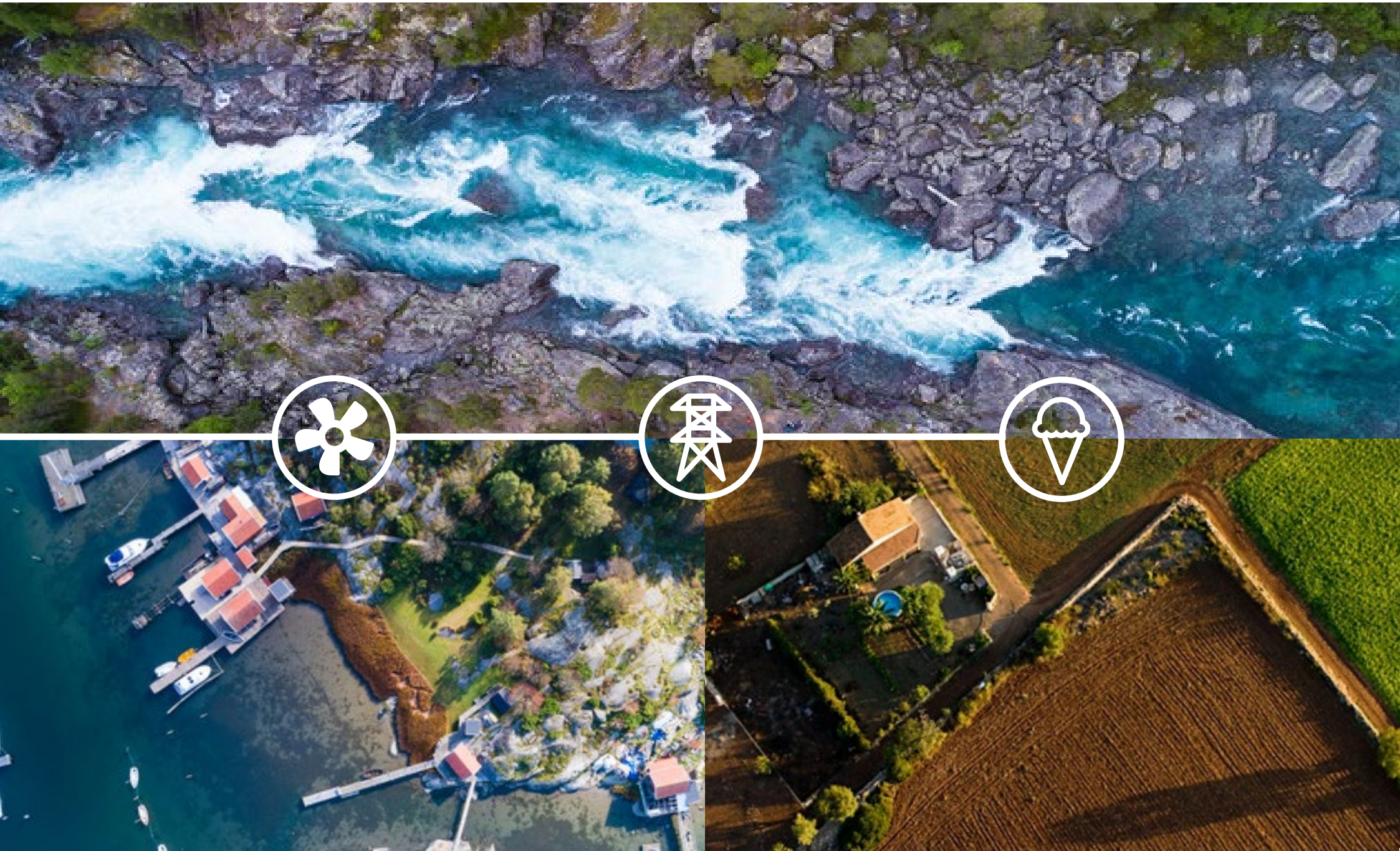
ELLEVIO

Annual and Sustainability Report 2020



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All values are expressed in SEK. Figures within parentheses refer to 2019, 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.

The Annual Report consists of an Administration Report, Financial Statements and notes on pages 40–67. (The auditors' report appears on page 66–67.)

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 5–8, 10–38 and in the sustainability information on pages 74–93. 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 5–8, 18–34 and 74–93.

Contents

Join Ellevio on its journey into the future.

Sweden is undertaking a long and important journey. In 25 years we are to be the world's first fossil-free nation, with cars powered by electricity, fossil-free steel production and all households able to produce and sell their own electricity.

A prerequisite for achieving this goal is that Sweden's electricity network keeps pace with developments. An efficient and developed electricity network is crucial for the functioning of society, for the ability to develop solutions and innovations and for ensuring that Sweden achieves its climate targets in time. As one of Sweden's largest electricity network companies, we at Ellevio thus have an incredibly important assignment.

We also want our 966,000 customers to join us on this journey. Thanks to the smart electricity networks and meters of the future, we are giving them new tools to influence their electricity consumption, while increasing security of supply as there are fewer and shorter outages.

Our roughly 500 employees work hard together to achieve our vision of a bright and sustainable future.

We welcome you along on this journey.

Facts about Ellevio.

No. of customers
966 000

Kilometres of grid
78,500 km

Owners
20% Third National Pension Fund
17.5% Folksam
12.5% First National Pension Fund
50% OMERS Infrastructure

Ellevio's owners adopt a long-term approach and share a desire for their investments to help ensure a green transition. The financial value generated by Ellevio provides a return for pension savers.

Our network areas.

We are future-proofing Sweden.

Our mission: Secure electricity supply

Ellevio is one of Sweden's largest electricity network companies. We safeguard the supply of electricity to homes, workplaces and societal functions through electricity networks that are sustainable in the long term and that contribute to 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 that responsibility with humility and we aim to contribute to sustainable societal development. With the right conditions and by collaborating with wider society, we want to realise our vision of using our commitment and expertise to contribute to a bright and sustainable future, step by step.

Electrification for a fossil-free Sweden

Electrification plays a vital role in terms of Sweden achieving its climate targets and becoming the world's first climate-neutral country by 2045. It is a significant societal transition that requires an infrastructure with greater capacity to manage more electric cars, high peaks of electricity consumption and more varied and extreme weather. This transition demands a modern and flexible electricity network that delivers with no outages, regardless of where in the country someone lives.

The transition in the energy system also requires major investments in Sweden's electricity network. Ellevio has a balanced investment programme focusing on sustainability, reliability and digitisation. We invested over SEK 14 billion between 2016 and 2020, which is more than double the amount of the previous five-year period.

Regulated operations

Ellevio's electricity network is a regulated business subject to the provisions of the Electricity Act. The regulation defines our allowed revenue and is to ensure that the networks maintain good quality and provide a reliable security of supply. The government-run Swedish Energy Markets Inspectorate (Ei) implements legislation and regulations and monitors the extent to which we fulfil our mission.

Ellevio works to ensure that the electricity network regulation provides a reasonable longterm return on the investments required to help Sweden achieve its climate targets and meet the electricity needs of growth regions.

Mission.

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

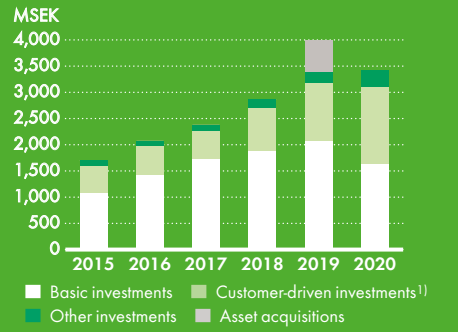
Vision.

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 71,900 km of local grids and 6,600 km of regional grids. The total length of our electricity networks correspond to twice around the earth.

Investments 2015–2020



1) Investments initiated by our customers, eg investments for connections of new homes, industries and wind farms to the electricity network.

Net sales 2020

SEK 6,674 m

(SEK 6,709 m)

Investments in tangible and intangible assets 2020

SEK 3,415 m

(SEK 4,000 m)

Seven strategic focus areas.

Ellevio is responsible for infrastructure that fulfils a critical function in society. Our operations therefore involve a wide range of responsibilities. By guaranteeing a reliable electricity network, customer-focused operations, committed employees and continued growth we create value for both customers and investors while getting closer to our vision of a bright and sustainable future. To achieve this, Ellevio has identified seven strategic focus areas.

1. Sustainability

By striking a balance between social, financial and environmental sustainability, Ellevio creates long-term value for all our stakeholders. Together with our customers, we are to play an active role in efforts to create a carbon-neutral and climate-smart society.

2. Customer and brand experience

We at Ellevio have a great responsibility with regard to our customers, in part because our service is so critical to daily life, and in part because electricity network companies are local and regional monopolies. We strive to ensure our customers perceive us as reliable, committed and actively engaged in the transition to a fossil-free future. We work continuously to improve our customer experience, including via digital services that help customers understand electricity consumption and show them how they can contribute to the energy transition.

3. Committed employees

Ellevio is to be an organisation at which employees are committed to – and take responsibility for – their own development, as well as that of their team and the company, and are driven by the idea of building a sustainable society for our customers. Everything we do is based on our values: reliability, commitment and development.

4. Regulation and industry development

Ellevio is to be involved in developing and regulating the electricity network market and should contribute knowledge, experience and opinions to issues that are important in terms of ensuring a functioning electricity market and that Sweden is in a position to achieve its climate targets.

5. Improved reliability through efficient investments

Through efficient investments, Ellevio is to improve and maintain its high level of security of supply for our customers, whether in the city or in rural areas. We achieve this by combining innovation, weather-proofing and digitisation.

6. Operational efficiency

Through efficient operations, efficient investments, preventive maintenance and digitisation of the customer interface, Ellevio creates the greatest possible value for our customers and other stakeholders.

7. Growth through business development and acquisitions

Ellevio will identify, evaluate and, when the opportunity arises, carry out acquisitions of electricity network businesses. We see that through our size we have the opportunity to develop also these networks in an efficient way, and thereby further contribute to future-proofing the electricity infrastructure in Sweden. We will also continuously evaluate new business development opportunities.

Review of 2020.

Investments in the electricity network of the future

Major interest in green bond
Ellevio issued its first green bond during the year, earmarked for investments in smart electricity meters that enable Ellevio's customers to consume electricity in a more climate-smart manner. There was major interest in the bond, which led to the issuance being extended. The new part of the issuance was earmarked for investments linked to the continued expansion of wind power in Sweden and the opportunity to connect more renewable electricity to the electricity network.

Smart charging streets in Stockholm
Together with the City of Stockholm, Ellevio is expanding the city's public charging infrastructure, which by 2022 will include 4,000 charging stations for electric vehicles. Thanks to a close collaboration with the city and a smarter charging model, the new charging streets will be able to manage critical periods with the highest loads. This also benefits customers, as they will be offered cheaper charging rates during less critical periods.

Innovation competition: Startup4Climate
In collaboration with electricity supplier GodEl and start-up hub Things, we were able last year to crown the first two winners of our joint innovation competition Startup-4Climate – Enjay and Peafowl Solar Power. The prize-winners will share SEK 2 million to go towards innovations that accelerate the energy transition and thus contribute to the goal of limiting global warming.

Focus on customer experience

One million smart electricity meters
Over the coming three years we will install the new generation of smart electricity meters for almost one million customers. In summer 2020 a pilot project was carried out in the Stockholm suburb of Älvsjö, which gave us valuable insights into how the new system works in practice. The smart electricity meters are a vital component of the smart networks of the future, and will help improve security of supply. At the same time, customers will get both a clearer breakdown of and influence over their electricity consumption, as well as improved conditions to smoothly start producing, consuming and selling their own electricity. Installations in other parts of Stockholm continued throughout the autumn, and in 2021 work will begin in other parts of our network areas.

New offering to solar panel customers
Together with our partner Cell Solar, we introduced a comprehensive solution for installing solar panels in autumn 2020 – from the permit stage to connection. At the end of 2020, we had a total of 8,146 micro-producing customers with a total connected power of 128 MW.

New offering: Charging box for electric vehicles
During the year, Ellevio played an active part in simplifying the process for switching to electric cars for private individuals, housing associations and companies. Together with our collaboration partner OneCo, we are offering our customers a comprehensive solution that includes a preparatory home visit, charging wallbox with load balancing function and installation. This initiative together with the previously offered solution for charging streets in collaboration with the City of Stockholm represent our contribution to accelerating the transition to an electrified fleet of vehicles.

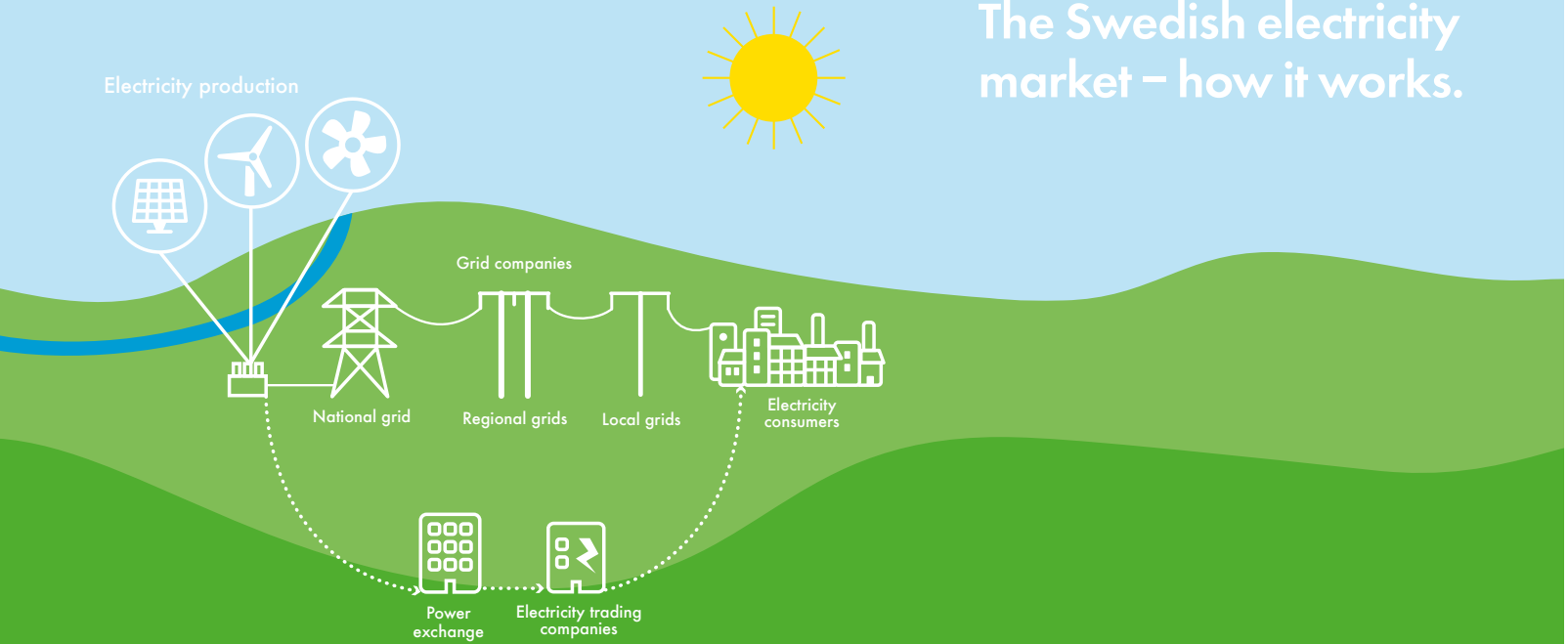
Operating environment and regulations

Bill concerning special scope for investment
In September, the Government presented a bill that would give electricity network companies the opportunity to use unexploited revenue frameworks to make investments in new power lines. Following a debate in the Swedish parliament on the formulation of the bill, the Government withdrew it. In December, the government returned with a memorandum in which some changes were made. In the spring of 2021, a new bill was presented and in April it was approved by the Swedish Parliament. This was an important decision to create the conditions for the investments required to meet growth and increased electrification. The new law will enter into force on 1 June 2021.

No to large scale wind power in Värmland
In October, it became clear that any expansion of new, major electricity production in Värmland was to be halted. The announcement came after the national grid owner, Svenska kraftnät, reported that the national grid in Värmland had reached its maximum capacity. This halting demonstrates the major and acute investment needs of both the national grid and of regional and local electricity networks. The projects under construction at the time were not affected by the decision.

Strategy for the next generation of electrification
The Government has launched an initiative to draw up a national strategy for electrification. The strategy is to contribute to a rapid, smart and socioeconomically efficient process of

The Swedish electricity market – how it works.



Electricity producers
The companies that produce electricity through hydroelectric power, nuclear power, wind power, bio power, wave power and solar power, for example, and sell a large part of it via the power exchange NordPool. In Sweden, hydro, wind and nuclear power account for more than 90 percent of electricity production. There are both larger and smaller electricity producers in Sweden.

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 because it is not socioeconomically feasible to build parallel networks. Customers are connected to the grid where they live and thus become customers of the local electricity network company. There are around 160 electricity network companies in Sweden.

Electricity sales companies
The companies that purchase electricity from the Nordpool power exchange and sell it on to end customers. There is free competition between electricity sales companies in Sweden, meaning customers can choose their own company. There are over 100 electricity sales companies in Sweden.

The Swedish Energy Markets Inspectorate is responsible for monitoring, reviewing and establishing rules for the energy market.

National network
"The trunk of the electricity tree" – the lines that transport electricity from the 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 network companies such as Ellevio.

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

electrification. Ellevio welcomes the initiative and hopes it will help ensure a long-term, sustainable regulation of the electricity network and faster permit processes that promote investment.

The Covid-19 pandemic

Collaboration with public authorities and crisis preparedness
During the Covid-19 pandemic, Ellevio has had a closer dialogue than usual with among others Svenska kraftnät and the Swedish Civil Contingencies Agency to safeguard a maintained supply of electricity to society, in particular to socially critical operations. Since February, Ellevio has been working in accordance with our crisis scenario for pandemics. The entire organisation placed special restrictions on employees and ensured greater preparedness for any cases of sickness, with the rules at the operations centre being particularly strict.

As a whole, the impact of the pandemic on Ellevio's operations has so far been limited.

A safe workplace during the pandemic
Shortly after the pandemic reached Sweden, Ellevio established a crisis management team which has since met each week to take continuous decisions and implement our own pandemic crisis plan and the authorities' recommendations throughout our operations. To help reduce the spread of infection and protect our employees, we recommended and enabled home-working, arranged joint digital activities, and trained managers in digital leadership and the importance of checking in with employees to see how they are managing home-working over a sustained period.

We are building an electricity motorway – in the middle of Stockholm

Ellevio is currently implementing one of its largest electricity network projects ever, which will serve as a vital part of the platform for Stockholm's continued sustainable development.

An important task for Ellevio is to guarantee the electricity supply in the Swedish capital of Stockholm. The capital region is growing as digitalisation and electrification continue to expand. Demand for electricity is increasing in line with this.

"This project is a vital piece of the puzzle in terms of Stockholm's continued development, electrification process and achievement of its climate targets," says Jenny Nilander, project manager at Ellevio.

The electricity network project is one of Ellevio's largest ever. For the first time in Sweden, cables are being laid with a voltage level of 400 kilovolts in an urban environment. A 10 kilometre-long overhead line between Beckomberg and Bredäng is being replaced with 12 kilometres of cables, partly buried in the ground and partly placed on the bottom of Lake Mälaren, a challenging project that affects many stakeholders along the way.

There are nine cables as thick as tree trunks being buried, which is why they are buried deep down and wide apart. Furthermore, the work is being undertaken in places where space is limited due to other types of pipes and lines – for example for water, fibre and district heating. This work in a densely populated and busy area can be trying for residents and for those who typically use the streets now being dug up.

"We have a close dialogue with the City of Stockholm, among others, to find solutions relating to noise and route closures and compromises to meet different needs," explains Nilander. "However, it will not be possible to avoid disturbing some people in this project, which is why we are making big efforts to inform those who live and work in the affected areas. The aim is to try and help people understand why this work is needed. We are building a new motorway for the city's electricity."

The project planning began as far back as 2013, and aims to ensure a long-term and robust electricity network for an expanding Stockholm. Ellevio's work on the area began in 2019 and is our largest cable project ever, involving investments of more than SEK 1 billion.

When the work is complete, the lines will form part of the Swedish national grid. With their voltage level of 400 kilovolts, they will make a considerable difference compared to the current overhead line of 220 kilovolts. In addition to greater capacity, the buried power lines will also free up valuable land for housing, offices, parks and green areas, for example.

Sustainable electricity networks a prerequisite for Sweden's climate transition.

Modern, flexible electricity networks are crucial if Sweden is to manage the energy transition and achieve its climate targets. We at Ellevio are prepared to make the major investments that are required, but we also need a network regulation that is sustainable in the long term and that promotes investment.

The pandemic year of 2020 was a special time for us all. As an electricity network owner, Ellevio is responsible for critical infrastructure, meaning crisis preparedness is an important part of our mission. Our own pandemic action plan came into effect in February, even before the authorities issued their recommendations. We activated our crisis organisation, which focuses on our own strict guidelines and compliance with the authorities' recommendations, to protect the health of our employees and guarantee an uninterrupted supply of electricity to our customers.

I can say that our proactiveness has paid off. Thanks to our prompt actions and hard work, we have so far succeeded in maintaining a low level of sickness absence and in guaranteeing uninterrupted operations. '

I would like to extend a big thank you to all employees, partners and suppliers who have shown great responsibility and flexibility. Thanks to you, our operations and fault repair process have proceeded without interruption and our investment projects have been able to continue as planned.

Committed employees – our main resource

Our ability to manage the challenges facing us during the pandemic year in 2020 are clear proof of the huge commitment among our employees. I am also pleased that the employee surveys conducted indicate a continued high level of commitment.

Another metric we follow closely is the number of women employed at our organisation, and we achieved a record-high score in this area. It is very pleasing to see that our systematic gender-equality initiatives within operations and the recruitment process have really made a difference.

Safety for all those who work for Ellevio, our own employees, contractors and sub-contractors, has always been our highest priority. In 2020 we reduced the number of accidents, which shows that our efforts to create a strong safety culture are yielding results.

Several new items in our customer offering

During the year we began the installation of new smart electricity meters for our customers. In total, nearly one million customers will receive new meters. The smart electricity meters are a vital component of the smart electricity networks of the future. They are adapted for solar panels, offer customers the opportunity to connect new services and will contribute to fewer and shorter outages.

Digitalisation of our services is a priority in Ellevio's business strategy, and we have made important progress in this area during the year. For example, we developed an app that will make it easier for our customers to track and understand their electricity consumption and environmental impact, as well as compare their consumption to others. The app will be launched in 2021.

We also implemented several other improvements for our customers in 2020. We now offer installation of solar panels and charging wall boxes for electric vehicles to private customers; we launched charging solutions for companies, properties and housing associations; and we are continuing to offer smart solutions for the

establishment of charging streets in Stockholm, in collaboration with the City of Stockholm.

The opportunity to invest in climate adaptation is now – not later

Over the past year the political agenda has – naturally – been dominated by the Covid-19 crisis. As we look ahead to a post-Covid world, there is a unique opportunity to focus on the biggest future issue of our time: the climate. The opportunity to invest in sustainable development and climate adaptation is now, not later.

Swedenenergy has produced calculations of the extent to which Sweden's electricity needs will increase by 2045, which is the target year for Sweden becoming the world's first fossil-free country. Previous calculations indicated an increase of 50 TWh per year, corresponding to 1.5 times Denmark's entire electricity consumption, to 190 TWh/year by 2045. In 2020 new information provided by industry has led to the increase in all likelihood being considerably larger, perhaps double this or more. This means that the SEK 500 billion in electricity network investments required by 2045 will also increase.

We at Ellevio have the skills and preparedness required for Sweden to manage the energy transition and achieve its climate targets. This is why we are working to ensure Sweden has a sustainable network regulation over the long term that enables us to attract the capital needed to make these important investments in the future.

Dialogue concerning future regulation

The Government entered into a dialogue in 2020 between politicians and electricity market operators concerning the future regulation. It is very positive that we are involving a broad range of participants to discuss how the regulation should be designed in the long term; the current situation with drawn-out court cases is not sustainable. I am essentially hopeful; an increased understanding of what is required, as well as greater understanding of the various stakeholders' conditions will increase the chances of bringing about a cross-party agreement on stable rules.

We also welcome the fact that the Government will draw up a national strategy for electrification. It is positive that a comprehensive approach is being taken to provide the conditions for electrification of transportation and industries. With respect to Ellevio, we have long warned that capacity on the electricity network represents a bottleneck for growth, electrification and connection of new solar and wind power.

Greatest need yet for investment in the electricity network

In the autumn of 2020, it became clear that we would be forced to say no to any new, major electricity production in Värmland in the future. The decision was a result of Svenska kraftnät being unable to connect more production to the national grid. This was not a pleasant announcement to make to our customers. From Ellevio's perspective, we want to see the electricity network expanded so that it can become an enabler of the transition towards a fossil-free society.

The need for investment in the electricity network has never been greater, which is why it was very unfortunate that the much less beneficial regulation for the period 2020–2023 has led to us needing to reduce our investments by some 40 percent compared to our original plan. Due to the already planned and ordered investments, however, 2020 was yet another year with some of the highest levels of investment ever. In contrast, we will already need to reduce our investments in 2021. It is extremely unfortunate that this is happening at a time when Sweden needs an expanded electricity network and new, green jobs more than ever before.

Major interest in green bond

In 2020 Ellevio took its first loan on the bond market within our framework for green bonds. The issuance was earmarked for our investments in smart electricity meters. As there was such huge interest in investing in the bond, we decided to extend the issuance to include investments enabling more connection of wind power.

Before the issuance, we had a certification institute analyse our entire operations based on their environmental benefit. The conclusion was that Ellevio's operations can be classified as "Dark Green", which is the term used for operations that offer a clearly positive contribution to the green transition. It feels positive that we thus have a testament to the fact that the capital our owners and creditors invest is making a difference to sustainable development.

Sustainable development contributions

This year's annual and sustainability report serves as our Communication on Progress report in line with the UN Global Compact. I can confirm our continued support for this initiative.

I am proud of the great results we have achieved over the past year. Moving forward, focus will be placed on our increasingly important role in the climate transition and we will continue to work towards a regulation that supports sustained investment in the electricity network of the future. We will also invest even more in digitalisation of services that enable our customers to be a part of the journey towards a fossil-free society. Naturally, we will also continue our efforts to constantly improve in terms of safety so that everyone who works with us feels safe and secure.

Johan Lindehag
CEO of Ellevio AB (publ)

Drivers and market conditions.

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

Drivers

Electrification for a fossil-free Sweden

Within the framework of the Swedish Government Inquiry Fossilfritt Sverige (Fossil-free Sweden), various sectors have produced roadmaps detailing how each sector will become fossil-free and strengthen its international competitiveness. At the start of the year, the industry association Energiföretagen Sverige presented the results of a study showing the trend in electricity consumption through 2045. The study estimates that electricity consumption in Sweden will be around 190 TWh in 2045, which is an increase of more than 35 percent compared with today's levels of around 140 TWh. 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 electricity production facilities – an estimate considered even now to be conservative.

The major increase in electricity consumption can be linked 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 centres is expected, and industry that will transition to fossil-free and electricity-based solutions.

The transport sector

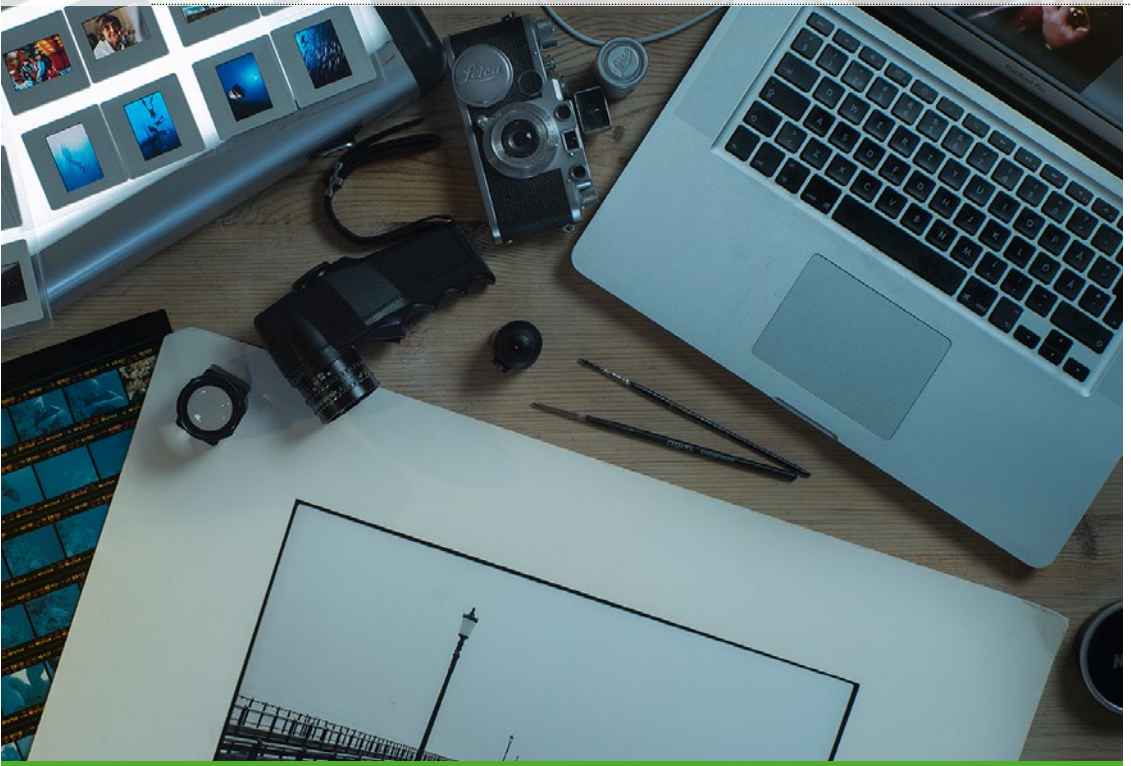
The significance of electric vehicles in terms of adapting to the climate and reducing air pollution means electrification of the transport sector is an urgent and prioritised issue for the future. Today, transportation by road accounts for around 30 percent of Sweden's CO_2 emissions. Developments are moving fast and car manufacturers are now offering chargeable electric vehicle models equal to fossil-fuelled vehicles, not only in terms of overall ownership costs but also in terms of purchase price. Ellevio throws its support to the Swedish vision to have a fossil-free vehicle fleet by 2030.

In November 2020 the number of rechargeable vehicles in Sweden had risen by 72 percent over a 12-month period, and by 2030 this number is expected to increase to 2.5 million according to a report released by the interest organisation PowerCircle in 2019. 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 control, but thanks to their batteries also offer a potential opportunity for storage that could play an important role in balancing electricity consumption in the future.

The environmental effects linked to a vehicle fleet no longer running on fossil fuels will be very significant. CO_2 emissions and air pollution will fall. We will have better air quality and less traffic noise. To ensure the success of this transition, an extensive and accelerated expansion of charging options 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 options falls behind then obstacles may risk hindering progress. This expansion will require major investments in Sweden's electricity network.

Data centres

As society undergoes digitalisation, there will be a greater need for data centres that can store data, run online services, stream TV series or enable self-driving cars in the future. These data centres often house thousands of computers and servers in need of efficient cooling and a reliable electricity supply all year.



What is a capacity shortage?

There is a shortage of capacity on the electricity grids of several regions in the country. The problem mainly entails a shortage of transmission capacity on the national grid, the motorway of electricity, but will also entail shortages on regional and local grids if the necessary investments are not made soon. The cables are no longer sufficient and bottlenecks have arisen, preventing the transfer of the requisite amounts of electricity to meet the needs of users.

Historically we have had stable electricity networks with ample capacity to transmit electricity from the power stations to households, companies and industries. We are now in a situation where our major cities are growing just as a significant energy transition is getting underway. In the long term, this will lead to the current electricity network no longer being able to meet today's needs.

More information about the capacity shortage can be found on our website: www.ellevio.se/om-oss/om-elmarknaden/kapacitetsbrist (Swedish)

Thanks to our beneficial climate, but perhaps above all due to advantageous tax conditions, both the number and size of data centres have increased dramatically in Sweden over the past few years. Several of the largest players are currently located here and many are planning to expand.

Increased digitalisation entails a need to process even more data faster, which leads to more data centres and greater demand for electricity and more network capacity when the electricity networks are already at close to maximum capacity in many areas. The amount of electricity consumption for which data centres will account is hard to estimate, but with the expansion of 5G combined with maintained tax breaks and a continued successful establishment, the estimate is 7 TWh by 2045.

At the same time, the companies who establish data centres in Sweden are contributing to more sustainable energy consumption thanks to the use of waste heat from the data centres in the district heating system. This in turn helps reduce CO_2 emissions from production while also freeing up capacity for CHP production, for example. One example of this is the Stockholm Data Parks collaborative platform in which Ellevio, Stockholm Exergi, the City of Stockholm and Business Region Stockholm participate. Back-up power in the form of battery storage could also offer load balancing on the networks in the future.

Industry

Reducing the environmental impact of industry is an incredibly important issue for the future. The industrial sector currently accounts for around one third of Sweden's greenhouse gas emissions, mainly linked to the combustion of fossil fuels for energy recovery and process-related emissions.

More and more industries are being electrified, however. Thanks to technological breakthroughs, Swedish industry is now heading for a radical energy transition that could have huge positive effects on the emission of greenhouse gases. This kind of breakthrough is expected in the iron and steel industry, with the aim being entirely fossil-free steel manufacturing by 2035. If they succeed, emissions will fall by up to 10 percent while electricity consumption will increase sharply by around 15-20 TWh. By way of comparison, Swedish industry currently uses around 50 TWh of electricity each year. Similar breakthroughs are also underway in several other sectors.

In parallel to this, industry is becoming increasingly efficient, which contributes to moderating the explosive increase in electricity consumption that similar breakthroughs would entail. Thanks to energy efficiency enhancements, annual electricity consumption in Swedish industry is estimated to total somewhere between 50 and 60 TWh beyond 2030, although estimating future needs is not a simple task.

In late 2020, mining company LKAB presented a plan for a major transition of its operations towards the production of coal-free iron ore, which alone could entail increased electricity needs of 50 TWh per year.

Such major transitions place new demands on the electricity network, whose capacity and flexibility needs to satisfy greater demand and shifting consumption patterns. Without necessary investments, innovative solutions risk remaining on the drawing board and never becoming practically viable.

Capacity shortages in electricity networks

One of the greatest challenges facing Sweden's electricity network is increasing urbanisation. Around 70 percent of the population increase is taking place in major cities, with Stockholm expected to have three million inhabitants in 20 years. Hundreds of thousands of new homes are needed, as well as a developed and expanded infrastructure; work to extend the underground is already underway.

Urban planning has long taken the electricity supply for granted without considering the need for extending the electricity network. This risks threatening both growth and the climate transition. Clear examples can also be seen outside the major urban areas; in the Värmland region, the continued expansion of large scale wind power was recently halted as the national grid had reached maximum capacity.

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

- Sthlmflex opened in December – a new marketplace for electrical power in the Stockholm region. Sthlmflex opens the way for new actors on the energy market and makes it profitable to plan and be flexible with electricity consumption – an important contribution in terms of relieving the strained situation with the lack of capacity on the region's electricity grid.
- Several major and crucial projects are underway to reinforce and increase capacity on the regional network in Stockholm. The most significant is the new 400 kV line between Beckomberga and Bredäng, as well as the redevelopment of the Värtan switching centre.
- We are working to offer customers easy-to-use 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.
- We maintain a constructive dialogue with decision-makers and the sector to trace a shared path forward, in which network companies are given reasonable financial conditions to make the necessary investments.

Read more about capacity shortages in the electricity network on page 13.

Weather-dependent electricity production

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

More and more consumers are also producing their own electricity by connecting 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 electricity from power stations far away.

Access to solar and wind power is weather-dependent, which makes it harder to manage production. Electricity networks thus must be able to manage an irregular inflow from these sources, with rapid and sharp fluctuations in electricity production. This places huge demands on the electricity network to become smarter through digital governance and monitoring. In certain cases, investments in the electricity network are also required to increase capacity and avoid the risk of wasting electricity.

At certain times, more electricity will be produced than is used at that moment, which requires solutions to take advantage of that surplus. The solution could be either to transfer the electricity to other parts of the country, export it or store it 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 require investments in national, regional and local grids as well as innovative solutions to how the electricity system can be governed more smartly. This could be achieved through local production and by giving users incentives and tools to be flexible in their electricity consumption, thus leading to a lower level of maximum capacity on the network, something now being tested in the sthlmflex research project.

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

Cyber security – new opportunities, but also new threats

One of the most important aspects when it comes to a future-proofed electricity network is cyber security. Smarter electricity networks enable us to supply electricity in a more secure way, but this also entails new risks that need managing. Smart components can be attacked by individuals, organisations or foreign powers who aim to damage networks. Just like banks, telecom operators 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.

Ellevio is making significant investments in cyber security and aims to build as secure systems as possible. Collaboration with authorities and other players is an important aspect of these efforts.

Market conditions

A regulated market

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 develop in line with society.

Electricity networks are known as natural monopolies, and network companies are regulated and supervised by the Swedish Energy Markets Inspectorate (Ei), a government authority.

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. Allowed revenue frame ordinance compensate 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 framework applied to electricity companies' revenues are effective over four-year periods. The current revenue regulation applies to the period 2020–2023.

Current revenue regulation an obstacle to investment

The previous revenue regulation for the period 2016 and 2019 provided incentivess for investments in the electricity network, which was a positive and necessary change compared to the past. Consequently, Ellevio increased its investments in the electricity network to meet the needs of the future.

The current revenue regulation that took effect on 1 January 2020 and applies until 31 December 2023 entails lowered allowed revenue. In the short term, this will mean lower network tariffs for network companies' customers. In the long term, however, this will also lead to insufficient investments being made to maintain security of supply, enable growth and achieve environmental and climate-related targets. As a result, Ellevio was forced to reduce its investments despite having greater investment needs than ever before. 120 of Sweden's network companies appealed this regulation. In February 2021, the Administrative court ruled in favour of the network companies. The Swedish Energy Markets Inspectorate later appealed the verdict to the Administrative Court of Appeal. See note 33, Significant events after the end of the period.

How frameworks are established for network companies' revenues

The allowed 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 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 and a reference interest rate 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. For the regulatory period 2020–2023, Ei decided to lower the reference rate to 2.16 percent – a figure later adjusted to 2.35 percent.

Non-controllable costs are costs that network companies cannot affect themselves. 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 Svenska kraftnät's national grid), 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 and that are passed on to the state in full.

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

The quality incentive means that network companies are given incentives to ensure an outage-free electricity supply. The companies' revenue frameworks can be decreased or increased depending on various measures of the number and length of the outages.

Long investment horizon

Electricity networks entail operations that require a very long planning horizon of up to 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 there to be conditions for investment 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. The electrification of the transport sector and industry has already begun to a large extent, while 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. This means that Ellevio and other network companies need to

make the largest investment in the electricity network since the 1960s and 70s.

For this reason, we are working 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 required to achieve climate targets and become the world's first fossil-free country. If these conditions do not improve, we risk ending up in a situation where the space for developing the electricity network in the future is extremely limited.

Important role for contractors

Contractors are a vital part of the Swedish electricity network market. They are responsible for building the electricity network, taking the plans from our desk and turning them into a completed facility. We see major potential for development in this area. In some parts of our areas, contracts awarded to contractors will be more comprehensive, project-based and will run over longer periods. Overall, the new regulation has meant that contractors' work requirements will become more uncertain and harder to plan as investment conditions deteriorate or change due to a short-term and unpredictable framework.

The current regulation unfortunately forces Ellevio to have a shorter-term focus for our investments than we would want. We must ensure maximum customer benefit in the here and now, for example minimising power outages, and do not have the opportunity to build for the future to the same extent.

Time-consuming permit processes

Time-consuming permit processes represent a serious obstacle to necessary investments in the electricity network. Lead times from decision to implemented project can 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. Ellevio's view is that more measures are needed. The Government announced a bill relating to this issue in the spring 2021.

Special scope for investment

In September 2020, the Government presented a bill that would give electricity network companies the opportunity to use unexploited revenue frameworks to make investments in new power lines. Following a debate in the Swedish parliament on the formulation of the bill, the Government withdrew it. In December, the government returned with a memorandum in which some changes were made. In the spring of 2021, a new bill was presented and in April it was approved by the Swedish Parliament. This was an important decision to create the conditions for the investments required to meet growth and increased electrification. The new law will enter into force on 1 June 2021.

Electricity network dialogue

During the autumn, the Government and the Minister for Energy and Digital Development, Anders Ygeman, opened an electricity network dialogue between politicians and electricity network market operators. An initial meeting was held in October 2020 to discuss the purpose of the electricity network dialogue – creating greater stability over several regulatory periods and establishing a regulation that has the support of all operators.

Ellevio views the initiative positively and sees the dialogue as an important, long-term forum for discussing the design of future network regulations. A broad and long-term dialogue is vital in terms of designing a clear regulation that leads to fewer drawn-out court cases to determine the size of network companies' revenues.

National strategy

The Government has launched an initiative to draw up a national strategy for electrification. The strategy is to contribute to a rapid, smart and socioeconomically efficient process of electrification in order to achieve the climate targets set for 2030, 2040 and 2045. The strategy will consider aspects such as charging infrastructure, network capacity, the electricity market, energy system and how electrification will develop at a pace in different parts of Sweden and across wider society. A broad dialogue with the business community, authorities and the energy industry will take place within the framework of these strategic efforts.

The Government has promised a decision on the strategy during the fourth quarter of 2021. Ellevio welcomes the initiative and hopes the strategy will help set frameworks for what energy policy is able to govern with respect to electricity consumption and a changing mix of sources of production.

Electrification Commission

During autumn 2020, the Government established a commission to accelerate electrification efforts in terms of heavy goods vehicles and the transport sector as a whole. This will involve producing an action plan for electrification of the busiest roads, detailing how electricity can be made available quickly for electric roads and charging infrastructure for rapid charging when necessary, and examining how the electricity supply is affected by the transport system's transition towards electric power.

At the same time as the Commission was launched, the Swedish Transport Administration was also tasked with two inquiry by the Government. The first inquiries will examine where the supply points from the electricity

network to the electric roads are to be installed. The second will review the regulation of electric roads and how their operation and maintenance can be financed.

Criticism against electricity market hub

The debate about the supplier centric model (SCM) gathered pace in 2020. The proposal has existed for over 10 years and in brief means that the electricity seller is to be the customer's main contact and the organisation that invoices them, among other things. Information is to be handled centrally in what is known as an electricity market hub, where information about all of Sweden's electricity meters, customers and meter values are collected in just one IT system.

This model has been criticised by several authorities and stakeholder organisations, who have pointed out how this not only threatens individual privacy and national security, but also risks slowing the energy transition and raising costs for consumers. The model would also distance the network companies from their customers and thus make it harder to pinpoint joint solutions to important issues, such as the energy transition, electrification and network capacity shortages.

In autumn 2020, along with some 40 local and regional energy companies, Ellevio presented alternative proposals for a customer-friendly electricity market. The Government is expected to present a new bill regarding the SCMI in 2021, and while waiting for this bill, Svenska kraftnät has discontinued efforts to develop the electricity market hub.

Clean Energy Package

The EU's Clean Energy Package, or CEP, is a legislative package that will be examined by the Swedish parliament in 2021. The CEP contains basic rules for how the Union's electricity industry is to be organised and operate, as well as forms of cooperation between member states and supervisory authorities in the area of energy. The aim is to create an intra-European energy market that offers greater security of supply, competitiveness and customer influence. The aim is also to facilitate new technology and new players on the market. The overall purpose is to create a smooth transition towards a sustainable and low-carbon energy system.

There are many indications that the legislative package from the EU will entail a different role for network companies, changing them from network managers more into system operators. Ellevio considers it highly important for the national revenue regulation to offer compensation for this changing role.

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.

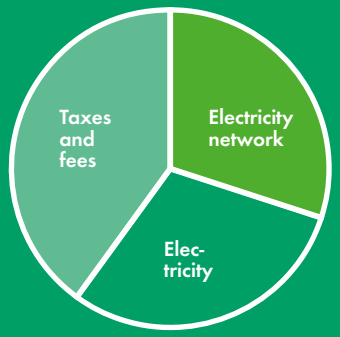
Taxes and fees – about 40 percent of the electricity cost comprises government taxes and fees to authorities, such as the energy tax and VAT.

The network component consists in turn of several parts

Network companies incur costs for running the electricity networks, which are decided 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.

In addition, network companies have been tasked with invoicing customers taxes and fees on behalf of the government, which leads to a large proportion of the electricity network invoice also comprising taxes.



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

Ellevio's operations are significant to society as a whole. Our work enables our customers to create value.

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 reaching almost one million households and companies, as well as municipal and public operations, authorities and organisations in Sweden. We view this great responsibility with humility and have a strong desire to keep contributing to the energy transition and 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 goals

The UN's global sustainable development goals form an integrated part of Ellevio's business strategy. Our core operations have the greatest impact on the following four goals:

Goal 7, Affordable and clean energy, essentially represents our mission in society and is the aim of Ellevio's long-term investments. By developing the electricity infrastructure, we can supply society with more renewable electricity produced by the sun and wind. Goal 7 also contains guidelines for realising energy efficiency enhancements, to which our efforts relating to the next generation of smart electricity meters is making a contribution.

Goal 9, Industry, innovation and infrastructure. Ellevio's electricity network is a critical infrastructure. An electricity network that ensures security of supply is a prerequisite for industry and enterprise thriving and for people to live and work across Sweden, be it in a city or a rural area. The electricity network is also an enabler of the transition towards a fossil-free society in which industry and transportation run on electricity.

Goal 11, Sustainable cities and communities. Ellevio's electricity network is an enabler of a sustainable society. A reliable and developed electricity network allows society to continue its electrification process and enables more people to participate and make green choices. We supply smart charging solutions for electric vehicles. By burying our power lines, we also make space for more green areas and housing, while safeguarding the network from the impact of weather. As an electricity network owner in Stockholm and Mälardalen, our grids play a vital role in terms of sustainable urbanisation and the development of the expanding capital region.

Another central goal of Ellevio's operations is Goal 13, Climate action. Electrification is a crucial aspect of the transition towards a fossil-free society. We are modernising the electricity network to enable the electrification of industry and transportation and to allow for an increase in renewable energy sources such as solar and wind power. In doing so, we simultaneously create job opportunities that in turn promote growth. We are also reinforcing our electricity grids so that they can withstand the impact of extreme weather linked to climate change.

In addition to all this, Ellevio also contributes to the following UN global goals: Goal 5, Equality, Goal 8, Decent work and economic growth, Goal 15, Life on land, Goal 16, Peace, justice and strong institutions and Goal 17, Partnerships for the goals.

Read more in the Sustainability information section on page 74–75.

Ellevio's model for sustainable value creation

Assets and resources

Financial capital
- Own and borrowed capital
- Invests with 40-50-year horizons
- Owners who want to invest responsibly and contribute to the green transition

Supplier relationships
- Facilities
- Operation and maintenance
- Components
- IT services
- Service developers

Fixed assets
- Cables, power lines and poles
- Switchgears & secondary substations
- IT infrastructure

Employees
- Knowledgeable and committed employees
- Strong values: Reliability, Commitment and Development

Core operations

MANAGE ELECTRICITY GRIDS & SUPPLY ELECTRICITY TO OUR CUSTOMERS
Distribution of electricity. Monitoring, maintenance and repairs where necessary

PROVIDE CUSTOMER SERVICE
Electricity meters, moving/connection, advice and support

DEVELOP
Innovation, automation, data analysis, smart grids, new electricity services

INVEST
Continue to invest in existing networks, growth through acquisitions resulting in economies of scale

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
- Gender-equal workplace

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

Ellevio core operations primarily contribute to:

Goal 7, Affordable and clean energy.

Goal 9, Industry, innovation and infrastructure.

Goal 11, Sustainable cities and communities.

Goal 13, Climate action.

THE GLOBAL GOALS
For Sustainable Development

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 accust-omed 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 then, 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.

Ellevio 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.

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.

Ellevio is 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. Another equipment being tested is 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.

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 power lines have bene buried in the earth, so called cabling, thus safeguarding them against the forces of the weather.

Since 2005 Ellevio has in the modernisation and reinforcement of the electricity network increased the degree of cables in the ground from 63 percent in 2005 to 83 percent in 2020. In total, approximately 59,400 kilometres of Ellevio's local network is today cablified and older lines have been demolished. In addition to this, all 6,600 km of regional grids are weather-proofed in the form of major power line corridors precenting trees from falling onto the lines.

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 gives us the opportunity to see faults more quickly and restore power to the power lines that have not been affected.

Value created for society as a whole.

Electricity networks play an important role in sustainability

The electricity networks play a key role in the transition to a sustainable and fossil-free society. Electrification of transportation and industry will lead to an increase in electricity consumption. Vulnerability will also increase as more societal functions become dependent upon electricity. Expanding urbanisation with strong population growth in the major cities is simultaneously creating demand for greater capacity on the electricity network. In other words, we need to invest in the electricity networks to ensure the continued development of society.

Ellevio wants to contribute to the target of a fossil-free Sweden by 2045 and enable our customers to make the transition and make their own contribution. Over the past few years, Ellevio has thus 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.

We therefore maintain an active dialogue with politicians and authorities to spread awareness of the significance of the regulations in terms of necessary future investments in the electricity networks. We are also engaged in the public debate via debate articles and as an organiser or participant in both seminars and lectures to help more people understand the role of the electricity network in the energy transition and the vision to become the world's first fossil-free country.

We at Ellevio are strongly committed to contributing to the transition to a climate-neutral society and are aware we play an important role in those efforts. Modern and flexible electricity grids are required in order to achieve it. We also help our customers become more active electricity users by installing smart meters which allow greater control over consumption and incentives that help reduce the burden on the network.

Our sustainability targets

Ellevio has established six long-term strategic sustainability targets:

- We work together with our customers, suppliers and partners to contribute to a sustainable development of society, and sustainability is an integral part of our organisation and business processes.
- Our safety culture is well-established at the company and everywhere out in the field. This brings us closer to our "zero vision" for accidents.
- Our customers sees us as reliable, committed and proactive. We enable our customers to contribute to the creation of a fossil-free society.
- Sweden has a long-term and sustainable network regulation that enables investments that help achieve climate targets.
- We have a security of supply that meets the needs of customers and society. This is based on efficient investments, automation and remote control. The total amount of connected renewable energy production on Ellevio's electricity network has increased significantly.
- We are an attractive and inclusive company where diversity leads to success. We are the first choice of experienced engineers, highly qualified employees, managers and recent graduates.

Read a more detailed description of our sustainability goals in the Sustainability information section on page 74.

We take responsibility for our environmental impact

Every year an evaluation of the environmental issues on which Ellevio has a significant effect is carried out. As part of these efforts, we have identified significant environmental issues in the form of:

- use of creosote in power line poles
- air emissions from transport (goods and services)
- use of the greenhouse gas sulphur hexafluoride (SF6) as insulation
- energy losses from the electricity network.

Read more about our efforts to reduce our environmental impact in the Sustainability information section on page 87.

Need for weather-proofing

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

Since the mid-2000s and storm Gudrun, Ellevio has been intensifying efforts to weather-proof the electricity network. A total of some 59,400 km of our local grids are currently buried, corresponding to around 83 percent. In addition to this, all 6,600 km of regional grids are weather-proofed in the

Ellevio is launching comprehensive solutions for charging electric vehicles

The electrification of the transport sector is one of several important steps Sweden needs to take to achieve its climate targets. Well-developed charging infrastructure is required to manage the transition towards electrified traffic, which is why Ellevio launched an extensive investment into electric-vehicle charging in 2020.

"We want to drive the transition towards more electric vehicles while using smart technology to manage the electricity network's capacity shortages. We are now making it easier for customers throughout the whole process, from ordering to installation. We are also using modern technology and smart services to enable customers to control the charging process and thus contribute to a lighter load on the network when levels are peaking," says Kristofer Fröjd, Head of Strategy and Business development at Ellevio.

Adapted solutions for private individuals

Together with OneCo, Ellevio is offering charging for electric vehicles to detached home owners. The package includes a preparatory home visit, charging wall box with load balancing function and installation by a qualified electrician. The load balancing function optmises charging based on the household's needs and capacity, and ensures the charging is safe.

"We are currently in the process of installing the next generation of smart electricity meters in our customers' homes. The new meters and wall boxes will enable them to control and monitor the charging in a very efficient way, directly via the meter as well as in an app," explains Fröjd.

Ellevio offers a comprehensive solution to companies and associations; from the analysis of needs and conditions to the installation of wall boxes. This makes Ellevio a natural partner in terms of electric-vehicle charging.

Ellevio is also collaborating with the City of Stockholm to increase the number of public charging stations by 4,000 by 2022.

More people can charge despite capacity constraints

Thanks to smart services and modern technology, Ellevio's electric charging solutions contribute to a reduced burden on the electricity networks around our major cities. Through the flexible Sthlmflexmarket and other technologies that can be used to make existing power lines more efficient, our customers will be able – despite the current capacity shortages – to help ensure a greater flexibility on the networks as we expand the charging infrastructure in a sustainable way.

"We can see that interest and demand is increasing dramatically as more and more people opt to buy electric vehicles. We want to contribute with solutions so that more people can make that choice, despite the shortage of capacity," adds Fröjd.

form of major power line corridors created to prevent trees from falling onto the 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.

Economic value creation

Ellevio's operations have a major impact on people's daily lives and the functioning of society as a whole. Without electricity, no operations could be conducted, companies would lose revenue as well as competitiveness and innovation in the longer term, which would affect the number of jobs. Through our operations, Ellevio contributes to financial value creation for a large number of stakeholders.

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

We are strongly committed to using every invested krona as efficiently as possible. For this reason, we continuously analyse and develop our methods of investing, improving our procurements and making our processes more efficient. We also work to reduce operational costs through increased digitalisation and investment in preventive maintenance, among other things.

Another way of achieving this is to jointly lay electricity networks and other infrastructure, such as fibre networks, district heating systems and charging infrastructure for electric vehicles, which we do whenever possible. The Swedish electricity network market is fragmented, with many small municipal players. Ellevio's strategy of acquiring smaller network companies creates economies of scale on the Swedish electricity network market. Ellevio is owned by pension funds. This means that the return produced by operations creates value for pension savers (read more on page 34).

Value creation in local communities

We want to fulfil our societal mission in the best way possible by serving as an active and committed operator in the areas affected by our operations. An electricity network sustainable in the long term and that provides security of supply is of major significance to the local communities in which our customers live and work. The removal of overhead lines also enables us to create room for more agriculture, more housing in the areas where this is needed or more green spaces. For example, together with Vattenfall and Svenska kraftnät, Ellevio runs the Stockholms Ström project, which involves central overhead lines that distribute electricity to the Stockholm region being buried or placed in tunnels, thus leading to land being made available for developing society.

Reliability, commitment and development are key words in our dialogue with local communities and our customers. As we develop our electricity network, we therefore invite local stakeholders to help 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 in the area. In the case of major local projects, we inform customers by way of open houses, our website and social media, letters and other forms of direct communication to enhance understanding of what we do and how the local community will be impacted.

Responsible purchasing

Ellevio is a major purchaser of both materials and services. In 2020, Ellevio purchased products and services for some SEK 4.4 billion, of which 71 percent were contract services and materials for our electricity network; partly for fault repairs and maintenance and partly for investments.

To qualify as a contractor or major material supplier, Ellevio applies strict requirements. Each supplier must follow our specific Code of Conduct and sustainability requirements, which are based on the ten principles of the UN Global Compact.

Read more about our responsible purchasing efforts and our Code of Conduct for suppliers on page 86, under Sustainability information.

Availability on Ellevio's electricity network

99.98%

No. of outage minutes/customer during the year

76

No. of customers

966,000

No. of new customers in 2020

4,000

Ellevio's customer promise

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

Distribution, type of customer

Company

14%

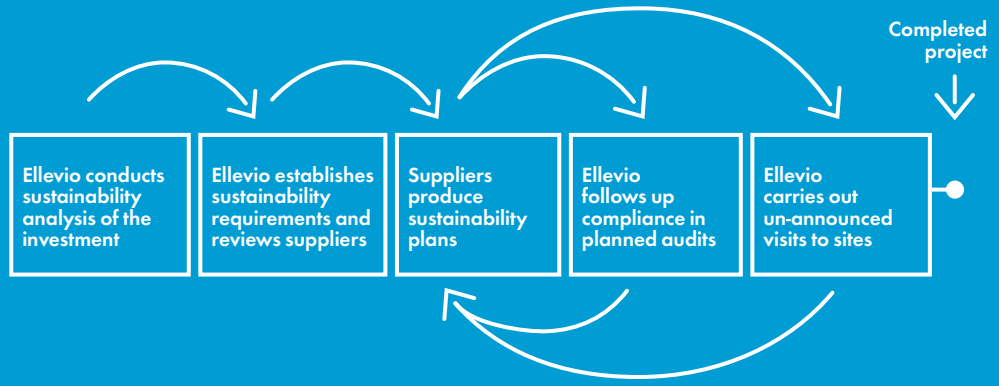
Single-family homes

36%

Apartments

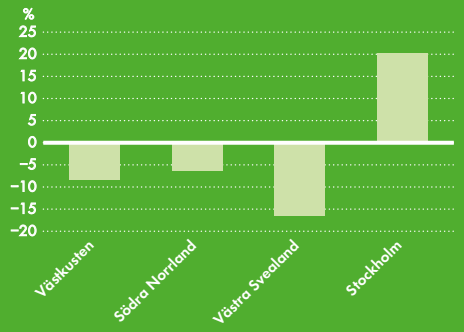
50%

Managing sustainability from the start of a project to implementation

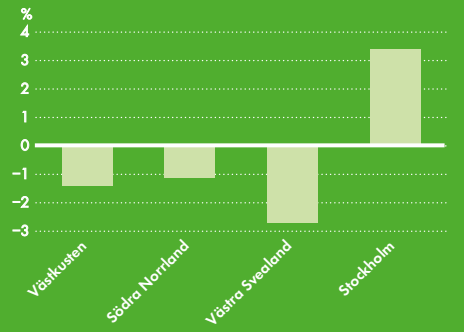


Change in price 2016 to 1 January 2021 for six types of customers[1)]

Average total change in price for the six customer types



Average change in price per year



[1)] The six types of customer are Apartment 16A, 2,000 kWh, Detached house 16A, 5,000 kWh, Detached house 20A, 10,000 kWh, Detached house 20A, 20,000 kWh, Detached house 25A, 20,000 kWh, Detached house 25A, 30,000 kWh. These figures are based on data reported to Ei.

Value for our customers.

Ellevio has 966,000 customers, of which around 86 percent are households and 14 percent are companies. Our customers are spread across the counties of Dalarna, Gävleborg, Halland, Värmland, Örebro, Västra Götaland and Stockholm. Our main priority is that customers should have an uninterrupted electricity supply – today, tomorrow and in 50 years. We are to exceed our customers' expectations and our actions should be characterised by reliability, commitment and proactiveness.

Together with our customers, we want to contribute to a sustainable society through the products and services we offer. In concrete terms, this could involve installing new smart electricity meters, better conditions for our customers to install solar panels, visualisation and management services and simple installation of electric vehicle chargers. We made progress on every one of these points during the past year. In Älvsjö we implemented a pilot project for smart electricity meters that will give all of our customers a better overview of their consumption in the long term. The rollout continued during the autumn in other parts of Stockholm and all of our customers will join the new smart system by the end of 2023. At the same time we are offering a comprehensive solution for simple installation of solar panels and electric vehicle chargers. This will enable us to drive the transition towards a fossil-free and climate-smart society together with our customers.

Fair tariffs

We prioritise every one of our customers equally, regardless of whether they live in rural areas or cities. We consider it self-evident that every customer should pay the same price for the same service, and we have long worked to even out network tariffs between urban and more sparsely populated areas. In 2017 the Swedish Energy Markets Inspectorate (Ei) 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 entails 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

Security of supply in 2020

99.98%
Availability on Ellevio's grids

44
Outage minutes, Stockholm

127
Outage minutes, Rural areas

Outage causes in 2020

20
% planned outages for maintenance and expansion

62
% damage to cables or other equipment (e.g. when burying)

18
% weather-related

Energy-smart innovators awarded in new competition

Smart innovations that help society make the transition towards becoming fossil-free. This is what Ellevio and GodEl were looking for – and found – in the new innovation competition **Startup 4 Climate**.

Sweden's ambition is to be at the forefront of climate efforts, and a greater degree of electrification is vital in terms of managing the energy transition. As one of the country's largest electricity network owners, we are committed to efforts to find solutions that help us succeed in this challenge. This is why Ellevio joined up with GodEl to launch an innovation competition promoting new, exciting solutions that drive Sweden's climate efforts forward.

On 1 October 2020, the first winners of the Startup 4 Climate competition were announced:

- **Enjay**, which develops energy-recycling ventilation units for the restaurant sector
- **Peafowl Solar Power**, which produces transparent, printable solar panels that can be integrated into existing buildings

The prize consists of a total of SEK 2 million and personal coaching from a jury member of their choice to support the companies in their continued efforts.

"It has been incredibly inspiring to see so many innovative solutions, and we are looking forward to working together with the winners in the future. We hope the competition can give both the nominated companies and the winners a boost for the future," says Johan Lindehag, CEO of Ellevio, who was one of the jury members.

"We view this initiative as an important step in a more extensive collaboration with smaller companies in the energy sector. We would love to see new ideas and innovations that enhance the pace and stability of the energy transition, and we offer our expertise and experience for these development efforts," adds Kristofer Fröjd, business development manager at Ellevio.

Continuing in 2021

The competition promotes innovations across the energy sector and offers start-ups an opportunity to further develop solutions to the challenges we are facing. Together with GodEl, Ellevio will develop the concept further in 2021 with an even larger prize and more winners.

Read more at https://startup4climate.se/

of electricity that is free from outages. High accessibility of electricity is vital if society is to function, both now and in the future, as more and more industries become electrified. However, although we currently offer an almost outage-free supply, customers are occasionally hit by outages.

Availability on Ellevio's electricity network is 99.98 percent, meaning each customer has an average outage of two hours per year. This is very good when making international comparisons, but as electrification and digitalisation increase, each outage becomes a challenge with economic consequences for society. Sweden has an ageing electricity network today that requires replacement and reinforcement to maintain the high level of availability.

As part of Ellevio's vision of halving both the number of outages and their duration, in 2020 we launched a platform for remote digital management of the electricity network via 5G modems and modern current sensors. Outages will become both fewer and shorter as the platform is rolled out. Power disruptions will be rapidly identified and the electricity will be redirected immediately from the network operations centre.

Personal electricity production

Interest among our customers in producing their own electricity is growing every year, 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 2020 Ellevio also launched its own offering in collaboration with the solar panel company CellSolar, through which we help customers with the entire process, from permit to installation. Ellevio also regularly invites housing associations in Stockholm to digital meetings, in which we explain how the association can begin producing its own electricity through solar panels on the roof.

Simpler charging for electric vehicles

A prerequisite for Sweden's achievement of its climate targets is for more people to opt for electric cars over fossil-fuelled ones. A transition on the scale needed requires efficiently developed charging infrastructure – something that has so far been hindered by costly and time-consuming excavation works in cities and densely populated areas. There are currently jappr 2,000 public charging points in the City of Stockholm. The City of Stockholm has established the target of having around 15,000–25,000 public charging points by 2030.

Through our new Ellevio Smart Laddinfra ("Smart charging infrastructure") service, we are 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 stations will from now on be completed faster, more cheaply and with a smaller environmental impact. This has already been seen thanks to 24 charging streets being connected by Ellevio during the year, the majority of which are in Stockholm. The smart charging infrastructure concept also includes a subscription designed to enable us to continue installing charging stations, despite there being a shortage of capacity on the network. In brief, it is based on the notion that we will have the option of reducing power in the charging stations at times when the electricity network is most heavily loaded. In return, customers will receive a cheaper subscription.

Ellevio also launched a charging solution for companies and housing associations during the year, as well as a charging wall box offering for private individuals. In this way we are making it easier for our customers to play an active part in the energy transition.

More involved customers

In the smart grids of the future, information technology that gathers, relays, stores and analyses information from thousands of measurement points will be built in.

Efforts continued in 2020 on the installation of the next generation of smart electricity meters among all of Ellevio's customers. A pilot project was launched during the spring in the Stockholm suburb of Älvsjö to test functionality, and installations continued to a greater extent during the autumn.

The new smart meters make it easier for customers to install solar panels and connect to various energy services, thus contributing themselves to the energy transition. Another advantage is that the meters provide us at Ellevio with more information and a better overview of the electricity network. This means that faults can be discovered and remedied without having to despatch technicians. For customers, it means fewer and shorter outages.

Smart electricity meters give customers a new tool to control their electricity consumption so the burden on the electricity network can be reduced at times when consumption in the community is at its highest. Greater flexibility on the electricity network is potentially a vital piece of the puzzle in terms of solving the challenge of capacity in Stockholm.

In December, together with Svenska kraftnät and Vattenfall, Ellevio opened an entirely new marketplace for power flexibility in the Stockholm region – sthlmflex. In contrast to the usual electricity trading, whereby electricity producers and electricity sales companies sell electricity, now electricity consumers, producers, companies and households will all have the opportunity to either produce electricity or refrain from consuming when demand for electricity is causing bottlenecks on the grid. This will free up power when electricity consumption is peaking, for example on cold winter days. Sthlmflex opens the way for new actors to participate and makes it profitable to plan and be flexible with electricity consumption. Above all, however, sthlmflex will make an important contribution in terms of relieving the strained situation that has arisen as a consequence of a shortage of capacity on the national grid into Stockholm.

One million smart electricity meters – a prerequisite for a smarter electricity network

In 2020 Ellevio began the installation of 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 make it possible to develop new, smart energy services that help customers live more climate-smart lives. The meters will also contribute to a more reliable electricity network which both fewer and shorter outages. Last but not least, they represent an important aspect of the smart electricity networks of the future and thus also the transition to an electrified, fossil-free and climate-smart society.

Ellevio implemented a pilot project in spring 2020 together with 4,500 customers in Älvsjö in Stockholm to test the installation of the new smart meters and the functionality of the whole meter system. Following successful tests, customers in Enskede, the remaining parts of Älvsjö and in Södermalm in central Stockholm also received new meters. A wider roll-out is now underway, and in late 2020 some 50,000 Ellevio customers had received their new smart meters. The installations will continue throughout 2021 and through 2023.

New services for customers

The new smart electricity meters will give Ellevio's customers better conditions for monitoring and comparing their electricity consumption, meaning they will be able to consume electricity in a more climate-smart and cost-efficient way. Thanks to their standardised interface, the new meters also pave the way for new services from third-party operators, including in the areas of energy efficiency enhancement and governance.

In 2020, Ellevio worked to complete its own customer app that will be available in spring 2021. The app will give Ellevio's private customers a good overview of their electricity consumption and climate impact, as well as the ability to compare their own consumption with others and use their increased knowledge to influence their consumption and help reduce their climate impact. It will also be possible to connect the app to other smart devices at home, such as solar panels, electric vehicle chargers and heat pumps.

The smart electricity networks of the future

The new meters contribute to a modern, digitalised and more efficient monitoring and operation of Ellevio's electricity network. This means we will get a better overview of the electricity network in the future and will be able to predict faults that could lead to power outages. In turn, this will enable us to remedy the faults quicker, even before they occur. For customers, this means fewer and shorter outages, which is vital in an increasingly electrified and digitalised society.

The smart electricity networks of the future also create the conditions for a sustainable energy system in which a mixture of large and small-scale electricity production will become increasingly common. The smart electricity network will collect data from electricity producers and consumers, ensure that the electricity system is in balance and that the renewable electricity is being used efficiently. The smart electricity meters are an important part of these developments, and when almost one million households contribute to the little things, Ellevio can make a difference to the big things.

Value for our employees.

Our employees work each day to develop society and create a fossil-free future together. Ellevio is continuing to grow rapidly and is constantly on the lookout for new colleagues who want to contribute to these efforts.

Skills supply

In order to get young talent to choose Ellevio, we work continuously to strengthen our brand as an employer, including by collaborating with universities and colleges and offering students' summer jobs or the opportunity to write their master thesis at Ellevio. We also help to spread knowledge about Ellevio and our sector through involvement in various industry initiatives and our active social media presence. Our goal is to be an attractive and inclusive company and a preferred option for both potential and existing employees.

Ellevio established an internal recruitment function during the year which will be responsible for the company's recruitment and employer branding strategies. The aim is to enhance efficiency, place a stronger focus on gender equality targets and ensure that the recruitment strategy supports Ellevio's overall business objectives.

Collaboration in the spotlight

Over the past year, Ellevio has placed major focus on strengthening and developing our corporate culture. The aim is a culture characterized by a belief in our collective ability, the willingness to always try to exceed the customer's expectations and contribute to a sustainable society.

The entire company gathered digitally over the course of a week in November to take part in workshops and lectures. The theme was how each employee, through taking responsibility, collaboration, commitment and innovative thinking can contribute to a work environment in which everyone is respected and included. Two important issues were attitudes and feedback. The aim is to promote a strong culture of discussion that gives each employee the opportunity to develop and feel included.

As part of this effort to strengthen the corporate culture, Ellevio has trained 13 employees to become change managers. They work part-time to arrange training courses in subjects such as collective intelligence and behaviour-based change, and they serve as an internal resource to promote developments at team-level across the organisation.

Record-high engagement index

Ellevio regularly undertakes employee surveys that assess the level of engagement, among other things. This produces an "Employee Engagement Index" based on responses to questions concerning satisfaction, pride and whether employees would recommend Ellevio as an employer. Each business unit in our organisation reviews the results and produces action plans for improvement areas. Ellevio's Employee Engagement Index in 2020 was 82.2 (79.6) out of 100. This was our best result ever and a testament of the fact that our corporate culture stimulates our employees' engagement and that we have succeeded even during a testing pandemic year.

Continuous employee surveys are also conducted during the year via a digital tool. This gives us a clear image of the mood, engagement, workload and other aspects of our employees in that moment and how this varies over time, thus giving us feedback from the entire organisation that helps take faster action to make changes.

Investment in leadership

At Ellevio, part of the task of a manager is to guide his or her employees in the way that most effectively develops and uses their potential, and in part to prioritise areas to ensure each employee is able to perform well. Cooperation between managers and employees is established through a continuous dialogue and feedback.

Ellevio has a management programme that is mandatory for all managers. The purpose of the programme is to offer the company's managers support and guidelines in their management role by highlighting four different aspects: the role of manager, work environment, attractive employer and development. One thing that is important to us at Ellevio is that all managers at the company know what work environment responsibility is placed on them. During the year, we ran training courses for all managers on the theme of how to handle difficult situations, for example when there is a suspicion that an employee is suffering from a mental health issue or abuse.

All managers at the company gather each year for a Leaders' Days, although this year this was held digitally due to the Covid-19 pandemic. The days' focus was on the four areas Ellevio has identified as important to reinforce in terms of corporate culture: collaboration and inclusiveness, innovation, trust and

Employee profile

We take responsibility
We create the conditions for a climate-smart future. We offer our customers the best possible service and help them to contribute to the energy transition. We take responsibility for our work, our behaviours and for how we work in relation to each other. We take sustainable actions and always focus on safety. Whether a colleague, customer or supplier, you should always be able to trust that we are doing our best.

We are committed.
We inspire and lift each other up. We work together and are motivated by how our efforts contribute to shared goals and the sustainable energy society of the future. We care about our environment, our customers and our colleagues and we are role models who serve as positive ambassadors.

We help each other
We have an important task in society and work together to find sustainable solutions that help us achieve our goals. We care, we listen and we offer support in both success and adversity, and we help each other develop through clear development targets, dialogue and feedback. We work best together.

We think innovatively.
We tackle the challenges linked to our task using our extensive skills and a large dose of curiosity. We show courage, we dare to question old approaches and we solve challenges together by encouraging each other to find new paths.

reliability and customer focus. The Leaders' Days were followed up during the year by a manager's forum.

Equality and diversity

Ellevio considers diversity among employees to be an asset and therefore works actively to increase diversity at the company. The initial focus has been on increasing gender equality, and we are working to gradually achieve a more gender-equal distribution across the company. Ellevio has an equality group containing representatives from different parts of the business whose task is to highlight these issues and propose measures where shortcomings have been identified.

Similarly, our new recruitment function places a special focus on attracting more female employees and we are to always have at least one woman among the final candidates for each advertised position. 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. We therefore have an internal female network – ElleNätet – that organises seminars and meetings to exchange experiences and other information. We have also opted to focus our external collaborations on young girls, gender equality and inclusiveness. In doing so, we want in part to support young girls and gender equality in other areas, and in part obtain valuable insights and learn about how others work on equality issues.

Ellevio's equality targets include continuously working to:

- Maintain an equal distribution between men and women in the management team, 60 percent (60) women at the end of 2020
- Increase the number of female managers at the company, 25 percent (22) at the end of 2020, excluding the management team
- Increase the total number of women at the company, 32 percent (31) at the end of 2020

When it comes to ethnicity, we want to reflect wider society. Currently, 16.5 (14.8) percent of our employees have a non-Swedish cultural background, which is however lower than wider society where 25.5 percent of the Swedish population has a foreign background (i.e. was either born outside Sweden or was born in Sweden to parents who were both born outside Sweden).

Ethics and Code of Conduct

Ellevio's business operates as a monopoly, which entails a profound responsibility to the wider community. We are to live up to the demands and expectations of our customers and other stakeholders, as we want to earn their trust. Our values – reliability, commitment

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

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

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. As of 2020, all employees are required to annually sign the Code of Conduct.

Covid-19

The Covid-19 pandemic, which reached Sweden during the early spring of 2020, has affected our whole society and thus also Ellevio as a workplace. Ellevio's operations are of critical importance to society, which is why we have worked in strict accordance with our own crisis plans and in collaboration with the relevant authorities.

We were quick to establish a crisis management that lead our efforts, took continuous decisions and implemented our own crisis plan for pandemics and the authorities' recommendations throughout our operations.

We took a decision early on to recommend home-working and enabled every employee who can to do so. The offices were kept open during the period for the small number of people who needed to visit the office as part of their work, but we introduced measures that enabled a safe distance to be kept from other colleagues. Special rules applied to extra-critical functions that needed to be at the office to operate the electricity network.

In addition, all managers were trained in digital leadership and the importance of continuously updating and checking in with employees to see how they are managing home-working over a sustained period.

Health and safety

We have a vision of an accident-free and safe workplace for both our own employees and the contractors we employ. To achieve this, we work continuously to change behaviours, train staff and review safety procedures that lead to a safer work environment and more robust safety culture. This year the number of electricity accidents decreased, which testifies that our efforts are moving in the right direction.

Safety training

For the past few years, Ellevio has been organising an internal safety day each year. In 2020, the theme of safety was included in the digital "culture week" held in November, in which employees participated in seminars, training sessions and workshops on behaviour-based safety, unannounced site

Our values

Ellevio is to be an organisation at which employees are committed to – and take responsibility for – their own development, as well as that of their team and the company. Our actions are based on our values of reliability, commitment and development.

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 the customer.

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 system 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.

No. of unannounced site visits

936

No. of accidents per 1 million hours worked for:

- Ellevio's employees (TRIF): 0 (0)
- Ellevio's contractors (LWIF): 2.4 (3.3)

visits (flying audits), work on Ellevio's safety programme and safety from a purchasing perspective.

Starting in 2020, all employees who have "one foot in the field", for example project managers and network planners, will take an annual safety training course. The course covers around 200 people and, like the safety day, this safety training was also conducted digitally this time.

Furthermore, all project managers in Stockholm, some 60 people, underwent a half-day training course in behaviour-based safety.

Safety collaboration with contractors

The contractors we employ are to have strong professional skills, training in safety procedures and are to apply behaviours that create a safe workplace. Our four-year safety programme "Safe workplace" was concluded during the year, the aim of which was to further improve processes and work methods, as well as change behaviours to create a safer workplace. The objective was also to become more proactive in our efforts to create a safe work environment for those who work at and for Ellevio.

Our objective over the coming years is to further increase collaboration with, and follow-up of, our contractors to ensure that their subcontractors are also fully compliant with our strict safety requirements. It is a complicated chain, which is why we trained 13 of our employees to become change managers during the year. Their tasks will include supporting our contractors through safety training courses and workshops to increase safety and ensure that the requirements are complied with through a vibrant safety culture that focuses on safe behaviours.

Ellevio also regularly carries out unannounced site visits in the field to ensure compliance with the requirements governing safety, environment and quality. The site visits are an important tool in terms of identifying potential areas of improvement and enabling a continuous dialogue.

More information about our unannounced site visits can be found under the "Sustainability information" section on page 86.

Ellevio Safety Award

Each year we hand out the Ellevio Safety Award to highlight the importance of systematic safety initiatives and reward ideas that contribute to a better safety culture within the electricity network sector. This year's award went to contractor One Nordic for their work in the field of behaviour-based safety together with us and because they had radically reduced the number of accidents; over the past two years they had no accidents that led to sick leave.

Sector initiatives

Ellevio was the first electricity network company to join the construction sector's "Håll Nollan" (Keep to zero) safety initiative in 2019, the aim of which is to reduce workplace accidents on construction sites. Ellevio's "Safe workplace" safety programme was nominated during the autumn for the Håll Nollan work environment prize in 2021. The work environment prize highlights teams who have made a difference on the most important issues for those of us working in the construction and property sectors – that everyone should come home safe and well from our workplaces. In March 2021, Ellevio was annouced the winner of the prize.

Value for our owners.

Our operations are stable and has a long-term investment horizon. At the same time, an ownership 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 want to, with the right conditions, enable the investments necessary for us to continue offering our customers a reliable electricity network.

OMERS Infrastructure
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 109 billion, which is the equivalent of around SEK 717 billion.

Third National Pension Fund
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 386 billion.

Folksam
Folksam is one of Sweden's largest pension and insurance groups with extensive investment activities and a total capital under management of approximately SEK 483 billion.

First National Pension Fund
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 355 billion.

Pension savers contributing to the green transition

Pension funds work in accordance with a model whereby those who are currently in work and save into pension funds get financial security after pension age while enabling investments in a sustainable energy system for future generations.

This is achieved by the pension funds that own Ellevio and manage the pension capital put long-term capital at our 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. By modernising the country's electricity network, we will achieve the energy transition necessary in order for Sweden to achieve its climate targets.

Swedish network companies, whether state-owned, privately owned, municipal companies or local electricity associations, are facing the need for record investments if Sweden is to make a success of the transition towards greater electricity dependence required for it to meet those targets. According to Färdplan energi (Energy action plan) – the energy industry's action plan for a fossil-free Sweden, SEK 500 billion of investment in the electricity network will be required by 2045. As one of Sweden's largest electricity network companies, naturally Ellevio's share of these investments is significant. A prerequisite for these investments being possible is that capital can be attracted to them, which in turn means the framework governing the electricity network investments must be long-term, stable and predictable.

Investments

Ellevio invested more than SEK 10 billion during the last regulatory period of 2016–2019 to modernise and strengthen the electricity network. This represents a tripling of the annual investments, which meant we were able to continue building the electricity networks of the future in all of our regions: Dalarna–Gävleborg, Värmland–Skaraborg–Närke, West Coast and Stockholm. We weather-proofed thousands of kilometres of power lines in rural areas, set up modern secondary substations to make the electricity network smarter, connected new wind power turbines to the network and both modernised and increased the capacity of the network in the Stockholm region.

New regulation creating obstacles

The current network regulation (for the period 2020–2023) will lead to lower allowed revenues for network companies, which will lead to a major disincentive to invest in the electricity network. The consequence of this will be that the transition to renewable electricity production, electrified transportation and fossil-free industry will slow down. The new regulation will entail Sweden's network companies having one of Europe's lowest regulated interest rates: 2.16 percent.

The reduced allowed revenue will likely entail positive short-term effects for customers by way of lower electricity prices, but in the long term the major disincentive to invest will lead to insufficient investments in the electricity network. Eventually this will entail more outages and fewer opportunities to make a success of the energy transition and thus also achieve the environmental and climate targets.

As a result of the new revenue frameworks, Ellevio reduced planned basic investments for the period 2020–2023 by 40 percent compared with previous investment plans. Establishing reasonable conditions for attracting capital to the major investments in weather-proofing, network capacity and automation required to meet demand in an increasingly electricity-dependent society is thus one of our most important priorities.

The improvements will not only result in a modern, flexible and weather-proofed electricity network, but will also contribute to lowering the networks' operating and maintenance costs over the long term, something which will benefit customers. We at Ellevio are anxious not to reduce the pace of our investments.

The less beneficial regulation, with its insufficient investment incentives, has led to 120 of Sweden's 160 electricity network companies, including Ellevio, appealing against the current regulation. The companies believe that a long-term, predictable regulation which incentivises the necessary investments is required in order for Sweden to provide security of supply and electrification and thus achieve its environmental targets.

The legal process continued during the year. In February 2021, the Administrative court ruled in favour of the network companies. The Swedish Energy Markets Inspectorate later appealed the verdict to the Administrative Court of Appeal. See note 33, Significant events after the end of the period.

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

Ellevio's 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.

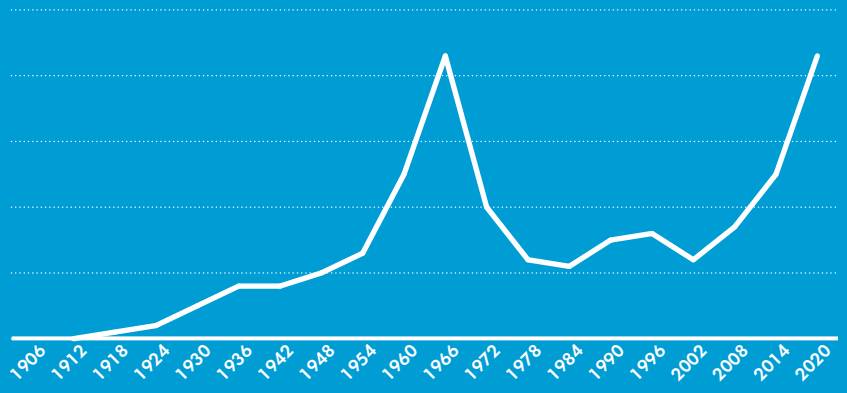
The average financing interest rate for Ellevio's external loan financing, including interest hedging derivates, amounted to around 2.8 percent at year-end 2020 (2.7), and the average remaining term was 7 years (7.5).

Shareholder loans with terms until 2040 and which are subordinate to other loans have an interest rate of 6.0 percent (6.0). In 2020 no interest was paid out on shareholder loans and no dividend was paid to shareholders.

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

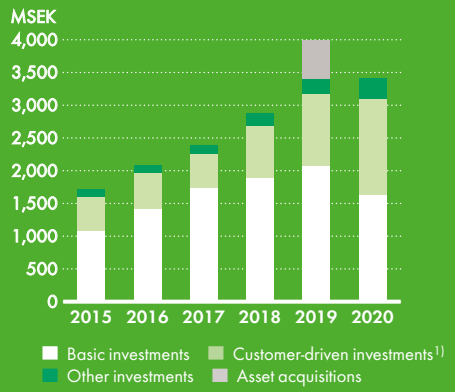
Electricity network companies operate as monopolies, which are subject to state supervision and regulation by the Swedish Energy Markets Inspectorate (Ei). The business's revenue is decided by Ei and the regulation should ensure that the grids are of good quality and provide long-term security of supply.

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

Investments 2015–2020



1) Investments initiated by our customers, eg investments for connections of new homes, industries and wind farms to the electricity network.

Number om times the investments have increased, 2020 compared with 2014 1)

2.8

1) 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 electricity production

Grid companies should receive compensation for reasonable costs linked to operations management and a return on investments in the development of the networks. The allowed revenues, that is, how much we are paid by our customers, is determined by regulations that are the same for all Swedish network companies. Allowed revenue is not affected by the owner of the operations (municipality, state, pension funds as in Ellevio's case 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.

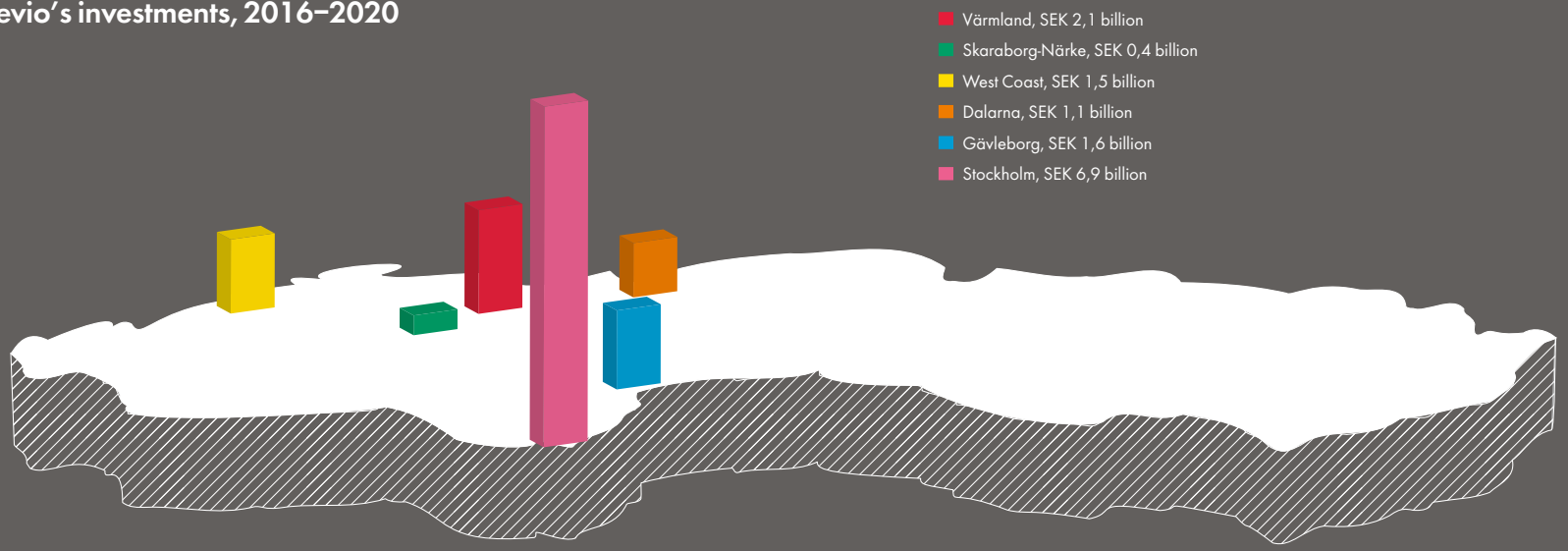
Major interest in green bond

In 2020 Ellevio took its first loan on the bond market within the company's framework for green bonds. The first stage involved issuing bonds worth SEK 1,650 million, earmarked for investments in smart electricity meters. These new meters will enable Ellevio's customers to consume electricity in a more climate-smart and efficient manner. The bonds will have a term of seven years, maturing in 2027.

There was major interest in investing in Ellevio's green bond, which is why the issuance was extended by a further SEK 350 million. The new part of the issuance is earmarked for investments linked to the continued expansion of wind power and the opportunity to convey more renewable electricity to the electricity network.

The issuance was conducted within Ellevio's framework for green bonds, which 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. In this review, the framework received the highest score of "Dark Green".

Ellevio's investments, 2016–2020



Värmland
• Around 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, Karlstad, 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. The project was launched in 2018 and will be fully completed in 2021.
- During the year, one of the region's largest wind farms was built just outside Sunne. 13 wind turbines will annually produce around 13.8 GWh of electricity. In order to deliver the electricity to the network, Ellevio built a new station in the area along with new 130 kV power lines.

Dalarna
• Around 35,000 customers

Investments
- Modernisation and weather-proofing of the local electricity network is under way in major parts of Dalarna. Major projects are being undertaken in Dala-Floda, Siljansfors, Gävunda, Skattungbyn and Trängslet, among others. The projects will enable us to build electricity networks that can withstand weather and wind and that will reduce the number of outages customers experience.

West coast (Halland, Bohuslän)
• Around 129,000 customers

Investments
- 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.
- In Särö and Onsala around 14,000 households will have a modern, well-equipped electricity network. Around 180 kilometres of lines are being buried and 150 new network stations are being installed to increase capacity on the area's grid. This will pave the way for more customers to obtain wall boxes for their electric vehicles and install solar panels on their roofs.

Skaraborg-Närke
• Around 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 2020 we have been burying hundreds of kilometres of cables and establishing 200 new secondary substations. Investments here amount to SEK 130 million.
- Major regional substations are being rebuilt in Laxå, Horn, Lugnås, Hassle and Husbacka. These will increase capacity on the electricity network and enhance security of supply for the region's households and companies.

Gävleborg (Hälsingland, Gästrikland)
• Around 70,000 customers

Investments
- We are rebuilding the electricity network for some 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, which will be completed in 2021.

Stockholm (City of Stockholm, Ekerö, Lidingö, Täby, Nynäshamn, Vallentuna)
• Around 600,000 customers

Investments
- Many of the larger and important hubs in Stockholm's regional electricity network is being rebuilt, including Värtan, Nockeby and Högdalen. The stations are being modernised and will have greater capacity, while the work environment will be improved for our staff.
- Construction of a new 400 kV line between Beckomberga and Bredäng continued 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 2020 cables were buried under Lake Mälaren alongside Drottningholm castle. This is one of the most important projects in terms of tackling capacity challenges in the region.
- Many large projects are underway on the local electricity network to modernise and increase capacity. For example, work is underway in Hägersten, Herrängen, Kungsholmen, Fredhäll and Lilla Essingen and on Östermalm. Charging infrastructure for electric vehicles in Stockholm is also being prepared in several of the projects to enable it to be expanded.

Annual and sustainability report 2020.

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 966,000 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 digitalisation of the society. The company conducts electricity distribution operations in concession areas on the West Coast, in Västra Götaland, Värmland, Bergslagen, Dalarna, Gävleborg and the Stockholm region.

The continued electrification of transport and industry is a prerequisite for a more sustainable society in the future. This leads to an increased use of electricity, which together with a growing proportion of renewable electricity production places new demands on electricity networks. Substantial investments are needed today, and in the decades to come to develop reliable, flexible and digitalised grids.

However, the regulatory model valid from 1 January 2020, with decreased allowed revenue, does not incentivise the necessary investments. To adjust to the regulatory model, Ellevio in 2019 communicated that network investments needed to be cut during the regulatory period 2020–2023.

During 2020, the investments amounted to about SEK 3.4 billion, compared to SEK 4.0 billion in 2019 (the figure in 2019 included an acquisition of assets from Svenska kraftnät). Our major projects in the Stockholm area have continued along with the development of local networks. In Stockholm, increased capacity is one important factor when renewing our power grids. In rural areas, our focus is mainly on renewal and weather resilience, so as to minimise weather-related power interruptions for our customers.

As one of Sweden's leading distribution network operators, Ellevio has a key societal role during the Covid-19 pandemic. Since February 2020, we have worked to minimise risks to employees, customers and society at large. A pandemic such as Covid-19 is one of the crisis scenarios that Ellevio has planned and prepared for, and Ellevio has strictly followed own guidelines as well as the recommendations and guidelines provided by national authorities. The impact on Ellevio's operations was limited during the year. Thanks to proactive actions Ellevio has succeeded well in maintaining a low level of sick leave and ensuring delivery of electricity to our customers and our investment projects has been able to continue without major delays.

In November, Mr Fredrik Persson became the new Chairman of the Board of Ellevio AB. Mr Persson is Chairman of the Confederation of Swedish Enterprise and construction company JM, and is on the Board of Electrolux and the ICA Group.

You could find information about Ellevio's sustainability efforts and value creation on pages 5–34 in the Annual Report and in the Sustainability management and results section and in GRI index on pages 74–92.

Other significant circumstances

Electricity distribution is a natural monopoly and as such a fully regulated business. This means that Ellevio operates under a regulatory framework, and is supervised by a government agency, the Swedish Energy Markets Inspectorate (Ei). Ei's remit is to ensure fair prices for electricity users, secure reliable electricity supply and facilitate reasonable returns for investors in the net-work. Ei decides how much distribution network operators like Ellevio are allowed to charge. These limits are known as the allowed revenue and the levels are determined in advance for four years at a time in an ex ante regulation process. According to the Swedish Electricity Act, the electricity network charges paid by customers must be fair, objective and non-discriminatory.

On 1 January 2020, a new regulatory period of four years began. The allowed revenue for the period, decided by the Swedish Energy Markets Inspectorate (Ei), stipulates a WACC (weighted average cost of capital) of 2.16 percent (expressed as real WACC before taxes).

Ellevio and more than 120 other companies have appealed the allowed revenue decisions for 2020–2023. The main argument is that the revenue frame ordinance is contrary to both the EU directive and Swedish legislation and hence Ei's decisions should be declared invalid and referred back to Ei for new decisions. The new decisions should be based on valid economic theory and practice from the Swedish Courts. During the spring, Ei responded to the network companies' grounds for appeal. In its response, Ei admitted to a WACC of 2.35 percent instead of 2.16 percent. The legal process has continued during the year and a verdict in favour of the industry was announced by the Administrative Court in February 2021. See also note 33, Significant events after the end of the period.

In 2020, three verdicts have been carried out by the European court of Justice (Commission vs Belgium, Hungary and Slovakia). In all three verdicts the court has verified the importance of an independent authority, which strengthens our argument in the administrative court. We are still awaiting a verdict in the case Commission vs Germany in the first half year of 2021. Both the European Commission and the Swedish government are awaiting this decision before taking further action regarding the Swedish revenue frame ordinance.

In addition, the Swedish legislation has been changed 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 2019. In response to objections to this, the Swedish government has proposed a new law allowing electricity network companies to utilise the regulatory deficit from 2012–2015 for investments under certain conditions during the two regulatory periods 2020–2023 and 2024–2027. This would mean that investments above one percent of the replacement value can be financed to 65 percent with this deficit from 2012–2015. The new law was passed by the Swedish Parliament in April 2021, and will be in force from 1 June 2021.

Financial results

In 2020 net sales amounted to SEK 6,674 million (6,709). Sales fell mainly due to price decreases in local networks in February 2020 and partly from lower distribution volume due to mild weather both in the first and last quarter of the year. The impact of Covid-19 on distribution volume and sales are so far very limited. The volume of local and regional network transmission 2020 totalled 13.8 TWh (14.4) and 12.3 TWh (12.1), respectively. Even with lower prices and volumes the total net sales in 2020 almost reached the same level as previous year, which can be explained

by the one-time reduction of the fixed fee in December 2019 for all local network customers.

EBITDA amounted to SEK 3,614 million (3,848). The drop in EBITDA is related to the distribution margin with slightly lower revenue as well as higher cost from feeding networks and local production. Depreciations that totalled SEK 1,833 million (2,200) were lower than previous year following a change in judgement of useful life for concession rights and certain network asset categories. Operating profit totalled SEK 1,781 million (1,649).

Interest income and similar items amounted to SEK 48 million (2). The increase is explained by internal interest due by Ellevio Holding 1 AB related to a Group internal receivable that in 2020 was converted from non-interest-bearing to an interest-bearing loan receivable. The interest expense and similar items were SEK −2,396 million (−2,633), of which SEK −1,240 million (−1,492) were related to Group internal interest expenses and SEK −1,156 million (−1,141) to external interest expenses. The lower Group internal interest expenses are related to the reduction of the interest rate on the sub-ordinated shareholder loans from 8.5 percent to 6.0 percent in the end of August 2019. Loss after net financial income/expense amounted to SEK −568 million (−982).

Loss for the year amounted to SEK −776 million (−1,248).

Financial position and cash flow

Cash flow from operating activities 2020 decreased by SEK 759 million to SEK 4,100 million (4,859), mainly as a net impact from a lower EBITDA of SEK 235 million and a decrease in contributions from changes in working capital of SEK −592 million. The decrease from change in working capital is primarily related to the reduction of the December 2019 fixed fee for all local network customers. Change in working capital contributed with SEK −84 million (508).

Paid capital expenditure decreased by SEK 448 million to SEK −3,449 million (−3,897). The network investments are roughly in line with previous year, hence the decrease in capital expenditure is mainly explained by asset acquisitions from Svenska kraftnät and Hamra Besparingsskog totalling SEK 608 million in 2019. In addition, cash flow for 2020 included proceeds from sales of land that amounted to SEK 6 million and the 2019 figure included the acquisition of shares in three asset owning companies related to Laforsen sub-station amounting to −44 MSEK. Free cash flow amounted to SEK 651 million (962) and cash flow before financing activities to SEK 657 million (918).

Paid external interest amounted to SEK −1,089 million (−1,123). During both 2020 and 2019, there has been no intra-Group interest paid, i.e. interest on subordinated shareholder loans.

The external net debt increased in 2020 with SEK 450 million, and amounted to SEK 39,342 million (38,892) by the end of the year.

Financing

During 2020 Ellevio raised SEK 3,000 million of new long-term debt as well as extended and increased SEK 9,015 million of existing bank loan facilities. The purpose of these transactions was to finance investments into Ellevio's electricity grid and to secure access to financing over the coming five years.

In January 2020 Ellevio extended its Senior Secured (Class A) Revolving Credit Facility (RCF) of SEK 7,500 million with one year. The RCF matures in January 2025 and may be used for financing of maturing debt, capital expenditure and for general corporate purposes.

Ellevio also extended the existing senior secured (Class A) Liquidity Facility (LFA) of SEK 1,400 million and extended and increased the amount of subordinated secured (Class B) Liquidity Facility (LFB) by SEK 15 million to SEK 115 million. The new extended LFA and LFB facilities both mature in January 2025. The LFA and LFB facilities may only be used to finance liquidity shortfall amounts under Class A and Class B debt issued by Ellevio.

In June Ellevio issued its inaugural green bond under the company's green bond framework established in 2019. Due to high investor demand, the initial size of the transaction of SEK 1,650 million was in August increased by SEK 350 million to a total of SEK 2,000 million. The proceeds of the green bond will be earmarked for investments in smart electricity meters to be installed in 2020–2023 in close to one million households and companies connected to Ellevio's electricity network as well as to finance new connections of renewable energy capacity to the grid.

Ellevio's green bond framework gives bond investors the opportunity to invest in projects that supports the transition to an emission-neutral and climate-smart energy system. The framework has been reviewed by the climate and environmental research institute CICERO, and has received the highest rating "Dark Green". The senior secured bonds (Class A) were issued under the company's Euro Medium Term Note (EMTN) program and structured as a SEK 1,000 million 7-year fixed rate tranche and a SEK 1,000 million 7-year floating rate tranche.

In July Ellevio issued SEK 1,000 million of subordinated secured bonds (Class B) under the EMTN program. The transaction was structured as a "tap" of an existing bond issued in 2018 of SEK 3,000 million whereby the total outstanding nominal amount of Class B debt was increased to SEK 4,000 million. The Class B debt has a final maturity date in February 2025. The proceeds from the new bond was used to refinance senior secured debt (Class A) drawn under the RCF.

As per end of December 2020, Ellevio's senior secured (Class A) net debt amounted to SEK 35,324 million and subordinated (Class B) debt amounted to SEK 4,018 million. The average repayment period for the total external debt was approximately 7 years.

On June 30, 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. The outlook for the rating is "negative", reflecting the uncertain situation regarding the Swedish regulatory framework with ongoing court appeal process.

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 associations, contacts with regulators and collaborations with other operators, both nationally and internationally.

It is Ellevio's view that the 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. During the year the Government has postponed the continued work on the reform.

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-today 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 programs 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 2020, Ellevio had an average of 520 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.

During 2020, work to prepare for insourcing of the billing and dept collection handling to Ellevio during Q1 2021 from an external party has been ongoing.

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 5–8, 18–34 and 74–93.

Group contributions and shareholder contributions

The company has in 2020 received SEK 1,240,089,672 in shareholder contributions and given SEK 256,315 in group contributions.

Proposed allocation of retained earnings (SEK)

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

Retained earnings	8,805,123,462
Profit/loss for the year	–776,197,331
	8,028,926,132

The Board of Directors proposes:

Retained earnings to be carried forward	
	8,028,926,132

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	2020	2019	2018	2017	2016
Net sales	6,674	6,709	6,974	6,894	6,537
EBITDA	3,614	3,848	4,188	4,207	3,946
Items affecting comparability	–45	–59	–39	–23	0
Comparable EBITDA	3,659	3,908	4,227	4,230	3,946
Operating profit	1,781	1,649	2,067	2,161	1,929
External financial items	–1,118	–1,139	–1,696	–1,228	–876
External financial items, Class A	–1,019	–1,029	–1,618	–1,228	–876
Profit/loss after net financial income/expense	–568	–982	–893	–750	–1,369
Profit/loss for the year	–776	–1,248	1,280	288	–239
Cash flow from operating activities	4,100	4,859	4,676	4,117	3,463
Free cash flow	651	962	2,065	1,748	1,406
Capital expenditure	3,415	4,000	2,870	2,381	2,076
Total assets	89,253	86,459	83,543	80,048	76,968
Total equity	8,069	7,605	7,361	6,201	5,923
Adjusted equity	9,101	8,629	8,296	7,035	6,534
Equity/assets ratio	10.2%	10.0%	9.9%	8.8%	8.5%
Adjusted cash	1	7	45	1	45
External net debt	39,342	38,892	38,649	35,528	34,075
External net debt, Class A	35,324	35,907	35,666	35,528	34,075
Leverage ratio	10.8x	10.0x	9.1x	8.4x	8.6x
Leverage ratio, Class A	9.7x	9.2x	8.4x	8.4x	8.6x
Interest cover ratio	3.3x	3.4x	2.4x	3.3x	4.1x
Interest cover ratio, Class A	3.6x	3.7x	2.5x	3.3x	4.1x
Delivered volume (TWh)	26.1	26.5	27.3	27.1	27.1
No. of customers (in thousands)	966	962	957	939	918
Average no. of employees	520	500	465	433	412

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 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Net sales	5, 6	6,674	6,709
Capitalised own work		116	101
Other operating income	7	76	70
		6,867	**6,880**
OPERATING EXPENSES			
Costs for purchase and transit of power		−1,462	−1,232
Other external expenses	8, 9	−1,284	−1,301
Employee benefits expense	10, 11	−508	−499
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	−1,833	−2,200
Operating profit		**1,781**	**1,649**
FINANCIAL INCOME AND EXPENSES			
Interest income and similar items	13	48	2
Interest expense and similar items	14	−2,396	−2,633
Profit/loss after net financial income/expense		**−568**	**−982**
Appropriations	15	−11	−115
Profit/loss before tax		**−578**	**−1,097**
Income tax expense	16	−198	−151
PROFIT/LOSS FOR THE YEAR		**−776**	**−1,248**

Statement of comprehensive income.

MSEK	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
Profit/loss for the year	−776	−1,248
Other comprehensive income	–	–
COMPREHENSIVE INCOME FOR THE YEAR	**−776**	**−1,248**

Balance sheet.

MSEK	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	17		
Goodwill		4,379	4,682
Concessions		38,656	38,656
IT systems		169	87
Utility easements		295	283
Projects in progress and advance payments		273	178
		43,772	**43,886**
Property, plant and equipment	18, 32		
Buildings and land		1,000	982
Machinery and other technical plant		30,625	29,652
Equipment, tools and facilities		58	43
Assets under construction and advance payments		3,848	3,215
		35,530	**33,892**
Non-current financial assets			
Investments in associates	19	0	0
Receivables from Group companies		7,270	5,984
Plan assets	10	2	1
		7,272	**5,985**
Total non-current assets		**86,574**	**83,763**

MSEK	Note	31 Dec 2020	31 Dec 2019
Current assets			
Current receivables			
Trade receivables	20	756	1,025
Receivables from Group companies		0	0
Other receivables	21	397	382
Prepaid expenses and accrued income	6, 22	1,513	1,270
		2,666	**2,677**
Cash and cash equivalents	23, 30	**14**	**20**
Total current assets		**2,679**	**2,697**
TOTAL ASSETS		**89,253**	**86,459**

Balance sheet, cont.

MSEK	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1	1
Statutory reserve		0	0
Development reserve		39	36
		40	**37**
Non-restricted equity			
Retained earnings		8,805	8,816
Profit/loss for the year		–776	–1,248
Total equity		**8,069**	**7,605**
Untaxed reserves	24	**1,323**	**1,312**
Provisions			
Deferred tax liability	16	13,577	13,387
Other provisions		2	2
Total Provisions		**13,579**	**13,388**

MSEK	Note	31 Dec 2020	31 Dec 2019
Non-current liabilities	25		
Bond loans		32,309	29,257
Liabilities to credit institutions		6,239	5,327
Liabilities to Group companies		21,908	20,668
Other non-current liabilities	6	1,567	1,033
Total non-current liabilities		**62,023**	**56,286**
Current liabilities			
Bond loans		–	3,500
Liabilities to credit institutions		590	594
Trade payables		764	846
Liabilities to Group companies		0	0
Current tax liabilities		8	13
Other current liabilities	6, 26	1,444	1,540
Accrued expenses and deferred income	6, 27	1,454	1,374
Total current liabilities		**4,260**	**7,868**
TOTAL EQUITY AND LIABILITIES		**89,253**	**86,459**

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 2020	**1**	**0**	**36**	**7,568**	**7,605**
Shareholder contributions				1,240	1,240
Provisions for development reserve			3	–3	–
Comprehensive income:					
Profit/loss for the year				–776	–776
Other comprehensive income				–	–
Total comprehensive income				**–776**	**–776**
Balance at 31 December 2020	**1**	**0**	**39**	**8,029**	**8,069**

	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**

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 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		1,781	1,649
Adjustments for non-cash items:			
Depreciation and amortisation	12	1,833	2,200
Disposals/retirements of non-current assets		45	57
Periodised connection fees		−38	−19
Change in provision for doubtful receivables		1	−1
Received connection fees		573	535
Income tax paid		−13	−69
Cash flow from operating activities before changes in working capital		**4,183**	**4,351**
CHANGES IN WORKING CAPITAL			
Decrease(+)/increase(−) in trade receivables		267	74
Decrease(+)/increase(−) in other operating receivables		−258	256
Decrease(−)/increase(+) in trade payables		29	−37
Decrease(−)/increase(+) in other operating liabilities		−123	214
Cash flow from operating activities		**4,100**	**4,859**
INVESTING ACTIVITIES			
Capital expenditure in intangible assets		−223	−191
Capital expenditure in property, plant and equipment		−3,226	−3,706
Acquisition of shares		–	−44
Proceeds from sales of tangible assets		6	–
Cash flow from investing activities		**−3,443**	**−3,941**
Cash flow before financing activities		**657**	**918**

MSEK	Note	1 Jan 2020 31 Dec 2020	1 Jan 2019 31 Dec 2019
FINANCING ACTIVITIES	28		
Borrowings		4,021	162
Repayment of borrowings		−3,596	–
Received interest		1	2
Paid interest		−1,089	−1,123
Received/paid group contributions		0	2
Cash flow from financing activities		**−663**	**−957**
Cash flow for the year		**−6**	**−39**
Cash and cash equivalents at 1 January		**20**	**56**
Cash and cash equivalents in merged company		**–**	**2**
Cash and cash equivalents at 31 December	23	**14**	**20**

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 within awarded concession areas. 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 31.

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).

New judgement of useful lifetime of concessions

Network concession is awarded to network companies and is valid until further notice and can only be withdrawn in event of bankruptcy or serious negligence. IAS 38 states that an intangible right with an indefinite useful life shall not be amortised, but shall be reviewed each period in order to determine whether occasions or cicumstances continue to support the assessment of an indefinite useful life of the asset. In previous years, Ellevio has interpreted that according to RFR2, IAS 38 regarding the treatment of intangible assets with an indefinite useful life should not be applied, the assets should instead be amortised in accordance with the same rules that apply to other intangible assets. The company has previously applied a useful life of 100 years. Since network concessions are valid until further notice and thus have an indefinite useful life, the company has come to the conclusion, in accordance with the Annual Accounts Act, that these types of assets should not be amortised. As a result, the company adopted a change in judgement of the useful life of concessions and these are no longer amortised, resulting in a reduction in amortisation of approximately SEK 405 million/year.

Changed depreciation time and new asset categories to align with changes in the regulatory framework

In 2020, a new four-year regulatory period was launched containing changes to the revenue regulation for electricity network companies. The number of asset categories and assessed technical lifetime of certain types of assets has increased in the regulatory framework. Some assets such as transformers and local network cables have been given longer useful life and others shorter, such as control equipment and cable cabinets. Since the company's future cash flows are largely based on the cost of capital in the regulation, the company considers that the economic useful life in the accounting should align with the regulartory framework. As a result, the company has defined new asset categories and new depreciation time for certain assets. This has increased the depreciations for the year by SEK 31 million compared to if depreciation was made according to useful lifetime used in 2019.

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.

NOTE 2 cont.

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 for repairs and maintenance 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	8–60 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	Not amortised
Goodwill	20 years
IT systems	3–10 years
Other rights	Not amortised or 25 years

Concessions are not amortised, they apply until further notice and can only be revoked in a potential bankruptcy situation or in case of gross negligence and are therefore considerered to have an indefinite useful life. Other rights consist of network connections to feeding networks that are amortised over 25 years and utility easements. Utility easements (including land leases) are not amortised and refers to contracts that give the company access to land belonging to third parties for an indefinite period for

NOTE 2 cont.

the establishment of electricity network facilities. 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 lowest 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 recognised 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 amortised 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

NOTE 2 cont.

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 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 intangibe IT investments
The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network and measurement values collection- has been defined as 8 and 10 years based on the minimum expected life of the systems.

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.

Impairment of financial assets
The spread of the coronavirus has not had a material impact on development of the company's operations, position and results. The company's model for calculating expected credit losses is based on classification based on customers' credit rating and payment history. This has lead to the assumption about the effects of the virus on the company's accounts receivable, and assessed that slightly more customers than before may have payment difficulties. However, the effect is limited as the company only seen a small increase in customers who have experienced payment difficulties during the year. See also note 20.

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.

NOTE 4 cont.

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 2020		
	Nominal amount	Fair value	Average interest rate
EUR converted into MSEK			
Maturity over 5 years	6,176	359	3.91
Maturity over 10 years	–	–	–
USD converted into MSEK			
Maturity over 5 years	5,612	–269	3.02
Maturity over 10 years	3,190	–405	3.59
Total	**14,978**	**–315**	**3.51**

	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**

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 2020		31 Dec 2019	
	Volume, GWh	Fair value	Volume, GWh	Fair value
Maturity within 12 months	1,402	–2	1,399	7
Maturity within 1–5 years	1,366	–23	1,372	0
Maturity after 5 years	–	–	–	–
Total	**2,768**	**–25**	**2,771**	**8**

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 2020	31 Dec 2019
Within 12 months	449	2,045
Within 1–5 years	7,500	3,500
Within 5–10 years	21,443	19,127
Over 10 years	31,835	34,911
Total	**61,227**	**59,583**

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, 99 percent (95) 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 2.8 percent (2.7).

The company applies hedge accounting. The hedge is a cash flow hedge. During the period SEK 0 million (13) 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 2020		
	Nominal amount	Fair value	Average interest rate
Maturity within 12 months	–	–	–
Maturity within 1–5 years	–	–	–
Maturity over 5 years	4,045	–678	0.63
Maturity over 10 years	3,421	–625	0.80
Total	**7,466**	**–1,303**	**0,71**

NOTE 4 cont.

	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**

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 2020, around 1 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 5 million (18) for 2020.

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. 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 1 million (7), while guaranteed loan commitments amounted to SEK 6,494 million (7,768). The company's total loans amounted to SEK 61,251 million (59,568) at the end of the reporting period, of which SEK 39,342 million (38,899) referred to external loans and SEK 21,908 million (20,668) 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 7.0 years (7.5). In addition to the requirement to fulfill its payment obligations, Ellevio has in its common financing agreement (Common Terms Agreement) commitments, including among other things so called "Financial Covenants" that limits the company's leverage ratio and interest cover ratio. According to the agreement the total leverage ratio may not exceed 13 times and for the senior debt (Class A) the leverage ratio may not exceed 12 times. The total interest cover ratio may not go below 1,1 and for the senior debt (Class A) the interest cover ratio may not go below 1,2 times. For definitions please see page 43 Financial overview. As per 2020-12-31 Ellevios total leverage ratio amounted to 10,8 times and for the senior debt (Class A) the leverage ratio was 9,7 times. The interest cover ratio for Ellevios total external debt amounted to 3,6 times and for the senior debt (Class A) the interest cover ratio was 3,3 times.

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 2020	Within 12 months	1–5 years	Over 5 years	Total
Interest-bearing liabilities	1,559	17,546	49,396	**68,501**
Trade payables	766	–	–	**766**
Total	**2,325**	**17,546**	**49,396**	**69,267**

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 2020	Within 12 months	1–5 years	Over 5 years	Total
Electricity derivatives (net liabilities)	–2	–23	–	**–25**
Cross-currency interest rate swaps (liabilities)	–529	–2,115	–1,996	**–4,641**
Cross-currency interest rate swaps (receivables)	473	1,892	1,830	**4,194**
Interest rate swaps (net debt)	–76	–577	–1,099	**–1,752**
Total	**–134**	**–824**	**–1,265**	**–2,223**

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 1.1 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 8 million (12) in 2020, see note 20. The company is striving to maintain only less transaction liquidity in the form of cash and cash equivalents. The

NOTE 4 cont.

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 2020	31 Dec 2019
Trade receivables	756	1,025
Other current receivables	1,725	1,448
Cash and cash equivalents	1	7
Total	**2,481**	**2,480**

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. At the end of the period the company is primarily financed through external interest-bearing debt amounting to about SEK 39.3 billion (38.9). The external interest bearing debt was divided into senior secured debt (Class A) amounting to approx. 35,3bn (35,9) and contractually subordinated secured debt (Class B) amounting to approx. 4,0bn (3,0). Ellevios other financing consist of subordinated group internal loans from Ellevio Holding 4 AB amounting to approx. 21,9bn (20,7). During the year Ellevio has converted a group internal receivable against Ellevio Holding 1 AB amounting to 7,3bn from a non interest bearing to a interest bearing receivable. 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 2020	31 Dec 2019
Bond loans	32,309	32,757
Liabilities to credit institutions	6,829	5,922
Transaction cost related to financing activities	205	220
Less cash and cash equivalents excl. customer deposits	–1	–7
External net debt	**39,342**	**38,892**
Operating profit	1,781	1,649
Plus depreciation, amortisation and impairment	1,833	2,200
EBITDA	**3,614**	**3,848**
Items affecting comparability	45	59
Comparable EBITDA	**3,659**	**3,908**
Leverage ratio	**10.8**	**10.0**

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

2020	Distribution revenue	Connection fees	Other network related services	Total
Local networks Central Sweden	4,610	28	92	4,730
Local networks West Coast	850	4	3	857
Regional networks	971	24	93	1,088
Total	**6,431**	**56**	**188**	**6,674**

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	901	12	99	1,012
Total	**6,527**	**33**	**149**	**6,709**

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

Contractual assets and contractual liabilities	2020	2019
Contractual assets and contractual liabilities consist of the following items as of 31 December:		
Contractual assets	806	502
Contractual liabilities – Long-term	–1,551	–1,023
Contractual liabilities – Short-term	–43	–36
Net of contractual assets (contractual liabilities)	**–787**	**–556**

Revenue reported during the period, as of:	2020	2019
Revenue included in opening balance in items:		
Contractual assets	–	–
Contractual liabilities	35	17

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 22. 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 25 and 26.

NOTE 7
OTHER OPERATING INCOME

	2020	2019
Communication income	14	11
Rental income	7	7
Reconnection income	5	5
Network monitoring services	3	3
Reminder fees	24	26
Proceed of sale tangilble fixed assets	6	–
Other operating income	17	17
Total	**76**	**70**

NOTE 8
REMUNERATION TO AUDITORS

Tkr	2020	2019
Ernst & Young AB		
Audit engagement	–932	–964
Audit activities in addition to audit engagement	–515	–
Total	**–1,447**	**–964**

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. Costs in addition to audit engagement are mainly related to refinancing activities and audit of an EU-project.

NOTE 9
LEASES

Operating leases – lessee	2020	2019
Expense for the year, operating leases		
Lease expenses	–141	–135
Total	**–141**	**–135**

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:

	2020	2019
Maturity:		
Within 1 year	130	133
1–5 years	238	234
Later than 5 years	428	462
Total	**796**	**829**

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 (7). Future minimum lease expenses under non-cancellable operating leases fall due as follows:

	2020	2019
Maturity:		
Within 1 year	7	7
1–5 years	8	7
Later than 5 years	3	3
Total	**18**	**17**

NOTE 10
EMPLOYEES AND EMPLOYEE BENEFITS

Average numbers of employees	2020	2019
Women	164	149
Men	356	351
Total	**520**	**500**

Number of directors and senior executives	2020	2019
Women:		
Board of Directors	3	3
Other senior executives	6	6
Men:		
Board of Directors	6	6
Other senior executives including the CEO	4	4
Total	**19**	**19**

Salaries and remuneration	2020	2019
Salaries and other remuneration to Directors, the CEO and other senior executives	–34	–30
Salaries and other remuneration to other employees	–294	–278
Pension costs for Directors, CEO and other senior executives	–5	–5
Pension costs for other employees	–48	–51
Social security contributions	–115	–112
Total	**–496**	**–476**

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 2020

Tkr	Base salary/ Board fees	Variable remu-neration[1)]	Other benefits[2)]	Pension costs[3)]	TOTAL	Capital value of pension commitment
Fredrik Persson (Chariman of the Board) (from December)	–117				**–117**	
Sören Mellstig (Chariman of the Board) (until November) [4]	–1,692				**–1,692**	
Anna Belfrage (Board member)	–450				**–450**	
Lars Clausen (Board membe)	–400				**–400**	
Göran Hägglund (Board member)	–350				**–350**	
Karin Jarl Månsson (Board member) [4]	–450				**–450**	
Michael Mc Nicholas (Board member)	–				**–**	
Sten Olsson (Board member)	–300				**–300**	
Johan Lindehag (CEO)	–2,458	–3,265	–71	–769	**–6,564**	–1,117
Other senior executives (9 persons)	–12,422	–12,282	–235	–3,930	**–28,869**	–484
Totalt	**–18,640**	**–15,548**	**–306**	**–4,698**	**–39,192**	**–1,601**

[1)] The variable remuneration consists of expensed long-term incentives (LTIs), amounted to SEK 12,295 thousand that will be paid out in during the three following years, expensed short-term incentives,(STIs), amounted to SEK 3,191 thousand that will be paid during following year and other variable benefits paid out in the current year of SEK 61 thousand.

[2)] Other benefits mainly consist of company cars.
[3)] Disclosures on pension costs refer to pension premiums expensed for the financial year
[4)] Member of the Board have been paid for consultancy services in his or her resepctive areas of competence, which do not constitute board work. During 2020, Sören Mellstig received SEK 350 thousand and Karin Jarl Månsson received SEK 33 thousand.

Remuneration and other benefits 2019

Tkr	Base salary/ Board fees	Variable remu-neration[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) (unti 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 Isele (Board member) (from April to October)					**–**	
Karin Jarl Månsson (Board member) [4]	–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
Totalt	**–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
[4)] Member of the Board have been paid for consultancy services in his or her resepctive areas of competence, which do not constitute board work. During 2019, Karin Jarl Månsson received SEK 35 thousand.

NOTE 10 cont.

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 2020, the CEO received a fixed salary of SEK 2,458 thousand (2,426) and variable remuneration of SEK 3,265 thousand (2,590). 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 35 percent of the fixed annual salary for the CEO and 30 percent of the fixed annual salary for all other senior executives (see note 11). For 2020, 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 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 2020 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 20 million (22). 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 2020, Alecta's surplus in the form of the collective consolidation level was 148 percent (148).

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 0.8 percent (1.2). Assumed annual returns are defined by the company.

Defined benefit pension plans in the consolidated balance sheet

	31 Dec 2020	31 Dec 2019
Total present value of defined benefit obligations	135	140
Fair value of plan assets	129	149
Net amount, defined benefit pension plans	**–6**	**10**

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

	2020	2019
Cost in profit/loss for the year		
Costs relating to services during current period	–53	–56
Total	**–53**	**–56**

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

	2020	2019
Amortisation of intangible assets	–349	–753
Depreciation of buildings and land improvements	–31	–27
Depreciation of machinery and other technical plant	–1,437	–1,405
Depreciation of equipment, tools and facilities	–15	–14
Total	**–1,833**	**–2,200**

NOTE 13
INTEREST INCOME AND SIMILAR ITEMS

	2020	2019
External interest income	1	2
Intra-Group interest income	46	–
Total	**48**	**2**

NOTE 14
INTEREST EXPENSE AND SIMILAR ITEMS

	2020	2019
External interest expense	–1,141	–1,138
Intra-Group interest expense	–1,240	–1,492
Derivatives that do not meet the criteria for hedge accounting	–	13
Other financial expenses	–16	–16
Total	**–2,396**	**–2,633**

NOTE 15
APPROPRIATIONS

	2020	2019
Group contributions paid	0	0
Distribution to tax allocation reserve	–10	–114
Total	**–11**	**–115**

NOTE 16
TAX

	2020	2019
Current tax		
Current tax on profit for the year	–8	–75
Current tax attributable to prior years	–	–10
Deferred tax		
Deferred tax attributable to temporary differences	–202	–75
Deferred tax attributable to prior years	–	–0
Deferred tax attributable to revaluation of tax rate	12	8
Total	**–198**	**–151**

Reconciliation, tax expense for the year	2020	2019
Profit/loss before tax	–578	–1,097
Tax calculated at Swedish rate (21.4%)	124	235
Tax effect, permanent items:		
Non-deductible depreciation on goodwill	–65	–65
Non-taxable income	0	3
Non-deductible interest rate	–266	–319
Other items	–2	–3
Current tax attributable to prior years	–	–10
Tax effect, temporary items:		
Depreciation of fixed assets	202	75
Other items	0	0
Change in deferred tax	–202	–75
Deferred tax attributable to previous years	–	–0
Revaluation of deferred tax attributable to new Swedish tax rates (21.4% and 20.6%)	12	8
Total	**–198**	**–151**
Recognised tax expense for the year	**–198**	**–151**

Deferred tax assets and deferred tax liabilities

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

	31 Dec 2020	31 Dec 2019
Deferred tax assets		
Provision for credit losses	2	1
Other	0	0
Deferred tax assets	**2**	**2**
Deferred tax liability		
Surplus value concessions	7,963	7,966
Buildings and land improvements	131	136
Residual value depreciation, machinery and equipment	5,485	5,286
Deferred tax liability	**13,579**	**13,388**
Net deferred tax liabilities	**13,577**	**13,387**

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.

NOTE 17
INTANGIBLE ASSETS

2020	Goodwill	Concessions	IT systems	Other rights	Projects in progress and advance payments	Total
Cost at 1 January 2020	**6,059**	**40,505**	**523**	**284**	**178**	**47,550**
Costs incurred during the year	–	–	–	–	223	223
Disposals/retirements	–	–	–20	–	–	–20
Reclassifications	–	–	–	–	18	18
Classification of capitalised costs	–	–	129	16	–145	–
Accumulated cost at 31 December 2020	**6,059**	**40,505**	**633**	**300**	**273**	**47,770**
Depreciation at 1 January 2020	**–1,377**	**–1,849**	**–436**	**–2**	**–**	**–3,664**
Disposals/retirements	–	–	14	–	–	14
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–303	–	–43	–4	–	–349
Accumulated depreciation at 31 December 2020	**–1,680**	**–1,849**	**–464**	**–5**	**–**	**–3,999**
Carrying amount at 31 December 2020	**4,379**	**38,656**	**169**	**295**	**273**	**43,772**

At the end of the reporting period, there were commitments to acquire intangible fixed assets amounting to SEK 85 million (139). The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network and measurement values collection has been defined as 8 and 10 years and are based on the minimum expected life of the systems. The cost amounts to SEK 107 million (32) and the residual value per 2020-12-31 amounts to SEK 75 million (15).

2019	Goodwill	Concessions	IT systems	Other rights	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**

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 2020	Goodwill	Concessions
Local networks Central Sweden		27,767
Local networks West Coast		7,637
Regional networks		3,252
Common	4,379	
Carrying amount	**4,379**	**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. 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 2.35 percent. 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.

NOTE 17 cont.

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 2020 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 age points after tax, all other factors remaining equal, shows a need for impairment by circa SEK 450 million of the cash generating unit Local network Västkusten.

NOTE 18
TANGIBLE FIXED ASSETS

2020	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 2020	**1,509**	**21**	**53,118**	**191**	**3,215**	**58,054**
Costs incurred during the year	–	–	–	–	3,192	3,192
Disposals/retirements	–1	–	–358	–	–	–359
Reclassifications	–	–	–	–	–18	–18
Classification of capitalised costs	49	–	2,462	30	–2,541	–
Accumulated cost at 31 December 2020	**1,557**	**21**	**55,222**	**221**	**3,848**	**60,869**
Depreciation at 1 January 2020	**–527**	**–20**	**–23,466**	**–148**	**–**	**–24,162**
Disposals/retirements	1	–	306	–	–	307
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–31	–0	–1,437	–15	–	–1,483
Accumulated depreciation at 31 December 2020	**–557**	**–20**	**–24,597**	**–163**	**–**	**–25,338**
Carrying amount at 31 December 2020	**999**	**0**	**30,625**	**58**	**3,848**	**35,530**

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 intangible fixed assets amounting to SEK 2,899 million (4,611).

NOTE 19
INVESTMENTS IN ASSOCIATES

	31 Dec 2020	31 Dec 2019
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 2020
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 2020	31 Dec 2019
Trade receivables, gross	763	1,031
Provision for credit losses	–7	–6
Trade receivables, net after provisions for credit losses	**756**	**1,025**

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

Changes in provisions for credit losses

	31 Dec 2020
Provisions for credit losses at 1 January	–6
Provisions for credit losses for the year	–6
Write-offs	2
Reversal of unused amount	3
Provisions at 31 December	**–7**

31 Dec 2020	Gross	Provisions for credit losses	Net
Not yet payable	707	–0	706
30 days past due	37	–1	37
31–60 days past due	5	–1	4
61–90 days past due	1	–0	0
> 90 days past due	14	–5	8
Total	**763**	**–7**	**756**

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 history is good.

NOTE 21
OTHER RECEIVABLES

	31 Dec 2020	31 Dec 2019
Settlement account for taxes and fees	0	3
Settlement, billing agent	318	377
Other current receivables	79	1
Total	**397**	**382**

NOTE 22
PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2020	31 Dec 2019
Accrued distribution revenue	806	502
Accrued energy tax	521	564
Accrued interest income	159	159
Prepaid rents	14	27
Other items	12	19
Total	**1,513**	**1,270**

NOTE 23
CASH AND CASH EQUIVALENTS

	31 Dec 2020	31 Dec 2019
Available balances with banks and other credit institutions	1	7
Customer deposits	13	13
Total	**14**	**20**

NOTE 24
UNTAXED RESERVES

	31 Dec 2020	31 Dec 2019
Tax allocation reserve	1,323	1,312
Totalt	**1,323**	**1,312**

NOTE 25
NON-CURRENT LIABILITIES

	31 Dec 2020	31 Dec 2019
Maturity within 1–5 years	14,164	8,762
Maturity within 5–10 years	19,367	14,945
Maturity over 10 years	28,492	32,579
Total carrying amount	**62,023**	**56,286**

The nominal amount of the long-term loans at the end of the reporting period was SEK 60,661 million (58,968).

The company's utilised overdraft facilities totalled SEK 499 million (594) 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 26
OTHER CURRENT LIABILITIES

	31 Dec 2020	31 Dec 2019
Liability, VAT	186	203
Energy tax	1,137	1,244
Employer contributions and deduction of withholding tax	16	15
Repayments to customers	1	4
Advances received	57	35
Periodised connection services	43	36
Other current liabilities	4	4
Total	**1,444**	**1,540**

NOTE 27
ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2020	31 Dec 2019
Accrued interest	521	487
Accrued salaries	60	60
Accrued social security contributions	22	23
Deferred income	3	3
Accrued investment expenses	308	231
Accrued transmission costs	114	87
Accrued measurement value costs	7	8
Accrued rents	26	23
Accrued field services	353	392
Accrued customer service costs	8	16
Other items	33	45
Total	**1,454**	**1,374**

NOTE 28
RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

			Non-cash items			
	31 Dec 2019	Cash flows	Capitalized interest	Unrealised contracts/ Reclas-sification	Periodised financing costs	31 Dec 2020
Liabilities to Group companies	20,668	–	1,240	–	–	21,908
Current liabilities to credit institutions	594	–96	–	92	–	590
Non-current liabilities to credit institutions	5,327	993	–	–92	11	6,239
Bonds	32,757	–471	–	–	23	32,309
Total liabilities from financing activities	**59,347**	**–426**	**1,240**	**–**	**34**	**61,047**

			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**

NOTE 29
PLEDGED ASSETS

	31 Dec 2020	31 Dec 2019
Floating charges	136	136
Property mortgages	462	462
Bank deposits	14	20
Total	**612**	**618**

NOTE 30
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 2020. Information on transactions with related parties is provided in notes 4, 13 and 14.

NOTE 31
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 32
PROPOSED ALLOCATION OF RETAINED EARNINGS

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

Retained earnings	8,805
Profit/loss for the year	–776

The Board of Directors proposes:

Retained earnings to be carried forward	8,029

NOTE 33
SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

In February 2021, the Administrative Court announced the ruling in the case concerning the allowed revenue for network companies regarding the regulatory period 2020–2023. The ruling in the Administrative Court states that Ei's decisions on the electricity network companies' allowed revenue have not followed current court practice and that the provisions of the revenue framework ordinance are in violation of the Electricity Act and the EU's third electricity market directive. The Administrative Court refers the cases back to Ei for new calculations and decisions of allowed revenue for the regulatory period. Ei should use a forward-looking, long-term and stable perspective when deciding on the allowed revenue, and also consider the regulatory risk for electricity network companies. Ei has appealed the ruling in the Administrative Court to the Administrative Court of Appeal. The Administrative Court of Appeal has not yet decided whether to grant leave of appeal or not.

In April 2021 the Swedish Parliament said yes to the Government's proposal that network companies that have a previously unused deficit in relation to the allowed revenue should be able to use this deficit for investments under certain conditions. The new rules will be effective from 1 June 2021.

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 2021 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 89–92, has been prepared in accordance with GTR's Standard guidelines.

Stockholm, 28 april 2021

Fredrik Persson
Chairman of the Board

Anna Belfrage | Lars Clausen | Göran Hägglund

Karin Jarl Månsson | Michael Mc Nicholas | Sten Olsson

Tomas Bergquist | Eyob Yehdego

Johan Lindehag
Chief Executive Officer

We submitted our audit report on April 28 2021
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

Opinions

We have audited the annual accounts of Ellevio AB (publ) for the financial year 2020-01-01–2020-12-31. The annual accounts of the company are included on pages 40–65 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 2020 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.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the 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, 2020 amounts to 43,772 MSEK, which equals 49% of the company's total assets. Of the reported value, 4,379 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 lowest 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 1–39 and 66–93. 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 2020-01-01–2020-12-31 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 28, 2020 and has been the company's auditor since April 26, 2018.

Stockholm, April 28, 2021
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 2020. A statutory review of the corporate governance report has been carried out by company's auditors whose opinion is on page 71.

Principles of corporate governance

Corporate governance at Ellevio is based on applicable laws and ordinances, Articles of Association, shareholder agreement, 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 shall be governed. Other key governing documents 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 31 on page 64.

Annual general meeting

The annual general meeting is Ellevio's highest decision-making body, through which Ellevio's shareholders are entitled to govern Ellevio's business. 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 2020 annual general meeting was held on 28 April at Ellevio's head office in Stockholm and through video and phone. 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 2021 annual general meeting will be held on 28 April 2021 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 act as an example for sustainable business practises in areas such as the environment, ethics, working conditions, human rights, equality and diversity.

The Board has to establish written rules of procedure governing its own work, and these should be revised and confirmed 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. As presented below each owner has nominated certain members of the Board of Directors. All elected Board members are independent of the company and the company's management.

In 2020, the Board consisted of seven Directors and two employee representatives. At the end of the year, the Board had the following members, Fredrik Persson, Chairman (independent), Anna Belfrage (nominated by the Third AP Fund), Lars Clausen (nominated by OMERS Infrastructure), Göran Hägglund (nominated by First AP Fund), Karin Jarl Månsson (nominated by OMERS Infrastructure), Michael McNicholas (nominated by OMERS Infrastructure), 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), Johan Temse (nominated by the First AP Fund), Alastair Hall (nominated by OMERS Infrastructure), 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 January 31, 2020, Johan Temse became deputy member of the board and Teresa Isele resigned as depty member. On November 26, Fredrik Persson was elected Chaiman of the Board and Sören Mellstig resigned as Chairman.

The Board of Directors is presented on page 72.

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 2020, 11 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)
- The Corona pandemic impact on the business operations and management of the consequences
- Safety and security issues, particularly concerning working environment and information security
- Updates related to development of the regulatory framework
- Financing under the Green bond framework and issuance of Class B bonds
- Investment decisions including e.g. re-investment in primary substation Värtan in Stockholm [and windpower connections]
- Board evaluation

Board Committees

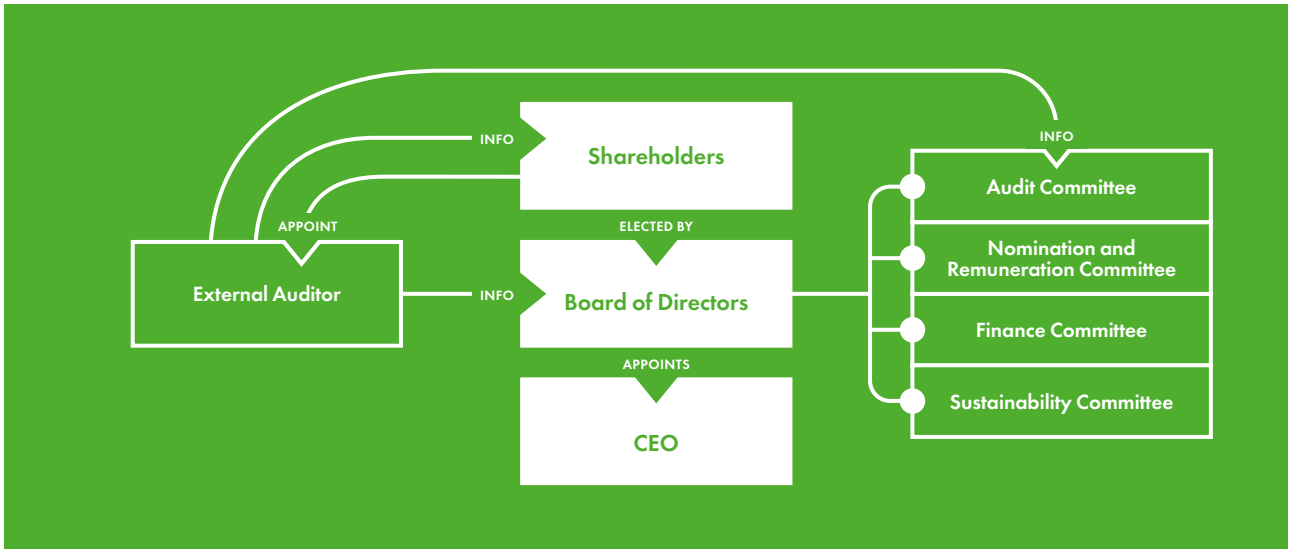
Four Board committees have been established to enhance efficiency and opportunities for expanding the work of the Board: The Audit Committee, the Nomination and Remuneration Committee, the Finance Committee and the Sustainability Committee. The committees serve in an advisory capacity and their work 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 2020, the Audit Committee comprised Anna Belfrage (Chair) and Sören Mellstig until 25 November 2020 and Michael McNicholas for the time thereafter.

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 2020, the Committee comprised Sören Mellstig (Chair) until 25 November 2020 and Fredrik Persson as Chair for the time thereafter, Alastair Hall and Sten Olsson.

The Finance Committee is responsible for reviewing the company's financial strategy and the ongoing monitoring of the financial risk exposure. In 2020, the Finance Committee comprised Alastair Hall (Chair), Sten Olsson, Henrik Norlander (from 28 April 2020), Johan Temse (from 28 April 2020) and Mohammad Nazemi (employee representative).

The Sustainability Committee is responsible for assessing the strategy, monitoring performance in relation to set targets, identifying key areas of improvement and contribute to greater awareness of the importance of the areas health, safety, security, environment and climate. In 2020, 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 2020 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 2020 can be found in note 10 on pages 57–58.

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 28 April 2020, Ernst & Young AB was elected as the company's auditor for the period until the end of the 2021 annual general meeting. The principal auditor is authorised public accountant Henrik Jonzén.

The auditor reported the findings of the review of the 2020 annual accounts to the Audit Committee at its meeting of 12 February 2021 as well as to the Board at the Board meeting of 28 April 2021.

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.

The management team, including the CEO, is presented on page 73.

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's employment 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 2020, refer to note 10 on pages 57–58.

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.

The UN Sustainable Development Goals are an integrated part of Ellevio's business strategy. Our core business has the biggest impact on the following four goals:

- Goal 7, Affordable and Clean Energy
  Goal 9, Industry, Innovation, and Infrastructure
  Goal 11, Sustainable Cities and Communities
  Goal 13, Climate Action

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 2020-01-01–2020-12-31 on pages 68–71 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 standard RevR 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, 2021
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

ADDED PHOTO:

Fredrik Persson
Chairman
Year of birth: 1968, member of the board since November 2020

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

We at Ellevio work to enable the transition to a more sustainable society. This is reflected in the economic, social and environmental responsibility we take. To live up to the high expectations and requirements within these areas, sustainability is one of the most important parts of our 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 a reliable electricity network that create long-term value for customers, society, investors and employees. 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 our climate and our natural resources should be minimized. In addition to this, and together with our customers and business partners, we want to take an active role in the work for a carbon-neutral and climate-smart society. For us, sustainability initiatives are not merely a question of complying with laws and regulations, but also taking social responsibility by identifying our significant sustainability issues and working on constant improvements. For us it is a matter of setting clear targets, measuring our results, analysing and taking measures wherever necessary. 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
- Advisory Council for Electricity Contingency Planning
- The Royal Swedish Academy of Engineering Sciences (IVA)
- Energiforsk
- International Council on Large Electric Systems (CIGRE)
- PowerCircle
- The 2030 Secretariat
- Värmland Chamber of Commerce
- Stockholm Chamber of Commerce
- EFA – Energiföretagens arbetsgivareförening AB
- Håll Nollan initiative

Sustainability targets

Ellevio has established six long-term strategic sustainability targets:

1. Climate impact: There is a high level of awareness about our environmental and climate impact and we are a driving force behind the energy transition, which involves a reduced carbon footprint and a positive contribution to counteracting climate change. Sustainability is an integral part of our organisation and business processes, and we will work together with our customers, suppliers and partners to contribute to sustainable societal development.
2. Safety and security: Our safety culture is well-established at the company and among those who are contracted to work for us in our electricity network projects. This leads to improved safety and enables an accident-free workplace. Our proactive efforts create the conditions for safe operations and infrastructure and strengthen our ability to withstand disruptions and restore operations following unexpected events.
3. Customer experience: Our customers see us as reliable, committed and proactive. In addition to a reliable supply of electricity, our customers are offered a digital platform that enables energy efficiency along with new e-mobility services and own production of electricity. Our customers value the fact that we encourage and drive the transition to a fossil-free society and help them contribute to this transition themselves.
4. Regulatory prerequisites: Sweden has a long-term and sustainable network regulation that incentivises the investments required to ensure that the electricity network is able to solve the energy system's challenges and help achieve climate targets. The regulation rewards efficient companies that provide a high quality of delivery.
5. Long-term investments: We have a security of supply that meets the needs of customers and society. Investments are prioritised to ensure the very best security of supply for our customers. All investments are conducted as efficiently as possible. We have reduced the risk of long power outages. Automisation and remote control of the network has increased and the fault repair process is more efficient. The total amount of connected renewable energy production on Ellevio's electricity network has increased significantly.
6. Employee engagement: We are an attractive company and the first choice of experienced engineers, highly qualified employees, managers and recent graduates. We are an inclusive company where diversity leads to success. We live up to our values and respect each other and our external stakeholders.

Long-term goals and strategies for our sustainability initiatives

Ellevio supports the UN's Sustainable Development Goals (Agenda 2030) and the Paris Agreement and plays a key role in the transition towards a climate-neutral society by 2045. Ellevio's mission is to improve quality of life by guaranteeing a long-term sustainable electricity network. Our vision is to contribute to a bright and sustainable future through our commitment and expertise.

Ellevio carried out a new and updated materiality analysis during the year, the results of which form the basis of the long-term sustainability goals and focus areas that have been established. We also worked to further clarify the ways in which Ellevio's business activities are vital for contributing to Agenda 2030 and the Sustainable Development Goals. Our operations have a direct impact on four goals in particular:

Goal 7: **Affordable and clean energy**. Sustainable energy is the basis of our mission and is the purpose of Ellevio's investments. By developing the electricity infrastructure, we can supply society with more renewable electricity produced by the sun and wind. This also contains guidelines for realising energy efficiency enhancements, to which our efforts relating to the next generation of smart electricity meters is making a contribution.

Goal 9: **Industry, innovation and infrastructure**. An electricity network that ensures security of supply is a prerequisite for industry and enterprise thriving and for people to live and work across Sweden, be it in a city or a rural area. The electricity network is also an enabler of the transition towards a fossil-free society in which industry and transportation run on electricity.

Goal 11: **Sustainable cities and communities**. A reliable and developed electricity network allows society to continue its electrification process and enables more people to participate and make green choices. We supply smart charging solutions for electric vehicles. By burying our power lines, we also make space for more green areas and housing, while safeguarding the network from the impact of weather. Our electricity network plays a vital role in terms of sustainable urbanisation and the development of the expanding capital region.

Goal 13: **Climate action**. Electrification is a crucial aspect of the transition towards a fossil-free society. We are modernising the electricity network to enable the electrification of industry and transportation and to allow for an increase in renewable energy sources such as solar and wind power. In doing so, we simultaneously create job opportunities that in turn promote growth. We are also reinforcing our electricity grids so that they can withstand the impact of extreme weather linked to climate change.

In addition to all this, Ellevio also contributes to the following UN global goals:
Goal 5: **Equality**, Goal 8: **Decent work and economic growth** Goal 15: **Life on land**, Goal 16: **Peace, justice and strong institutions** and Goal 17: **Partnerships for the goals**.

GLOBALA MÅLEN
för hållbar utveckling

	Activities are reported under the following major issue	Ellevio's sustainability goals*	The UN's Sustainable Development Goals
How we play an active role together with our customers as part of the transition to a fossil-free society	Electrification of transport and industry Smart electricity networks Increase the proportion of renewable energy	Climate impact Customer experience	Goal 7: Affordable and clean energy. Goal 9: Industry, innovation and infrastructure Goal 11: Sustainable cities and communities Goal 13: Climate action
How we build our grids to ensure a bright and sustainable future	Responsible, long-term investments and stable infrastructure Impact from climate change Security of supply Biodiversity along our power lanes Supply affordable energy	Long-term investments Regulatory prerequisites	Goal 7: Affordable and clean energy Goal 9: Industry, innovation and infrastructure Goal 15: Biodiversity Goal 17: Partnership for the goals
How Ellevio is becoming a more sustainable company	Crisis management and preparedness Dialogue with local communities Business ethics and countering corruption Reduced climate impact Responsible purchasing Health and safety Attractive employer	Safety & Security Employee engagement	Goal 5: Equality Goal 8: Decent work and economic growth Goal 11: Sustainable cities and communities Goal 13: Climate action Goal 15: Life on land Goal 16: Peace, justice and strong institutions

* Read more on page 74.

Significant sustainability issues

On pages 5–6 and 18–19 we describe our business model and how Ellevio creates value in society. Information can be found below about Ellevio's sustainability initiatives and significant sustainability issues. Ellevio carried out a new materiality analysis in 2020 that resulted in three focus areas:

- An active role in the transition to a fossil-free society
- An electricity network for a bright and sustainable future
- A sustainable company

Ellevio is responsible for critical operations with close to one million customers in Mid-Sweden. We have continuous contact with a large number of stakeholders through our operations and the hundreds of electricity network projects we carry out every year. This entails a responsibility in terms of balancing and reacting to stakeholders' decisions and priorities. It is vital for Ellevio to understand what is expected of us, find suitable solutions and take the best possible decisions. Our stakeholders include customers, contractors and suppliers, public authorities, decision makers, shareholders, investors, employees and wider society.

Materiality analysis methodology

To begin with, a competitor benchmarking analysis was carried out to identify a general list of relevant sustainability issues. The next step involved interviews with key persons at Ellevio. The final prioritisation of sustainability issues and their impact on the operating environment from an economic, social and environmental perspective was established in a working meeting involving representatives of Ellevio's management team and other key figures with sustainability skills. Ellevio also conducted stakeholder dialogues via targeted surveys and in-depth interviews with decision makers, influencers and experts. In total, over 1,200 people took part in the materiality analysis, including 200 employees.

Focus area	Significant sustainability issue
An active role together with our customers as part of the transition to a fossil-free society	Electrification of transport and industry
	Smart electricity networks
	Increase of renewable energy
An electricity network for a bright and sustainable future	Responsible, long-term investments and stable infrastructure
	Impact from climate change
	Security of supply
	Supply affordable energy
	Biodiversity along our power lanes
A sustainable company	Crisis management and preparedness
	Dialogue with local communities
	Business ethics and countering corruption
	Reduced climate impact
	Responsible purchasing
	Health and safety
	Attractive employer

Management of sustainability initiatives

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 committees appointed by the Board, the sustainability committee. Ellevio's sustainability manager is responsible for the content of – and for driving forward – meetings of the sustainability committee, as well as for implementing decisions within the organisation. Ellevio's Code of Conduct, which reflects the Global Compact's ten principles and Ellevio's sustainability policy, forms the basis for governance of 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
- Risk and security policy
- Code of Conduct for suppliers
- SF6 policy
- Risk 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
- Biodiversity policy
- Equal treatment plan

There are several sustainability aspects that must be considered for large infrastructure projects and investments in the network, such as choice of materials, project implementation 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.

When purchasing, Ellevio requires suppliers to make systematic efforts to reduce their environmental impact, ensure that human rights are respected and that good working conditions are provided for employees. 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 mitigating risks lies with each organisational unit. Managing risks also involves our suppliers who must present a sustainability plan relating to the work environment, 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 to 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 shows the significant sustainability-related risks that have been identified.

Risk areas	Description of risk	Potential impact
Responsible purchasing/ Supplier relationships	Risk of corruption 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 the environment Disruption to supply
Environmental and climate impact	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 the environment Increased sanitisation costs
	SF_6 leakage	Damage to the climate
	We do not comply with applicable laws and regulations	Legal consequences Increased costs, weaker earnings
	Creosote poles used in a way that is not in line with Ellevio's 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
Security of supply	Major, long-term disruptions to electricity supply	Consequences for society
	Crisis preparedness during disruptions to electricity delivery	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. Together in making the transition to a fossil-free society

Electrification of transport and industry

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 is sustainable in the long term, which is how Ellevio can ensure the development of an emissions-neutral and climate-smart energy system.

The transport sector accounts for nearly a third of greenhouse gas emissions in Sweden today. Strong measures are needed to ensure a reduction in emissions from transport. The goal is for emissions from transport to fall by 70 percent by 2030 compared to 2010. Sweden is to have net-zero emissions by 2045 at the latest. The environmental effects linked to a vehicle fleet no longer running on fossil fuels will be very significant, while electrification will play a vital role in achieving Sweden's 2045 climate targets.

The expansion of charging infrastructure should be carried out at a pace that does not hinder the electrification of the transport sector. To ensure the success of this transition, an extensive and accelerated expansion of charging options for both private cars and heavy goods traffic will need to be initiated as soon as possible. This expansion will require major investments in Sweden's electricity network.

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 control, but thanks to their batteries also offer a potential opportunity for storage that could play an important role in balancing electricity consumption in the future.

The transition of Sweden's industry away from fossil-fuelled operations is another important area if Sweden is to achieve its climate targets. Industry's roadmap within the Fossilfritt Sverige (Fossil-free Sweden) initiative shows that electricity is a solution. According to early estimates, the transition of industry and the transport sector to electricity will increase Sweden's electricity consumption by 35 percent, from the current 140 TWh per year to 190 TWh per year. These are likely to prove conservative estimates. Combined, the transition of industry and the transport sector will lead to investment needs totalling around SEK 500 billion by 2045. A higher share of renewable electricity from large and small-scale solar and wind power facilities, the continued digitalisation of society and the electrification of the transport sector and industry will all impose new requirements on a smarter electricity network – one that is reliable, more automated and flexible. Read more about our efforts on pages 12–13 and 22.

Improved charging infrastructure on Ellevio's grids

No. of charging infrastructure connections	2020	Total
Public charging streets and stations	24	312
Other charging connections*	4	4
Total	28	316

*Connections that are not part of a broader public network of charging stations.

4,729,200

Total reduction of CO_2 equivalents calculated in terms of public charging stations, in kg.

50,000

new smart meters installed this year.

Smart electricity networks

Ellevio is currently introducing the next generation of smart electricity meters, representing an important part of the smart electricity networks of the future. 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, Ellevio 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. A smart electricity network gives us the opportunity to take preventive measures as it can give an indication of an impending outage before it occurs. The electricity networks will be able to solve the problems themselves by swithing to a greater extent how the power is being transported and giving us immediate information that an outage has occurred and where it is located. This will lead to fewer and shorter power outages for our customers.

The new electricity meters will also enable other improvements for customers: more precise measurements and new services will give them a better overview of their electricity consumption, meaning they will be able to consume electricity in a more climate-smart and cost-efficient way. Examples of new services that will be enabled include smart electric car charging, smart heating and the opportunity to produce your own electricity more easily.

The meter replacement project continued in 2020. IT solutions, work processes, procedures and instructions for the replacement of meters and collection of meter data have been approved and implemented. The programme carried out a pilot project in Älvsjö with the aim of testing how well the installation processes are working, how our customer notification process is working and how customers are perceiving our message. Overall, 50,000 electricity meters were installed during the year. Read more about our smart meter initiative on pages 27–28.

Increase the proportion of renewable energy

Ellevio is investing in the electricity networks to allow for a transition towards renewable energy sources such as solar and wind power. This involves working actively to connect renewable energy sources by way of close collaborations with wind and solar power developers. Ellevio also has specific processes to help micro-producers who want to produce electricity using solar panels. In total, input of wind power into our electricity network amounted to 4.1 TWh (2.4) in 2020, which equates to 28 percent (18) of the total amount of electricity directly supplied by sources of production. Of the energy supplied to our electricity network, 96 percent (90) comes from the renewable sources hydro, wind and sun. The remaining 4 percent is mainly CHP power based on renewable materials.

Electricity from renewable sources, MWh	**2020**	**2019**	**2018**
Hydro power	9,785,582	9,449,844	7,438,229
Wind power	4,146,330	2,386,282	1,936,441
Solar power	50,991	26,820	14,019

Wind energy	**2020**	**2019**	**2018**
No. of wind farms	574	541	418
Total connected power, MW	1,724	1,587	1,075

Solar energy	**2020**	**2019**	**2018**
No. micro-producing customers	8,146	5,553	2,899
Total connected power, MW	128	77	N/A

An electricity network for a bright and sustainable future

Responsible and long-term investments create value for society

Ellevio's electricity network should provide a high level of accessibility and be reliable for customers, society and employees. To meet society's need to grow and to enable a greater share of renewable electricity, it is important to increase capacity and ensure new functions on the grids. Ellevio is active both in regions with major population growth, principally Stockholm, but also in sparsely populated areas where the expansion of the electricity network enables entrepreneurship, tourism and new wind power connections.

During the year we continued to focus on weather-proofing our rural grids and took capacity-increasing measures in the cities. In general terms, there is constantly growing interest from electricity-intensive industry, with many major inquiries concerning expanded capacity. At the same time, the first steps were taken in our investment to help expand charging infrastructure. Ellevio's operations have a major impact on people's daily lives

Investments, SEK m	2020	2019	2018
Customer-driven investments	1,454	1,100	805
Basic investments	1,632	2,066	1,881
Other investments	329	226	184
Investments excl. acquisitions	**3,415**	**3,392**	**2,870**
Acquisition of network assets	–	608	–
Investments in tangible and intangible assets	**3,415**	**4,000**	**2,870**
Acquisition of shares[1)]	–	44	627
Total investments	**3,415**	**4,044**	**3,497**

[1)] Acquisition of shares in Elverket Valentuna AB 2018 and shares in three companies with assets in Laforsen's substation 2019.

and the functioning of society as a whole. Without electricity, society would not function, companies would lose revenue as well as competitiveness and innovation in the longer term, which would affect the number of jobs. Through our operations, Ellevio contributes to financial value creation for a large number of stakeholders. The economic value created by Ellevio is distributed to suppliers via the purchase of goods and services, employees in the form of salaries and other benefits, lenders via interest rates, owners via interest rates on shareholder loans and wider society through the payment of taxes.

Economic value created and distributed, SEK m	2020	2019
Economic value created	**6,745**	**6,779**
Revenue from customers	6,745	6,779
Electricity distribution	6,431	6,527
Other	314	252
Economic value distributed	**8,973**	**9,086**
Suppliers	6,109	5,868
Operational expenses	2,694	2,476
Investments	3,415	3,392
Employees	391	387
External lenders	1,155	1,152
Shareholders	1,194	1,492
Taxes[1)]	124	187
Net economic value excl. investments	**1,186**	**1,085**
Net economic value incl. investments	**–2,228**	**–2,307**

[1)] Income tax SEK 8 million (75), social security contributions SEK 103 million (112) and special payroll tax SEK 13 million (15).

In 2020, the difference between created and distributed economic value excluding investments amounted to SEK 1,186 (1,085) million. As investments represent a significant part of our operations and have a major impact on society, Ellevio includes investments in the monitoring of economic value creation. Investments in operations to adapt the electricity network to the needs of the future amounted during the year to SEK 3,415 million (3,392). The net figure for economic value, including investments, was SEK –2,228 (–2 307) million, which means the equivalent extra capital is needed to implement Ellevio's investment programme.

In both 2020 and 2019, no interest rate or dividend was paid to the shareholders. Instead, all available cash flow was reinvested into operations. Interest expense on loans to shareholders were recognised at a net value of SEK 1,194 (1,492) million during the year. As this interest was not paid, it was instead capitalised as interest-bearing loans at the end of the year.

Security of supply

One of the most significant sustainability issues for Ellevio is ensuring that our customers receive a highly reliable supply of electricity. In order to ensure a robust security of supply, Ellevio has a specific department 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.

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.

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. In 2020, Ellevio had a security of supply of 99.98 percent, which is the same level as in 2019. Ellevio's network areas were affected by six small storms during the year, which led to us

entering a higher level of preparedness. In terms of the overall result for the year, around 15 minutes of outage out of a total average of 76 minutes (99) were due to these six storms. The result for the grid in the Stockholm area was back at similar levels to previous years following last year's rise in connection with storm Alfrida, that is, 44 minutes (67). The result for the rural areas was 127 minutes (152).

Impact from climate change

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

Weather-proofing overhead lines can be carried out in different ways; they can be replaced with new, insulated overhead lines or replaced with buried cables. Widening the power lanes is another way of reducing weather-related disruptions, which entails removing trees that could blow down onto the lines.

Since Storm Gudrun in 2005, the entire electricity network industry has undertaken systematic work to weather-proof the rural electricity network. The consequences of storms are not as destructive now as they once were. The main explanation for this is that thousands of kilometres of power lines have been buried in the ground, known as cabling, thus safeguarding them against the forces of the weather. A large proportion of the network in Stockholm is already cablified. In 2020, Ellevio weather-proofed a further 965 km of power lines (719), which brings us to a current rate of cabling of 83 percent (81).

The process of burying power lines can be very long in areas of major natural and cultural value, as it requires permission from authorities and municipalities. We always maintain a dialogue and negotiate with land owners to obtain permission to use their land.

Supply affordable energy

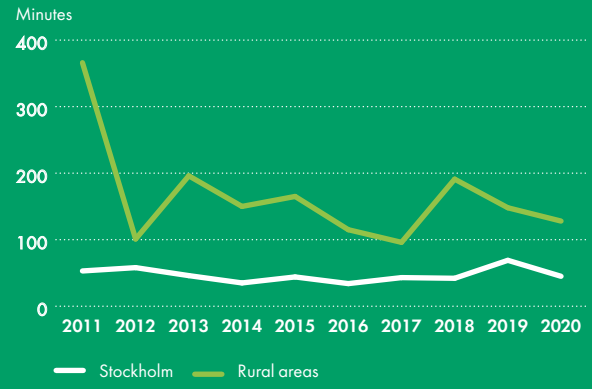
Electricity is a necessity if our modern lives are to function properly. A reliable electricity supply is the basis of our offering to customers and a prerequisite for our customers feeling satisfied with us as a company.

During the year, Ellevio launched several initiatives to more efficiently measure customers' perceptions of the improvements we undertake, in order to maintain the perceived customer value and ensure continued price acceptance. One example are our quarterly surveys of a larger number of customers than previously. The measurements are targeted at consumers and business customers broken down into mini, small, mid-sized and major customers, which means the results can be broken down and analysed more effectively. We do this in order to ensure that we are working on areas that customers consider most important. Svensk Kvalitetsindex (SKI) involves 280 respondents annually, while Ellevio's in-house survey involves 1,275 respondents four times per year.

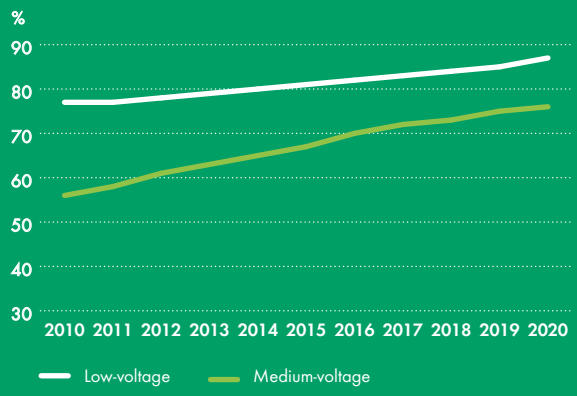
In 2020, Ellevio launched improvements to the text message service that provides customers with information about power outages. The number of customers who receive text messages about unplanned outages has also increased. This is a valued service among our customers that generates a positive response. We have also taken steps to improve the layout of our invoices and simplify our use of language so that customers can more easily view and understand their consumption, compare with previous years and understand how Ellevio's invoice relates to the electricity sales comany's invoice and to energy taxes.

Customer satisfaction	2020	2019	2018
Customer satisfaction: Consumer	60.6	N/A	N/A
SKI: Consumer	53.1	59.9	57.3
Customer satisfaction: Corporate	57.8	N/A	N/A
SKI: Corporate	57.3	58.8	58.1

Security of supply (SAIDI)



Rate of cabling, local grids (%)



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

Biodiversity along our power line corridors

The ability to contribute to the maintenance and enhancement of biodiversity and natural environments is an important environmental issue for Ellevio's operations.

The damage limitation hierarchy is therefore 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. Our work on new power lines helps identify accessible areas while taking into account known areas of natural value, and planned damage-mitigating measures are described in the environmental impact assessment which forms an important part of the concession application for new power lines.

Before a concession application can be submitted to the Swedish Energy Markets Inspectorate, 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 assumed 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. 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.

This year's objective was to inventorise potentially species-rich areas in our power line network with a voltage level of 50 kV and to implement adapted management measures in the most species-rich areas to promote biodiversity. Power lines with a combined length of some 410 km (600) and a voltage level of 50 kV or higher in our network were studied, of which almost 180 km (195) of the power line area were inventoried out in the field. 11.4 km (18.3) of valuable areas (class 2 and class 3 areas) were identified during the inventories taken in the field during the summer. Since 2017, a total of some 52 km of valuable areas have been identified in our power line network. Adapted management measures were taken in the most species-rich areas and decisions regarding adjusted management measures were taken for the areas that are to be cleared for maintenance in 2021. In line with this, the inventory of the power line network (≥ 50 kV) has been completed in line with the objective laid out in the action plan.

In 2020 a GIS analysis (geographic information system) was carried out for the lower voltage levels in the regional grids. The GIS analyses identify potential species-rich areas with help of maps from various different authorities, for example the SLU Swedish Species Information Centre. The potentially species-rich areas in the 30–40 kV networks will be inventoried in the field over the coming year.

Power line corridors studied, km	2020	2019	2018
Studied power line corridors	410	600	400
Length inventoried in the field	180	195	125
Valuable areas identified	11.4	18.3	15.6

A sustainable company

Health and safety

The health and safety of Ellevio's employees and business partners is a key issue at the core of our operations. It is extremely important for Ellevio to be a safe and attractive workplace and contractor. The safety of the people who work at and for Ellevio is always our top priority and we have a zero vision in relation to accidents and work-related illnesses. Ellevio conducts monthly follow-ups of work environment initiatives that contain reactive and proactive key performance indicators that are reported to the management and Board of Directors. Results are communicated to all employees and contractors. Ellevio has a deviation management system (Swedish: ENIA) for reporting and following up deviations relating to near-accidents, accidents, risk and safety observations and 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 the systematic work environment initiatives in place to prevent serious near-accidents, accidents and work-related illnesses. ENIA has been developed further to enable better analyses and efforts are planned based on reported deviations.

In-house staff	**2020**	**2019**	**2018**
Number of fatal accidents	0	0	0
No. of accidents that led to sick leave	0	0	0
Total number of reported accidents	0	0	0
TRIF	**0**	**0**	**0**

Contractors	**2020**	**2019**	**2018**
Number of fatal accidents	0	0	1
No. of accidents that led to sick leave	8	8	4
Total number of reported accidents	46	51	5
LTIF	**2.4**	**3.3**	**2.8**

Sick leave, %	**2020**	**2019**	**2018**
Total	1.74	2.47	2.66
Short-term sick leave	0.89	1.35	1.44

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 of more than one day, the need for restricted work, or medical treatment.
LTIF: "Lost Time 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 of at least one day (including potential fatalities).

Accidents and sick leave

The sustainability index result for the year was 90 percent (85), which is the best result Ellevio has measured since the start of this measurement in 2017 and exceeds our established target of 85 percent. The result is also reflected in the accident statistics, in which Ellevio achieved its best result so far. The number of accidents has fallen this year compared with previous years, as has the frequency of accidents that lead to sick leave in relation to the number of hours worked (LTI).

Ellevio had 8 accidents (8) in 2020 that resulted in absence from work for less than one day and LTIF totalled 2.4 (3.3). During the year Ellevio did not have any electrical accidents or electric shocks that led to absence from work. All accidents occurred among Ellevio's contractors.

Sick leave among Ellevio's own staff fell to 1.74 percent (2.47), within which short-term sick leave fell to 0.89 percent (1.35).

Attractive employer

Creating good working conditions is a significant issue in terms of Ellevio's ability to attract, recruit, develop and retain the best and most skilled employees and meet the needs of today and tomorrow. 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.

	2020		**2019**		**2018**	
Age distribution, no.	**Total**	**of which women**	**Total**	**of which women**	**Total**	**of which women**
Permanent employees	**518**	**167**	**503**	**156**	**484**	**134**
Under age of 30	58	15	51	20	56	18
Age 30–50	313	106	302	96	273	80
Over age of 50	147	46	150	40	155	36
Temporary employees	**8**	**2**	**9**	**3**	**0**	**0**
Under age of 30	0	0	0	0	0	0
Age 30–50	0	0	2	2	0	0
Over age of 50	8	2	7	1	0	0
Total number of employees	**526**	**169**	**512**	**159**	**484**	**134**

- No. of employees according to employment contract (broken down by gender and age).
- 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.

Equality and diversity

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 work on inclusion and 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, 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. Since 2018, Ellevio has had an Equality Group that works to enhance skills and promote inclusive behaviours. Long-term goals and activities are documented annually in the equal treatment plan. These efforts form part of the overall work on Ellevio's corporate culture and desired behaviours.

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. 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 with the aim of showing 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, as Ellevio works in a sector in which women are underrepresented, and we work continuously to improve the balance between men and women through a clear recruitment strategy and a value-governed approach. An inclusive culture is a vital part of becoming an equal company.

60 percent of Ellevio's management team consists of women. The total percentage of women at the company has increased to 32 percent (31) – something that has been achieved by placing a clear focus on women in the recruitment process. The objective is to present female candidates for all vacancies. In 2020, 45 percent of new recruits were women. Ellevio's diversity index – employees with a foreign background, who were born abroad or have two parents born abroad – increased from 14.8 percent to 16.5 percent. This increase is due to a greater focus on diversity when recruiting.

	2020		2019		2018	
Gender, %	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Board of Directors	33	67	33	67	22	78
Management team	60	40	60	40	50	50
Other managers	27	63	22	78	20	80
Employees	32	68	32	68	29	71
Total	**32**	**68**	**31**	**69**	**27**	**73**

	2020			2019			2018		
Age, %	**<30**	**30–50**	**>50**	**<30**	**30–50**	**>50**	**<30**	**30–50**	**>50**
Board of Directors	0	22	78	0	22	78	0	55	45
Management team	0	60	40	0	60	40	0	60	40
Other managers	0	66	33	0	66	34	0	63	38
Employees	13	59	28	12	58	30	13	55	32
Total	**11**	**59**	**30**	**10**	**59**	**31**	**11**	**56**	**33**

Good working conditions and employee development

To create good working conditions, Ellevio focuses on developing its managers through management programmes, Management Days and Manager Forums. The management programme has four areas; Role of the manager, Working environment, Attractive employer and Development. Every employee undergoes training in collective intelligence in order to promote collaboration via a shared methodology. This is monitored continuously by way of training and personal appraisals. In addition, a number of change managers are trained at the organisation to contribute to team development, collaboration and behaviour-based safety.

Employees' development is monitored in Ellevio's Performance Management process, in which we strive for a continuous dialogue between manager and employee with at least two employee appraisals per year that address the employee's development plan. A Talent Review process is also conducted each year in which we review the organisation, talented individuals and succession planning. This is vital in terms of ensuring that we have the right person in the right role and being able to demonstrate career paths to the talented individuals. Work to create good working conditions and engagement is monitored via the "employee pulse", which is sent to all employees each month. This creates a continuous dialogue and gives all managers an opportunity to monitor the development of employees' engagement on a monthly basis and notice problems or viewpoints in time.

Employee turnover

Ellevio monitors employee turnover to detect potential problems in time. Employee turnover amounted to 6.5 percent (8) in 2020. 64 (70) new employees were recruited during the year, of which 29 (38) were women. A total of 46 employment contracts were terminated, of which 34 were at the person's own request. Nine people took retirement during the year.

	2020		2019		2018	
Employee turnover, %	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
Under age of 30	0	0	0	1	0	1
Age 30–50	2	3	2	4	2	2
Over age of 50	0	1	0	1	0	1
Total	**2**	**4**	**3**	**5**	**2**	**4**
Total, women + men	**6**		**8**		**6**	

Employee engagement

Ellevio regularly undertakes employee surveys that assess the level of engagement, among other things. This produces an "Employee Engagement Index" based on responses to questions concerning satisfaction, pride and whether employees would recommend Ellevio as an employer. Each business unit in the organisation reviews the results and produces action plans for improvement areas. In 2020, Ellevio's employee engagement index was 82 (80) out of 100. This was the best result ever and a testament of the fact that our corporate culture stimulates our employees' engagement and that we have succeeded even during a testing pandemic year.

Business ethics and anti-corruption

Ellevio's core business operates as a monopoly, which is a profound responsibility in relation to the surrounding society. It is important for Ellevio to live up to the demands and expectations of our customers and other stakeholders and earn their trust. Ellevio's values – reliability, commitment and development – serve as guiding principles for every employee and permeate everything we do.

Ellevio's Code of Conduct is a compass for how the company's values – reliability, commitment and development – are to be demonstrated in practice and ensures that Ellevio's employees are living up to the strict requirements set by the company. Externally, Ellevio clarifies its expectations concerning suppliers and business partners via the Code of Conduct for suppliers, which forms part of Ellevio's agreements with suppliers. Other stakeholders are informed about the Code of Conduct via Ellevio's website and via contracts and agreements. The Board takes a decision on the Code of Conduct every year, whereby it establishes the general principles of how we treat others, how we conduct business and how we protect the company's assets. The Code of Conduct was adopted in 2015 and is based on international labour laws and standard environmental and anti-corruption practices in line with the UN's universal declaration of human rights, the International Labour Organization's (ILO) basic conventions and the ten principles of the UN Global Compact. We are convinced that there is a link between strong business ethics and strong financial results.

All employees at Ellevio, Board members and others who represent Ellevio are covered by the Code of Conduct and are expected to behave in line with its specifications. Regular training is given to ensure that the company's employees have a clear understanding of the content of the Code of Conduct. As of this year, Ellevio will conduct annual online training in the Code of Conduct and ensure that all employees annually confirm that they have read the Code of Conduct and accept it. This year's training began in early December 2020 and will continue throughout 2021. The proportion of employees who had taken the Code of Conduct training course by the end of February 2021 was 97 percent. Read more about Ellevio's Code of Conduct on: www.ellevio.se.

Anti-corruption
Ellevio and all of its employees are to always adhere to laws and provisions at our business and all corrupt activity is strictly forbidden. Ellevio does not tolerate any form of corruption or bribery, and efforts countering corruption form part of Ellevio's Code of Conduct. No reported cases of corruption occurred during the year.

Ellevio has an anti-corruption policy that establishes rules preventing corruption in our operations. An anti-corruption training course was completed during the year; it took the form of a workshop and was conducted in teams. The completion of this course meant that all teams and employees had conducted workshops. As of 2020, anti-corruption efforts form part of the online Code of Conduct training course. All of Ellevio's managers and 94 percent of Ellevio's other employees carried out the training course, which is a total of 97 percent of all employees.

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 placed on suppliers are the same as those we place on ourselves. 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, as this allows Ellevio to contribute to a sustainable supply chain.

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/services.

Before an agreement is signed, the supplier must present a contract-specific sustainability plan relating to the work environment, natural environment, health and safety and quality. This includes a description of risk-management, risk-assessment and risk-reduction measures.

Monitoring and audits
We also check whether these requirements are complied with at later stages by way of unannounced visits to contractors in the field and material suppliers' factories. Ellevio also conducts major audits of both new and existing suppliers 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 percent 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 2020, Ellevio purchased products and services (excluding direct network services) for some SEK 4.4 billion, of which 71 percent were contract services and materials for our electricity network; partly for fault repairs and maintenance and partly for investments. A total of 1,190 different suppliers provided contractors, products and services to Ellevio.

Due to the ongoing pandemic, a slightly smaller number of site visits were conducted for network operations than in previous years, and a general adjustment was made to processes and action plans in order to reduce the transmission of Covid-19. As an example, documentation audits were conducted outdoors or digitally when the weather was bad. In total, 936 unannounced site visits were conducted during the year, of which 253 were for network operations and 683 were for electricity meter replacement projects. The majority of deviations were found during one site visit during the year, and those project activities were temporarily suspended. The deviations in question were remedied through reporting and the requisite measures, and the activities were then resumed.

Supplier audits	**2020**	**2019**	**2018**
No. of suppliers who supplied contracts, services or products	1,190	1,261	1,324
No. of new major suppliers	4	5	5
No. of environmentally audited new suppliers	4	5	5
No. of socially audited new suppliers	4	5	5
No. of in-depth audits	8	10	10
Unannounced site visits			
No. within network operations	253	301	334
No. within electricity meter project	683	–	–
Total	**936**	**301**	**334**

Crisis management and preparedness

To ensure we are prepared for unexpected events or crises, Ellevio works proactively on risk analysis, risk management, measures to reduce the likelihood or impact of various incidents and has a well-developed crisis management organisation. This applies in particular to the task of maintaining a reliable distribution of electricity that is vital from a societal perspective. Preparedness for weather-related disruptions or other outages on the electricity network is an integrated part of these efforts and the continuity plans that are established. Ellevio's proactive safety initiatives and central preparedness for a number of varying, less likely scenarios are vital in terms of reducing the risk of events or incidents occurring and their impact. Ellevio continuously enhances and develops its safety initiatives in the areas of physical safety, information security and IT security.

Ellevio has expanded security vetting of both staff and partners in line with the application of the new Protective Security Act as an important step in reducing risks and enhancing protective security. Protective security in procurements and commercial

agreements (Swedish: Säkerhetsskydd vid upphandling och affärsavtal, SUA), in which these requirements must be applied, has also been implemented to a large extent.

Crisis training was carried out for the entire crisis management team in January. Similarly, crisis training was also carried out during the year together with Ellevio's partners for the One Nordic and Sagemcom meter replacement programme to ensure that processes, procedures and decision-making pathways function properly in the event of a crisis. This, combined with several other measures, has led to Ellevio increasing its level of operational protection.

Ellevio's network areas were affected by six major storms in 2020. They were all small in comparison to major storms such as Gudrun, Per, Dagmar and Alfrida, but on all occasions parts of the major disruption organisation were activated. As Ellevio's operations centre has had a ban on visits since early March due to the current Covid-19 situation, our working methods were adjusted accordingly; the national and local disruption management processes were first and foremost largely conducted digitally.

Management and impact of Covid-19

The impact of the pandemic has led to active crisis management over a long period, as the situation required special measures and decisions to reduce the risk for employees, business partners and customers and to ensure that operations continued with as little impact as possible.

Ellevio's management team, together with the relevant functions, undertook active crisis management as soon as the risks of the pandemic became evident in February 2020. Several measures were taken to safeguard vital functions within Ellevio's operations, including a ban on visits to the operations centre and weekly checks of the back-up operations centre in the event that it should require activation. Efficient collaboration with other functions vital to society and other electricity network owners proved to be crucial. Ellevio collaborated with Svenska kraftnät and the Swedish Civil Contingencies Agency to ensure mitigation of risks and the establishment of continuity plans in order to safeguard socially critical operations.

This crisis management and active risk measures have led to Ellevio being able to fulfil its responsibility to society. Despite certain challenges relating to the supply of materials and implementation in the field, Ellevio's operations were able to continue without being seriously affected.

Dialogue with local communities

For Ellevio, it is important to involve local stakeholders to minimise potentially negative effects on the environment and on the residents and companies affected by work we carry out when initiating new projects.

Ellevio has a communications policy for electricity network projects which specifies that Ellevio should be clear, simple and consistent in its communication. As a rule, the importance of communication increases in line with the extent of the impact a project has on residents and the community. The work carried 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. Ellevio adheres to society's recommendations and uses the regulations in the Swedish Environmental Code as a basis for the planning and permit process.

Open houses involving affected land owners, local residents and other relevant parties are also arranged for major power line projects in addition to written consultations. During these consultations, Ellevio has an opportunity to inform people about what is going to be implemented and gather valuable information and viewpoints before the production of an environmental impact descriptions and concession application. Where necessary, separate consultation meetings are also held with authorities or companies that are particularly affected, and the 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 the customers who have to bear any potential increases to investment costs. This is why there must be significant advantages for customers if an alternative is selected at a higher cost. A consultation is held with the county administrative board before measures are taken that do not require a concession application but that could considerably alter the natural environment or affect an ancient monument, such as forest management or local network projects.

A 400 kV power line began to be buried between Beckomberga and Bredäng in Stockholm during the year. This is a major, complex project in a densely populated area that affects many people and that involves many dialogues with stakeholders. Two physical open houses were held in September for residents of the area – outdoors to be Covid-secure. Meetings were also held with business figures in the operational area of the project, with viewpoints being put forward concerning road closures. Informational letters were also sent out to local residents.

Major projects, such as Beckomberga and Bredäng, have their own webpage on ellevio.se containing information about the project, as well as functional inboxes to which customers, local residents and other stakeholders are referred.

Reduced climate impact

We take active steps to reduce our carbon footprint. Since 2018 Ellevio has been measuring, following up and reducing CO_2 emissions generated by its operations. As of 2019 Ellevio has been reporting on its climate impact in line with the Greenhouse Gas Protocol (GHG) when calculating and reporting CO_2 emissions. Ellevio's CO_2 reporting covers direct (scope 1) and indirect emissions (scope 2) of CO_2. Direct emissions come from the burning of fossil fuels, emissions of SF6 from our own facilities and emissions from our proprietary and leased vehicles. Indirect emissions come from the purchase of heating and cooling for our own use along with energy losses on the power line network.

Network losses

When electricity is transported via the electricity network, energy losses occur along the route to customers – these are known as network losses. As an electricity network company, Ellevio is responsible for continuously purchasing the amount of electricity that is lost in our electricity network. During the year,

total network losses amounted to 835 GWh (853). Through electricity agreements with electricity traders and purchases of guarantees of origin, Ellevio ensures a fossil-free mix of production sources for network losses.

As Ellevio updates the electricity network, these network losses can be reduced by more energy-efficient components being installed. In 2019, Ellevio began taking measurements to monitor the reduction of network losses that arise when old transformers are replaced with new, more effective transformers. During the year, energy savings generated by replacing transformers amounted to 1.4 GWh (1.2).

SF6

Ellevio considers it vital to minimise – or ideally avoid – the use of the gas sulphur hexafluoride (SF6), which has an impact on the environment 23,000 times greater 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, the use of SF6 as a means of insulation for the entire switchgear is minimised. In Stockholm, new facilities are only built at higher voltages using SF6 where space is limited and there is major competition with other players for land, leaving few or no opportunities to select other technical solutions. SF6 represents the largest part of Ellevio's climate impact measured by Scope 1 and 2, and it is important for Ellevio to minimise these emissions. Measures have been taken to rapidly manage any leakages and thus reduce any leaked volumes. Leakage of SF6 fell from 47 kg in 2019 to 34.5 kg in 2020, corresponding to a reduction of 811 tonnes of CO_2 equivalents.

Transportation

Ellevio's own transportation led to emissions equivalent to around 44.1 (96.7) tonnes of CO_2 equivalents in 2020, which is a reduction of 52.6 tonnes of CO_2 equivalents year-on-year. Our transportation overwhelmingly comprises our own work vehicles that are gradually transitioning to more environmentally-friendly forms of transportation.

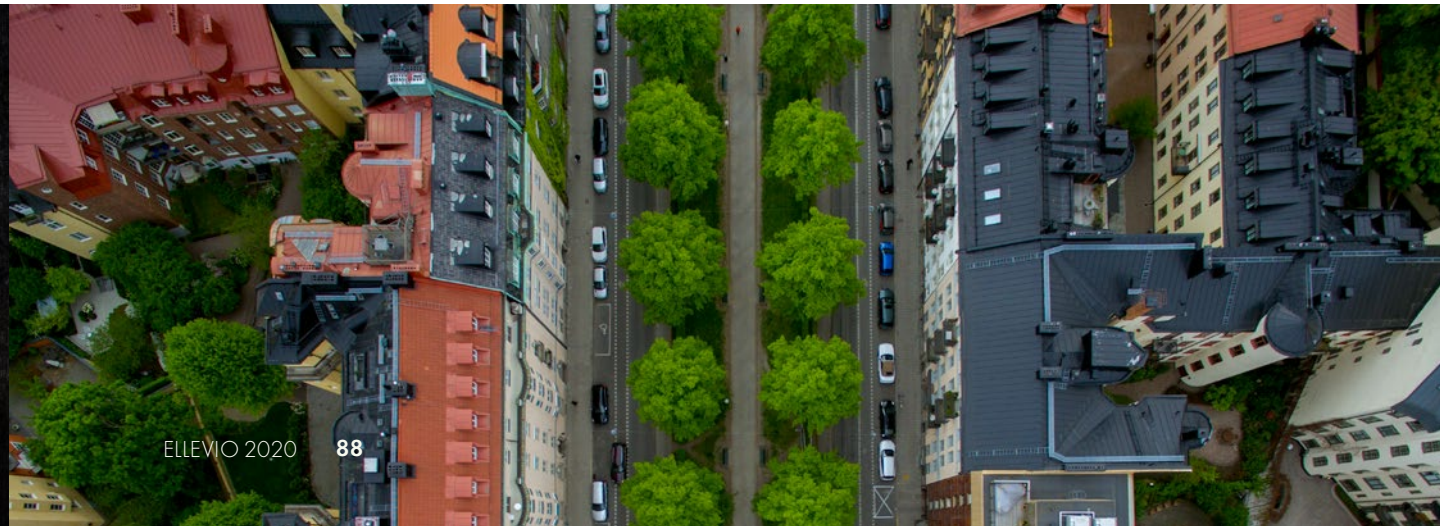
Creosote poles

Ellevio principally uses wooden poles in the 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 earth. We also reduce the risk of creosote having any local impact in individual cases by removing poles impregnated with creosote. In 2020, around 15,700 poles (13,500) filled with creosote were taken down.

Climate impact (tonnes of CO_2equiv.)	2020	2019	2018
Scope 1	**854.9**	**1,201.2**	**304.7**
Proprietary and leased cars	44.1	96.7	100.2
Dielectric gas (leakage)	810.8	1,104.5	204.5
Scope 2	**32.8**	**44**	**42.4**
Electricity – compensation for network losses	0	0	0
Electricity – facilities	0.8	0.8	0.8
Electricity – properties	17.9	25.5	24.5
Heating – properties	14.2	17.7	17.1
Cooling – properties	0	0	0
Total	**887.6**	**1,245.2**	**347.1**

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.

SF6, kg	2020	2019	2018
Total leakage	34.5	47	8.7
Newly installed	339	400	285
Decommissioned	25.5	80	0



About the Sustainability Report.

The Sustainability Report is a description of Ellevio's efforts and achievements in 2020. The sustainability report has been produced in line 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 89. The full sustainability report comprises Ellevio's Communication on Progress 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. For questions about Ellevio's sustainability initiatives, contact anna.lidberg@ellevio.se.

GRI Index.

GRI disclosure		Page	Comments	UN Global Compact	Significant sustainability issue
GRI 102: GENERAL DISCLOSURES					
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102-1	Name of the organisation	Inside cover, 40			
102-2	Activities, brands, products and services	4–6			
102-3	Location of headquarters	Inside cover			
102-4	Location of operations	3–4			
102-5	Ownership and legal form	68			
102-6	Markets served	3–4			
102-7	Scale of the organization, including total number of employees, operations, net sales, and capitalization	40–41, 83			
102-8	Information on employees and other workers	80, 83	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.		
102-9	Supply chain	86			
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	77			
102-12	External initiatives	74–75			
102-13	Memberships of associations	74–75			

GRI disclosure		Page	Comments	UN Global Compact	Significant sustainability issue
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102-14	Statement from senior decision-maker	10–11			
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	32, 74–75			
Corporate governance					
102-18	Governance structure	74–75			
Stakeholder dialogue					
102-40	List of stakeholder groups	76			
102-41	Collective bargaining agreements		100% of Ellevio's employees are covered by collective bargaining agreements.		
102-42	Identifying and selecting stakeholders	76			
102-43	Approach to stakeholder engagement	76			
102-44	Key topics and concerns raised	76			
Reporting method					
102-45	Entities included in the consolidated financial statements				
102-46	Defining report content and topic Boundaries	76			
102-47	List of material topics	76			
102-48	Restatements of information	89			
102-49	Changes in reporting	89			
102-50	Reporting period	89			
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102-53	Contact point for questions regarding the report	89			
102-54	Claims of reporting in accordance with the GRI Standards	89			
102-55	GRI content index	89			
102-56	External assurance		No external assurance is applied.		
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GRI 201: Economic performance 2016					
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201-1	Direct economic value generated and distributed	21–22, 80			Electrification of transport and industry
GRI 203: Indirect economic impacts 2016					
103/1/2/3	Management approach	76–77, 80			
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GRI disclosure		Page	Comments	UN Global Compact	Significant sustainability issue
GRI 205: Anti-corruption 2016					
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205-2	Communication and training about anti-corruption policies and procedures	85–86		10: Corruption	Business ethics and countering corruption
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Own disclosure: Rate of cabling		80			Impact from climate change
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GRI 302: Energy 2016					
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302-2	Energy consumption outside of the organisation	79, 88		7–8: Environment	Increase the proportion of renewable energy
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305-2	Energy indirect (Scope 2) GHG emissions	87–88		7–8: Environment	Reduced climate impact
305-3	Other indirect (Scope 3) GHG emissions	13–14, 87–88		7–8: Environment	Reduced climate impact / Electrification of transport and industry
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Own disclosure: AMM2G		22, 78–79			Electrification of transport and industry

GRI disclosure		Page	Comments	UN Global Compact	Significant sustainability issue
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GRI 403: Health and safety 2018					
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405-1	Diversity of governance bodies and employees	31, 84		6: Labour standards	Attractive employer
GRI 414: Supplier Social Assessment 2016					
103/1/2/3	Sustainability management	77–78, 86			
414-1	New suppliers that were screened using social criteria	23, 86		1–2: Human rights 3–6: Labour standards 10: Corruption	Responsible purchasing
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Own disclosure:Capacity-increasing measures		22, 80			Impact from climate change
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Auditor's report on the statutory sustainability report.

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

Mission and distribution of responsibility
The Board of Directors is responsible for the sustainability report for the fiscal year 1 January 2020 – 31 December 2020 on pages 5–8, 18–34 and 74–93 and for ensuring it is 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 report. This means that our audit of the sustainability report 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 opinion.

Opinion
A sustainability report has been produced.

Stockholm, 28 April 2021
Ernst & Young AB

Henrik Jonzén
Authorised Public Accountant

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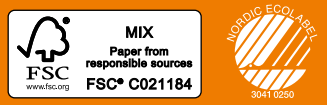

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