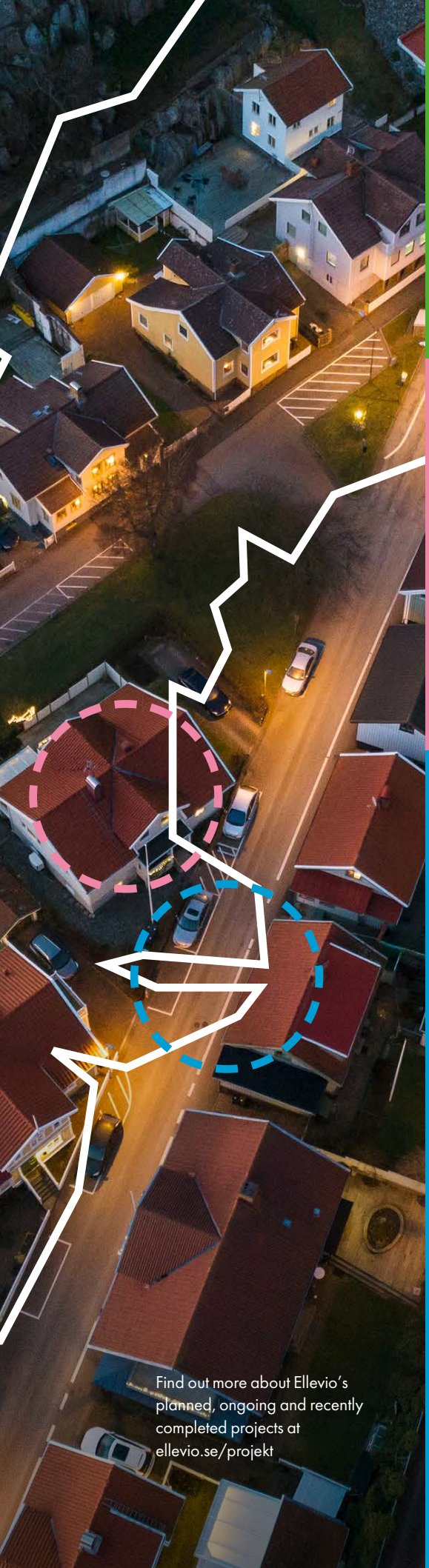
- Around 1,000 km of lines are being weather-proofed as part of the "Värmland package" in areas such as Torsby, Hagfors, Lekvattnet, Väse, Edsvalla and Sunne. Some 11,000 households and companies will have a modern electricity network thanks to this investment, which will cost some SEK 270 million between 2018 and 2021.
- Several older secondary substations have been replaced by new, modern versions, including in Töcksfors, Jössefors and Åmotfors.
- During the year we completed the total renovation and modernisation of the switchgear in Kil, which is a hub of the network in Värmland. This involved an investment of over SEK 100 million.

West coast (Halland, Bohuslän)

- Approx. 128,000 customers

Investments

- South of Gothenburg, around the Mölndal area, we are building new secondary substations and a new electricity network to enable new connections in the form of housing, shopping centres and companies.
- A major project is also under way in Gothenburg's southern archipelago at Vrångö, Donsö, Styrsö, Brännö and a number of smaller islands. Around 100 km of power lines on land and in the sea have been replaced and weather-proofed. In total, approximately 3,200 households will have a modern electricity network.
- On the islands of Orust and Tjörn and around Stenungsund we are undertaking a number of projects to modernise, weather-proof and, in some areas, reinforce the network for new connections.



Find out more about Ellevio's planned, ongoing and recently completed projects at ellevio.se/projekt

Skaraborg-Närke

- Approx. 27,000 customers

Investments

- 2,800 households in Skövde, Mariestad and Karlsborg received a more secure supply of electricity upon the completion of the Skaraborg package. Up until the end of 2019 we have been burying around 200 km of cables and establishing 200 new secondary substations. Investments here amount to SEK 130 million.
- Major regional substations are being rebuilt in Svartå, Hova, Käckestad, Hjälstad and Kullåsen.

Gävleborg (Hälsingland, Gästrikland)

- Approx. 69,000 customers

Investments

- We are rebuilding the electrical grid for some 6,500 customers around Arbrå and the northern and western parts of Hudiksvall municipality. This involves some 600 km of lines being buried underground in order to provide customers with a weather-proofed network. 315 secondary substations are also being replaced. In total, Ellevio is investing some SEK 230 million in the project.
- In Hudiksvall we also have several projects under way to reinforce and weather-proof the electricity network as new customers are connected.
- We reinforced and modernised the electricity network at the ski resort in Järvsö.

Stockholm (City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn, Vallentuna)

- Approx. 598,000 customers

Investments

- We have a number of ongoing projects around Nynäshamn that aim to reinforce the electricity network, thus allowing us to connect new customers and supply electricity for the expansion and modernisation of the port of Nynäshamn.
- On Ekerö several projects are under way to increase capacity in the area and improve operational safety by replacing the old overhead lines with underground cables.
- Across almost the entire Stockholm region, including Hässelby, Täby, Farsta, Rågsved, Hagsätra, Sätra, Bredäng and others, we are carrying out projects to reinforce and modernise the network ahead of future construction and to connect new housing areas and schools.
- In Stockholm city centre, including Östermalm, Norrmalm and Kungsholmen, several projects are under way to modernise, expand and reinforce the electricity network and prepare the way for the installation of charging stations for electric vehicles.
- Many of the larger and important stations in Stockholm's regional electricity networks are being rebuilt, including Värtan, Ulvsunda, Västberga, Högdalen, Bredäng and Sätra.
- Construction of a new 400 kV line between Beckomberga and Bredäng commenced during the year; a route of around 12 kilometres. A large part of the route will travel under water, from Bromma to Bredäng, and in autumn 2019 dives were conducted to lay protective pipes through which cables will be laid at a later date.

Financing

The electricity network we are building is designed to function in the long term, which entails major demands in terms of longevity from both ourselves and our owners.

Our loan structure

Our loans comprise loans from external lenders whereby the company's assets are collateral, as well as subordinated loans issued to Ellevio AB's holding company and then loaned to Ellevio AB. The fact that the loans are subordinate means that if the company were to file for bankruptcy, repayment would only be made once amortisations and interest on other loans have been paid, meaning they entail a higher risk.

The average financing interest rate for Ellevio's external loan financing, including interest hedging derivates, amounted to around 2.7 percent at year-end 2019 (2.9), and the average remaining term was around 7.5 years (8.6).

Shareholder loans that have a term until 2040 and are subordinate to other loans have an interest rate of 6 percent (8.5) following a decision from Ellevio's shareholders in August 2019. During 2019 no interest on shareholder loans or dividend was paid to shareholders. During 2018 SEK 0.5 billion was distributed as interest payments to our shareholders in Ellevio Holding 1 AB.

Our financing and interest rates do not affect the prices paid by customers.

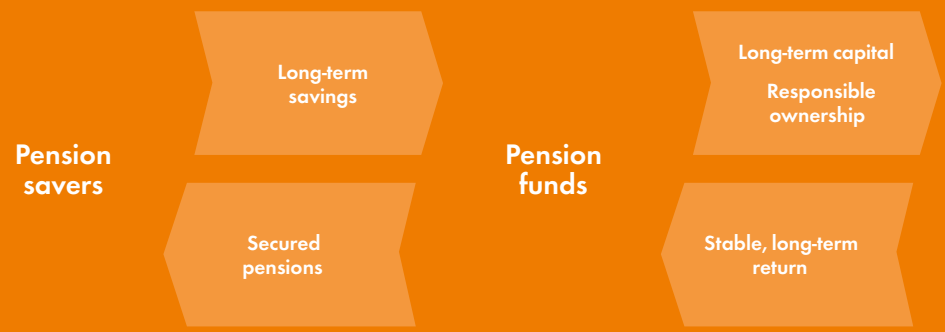
Electricity network companies operate as monopolies, which are subject to state supervision and regulation by the Swedish Energy Markets Inspectorate (Ei). The business's revenue is decided by the Energy Markets Inspectorate and the regulation should ensure that the grids are of good quality and provide long-term security of supply.

Grid companies should receive compensation for reasonable costs linked to operations management and a return on investments in the development

Ellevio channels long-term pension savings into investments as part of the transition towards a sustainable energy system.

Ellevio's owners have created a model whereby pension savings can be channelled into investments in the transition to a sustainable energy system. This is structured so that the pensions funds which manage the pension capital place long-term capital at Ellevio's disposal, which we in turn invest in the electricity networks of the future. In return, we are to offer the pension funds a reasonable, long-term and stable return.

The societal benefit of the investments Ellevio makes in the electricity network are extensive. The network of the future will be a prerequisite of our ability to electrify the transport industry, make the transition to 100 percent renewable electricity and ensure a secure supply of electricity to the whole country. A large number of jobs will also be created, both directly at our company and indirectly among the many contractors we engage.



of the grids. The permitted revenues, that is, how much we are paid by our customers, is determined by regulations that are the same for all Swedish network companies. Permitted revenue is not affected by the owner of the operations (municipality, state, pension saver or private) or how the operations are financed; no network company can charge its customers more than the revenue regulation permits. This means that neither financing nor interest rates have any impact on the prices paid by customers.

Green bond certification

To offer the capital market the opportunity to invest in projects that support the transition to a climate-neutral society, Ellevio launched a framework for issuing green bonds. Projects that could be considered be for financing are those which contribute to the UN's sustainable development goals.

The new framework was developed in line with the industry standard for green bonds (ICMA Green Bond Principles) and was reviewed by the independent climate and environmental research institute CICERO, receiving the highest score of "Dark Green" during the review.

With the aim of giving investors and other stakeholders the opportunity to follow developments in Ellevio's environmental efforts and the issuing of green bonds, as well as an insight into how the funds are used, Ellevio will annually publish a newsletter for investors. The plan is to issue the first green bond during 2020.

Annual and Sustainability Report 2019.

Contents.

Directors' Report.

Business operations

Ellevio AB (publ) is one of Sweden's largest distribution network operators. Ellevio invest in, develop and maintain the company's power grids in order to ensure a reliable electricity supply to the 962,000 customers, 24 hours a day, each day of the year. By investing in a long-term sustainable power grid Ellevio works to improve the quality of life for its customers as well as to enable the ongoing energy transformation and the continued digitization of the society. The company conducts electricity distribution operations in concession areas on the West Coast, in Värmland, Skaraborg, Dalarna, Gävleborg and the Stockholm region.

Electricity distribution is essential to modern society and an uninterrupted electricity supply is becoming ever more important. Large parts of the Swedish electricity distribution network were built during the 1960s and 70s and are thus becoming outdated and due for replacement. This means that the entire distribution sector enters a period of large investments. For Ellevio, this meant launching a major investment programme in 2015 to be implemented between 2016 and 2019 to renew the network, increase capacity and weatherproof the networks. During 2019 the investments has amounted to about SEK 3.4 billion, compared to SEK 2.9 billion in 2018. In total, Ellevio has invested about SEK 10.7 billion during the programme's four years.

The efforts are aimed at maintaining the high security of supply that Ellevio's customers have today, 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, the continued digitisation of society, the electrification of the transport network, and new services enabling users to control their electricity consumption impose new requirements on a smarter electricity network – one that is reliable yet also more automated and flexible.

The first step in the acquisition of regional network assets from Svenska kraftnät for a total consideration of SEK 593 million, took effect in December 2019. The acquisition was first communicated in august 2017. The purpose of the acquisition is to streamline the electricity grid structure in Stockholm. In January the company acquired shares in three asset owning companies related to Laforsen sub-station. The operations have been fully integrated with Ellevio during the year and the three companies have all been merged with Ellevio AB in November 2019. In addition, at the end of the year, Ellevio acquired the power networks and concession rights of Hamra Besparingsskog.

You could find information about Ellevio's sustainability efforts and value creation on pages 2–35 in the Annual Report and in the Sustainability management and results section and in GRI index on pages 82–95.

Other significant circumstances

Electricity distribution is a natural monopoly and as such a 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 decides how much distribution network operators like Ellevio are allowed to charge its customers. These limits are known as the allowed revenue and the levels are determined in advance for four years at a time. The allowed revenue should cover reasonable costs for running the business and a fair return to the network owners. According to the Swedish Electricity Act, the electricity network fees paid by customers must be fair, objective and non-discriminatory.

In August 2018, the Swedish government decided on a new ordinance regarding the regulatory framework. 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 and the "38 year rule" (the transition rule) has been removed. The ordinance stipulates a decreased allowed revenue, which will affect all Swedish distribution system operators, from state- and municipality-owned to private companies.

Based on the ordinance, Ei decided in 2019 on the allowed revenue for the next regulatory period 2020–2023 for all distribution companies. The allowed revenue stipulates a WACC of 2.16 percent (expressed as real WACC before taxes).

Ellevio and more than 120 other companies have appealed the decisions. In the beginning of 2020, the grounds for the appeal have been delivered to the Administrative Court in Linköping. The main pleading is that the revenue frame ordinance is contrary to both the EU directive and the Swedish legislation and hence Ei's decisions should be declared invalid and be referred back to Ei for new decisions. The new decisions should be based on valid economic theory and practice from the Swedish Courts.

The European Commission has a case against Germany in the EU Court of Justice, regarding the independence of the regulatory authority. This case is similar to the Swedish case and the ruling is expected in the first half of 2020. Both the European Commission and the Swedish Government are awaiting this decision before taking any more actions regarding the Swedish revenue frame ordinance.

The Swedish Government has proposed to implement a change in the legislation so that the regulatory deficit from 2012–2015 cannot be carried over to 2020–2023, contrary to the ruling from the Administrative Court of Appeal in Jönköping. In response to objections to this, the Swedish Government plans to propose a new law allowing the distribution companies to utilise the regulatory deficit from 2012–2015 for investments under certain conditions during the two regulatory periods 2020–2023 and 2024–2027. In brief, investments above one percent of the replacement value can be financed to 75 percent with this deficit from 2012–2015.

Financial results

In 2019 net sales amounted to SEK 6,709 million (6,974). The distribution revenue decreased as a result of the reduction of the fixed fee in December for all local network customers, the price decrease in the West Coast area in the beginning of the year and lower distribution volume partly offset by the price increase in Stockholm during fall 2018. The volume of local and regional network transmission 2019 totalled 14.4 TWh (14.7) and 12.1 TWh (12.6), respectively.

EBITDA totalled SEK 3,848 million (4,188) and operating profit totalled SEK 1,649 million (2,067). The operating profit was negatively impacted with SEK 33 million from the storm Alfrida that hit Sweden during January this year.

Interest expense and similar items were SEK −2,633 million (−3,019), of which SEK −1,492 million (−1,609) were related to Group internal interest expenses and SEK −1,141 million (−1,410) to external interest expenses. The reduction in Group internal interest is explained by the repayment of the structurally subordinated SEK 3,000 million junior debt facility in Ellevio Holding 2 AB in June 2018 as well as reduction of the interest on the sub-ordinated shareholder loans from 8.5 percent to 6.0 percent from 30 August 2019.

The external interest expenses include changes in the fair value of financial instruments of SEK 13 million (375) as well as SEK −35 million (−87) in transaction costs related to financing activities. During 2018, Ellevio closed and cash settled interest rate swaps, resulting in realized results of SEK −377 million. Excluding the items above the external interest expenses have decreased with SEK 202 million compared to 2018, mainly due to lower average interest rate on loans and hedging arrangements. Loss after financial items amounted to SEK −982 million (−893).

Profit for the year amounted to SEK −1,248 million (1,280). Appropriations for the year SEK −115 million (1,463) was lower than previous year, mainly related to group contributions received from Ellevio Holding 1 AB in 2018 of SEK 1,512 million. During 2018 the deferred tax liabilities was re-evaluated due to a decision in the Parliament to decrease the Swedish Corporate tax rate to 21.4 percent in 2019 and 20.6 percent in 2021, impacting the income tax positively with SEK 895 million in the full-year results of 2018.

Financial position and cash flow

In 2019, cash flow from operating activities increased by SEK 183 million to SEK 4,859 million (4,676), mainly due to an increase in received connection fees of SEK 185 million. Change in working capital contributed with SEK 508

million (226), offsetting together with lower tax paid the negative impact from lower EBITDA.

Paid capital expenditure increased by SEK 1,286 million to SEK −3,897 million (−2,611). The increase in capital expenditure is explained by asset acquisitions from Svenska kraftnät SEK 593 million, Hamra Besparingsskog SEK 15 million and an increase in the network investment programme with SEK 678 million. Cash flow for 2019 includes acquisition of shares in three asset owning companies related to Laforsen sub-station in the amount of SEK −44 million and 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. In addition, cash flow for 2018 included a divestment of the shares in Elverket Vallentuna El AB (electricity sales company) in the amount of SEK 46 million. Free cash flow amounted to SEK 962 million (2,065) and cash flow before financing activities to SEK 918 million (1,491).

The external net debt increased in 2019 with SEK 243 million, and amounted to SEK 38,892 million (38,649) by the end of the year.

Financing

During 2019 Ellevio refinanced and extended SEK 9,000 million of bank loan facilities and restructured and extended SEK 8,421 million of hedging arrangements. The purpose of these transactions was to secure financing of ongoing investment program, and to extend and smoothen the interest rate maturity profile of Ellevio's external debt.

In January 2019 Ellevio refinanced the remaining facility amount (SEK 8,200 million) under the Acquisition Debt Facility, originally raised in March 2015. The Acquisition Debt Facility due 2020 was cancelled and replaced with a new senior secured (Class A) Revolving Credit Facility ("RCF") of SEK 7,500 million maturing in 2024. The new facility may be used for financing of maturing debt, capital expenditure and for general corporate purposes.

As a part of the restructuring of the RCF, Ellevio also refinanced and extended the existing senior secured (Class A) and contractually subordinated (Class B) Liquidity Facilities ("LF") of SEK 1,400 million and SEK 100 million respectively. The new extended LF facilities matures in 2024. The LF facilities may only be used to finance liquidity shortfall amounts under Class A and Class B debt issued by Ellevio. The new facilities were syndicated in equal amounts to Ellevio's 12 relationship banks, with each bank committing to SEK 750 million.

During the period February to April, Ellevio restructured SEK 8,421 million of existing interest hedging agreements. The hedging agreements where Ellevio pays fixed interest rate and receives 3 months Stibor rate until 2025 were extended and divided into four new maturity dates, 2027, 2029, 2030 and 2032. The purpose of the hedging restructuring was to extend and diversify the interest maturity profile as well as to lower interest payments in the periods up to 2025.

As per end of December 2019, Ellevio's senior secured (Class A) net debt amounted to SEK 35,907 million and contractually subordinated (Class B) debt amounted to SEK 2,985 million. The average repayment period for the total external debt was 7.5 years.

On July 5th 2019, S&P confirmed the "BBB" rating for Ellevio's senior secured (Class A) debt and the "BB+" rating for Ellevio's subordinated (Class B) debt. However, following the announcement from Ei on reduced capital compensation for the next regulatory period 2020–2023, the outlook for the ratings were changed from "stable" to "negative".

From 30 August 2019, Ellevio's interest rate on subordinated shareholder loans has been decreased from 8.5 percent to 6.0 percent, following a decision from Ellevio's shareholders.

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 collaborations with other operators, both nationally and internationally.

It is Ellevio's view that the indicated new level of WACC is far from sufficient to enable the investment levels needed to fulfil society's demand for reliability and continued growth, nor to reach the climate targets. The energy transition towards renewable production and the electrification of the transport sector as well as the industry demands smart modern power grids, in terms of flexibility, capacity and efficiency. The time horizon for investments in this industry is long, often more than 40–50 years and the essence of long term predictable and stable regulation could not be underestimated

Ellevio will strive to ensure that actors in the market have a mutual understanding of the important role the power grids have in building a climate-friendly society, and a common view of what is needed to succeed. We will work actively to enable a close dialogue with the policy makers to achieve a long-term and stable regulation that creates the required investment conditions.

Further on, the preparatory work to reform the retail market has also proceeded. Ellevio has during the year been arguing for changes in the original proposal, in which electricity suppliers will be the first contact for customers. Many of the challenges that existed when the proposal first was initiated are now solved.

Information on risks and uncertainties

Risk management is an integral element of operational planning, governance and monitoring. Business risks are assessed through management's and Board of Directors' strategy and planning work, and are documented in a business plan 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 may 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.

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 run by the company, with a focus on reducing sensitivity to storms and improving the general reliability of our electricity network. The company also has an advanced organization to address major disruptions and a fault repair process that is continuously being improved 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 derivative instruments to reduce these risks. Also see Note 4 Financial risk management and financial instruments.

Employees

In 2019, Ellevio had an average of 500 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 field operations are outsourced to external contractors.

In 2019, a reorganization took place in the company where the two divisions, Asset Management and Design and Network Operations were merged into a new joint division called Asset Management and Operations. The change was preceded by negotiations with union representatives. Following the new organisation, Ellevio's management team was also changed with a joint head of the new division.

Environment
Ellevio AB (publ) is ISO 14001:2015 certified and the company operates under a Board approved sustainability policy.

Under the Swedish Electricity Act, a permit for the construction and use of an electricity line ("concession") can be granted 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 on environmentally hazardous operations.

Sustainability report
In accordance with ÅRL, Ellevio AB has chosen to establish the statutory sustainability report as a separate report from the Annual Report. The sustainability report is found on pages 2–5, 18–35 and 82–96.

Group contributions and shareholder contributions
The company has in 2019 received SEK 1,491,912,174 in shareholder contributions and given SEK 407,936 in group contributions.

Proposed allocation of retained earnings (SEK)
The following earnings are at the disposal of the Annual General Meeting:

Retained earnings	8,816,177,526
Profit/loss for the year	−1,248,164,696
	7,568,012,830

The Board of Directors proposes:

Retained earnings to be carried forward	
	7,568,012,830

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

Financial overview.

MSEK	2019	2018	2017	2016	2015
Net sales	6,709	6,974	6,894	6,537	6,014
EBITDA	3,848	4,188	4,207	3,946	3,275
Items affecting comparability	–59	–39	–23	0	–5
Comparable EBITDA	3,908	4,227	4,230	3,946	3,280
Operating profit	1,649	2,067	2,161	1,929	1,675
External financial items	–1,139	–1,696	–1,228	–876	–337
External financial items, Class A	–1,029	–1,618	–1,228	–876	–
Profit/loss after net financial income/expense	–982	–893	–750	–1,369	285
Profit/loss for the year	–1,248	1,280	288	–239	15,463
Cash flow from operating activities	4,859	4,676	4,117	3,463	3,443
Free cash flow	962	2,065	1,748	1,406	1,860
Capital expenditure	4,000	2,870	2,381	2,076	1,706
Total assets	86,459	83,543	80,048	76,968	75,235
Total equity	7,605	7,361	6,201	5,923	6,163
Adjusted equity	8,629	8,296	7,035	6,534	6,509
Equity/assets ratio	10.0%	9.9%	8,8%	8.5%	8.7%
Adjusted cash	7	45	1	46	114
External net debt	38,892	38,649	35,528	34,075	32,864
External net debt, Class A	35,907	35,666	35,528	34,075	–
Leverage ratio	10.0x	9.1	8.4x	8.6x	10.0x
Leverage ratio, Class A	9.2x	8.4	8.4x	8.6x	–
Interest cover ratio	3.4x	2.4	3.3x	4.1x	–
Interest cover ratio, Class A	3.7x	2.5	3.3x	4.1x	–
Delivered volume (TWh)	26.5	27.3	27.1	27.1	26.8
No. of customers (in thousands)	962	957	939	918	912
Average no. of employees	500	465	433	412	407

Definitions.

The company presents alternative performance measures in the annual report that are not defined according to IFRS nor the Swedish annual accounts act. These financial measures should not be regarded as substitutes for measures defined according to IFRS. The company considers that these measures provide valuable supplementary information for investors and company management, as they enable an assessment of the company's performance, the ability to carry through strategic investments and fulfil financial obligations. Below are definitions on how the alternative performance measures are calculated. Further information about the calculation and reconciliation of alternative performance measures can be found on the company's website: www.ellevio.se/en/English/about-us/financialinformation/financial-key-figures.

Adjusted cash
Cash and cash equivalents less customer deposits

Adjusted equity
Total equity plus 78 percent of the untaxed reserves

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 of external financial interest income and interest expense plus other financial expenses excl transaction costs related to financing activities

External financial items, Class A
External financial items less Class B interest expense

External net debt
External interest-bearing liabilities excluding transaction cost related to financing activities less adjusted cash

External net debt, Class A
External net debt less Class B debt

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

Interest cover ratio, Class A
Comparable EBITDA less income tax paid divided by external financial items, Class A

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

Leverage ratio, Class A
External net debt, Class A divided by comparable EBITDA

Income statement.

MSEK	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Net sales	5, 6	6,709	6,974
Capitalised own work		101	84
Other operating income	7	70	93
		6,880	**7,151**
OPERATING EXPENSES			
Costs for purchase and transit of power		−1,232	−1,151
Other external expenses	8, 9	−1,301	−1,337
Employee benefits expense	10, 11	−499	−474
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	−2,200	−2,121
Operating profit		**1,649**	**2,067**
FINANCIAL INCOME AND EXPENSES			
Interest income and similar items	13	2	58
Interest expense and similar items	14	2,633	−3,019
Profit/loss after net financial income/expense		**−982**	**−893**
Appropriations	15	−115	1,463
Profit/loss before tax		**−1,097**	**569**
Income tax expense	16	−151	711
PROFIT/LOSS FOR THE YEAR		**−1,248**	**1,280**

Statement of comprehensive income.

MSEK	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Profit/loss for the year	−1,248	1,280
Other comprehensive income	–	–
COMPREHENSIVE INCOME FOR THE YEAR	**−1,248**	**1,280**

Balance sheet.

MSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
Intangible assets	17		
Goodwill		4,682	4,983
Concessions		38,656	39,051
IT systems		87	110
Utility easements		283	180
Projects in progress and advance payments		178	112
		43,886	**44,436**
Property, plant and equipment	18, 32		
Buildings and land		982	851
Machinery and other technical plant		29,652	27,706
Equipment, tools and facilities		43	46
Assets under construction and advance payments		3,215	2,942
		33,892	**31,546**
Non-current financial assets			
Investments in associates	19	0	0
Receivables from Group companies		5,984	2,980
Plan assets	10	1	1
		5,985	**2,981**
Total non-current assets		**83,763**	**78,963**
Current assets			
Current receivables			
Trade receivables	20	1,025	1,098
Receivables from Group companies	21	0	1,515
Current tax assets		–	3
Other receivables	22	382	291
Prepaid expenses and accrued income	6, 23	1,270	1,616
		2,677	**4,524**
Cash and cash equivalents	24, 32	**20**	**56**
Total current assets		**2,697**	**4,580**
TOTAL ASSETS		**86,459**	**83,543**

Balance sheet, cont.

MSEK	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1	1
Statutory reserve		0	0
Development reserve		36	32
		37	**33**
Non-restricted equity			
Retained earnings		8,816	6,048
Profit/loss for the year		–1,248	1,280
Total equity		**7,605**	**7,361**
Untaxed reserves	25	**1,312**	**1,198**
Provisions			
Deferred tax liability	16	13,387	13,311
Other provisions		2	1
Total Provisions		**13,388**	**13,312**
Non-current liabilities	26		
Bond loans		29,257	32,732
Liabilities to credit institutions		5,327	5,356
Liabilities to Group companies		20,668	19,176
Derivatives		–	13
Other non-current liabilities	6	1,033	540
Total non-current liabilities		**56,286**	**57,817**
Current liabilities			
Bond loans		3,500	–
Liabilities to credit institutions		594	392
Trade payables		846	818
Liabilities to Group companies	27	0	1
Current tax liabilities		13	–
Other current liabilities	6, 28	1,540	1,148
Accrued expenses and deferred income	6, 29	1,374	1,195
Total current liabilities		**7,868**	**3,854**
TOTAL EQUITY AND LIABILITIES		**86,459**	**83,543**

Statement of changes in equity.

		Restricted equity		Non-restricted equity	
MSEK	**Share capital[1)]**	**Statutory reserve[1)]**	**Development reserve[2)]**	**Retained earnings including profit for the year**	**Total equity**
Balance at 1 January 2019	**1**	**0**	**32**	**7,328**	**7,361**
Shareholder contributions				1,492	1,492
Provisions for development reserve			4	−4	–
Comprehensive income:					
Profit/loss for the year				−1,248	−1,248
Other comprehensive income				–	–
Total comprehensive income				**−1,248**	**−1,248**
Balance at 31 December 2019	**1**	**0**	**36**	**7,568**	**7,605**

		Restricted equity		Non-restricted equity	
MSEK	**Share capital[1)]**	**Statutory reserve[1)]**	**Development reserve[2)]**	**Retained earnings including profit for the year**	**Total equity**
Balance at 1 January 2018	**1**	**0**	**19**	**6,181**	**6,201**
Provisions for development reserve			13	−13	–
Comprehensive income:					
Profit/loss for the year				1,280	1,280
Other comprehensive income				–	–
Total comprehensive income				**1,280**	**1,280**
Merger difference				−121	−121
Balance at 31 December 2018	**1**	**0**	**32**	**7,328**	**7,361**

[1)] Share capital amounted to SEK 600,000 (600,000) and the statutory reserve amounted to SEK 82,300 (82,300).
[2)] Refers to investments in proprietarily produced IT programmes.

The company has a total of 30 shares (30). The quotient value is SEK 20,000 per share (20,000).

Cash flow statement.

MSEK	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		1,649	2,067
Adjustments for non-cash items:			
Depreciation and amortisation	12	2,200	2,121
Disposals/retirements of non-current assets		57	29
Periodised connection fees		−19	−7
Change in provision for doubtful receivables		−1	−3
Received connection fees		535	350
Income tax paid		−69	−107
Cash flow from operating activities before changes in working capital		**4,351**	**4,450**
CHANGES IN WORKING CAPITAL			
Decrease(+)/increase(−) in trade receivables		74	−418
Decrease(+)/increase(−) in other operating receivables		256	−631
Decrease(−)/increase(+) in trade payables		−37	16
Decrease(−)/increase(+) in other operating liabilities		214	1,259
Cash flow from operating activities		**4,859**	**4,676**
INVESTING ACTIVITIES			
Capital expenditure in intangible assets		−191	−102
Capital expenditure in property, plant and equipment		−3,706	−2,508
Acquisition of shares		−44	−627
Proceeds from sales of tangible assets		–	7
Proceeds from sales of shares in group companies		–	46
Cash flow from investing activities		**−3,941**	**−3,185**
Cash flow before financing activities		**918**	**1,491**
FINANCING ACTIVITIES	30		
Borrowings		162	6,200
Repayment of borrowings		–	−6,080
Repayment of loan receivables		–	650
Received dividend		–	21
Received interest		2	2
Paid interest		−1,123	−2,238
Received/paid group contributions		2	0
Cash flow from financing activities		**−957**	**−1,445**
Cash flow for the year		**−39**	**46**
Cash and cash equivalents at 1 January		**56**	**10**
Cash and cash equivalents in merged company		**2**	**0**
Cash and cash equivalents at 31 December	24	**20**	**56**

Accounting policies and notes.

NOTE 1
GENERAL INFORMATION ABOUT THE COMPANY

Ellevio AB (publ), corporate ID number 556037–7326, is a limited liability company registered in Sweden whose registered office is in Stockholm. The address of the head office is Valhallavägen 203, SE-115 53 Stockholm, Sweden. The company conducts electricity network operations. Ellevio AB (publ) 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. The Group structure is presented in Note 34.

NOTE 2
SIGNIFICANT ACCOUNTING POLICIES

This annual report was prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and 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.

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

The cash flow statement was prepared using the indirect method. 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 (publ).

On January 1, 2019, a new accounting standard came into force; IFRS16 Leases. IFRS 16 Leases was issued on 13 January 2016 and has replaced 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 of 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 the income statement. 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. The standard was adopted by the EU on 31 October 2017. The company has chosen the exception rule in RFR2 and IFRS 16 will not be applied in local gaap. The effect of the change has a material impact on the Ellevio Group's financial reports. See Note 1 for more information about Ellevio Group consolidated financial statements.

New and amended standards and interpretations that have not yet come into effect, as well as amendments to RFR 2

The management considers other new and changed standards and interpretations that have not yet entered into force will not have any significant impact on the company's financial reports when applied for the first time.

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 standard connections is allocated over 40 years and revenue from the connection of wind farms is allocated over 25 years.

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.

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).

Other recurring operating income

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.

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 income statement 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. The company has no significant finance leases.

Foreign currency

Receivables and liabilities in foreign currency have been translated at the rate at the end of the reporting period. 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 income statement. 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.

Corporate income 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 income statement, 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 applicable at the end of the reporting period.

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 surpluses. 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 reporting period 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 end of the reporting period.

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 the income statement.

Group contributions

Group contributions paid and received are recognised as appropriations.

Shareholder contributions

Shareholder contributions paid and received are recognised in Equity.

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 into working condition for its intended use. Subsequent costs are only included in the asset or recognised 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 the income statement in the period in which they are incurred.

Depreciation of property, plant and equipment is charged to income statement so that the cost of the asset, less any residual profit 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 reporting 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 any net proceeds 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
Other rights	Not amortised or 25 years

Other rights consist of network connections to feeding networks that are amortised over 25 years and utility easements. Utility easements and intangible assets that are not yet available for use are not amortised.

Estimated useful lives and amortisation methods are reviewed at least at the end of each financial year and the effect of any changes in assessments is recognised prospectively.

Impairment of non-financial assets

Impairment testing for property, plant and equipment, and intangible assets including goodwill is done on an annual basis and on the indication of a need for impairment.

An asset's recoverable amount is calculated in order to determine the value of any impairment loss. With the aim of determining a need for impairment, the assets are grouped together based on the minimal levels for which there are identifiable cash flows (cash-generating units). If the recoverable amount of a cash-generating unit is determined at a value that is lower than the carrying amount, the carrying amount of the cash-generating unit is impaired to the recoverable amount. Impairment losses must immediately be expensed in profit or loss.

If an impairment is subsequently reversed, the carrying amount of the cash-generating unit is increased to the remeasured recoverable amount, although the increased carrying amount may not exceed the carrying amount that would have been determined if the cash-generating unit had not been subject to impairment in previous years. A reversal of an impairment is recognised directly in profit or loss. Any goodwill impairment is immediately recognised as an expense and is not 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 have declined in value, 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 "Profit/loss from shares in associates".

Financial instruments
Financial instruments reported in the balance sheet includes, on the asset side, cash and cash equivalents, loan receivables, accounts receivable and derivatives. On the debt side, loan liabilities, accounts payable and derivatives. A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contractual terms and conditions of the instrument. Accounts receivable are recognized when the invoice has been sent and debt is raised when the counterparty has delivered and there is a contractual obligation to pay, even if the invoice has not yet been received. A financial asset is derecognised in the balance sheet 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 in the balance sheet when the contractual obligation is fulfilled or else is terminated.

Financial instruments 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 that are not derivatives are measured at amortized cost, taking into account any expected credit loss. Subsequent to initial recognition, current liabilities that are not derivatives are measured at amortised cost. Accounts payable have a short expected maturity and are valued at nominal amount without discounting.

Amortised cost
Amortised cost refers to the amount at which the asset or liability is measured upon initial recognition using the effective interest method and taking into account deduction for any credit reserve.

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 quoted on an active market. This includes trade receivables and cash and cash equivalents. Trade receivables are generally due for payment within 30 days and all accounts receivable have therefore been classified as current assets. Trade receivables are measured at transaction cost on initial recognition. The company holds trade receivable for the purpose of collecting contractual cash flows and therefore measures them at subsequent accounting points at amortised cost using the effective interest rate measurement, less any provision for expected and occurring credit losses.

However, since the expected maturity of trade receivables is short, these are recognised at the nominal amount on an undiscounted basis which is considered to correspond to amortised cost. The company applies the simplified method for calculating expected credit losses. The method means that expected losses during the entire term of the receivable are used as basis for accounts receivables. In order to calculate expected credit losses, the company has developed a model based on classification of the counterparties' credit rating and payment history. Credit losses on accounts receivables are recognised as losses net within operating profit.

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

Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and presented as a net amount in the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

Due to the connection between accounting and tax, the accounting standard for financial derivatives, IFRS 9, is not applied. Derivatives are instead recognised using the lower of cost 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 end of the reporting period.

Hedge accounting
The company applies hedge accounting according RFR2 and even if the company uses the exception in RFR2 not to report financial instruments in accordance with IFRS9 the rules in IFRS9 regarding when hedge accounting may be applied and which financial instruments may include in a hedging relationship must be followed. Hedge accounting is applied for derivatives that are included in a documented hedge relationship. The use of hedge accounting requires an explicit link to exist between the hedging instrument and the hedged item. It also requires the hedge to effectively protect against the risk that it is intended to hedge, that its 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. Valuation is based on cost and accounting of the change in value is not recognised in the income statement as long as the hedge accounting is effective. The effectiveness of a hedge is evaluated when a hedge relationship is entered. Critical terms are i.e. reference interest rates, interest rate conversion days, payment days, electricity price area, maturity date and nominal amount. The hedged item and hedging instruments are evaluated on an ongoing basis to ensure that the relationship meets the requirements. If changed circumstances affect the terms of the hedged item to such an extent that the critical conditions no longer match exactly with the critical instrument of the hedging instrument, the company uses the hypothetical derivative method to evaluate its effectiveness. If the hedging relationship terminates or if the relationship is no longer considered effective, the derivative instrument with negative value is recognized immediately in the income statement in accordance with the lowest value principle.

The company enters interest rate and currency interest rate swaps with equal critical conditions as the hedged item, i.e. the loan. The company does not hedge 100% of the loans and therefore only identifies the proportion of the outstanding loans that correspond to the swaps' nominal amount as the hedged item. The company buys electricity to cover transmission losses in the distribution network. Future electricity purchases are therefore exposed to market price risk, which the company hedges with electricity term contracts whose critical conditions match the forecast purchase. Electricity trading is done through the purchase of the product's system price (SYS) and area price differential (EPAD), which together secure the corresponding electricity price risk. The exposure is considered to be reliably measurable when trading takes place on an active market.

Since the critical conditions for all hedges included in the hedge accounting have been matched throughout the year, the economic relationship has been 100% effective.

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 end of the reporting period, 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, management 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 continuously reviewed. 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 the company are described below:

Network income and network expenses
Accrued 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
Concession 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.

Impairment of non-financial assets
The company has property, plant and equipment and intangible assets, including goodwill, with significant carrying amounts, that are tested for impairment pursuant to the accounting policies listed in Note 2 Accounting policies. When the cash-generating units are tested for impairment, the calculations are based on estimated future cash flow, which requires management to make assumptions about future expectations. Impairment testing that has been conducted, and significant estimates and assumptions are detailed in Note 17.

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 derivative 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 adversely 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 end of the reporting period the nominal amount of loans in foreign currency and corresponding outstanding cross-currency interest rate swaps amounted to EUR 655 million (655) and USD 1,041.5 million (1,041.5).

The following table shows outstanding cross-currency interest rate swaps at the end of the reporting period converted into SEK million:

	31 Dec 2019		
	Nominal amount	Fair value	Average interest rate
EUR converted into MSEK			
Maturity over 5 years	3,067	315	3.63
Maturity over 10 years	3,109	332	4.18
USD converted into MSEK			
Maturity over 5 years	4,766	251	2.83
Maturity over 10 years	4,036	–63	3.70
Total	**14,978**	**836**	**3.51**

	31 Dec 2018		
	Nominal amount	Fair value	Average interest rate
EUR converted into MSEK			
Maturity over 5 years	3,067	188	3.63
Maturity over 10 years	3,109	166	4.18
USD converted into MSEK			
Maturity over 5 years	4,766	–189	2.83
Maturity over 10 years	4,036	–446	3.70
Total	**14,978**	**–281**	**3.51**

The cross-currency interest rate swaps 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 end of the reporting period:

	31 Dec 2019		31 Dec 2018	
	Volume, GWh	Fair value	Volume, GWh	Fair value
Maturity within 12 months	1,399	7	667	140
Maturity within 1–5 years	1,372	0	676	67
Maturity after 5 years	–	–	–	–
Total	**2,771**	**8**	**1,344**	**206**

The hedged item consists of highly probable forecast transactions relating to purchases of electricity. Cash flows are expected to be generated in the periods in which the futures mature, as specified above, at which time the cumulative change in value of the futures contract is reclassified from equity to profit or 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 manages the interest rate risk in its financing by either borrowing at fixed interest rates or by using interest rate swaps to hedge at fixed-rate terms for variable-rate loans.

The tables below present fixed-rate terms for external interest-bearing liabilities, intra-Group loans, and interest rate derivatives based on nominal amounts converted at hedged price into Swedish Kronor.

Fixed-rate term	31 Dec 2019	31 Dec 2018
Within 12 months	2,045	1,842
Within 1–5 years	3,500	–
Within 5–10 years	19,127	25,864
Over 10 years	34,911	30,182
Total	**59,583**	**57,888**

The company's policy is to reduce the volatility of net financial income/expenses by mainly financing operations at fixed, long-term interest rates. The financial policy states that at least 75 percent of the external interest-bearing debt is to be financed or fixed at fixed interest rate. At the end of the reporting period, 95 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 2,7 percent (2,9) at the end of the reporting period.

The company applies hedge accounting. The hedge is a cash flow hedge. During 2019 Ellevio restructed and extended SEK 8,421 million of hedging arrangements from 6 to 11 years. The restruction has no impact on the Income statement or the hedging arrangement and hedge accounting can continue to be applied. During the period SEK 13 million (375) was recognised in the income statement 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 are measured on the basis of contractual cash flows discounted at market interest rates at the end of the reporting period.

The following table shows outstanding interest rate swaps at the end of the reporting period:

	31 Dec 2019		
	Nominal amount	Fair value	Average interest rate
Maturity within 12 months	–	–	–
Maturity within 1–5 years	–	–	–
Maturity over 5 years	3,684	–395	0.80
Maturity over 10 years	3,781	–619	0.62
Total	**7,466**	**–1,014**	**0.71**

	31 Dec 2018		
	Nominal amount	Fair value	Average interest rate
Maturity within 12 months	–	–	–
Maturity within 1–5 years	–	–	–
Maturity over 5 years	8,421	–507	1.66
Maturity over 10 years	–955	–13	1.51
Total	**7,466**	**–520**	**1.68**

Normally Ellevio enters into interest rate swaps agreements whereby the company receives a cash flow based on short-term variable interest rate and pays a cash flow based on a fixed interest rate. 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 2019, around 5 percent (5) of the external interest-bearing debt portfolio, including derivatives, was subject to variable interest rates. The cash-flow effect of a 1 percent change in the interest rate for the debt portfolio is SEK 18 million (16) for 2019.

Valuation of financial instruments to fair value

Financial assets and liabilities measured at fair value in the balance sheet, or where information is provided about fair value, are classified in three levels (1–3) based on the information which is used to determine the fair value.

Derivatives

All derivatives are measured according to level 2. Interest rate swaps are measured by discounting future cash flows based on actual market interest rates (observable curves) and interest rates according to the derivative agreement, discounted with an interest that takes the credit risk of the counterparty into account. For cross-currency interest rate swaps the currency at the end of the reporting period is also considered. Electricity derivatives are measured by discounting future cash flows which are based on electricity price (observable curves) and price according to the agreement, discounted with an interest that takes the credit risk of the counterparty into account.

Financial liabilities

Measurement according to level 2 by discounting future cash flows based on actual market interest rates (observable curves) and interest rates according the derivative agreement, discounted with a relevant swap curve.

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 1.1 times the sum of forecast liquidity uses for the coming 12-month period. During 2019 Ellevio refinanced and extended SEK 9,000 million of bank loan facilities, SEK 7,500 million Revolving Credit Facility (RCF) and SEK1,500 million Liquidity Facilities (LF) for a period of five years. Ellevio strives to minimise the amount of cash and cash equivalents and manages liquidity risk mainly through guaranteed credit commitments. At the end of the reporting period, the company's cash and cash equivalents excluding customer deposits amounted to SEK 7 million (45), while guaranteed loan commitments amounted to SEK 7,768 million (10,066). The company's total loans amounted to SEK 59,568 million (57,870) at the end of the reporting period, of which SEK 38,899 million (38,649) referred to external loans and SEK 20,668 million (19,176) referred to interest-bearing loans from Group companies. No more than 25 percent of the total outstanding externals loans may be repayable in any single calendar year and the average remaining maturity of the total volume of external loans must always exceed five years. At the end of the reporting period, the average remaining maturity for external interest-bearing loans was 7.5 years (8.6). The maturity structure of contractual payment obligations related to the company's financial liabilities excluding derivatives is presented in the following table. The amounts in the table are not discounted values and also include any interest payments and amortisations, which means that they cannot be reconciled to the amounts presented in the balance sheet. Amounts in foreign currency have been converted into SEK at the fixed currency hedging rate or the rates at the end of the reporting period.

31 Dec 2019	Within 12 months	1–5 years	Over 5 years	Total
Interest-bearing liabilities	4,773	10,334	47,939	**63,046**
Trade payables	846	–	–	**846**
Total	**5,619**	**10,334**	**47,939**	**63,892**

The maturity structure of contractual payment obligations related to the company's derivatives is presented in the table below. The amounts in the table 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 end of the reporting period. Amounts in foreign currency have been converted into SEK at the currency hedging rates at the end of the reporting period.

31 Dec 2019	Within 12 months	1–5 years	Over 5 years	Total
Electricity derivatives (net receivable)	7	0	–	**8**
Cross-currency interest rate swaps (liabilities)	–530	–2,116	–2,525	**–5,171**
Cross-currency interest rate swaps (receivables)	473	1,892	2,303	**4,667**
Interest rate swaps (net debt)	–73	–409	–1,312	**–1,795**
Total	**–123**	**–634**	**–1,534**	**–2,291**

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, cashflow management and interest rate risk management. 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 total sales to the single biggest customer equals approximately 1.2 percent of the company's net sales. The company therefore considers the concentration risks to be limited. The company's credit losses in relation to the trade receivables amounted to SEK 12 million (11) in 2019, see note 20. The company is striving to maintain only less transaction liquidity in the form of cash and cash equivalents. The company's liquid assets are held in the Swedish banking system with a minimum rating of A- (S&P, Fitch) or A3 (Moody's). The company's derivative instruments are entered with counterparts with minimum rating equivalent to BBB+ (S&P, Fitch) or Baa1 (Moody's).

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 2019	31 Dec 2018
Trade receivables	1,025	1,098
Other current receivables	1,448	1,706
Cash and cash equivalents	7	45
Total	**2,480**	**2,849**

CAPITAL STRUCTURE

The company's target 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. The company is primarily financed through external interest-bearing debt amounting to about SEK 38.9 billion (38,6). The external interest-bearing debt consists of various types of financing that are all managed through an established financing platform based on a Common Terms Agreement, where all lenders have common terms and conditions and are equal from securitisation point of view (senior Class A debt). Almost half of the external interest-bearing debt is listed on the Irish stock exchange. The company is also financed with internal loans from Ellevio Holding 4 AB of approximately SEK 20,7 billion (19,2), which consists of loans from the Group's shareholders to Ellevio Holding 1 AB.

Ellevio's senior class A debt has a "BBB" credit score (negative outlook) and its subordinated class B debt has a rating of "BB+" from Standard & Poor's.

The company monitors its capital structure by calculating the leverage ratio and the interest coverage ratio.

Leverage ratio	31 Dec 2019	31 Dec 2018
Interest-bearing liabilities	59,568	57,870
Less intra-Group interest-bearing liabilities	–20,668	–19,176
Less cash and cash equivalents excl. customer deposits	–7	–45
External net debt	**38,892**	**38,649**
Operating profit	1,649	2,067
Plus depreciation, amortisation and impairment	2,200	2,121
EBITDA	**3,848**	**4,188**
Items affecting comparability	59	39
Comparable EBITDA	**3,908**	**4,227**
Leverage ratio	**10.0**	**9.1**

NOTE 5
SEGMENT REPORTING

Operating segments are reported in compliance with the internal reporting submitted to the highest Executive Officer. The highest Executive Officer is the function responsible for allocating resources and assessing the operating segment results. In the company, this function has been identified as the CEO. The company reports its activities as one segment in the internal reporting.

NOTE 6
NET SALES BY REGULATED ENTITY

2019	Distribution revenue	Connection fees	Other network related services	Total
Local networks Central Sweden	4,730	19	49	4,798
Local networks West Coast	895	3	1	900
Regional networks 1)	901	12	99	1,012
Total	**6,527**	**33**	**149**	**6,709**

2018	Distribution revenue	Connection fees	Other network related services	Total
Local networks Central Sweden	4,954	13	36	5,003
Local networks West Coast	1,006	3	1	1,010
Regional networks 1)	856	5	101	962
Total	**6,817**	**20**	**137**	**6,974**

1) In 2019 the network area Regional network Stockholm and Regional network other were reported together in accordance with an amendment in the Electricity law wich means that the 220kV network in Stockholm shall be reported together with the regional network other. Comparable numbers for 2018 have been adjusted accordingly.

Revenue is essentially attributable to services provided to customers over time.

Contractual assets and contractual liabilities	2019	2018
Contractual assets and contractual liabilities consist of the following items as of 31 December:		
Contractual assets	502	869
Contractual liabilities – Long-term	–1,023	–528
Contractual liabilities – Short-term	–36	–14
Net of contractual assets (contractual liabilities)	**–556**	**327**

Revenue reported during the period, as of:	2019	2018
Revenue included in opening balance in items:		
Contractual assets	869	826
Contractual liabilities	17	5

The company's contractual debt consists of accrued connection services that are recognised as revenue over time. The company´s contractual assets consist of delivered network services that are not yet invoiced to the customers. Contractual assets is included in the item accrued distribution revenue, note 23. Contractual debt consists of accrued connection services that are recognised as revenue over time and is included in the item long- and short-term liabilities, note 26 and note 28.

NOTE 7
OTHER OPERATING INCOME

	2019	2018
Communication income	11	11
Rental income	7	8
Reconnection income	5	5
Network monitoring services	3	4
Reminder fees	26	28
Other operating income	17	37
Total	**70**	**93**

NOTE 8
REMUNERATION TO AUDITORS

KSEK	2019	2018
Ernst & Young AB		
Audit engagement	–964	–790
Audit activities in addition to audit engagement	–	–105
Total	**–964**	**–895**

Audit engagements refer to the auditor's remuneration for the statutory audit, which comprises the audit of the annual report 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.

NOTE 9
LEASES

Operating leases – lessee	2019	2018
Expense for the year, operating leases		
Lease expenses	–135	–139
Total	**–135**	**–139**

Leases refer primarily to land leases, rents for stations and cables in land and tunnels. At the end of the reporting period the outstanding obligations in the form of minimum lease expenses under non-cancellable operating leases fall due as follows:

	2019	2018
Maturity:		
Within 1 year	133	140
1–5 years	234	198
Later than 5 years	462	446
Total	**829**	**784**

Operating leases – lessor

Leases refer to the lease of premises, capacity in the fibre-optic network and space in masts and poles. Lease income during the financial year totalled SEK 7 million (8). Future minimum lease expenses under non-cancellable operating leases fall due as follows:

	2019	2018
Maturity:		
Within 1 year	7	7
1–5 years	7	8
Later than 5 years	3	4
Total	**17**	**20**

NOTE 10
EMPLOYEES AND EMPLOYEE BENEFITS

Average numbers of employees	2019	2018
Women	149	128
Men	351	337
Total	**500**	**465**

Number of directors and senior executives	2019	2018
Women:		
Board of Directors	3	2
Other senior executives	6	6
Men:		
Board of Directors	6	7
Other senior executives including the CEO	4	5
Total	**19**	**20**

Salaries and remuneration	2019	2018
Salaries and other remuneration to Directors, the CEO and other senior executives	–30	–30
Salaries and other remuneration to other employees	–278	–263
Pension costs for Directors, CEO and other senior executives	–5	–5
Pension costs for other employees	–51	–42
Social security contributions	–112	–106
Total	**–476**	**–446**

Remuneration of the Board of Directors, CEO and senior executives

The Board of Directors consist of seven Board members and two employee representatives. The table below shows total remuneration to the Board of Directors, the Chief Executive Officer and other senior executives, who are defined as the management team of the company. The table considers any changes made to both the Board of Directors and the management team during the year.

Remuneration and other benefits 2019

KSEK	Base salary/ Board fees	Variable remuneration[1)]	Other benefits[2)]	Pension costs[3)]	TOTAL	Capital value of pension commitment
Sören Mellstig (Chairman of the Board)	–1,400				**–1,400**	
Oskar Backman (Board member) (until April)					**–**	
Anna Belfrage (Board member) (from October)	–94				**–94**	
Ralph Berg (Board member) (until October)					**–**	
Mattias Bylund (Board member) (until September)					**–**	
Lars Clausen (Board member) (from March)	–272				**–272**	
Jens Henriksson (Board member) (until September)					**–**	
Colin Hood (Board member) (until February)	–129				**–129**	
Göran Hägglund (Board member) (From October)	–73				**–73**	
Teresa Isela (Board member) (from April to October)					**–**	
Karin Jarl Månsson (Board member)	–425				**–425**	
Michael Mc Nicholas (Board member) (from October)					**–**	
Henrik Nordlander (Board member) (from September to October)					**–**	
Sten Olsson (Board member) (from September)					**–**	
Johan Lindehag (CEO)	–2,426	–2,590	–67	–785	**–5,868**	–825
Other senior executives (9 persons)	–12,440	–10,209	–202	–3,761	**–26,612**	–422
Total	**–17,259**	**–12,799**	**–269**	**–4,546**	**–34,873**	**–1,247**

1) The variable remuneration consists of expensed long-term incentives (LTIs), amounted to SEK 9,946 thousand that will be paid out in during the three following years, expensed short-term incentives, (STIs), amounted SEK 2,707 thousand that will be paid during following year and other variable benefits paid out in the current year of SEK 146 thousand.
2) Other benefits mainly consist of company cars.
3) Disclosures on pension costs refer to pension premiums expensed for the financial year

Remuneration and other benefits 2018

KSEK	Base salary/ Board fees	Variable remuneration[1)]	Other benefits[2)]	Pension costs[3)]	TOTAL	Capital value of pension commitment
Sören Mellstig (Chairman of the Board)	–1,400				**–1,400**	
Oskar Backman (Board member)					**–**	
Ralph Berg (Board member)					**–**	
Mattias Bylund (Board member)					**–**	
Jens Henriksson (Board member)					**–**	
Colin Hood (Board member)	–570				**–570**	
Karin Jarl Månsson (Board member)	–350				**–350**	
Johan Lindehag (CEO)	–2,282	–3,218	–71	–707	**–6,279**	–540
Other senior executives (10 persons)	–11,099	–10,293	–239	–4,291	**–25,922**	–265
Total	**–15,701**	**–13,511**	**–310**	**–4,998**	**–34,521**	**–805**

1) The variable remuneration consists of expensed long-term incentives (LTIs), amounted to SEK 9,925 thousand that will be paid out in during the three following years, expensed short-term incentives,(STIs), amounted to SEK 3,335 thousand that will be paid during following year and other variable benefits paid out in the current year of SEK 251 thousand.
2) Other benefits mainly consist of company cars.
3) Disclosures on pension costs refer to pension premiums expensed for the financial year

Ellevio's principles for the remuneration of senior executives state that the company shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. The total remuneration package consists of a combination of a fixed monthly salary, variable remuneration, pensions and other benefits.

In 2019, the CEO received a fixed salary of SEK 2,426 thousand (2,282) and variable remuneration of SEK 2,590 thousand (3,218). Variable remuneration consists of a short-term incentive corresponding to 0–100 percent of the fixed annual salary, and a long-term incentive corresponding to 0–100 percent of the yearly fixed salary. Variable remuneration does not constitute pensionable salary, nor is it a basis for holiday pay. (For further information on variable remuneration, please see information below on STIs and LTIs).

The CEO and all other senior executives in the management team are covered by a defined contribution pension plan that is entirely based on premiums, under which premiums comprise 30 percent of the fixed annual salary (see Note 11). For 2019, pension premiums were expensed in accordance with the table above. The retirement age for the CEO and the management team is 65 years.

The period of notice for the CEO' is six months both for resignation and when termination is initiated by the company. If the CEO is terminated by the company, a compensation equivalent up to twelve months' salary is payable in addition to the salary during the notice period. Any income from any other employment and/or any other proceeds from other business activity during the period for which the CEO receives severance pay shall be deducted from the severance pay. No other remuneration is paid if the CEO resigns. The employment terms of other senior executives are consistent with market employment terms and there are no agreements providing for termination salary in excess of six months or agreements on severance pay.

SHORT-TERM INCENTIVES (STI)

Ellevio's STI programme is designed to support the achievement of the company's financial and other relevant non-financial targets on an annual basis. All employees are covered by the programme. The financial targets are the same for all employees including the CEO and the management team and constitute 70 percent of the performance evaluation. The non-financial targets are team-based targets and constitute 30 percent of the target evaluation. The award target level is 5 percent of the annual salary for employees in general, with a maximum award of 10 percent. For the CEO, other senior executives and key employees as designated by management, the award target level is 10–25 percent of the annual salary, with a maximum award of 20–50 percent. Awards from the STI programme are paid in cash in April the year after the performance year.

LONG-TERM INCENTIVES (LTI)

The CEO and members of the company's management team are covered by a long-term incentive program. The purpose of the programme is to support the delivery of sustainable, long-term performance, and align the interests of management with those of the shareholders as well as assist in committing and retaining senior management. The LTI program is a cash-based supplement to the fixed annual salary. The award target level is 30–50 percent of the annual salary depending on responsibility area, with a maximum award of 60–100 percent.

Each LTI plan consists of a three-year earnings period and is contingent on the participant remaining employed by the company throughout the period of the programme. The outcome of the programme is calculated annually and accumulated over the three-year period and any payments are made in April the year after the programme ends. The first programme that was established in 2016 is exceptional and has a two-year earnings period with pay-outs to be made in April 2018. The reward is recognised as an expense during the earning period with a corresponding increase in liability, along with related accrual for social security contributions.

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 income statement as premiums are paid. A description of the company's defined benefit pension plans and information on the fair values of pension obligations and plan assets in accordance with IAS 19 are provided in the following.

Defined benefit pension plans

The company has undertaken to make predetermined 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 municipal 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. The benefits are administered by and secured through an insurance policy with Skandia Liv. The ITP 2 Plan is partly closed, which means that only new employees born before 1979 that previously are included in the ITP 2 Plan has the opportunity to continue within 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 2019 financial year, 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 recognised as a defined contribution plan. The premium cost for the defined benefit age and family pension plan is calculated on individual basis and depends on such factors as salary, previous pension earnings and expected remaining worktime. Forecasted premium cost for the next reporting period for the ITP-2 plan with Alecta is expected to be SEK 22 million (24). The company's share of the combined fees to the plan, and the company's total number of active members in the plan is considered to be an insignificant share.

The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance commitments calculated in line with Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level is normally permitted to vary between 125 percent and 155 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 155 percent, measures must be taken to create the requisite conditions for the level of consolidation to return to normal. One possible measure to address a low consolidation level is to raise the contractual price for new subscriptions and expansion of existing benefits. One possible measure to address a high consolidation level is to introduce reduced premiums. At year-end 2019, Alecta's surplus in the form of the collective consolidation level was 148 percent (142).

The company's defined benefit obligations in the Group's annual report that are presented below have been calculated based on the salary levels applying at each end of the reporting period and using a discount rate of 1.2 percent (2.3). Assumed annual returns are defined by the company.

Defined benefit pension plans in the consolidated balance sheet

	31 Dec 2019	31 Dec 2018
Total present value of defined benefit obligations	140	125
Fair value of plan assets	149	155
Net amount, defined benefit pension plans	**10**	**31**

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 income statement 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

	2019	2018
Cost in profit/loss for the year		
Costs relating to services during current period	–56	–47
Total	**–56**	**–47**

NOTE 12
DEPRECIATION, AMORTISATION AND IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	2019	2018
Amortisation of intangible assets	–753	–741
Depreciation of buildings and land improvements	–27	–28
Depreciation of machinery and other technical plant	–1,405	–1,339
Depreciation of equipment, tools and facilities	–14	–13
Total	**–2,200**	**–2,121**

NOTE 13
INTEREST INCOME AND SIMILAR ITEMS

	2019	2018
External interest income	2	2
Proceeds of sale shares in group companies	–	35
Dividend received	–	21
Total	**2**	**58**

NOTE 14
INTEREST EXPENSE AND SIMILAR ITEMS

	2019	2018
External interest expense	–1,138	–1,755
Intra-Group interest expense	–1,492	–1,609
Derivatives that do not meet the criteria for hedge accounting	13	375
Other financial expenses	–16	–30
Total	**–2,633**	**–3,019**

NOTE 15
APPROPRIATIONS

	2019	2018
Group contributions received	–	1,514
Group contributions paid	0	0
Reverse of depreciations above plan	–	74
Distribution to tax allocation reserve	–114	–125
Total	**–115**	**1,463**

NOTE 16
TAX

	2019	2018
Current tax		
Current tax on profit for the year	–75	–83
Current tax attributable to prior years	–10	0
Deferred tax		
Deferred tax attributable to temporary differences	–75	–82
Deferred tax attributable to prior years	–0	–19
Deferred tax attributable to revaluation of tax rate	8	895
Total	**–151**	**711**

Reconciliation, tax expense for the year	**2019**	**2018**
Profit/loss before tax	–1,097	569
Tax calculated at Swedish rate (21,4 year 2019 and 22% year 2018)	235	–125
Tax effect, permanent items:		
Non-deductible depreciation on goodwill	–65	–66
Non-taxable income	3	29
Non-deductible interest rate	–319	–0
Other items	–3	–2
Current tax attributable to prior years	–10	0
Tax effect, temporary items:		
Depreciation of fixed assets	75	1
Change in market value unrealised derivatives	–	82
Other items	0	–1
Change in deferred tax	–75	–82
Deferred tax attributable to previous years	–0	–19
Revaluation of deferred tax attributable to new Swedish tax rates (21.4% and 20.6%)	8	895
Total	**–151**	**711**
Recognised tax expense for the year	**–151**	**711**

Deferred tax assets and deferred tax liabilities

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

	31 Dec 2019	31 Dec 2018
Deferred tax assets		
Doubtful receivables	1	1
Other	0	0
Deferred tax assets	**2**	**2**
Deferred tax liability		
Surplus value concessions	7,966	8,051
Buildings and land improvements	136	141
Residual value depreciation, machinery and equipment	5,286	5,121
Deferred tax liability	**13,388**	**13,313**
Net deferred tax liabilities	**13,387**	**13,311**

Deferred tax assets are measured at the highest amount that is likely to be recovered based on current and future taxable profits. Deferred tax assets and tax liabilities are offset when there is a legally enforceable right to offset 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 Swedish parliament has resolved to reduce corporation tax in two stages. On 1 January 2019 this tax was reduced to 21.4% before being further reduced on 1 January 2021 to 20.6%. During 2019, the company has assessed additional temporary differences at the rate that best matches the period in which the underlying temporary difference will be realised.

NOTE 17
INTANGIBLE ASSETS

2019	Goodwill	Concessions	IT systems	Utility easements	Projects in progress and advance payments	Total
COST at 1 January 2019	**6,056**	**40,496**	**503**	**180**	**112**	**47,347**
Costs incurred during the year	–	–	–	–	191	191
Disposals/retirements	–	–	–	–	–	
Acquisition value through merger	3	10	–	–	–	12
Reclassifications	–	–	–	–	–1	–1
Classification of capitalised costs	–	–	20	105	–125	–
Accumulated cost at 31 December 2019	**6,059**	**40,505**	**523**	**284**	**178**	**47,550**
Depreciation at 1 January 2019	**–1,074**	**–1,444**	**–393**	**–**	**–**	**–2,911**
Disposals/retirements	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–303	–405	–43	–2	–	–753
Accumulated depreciation at 31 December 2019	**–1,377**	**–1,849**	**–436**	**–2**	**–**	**–3,664**
Carrying amount at 31 December 2019	**4,682**	**38,656**	**87**	**283**	**178**	**43,886**

At the end of the reporting period, there were commitments to acquire intangible fixed assets amounting to SEK 139 million (0). 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 cost amounts to SEK 32 million (32) and the residual value per 2019-12-31 amounted to SEK 15 million (19).

2018	Goodwill	Concessions	IT systems	Utility easements	Projects in progress and advance payments	Total
Cost at 1 January 2018	**6,005**	**40,339**	**452**	**163**	**77**	**47,035**
Costs incurred during the year	–	–	–	–	103	103
Disposals/retirements	–	–	–	–	–	–
Acquisition value through merger	51	157	–	–	–	208
Reclassifications	–	–	–	–	–	–
Classification of capitalised costs	–	–	52	16	–68	0
Accumulated cost at 31 December 2018	**6,056**	**40,496**	**503**	**180**	**112**	**47,347**
Depreciation at 1 January 2018	**–772**	**–1,040**	**–358**	**–**	**–**	**–2,170**
Disposals/retirements	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–301	–404	–36	–	–	–741
Accumulated depreciation at 31 December 2018	**–1,074**	**–1,444**	**–393**	**–**	**–**	**–2,911**
Carrying amount at 31 December 2018	**4,983**	**39,051**	**110**	**180**	**112**	**44,436**

Impairment test

The company's non-financial assets excl. goodwill are divided into three cash-generating units and equated with the regulated entities into which the company is divided pursuant to its reports to the Swedish Energy Markets Inspectorate (Ei). Goodwill is based on synergies among the cash-generating units and are attributable to the company's overall earnings capacity. Accordingly, goodwill is allocated to the company level when testing for impairment requirements.

31 Dec 2019	Goodwill	Concessions
Local networks Central Sweden		27,767
Local networks West Coast		7,637
Regional networks		3,252
Common	4,682	
Carrying amount	**4,682**	**38,656**

The recoverable amount is the higher of the fair value of the asset less selling costs and its value in use. The recoverable amount for a cash-generating unit is determined by calculating the value in use. In measuring value in use, the calculation is based on estimated future cash flows based on financial forecasts approved by management covering a period of 40 years, of which the first four years are based on detailed business plans. The 40-year forecast period corresponds approximately with the regulatory lifetime of the electricity distribution assets, which also conforms well with the investment cycle. Determination of future cash flow is made by calculating how allowed revenue is expected to evolve over time, based on an assumption that the current regulatory model will remain valid for future regulatory periods. The calculations are based on the company's long-term investment plans, assumptions concerning the company's evolution of costs for both investments and operating costs in relation to regulatory norm-/reference costs and regulatory rate of return (WACC). The assumption for the regulatory WACC for the period 2020–2023 amounts to 2.16 percent and is based on EI's decisions for allowed revenue for the period. Ellevio has appealed the decisions and argues that the revenue frame ordinance stands in contradiction both to the EU directive and the Swedish legislation. The company's opinion is that the current regulation does not provides sufficient incentive to implement necessary investments to develop the electricity network and thus enable society's energy transition. Cash flows from 2024 and onwards are based on an assumption of a return to a long-term sustainable rate of return. After the 40-year period a growth rate of 2 percent is applied, which coincides with the company's long-term assumption of inflation and long-term growth.

The company's future cash flow is discounted to its value of use with a discount factor of 5.6 percent after tax. Assumptions of the discount rate are based on external observable market information for similar assets. The discount rate is consistently used for all cash-generating units, based on the notion that they all adhere to the same regulatory framework. The annual test for possible impairment performed in the fourth quarter of 2019 shows that there is no need for impairment. The company has evaluated the sensitivity in the assumptions on which the impairment test is based. The calculations mainly depend on assumptions related to the regulatory rate of return and discount rate. Since these two parameters are strongly connected it does not provide a true or fair outcome to adjust these parameters independently of each other. Sensitivity analysis shows that a 5 percent reduction in the long-term regulatory rate of return, all other factors remaining equal, does not cause any need for impairment. However sensitivity analysis including an increase of the discount rate by 0.5 percent after tax, all other factors remaining equal, shows a need for impairment by circa SEK 50 million of the cash generating unit Local network Västkusten.

NOTE 18
TANGIBLE FIXED ASSETS

2019	Buildings and land	Land improvements	Machinery and other technical plant	Equipment, tools and facilities	Assets under construction and advance payments	Total
Cost at 1 January 2019	**1,351**	**21**	**49,971**	**180**	**2,942**	**54,465**
Costs incurred during the year	–	–	–	–	3,809	3,809
Disposals/retirements	–	–	–260	–	–	–260
Acquisition value through merger	0	–	40	–	–	40
Reclassifications	–	–	–	–	1	1
Classification of capitalised costs	158	–	3,367	11	–3,537	–
Accumulated cost at 31 December 2019	**1,509**	**21**	**53,118**	**191**	**3,215**	**58,054**
Depreciation at 1 January 2019	**–500**	**–20**	**–22,264**	**–135**	**–**	**–22,920**
Disposals/retirements	–	–	203	–	–	203
Accumulated depreciations through merger	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–27	0	–1,405	–14	–	–1,446
Accumulated depreciation at 31 December 2019	**–527**	**–20**	**–23,466**	**–148**	**–**	**–24,162**
Carrying amount at 31 December 2019	**982**	**1**	**29,652**	**43**	**3,215**	**33,892**

At the end of the reporting period, there were commitments to acquire property, plant and equipment amounting to SEK 4,611 million (2,686).

2018	Buildings and land	Land improvements	Machinery and other technical plant	Equipment, tools and facilities	Assets under construction and advance payments	Total
Cost at 1 January 2018	**1,323**	**21**	**47,284**	**158**	**2,476**	**51,263**
Costs incurred during the year	–	–	–	–	2,767	2,767
Disposals/retirements	–22	–	–262	–24	–	–308
Acquisition value through merger	39	–	654	25	24	742
Reclassifications	–	–	1	–1	–	–
Classification of capitalised costs	11	–	2,293	22	–2,326	–
Accumulated cost at 31 December 2018	**1,351**	**21**	**49,971**	**180**	**2,942**	**54,465**
Depreciation at 1 January 2018	**–472**	**–20**	**–20,932**	**–122**	**–**	**–21,546**
Disposals/retirements	16	–	235	22	–	273
Accumulated depreciations through merger	–18	–	–227	–21	–	–266
Reclassifications	–	–	–1	1	–	–
Depreciation for the year	–28	–1	–1,339	–13	–	–1,381
Accumulated depreciation at 31 December 2018	**–500**	**–20**	**–22,264**	**–135**	**–**	**–22,920**
Carrying amount at 31 December 2018	**850**	**1**	**27,706**	**46**	**2,942**	**31,546**

NOTE 19
INVESTMENTS IN ASSOCIATES

	31 Dec 2019	31 Dec 2018
Cost at 1 January	0	0
Carrying amount at 31 December[1)]	**0**	**0**

[1)] The carrying amount was SEK 32 thousand (32).

Name	Share of equity[2)]	Share of votes	Number of shares	Value 31 Dec 2019
Triangelbolaget D4 AB	25%	25%	525	0

Name	Corp. ID no.	Reg. office
Triangelbolaget D4 AB	556007–9799	Stockholm

[2)] The share of equity is the same as share of votes.

NOTE 20
TRADE RECEIVABLES

	31 Dec 2019	31 Dec 2018
Trade receivables, gross	1,031	1,104
Provision for doubtful receivables	–6	–6
Trade receivables, net after provisions for doubtful receivables	**1,025**	**1,098**

Management deems the carrying amount of trade receivables, net after provisions for doubtful receivables, to be the same as fair value.

Changes in provisions for doubtful receivables

	31 Dec 2019
Provisions for doubtful receivables at 1 January	–6
Provisions for doubtful receivables for the year	–5
Write-offs	3
Reversal of unused amount	3
Provisions at 31 December	**–6**

31 Dec 2019	Gross	Provisions for doubtful receivables	Net
Not yet payable	919	–1	918
30 days past due	66	–1	65
31–60 days past due	38	–1	38
61–90 days past due	2	–0	1
> 90 days past due	7	–3	3
Total	**1,031**	**–6**	**1,025**

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

NOTE 21
RECEIVABLES FROM GROUP COMPANIES

	31 Dec 2019	31 Dec 2018
Receivable, group contributions	–	1,514
Other receivables	0	0
Total	**0**	**1,515**

NOTE 22
OTHER RECEIVABLES

	31 Dec 2019	31 Dec 2018
Settlement account for taxes and fees	3	6
Settlement, billing agent	377	284
Other current receivables	1	1
Total	**382**	**291**

NOTE 23
PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2019	31 Dec 2018
Accrued distribution revenue	502	869
Accrued energy tax	564	543
Accrued interest income	159	159
Prepaid rents	27	27
Other items	19	18
Total	**1,270**	**1,616**

NOTE 24
CASH AND CASH EQUIVALENTS

	31 Dec 2019	31 Dec 2018
Available balances with banks and other credit institutions	7	45
Customer deposits	13	11
Total	**20**	**56**

NOTE 25
UNTAXED RESERVES

	31 Dec 2019	31 Dec 2018
Tax allocation reserve	1,312	1,198
Total	**1,312**	**1,198**

NOTE 26
NON-CURRENT LIABILITIES

	31 Dec 2019	31 Dec 2018
Maturity within 1–5 years	8,762	5,382
Maturity within 5–10 years	14,945	23,285
Maturity over 10 years	32,579	29,150
Total carrying amount	**56,286**	**57,817**

The nominal amount of the long-term loans at the end of the reporting period was SEK 58,968 million (57,477).

The company's utilised overdraft facilities totalled SEK 594 million (392) and are included in the item "Current liabilities to credit institutions." The limit on the overdraft facility is SEK 1,000 million (1,000).

NOTE 27
LIABILITIES TO GROUP COMPANIES

	31 Dec 2019	31 Dec 2018
Group contributions	0	0
Other liabilities	0	1
Total	**0**	**1**

NOTE 28
OTHER CURRENT LIABILITIES

	31 Dec 2019	31 Dec 2018
Restructuring reserve	–	8
Liability, VAT	203	206
Energy tax	1,244	1,168
Employer contributions and deduction of withholding tax	15	14
Repayments to customers	4	2
Disruption and damage compensation to customers	0	0
Advances received	35	26
Periodised connection services	36	14
Other current liabilities	4	10
Total	**1,540**	**1,448**

NOTE 29
ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2019	31 Dec 2018
Accrued interest	487	495
Accrued salaries	60	60
Accrued social security contributions	23	23
Deferred income	3	3
Accrued investment expenses	231	193
Accrued transmission costs	87	86
Accrued measurement value costs	8	4
Accrued rents	23	29
Accrued field services	392	245
Accrued customer service costs	16	8
Other items	45	48
Total	**1,374**	**1,195**

NOTE 30
RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

			Non-cash items			
	31 Dec 2018	Cash flows	Capitalized interest	Unrealised contracts	Periodised financing costs	31 Dec 2019
Liabilities to Group companies	19,176	–	1,492	–	–	20,668
Current liabilities to credit institutions	392	203	–	–	–	594
Non-current liabilities to credit institutions	5,356	–40	–	–	12	5,327
Bonds	32,732	–	–	–	26	32,757
Derivatives	13	–	–	–13	–	–
Total liabilities from financing activities	**57,669**	**162**	**1,492**	**–13**	**37**	**59,347**

			Non-cash items			
	31 Dec 2017	Cash flows	Capitalized interest	Unrealised contracts	Periodised financing costs	31 Dec 2018
Liabilities to Group companies	21,131	–3,500	1,512	–	33	19,176
Current liabilities to credit institutions	509	–117	–	–	–	392
Non-current liabilities to credit institutions	5,005	265	–	–	86	5,356
Bonds	29,749	2,980	–	–	3	32,732
Derivatives	388	–377	–	2	–	13
Total liabilities from financing activities	**56,782**	**–749**	**1,512**	**2**	**122**	**57,669**

NOTE 31
MERGER

In January 2019, Ellevio AB acquired the Group companies Laforsen Produktionsnät AB, corporate ID-number 556050-9191 from Ellevio Holding 1 AB, LPN Transformator AB, corporate ID-number 559169-2156 and Laforsen Transformatoranläggningar AB, corporate ID-number 559140-1434, from external parts. As of November 1 2019, the acquired companies were merged with Ellevio AB. The income statement for Ellevio AB for 2019 includes SEK 0 thousand in net profit, SEK 140 thousand in operating profit and SEK 0 thousand from financial items that relate to the income statements from the merged companies before the merger (taking account of elimination of internal transactions between the companies). At the merger, consolidated surplus values from intangible and tangible assets and the related deferred tax and depreciations were taken over by Ellevio AB. The balance items are allocated follows:

Assets	
Goodwill	3
Concessions	10
Buildings and land	0
Machinery, equipment and tools	40
Projects in progress and advanced payments	0
Current assets	0
Cash and cash equivalents	6
Total assets	**59**
Equity and liabilities	
Deferred tax liabilities	9
Current liabilities	2
Total equity and liabilities	**11**

NOTE 32
PLEDGED ASSETS

	31 Dec 2019	31 Dec 2018
Floating charges	136	136
Property mortgages	462	462
Bank deposits	20	45
Total	**618**	**643**

NOTE 33
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 and receivables related to group contributions and shareholder contributions from Ellevio Holding 1 AB. The company has not been involved in any significant transactions with board members or with members of the management team. No loans exist for any member of the board or management team as at 31 December 2019. Information on transactions with related parties is provided in Notes 4, 14, 21 and 27.

NOTE 34
GROUP STRUCTURE

Company	Corp. ID No.	Share (%)
Ellevio Holding 1 AB	559005–2444	100
Ellevio Holding 2 AB	559001–1937	100
Ellevio Holding 3 AB	559005–2436	100
Ellevio Holding 4 AB	559005–2451	100
Ellevio AB (publ)	556037–7326	100

NOTE 35
PROPOSED ALLOCATION OF RETAINED EARNINGS

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

Retained earnings	8,816
Profit/loss for the year	–1,248

The Board of Directors proposes:

Retained earnings to be carried forward	7,568

NOTE 36
SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

Ellevio is responsible for critical infrastructure that fulfils a fundamental function in society and therefore the company has taken actions to minimize the risks relating to the corona virus. Pandemics are one of the crisis scenarios Ellevio has planned for and business continuity planning exists for this scenario.

At the end of February, Ellevio's crisis organization was activated to ensure that the necessary measures were taken in a structured manner and in accordance with the business continuity planning. This includes identifying and sectioning critical processes to ensure continuous operation, working from home where possible as well as travel and meeting restrictions and more. The ongoing work to develop and modernize the electricity grids continues. We follow the development and recommendations related to the corona virus, and will take necessary and proportionate measures. We work closely with our contractors and partners to plan the work, both in the short and the long term. Ellevio strictly follows the guidelines and advice provided by national authorities.

The management team is continuously evaluating the potential financial impact related to the corona virus. Until the day of the approval of the Annual Report there is no material impact to the company's financial position.

CEO's and Board of Directors' approval.

The Annual- and Sustainability report were approved for release by the Board of Directors and the CEO on 28 April 2020 and the income statements and balance sheets were adopted by the Annual General Meeting on the same date. The Board of Directors and the CEO assure that the Annual Report has been prepared in accordance with the Annual Accounts Act (1995: 1554) and RFR2 Accounting for Legal Entities, issued by the Swedish Financial Reporting Board, respectively, and good accounting practice, and it gives a true and fair view of the company's operations, position and results. The Board of Directors' report provides a true and fair view of the development of the company´s operations, position and results and describes significant risks and uncertainties that the company faces. Furthermore, it is assured that the statutory sustainability report is prepared in accordance with the Annual Accounts Act, Chapter 6, §11 and that the sustainability as defined in the GRI index on pages 94–95, has been prepared in accordance with GTR's Standard guidelines.

Stockholm, April 28, 2020

Sören Mellstig
Chairman of the Board

Anna Belfrage

Lars Clausen

Göran Hägglund

Karin Jarl Månsson

Michael Mc Nicholas

Sten Olsson

Mohammad Nazemi

Pamela Sundin

Johan Lindehag
Chief Executive Officer

We submitted our audit report on April 28 2020
Ernst & Young AB

Henrik Jonzén
Authorised Public Accountant

Auditor's Report.

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF ELLEVIO AB (PUBL), CORPORATE IDENTITY NUMBER 556037–7326

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts of Ellevio AB (publ) for the financial year 2019-01-01–2019-12-31. The annual accounts of the company are included on pages 47–72 in this document.

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 (publ) as of 31 December 2019 and its financial performance and cash flow 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 general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Ellevio AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of intangible assets

Description

Reported value of intangible assets as per December 31, 2019 amounts to 43,886 MSEK, which equals 50,8% of the company's total assets. Of the reported value, 4,682 MSEK relates to goodwill and 38,656 MSEK relates to concessions. As described in note 2 impairment testing is done on an annual basis and on the indication of a need for impairment. In order to determine the value of a potential impairment loss an asset's recoverable amount is calculated. With the aim of determining a need for impairment, the assets are grouped together based on the minimal levels for which there are identifiable cash flows (cash-generating units). The recoverable amount is determined by calculating the value in use and in note 17 the main assumptions used when calculating the value in use are described. Intangible assets constitute a significant part of the company's total assets and the valuation of these are dependent of management's assumptions and judgments. Hence, we have assessed the valuation of intangible assets as a key audit matter in our audit.

How our audit addressed this key audit matter

In the course of our audit we have evaluated the company's process for impairment testing. We have audited how cash generated units are identified compared to set criteria and compared this with how the company internally monitors its business. We have evaluated the company's valuation methods and calculation models, assessed the reasonability of assumptions and sensitivity analyses over changes in assumptions with the assistances of our internal valuation specialists and made comparisons against historical results and the precision of prior projections. We have assessed the reasonability of the discount rate and the terminal growth rate through benchmarking to market data and, where applicable, companies in the same industry. We have also assessed whether the information disclosed is appropriate.

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–46 and 76–95. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that it gives a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing

Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Ellevio AB (publ) for the financial year 2019-01-01–2019-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Ellevio AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration is located at the Swedish Inspectorate of Auditors website: http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor´s report.

Ernst & Young AB, was appointed auditor of Ellevio AB (publ) by the general meeting of the shareholders on April 25, 2019 and has been the company's auditor since April 26, 2018.

Stockholm, April 28, 2020
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

Corporate Governance Report.

Ellevio AB (publ), "Ellevio", is a public Swedish limited liability company with its head office in Stockholm.

At Ellevio, authority, management and governance are allocated among the shareholders, Board of Directors, Chief Executive Officer (CEO) and management team. Ellevio's corporate governance aims to ensure proper risk and internal control, a defined delegation of responsibilities, a healthy corporate culture, effective decision-making procedures and sound relations with the company's stakeholders, and thus to contribute to long-term value creation for the company's shareholders.

The Board of Directors hereby submits its corporate governance report for 2019. A statutory review of the corporate governance report has been carried out by company's auditors whose opinion is on page 79.

Principles of corporate governance

Corporate governance at Ellevio is based on applicable laws and ordinances, Articles of Association, shareholder agreements, internal policies and instructions.

The external regulatory policies primarily comprise the Swedish Companies Act, Swedish Annual Accounts Act, as well as other relevant laws. As a natural monopoly, the business is regulated in accordance with the Electricity Act and supervised by the Swedish Energy Markets Inspectorate (Ei). Ellevio also adheres to regulations applicable to companies with interest-bearing instruments registered on the Irish Stock Exchange. Ellevio is not subject to the mandatory requirement for listed companies to comply with the Swedish Corporate Governance Code (the Code).

The company's most significant governing document is the shareholder agreement signed by the four shareholders of Ellevio Holding 1 AB. The shareholder agreement stipulates how the Parent Company and Group's subsidiaries are to be governed. Other key internal policies are the Articles of Association and the Board's rules of procedure and instructions for the CEO and on reporting to the Board. In addition, there is a Code of Conduct along with internal policies and instructions that are adopted by the Board or by the company and revised on an annual basis.

Owners and ownership structure

Ellevio AB (publ) is a wholly owned subsidiary of Ellevio Holding 4 AB. The Ellevio Group's Parent Company is Ellevio Holding 1 AB, which has the following ownership structure:

- The Third National Pension Fund, 20 percent
- Folksam, 17.5 percent
- The First National Pension Fund, 12.5 percent
- OMERS Infrastructure, 50 percent

The Group also includes Ellevio Holding 2 AB and Ellevio Holding 3 AB. The Group structure is presented in Note 34 on page 71.

Annual general meeting

The annual general meeting is Ellevio's highest decision-making body, through which Ellevio's shareholders are entitled to determine Ellevio's affairs. The annual general meeting elects the Board of Directors and the auditors, decides their fees, adopts the income statement and balance sheet, resolves on the allocation of the company's earnings, grants the Board and CEO discharge from liability, and resolves on other matters pursuant to the law, Articles of Association and shareholder agreement.

The 2019 annual general meeting was held on 25 April at Ellevio's head office in Stockholm. All shareholders were represented and the auditors were present. No decisions were taken beyond the ordinary decisions at the annual general meeting. Given the limited amount of owners, neither a notification of nor minutes for the annual general meeting were published on the company's website.

The 2020 annual general meeting will be held on 28 April 2020 in Stockholm.

Board of Directors and its work

The overall task of the Board of Directors is to bear responsibility for the organisation and management of operations as well as financial reporting and sustainability reporting. The Board is also tasked with ensuring that Ellevio's organisation is designed in a manner that assures satisfactory control of accounting, asset management and financial conditions in general.

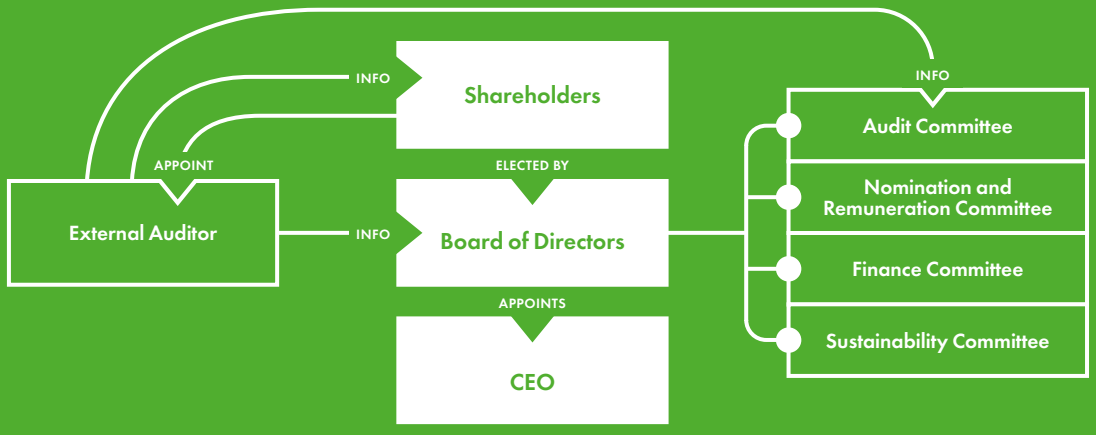
The Board is also responsible for establishing effective and appropriate systems for governance, internal control and risk management, as well as for establishing guidelines that aim to ensure long-term value creation. Furthermore, the Board should work to ensure that the company displays sustainable entrepreneurship in areas such as the environment, ethics, working conditions, human rights, equality and diversity.

The Board is to establish written rules of procedure governing its own work, and these should be revised and established on an annual basis. These include instructions for the Board's areas of responsibilities and the boundaries versus the Board Committees as well as the CEO.

The Chairman of the Board is in charge of evaluating the work of the Board and reporting to the owners. This is done on an annual basis and aims to provide an overview of the Directors' opinions on how work is progressing, as well as what changes could be made to enhance efficiency.

Composition of the Board

According to the Articles of Association, the Board is to comprise no less than three and no more than ten members, and no more than ten deputies. The shareholder agreement states that the shareholders nominate Directors based on the size of the ownership and that the Board shall consist of seven members, of which one is independent chairman, and that the annual general meeting takes



the final decision. The owner below has nominated each member of the Board of Directors. All elected Board members are independent of the company and the company's management.

In 2019, the Board consisted of seven Directors and two employee representatives. At the end of the year, the Board had the following members, Sören Mellstig, Chairman (independent), Anna Belfrage (nominated by the Third AP Fund), Lars Clausen (nominated by Borealis Siegfried Holdings BV), Göran Hägglund (nominated by First AP Fund), Karin Jarl Månsson (nominated by Borealis Siegfried Holdings BV), Michael McNicholas (nominated by Borealis Siegfried Holdings BV), Sten Olsson (nominated by Folksam), Pamela Sundin (employee representative) and Mohammad Nazemi (employee representative).

Deputies to the Board at the end of the year were Henrik Nordlander (nominated by the Third AP Fund), Teresa Isele (nominated by the First AP Fund), Alaistar Hall (nominated by Borealis Siegfried Holdings BV), Birgitta Stenmark (nominated by Folksam), Tomas Bergquist (employee representative) and Fredrik Ullman (employee representative).

The following changes were made to the Board during the year. On April 25, 2019, Teresa Isele became a regular member and Oskar Backman resigned from the Board. Henrik Nordlander and Sten Olsson became ordinary members and Johan Temse, Bengt Hellström, Birgitta Stenmark became deputy members of the Board on 16 September and at the same time Jens Henriksson and Mattias Bylund resigned as ordinary members and Johan Magnusson, Henrik Nordlander and Sten Olsson resigned as alternates. On October 15, 2019, Anna Belfrage, Göran Hägglund, Michael McNichola's regular Board members, at the same time Ralph Berg, Teresa Isele and Henrik Nordlander resigned as Board members and Johan Temse and Bengt Hellström as deputy members.

The Board of Directors is presented on page 80.

Board meetings

According to the Board's rules of procedure, at least four ordinary meetings must be held each year. In addition to the ordinary meetings, the Board may be called to convene whenever necessary. In 2019, 14 Board meetings were held at Ellevio, including the statutory meeting. Significant matters discussed included:

- Ellevio's strategic direction, business plan and goals (including sustainability targets),
- Ei's decision on the revenue framework for the regulatory period 2020–2023
- Financing matters,
- Safety issues, particularly concerning the working environment.

Board Committees

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

The Audit Committee is responsible for monitoring the financial reporting and the audit process. The Audit Committee monitors compliance with the relevant laws and the application of and compliance with corporate governance policies, including internal control and risk management. In 2019, the Audit Committee comprised Sören Mellstig (acting Chair during the period of 16 September to 20 November 2019), Mattias Bylund (was before he resigned on 16 September 2019 Chair) and Anna Belfrage (Chair from 20 November 2019).

The Nomination and Remuneration Committee is responsible for adopting policies for the appointment and dismissal of senior executives, establishing remuneration policies and terms of employment for senior executives, as well as reviewing the performance of senior executives in relation to set objectives. In 2019, the Committee comprised Sören Mellstig (Chair), Jens Henriksson (resigned16 September 2019) and Alastair Hall.

The Finance Committee is responsible for reviewing the company's financial strategy and the ongoing monitoring of the financial risk exposure. In 2019, the Finance Committee comprised Alastair Hall (Chair), Sten Olsson and Mohammad Nazemi (employee representative).

The Sustainability Committee is responsible for assessing 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. In 2019, the Sustainability Committee comprised Karin Jarl Månsson (Chair) Lars Clausen and Tomas Bergquist (employee representative).

Board fees

The shareholders have submitted a proposal for adoption by the annual general meeting concerning Board fees. The 2019 annual general meeting adopted a resolution on fees pursuant to the proposal submitted by shareholders.

Board members, elected by the annual general meeting, could be remunerated for services within their respective areas of expertise in specific cases, if it does not constitute board work. For these services, a market-based fee shall be paid, which the Board shall approve. Information on Board fees for 2019 can be found in Note 10 on pages 63–64.

Auditor

The task of the auditor is to independently review the administration of the Board and CEO along with the company's annual report and bookkeeping. The annual general meeting is responsible for electing an external auditor. Auditors are elected for a term of one year, in accordance with the main rule of the Swedish Companies Act. Pursuant to the Articles of Association, Ellevio must have one or two auditors. An auditing firm can be elected as Ellevio's auditor.

At Ellevio's annual general meeting on 25 April 2019, Ernst & Young AB was elected as the company's auditor for the period until the end of the 2020 annual general meeting. The principal auditor is authorised public accountant Henrik Jonzén.

The auditor reported the findings of the review of the 2019 annual accounts to the Audit Committee at its meeting of 11 February 2020 as well as to the Board at the Board meeting of 28 April 2020.

CEO and management team

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

The CEO's responsibility includes, but is not limited to, the operation of the business, human resources, finances and accounting, and maintaining regular contact with Ellevio's stakeholders, such as government agencies. The CEO is

responsible for ensuring that the Board receives the information it requires to take decisions and delivers monthly reports to the Board regarding 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 monitor the business, to discuss issues linked to the organisation and human resources, as well as current projects and other matters.

In 2019, a reorganization took place in the company where the two divisions, Asset Management and Design and Network Operations were merged into a new joint division called Asset Management and Operations. The change was preceded by negotiations with union representatives. Following the new organisation, Ellevio's management team was also changed with a joint head of the new division. The management team, including the CEO, is presented on page 81.

Guidelines for remuneration of senior executives

Ellevio's principles for the remuneration of senior executives state that the company is to offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. In this context, 'senior executives' refers to the CEO and other members of Ellevio's Management Team. The total remuneration package consists of a combination of fixed monthly salary, variable remuneration, pensions and other benefits.

The Remuneration Committee handles remuneration matters for senior executives. The Remuneration Committee draws up and handles proposals for decisions regarding the CEO's remuneration and employment conditions, which are then decided by the Board of Directors. The Board evaluates the work of the CEO annually. For the other senior executives, proposals are drawn up for decisions regarding remuneration and employment conditions by the CEO, based on the frameworks and directives resolved by the Remuneration Committee. The proposal is submitted to the Remuneration Committee for approval.

Remuneration to senior executives should normally consist of a fixed and a variable portion. The fixed salary for senior executives should be based on the market as well as their level of skill, responsibility, experience and performance. The variable portion is divided up into two programmes: a bonus programme that applies to all employees and a long-term incentive programme that applies to the CEO and members of the management team. All variable remuneration should have an established maximum ceiling. The Remuneration Committee monitors and evaluates variable remuneration programmes at the company.

Pensions and pension benefits should be offered via defined contribution schemes, which means that an established percentage of the individual's annual basic salary is paid into a pension premium. When determining the size of the premium, total remuneration should be taken into account. The retirement age for the CEO and senior executives is 65.

The period of notice for the CEO is six months both for resignation and when termination is initiated by the company. If the CEO is terminated by the company, compensation equivalent of up to 12 months' salary is payable in addition to the salary during the notice period. Any income from other employment and/or other proceeds from other activity during the period for which the CEO receives severance pay shall be deducted from the severance pay. No other remuneration is paid if the CEO resigns. The employment terms of other senior executives are consistent with the market and there are no agreements providing for termination salary in excess of six months, nor any agreements on severance pay.

For more information regarding remuneration of the CEO and senior executives in 2019, refer to Note 10 on pages 63–64.

Operational management and internal control

The Board and management team work in accordance with an annual cycle including a structured process for strategic business planning and operational monitoring. All of the company's activities are based on Ellevio's values, which are in turn based on the key words reliability, commitment and development. The company's business is operated in accordance with Ellevio's Code of Conduct.

Ellevio maintains policies, instructions and procedures that are intended to establish rules and responsibilities for specific areas and to define mandates and authority. In addition to the policies adopted by the Board, there are also policies determined by the CEO, as well as instructions and procedures determined by the head of each business function. In line with the operational management structure, the management has produced policies within the areas of sustainability, working environment, financing, management of insider information, information security, whistleblowing and others.

These documents are available to all employees. They are revised on an annual basis or when necessary to ensure compliance with the prevailing laws and provisions and so forth. The organisation is continuously updated and given training in policies, instructions and procedures. Overall, this internal framework covers all relevant operational areas in an appropriate manner.

Risk management is an integrated element in the planning, governance and monitoring of operations. Business risks are assessed through the strategy and planning activities of the Board and management, and the underlying premise is that risks are managed on a day-to-day basis in the operations in which they arise.

Ellevio conducts internal control efforts aimed at ensuring that operations are managed in a secure, appropriate and efficient manner. Internal control mechanisms for financial reporting aim to secure that the company prepare reliable financial statements and reporting, and to comply with applicable laws and regulations.

Ellevio has information and communication channels that aim to promote completeness and accuracy in its financial reporting. The annual report and half-yearly reports specify which parts are formal financial reports, the regulations on which they are based and which parts have been audited by the company's auditor. Ellevio publishes the half-yearly report, year-end report and annual report on the company's website.

Ellevio's operations are subject to supervision by Ei and means that financial and operational reporting should be conducted yearly. These reports can be found on Ei's website.

Sustainability

Sustainability is an integrated part of Ellevio's vision and the company is working systematically to integrate sustainability into the business plan and operational management. The Board of Directors is consistently involved in the company's sustainability initiatives and receives monthly progress reports.

In 2017, Ellevio joined the UN Global Compact, which covers the areas of human rights, labour law, environment and anti-corruption.

Auditor's report on the corporate governance statement.

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF ELLEVIO AB (PUBL), CORPORATE IDENTITY NUMBER 556037–7326

Engagement and responsibility
It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2019-01-01–2019-12-31 on pages 76–78 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 28, 2020
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

Board of Directors.

FROM LEFT TO RIGHT, SEATED:

Göran Hägglund
Year of birth: 1959, member of the board since 2019

Lars Clausen
Year of birth:1959, member of the board since 2018

Karin Jarl Månsson
Year of birth: 1964, member of the board since 2018

Sten Olsson
Year of birth: 1953, member of the board since 2019 and as deputy member since 2015

Anna Belfrage
Year of birth: 1962, member of the board since 2019

FROM LEFT TO RIGHT, STANDING:

Michael McNicholas
Year of birth: 1961, member of the board since 2019

Pamela Sundin
Employee representative
Year of birth: 1972, member of the board since 2015

Sören Mellstig
Chairman
Year of birth: 1951, member of the board since 2015

NOT IN THE PHOTO:

Mohammad Nazemi
Employee representative
Year of birth: 1976, member of the board since 2018

Management Team.

FROM LEFT TO RIGHT, SEATED:

Anna-Carin Joelsson
Projects and IT
Year of birth: 1972,
joined the business in: 2007

Johan Lindehag
CEO
Year of birth: 1972,
joined the business in: 2000

Emma Thorsén
Customer and market
Year of birth: 1973,
joined the business in: 2019

Jan Seveborg
Treasury
Year of birth: 1962,
joined the business in: 2015

Anna-Karin Käck
Finance
Year of birth: 1976,
joined the business in: 1999

David Bjurhall
Reglering
Year of birth: 1975,
joined the business in: 2010

Erika Abrahamsson
Legal
Year of birth: 1965,
joined the business in: 2011

FROM LEFT TO RIGHT, STANDING:

Anna Lidberg
Communications
Year of birth: 1968,
joined the business in: 2008

Jörgen Hasselström
Network and Operations
Year of birth: 1972,
joined the business in: 2019

Susanne Bragée
HR
Year of birth: 1963,
joined the business in: 2019

Sustainability information.

Our sustainability initiatives

Ellevio sees sustainability as a balance between economic, social and environment responsibility. To live up to the high expectations and requirements found within these areas, sustainability is an important part of the operations and is integrated in all decisions we take.

Ellevio's financial responsibility refers to ongoing work to enhance operational efficiency and carry out investments in the network that create long-term value for customers, investors and employees, as well as establish a transparent price framework.

Ellevio's social responsibility involves promoting the health, safety, well-being and equality of employees and others. We should be a safe and attractive employer and contractor.

Ellevio's environmental responsibility entails that our impact on the climate and our natural resources should be as minimal as possible. In addition to this and together with our customers, we want to play an active role in efforts to create a carbon-neutral and climate-smart society.

Our sustainability initiatives are not merely a question of complying with laws and regulations, but also taking social responsibility by identifying our material sustainability topics and working on constant improvements. For us it is a matter of setting clear targets, measuring our results, analysing and taking corrective measures wherever necessary. We describe our efforts and achievements in 2019 in this report.

The sustainability report has been produced in accordance with Global Reporting Initiatives (GRI) standards,"core" level, and also comprises Ellevio's statutory sustainability report in accordance with the Annual Accounts Act. The full sustainability report consists of this report as well as the texts referred to in the GRI index on pages 94–95.

The full sustainability report comprises Ellevio's Communication on Porgress report for the UN Global Compact (UNGC) and the ten principles within the areas of human rights, labour law, environment and anti-corruption. The aim of the report is to describe how our sustainability initiatives have developed over the year. We also describe in the report Ellevio's activities linked to the UN's global sustainable development goals – Agenda 2030.

Ellevio collaborates with a number of different industry organisations and initiatives in order to promote long-term, sustainable industry development and regulation at local, national and international level. Examples of such affiliations include:

- Energiföretagen Sverige
- The Royal Swedish Academy of Engineering Sciences (IVA)
- Energiforsk
- International Council on Large Electric Systems (CIGRE)
- The 2030 Secretariat
- Värmland Chamber of Commerce
- Stockholm Chamber of Commerce
- EFA – Energiföretagens arbetsgivareförening AB

Sustainability targets

Ellevio has established five long-term strategic sustainability targets. By 2023, we are to have achieved the following:

1. Sustainability will be an integral part of our business processes and organisation, and our strong results will be noted externally. There will be a high level of awareness about our environmental and climate impact and we will be a driving force behind the energy transition, which involves a reduced carbon footprint and a positive contribution to counteracting climate change.
2. Our safety culture will be well-established at the company and everywhere out in the field. This will lead to improved safety and will bring us closer to our "zero vision" for accidents. Our proactive efforts relating to safety analysis, safety requirements and implementation of effective and functional solutions will protect our assets, information and staff.
3. Our customers will see us as reliable, committed and sustainable. In addition to a reliable supply of electricity, our customers will be offered a digital platform that enables efficiency enhancements. Our customers will value the fact that we encourage and drive forward the transition to a fossil-free society and show how they too can make more of a contribution.
4. Investments will be prioritised to ensure the very best security of supply for our customers. All investments will be conducted as efficiently as possible. We will have reduced the risk of long power outages. Automisation and remote management of the network will have increased and the fault repair process will be more efficient. The total amount of connected renewable energy production in Ellevio's electricity network will have increased significantly.
5. We will be an attractive company and the first choice of experienced engineers, highly qualified employees, managers and recent graduates. We will be an inclusive company where diversity leads to success. We will live up to our values, respect each other and our external stakeholders and will have created an environment free from discrimination.

The following detailed targets have been established:

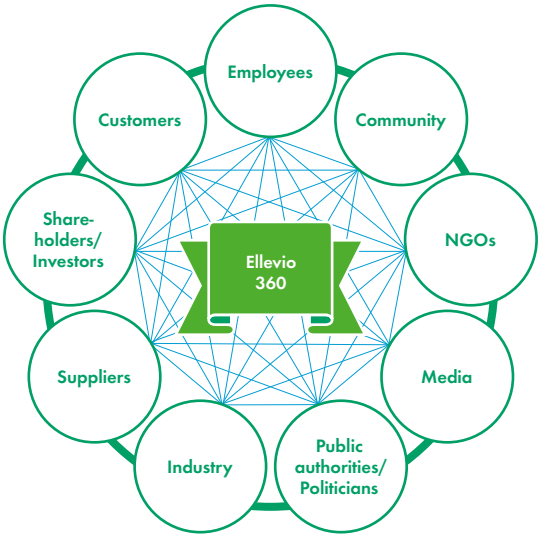
Significant sustainability topics	Description of target	Outcome 2019	2023 target
Health and safety	Percentage of fulfilled requirements in the field during unannounced visits to the site (indexed)	85%	88%
	Accident frequency (LWIF) among our contractors	3.3	<2
Biodiversity	Number of km of surveyed power lane corridors, including updated management plans (total distance over the years)	600	Inventoried grids ≥30kV
Good working conditions	Percentage women at the company	31%	34%
	Employee commitment index (level of commitment)	68.1	75

Material sustainability topics

On pages 2–3 and 18–35 we describe our business model and how Ellevio creates value in society. Below are our nine most material sustainability topics based on the materiality analysis.

Ellevio's most material sustainability topics have been identified through a stakeholder dialogue and materiality analysis conducted in 2017. In addition, Ellevio pursues a continuous dialogue with its most important stakeholders. This dialogue takes a different form for different groups via a process known as Ellevio 360.

Important stakeholders



The table outlines Ellevio's nine material sustainability topics based on the materiality analysis.

Sustainability topics	Financial impact	Environmental impact	Social impact
Transition to a more sustainable energy system	●	●	
Responsible purchasing/Supplier relationships		●	●
Security of supply	●		●
Customer satisfaction	●		●
Biodiversity		●	
Health and safety			●
Responsibility for local communities			●
Equality			●
Good working conditions			●

Certain issues affect multiple areas and can have a financial, environmental and social impact. Water consumption does not constitute a material sustainability topic for a purely network company such as Ellevio. In certain cases, pollution in the form of oil leaks or creosote could have an impact on biodiversity and groundwater, but this risk is deemed to be minimal. As a result of global shifts, greater focus on the climate impact and the way in which the company is affected by the risk of climate change, Ellevio will update its materiality analysis in 2020.

Management of sustainability initiatives

A Code of Conduct which reflects the Global Compact's ten principles and a sustainability policy form the basis of Ellevio's sustainability initiatives. Both the sustainability policy and the Code of Conduct have been adopted by Ellevio's Board of Directors. In addition to these policies, there are further supporting policies and guidelines that govern Ellevio's sustainability initiatives:

- Ellevio's sustainability requirements for contracts
- Fundamental safety policy
- Code of Conduct for suppliers
- SF_6 policy
- Risk policy
- Information security policy
- Network policy, which describes how Ellevio will plan and develop its electricity network, including principles for redundancy
- Regulatory compliance policy
- Anti-corruption policy
- Competition policy
- Privacy policy
- Whistleblowing policy

The Board of Directors bears ultimate responsibility for Ellevio's sustainability initiatives. All major sustainability issues, such as joint improvement targets, activities and measurements, are prepared by one of the sustainability committees appointed by the Board for decisions to be taken by the Board. Ellevio's sustainability manager participates in the meetings of the sustainability committee and is responsible for implementing decisions within the organisation.

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 planned location involves any environmental or human impact. All projects over SEK 5 million and SEK 10 million respectively (local and regional networks) must therefore undergo a sustainability analysis before an investment decision can be taken. The aim of the sustainability analysis is to ensure that every sustainability aspect and risk relevant to us is taken into account in the investment proposal. By integrating and mapping such sustainability aspects during the investment process, we are able to increase our understanding of sustainability. The analysis also ensures that our investment proposals are in line with Ellevio's environmental targets and the sustainability policy. Ellevio has an environmental management system certified in accordance with ISO 14001:2015.

Requirements are also placed on purchases in order to reduce the environmental impact and safeguard human rights and good working conditions for employees of Ellevio's suppliers. These requirements are established in a special Code of Conduct for suppliers.

Sustainability risks

Risk management at Ellevio is an integral part of our operational planning, governance and follow-up. Risk management is decentralised, and the responsibility for identifying, managing and remedying risks lies with each organisational unit. Managing risks also involves our suppliers who must present a sustainability plan relating to the work environment, natural environment, safety and quality for Ellevio before entering into any agreement. It should also include a description of how they identify, assess and remedy risks.

The finance function is responsible for coordinating risk management activities and for reporting on significant risks together with action plans for the Board of Directors. Ellevio's Audit Committee bears overall responsibility for following up on the company's risk management.

The precautionary principle is followed, which refers to the evaluation and management of sustainability risks linked to Ellevio's operations. The table below shows the significant sustainability-related risks that have been identified.

Risk areas	Description of risk	Potential impact
Responsible purchasing/ Supplier relationships	Risk of potential bribery before and during procurements and during implementation phase	Legal consequences
	Suppliers including contractors that do not live up to Ellevio's Code of Conduct for suppliers	Personal injury Damage to environment Disruption to supply
Choice of materials	Products containing forbidden substances or conflict minerals	Injury/ill-health among staff during handling Legal consequences
	Leakage of oil along oil-filled power lines or from transformers	Damage to environment Increased sanitisation costs
	SF_6 leakage	Damage to the climate
	Creosote poles used in a way that is not in line with Ellevio's policy and guidelines	Damage to environment or individuals
Health and safety	Unsafe working conditions or lack of risk awareness among employees who work at Ellevio or on behalf of Ellevio	Accidents or fatalities Weakened productivity Legal consequences
Environment	We do not comply with applicable laws and regulations	Legal consequences Increased costs, weaker earnings
Security of supply	Major, long-term disruptions to electricity supply	Consequences for society Financial consequences
IT and information security	Major IT disruptions and/ or loss of customer data or other types of data	Consequences for society Legal consequences

Sustainability results 2019.

The results of Ellevio's sustainability initiatives for 2019 are presented below for the nine most material sustainability topics.

Transition to a more sustainable energy system

On pages 6 and 8–17 there is a description of what is meant by a sustainable energy system and its significance to society. In order to track its development, we have chosen to divide up sustainable energy systems into a number of underlying areas: choice of materials, smart electricity networks, electricity from renewable sources, investments in infrastructure, weather-proofing and climate impact as material topics. Below we report on our efforts within each area.

Area	Objective	Outcome 2019	Outcome 2018	Outcome 2017
Choice of materials	Decommission pipelines with pressurised oil-filled cables to reduce the risk of oil leaks. According to the plan, all oil cables in Stockholm will be decommissioned in 2019.	10 km were cleaned. The cleaning programme for all oil-insulated cables is therefore complete.	20 km were cleaned. Planning was carried out for a new cable to replace the remaining 1.2 km of pressurised oil cable in operation.	14 km was decommissioned and 33 km was cleaned.
	Only use SF_6 if there are no alternatives and reduce leakage.	400 kg was newly installed, 80 kg was decommissioned and total leakage amounted to 47 kg.	285 kg was newly installed and total leakage was 8.7 kg.	1,040 kg was newly installed and total leakage was 29.6 kg.
	Reduce usage of creosote poles. Net 25,000–30,000 poles are to be removed between 2018 and 2019.	Around net 13,500 creosote poles were removed.	Around net 14,000 creosote poles were removed.	Around net 13,600 creosote poles were removed.
Smart electricity networks	Improved network monitoring and measurement infrastructure by replacing electricity meters for all customers.	The procurement was completed in 2019, with agreements being signed with ONE Nordic AB and Sagemcom Energy & Telecom SAS. In connection with the procurement, Ellevio carried out a major audit of the French meter manufacturer Sagemcom's factory in Tunisia; this facility will manufacture and deliver around one million of the next generation of smart electricity meters to Ellevio.	In 2018 Ellevio carried out a procurement to establish new business partners who could implement the new electricity meters.	The procurement process began in early 2017
Electricity from renewable sources	Contribute to greater share of electricity produced by renewable sources.	In 2019, the number of microproducing solar panel customers increased by 80%. The total number of customers in 2019 was 5,553. 123 new wind turbines with a total output of 512 MW were connected.	In 2018, the number of microproducing solar panels increased by 99%. The total number of customers in 2018 was 2,899. 31 new wind turbines with a total output of 107 MW were connected.	In 2017, the number of microproducing solar panel customers increased by 56%. The total number of customers in 2017 was 1,454. 26 new wind turbines with a total output of 82 MW were connected.
Investments in infrastructure	Ellevio is to invest SEK 10 billion during the period 2016–2019.	SEK 3.4 billion was invested. Overall investment for the period amounts to SEK 10.7 billion.	SEK 2.9 billion was invested.	SEK 2.4 billion was invested.
Weather-proofing	Continuously increasing the rate of cabling in our local grids to make our electricity network more weather-resistant.	81% of our local grids are cabled.	80% of our local grids are cabled.	79% of our local grids are cabled.
Climate impact	Take active steps to reduce our carbon footprint.	Scope 1: 1,201.2 tonnes of CO_2e Scope 2: 43.9 tonnes of CO_2e	Scope 1: 304.7 tonnes of CO_2e Scope 2: 4.3 tonnes of CO_2e	Figures are not available.

Choice of materials

Ellevio considers it vital to minimise – or ideally avoid – the use of the gas sulphur hexafluoride (SF_6), which has more than a 23,000-times greater impact on the climate than CO_2. Ellevio's policy is not to use gases that severely impact the climate more than is absolutely necessary on the grounds of technology or space. In practice, we minimise the use of SF_6 as a means of insulation for the entire switchgear. In Stockholm, new facilities are only built at higher voltages using SF_6 where space is limited and there is major competition with other players for land, leaving few or no opportunities to select other technical solutions.

The choice of materials and design of cables and transformers are based on capacity requirements and loss evaluations. This work is done during the production of material specifications for procurement of transformers and during the network planning phase of our projects.

Wooden poles have an environmental disadvantage due to the need to impregnate them to protect against rot. The poles are impregnated with creosote to extend their lifespan. However, creosote is classified as a hazardous substance for people and the environment by the Swedish Chemicals Agency. The health risks linked to creosote are connected to how often a person is exposed to the substance and the extent to which protective measures are followed. The environmental risks are mainly local, i.e. directly connected to the poles. The use of creosote poles is regulated by the Swedish Chemicals Agency and the EU, and Ellevio only uses preservatives approved by the Chemicals Agency. In 2016 the Chemicals Agency decided to extend permission to use creosote-treated timber for certain applications such as electricity, telecoms and railways to March 2021. In terms of network companies specifically, the use of creosote poles when constructing overhead lines has so far proved to be the most sustainable solution for power lines in terms of the impact on the environment, overall climate impact, finances and lifespan. Ellevio monitors the development of alternative materials.

Ellevio works to weather-proof its low-voltage networks by burying cables in the earth. We also reduce the risk of creosote having any local impact in individual cases by removing poles impregnated with

creosote. We take the surrounding environment into consideration when replacing poles and building new facilities, meaning other pole materials, such as composite and steel, are used in sensitive environments such as water protection areas. Measures are taken to protect the ground from deposits of preservatives in the case of temporarily erected poles.

To ensure the materials which impact on the environment or climate are used in a controlled manner, we outline clear requirements in agreements, policies and internal control programmes. We continuously monitor developments in order to pinpoint more environmentally friendly solutions.

Smart electricity networks

The description of why smart electricity networks are a material topic and how they are managed can be found on pages 15 and 23–24.

Electricity from renewable sources

The description of why electricity from renewable sources is a material topic can be found on pages 13, 18–20 and 32. Ellevio is working actively to connect wind power by way of close collaborations with wind power developers. We also have specific processes to help micro-producers who want to produce electricity using solar panels, for example. In total, our input of wind power into our electricity network amounted to 2.4 TWh in 2019, which equates to 19 percent of the total amount of energy directly supplied by sources of production. 95 percent of energy supplied to our electricity network is deemed to come from renewable sources such as hydro, wind and thermal power based on renewable materials.

Investments in infrastructure

Ellevio's electricity network should provide a high level of accessibility and be safe for customers, society and employees. To meet society's need to grow and to enable a greater share of renewable energy, it is important to increase capacity and ensure new functions in our network.

Ellevio is active both in regions with major population growth, principally Stockholm, but also in sparsely populated areas where the expansion of the network enables tourism activities and new wind power facilities to develop.

Investments are the most important activity in terms of adapting the electricity network to the needs of the future. In 2019, Ellevio invested SEK 3.4 billion in network infrastructure. The duration of the investments is estimated to be 40 to 60 years, depending on the type of facility.

Weather-proofing

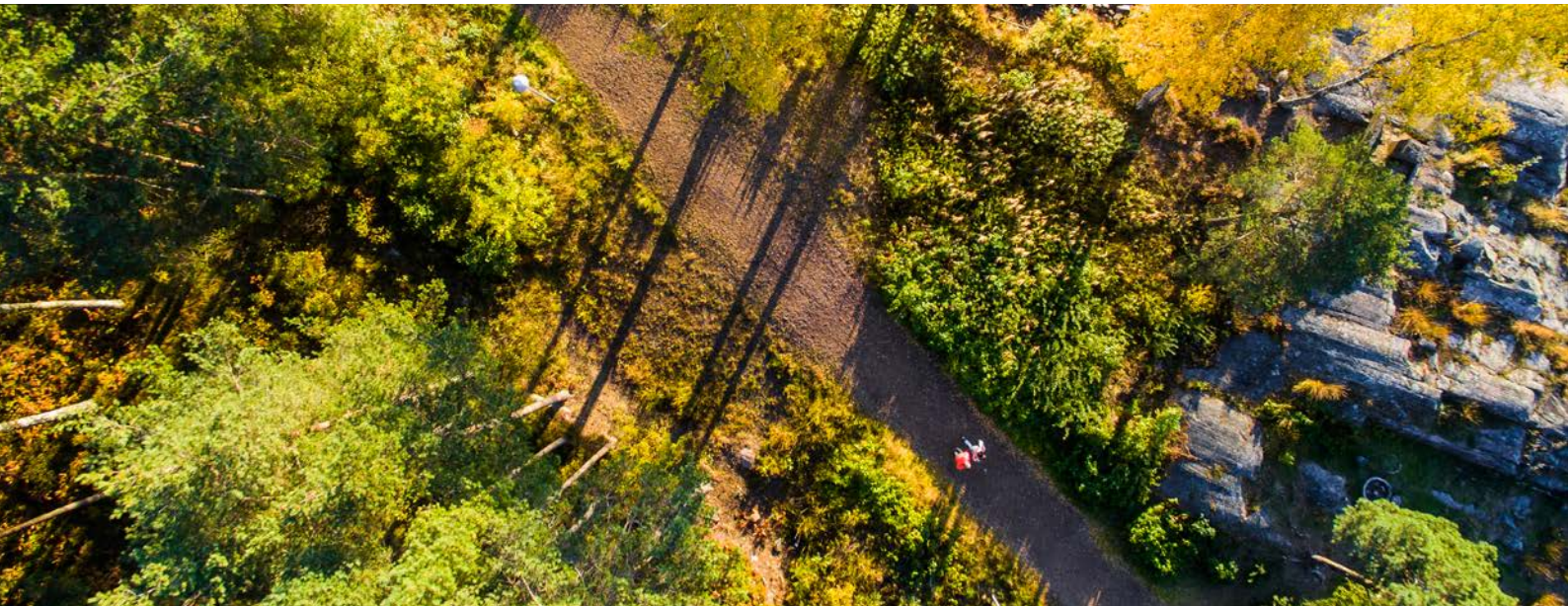
Weather-proofing overhead lines can be carried out in different ways. Two examples include replacing them with new, insulated overhead lines or simply replacing them with buried underground cables. Ellevio principally works to weather-proof low or medium-voltage local electricity grids, as the regional electricity grids are already weather-proofed to a large extent. This is done by securing the power lanes against trees, which involves clearing the lanes regularly of any trees that could fall onto them. Since Storm Gudrun in 2005, the entire electricity network industry has undertaken systematic work to weather-proof the electricity network, particularly in rural areas which are affected more severely than Stockholm and other urban areas. A large proportion of the network is already buried underground in Stockholm, and there are more opportunities for change-over switching.

The process of burying power lines can be very long in areas of major natural and cultural value. At times, judicial decisions and permissions from authorities and municipalities are required. We also always discuss and negotiate with land owners to obtain permission to use their land.

Climate impact

SF_6 represents the largest part of Ellevio's climate impact measured by Scope 1 and 2, which is why it is important for Ellevio to minimise these emissions. Leakage of SF_6 increased from 8.7 kg in 2018 to 47 kg in 2019, corresponding to an increase of 900 tonnes of CO_2 equivalents. 2018 was seen to be a comparatively good year in terms of SF_6 emissions. Measures have been put in place to rapidly manage any leakage and thus reduce any leaked volumes.

Ellevio's own transportation led to emissions equivalent to around 100 tonnes of CO_2 equivalents in 2019, which is a reduction of 3.5 tonnes since the previous year. Our transportation overwhelmingly comprises our own work vehicles that are gradually being upgraded to more climate-friendly transports.



Responsible purchasing

Ellevio takes active steps to ensure that relevant legislation, regulations and permits are complied with in terms of the work environment, natural environment, safety and quality. The requirements we place on our suppliers are the same we place on ourselves, which enables Ellevio to contribute to sustainable development. Ellevio's operations are dependent upon a large number of suppliers, and we consider it a significant issue for all purchasing to be conducted in a responsible manner.

Ellevio is subject to the Act on procurement of water, energy, transport and postal services (LUF). The majority of Ellevio's purchasing takes place via call-off orders from procured framework agreements in which extensive social and environmental requirements are defined during the procurement process, as well as through specific project procurements where equivalent requirements are placed on the specific project. Ellevio procures various goods and services which are divided up into five main categories: contractors, IT, consultants, strategic materials and indirect materials and services.

Our sustainability perspective entails a financial, social and environmental responsibility. It is mandatory for our suppliers to ensure that all employees are aware of our Code of Conduct, policies and principles governing our work and that all legislative requirements, permit conditions and both external and internal requirements are clear, understood and fulfilled. In addition to these requirements, the contractors must comply with Ellevio's rules and requirements in the area of sustainability – something which also applies to their subcontractors. Before entering into an agreement, the supplier must present a contract-specific sustainability plan relating to the work environment, natural environment, health and safety and quality. It should also include a description of risk-management, risk-assessment and risk-reduction measures. We also check whether these requirements are complied with at later stages by way of unannounced visits to suppliers in the field and material suppliers' factories. Ellevio also conducts major audits of both new and existing contractors in line with a separate plan for each year.

A limited amount of suppliers and contractors account for a very high share of Ellevio's purchasing volumes: 105 suppliers account for a full 95% of Ellevio's total purchasing volume. These major suppliers are reviewed continuously.

Furthermore, Ellevio has a number of smaller suppliers of products and services, with annual volumes of SEK 0–100,000. If there is no framework agreement, then as a rule these are directly procured under the threshold value, and the requirements set for these suppliers are lower than in the case of full LUF procurements, in line with the proportionality principle. The majority of these suppliers are from Sweden or Europe, while a small number are located in other parts of the world.

In 2019, 1,261 different suppliers provided contractors, products and services to Ellevio. Of these, 72 percent of the purchasing volume consisted of contractor services and materials for investments in our electrical grids. During a review of all suppliers above Ellevio's direct procurement limit, Ellevio found one supplier of insurance services procured via a third party where Ellevio's sustainability requirements or Code of Conduct had likely not been included. Since then, Ellevio has worked to ensure that relevant sustainability requirements are also placed on this kind of financial service.

More information about responsible purchasing can be found on page 21.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
All new major supplier should be reviewed. 250 unannounced site visits. 10 in-depth audits are to be carried out.	All 5 new major suppliers reviewed via in-depth audits. 301 unannounced site visits. 10 in-depth audits.	All 5 new major suppliers reviewed via in-depth audits. 334 unannounced site visits. 10 in-depth audits.	All 19 new major suppliers reviewed via in-depth audits. 313 unannounced site visits. 10 in-depth audits.

Security of supply

One of the most material sustainability topics for Ellevio is ensuring that our customers receive a highly reliable supply of electricity. In order to ensure a robust security of supply, a specific department has been established at Ellevio that constantly monitors the electricity network. Good accessibility to electricity is vital if today's society is to function, and accessibility will become increasingly important as new industries become electrified. In 2019, Ellevio had a security of supply of 99.98 percent, which is the same level as in 2018.

To measure security of supply, we use the international standard, SAIDI, (System Average Interruption Duration Index), which is calculated as the sum of all outage minutes (excluding planned works) experienced by customers divided by the total number of customers. The index enables comparison with other companies. SAIDI is an important key ratio for Ellevio and is measured each month and analysed continuously.

However, Ellevio is evaluating the option of complementing SAIDI with a financial assessment of customers' perceived value of non-supply of electricity.

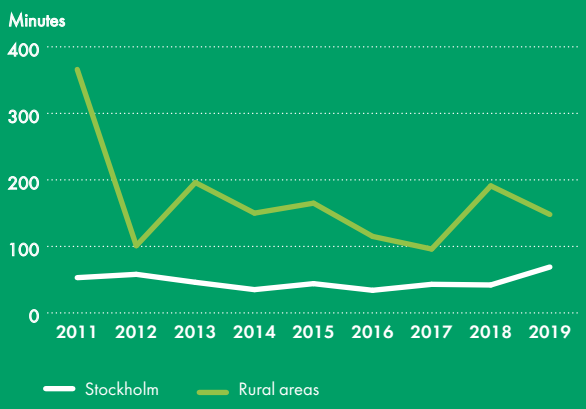
SAIDI can vary between years depending on whether there have been any major storms during the year in question. Despite major investments in weather-proofing of the electricity network, many kilometres of overhead lines remain exposed to strong winds and trees potentially falling onto the lines. The reason the Stockholm region increased in 2019 is primarily due to storm Alfrida which caused long outages for some of our customers in the northern parts of the region.

Comments

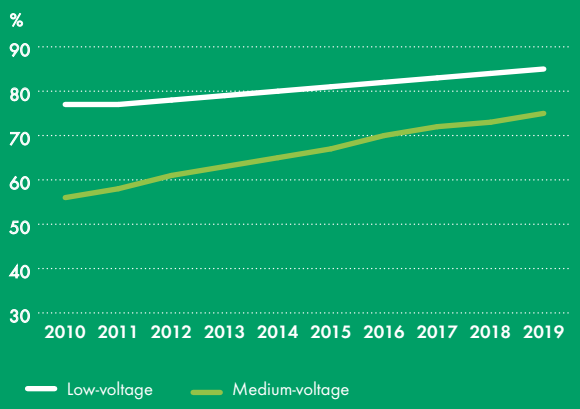
SAIDI is based on reporting to Swedish Energy Markets Inspectorate (Ei) as of 31 March 2020.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
All of Ellevio's customers should have an uninterrupted supply – today, tomorrow and in 50 years.	Stockholm region: 67 minutes of outage. Rural area networks: 152 minutes of outage.	Stockholm region: 40 minutes of outage. Rural area networks: 195 minutes of outage.	Stockholm region: 44 minutes of outage. Rural area networks: 96 minutes of outage.

Security of supply (SAIDI)



Rate of cabling, local grids (%)



Ellevio is continuously increasing the rate of cabling in our local grids to make our electricity network more weather-resistant.

Customer satisfaction

Electricity is a necessity if our modern lives are to function properly. A reliable electricity supply is the basis of our offering to customers and a prerequisite for our customers feeling satisfied with us as a company. In addition to measuring security of supply, we have also chosen to report customer satisfaction in some of the company's most important customer processes – customer service, compensation and connection. Customer satisfaction is measured on a monthly basis by way of telephone surveys among a selection of our customers. In total, some 10,000 customers respond to our questions every year. The results of the customer surveys are followed up at management level and reported to the Board of Directors. In 2019 we maintained the same strong results as in 2018. During the year we placed major focus on helping customers who want to install solar panels – an interest that has increased considerably this year and will likely continue in the future.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
84% satisfied customers	87% satisfied customers	87% satisfied customers	85% satisfied customers

Biodiversity

Biodiversity is a concept used to describe the variety of species of life on Earth. There is a large number of different species, habitats and ecosystems that combine to provide the fundamental conditions needed for our climate and environment. The ability to contribute to the maintenance and enhancement of biodiversity and natural environments is a material environmental topic for Ellevio's operations.

The damage limitation hierarchy is applied when planning new power lines. This primarily entails avoiding any impact by taking account of biodiversity when selecting the location of new projects, and then limiting the impact by taking damage-mitigation measures. As we start work on new power line, we identify accessible areas while taking into account known areas of natural value. A natural value inventory is carried out for the recommended area, after which adjustments are made to minimise the impact on the natural values that are found. Planned damage-mitigating measures are described in the environmental impact assessment which forms an important part of the concession application for new power lines. The damage-mitigating measures are then compiled in the project's environmental plan that must be complied with and, where necessary, updated during the planning and construction stages.

Before a concession application can be submitted to Swedish Energy Markets Inspectorate (Ei), a consultation is held in line with the Swedish Environmental Code with relevant parties, at which point a consultation document is published. The identification of relevant stakeholders is a vital part of these efforts, and the consultation group is adapted based on the extent of the project's environmental impact. The choice of location and implementation is made based on a reasonableness assessment that takes into account submitted viewpoints, assessed environmental consequences, operational safety and finances.

Power lanes are part of the green infrastructure of the landscape, i.e. the natural network that contributes to functioning plant and animal habitats and human well-being. Green infrastructure is necessary for biodiversity and the benefits afforded us by nature, known as ecosystem services, on which society is dependent. Green infrastructure provides positive ecological, economic and social effects and is a prerequisite for sustainable development. By mapping the natural values along our power lanes and implementing adjusted management measures in our species-rich areas, we can strengthen green infrastructure and preserve species connected to meadows and pastures.

Ellevio has also been collaborating with other players in this area since 2017 by way of the "Collaborative group for grasslands within infrastructure" run by the Swedish Species Information Centre.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
All areas potentially rich in different species within our power lane network with a voltage level of 50 kV or above will be inventoried from now until 2020. Adapted management measures will be implemented in the areas richest in species where adjustments could benefit biodiversity.	Power lanes totalling around 600 km in length have been studied. Within these, around 195 km of potentially species-rich areas have been inventoried, which has led to the identification of 18.3 km of valuable areas (class 2 and 3). Decisions regarding adjusted management measures have been taken for the areas that are to be cleared for maintenance in 2020.	Power lanes totalling around 400 km in length have been studied. Within these, 125 km of potentially species-rich areas have been inventoried out in the field, which has led to the identification of 15.6 km of valuable areas (class 2 and 3). Decisions regarding adjusted management measures have been taken for the areas that are to be cleared for maintenance in 2019.	In 2017, a GIS analysis was carried out with the aim of identifying power lane areas most likely to have grasslands that are rich in species (species that benefit pastural land and plains). A verification of the GIS results was carried out in the field by way of an inventory of certain power lanes.

Health and safety

The health and safety of our employees and business partners is a key sustainability topic at the core of our operations. Ellevio is to be a safe and attractive workplace and contractor. The safety of the people who work at and for Ellevio is always the top priority and we have a zero vision in relation to accidents and work-related illness. We measure and monitor our performance on a monthly basis. The metrics are both reactive and proactive, and reports are submitted to the management and the Board of Directors. Communication concerning our performance is distributed to all employees and subcontractors.

Ellevio has a deviation management system for reporting and following up deviations relating to near-accidents, accidents, risks and safety observations, as well as proposals for improvements. When a case has been registered, the information is automatically sent to an incident manager who ensures an investigation is carried out, measures are taken and a follow-up is conducted before the case can be closed. Investigations, measures and follow-up work are all vital aspects of our systematic health and safety management in order to prevent serious near-accidents, accidents and work-related illnesses.

During the year we continued to develop our safety programme as part of our ambition to achieve zero work-related accidents. The programme aims to establish and implement different activities in a strategic and long-term manner to increase safety and promote safe behaviours. One important aspect of this has been the collaborative projects undertaken with three framework agreement contractors. Ellevio has also held dialogue meetings with our operational staff and contractors out in the field.

In 2019, around 300 safety audits were carried out among our contractors with the aim of analysing and reviewing their focus on safety. Ellevio's deviation management system (Swe: ENIA) has been developed further to enable better analyses and efforts based on reported deviations.

Ellevio had 8 accidents in 2019 that resulted in absence from work more than one day. During the year Ellevio did not have any electrical accidents or electric shocks that led to absence from work. All accidents occured among Ellevio's contractors.

Sick leave among Ellevio's own staff fell from 2.66% to 2.49%, within which short-term sick leave fell from 1.44% to 1.35%.

Comments

TRIF: "Total Reportable Incidents Frequency", corresponds to the number of accidents per 1 million hours worked by Ellevio's employees. This includes accidents that have resulted in absence from work more than one day, the need for restricted work, or medical treatment.

LWIF: "Lost Workday Injury Frequency", corresponds to the number of accidents per 1 million hours worked by Ellevio's contractors. This includes accidents that have resulted in absence from work more than one day (including potential fatalities).

One fatality occurred during 2018.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
Zero vision for the number of accidents.	*In-house staff* In the last four years, none of our employees have been injured at work TRIF: 0 *Sick leave* 2.49%, of which 1.35% refers to short-term absence of up to 14 days. *Contractors* LWIF: 3.3 Personal injuries among contractors in 2019 were primarily due to crushing, cuts or falls. All such injuries affected men. A result of 3.3 shows that we have 3.3 accidents per 1 million hours worked.	*In-house staff* In the last three years, none of our employees have been injured at work. TRIF: 0 *Sick leave* 2.66%, of which 1.44% refers to short-term absence of up to 14 days. *Contractors* LWIF: 2.8 Personal injuries among contractors in 2018 were primarily due to electric shocks, crushing, falls and vehicle-related accidents. All such injuries affected men. A result of 2.8 shows that we have 2.8 accidents per 1 million hours worked.	*In-house staff* In the last two years, none of our employees have been injured at work. TRIF: 0 *Sick leave* 2.56%, of which 1.19% refers to short-term absence of up to 14 days. *Contractors* LWIF: 0.9 Personal injuries among contractors were primarily due to electric shocks, crushing, falls and vehicle-related accidents. All such injuries affected men. A result of 0.9 shows that we have 0.9 accidents per 1 million hours worked.

Responsibility for local communities

For Ellevio, it is important to involve local stakeholders to minimise potentially negative effects on the environment and on residents and companies affected by work we carry out when initiating new projects. The work we carry out could affect local communities negatively, for example by limiting accessibility, noise or related issues. Keeping land owners and local residents well informed before and during the planning and construction phases is thus an important aspect. During the permit process we maintain a dialogue and offer information about what we intend to do and always invite consultation with stakeholders to obtain valuable viewpoints at an early stage before any environmental impact assessment or concession application is produced. Open house-meetings for involved parties are also arranged for major power line projects.

Ellevio adheres to society's recommendations and uses the regulations in the Swedish Environmental Code as a basis for the planning and permit process. Before a concession application, a consultation should always be conducted. This can be done in several ways and to different extents depending on the complexity and environmental impact of the project.

In addition, arguments and viewpoints that are submitted are analysed on the basis of cost and benefit. Financial sustainability is an important factor as it is ultimately our customers who have to bear any potential increases to investment costs. This is why there must be concrete advantages for customers if an alternative is selected at a higher cost. Before any forest management is undertaken, a consultation is held with the County Administrative Board. After this, any clearing or logging of forest can begin and cultural relics, protected natural areas or other values worth preserving on the land are demarcated and checked.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
Increase share of local activities, impact assessments and/or development programmes.	9 concession decisions were obtained from Ei, of which 2 were for new power lines (wind power connections), 6 for the redevelopment of existing lines and one concession extension. 15 concession applications were submitted to Ei, of which 6 were for new power lines to connect wind farms, 4 new lines to strengthen our network, 1 application to raise the voltage, 1 to redevelop an existing line and 3 extension applications. An open house was held for two projects.	21 concession were granted by Ei, of which 6 were for new lines and 13 for extensions of concessions. 13 new applications were submitted to Ei, of which 9 were for extensions and 4 for new concessions. An open day was held for three projects.	20 concession were granted by Ei, of which 7 were for new lines and 13 for extensions of concessions. 21 new applications were submitted to Ei, of which 5 were for new lines and 2 for redevelopments of existing lines. An open day was held for three projects.

Equality

The description of why equality is a material topic can be found on pages 26–27. Ellevio monitors diversity developments by measuring the gender distribution within the management team, among managers across the company, the number of employees in different age groups and the proportion of employees with a foreign background. All Ellevio employees are to have the same opportunities, rights and obligations.

Ellevio works systematically to promote equal treatment and counter discrimination. Five areas are assessed, in addition to which we take preventive measures to counter harassment and ensure an even gender distribution. Ellevio complies with the Discrimination Act in a structured, systematic and documented way to promote equal treatment and counter discrimination. We carry out this work in collaboration with employee representatives.

The CEO and management – with help from Human Resources (HR) in cooperation with trade-union representatives at Ellevio – are ultimately responsible for Ellevio's equal treatment plan. Our managers are responsible for integrating equal treatment activities into operations as well as ensuring that all employees take responsibility for promoting equal treatment and countering all forms of discrimination. Ellevio has had an equality group since 2018 that coordinates initiatives linked to equality and supports and inspires further equality initiatives within the organisation. Long-term goals and activities are documented annually in our equal treatment plan.

One way equality is measured is by comparing the salaries of men and women for equal or equivalent work. Ellevio annually conducts a survey of salaries. The aim of this survey is to highlight whether there are

unjust grounds for the level of salary linked to gender. The company corrects any cases of unjust differences where the survey detects them. Offering equal salaries is a prioritised equality issue for Ellevio. Ellevio operates in an industry in which a large number of older men have been working for many years and in which – so far – there are few young women. Ellevio continuously works to improve this balance within the pool of candidates by adopting a more value-driven approach whereby an inclusive culture is vital for becoming an equal company.

The number of women in the management team, among Ellevio's other managers and overall in the company increased in 2019.

Comments

The gender and age distribution is based on the situation as per 31 December 2019.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
Maintain an equal distribution between men and women in the management team	60% women	50% women	55% women
Increase the number of female managers at the company (excluding management team).	22% women	20% women	22% women
Increase the total number of women at the company.	31% women	27% women	27% women

Good working conditions

Creating good working conditions is a material topic in terms of Ellevio being able to attract, recruit, develop and retain employees with diverse skills.

Ellevio strives to offer a work environment that is positive both physically and psychosocially and free from discrimination in terms of gender, gender identity or expression, ethnic affiliation, religion or other beliefs, physical ability, sexual orientation and age. Ellevio takes active steps to ensure an inclusive work environment that enables employees to develop both in their professional role and as a person.

To create good working conditions, Ellevio focuses on collective ability and ensuring that employees are given the right skills and opportunities to develop. This is monitored continuously by way of training and personal appraisals. Furthermore, Ellevio works actively to encourage uptake of parental leave and a positive work-life balance. Managers are another important factor in terms of working conditions. To ensure they develop their employees and workplaces in a positive way, Management Days are held each year at which different themes are discussed, such as team development, workload, health & safety and equality.

Ellevio carries out an employee survey every year that measures aspects such as the level of engagement, or Employee Engagement Index, through pride, contentment and recommendations. Each business unit reviews the results and produces an action plan.

Efforts to create good working conditions are followed up by implementing employee surveys, following up on employee appraisals and reviewing employee turnover and the number of people who took out parental leave, divided up by gender.

Employee turnover amounted to 8 percent in 2019. 70 new employees were recruited during the year, of which 38 were women. 99 employees, of which 31 were women, took parental leave days during the year. 86% of employees took part in documented personal appraisals. Appraisals were not conducted during 2019 for those employees hired at the end of 2019.

Comments

This personal data is based on data collected by Ellevio's HR system. The number of implemented personal appraisals is measured based on the appraisals documented as final in the HR system in relation to the number of employees as of 31 December.

Objective	Outcome 2019	Outcome 2018	Outcome 2017
100% of employees are to have an annual personal appraisal.	86%	87%	77%
Maintain a high level of satisfaction as measured by the "Employee Engagement Index" survey.	68.1	70.5	69

Key indicators and ratios

Climate impact (tonnes of CO_2 equiv.)

	2019	2018	Change (tonnes of CO_2equiv.)
SCOPE 1			
Proprietary and leased company cars	96.7	100.2	**–3.5**
Dielectric medium (leakage)	1,104.5	204.5	**900.0**
Total	**1,201.2**	**304.7**	**896.6**
SCOPE 2*			
Electricity – compensation for network losses	0.0	0.0	**0.0**
Electricity – Facilities	0.8	0.8	**0.0**
Electricity – Properties	25.5	24.5	**1.0**
Heating – Properties	17.7	17.1	**0.6**
Cooling – Properties	0.0	0.0	**0.0**
Total	**43.9**	**42.3**	**1.6**
Total emissions*	**1,245**	**347**	**898.1**

* Indirect climate impact from electricity production calculated using the market-based method (origin-certified/residual mix)

Scope 1 (Direct GHG emissions) entails the direct emissions from operations from sources controlled by Ellevio. For Ellevio, this relates to leakage of refrigerants in its own facilities and its own proprietary and leased vehicles.

Scope 2 (Indirect GHG emissions) consists of indirect emissions from purchased electricity, steam, heating and cooling which are created among producers who supply the named services to Ellevio.

Scope 3 (Other indirect emissions) does not form part of Ellevio's climate impact. Scope 3 entails emissions caused by operations, but which are not covered by Scope 1 or 2.

Number of employees

	2019		2018		2017	
	Total	- of which women	Total	- of which women	Total	- of which women
Permanent employees	**503**	**156**	**484**	**134**	**450**	**124**
Under age of 30	51	20	56	18	41	11
Age 30–50	302	96	273	80	273	84
Over age of 50	150	40	155	36	136	29
Temporary employees*	**9**	**3**	**6**	**0**	**7**	**1**
Under age of 30	0	0	0	0	0	0
Age 30–50	2	2	0	0	0	0
Over age of 50	7	1	0	0	7	1
Total number of employees	**512**	**159**	**490**	**134**	**457**	**125**

* Temporary employees primarily refers to former permanent employees who are now retired and working on an hourly basis as well as temporary employees such as temporary staff and project staff.

Ellevio does not have any part-time roles. However, employees do have the opportunity to work part-time for certain periods and under specific circumstances.

New recruitments

	2019		2018		2017	
New recruitments	Women	Men	Women	Men	Women	Men
Under age of 30	7	9	9	12	7	15
Age 30–50	24	20	6	15	14	29
Over age of 50	7	3	2	6	1	11
Total	**38**	**32**	**17**	**33**	**22**	**55**
Total number of new employees	**70**		**50**		**77**	

	2019		2018		2017	
Proportion of total number of employees, %	Women	Men	Women	Men	Women	Men
Under age of 30, %	1	2	2	2	2	3
Age 30–50, %	5	4	1	3	1	3
Over age of 50, %	1	1	0	1	0	2
Total, %	**6**	**7**	**3**	**7**	**5**	**12**
Total, women + men, %	**13**		**10**		**17**	

Diversity in management, managers and employees

	2019		2018		2017	
Gender, %	Women	Men	Women	Men	Women	Men
Management team	60	40	50	50	55	45
Other managers	22	78	20	80	15	85
Employees	32	68	29	71	28	72
Total, %	**31**	**69**	**27**	**73**	**27**	**73**

Age, %	**Management team**	**Other managers**	**Employees**	**Total**
2019				
Under age of 30, %	0	0	12	**10**
Age 30–50, %	60	66	58	**59**
Over age of 50, %	40	34	30	**31**
2018				
Under age of 30, %	0	0	13	**11**
Age 30–50, %	60	63	55	**56**
Over age of 50, %	40	38	32	**33**
2017				
Under age of 30, %	0	0	11	**9**
Age 30–50, %	64	69	58	**60**
Over age of 50, %	36	31	31	**31**

Employee turnover

	2019		2018		2017	
Gender, proportion of total number of employees, %	Women	Men	Women	Men	Women	Men
Under age of 30	0	1	0	1	0	0
Age 30–50	2	4	2	2	2	2
Over age of 50	0	1	0	1	1	1
Total, %	**3**	**5**	**2**	**4**	**3**	**3**
Total, women + men, %	**8**		**6**		**6**	

GRI Index.

This is Ellevio's third sustainability report and refers to the fiscal year 2019. The report has been produced in accordance with GRI standards, "core" level. Ellevio annually reports results of its sustainability initiatives, with the previous sustainability report having been published in April 2019. The report is not audited by an external party, but our auditors confirm that Ellevio has produced a statutory sustainability report for 2019 in accordance with the requirements set out in the Annual Accounts Act.

The report covers all operations conducted within Ellevio AB (publ), unless stated otherwise. As a result of increasing external demands, Ellevio has extended the scope of the sustainability topic "Transition to a more sustainable energy system" to include information regarding climate impact. The material sustainability topics are the same as those reported in 2019. No information from previous years has been adjusted in this report. For questions about Ellevio's sustainability initiatives, contact maria.bang@ellevio.se.

All references to GRI standards refer to standards valid in 2016. The index below reveals which GRI disclosures are to be reported and where such information can be found.

GRI Disclosure		Page	Comment	UN Global Compact
GRI 102: GENERAL DISCLOSURES 2016				
Organisational profile				
102-1	Name of the organisation	Inside cover, 47		
102-2	Activities, brands, products, and services	2–3		8–9: Environmental standards
102-3	Location of headquarters	Inside cover		
102-4	Activities, brands, products, and services	2		
102-5	Ownership and legal form	2, 35, 75		
102-6	Markets served	2		
102-7	Scale of the organization, including total number of employees, operations, net sales, and capitalization	47, 48, 50–51		
102-8	Information on employees and other workers	93	Ellevio does not report staff divided up by region as this is not considered applicable. The reason for this is that many of our employees work at a specific office while simultaneously carrying out duties that concern the entire business.	6: Labour standards
102-9	Supply chain	11, 21, 86–87		
102-10	Significant changes to the organisation and its supply chain		No changes have occurred within the organisation's supply chain.	
102-11	Precautionary Principle or approach	31, 84		7 Environmental standards
102-12	External initiatives	7, 18–19, 21, 29, 82		
102-13	Membership of associations	82		
Strategy				
102-14	Statement from senior decision-maker	6–7		
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	2, 7, 27, 75, 82		1–10: Human rights, working conditions, environment, corruption
Governance				
102-18	Governance structure	76, 84		
Stakeholder engagement				
102-40	List of stakeholder groups	83		
102-41	Collective bargaining agreements		100% of Ellevio's employees are covered by collective bargaining agreements.	3: Labour standards
102-42	Identifying and selecting stakeholders	83		
102-43	Approach to stakeholder engagement	83–84		
102-44	Key topics and concerns raised	83		
Reporting methodology				
102-45	Entities included in the consolidated financial statement	94		
102-46	Defining report content and topic Boundaries	82–83	As a result of increasing external demands, Ellevio has extended the scope of the sustainability topic "Transition to a more sustainable energy system" to include information regarding climate impact.	
102-47	List of material topics	83		
102-48	Restatements of information	94		
102-49	Changes in reporting	94		
102-50	Reporting period	94		
102-51	Date of most recent report	94		
102-52	Reporting cycle	94		
102-53	Contact point for questions regarding the report	94		
102-54	Claims of reporting in accordance with the GRI Standards	94		
102-55	GRI content index	94–95		
102-56	External assurance		No external assurance applied.	

Significant questions

GRI Disclosure		Page	Comment	Ellevio's significant sustainability issues	UN Global Compact
SPECIFIC DISCLOSURES - 200: Economic					
GRI 103: MANAGEMENT APPROACH					
103-1	Explanation of the material topic and its boundary	15, 20–21, 23–24, 33, 35–37, 82–83			
103-2	The management approach and its components	84			
103-3	Evaluation of the management approach	85–89			
GRI 203: Indirect economic impacts					
203-1	Infrastructure investments and services supported	35–37, 86	All of Ellevio's investments are made on commercial terms.	Transition to a more sustainable energy system	8–9: Environmental standards
Own disclosures					
	– *Own disclosure:* Choice of materials	33, 85			
	– *Own disclosure:* Smart electricity network	15, 23–24, 85–86			
	– *Own disclosure:* kWh electricity from renewable sources	8, 36–37, 85–86			
	– *Own disclosure:* Weather-proofing	20, 33, 86			
ELL-1	– *Own disclosure:* Security of supply	20, 23, 87		Security of supply	
ELL-2	– *Own disclosure:* Customer satisfaction	23, 89			
SPECIFIC DISCLOSURES - 300: Environmental					
GRI 103: MANAGEMENT APPROACH					
103-1	Explanation of the material topic and its boundary	21,29, 31–33, 82–83			
103-2	The management approach and its components	84			
103-3	Evaluation of the management approach	85–87, 89, 93			
GRI 304: Biodiversity					
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	33, 89	Geographical location and biodiversity value are not reported. Size of the area as well as the rights to the underground surface are not reported when data is not available (and in the latter case not relevant considering Ellevio's activities)	Biodiversity	7–8: Environmental standards
GRI 305: Emission					
305-1	Direct (Scope 1) GHG emissions	33, 86, 93	Direct (Scope 1) GHG emissions are calculated according to market-based method.		
305-2	Indirect (Scope 2) GHG emissions	33, 86, 93	Indirect (Scope 2) GHG emissions are calculated according to market-based method.		
GRI 308: Supplier environmental assessment					
308-1	New suppliers that were screened using environmental criteria	21, 29, 87		Responsible purchasing	7–8: Environmental standards
SPECIFIC DISLOSURES – GRI 400: Social					
GRI 103: MANAGEMENT APPROACH					
103-1	Explanation of the material topic and its boundary	20–21, 26–30, 82–83			
103-2	The management approach and its components	84			
103-3	Evaluation of the management approach	86, 89–93			
GRI 401: Employment					
401-1	New employee hires and employee turnover	26, 92		Good working conditions	6: Labour standards
GRI 403: Occupational Health					
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	27, 29–30, 90	Ellevio does not report Type of Injury Rate (IR), Occupational Disease Rate (ODR), Lost Day Rate (LDR), and Absentee Rate (AR), as these are not considered applicable. Ellevio has other own similar measurement numbers that are used and are well integrated into the business.	Health and safety	1–2: Human rights 4–6: Labour standards
GRI 404: Training and education					
404-3	Percentage of employees receiving regular performance and career development reviews	92		Good working conditions	6: Labour standards
GRI 405: Diversity and equal opportunity					
405-1	Diversity of governance bodies and employees	27, 93		Equality	6: Labour standards
GRI 413: Local communities					
413-1	Operations with local community engagement, impact assessments, and development programs	20–21, 91		Responsibility for local communities	1–2: Human rights 8–9: Environmental standards
GRI 414: Supplier Social Assessment					
414-1	New suppliers that were screened using social criteria	87		Responsible purchasing	1–2: Human rights 3–6: Labour standards 10: Corruption

Auditor's report on the statutory sustainability statement.

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF ELLEVIO AB (PUBL), CORPORATE IDENTITY NUMBER 556037–7326

Engagement and responsibility
It is the Board of Directors who is responsible for the statutory sustainability statement for the financial year 2019-01-01–2019-12-31 on pages 2–4, 18–35 and 82–95 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the sustainability statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions
A statutory sustainability statement has been prepared.

Stockholm, April 28, 2020
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

Ellevio AB (publ)
Box 242 07
104 51 Stockholm
www.ellevio.se

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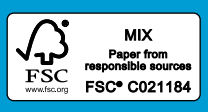

ELLEVIO

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