

An aerial photograph of a park during autumn. A winding path leads through a field of trees with vibrant yellow and orange foliage. The scene is captured from a high angle, showing the path's curve and the dense canopy of trees.

Full-Year Report 2018

Presentation 15 March 2019



We Bring
Electricity to You

Key financials January–December 2018

- Net sales amounted to SEK 6,974 million (6,894)
- Distributed electricity amounted to a total of 27.3 TWh (27.1)
- Circa 18,000 new customers during the year, yielding a total of 957,000 at the end of the period
- Operating profit amounted to SEK 2,067 million (2,161)
- Free cash flow totalled SEK 2,065 million (1,748)
- Capital expenditure amounted to SEK 2,870 million (2,381)

Strategic highlights during January-December 2018



An aerial, top-down view of a city street at night, completely covered in snow. The street is illuminated by streetlights, creating a warm glow against the cool blue tones of the night. Buildings with lit windows and balconies line the street. Several cars are parked or driving on the snow-covered roads. The overall scene is a quiet, wintry urban landscape.

Financials & Financing

Income statement

MSEK	1 Jan 2018 31 Dec 2018	1 Jan 2017 31 Dec 2017	1 Jul 2018 31 Dec 2018	1 Jul 2017 31 Dec 2017
Net sales	6,974	6,894	3,432	3,356
Capitalised own work	84	70	40	36
Other operating income	93	70	59	38
	7,151	7,034	3,532	3,430
Operating expenses				
Costs for purchase and transit of power	-1,151	-1,023	-575	-497
Other operating expenses	-1,337	-1,384	-776	-745
Employee benefit expense	-474	-419	-244	-210
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	-2,121	-2,046	-1,086	-1,029
Operating profit	2,067	2,161	851	948
Financial income and expenses				
Interest income and similar items	58	1	58	0
Interest expense and similar items	-3,019	-2,912	-1,445	-1,415
Profit/loss after net financial income/expense	-893	-750	-537	-466
Appropriations	1,463	1,207	1,463	1,207
Profit/loss before tax	569	457	926	741
Income tax expense	711	-169	-84	-100
PROFIT/LOSS FOR THE PERIOD	1,280	288	842	641

Balance sheet

MSEK	31 Dec 2018	31 Dec 2017
ASSETS		
Non-current assets		
Intangible assets	44,436	44,866
Property, plant and equipment	31,546	29,718
Non-current financial assets	2,981	2,138
Total non-current assets	78,963	76,721
Current assets		
Current receivables	4,524	3,317
Cash and cash equivalents	56	10
Total current assets	4,580	3,327
TOTAL ASSETS	83,543	80,048

MSEK	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES		
Equity	7,361	6,201
Untaxed reserves	1,198	1,069
Deferred tax liability	13,311	14,005
Non-current liabilities		
Bond loans	32,732	29,749
Liabilities to credit institutions	5,356	5,005
Liabilities to Group companies	19,176	21,131
Derivative instruments	13	388
Other non-current liabilities	540	207
Total non-current liabilities	57,817	56,480
Total current liabilities	3,854	2,293
TOTAL EQUITY AND LIABILITIES	83,543	80,048

Cash flow statement

MSEK	1 Jan 2018 31 Dec 2018	1 Jan 2017 31 Dec 2017	1 Jul 2018 31 Dec 2018	1 Jul 2017 31 Dec 2017
Cash flow from operating activities	4,676	4,117	1,598	1,713
Investing activities				
Capital expenditure in intangible assets	-102	-64	-55	-42
Capital expenditure in property, plant and equipment	-2,508	-2,305	-1,390	1,192
Acquisition of shares	-627	-438	-	-
Proceeds from sales of fixed assets	7	4	7	0
Proceeds from sales of shares in group companies	46	-	46	-
Cash flow from investing activities	-3,185	-2,802	-1,392	-1,234
Cash flow before financing activities	1,491	1,314	206	479
<i>of which free cash flow</i>	<i>2,065</i>	<i>1,748</i>	<i>153</i>	<i>479</i>
Financing activities				
Borrowings	6,200	14,063	895	1,847
Repayment of borrowings	-6,080	-12,695	-271	-589
Loans given	-	- 650	-	-650
Repayment of loan receivables	650	-	26	-
Received dividend	21	-	21	-
Received interest	2	1	2	0
Paid interest	-2,238	-2,094	-968	-1,088
Cash flow from financing activities	-1,445	-1,374	-296	-479
CASH FLOW FOR THE PERIOD	46	-60	-90	0

Head-room under financial covenants

Financial covenants (Common Terms Agreement)		31 Dec 2018 ACT	31 Dec 2019 FCT	Lock-up
Total Interest Cover Ratio	EBITDA less tax / Total Net Finance Charges	2.4x	3.7x	<1.5x
Total Leverage Ratio	Total Net Debt / Consolidated EBITDA	9.1x	9.6x	>11.9x
Senior Interest Cover Ratio	EBITDA less tax / Senior Class A Net Finance Charges	2.5x	4.0x	<1.7x
Senior Leverage Ratio	Senior Class A Net Debt / Consolidated EBITDA	8.4x	8.9x	>10.75x
Senior Historic Leverage Ratio	FFO / Senior Class A Net Debt	7.0%	N/A	<5%
Senior 3 year Forward Leverage Ratio	FFO / Senior Class A Net Debt	N/A	7.3%	<6%

Financial position

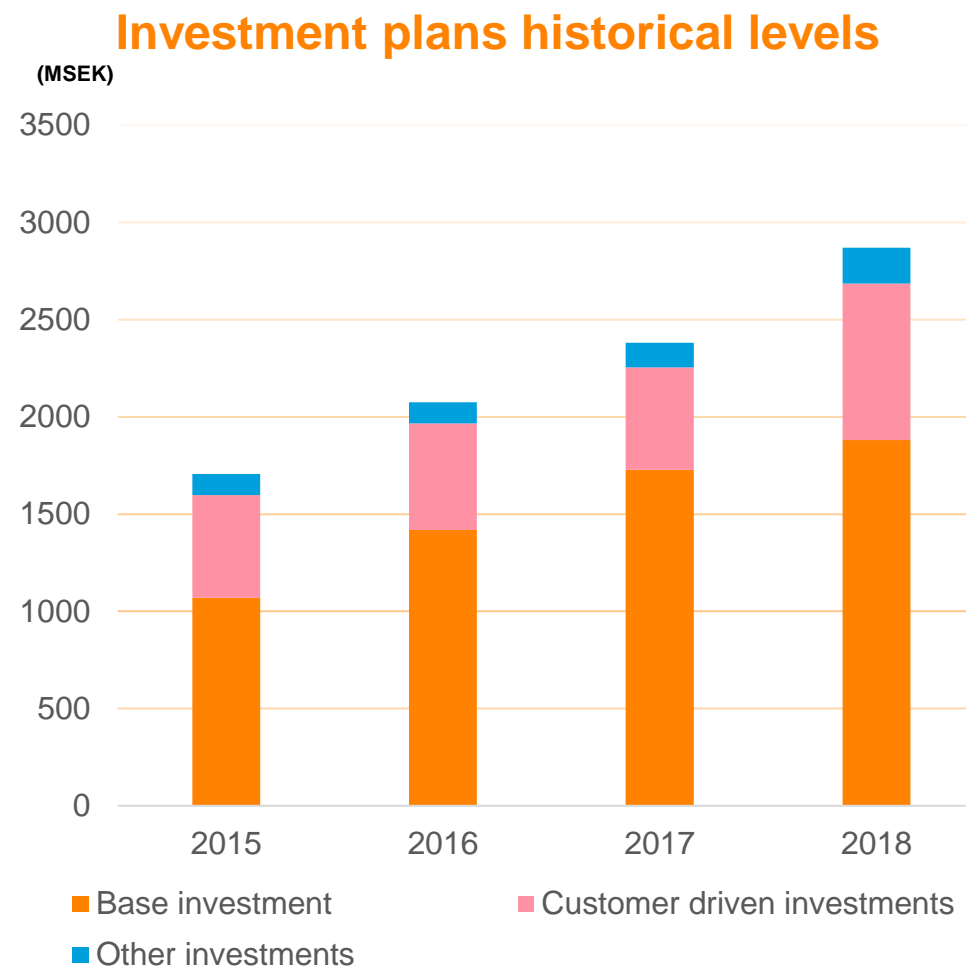
- During 2018, Ellevio raised SEK 6,000 million of new long term financing.
 - February; issued a SEK 3,000 million 7-year fixed rate Class B bond
 - May; raised a SEK 1,500 million 15-year fixed rate Class A loan from the Nordic Investment Bank (NIB)
 - August; raised a SEK 1,500 million 11-year fixed rate Class A loan from Export Development Canada
- During second half of 2018, Ellevio restructured SEK 16.578 million of SEK interest rate swaps whereby negative market values of SEK 377 million was cash settled and paid in 2018.
- In January 2019, Ellevio refinanced its syndicated bank loan facilities, whereby a new Revolving credit Facility of SEK 7 500 million and a Liquidity Facility of SEK 1 500 million was raised for a period of 5 to 7 years.

Debt and interest maturity 31 Dec 2018



Significant events after the end of the period

- Modified investments plans for the next regulation period, 2020–2023.
 - Adjust to the new regulatory framework with decreased allowed revenue.
 - During the period, Ellevio will invest 4.3 billion into the network, so called base investments which includes reinvestments and investments in increased capacity in the existing network.
- The possibility of carry-over of deficits from 2012-2015 will have a mitigating effect on the lower WACC



The new ordinance and coming legislative process in short

- The ordinance stipulates a decreased allowed revenue, which will affect all Swedish distribution system operators, from state- and municipality-owned to private companies
 - six different parameters, which should be applied when calculating WACC (weighted average cost of capital) and the allowed revenue.
 - the “38 year rule” (the transition rule) has been removed
 - prolonged depreciation time for certain assets
- Following the decision in the Government, the Swedish Energy Markets Inspectorate (Ei) has continued to formulate the regulations based on the ordinance
 - deadline for applications for allowed revenue is on 31 March, 2019
 - initial decisions from Ei expected in June 2019
 - deadline for Ei’s decisions regarding the industry’s applications is 31 Oct 2019
- Ellevio work actively to ensure that all actors in the market have a mutual understanding of the important role the power grid will have in building a climate-friendly society, and a common view of what is needed to succeed. The importance of a long term predictable and stable regulation could not be underestimated.

Three ways for the industry to influence the legislation

1. Notify the European Commission that the ordinance is in conflict with EU directives
 - The government are not allowed to give detailed directions to the authorities
 - The decisions needs to appealable
2. Influence the new government to change the ordinance
3. Initiate a legal process in the Swedish Administrative Court following Ei's decision in the end of the year.

ELLEVIO

We Bring Electricity to You.

Operating in a strong macro environment

Ellevio is well positioned for growth both organic and via acquisitions

Investment programme well underway, with improved capex outperformance

Smart grid development will secure reliability in a renewable energy system

Stable financials with headroom under covenants. Diversified financing platform established

A tentative description of the EU-process

