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The Annual Report consists of an administration report, financial statements and notes on pages 43–68. (The auditors' report appears on page 69.)

The sustainability report has been produced in line with Global Reporting Initiatives (GRI) standards "core" level. The complete sustainability report comprises the description of our sustainability efforts on pages 2–39 along with Sustainability management and results and the GRI index on pages 76–87. The sustainability report also covers Ellevio's Communication on Progress to the UN Global Compact.

The statutory sustainable report in accordance with the Annual Accounts Act covers pages 2–4, 18–33 and 76–87.

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All values are expressed in SEK. Figures within parentheses refer to 2017, unless specified otherwise. The data concerning markets and the competitive situation are Ellevio's own estimates unless a specific source is indicated. These estimates are based on the best and latest available facts from published sources.

About us.

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

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

Our responsibility is to ensure a reliable supply of electricity to our current 957,000 customers, while also enabling society and Sweden to keep developing. Step-by-step, these efforts bring us closer to our vision of using our commitment and expertise to contribute to a bright and sustainable future.

Welcome to Ellevio.

Ellevio is future-proofing Sweden.

Our mission

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

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

A few facts about us

We own, operate and develop regional and local electricity networks and distribute electricity with 99.98 percent reliability to 957,000 customers in Sweden. Our network is 76,500 km long, corresponding to almost two trips around the Earth. Our customers are spread across the West coast, mid-Sweden, and Stockholm. The main proportion of our networks is located in rural areas, but most of our customers are in Stockholm. We have a clear objective;

Ellevio's customers are to have an uninterrupted supply of electricity, regardless of whether they live in the country or in an urban area.

Electrification, digitisation, urbanisation and new types of production are all placing new requirements on our electricity network. Ellevio is investing close to SEK 10 billion between 2016 and 2019 to modernise and future-proof our electricity networks, an increase of 100 percent compared with the previous four-year period. So far we have invested around SEK 7.4 billion, fully in line with our plan. The need for investments in the future-proofing of Sweden will remain for the foreseeable future. With the right circumstances and with reasonable conditions, Ellevio can continue its investment programme for decades to come.

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

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

Mission.

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

Vision.

To contribute to a bright and sustainable future through our commitment and expertise.

Strategy.

Our overall strategy is to deliver value to our customers and investors by ensuring a reliable, future-proofed electricity network, efficient operations, committed employees and growth through acquisitions.

Seven strategic focus areas.

Ellevio is responsible for critical infrastructure that fulfils a fundamental function in society. Our operations involve a very wide range of responsibilities. Our vision is to contribute to a bright and sustainable future through our commitment and expertise.

Ellevio's overall strategy to achieve this vision and create value for our customers and investors is to guarantee a reliable electricity network, efficient operations, committed employees and continued growth.

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

1. Sustainability

For Ellevio, sustainability means striking the right balance between financial, social and environmental sustainability in order to create long-term value for our stakeholders.

2. Customer experience

The core of the customer experience is a reliable electricity network and an attractive range of services.

3. Committed employees

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

4. Regulation and sector development

The electricity network market is regulated and it is important to Ellevio to be involved in developing those regulations and to contribute knowledge, experience and opinions to issues that are important in terms of ensuring the electricity market functions and develops as best it can.

5. Improved reliability through efficient investments

Investments to maintain high reliability and further improve it in certain areas is an important aspect of Ellevio's operations.

6. Operational efficiency

Our strategy for operational efficiency includes reducing the costs of repairing faults and maintenance through the extensive investments planned for the electricity network.

7. Growth through acquisitions

According to the strategy for growth through acquisitions, Ellevio will identify, evaluate and, when the opportunity arises, carry out acquisitions of electrical grid businesses.

Investments 2015–2018



Net sales 2018

SEK **6,974** M

Investments in tangible and intangible assets 2018

SEK **2,870** M

Our networks.

Västra Svealand-Västergötland

133,000 customers
25,600 km of electricity network
193 metres of electricity network
per customer

West Coast

126,000 customers
14,000 km of electricity network
113 metres of electricity network
per customer

Dalarna-Södra Norrland

103,000 customers
15,000 km of electricity network
147 metres of electricity network
per customer

Stockholm

595,000 customers
15,400 km of electricity network
27 metres of electricity network
per customer

Our objective.

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

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 electricity networks, we also own regional networks in Stockholm and rural areas. In total, this represents about 70,000 km of local networks and 6,500 km of regional networks.

Review of 2018.

Quarter 1.

The energy tax transfer from electricity traders to electricity network companies is implemented. The responsibility for energy taxes, which was previously invoiced by customers' electricity traders, has now been transferred to electricity network companies. The overall price has not been affected, but the increase in the electricity network share corresponds to an equally sized reduction in the electricity trader share, so neither traders nor companies will see a change in earnings due to the reform.

Joins the "Håll Nollan" initiative. Ellevio was the first energy company to join the construction sector's "Håll Nollan" (Keep to zero) safety initiative. The initiative has the clear objective of reducing the number of workplace accidents at construction sites – something that goes hand in hand with Ellevio's objective and vision.

Guaranteed long-term financing for the electricity networks of the future. As part of its long-term, sustainable financing of the electricity networks of the future, in February Ellevio rearranged parts of its lending portfolio by issuing a 7-year class B bond worth SEK 3 billion. This was the first class B transaction in Sweden and meant that Ellevio was able to repay its junior loans.

Quarter 3.

The government approves a directive on new electricity network regulation. The directive, which applies to the 2020–2023 regulatory period, means that revenue frameworks are reduced and incentives to invest are drastically impaired, which will affect all of Sweden's electricity network companies negatively, be they state-owned, privately owned, municipal companies or local electricity associations, as well as customers and society in the longer term.

Signs agreement with GodEl, which becomes allotted electricity trader for Ellevio's moving customers. This collaboration means that customers are offered one of the market's best prices for environmentally certified electricity. The agreement also means that Ellevio will be the first network company to have entered the open market and chosen an allotted electricity trader.

Tragic accident during Storm Knud. A fitter was injured so seriously by a falling tree while carrying out repair work during Storm Knud that he later died.

Quarter 2.

Installs Vallentuna's first charging stations. Together with the municipality, Ellevio has installed some 40 charging stations for charging electric vehicles at a number of important, high-traffic locations.

Implements several equality initiatives. As a whole, the energy sector is unequal and Ellevio as a company reflects that sector. For this reason, Ellevio has launched several initiatives that aim to drive our efforts forward and learn from other industries that have made more progress, including an equality hackathon, an equality day at the Almedalen forum and an equality panel at Ellevio, to name just a few.

Launches a study as to how Stockholm can become fossil-free by 2030. In conjunction with Scania, Vattenfall, Volkswagen and VVSP, Ellevio has produced a study that shows how an entirely electrified transport sector in Stockholm's inner city is possible – as long as there is a political will.

Integration of Elverket Vallentuna is completed. During the quarter, responsibility for monitoring the operations and customer service was transferred to Ellevio. Integration of all systems and staff was completed between September and October.

Quarter 4.

More important steps taken as part of Safe workplace. An important part of our "Safe workplace" initiative is to increase the amount of safe conduct and improve our safety culture. Two important activities included the launch of a Safety handbook as well as two pilot studies within the area of behaviour-based safety, one for our employees and one for our suppliers.

Double the amount of solar panel customers. In 2018, Ellevio doubled the amount of customers who produce their own electricity by having solar panels on their houses. There is nothing to say that this trend will not continue over the coming years, and as early as 2020 we may have some 15,000 solar panel customers.

We need to build the electricity network of the future, today.

Since the energy agreement was concluded, we have been totally focused on creating the conditions for a reliable and entirely renewable energy system. To enable the achievement of planned investments in the electricity network, a long-term, predictable and stable framework is required.

The ambitions in the energy agreement from 2016 represented a high bar; by 2040 Sweden is to have entirely renewable energy production. Net emissions of carbon dioxide are to be entirely removed by 2045. At the same time, urbanisation and digitisation of society are both under way and gathering pace, as is electrification of vital societal functions such as the industry and the transport sector. Major demands are being placed on reliable, flexible and smart electricity networks, even though these networks are already currently on the cusp of capacity shortages in many areas. Ellevio has so far continuously planned and prepared itself to develop its electricity networks to meet these needs. We have established an extensive investment plan for the coming 10–15 years, which entails that the renewal of our electricity networks is to keep pace with societal developments and contribute to enabling continued and more sustainable growth. The investment plan is based on the regulatory directive established by the government in 2014 for the period 2016–2019, which granted a reasonable yield on investments and thereby offered an incentive for long-term investments – a prerequisite for network companies to be able to make the reinvestments that are much needed in the face of emerging capacity shortages and consistently rapid societal development.

The provisions contained in the directive presented in August for the period 2020–2023 have changed drastically for the worse. In the short term, the advantages of lowered revenue frameworks may outweigh the negatives; electricity prices will fall for customers. In the long term, however, the change – together with the reduced investment incentives for network companies – means that it will not be possible

to implement extensive investments in Sweden's electricity networks needed to transform the energy system. For Ellevio, this will lead to a 40-percent reduction in planned basic investments during that period.

Current investment programme fully under way

Ellevio will have invested SEK 10 billion in equipping and developing its electricity networks over the period 2016–2019. During 2018 we invested 2.8 billion, which are the largest investments since the 60s and 70s when the foundation for today's infrastructure was laid. This year we completed major projects in Värmland in which we are investing a total of some SEK 300 million to increase capacity in that region's electricity network. Several new wind power projects are taking shape throughout the forests in Värmland, including in Sunne and Bäckhammar. This will provide us with more renewable electricity production in the electricity system. The redevelopment of the switching centre in Kil is now complete. Electricity produced here using hydropower in north Värmland will be distributed across the rest of the electricity network. Modern technology is providing greater opportunities for automatic change-over switching if a fault should occur, which means fewer and shorter power outages for customers in Värmland.

We have also begun work on an important project in Stora Essingen in Stockholm. The electricity network here was built in the 1950s, 60s and 70s, and in recent years several power outages have occurred due to ageing of cables and other equipment. We will replace a total of 40 kilometers of cables, 120 cable boxes and 9 substations as part of a project estimated to run until the end of 2020.

Where you live should not matter

During the year we continued to deliver on our promise to harmonise prices between those paid by customers in cities and those in rural areas. This harmonisation has strong support among customers and, when it is complete, all of our customers will have an electricity network charge in line with the nationwide average. The price harmonisation process is to be fully implemented by 2023.

Safety should always come first.

It is with great sadness that we remember the fitter who lost his life during an accident near Kungsbacka as he carried out work for us in connection with repairs following Storm Knud in September. We are constantly developing our safety efforts together with our contractors to ensure that this kind of thing can never happen again. Everyone should come home safe and sound after a day at work. No one should have to risk their life or health as part of our business. As an employer, we can never rest in the knowledge that we are merely following relevant regulations. The fact that our work often involves risks must be incessantly and tirelessly countered by information about, training in and monitoring of our safety procedures and rules. All of us who work at or for Ellevio must take responsibility for both their own safety and that of their colleagues and the general public. During the year we particularly focused on developing and further improving the monitoring of our contractors' safety efforts.

New approaches to equality

It is our firm conviction that our organisation functions most efficiently when we reflect the society we serve, with great diversity in terms of experience, expertise, attitudes and abilities among our employees. Our equality efforts are a key factor here. We have opted to work actively in line with the UN's Sustainable Development Goal number 5, Equality, and are investing time and money in both internal activities such as leadership days and team development under the theme of equality, as well as in our recruitment initiatives where we simply do not accept explanations such as "we don't have any" or "it's not possible". We realise that it is not enough to simply look for new employees from our own sector or from specific, narrow educational backgrounds. Our new employees should come from other professions and backgrounds to work at an organisation that embraces new experiences and expertise as valuable additions to its operations. The challenges we face require new approaches and solution models that ensure we can continue successfully developing the electricity networks and contributing to the transition of the energy system.

Welcome to Ellevio.

In 2017 we acquired Elverket Vallentuna AB. The integration process proceeded smoothly and is now fully complete. Our strategy for growth through



acquisitions is firmly established and we continuously assess potential acquisitions as we are convinced that a consolidation of the sector is the best thing for customers, society and the energy transition process as a whole.

Shifting focus within sustainability efforts

Our safety ambitions have up until now largely influenced our systematic sustainability efforts. We are now broadening this perspective to focus on the climate and environment in line with the Sustainable Development Goals, whereby we look more closely at areas where we can make a real difference; Goal 7, Affordable and clean energy and Goal 9, Industry, Innovation and Infrastructure. We have formulated new strategic goals for our sustainability efforts and for how we want to influence developments on both a micro and macro level. Replacing all electricity meters in our networks with new, smart meters is one important example of measures being taken which, when combined, will lead to a more efficient use of energy and will establish an important role for individual customers within our joint responsibility for the energy transition. This year's annual and sustainability reports also serve as our Communication on Progress report in line with the UN Global Compact. We hereby confirm our continued support for the initiative and describe the results of our efforts relating to the ten principles within the areas of human rights, labour law, the environment and anti-corruption.

I am proud of the great results we have achieved over the past year. Maintaining the pace of development efforts, implementing planned investments while working to establish a regulatory framework that supports Sweden's development and ensuring that we can continue to live up to customers' expectations are all challenges we will continue to tackle over the coming year.

A handwritten signature in black ink, appearing to read 'Johan Lindehag'. The signature is fluid and stylized, with a long horizontal stroke at the end.

Johan Lindehag
CEO of Ellevio AB (publ)

Market conditions and drivers.

Digitisation, urbanisation and the transition towards a climate-smart energy system are creating a major need to modernise and increase capacity on the electricity networks.

Overall targets

By way of common targets in the area of climate and energy, the EU aims to set the course of future global climate partnerships and establish the internal market for the energy sector. The EU also intensified these targets considerably during the year. The foundations of these climate efforts are the Agenda 2030 and 17 sustainable development goals adopted by the UN in September 2015, along with the global climate agreement adopted in Paris in December 2015. The EU's energy policy aims to reduce emissions of greenhouse gases, increase the share of renewable energy sources and increase energy efficiency. Swedish energy policy is based on the same three cornerstones as the energy partnership in the EU, namely merging ecological sustainability, competitiveness and security of supply. Sweden is at the forefront of developing these climate initiatives, in part because our natural resources already provide us with a large share of renewable electricity production, but also in part thanks to an efficient market system prompting timely political decisions, for example in the case of taxing carbon dioxide emissions or the electricity certification system.

The Swedish Parliament coalesced around the energy agreement produced in 2016, which contains the following targets:

- 50 percent more efficient energy usage in 2030 than in 2005.
- 100 percent renewable electricity production by 2040 (though without a final date for the end of nuclear power).
- No net emissions of greenhouse gases by 2045.

To live up to these proposals, Ellevio would need to implement its largest investments since the 1960s and 1970s. We want to build reliable, flexible and

smart electricity networks that enable our customers to actively manage both their consumption and production based on their own habits and needs.

Regulation of the electricity network

Revenue regulation

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

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

The government's directive concerning new electricity network regulation for the period 2020–2023, presented in August 2018, means that revenue frameworks will be reduced, which will certainly lead to reduced network charges in the short term for companies' customers, but in the long term will also lead to a major risk of insufficient investments being made to maintain security of supply, create growth and achieve environmental and climate-related targets. The investments needed are, in reality, extensive. The transition of the energy system

towards major and minor-scale renewable energy production and the electrification of the transport sector, for example, both require reliable, smart and modern electricity networks. The planning horizon for network investments stretches far into the future and the importance of having a long-term, predictable and stable governing framework cannot be emphasised strongly enough.

Revenue

The permitted revenues resolved by Ei comprise four different components: compensation for capital costs, controllable costs, non-controllable costs and finally a quality incentive.

Compensation for capital costs is compensation for the actual electricity network assets, including systems for operating the electricity network and metering electricity use, and investments made in these systems. The compensation is based on each company’s electricity network assets (a regulatory calculation that is the same for all network companies) and a reference interest rate (weighted average cost of capital, WACC) that is meant to cover interest on loans, taxes and returns. The reference rate for the regulatory period 2016–2019 is 5.85 percent. Ahead of the 2020–2023 regulatory period, the government has decided to lower the reference rate to around 3.0 percent.

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

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

The quality incentive was previously based on power outages that last between three minutes and twelve hours. Now, power outages that last for more than twelve hours are also included. Depending upon the reliability of our electricity network, our permitted revenue may be increased or decreased. Network companies can be forced to pay twice for these outages, on the one hand directly to customers and on the other hand by way of lowered revenue frameworks during the next regulatory period, although this could also produce positive results.

Customers’ 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.

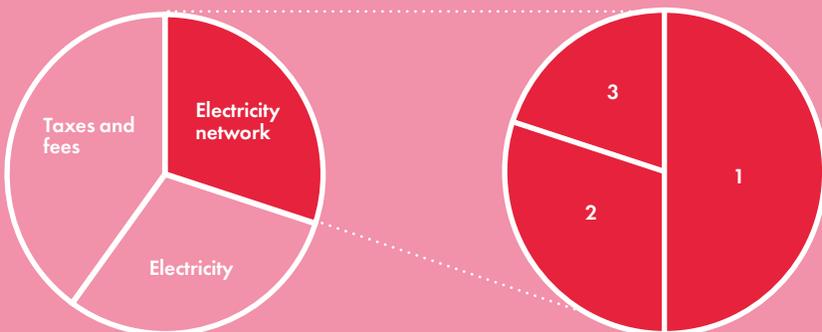
Electricity – the cost of the actual electricity that the customer consumes, which the electricity supplier purchases via the electricity market and sells to the customer.

Taxes and fees – about 40 percent of the electricity invoice comprises government taxes and fees to authorities.

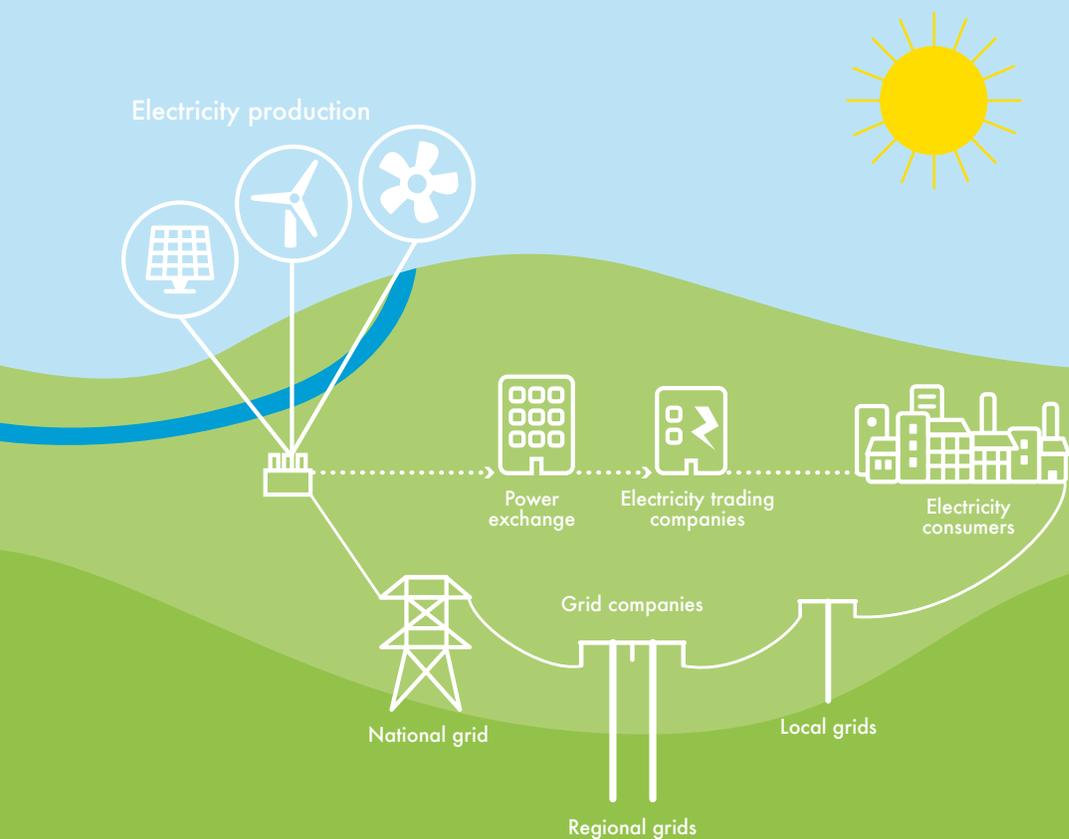
The network component consists in turn of several parts

Costs linked to the electricity network are decided by Ei and distributed roughly as outlined below (excluding taxes and fees):

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. **Costs linked to staff and customer service etc.**, known as controllable costs



The Swedish electricity market – how it works.



Electricity producers

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

Electricity network companies

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

Electricity trading companies

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

National network

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

Regional networks

“The branches of the electricity tree” – the lines that hold the national network and local networks together. The regional networks are owned by network companies such as Ellevio.

Local networks

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

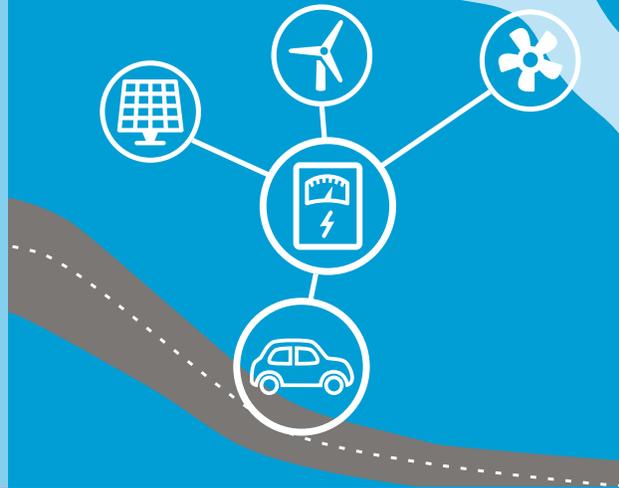
2016

The energy agreement concluded on 10 June 2016 between governing parties the Social Democratic Party, the Green party and opposition parties the Moderate Party, Centre Party and Christian Democrats. The aim of the agreement was to establish long-term rules governing the Swedish energy supply.



2030

By 2030 at the latest, Sweden is to have a vehicle fleet that is independent of fossil fuels. The assessment of the 2030 secretariat is that this will be achieved by the equal impact of more fuel-efficient vehicles, the transition to renewable fuels and amended behaviour.



2040

The Energy Commission has proposed that 100 percent of Swedish electricity production is to be renewable by 2040. In the future, production will also be both large-scale and small-scale, and the electricity system will be able to handle electricity in both directions. The digitisation and electrification of society at large, and the transport industry in particular, will increase demands on the electricity system.

100 percent renewable

2045

Sweden is to be climate-neutral by 2045, which means it is to have a sustainable and resource-efficient energy supply by 2045, without net emissions of greenhouse gases into the atmosphere.



Drivers

Drivers in the electricity network market

Technological development has an impact on the electricity network sector in many ways. Digitisation and new IT tools will create opportunities moving forward, including the conditions for storing and analysing metering data that can be used for product development and new service for customers, but also management of electricity networks that creates an efficient and flexible electrical system that secures supply.

Production – increasingly local and renewable

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

A major increase in the proportion of renewable energy sources is currently under way in the form of solar and wind power. Electricity is also produced locally to an increasing extent. In some cases, consumers are also prosumers, since they connect systems such as solar panels or small wind turbines to the network, into which they can feed their surplus electricity. On specific days and at specific times, the network needs to receive locally produced surplus electricity, while on other days it needs to distribute supplementary electricity from power stations far away. Solar and wind are examples of weather-dependent energy sources that make it harder to plan production. Electricity networks must be able to manage an irregular inflow from these sources, with rapid fluctuations in electricity production.

At certain times, more electricity will be produced than is used and, in these cases, networks must “know” how much electricity can be distributed to other parts of the country or exported, as well as how much needs to be stored for use later in the day or week.

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

From previously having announced extensive investments in lifespan-lengthening measures at their nuclear power plants, several of the major nuclear plant owners have now clarified that more reactors will be decommissioned over the period 2020–2025. This will entail a drastic reduction in the share of plannable electricity production alongside the growing share of weather-dependent electricity production. As demand for electricity is increasing all the while, we risk periodically experiencing significant shortages of power.

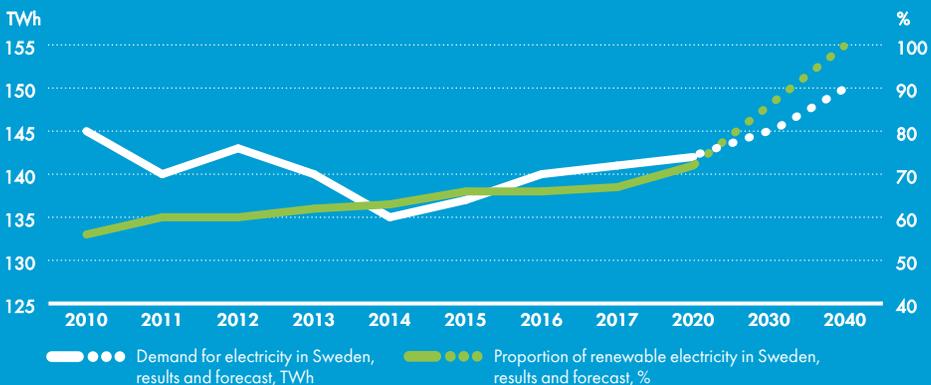
This changing production, combined with the announced decline in nuclear power production, will place demands on the electricity network, which will need to rapidly become more flexible and able to function in both directions.

Growing major cities impose new demands

The way we use electricity is also changing. Society is becoming increasingly urbanised, digitised, electrified and dependent on a constant, secure electricity supply. These days, electricity is essential for everything from daily tasks at home and at work to leisure activities and to life-saving public services. This digitised society is placing very high demands on reliability in every part of the country, and the electricity network must therefore be modern, flexible and smart to meet these needs.

The trend of urbanisation is progressing. Stockholm, Gothenburg, Malmö and Uppsala are all continuing to grow while the population trend in rural areas and smaller towns is, in many cases, negative.

Demand for electricity and proportion of renewable electricity in Sweden



Source: Swedish Energy Agency and Svenska kraftnät, 2018

For example, Greater Stockholm is expected to have 2.6 million inhabitants in 2030, compared to the 1.3 million inhabitants it had at the beginning of the 1960s. This will place new demands on capacity and power in the cities as the national network and regional networks will have to accommodate the expected population growth, production of new homes, satisfactory infrastructure and corporate establishments as well as electrification of new social sectors. To enable the major infrastructure projects that are required, the electricity networks need to be expanded and redeveloped.

Electrification of the transport sector – an eagerly awaited development

The significance of electric vehicles in terms of environment and health means electrification of the transport sector is an urgent and prioritised issue for the future. Today, transportation by road accounts for almost 30 percent of Swedish carbon dioxide emissions. Luckily, the transport sector is in the process of being rapidly electrified. Ellevio support the Swedish vision to have a fossil-free vehicle fleet by 2030.

The electrification has begun with passenger cars, mostly in metropolitan areas, with nearly 45,000 electric cars in Sweden in 2017. Electric buses are being tested mainly in public transportation, while the electrification of goods transport, work equipment and shipping is still at an early stage. Electric vehicles present both an opportunity and a challenge for the network – they will lead to increased load and a need for more capacity and load governance, but at the same time offer an opportunity for storage that could balance electricity consumption in the future.

The environmental effects linked to the vehicle fleet no longer running on fossil fuels will be very significant. In addition to a massive reduction in carbon dioxide emissions, emissions of many other

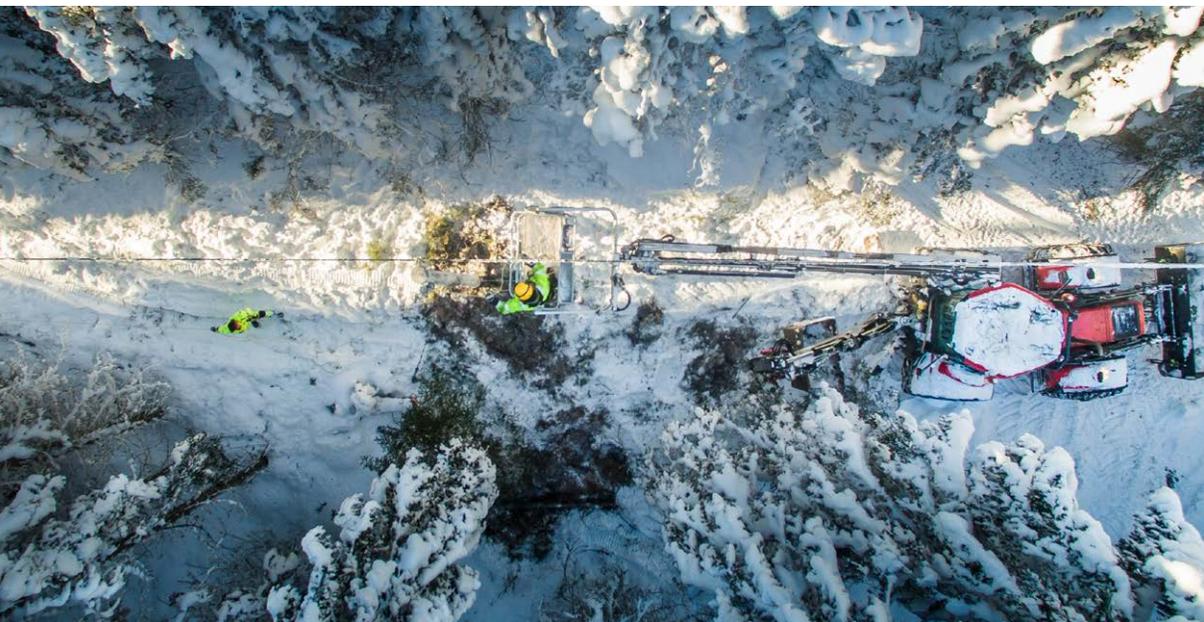
harmful chemical combinations will also fall. The air quality in our cities will significantly improve while noise levels will be considerably reduced. Furthermore, less oil will need to be transported, which will represent a major environmental gain in itself. To ensure the success of these transitions, an extensive and accelerated expansion of loading infrastructure will need to be initiated as soon as possible. Developments within the automotive sector are moving incredibly fast and if the expansion of loading infrastructure falls behind then obstacles may risk hindering progress. An expansion will require investments.

Smart electricity networks – a giant leap into the future

Major investments are currently being made around the globe to modernise electricity networks and turn them into smart networks, which will then become the hub of a sustainable energy system.

Naturally, technological developments have progressed since the electrical grids were first built in the 1960s and 1970s. At that time, many people could not even imagine the technology that we are beginning to take for granted today. Thanks to smart components, sophisticated software and other digitised improvements, we are able to obtain very precise data relating to electricity consumption. Electricity distribution can be managed in real time, which provides greater security of supply. Thanks to smart networks, the energy system and electricity consumption can be managed in a more efficient way, either by customers themselves or automatically.

Redundancy in the networks will also become more important, meaning they are increasingly built using alternative connections. If a fault occurs in one location in the network, it must be possible for the electricity to be reconnected and rerouted so that as few customers as possible are affected by the outage. Ellevio was involved in the creation of the smart elec-



tricity network in Norra Djugårdsstaden in Stockholm and will soon begin extensive work on the installation of the next generation of smart electricity meters among our customers.

In order to explain how a smart network works, we can draw a comparison with how a road works. A traditional road is simply an asphalt-covered surface that connects two points. Imagine that the road constantly detects how many cars, bicycles and buses are driving on it, where the vehicles are heading and what speed they are driving at. Furthermore, every traffic light, petrol station and emergency vehicle along the road has access to this data. For the individual motorist, this makes it easier to determine when it is appropriate to go out and drive and which roads are most appropriate at that moment.

In the case of the electricity networks of the future, we will install information technology that gathers, relays, stores and analyses information from thousands of measurement points. This will make it possible to ensure the right amount of electricity is produced and delivered where it is needed – even in the future – and that it is used more efficiently. Another major advantage of better data is that future decisions surrounding the construction, maintenance, safety and use of electricity networks will be facilitated by having access to much higher quality information than today.

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

Cyber security – new opportunities, but also new threats

Although smarter electricity networks enable us to supply electricity in a more secure way, we also need to manage new threats. Smart components can be attacked by individuals, organisations or foreign powers who aim to damage networks. Just like banks, teleoperators and suppliers of critical functions, we at Ellevio work to maximise the opportunities afforded by digitisation while minimising

the risks for society, the electricity network and our customers. Of course, individuals' data and privacy should also be protected from unauthorised access. We invest in cyber security, build the most robust systems possible and collaborate with authorities and players involved in the electricity network. By preparing our organisation and using the latest technology, we are able to manage the cyber security issue – one of the most important aspects when it comes to a future-proofed electricity network.

Need for investment affecting players in the sector

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

The contractor market also needs to be developed; contracts awarded by contractors will be more extensive, comprehensive and project-based and will run over longer periods. At the same time, contractors' capacity requirements will become more uncertain and harder to plan as investment conditions deteriorate or change due to a short-term and unpredictable framework. Ellevio is engaged in ongoing dialogue with Swedish and international contractors in this respect, arranging meetings with contractors among other activities.

The long investment horizon for electricity network companies requires the conditions for making investments to be stable and predictable over a long period. Ellevio and other network companies are planning today for society as it will look to our children and grandchildren, while political decisions being taken today are based on 5 or 10-year perspectives without an analysis of the longer term consequences. This kind of short-term policy threatens the opportunity to create the electrified, digitised and sustainable society with growing cities and vibrant rural areas that we all want to see.



New focal point in the electricity network opens up opportunities for more wind power.

The Valhalla project – one of Sweden’s largest projects linked to wind power – is currently under way. The project comprises the wind farms at Åmot-Lingbo and Tönsen. Together with Svenska kraftnät, Ellevio is building an entirely new transmission substation in the electricity network, which will serve as a focal point for electrical power from both of these wind farms. The Grönviken substation in the municipalities of Bollnäs and Ockelbo opens up new opportunities to expand wind power in Hälsingland and Gästrikland.

The electrical power is transferred from the wind farms to Grönviken via overhead lines that maintain a voltage of 130 kilovolts. After this stage, the power is transferred to Svenska kraftnät’s part of the transmission substation in Grönviken, which in turn connects to the Swedish national network, whose lines maintain a voltage of 400 kilovolts. In addition to serving as the connection between the area’s wind farms and the national network, there may also be the option to connect major electricity consumers directly to the facility to improve the consumption of capacity.

In 2008, a dialogue had already begun between Ellevio – known then as Fortum Distribution – and a number of interested wind power planners concerning the establishment of major wind farms in the Ockelbo area. Ten years later, following the signing of a connection agreement with OX2 – the company that plans and builds wind farms in Tönsen and Åmot-Lingbo – it was time to begin the construction of the transmission

substation. Once complete in 2020, the wind farms will be able to deliver around 1.1 TWh of electrical power per year, which corresponds to the annual household consumption of some 223,800 households. In total, 85 wind turbines will be built at the farms, spread over 81.5 km, an area equivalent to 11,500 football pitches.

Such an all-encompassing project that affects both nature and people’s experience of – and movement within – the area, requires trusting relationships and a great deal of consideration. The process leading to the start of construction, as well as the period afterwards, has been characterised by an extensive dialogue with authorities, local residents, outdoor leisure organisations and other regional and local stakeholders. Information is continuously provided regarding the project’s progress and the ways in which options to stay in the area may be limited for the time being. Major efforts have been made by all concerned parties to find solutions that are sustainable in the long term and most effectively satisfy all of the varying interests.

Valhalla represents a major project that will both create jobs in the area and enable an increase in renewable electricity production in our energy system. This type of project is a prerequisite for our joint ability to manage the transition to fully renewable electricity production by 2040 at the latest, as decided by the Swedish Parliament.



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

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

Without electricity, people’s everyday lives cannot function. Traffic and other vital societal functions would cease. Industries and other companies would lose revenue, as would competitiveness and innovative capability in the longer term. New start-ups would be lost. We view this great responsibility

with humility and a strong desire to keep contributing to sustainable societal development. The confidence our customers have in our ability to supply their electricity needs now and in the future is the most important measure of our success.

Ellevio’s model for sustainable value creation

Assets and resources

Core operations



The UN's global sustainable development goals

As part of Ellevio's work on strategy, its management team analysed the UN's 17 global development goals which are to be achieved before the end of 2030. These goals have been ratified by 150 countries and Ellevio's view is that the business community has an important role to play in terms of achieving the goals. Thanks to our skills and core operations, we have the opportunity to make an active contribution to Goal 7 "Affordable and clean energy", Goal 9 "Industry, innovation and infrastructure" and Goal 5 "Gender Equality".

Goal 7, Affordable and clean energy, essentially represents our mission in society and the aim of our long-term investments. Between 2016 and 2019, Ellevio is investing around SEK 10 billion in the development and future-proofing of the electricity network. In cities, this is principally a question of increasing capacity while outside the cities the main focus is on greater security of supply by way of weather-proofing. These investments constitute the beginning of the wave of investment required to maintain an electricity network that can handle looming challenges and exploit opportunities offered by the future. Goal 7 also contains guidelines for realising energy efficiency enhancements, to which our work on the next generation of smart electricity meters is making a contribution. The next generation of meters will allow

producers, electricity network companies and consumers to all monitor their electricity production and consumption in real time. In the case of the electricity networks of the future, we will install information technology that gathers, relays, stores and analyses information from thousands of measurement points. This makes it possible to ensure the right amount of electricity is produced and distributed where it is needed.

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

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

Creates value

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

For society and for customers

- 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
- 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

- Developing job opportunities
- Safe workplace
- Knowledgeable and committed employees
- Competent and responsible contractors

For the environment

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

For owners

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

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



THE GLOBAL GOALS
For Sustainable Development

Value-creation for society and customers.

Economic value creation

Network investments and ongoing work on operational enhancements create secure and long-term value growth for investors, customers and employees. We also contribute to society by way of the jobs we create with our contractors and, indirectly, among our customers. We must guarantee a secure supply of electricity in an electricity-dependent society, both in urban and rural areas.

We work continuously to develop more efficient processes and maintenance procedures, as well as to increase the level of digitisation, all with the aim of maintaining reasonable profitability.

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

The network of the future will require investments in capacity and automation in order to maintain security of supply and support societal developments. It is important for the network framework to offer an incentive to carry out the required investments.

Value creation in local communities

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

An important aspect of our responsibility for the local community is that we prioritise cities and rural areas equally. To make it easier for our customers to live and support themselves in rural areas, we have been arguing for many years for price harmonisation that levels the cost of investments and leads to fairer contributions between densely and sparsely popu-

lated areas. In autumn 2017, we got the green light from Ei to carry out this kind of price harmonisation, which is intended to be completed by 2023. This means that Ellevio will lower prices in the areas where they are most expensive, enact smaller rises where they are currently cheapest and leave prices unchanged in other areas.

For us, it is important to invite local stakeholders when initiating new projects to ensure that the project is linked to the local area and to minimise potentially negative effects on the environment, the local business community and the residents who live near our electricity networks and facilities. In the case of major local projects, we inform customers by way of open houses, meetings in the town square, letters and other forms of direct communication. The aim is for our customers, stakeholders and local communities to feel well-informed about what we are doing and how they are affected; in the case of planned outages and disruptions we attempt as far as possible to consider the people who will be affected: sensitive industries, supermarkets, elderly care homes, etc. Reliability, commitment and development are key words in our dialogue with local communities and our customers.

Security of supply

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

Availability within Ellevio's electricity network is 99.98 percent. This is very good when comparing internationally, but as electrification and digitisation increase, each outage becomes a challenge with economic consequences for society. There are also major differences between different parts of our network. While hundreds of thousands of our customers experience no outages, there is sadly a group of customers who experience several per year. With the aim of maintaining and improving the security of supply, we are weather-proofing the electricity network by burying lines deep down where there are currently overhead lines, and we are updating, maintaining and building new stations to increase

our capacity. Since 2005 we have fully weather-proofed 10,000 km of our electricity network.

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

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

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

Responsible purchasing

Ellevio has a joint purchasing function responsible for all procurement of services, materials and contracts. Purchases mainly fall into five categories: contractors, IT, consultants, strategic materials and indirect materials and services. In 2018, Ellevio purchased products and services for some SEK 2.9 billion, of which 75 percent were contract services and materials for investments in our electricity network.

In its risk assessment, Ellevio identified contractor operations and their working environments to be the greatest challenge facing the company, which is why we have placed major focus on this area, partly

via the Safe workplace programme that can be seen in more detail under Health and Safety, and partly in the purchasing process.

To qualify as a contractor or major material supplier, we apply extensive sustainability requirements that we specify in a special Code of Conduct for suppliers, available on Ellevio's website. The Code is based on the UN Global Compact's ten principles and contains clear requirements relating to human rights, labour law, the environment and anti-corruption. The aim of the Code of Conduct for suppliers is to minimise risks and protect Ellevio's stakeholders.

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

Ellevio's suppliers must also confirm their compliance with the Code and be able to show documentation of such compliance. To follow up on compliance of the requirements established during the purchasing process, Ellevio employs two types of checks: firstly, unannounced visits to the site of the projects, and secondly extensive and planned audits focusing on environment, health & safety and the Code of Conduct. In 2018, 334 unannounced site visits were carried out, along with 10 planned audits. A number of deviations were identified and those of major significance were remedied.

Read more about Ellevio's work surrounding responsible purchasing in the Sustainability management and results section.

Managing sustainability from the start of a project to implementation



Value creation for employees and everyone who works for us.

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.

Commitments to the wider community

Ellevio's business operates as a monopoly, which means we have a profound responsibility to the wider community. It is important that we live up to the demands and expectations of our customers and other stakeholders, as we want to earn their trust. Our values – reliability, commitment and development – are to serve as guiding principles for every employee and permeate everything we do. 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.

Employer Branding

In order to attract new employees, we need to take steps to strengthen our brand as an employer, including by collaborating with colleges and offering summer jobs and work experience placements for students. We also help to spread knowledge about Ellevio and our sector through involvement in industry initiatives and an active social media presence. Our goal is for Ellevio to be seen as an attractive and inclusive company and a preferred option for both potential and existing employees. During the year the company increased its requirements for recruitment agencies in order to bring about change in the selection of candidates. As a result of these efforts, the gender distribution among the summer interns was entirely equal.

Introduction of new employees

Ellevio has grown rapidly over the past few years, and had 490 employees at the end of the year. In light of such considerable growth at the organisation, it is important for new employees to rapidly gain an overview and feel at home within the business. During the year we arranged two introductory days for some fifty new employees on each occasion, including our new employees from Elverket Vallentuna.

Satisfied employees

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

Each year, Ellevio undertakes an employee survey that assesses the level of commitment – the Employee Engagement Index – which is based on four questions relating to job satisfaction, pride, job-seeking and recommendation. Each business unit reviews the results and produces action plans for improvement areas. The result for 2018 was 70.5 out of 100, and is at a stable level.

The two other dimensions of the employee survey are workload and equality. By repeatedly measuring and following up on such aspects, we are able to assess our efforts and thus achieve a better balance, a healthy working environment and an equal workplace. Two important aspects in this context include better resource planning and strong leadership from managers who are to set a good example.

Ellevio Days

In 2018 Ellevio brought together all of its employees for its "Ellevio Days" initiative. The purpose of the days was to discuss and define a common corporate culture. For example, we highlighted the Code of Conduct and the new online training course relating to the Code that all employees are obliged to take. The days were divided up into three information sessions in the form of a discussion led by a moderator. One particularly valued session was carried out by actors from the "Pocket" theatre. Their approach led to many insights and sparked an ongoing discussion.

Our values.

Ellevio's business operates as a monopoly, which is a profound responsibility for the entire organisation. It is important that we live up to the demands and expectations of our customers and other stakeholders and earn their trust. Our three values – reliability, commitment and development – guide our day-to-day work, in every interaction and every conversation, in both simple and complex situations.

Reliability

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

Commitment

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

Development

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

Managers at Ellevio

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

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

All managers at Ellevio meet at least once per year at Management Days that have different themes each time. The theme at this year's Management Day in March was "sustainable leadership and equality", with lectures by Azita Shariati, CEO of Sodexo, and Fredrik Bondestam, gender researcher from Uppsala, along with a workshop on the importance of sustainable leadership.

Equality and diversity

Ellevio considers diversity among employees to be an asset and works actively to increase diversity at

the company in terms of skills, gender and ethnicity. We work to gradually achieve a more equal gender distribution across the company. Ellevio's equality targets include continuously working to:

- Maintain an equal distribution between men and women in the management team, 50 percent women today (55).
- Increase the number of female managers at the company, excluding the management team, 20 percent today (22).
- Increase the total number of women at the company, 27 percent today (27).

When it comes to ethnicity, we want to reflect wider society. Currently, 9 (13) percent of our employees have a non-Swedish cultural background.

In 2018 Ellevio's equality group was formed, containing representatives from different parts of the business whose task is to highlight these issues and propose measures where shortcomings have been identified.

Read more about our employees in the Sustainability management and results section.



Sponsorship collaborations have a positive effect on both Ellevio and our partners.

Ellevio began collaborating in 2017 with several organisations that work to ensure girls and boys have the same opportunities and conditions from the very beginning. The idea is that we will be able to reach our target groups in new contexts by participating in the events of our business partners and being seen in their channels, as well as to take the next step to bring together our sponsorship partners in joint activities and contribute to a dialogue between them.

Ellevio participates in the political forum Almedalen held for a week each year. One of our activities at this year's political forum was the Equality Day, in which we held discussions across three seminars about how important it is to have good role models, both in terms of academic and professional choices as well as leisure activities, so young people will both want and dare to go beyond traditional gender barriers. This applies just as much to getting girls to opt for technical

courses and professions as to encouraging them to continue with team sports such as football for longer. We also discussed how important it is to have good role models in our work lives. Representatives from all of our three business partners took part in the discussions and even offered their own activities in the form of stands where they talked about and demonstrated their businesses to our visitors during the Equality Day.

For Ellevio, the collaboration with our business partners has provided valuable insights and new approaches in terms of action that can be taken within our own business to promote equality and offer equal opportunities to male and female employees. One lesson taken from our collaboration with Popkollo and Female Legends is the importance of female networks in businesses where women work alone, as these offer them a forum to share their experiences.

Ellevio's sponsorship policy

Sponsorship always involves active collaboration between us and the sponsored party, and it should be beneficial for both parties in terms of their respective objectives. Written agreements should always form the basis of a collaboration, and clearly defined target groups and objectives should be established to allow results to be measured. Our sponsorship collaborations should be long-term in nature, with fewer but deeper commitments. Our sponsorship activities should be clearly and logically linked to our operations.

Female Legends

Female Legends is as a community for girls who partake in e-sport, that is, compete in computer games. Their aim is for girls and non-binary people to be an obvious part of e-sport and for the professional scene to be equal.

Popkollo

Since 2003, Popkollo has brought together thousands of girls and transgender people interested in music at different locations around the country. The aim of the project is to provide an introduction to the world of music and to create a safe place in which they can develop their identity as a musician or artists. In the long term, Popkollo wants to establish an equal music industry and contribute to an equal society.

Stockholm football association

The Stockholm football association (Stockholms fotbollförbund) organises football associations within Stockholm County. Together with them, Ellevio is launching the 50/50 fund as part of the S:t Erik's cup, whose aim is to give girls the same conditions as boys to invest in sports they love.





Safe workplace.

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

We work in a safe manner or not at all

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

Collective understanding

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

Commitment and consideration

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

Leadership

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

Personal responsibility

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



Nine areas assessed during site visits

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

Health and safety

To achieve our vision of an accident-free and safe workplace, we need to improve the safety culture and increase safety awareness among employees and our business partners so that all work can be conducted in a safe manner. Our Safe workplace – the route to our “zero vision” programme is making progress. The programme will extend over many years and aims to further improve processes and working methods, as well as change conduct and make us even more proactive in our efforts. This work can never be seen as finished; rather it is a continuous effort. Two pilot projects concerning behaviour based safety initiatives were carried out during the year, one of which was internal while the other was in collaboration with a supplier.

In September, Ellevio conducted its first Safety Day involving activities and workshops aiming to anchor a safety culture that should permeate our operations. Ellevio’s operations involve a large range of work tasks and roles, and so our safety efforts need to have this same broad scope. The Safety Day therefore involved aspects ranging from discussing the working environment with the work environment committee to testing safety equipment used when working at our facilities.

Ellevio also works to create a safer sector through collaborations with suppliers and industrial organisations. We awarded the first Ellevio Safety Award that was introduced at the “Contractors’ Day” last year to highlight the importance of having systematic and clear safety initiatives, of complying with procedures and regulations in practice and of having the right expertise to correctly assess risks. The prize was awarded jointly to the four contractors who completed the entire competition process with great merit: Trolk, Skanska, Kraftringen and Vattenfall Services. The prize will continue to be awarded annually and will hopefully help raise safety issues and reward successful ideas linked to a better safety culture within the electricity network sector.

In order to learn from other sectors and expand our collaborations, Ellevio was the first energy company to join the construction sector’s “Håll Nollan” (Keep to Zero) safety initiative. The initiative has the clear objective of reducing the number of workplace accidents at construction sites – something that goes hand in hand with Ellevio’s objective and vision.

At the Contractors’ Day, Ellevio also launched its safety handbook that comprises an introduction to our safety initiatives and the safety culture we strive for. The safety handbook is intended to be seen as an important tool for work out in the field. It is written in an easily accessible and clear way with the aim of stimulating personal reflection and personal responsibility.

Most accidents currently occur out in the field during work on the electricity networks. This work is carried out by our business partners and so Ellevio looks to collaborate closely with these partners to bring about change, although the work starts with us. Ellevio lays the foundations for a safe workplace externally among its contractors. The contractors we engage must not only be experts in their fields; they must also be trained in health and safety procedures and knowledgeable about safe workplace requirements. As of 2018, these requirements have been tightened further. Contractors now need to have sustainability plans for their whole agreement period with Ellevio.

Ellevio invests substantial resources in preventing accidents through training and follow-up work. Safety procedures among contractors are reviewed on-site out in the field, with any shortcomings being reported and remedied immediately. In 2018, 334 (313) unannounced visits were made to check compliance with Ellevio’s requirements governing safety, environment and quality. These visits are an important tool in terms of identifying potential areas of improvement. Our presence out in the workplaces is important and enables a continuous dialogue. It also clarifies that the requirements are important building blocks for enhancing the safety culture and form part of our zero-accident vision.

The notion that we need to continue to tirelessly promote safety was painfully confirmed for us following the tragic accident in Fjärås, Kungsbacka, in connection with Storm Knud, when a fitter was injured and later died having been hit by a falling tree. The accident is being investigated by police and the Swedish Work Environment Authority in line with usual procedure. Ellevio also conducted its own investigation to get to the bottom of how the accident was able to happen.

Read more about Ellevio’s health and safety efforts in the Sustainability management and results section.



Creating a safe workplace by focusing on behaviour.

Ellevio's vision is to achieve an accident-free and safe workplace. To succeed in this, we need to improve our safety culture and increase safety awareness, not just within our own company but also among our business partners. One important initiative for Ellevio during the year was therefore our introduction of initiatives within Behaviour-based safety (BBS).

BBS is a proven effective method to influence safe behaviour and create a strong safety culture, based on 100 years of research within behavioural psychology. In the autumn of 2018, Ellevio carried out a pilot project together with the contractor One Nordic in Karlstad, in which we focused on BBS. The model used consists of four stages that create a stronger safety culture in a structured and efficient manner, using tools via which managers and employees can have influence and increase the amount of safe behaviour while reducing and eliminating risky behaviour within identified risk areas.

Four-stage model

The work began by identifying both safe and risky behaviour within two identified risk areas, namely cable cutting and tree felling. A baseline measurement was then produced to define the extent to which the individual was working safely or riskily within those risk areas. Based on that result, the next stage was to jointly identify the right conditions for safe behaviour. As an example, it was noted that more guillotine cutters, cable handling tools and throw saws were needed in order to make it easy to use them when needed. The kinds of leadership behaviour that needed to increase were also identified in this stage, with the aim of giving feedback and reinforcing the safe behaviour. In the

third stage, activities were carried out that were needed to ensure the right conditions were established and feedback was given continuously about the safe behaviour. The results were evaluated in the fourth and final stage.

Time for results

In mid-November, everything was in place with the right conditions and we were ready to start work on increasing the amount of safe behaviour within these risk areas. The baseline measurement had showed that the amount of safe behaviour was around 50 percent (cable cutting) and 60 percent (tree felling) respectively.

By way of behavioural observations, we measured the safe behaviour and used the Work Environment Authority's safety culture survey tool* to measure the experience of the organisation's safety culture.

The results of the pilot project proved to go well beyond the expectations of everyone involved. The amount of safe behaviour increased 100 percent for cable cutting and 65 percent for tree felling, which means that the amount of safe behaviour in the impact assessment ended up at 100 percent for cable cutting and 99 percent for tree felling. The subjective experience of the safety culture increased significantly from 2.7 to 3.4, which meant the average went from being well below the sector index to being above it. The management also felt that employees' commitment had increased and that trust had improved within the group.

The pilot project has been shown to create positive and desired results both in terms of the safety culture and an increase in safe behaviour.

* www.av.se, Safety culture – interplay between people and risk management



Value creation for the environment.

At Ellevio we want to reduce our impact on different environments and biodiversity, which is why we should consume as few resources as possible. At the same time, we are an important player in the transition to a sustainable energy system.

We should enable renewable electricity production, locally produced electricity, more efficient use of electricity and, over the long term, new applications for electricity. An important future issue is the development of electricity storage methods for standardising the distribution quality between periods of varying loads in the electricity networks.

We take responsibility for our environmental impact

Ellevio works continuously to keep its environmental impact as limited as possible. Our environmental management system is certified in line with ISO 14001:2015.

As part of its environmental initiatives, Ellevio has identified significant environmental aspects in its operations; management of sensitive natural environments (biodiversity), use of materials in power line poles that contain creosote, oil leakages from cables and capacitors and energy losses from the pipeline network.

Ellevio's overall environmental targets include – apart from the transition to a sustainable energy system – reducing the impact on the climate and natural resources and contributing to strong biodiversity. This is achieved by:

- Establishing environmental requirements for purchases, taking account of environmental aspects in the company's business and operational activities (in terms of the greenhouse gases SF₆ and CO₂, oil and energy losses, for example) and promoting solutions that contribute to a reduced environmental impact.
- Promoting the application of a lifecycle perspective in all of our activities.
- Avoiding materials and substances that can be harmful to humans, animals and the environment as far as possible.
- Applying the precautionary principle in connection with investments and purchasing.
- Applying the principles of the waste hierarchy to minimise waste.
- Providing information about, and raising awareness of, how the company's operations can affect the environment.
- Adopting a sustainability perspective when selecting venues for meetings and modes of transport for travel.

Ellevio uses wooden poles in its electricity distribution network. The poles are preserved using creosote, which is extracted from coal tar and which in turn is produced as a waste product when coking coals. It contains substances such as phenols. The use of creosote is regulated by an EU directive and by the Swedish Chemicals Agency and is permitted until 2023. Ellevio is taking active steps to reduce its usage of creosote poles, partially by burying power lines and partially by replacing poles with more environmentally friendly alternatives. Throughout 2018 and 2019, 25–30,000 creosote poles are being replaced or entirely removed in line with our plan; 14,000 of which were removed in 2018.

With regard to oil leakages from cables and capacitors, particularly in terms of oils containing PCBs (polychlorinated biphenyls), Ellevio has a special policy to avoid leakages. 1.2 km of oil-insulated electricity cables remain in place under Stockholm, which are continuously monitored for any leakage. This stretch of cables is planned to be decommissioned in the second quarter of 2019.

Openness and transparency are key parts of our environmental initiatives, and in line with this we have chosen to launch an initiative in 2018 and 2019 to measure our carbon footprint. The calculations will be produced using the Greenhouse Gas Protocol (GHG), which is an internationally accepted standard for calculating and reporting greenhouse gas emissions. Initially, our carbon footprint will be based on what is known as scope 1 and 2, that is, emissions from our own facilities and proprietary and leased vehicles (scope 1), and purchases of heating and cooling for our own use and network losses (scope 2).

In accordance with the GHG protocol, all sources of emissions that belong to facilities in Ellevio's control – as well as those belonging to operations of which Ellevio is part-owner – are included in the climate calculations. Based on a base measurement for 2018, Ellevio will continue in 2019 to establish targets and plans to reduce its climate impact.

We will also start measuring and following up on the accumulated reduction of network losses obtained by way of the replacement of old transformers with new and more efficient ones in 2019. The target for 2019 is to reduce these network losses by 1,500 MWh.

Biodiversity

Our power lanes are kept free from trees so that electricity can be transported with a high level of reliability. Regular clearing of brushwood can often

be enough to ensure that open meadows and pastures are not able to grow again. As areas of meadow and pastoral land have shrunk dramatically in Sweden over the past century, other types of open land will become important habitats for our threatened meadow species. This includes meadow flora and insects such as butterflies and beetles. The power lines that run over grassland environments thus contribute to Sweden's biodiversity, as do grasslands rich in species lining roads, golf courses and airports. These significant areas are collectively known as infrastructure grasslands.

In 2018 Ellevio produced an action plan governing maintenance and development of areas rich in species within our power line network. We have inventoried around a third of the potentially rich areas in our networks that have a voltage of 50 kV or higher, and are gradually introducing adapted maintenance measures in our species-rich areas. The remaining areas will be inventoried in 2019 and 2020.

Transition to a more sustainable energy society

Sweden already produces almost fossil-free electricity, and the share of renewable electricity production is rising steadily. Our electricity needs will increase in

the future as the population expands and we use electricity for more purposes. To ensure we will be in a position to have even greener electricity in the future, greater production of renewable electricity will be required, which will entail modernisation of the electricity network.

The electricity Ellevio transports via its networks is produced around 98 percent in a fossil-free way. This mix of electricity is positive from a climate perspective, but it does not mean that we do not have any urgent areas for improvement. In the future, the level of renewable electricity will need to increase in order for Sweden to achieve its ambitious politically-grounded environmental and climate ambitions.

If the electricity we use today were produced in a renewable manner, in exactly the same locations and in the same quantities, it would not place any greater requirements on the electricity networks. In the future, however, small-scale production is expected to increase dramatically. There is great interest among the Swedish population in producing its own electricity, and technological progress in areas such as solar panels has made it possible for more people to produce electricity at a reasonable cost for their own use or for sale.

Read more about Ellevio's environment initiatives in the Sustainability management and results section.





Rare species thriving under the power lines

That some of Ellevio's power lanes serve as a habitat for threatened plant and animal species is an aspect about which many people are no doubt unaware. Ellevio wants that to change. As part of a major project, we have mapped thousands of kilometres of power lanes and identified some real gems.

Ancient meadows and pastures, with their special beauty and richness in species, have dramatically shrunk in area in Sweden over the past 100 years. Modern-day maintenance of power lanes reminds us of ancient pasturage and hay-making techniques that originally led to such meadows and pastures. The species that thrive in the open landscape here have been able to find a sanctuary and thereby increase their chances of survival. Power lanes, like other verges, airports and golf courses, represent important green links in the landscape as they bind grassland environments together and promote biodiversity. Ellevio has begun efforts to map out and better preserve the diversity of these power lanes.

Among the species that are thriving in the power lanes are several relatively unusual plants, and even different kinds of butterfly and insects are prospering, particularly in the pathways along the power lines and in open glades.

4,550 kilometres have been mapped out

Over the past year Ellevio has made efforts to map the situation in the power lanes within our regional networks, which contain some 4,550 km of power lines. These efforts began

by localising a number of prioritised lanes.

Following this, the power lanes were inventoried in order to map the environments rich in species. In total, some 400 km were studied in 2018, of which 125 km were inventoried out in the field. Overall, we inventoried 180 km out in the field in 2017 and 2018.

In the areas around Gagnef and Leksand we found species such as yellow rattle, devil's-bit scabious, spotted cat's ear and the beautiful marsh fragrant orchid. We also found the officially threatened marsh fritillary butterfly and pulsatilla vernalis flower.

Collaboration around suitable management measures

Our power lanes are cleared every six years, and we intend to take biodiversity into account as soon as next year when carrying out such work. The measures mainly consist of widening pathways from two to four metres, clearing brushwood from stairways and keeping the glades open. In Roslagen, we are working with Vattenfall, which owns parallel lines, and the county administrative board to pinpoint appropriate management measures. These power lanes are part of a project being run by a collaborative group for grasslands within infrastructure. Ellevio participates in this group along with the Swedish Environmental Protection Agency, the Swedish Species Information Centre, Svenska kraftnät, the Swedish Transport Administration, the Swedish Golf Federation and Swedavia Airports.



Value creation for owners.

Our owners

Our operations are stable and predictable and have a long-term investment horizon. At the same time, a shareholding in electrical grid 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 grid business. We are facing a major need for investment and our owners therefore want to enable the investments necessary for us to continue offering our customers a reliable electricity network – under the right conditions.

The Third National Pension Fund is one of five national pension funds tasked with helping safeguard the value of the Swedish state pension for both current and future pensioners. The task of this fund is to responsibly invest in and manage the pension system's buffer capital. Total managed capital amounts to approximately SEK 341 billion.

Folksam is one of Sweden's largest insurance and pension companies, with a major investment business and total managed capital of around SEK 400 billion.

The First National Pension Fund aims to invest in a way that ensures the greatest benefit for the pension system.

The fund is to strive for a high long-term return while ensuring the risk to current and future pensions remains low. The investments are being made across the globe. Total managed capital amounts to approximately SEK 324 billion.

OMERS Infrastructure represents a branch of the Canadian pension fund OMERS, which manages pensions for the province of Ontario's public sector employees. Total managed capital amounts to circa CAD 95 billion, which is the equivalent of around SEK 670 billion.

Our model

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

This is structured so that the pensions funds which manage the pension capital place long-term capital at Ellevio's disposal, which we in turn invest in the electricity networks of the future. In return, we are to offer the pension funds a reasonable, long-term and stable return. As both Ellevio and the pension funds work based on a long-term horizon, the pension funds can be considered appropriate and responsible owners.



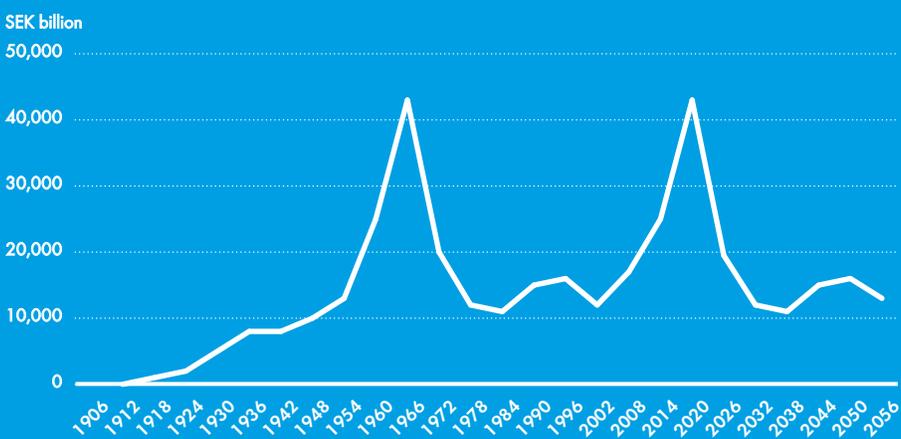
Investments and financing.

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

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

The government's directive concerning new electricity network regulation for the period 2020–2023, presented in August, means that revenue frameworks will be reduced without a thorough impact assessment having been carried out and before the effects of the framework in place today have had a chance to be evaluated. This reduction will entail the Swedish network companies having one of Europe's lowest regulated interest rates: 3 percent against a European average of 4.85 percent.

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 EI, 2016

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

Investments

Ellevio is investing almost SEK 10 billion between 2016 and 2019 to modernise and strengthen the electricity network. Thanks to this, we have made some progress towards achieving the electricity network of the future. We have weatherproofed thousands of kilometres of power lines in rural areas and set up modern secondary substations to make the electricity network smarter. We have connected new wind power sources to the network, which is an important addition to Sweden’s energy system. We have also worked hard to modernise and reinforce the electricity network in the Stockholm region. Such efforts should continue with undiminished energy. There are still major challenges facing us in terms of the electricity network’s capacity in

Stockholm. The network does not currently have the required capacity to supply the growing city. Investments are needed to help new industries establish themselves, expand public transport and build homes. There is currently no incentive for these investments and we will be forced to turn down connections, which concerns us. Managing this issue is one of our top priorities and something we will place major focus on over the coming years.

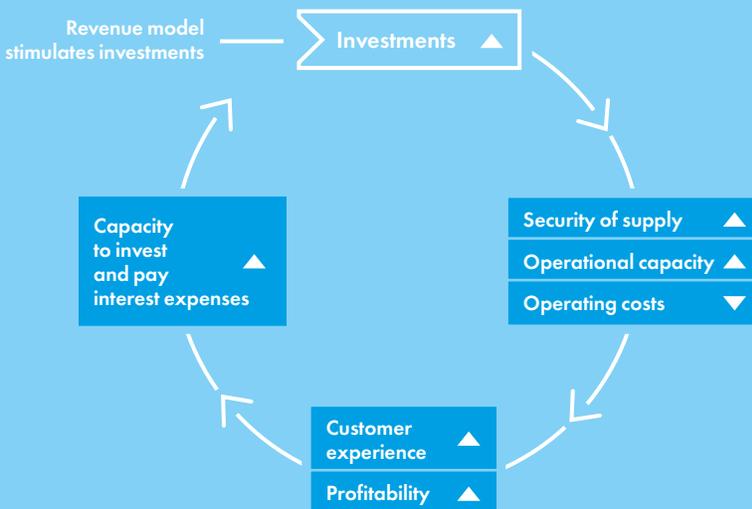
Our objective is for our customers to receive an uninterrupted supply of electricity – now and in the future, and for the electricity network to support developments in society. Investing in a reliable network is our most important task.

Current investments

Our investments during the current regulatory period are distributed across all areas: SEK 1.6 billion in Dalarna-Gävleborg, SEK 2 billion in Värmland-Skaraborg-Närke, SEK 1.3 billion on the west coast and SEK 5 billion in Stockholm.

The improvements will not only result in weather-proofing, regeneration and increased capacity, but will also contribute to lowering operating and maintenance costs over the long term. In addition, when we replace overhead lines with underground cables, we make land available that can be used for new housing, for example.

Ellevio is investing SEK 10 billion in the electricity network between 2016–2019.



Until 2019, Ellevio will invest nearly SEK 10 billion in modernising the networks.

Dalarna

- Around 35,000 customers

Investments

- A major expansion is taking place in the mountains, particularly in Idre Himmelfjäll, but also in Grövelsjön and Storsättern. Major and minor secondary substations are being installed, while cables in the local and regional electricity network are being replaced to increase capacity in the network. It is a project totalling around SEK 150 million that will give some 7,000 households and companies a modern and weather-proofed electricity network.

Värmland

- Around 105,000 customers

Investments

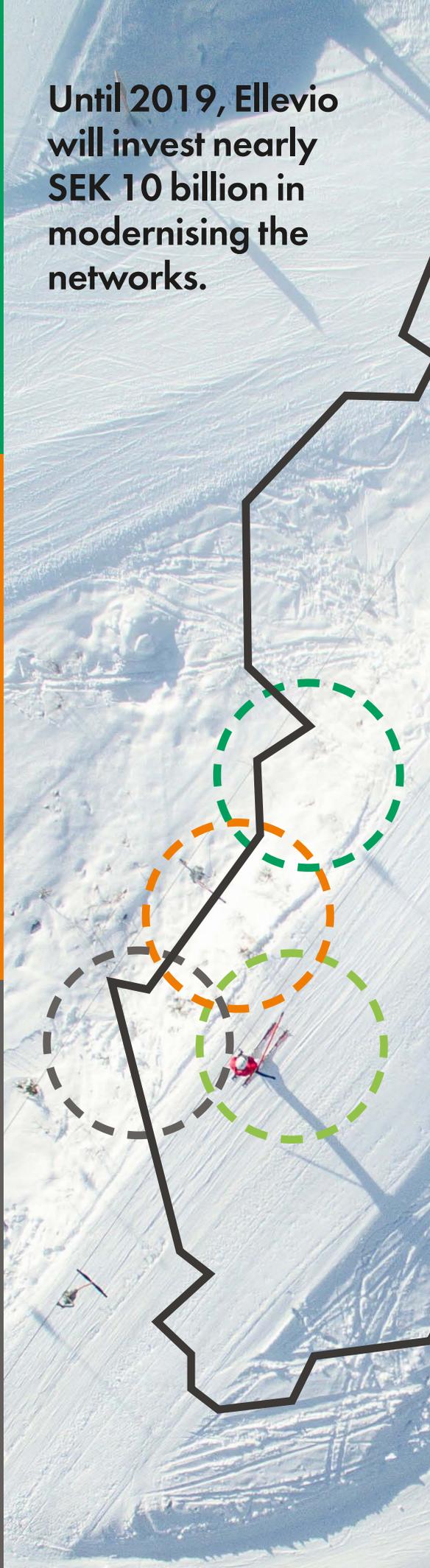
- Around 1,000 km of lines are being weather-proofed as part of the “Värmland package”. Around 11,000 households and companies will have a modern electricity network thanks to this investment, which will cost some SEK 270 million between 2018 and 2021. In addition, major areas of land will be cleared for forestry, for example.
- The switching centre in Kil, which is a hub of the network in Värmland, is being totally renovated and modernised – an investment of over SEK 100 million.

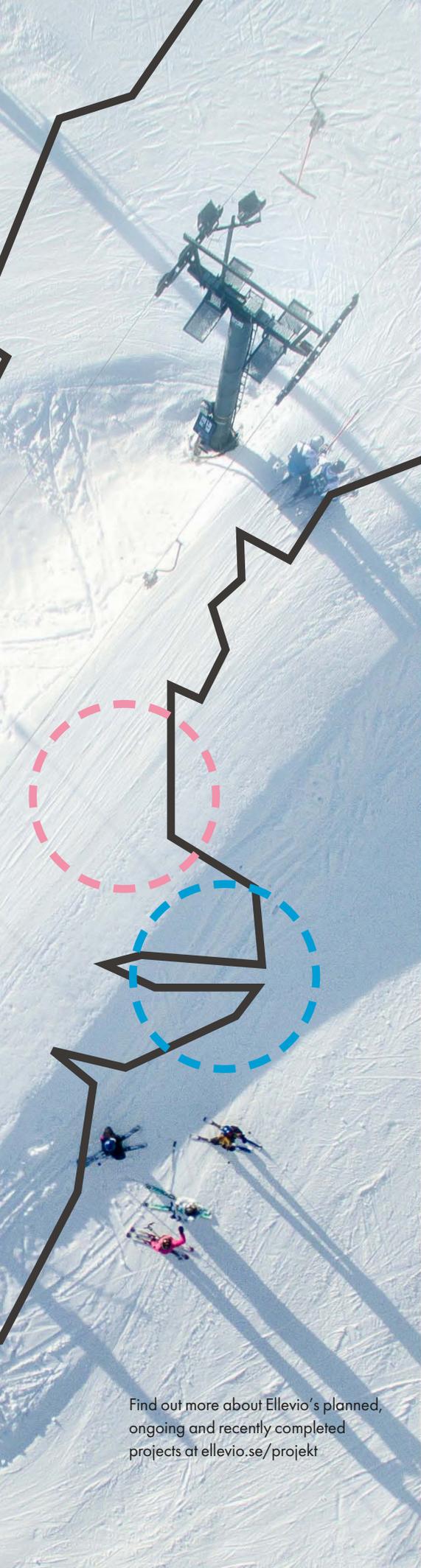
West coast (Halland, Bohuslän)

- Around 126,000 customers

Investments

- South of Gothenburg in Askim, Billdal and Hovås, the network is being modernised by replacing 100 km of lines. Almost the entire length will be buried underground, thus leading to fewer power outages in the future. 9,000 customers will be affected by these investments, which will cost around SEK 100 million.
- A major project is being planned in Gothenburg’s southern archipelago at Vrångö, Donsö, Styrö, Brännö and a number of smaller islands. Around 100 km of power lines on land and in the sea will be replaced and weather-proofed. In total, approximately 3,200 households will then have a modern electricity network.
- At the Onsala peninsula outside Kungsbacka, 15,000 customers will have a new and modern network when Ellevio buries some 200 km of lines underground.
- On the island of Orust, Ellevio is rebuilding the network for 1,300 customers. 80 km of lines will be buried and reinforced against weather and wind.





Skaraborg-Närke

- Around 27,000 customers

Investments

- 2,800 households in Skövde, Mariestad and Karlsborg will have a more secure supply of electricity once the Skaraborg package is complete. Investments here amount to SEK 130 million, and 200 km of cables are being buried.
- Major substations are being rebuilt in Svartå, Hova, Käckestad, Hjalstad and Kullåsen.

Gävleborg (Hälsingland, Gästrikland)

- Around 69,000 customers

Investments

- We are rebuilding the electricity network for some 6,500 customers as part of three major projects: 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.
- Outside Ljusdal, where Höggölen's wind farm is in the process of being extended, Ellevio will be responsible for connecting the farm to the network. Once this work is complete, it will be possible for 244 GWh of wind power to supply almost 50,000 households with renewable electricity.

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

- Around 595,000 customers

Investments

- During summer 2018, a major project was launched in which Stora Essingen's electricity network will be rebuilt and upgraded. Around 2,800 households will be provided with a modern and future-proofed electricity network.
- On Lidingö, a new line is being built between the stations at Koltorp and Käppala. This line will increase capacity in the area and improve operational safety.
- Many of the larger and important stations in Stockholm's electricity network are being rebuilt, including Värtan, Ulvsunda, Västberga, Högdalen, Bredäng and Sättra.
- A new 400 kV line is to be built between Beckomberga and Bredäng; a route of around 12 kilometres. Planning is under way and construction is estimated to start in 2019/2020.

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

Financing

The electricity network we are currently building is designed to function in the long term, which entails major demands in terms of longevity from both ourselves and our owners. At the same time, our operations are regulated, and these regulatory periods span a period of four years at a time.

Our loan structure

Our loans comprise covered 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 average financing interest rate for Ellevio's

external loan financing, including interest hedging derivatives, amounted to around 2.9 percent at year-end 2018 (3.5), and the average remaining term was around 8.6 years (8.5).

Shareholder loans that have a term of 25 years and are subordinate to other loans have an interest rate of 8.5 percent. This corresponds to around 6 percent of total shareholder capital, which consists of shareholder loans and total equity. No dividend has been paid to shareholders, with all return instead being taken out as interest on the shareholder loans. During the year we paid out SEK 0.5 billion (1.3) to our shareholders in Ellevio Holding 1 AB. The fact that the loans are subordinate means their interest is

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

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

This is structured so that the pension funds which manage the pension capital place long-term capital at Ellevio's disposal, which we in turn invest in the electricity networks of the future. In return, we are to offer the pension funds a reasonable, long-term and stable return. As both Ellevio and the pension funds work based on a



only paid once amortisations and interest on other loans have been paid, and thus entail a higher risk.

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

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

Network companies should receive compensation for reasonable costs linked to operations

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

long-term horizon, the pension funds can be considered appropriate and responsible owners.

It is difficult to quantify the societal benefit of the investments Ellevio makes in the electricity network. The network of the future will be a prerequisite of our ability

to electrify the transport industry, make the transition to 100 percent renewable electricity and ensure a secure supply of electricity to the whole country. A large number of jobs will also be created, both directly at our company and indirectly among the many contractors we engage.

ELLEVIO

Reliable, flexible and smart electricity networks today, tomorrow and in 50 years

Trust

Ellevio is given licence from society to run and manage electricity networks
Revenue frameworks are determined by laws and regulations

Community

- Secure supply of electricity in both urban and rural areas
- Stable electricity supply to vital societal functions
- Integrated European electricity market
- Secure supply of electricity to an electricity-dependent society

Customers

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

Employees

- Jobs
- Safe workplace
- Knowledgeable and committed employees
- Competent and responsible contractors

Environment

- Adaptation of the electricity network to the fossil-free transport system of the future
- Transition to 100 percent renewable electricity
- Biodiversity along power lines

Annual and Sustainability Report 2018.

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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 957,000 customers, 24 hours a day, each day of the year. By investing in a long-term sustainable power grid Ellevio works to improve the quality of life for its customers as well as to enable the ongoing energy transformation and the continued digitization of the society. The company conducts electricity distribution operations in concession areas on the West Coast, in Värmland, Skaraborg, Dalarna, Gävleborg and the Stockholm region.

Electricity distribution is essential to modern society and an uninterrupted electricity supply is becoming ever more important. Large parts of the Swedish electricity distribution network were built during the 1960s and 70s and are thus becoming outdated and due for replacement. This means that the entire distribution sector enters a period of large investments. For Ellevio, this meant launching a major investment programme in 2015 totalling nearly SEK 10 billion between 2016 and 2019 to renew the network, increase capacity and weatherproof the networks. During 2018 the investments has amounted to about SEK 2.9 billion, compared to SEK 2.4 billion in 2017.

The efforts are aimed at maintaining the high security of supply of 99.98 per cent that Ellevio's customers have today, but also at preparing the networks for the future. A higher share of renewable electricity from large- and small-scale solar and wind power facilities, the continued digitisation of society, the electrification of the transport network, and new services enabling users to control their electricity consumption impose new requirements on a smarter electricity network – one that is reliable yet also more automated and flexible.

During 2018 Ellevio AB (publ) has acquired the Group company Elverket Vallentuna AB and its subsidiary Elverket Vallentuna Elnät AB from Ellevio Holding 1 AB. The integration process has continued during the year and the acquired companies was merged with Ellevio AB (publ) from October 1 2018.

You could find information about Ellevio's sustainability efforts and value creation on pages 2–39 in the Annual Report and in the Sustainability management and results section and in GRI index on pages 76–87.

Other significant circumstances

Electricity distribution is a natural monopoly and as such a regulated business. This means that Ellevio operates under a regulatory framework, and is supervised by a government agency, the Swedish Energy Markets Inspectorate (Ei). Ei decides how much distribution network operators like Ellevio are allowed to charge its customers. These limits are known as the allowed revenue and the levels are determined in advance for four years at a time. The allowed revenue should cover reasonable costs for running the business and a fair return to the network owners. According to the Swedish Electricity Act, the electricity network fees paid by customers must be fair, objective and non-discriminatory.

On 1 January 2016, a new four-year regulatory period started, which entailed a few changes to the regulatory framework, above all a change in the method for calculating the asset base on the basis of the age of the network. Although the change substantially reduces the allowed revenue for distribution network companies compared with the previous periods, the new framework also stimulates new investments in electricity networks, which promotes the renewal and weather-proofing needed.

It is important that the regulatory framework support the developments taking place in society. Now that the industry is entering a period requiring substantial investments in order to renew the electricity network, it is positive that the framework stimulates investments. However, there are certain parameters where the views of the Ei and the industry differ. The most important of these is the cost of capital, where the industry argues that it should be based on a long-term view to reflect the long-term nature of network investments (over 40 years). Inadequate capital compensation can counteract the important objectives of the new regulation, i.e. to secure the renewal of the electricity networks. Unless investments are made on time, there is a risk of the security of supply suffering and of the electricity networks slowing the transformation of the energy system. Consequently, Ellevio and a majority of the network industry appealed Ei's decision

on a capital cost in 2015. After a legal process the cost of capital was finally set to 5.85 percent for the regulatory period of 2016 to 2019.

In September 2018, the Administrative court in Linköping ruled that the deficit from 2012–2015 can be carried over to 2020–2023. Ei appealed the ruling to the Administrative Court of Appeal in Jönköping, which decided on the issue in February 2019 in favour of the industry.

Financial results

In 2018 net sales amounted to SEK 6,974 million (6,894). The distribution revenue increased, both due to the acquisition and merger of Elverket Vallentuna and as a result of higher distribution volume because of cold weather in the first quarter of the year. The revenue from new connections were lower related to the implementation of IFRS 15, Revenue from contracts with customers. The volume of local and regional network transmission 2018 totalled 14.7 TWh (14.3) and 12.6 TWh (12.8), respectively. EBITDA totalled SEK 4,188 million (4,207) and operating profit totalled SEK 2,067 million (2,161).

Interest expense and similar items were SEK –3,019 million (–2,912), of which SEK –1,609 million (–1,656) were related to Group internal interest expenses and SEK –1,409 million (–1,256) to external interest expenses. The external interest expenses include changes in the fair value of financial instruments of SEK 375 million (127) as well as SEK –87 million (–154) in transaction costs, primarily related to the original acquisition financing.

During 2018 Ellevio has closed and cash settled interest rate swaps resulting in realized results of SEK –377 million. Excluding the items above the external interest expenses have increased with SEK 91 million compared to 2017, mainly due to issuance of Class B debt to repay the internal loan related to the junior debt in the Group and by extended debt maturity profile and interest rate duration. Loss after financial items amounted to SEK –893 million (–750). The deferred tax liabilities have been re-evaluated due to a decision in the Parliament to decrease the Swedish Corporate tax rate to 21.4% in 2019 and 20.6% in 2021, impacting the income tax positively with SEK 895 million.

Profit for the year amounted to SEK 1,280 million (288).

Financial position and cash flow

In 2018, cash flow from operating activities increased by SEK 559 million to SEK 4,676 million (4,117), mainly due to an increase in received connection fees of SEK 252 million and an increase in contributions from changes in working capital of SEK 234 million. The increased contribution from change in working capital is primarily related to energy tax, which from the 1 January 2018 is collected by the distribution companies instead of the electricity suppliers. Change in working capital contributed with SEK 226 million (–8).

Paid capital expenditure increased by SEK 242 million to SEK –2,611 million (–2,368). Cash flow for 2018 includes an intra-Group acquisition of the shares in Elverket Vallentuna AB from Ellevio Holding 1 AB in the amount of SEK –627 and 2017 of Nynäshamn Energi AB in the amount of SEK –438 million. In addition, cash flow for 2018 includes a divestment of the shares in Elverket Vallentuna EI AB (electricity sales company) in the amount of SEK 46 million. Free cash flow amounted to SEK 2,065 million (1,748) and cash flow before financing activities to SEK 1,491 million (1,314).

Paid interest amounted to SEK –2,238 million (–2,094), of which external interest accounted for SEK –1,260 million (–1,082), cash settlement of swaps SEK –377 million and intra-Group interest for SEK –602 million (–1,012). The internal interest is indirectly relating to the junior debt SEK –102 million (–149) and to shareholder loans SEK –500 million (–863).

The external net debt amounted to SEK 38,649 million (35,528). Since year-end 2017 the external net debt has increased by SEK 3,121 million, of which SEK 3,000 million is related issuance of external Class B debt.

Financing

During 2018, Ellevio raised SEK 6,000 million of new long term financing. The proceeds were used to finance the company's ongoing capex program and to pre-pay existing financing arrangements in the Group.

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

In addition to the issuance of Class B debt, Ellevio raised new long term Class A debt in the form of two separate bilateral fixed rate loans. In May, the company raised a SEK 1,500 million 1.5-year loan from the Nordic Investment Bank (NIB) and in August, a SEK 1,500 million 1-year loan from Export Development Canada (EDC).

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

Outlook

Ellevio works actively to shape the Swedish energy market, with a focus on electricity distribution operations. The company is driving a number of important regulatory matters through active involvement in industry trade groups, contacts with regulators and collaborations with other operators, both nationally and internationally.

During 2018, the work on establishing the regulations for the third regulatory period, 2020–2023, has proceeded. In August 2018, the Swedish government decided on a new ordinance regarding the regulatory framework for the third regulatory period. In short, the ordinance states six different parameters, which should be applied when calculating WACC (weighted average cost of capital) and the allowed revenue. In addition, the depreciation time for certain assets will be prolonged. The ordinance stipulates a decreased allowed revenue, which will affect all Swedish distribution system operators, from state- and municipality-owned to private companies. In addition, the "38 year rule" (the transition rule) has been removed.

Following the decision in the Government, the Swedish Energy Markets Inspectorate (Ei) will continue to formulate the regulations based on the ordinance. The deadline for applications for allowed revenue will be on March 31, 2019.

It is Ellevio's view that the new regulation will lead to a situation where the investment will neither be sufficient to fulfil society's demand for reliability and continued growth, nor to reach the climate targets. The investments needed are large. The energy transition towards renewable production and the electrification of the transport sector demands smart modern power grids, in terms of flexibility, capacity and efficiency. The time horizon for investments in this industry are 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 grid will have in building a climate-friendly society, and a common view of what is needed to succeed. We will work actively to enable a close dialogue with the policy makers to achieve a long-term and stable regulation that creates the required investment conditions.

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

Information on risks and uncertainties

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

The management of operational and financial risks is based on the company's adopted policies, which specify principles, frameworks and responsibilities with the aim of limiting the company's risk exposure. The policies are reviewed and submitted for adoption annually. Operational risks are identified, assessed and

addressed as an integral part of the company's day-to-day activities.

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

The ownership and operation of electricity distribution facilities entails operational risks, primarily in the form of operational disruptions that result in interruptions in the delivery of power to our customers. These risks are managed mainly through the reinvestment and maintenance programmes 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 2018, Ellevio had an average of 465 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.

Occupational health and safety issues are assigned high priority at Ellevio, both for our in-house staff and for contractors who are commissioned the company on assignments. The company takes a structured approach to these issues, which are governed and coordinated by a central function for occupational health and safety, environment, quality, security and sustainability, and pursues continuous improvements, through measures including regular audits of our operations and those of our contractors. Compliance is monitored through among others recurring audits of the operations and at our contractors. Progress in the organisation is monitored by management and the Board of Directors, on an ongoing and monthly basis. Ellevio has also established a special committee linked to the Board that addresses health and safety issues as well as sustainability issues.

Ellevio has a zero vision for accidents. Despite high requirements and continuous monitoring of occupational health and safety practices, serious accidents may nonetheless occur with severe consequences. In September 2018, a tragic fatal accident occurred in the wake of the storm Knud, when a contractor working for Ellevio with repair work was badly injured by a falling tree. The accident is currently being investigated by the police and the Swedish Work Environment Authority, according to normal procedures. Ellevio has and will continuously make all the necessary resources available to assist the investigation in the best way possible. Ellevio has also initiated its own investigation regarding the accident with the sole purpose to find improvements that will mitigate and prevent similar accidents in the future.

Since 2017 Ellevio has worked with a specific safety program, Safe workplace, in order to further improve the work around occupational health and safety within Ellevio and among contractors. In the light of this tragic accident, the importance of the Safe workplace programme has been further highlighted. During the year, Ellevio has taken several important steps to further improve the safety culture in the company and in the sector.

Environment

Ellevio AB (publ) is ISO 14001:2015 certified and the company operates under a Board approved sustainability policy, where environmental responsibility comprises one of three components. Environmental responsibility involves ensuring that the company employs various activities to reduce its impact on the environment and biological diversity by:

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

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

Sustainability report

In accordance with ÅRL, Ellevio AB has chosen to establish the statutory sustainability report as a separate report from the Annual Report. The sustainability report is found on pages 2–4, 18–33 and 76–87.

Group contributions

The company has in 2018 received SEK 1,514,226,265 in group contributions and given SEK 93,750 in group contributions. Net group contributions received amounted to SEK 1,514,132,515.

Proposed allocation of retained earnings (SEK)

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

Retained earnings	6,047,631,048
Profit/loss for the year	1,280,390,513
	7,328,021,561

The Board of Directors proposes:

Retained earnings to be carried forward	7,328,021,561
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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	2018	2017	2016	2015	2014
Net sales	6,974	6,894	6,537	6,014	5,870
EBITDA	4,188	4,207	3,946	3,275	3,194
Items affecting comparability	-39	-23	0	-5	-13
Comparable EBITDA	4,227	4,230	3,946	3,280	3,282
Operating profit	2,067	2,161	1,929	1,675	2,131
External financial items	-1,696	-1,228	-876	-337	-1
External financial items, Class A	-1,618	-1,228	-876	-	-
Profit/loss after net financial income/expense	-893	-750	-1,369	285	2,073
Profit/loss for the year	1,280	288	-239	15,463	18
Cash flow from operating activities	4,676	4,117	3,463	3,443	3,192
Free cash flow	2,065	1,748	1,406	1,860	1,975
Capital expenditure	2,870	2,381	2,076	1,706	1,217
Total assets	83,543	80,048	76,968	75,235	25,534
Total equity	7,361	6,201	5,923	6,163	637
Adjusted equity	8,296	7,035	6,534	6,509	16,454
Equity/assets ratio	9.9%	8.8%	8.5%	8.7%	64.0%
Adjusted cash	45	1	46	114	-
External net debt	38,649	35,528	34,075	32,864	-
External net debt, Class A	35,666	35,528	34,075	-	-
Leverage ratio	9.1x	8.4x	8.6x	10.6x	-
Leverage ratio, Class A	8.4x	8.4x	8.6x	-	-
Interest cover ratio	2.4x	3.3x	4.1x	-	-
Interest cover ratio, Class A	2.5x	3.3x	4.1x	-	-
Delivered volume (TWh)	27.3	27.1	27.1	26.8	26.8
No. of customers (in thousands)	957	939	918	912	908
Average no. of employees	465	433	412	407	378

Definitions.

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

Adjusted cash

Cash and cash equivalents less customer deposits

Adjusted equity

Total equity plus 78 percent of the untaxed reserves

Class A financial items

External financial items less Class B interest expense

Class A leverage ratio

Class A net divided by comparable EBITDA

Class A interest cover ratio

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

Class A net debt

External net debt less Class B debt

Comparable EBITDA

EBITDA less items affecting comparability

EBITDA

Operating profit plus depreciation, amortisation and impairments

Equity/assets ratio

Adjusted equity divided by total assets multiplied with 100

External financial items

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

External net debt

External interest-bearing liabilities less adjusted cash

Free cash flow

Cash flow from operating activities less paid capital expenditure

Interest cover ratio

Comparable EBITDA less income tax paid divided by external financial items

Items affecting comparability

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

Leverage ratio

External net debt divided by comparable EBITDA

Income statement.

MSEK	Note	1 Jan 2018 31 Dec 2018	1 Jan 2017 31 Dec 2017
Net sales	5, 6	6,974	6,894
Capitalised own work		84	70
Other operating income	7	93	70
		7,151	7,034
OPERATING EXPENSES			
Costs for purchase and transit of power		-1,151	-1,023
Other external expenses	8, 9	-1,337	-1,384
Employee benefits expense	10, 11	-474	-419
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	-2,121	-2,046
Operating profit		2,067	2,161
FINANCIAL INCOME AND EXPENSES			
Interest income and similar items	13	58	1
Interest expense and similar items	14	-3,019	-2,912
Profit/loss after net financial income/expense		-893	-750
Appropriations	15	1,463	1,207
Profit/loss before tax		569	457
Income tax expense	16	711	-169
PROFIT/LOSS FOR THE YEAR		1,280	288

Statement of comprehensive income.

MSEK	1 Jan 2018 31 Dec 2018	1 Jan 2017 31 Dec 2017
Profit/loss for the year	1,280	288
Other comprehensive income	-	-
COMPREHENSIVE INCOME FOR THE YEAR	1,280	288

Balance sheet.

MSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets			
	17		
Goodwill		4,983	5,233
Concessions		39,051	39,298
IT systems		110	94
Utility easements		180	163
Projects in progress and advance payments		112	77
		44,436	44,866
Property, plant and equipment			
	18, 32		
Buildings and land		851	854
Machinery and other technical plant		27,706	26,352
Equipment, tools and facilities		46	36
Assets under construction and advance payments		2,942	2,476
		31,546	29,718
Non-current financial assets			
Investments in associates	19	0	0
Receivables from Group companies		2,980	2,138
Plan assets	10	1	0
		2,981	2,138
Total non-current assets		78,963	76,721
Current assets			
Current receivables			
Trade receivables	20	1,098	632
Receivables from Group companies	21	1,515	1,493
Current tax assets		3	-
Other receivables	22	291	155
Prepaid expenses and accrued income	6, 23	1,616	1,307
		4,524	3,317
Cash and cash equivalents			
	24, 32	56	10
Total current assets		4,580	3,327
TOTAL ASSETS		83,543	80,048

Balance sheet, cont.

MSEK	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		1	1
Statutory reserve		0	0
Development reserve		32	19
		33	20
Non-restricted equity			
Retained earnings		6,048	5,893
Profit/loss for the year		1,280	288
Total equity		7,361	6,201
Untaxed reserves	25	1,198	1,069
Provisions			
Deferred tax liability	16	13,311	14,005
Other provisions		1	0
Total Provisions		13,312	14,005
Non-current liabilities			
Bond loans	26	32,732	29,749
Liabilities to credit institutions		5,356	5,005
Liabilities to Group companies		19,176	21,131
Derivatives		13	388
Other non-current liabilities	6	540	207
Total non-current liabilities		57,817	56,480
Current liabilities			
Liabilities to credit institutions		392	509
Trade payables		818	607
Liabilities to Group companies	27	1	38
Current tax liabilities		-	29
Other current liabilities	6, 28	1,148	167
Accrued expenses and deferred income	6, 29	1,195	944
		3,854	2,293
TOTAL EQUITY AND LIABILITIES		83,543	80,048

Statement of changes in equity.

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

MSEK	Restricted equity			Non-restricted equity	Total equity
	Share capital ¹⁾	Statutory reserve ¹⁾	Development reserve ²⁾	Retained earnings including profit for the year	
Balance at 1 January 2017	1	0	13	5,910	5,923
Provisions for development reserve			7	-7	-
Comprehensive income:					
Profit/loss for the year				288	288
Other comprehensive income				-	-
Total comprehensive income				288	288
Merger difference				-10	-10
Balance at 31 December 2017	1	0	19	6,181	6,201

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 proprietary produced IT programmes.

The company has a total of 60 shares (60). The quotient value is SEK 10,000 (10,000) per share.

Cash flow statement.

MSEK	Note	1 Jan 2018 31 Dec 2018	1 Jan 2017 31 Dec 2017
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit		2,067	2,161
Adjustments for non-cash items:			
Depreciation and amortisation	12	2,121	2,046
Disposals/retirements of non-current assets		29	23
Periodised connection fees		-7	-5
Change in provision for doubtful receivables		-3	0
Received connection fees		350	98
Income tax paid		-107	-199
Cash flow from operating activities before changes in working capital		4,450	4,125
CHANGES IN WORKING CAPITAL			
Decrease(+)/increase(-) in trade receivables		-418	-76
Decrease(+)/increase(-) in other operating receivables		-631	-79
Decrease(-)/increase(+) in trade payables		16	25
Decrease(-)/increase(+) in other operating liabilities		1,259	122
Cash flow from operating activities		4,676	4,117
INVESTING ACTIVITIES			
Capital expenditure in intangible assets		-102	-64
Capital expenditure in property, plant and equipment		-2,508	-2,305
Acquisition of shares		-627	-438
Proceeds from sales of tangible assets		7	4
Proceeds from sales of shares in group companies		46	-
Cash flow from investing activities		-3,185	-2,802
Cash flow before financing activities		1,491	1,314
FINANCING ACTIVITIES			
	30		
Borrowings		6,200	14,063
Repayment of borrowings		-6,080	-12,695
Loans given		-	-650
Repayment of loan receivables		650	-
Received dividend		21	-
Received interest		2	1
Paid interest		-2,238	-2,094
Cash flow from financing activities		-1,445	-1,374
Cash flow for the year		46	-60
Cash and cash equivalents at 1 January		10	55
Cash and cash equivalents in merged company		0	15
Cash and cash equivalents at 31 December	24	56	10

Accounting policies and notes.

NOTE 1

GENERAL INFORMATION ABOUT THE COMPANY

Ellevio AB (publ), corporate ID number 556037-7326, is a limited liability company registered in Sweden whose registered office is in Stockholm. The address of the head office is Valhallavägen 203, SE-115 53 Stockholm, Sweden. The company conducts electricity network operations. Ellevio AB (publ) is a wholly owned subsidiary of Ellevio Holding 4 AB, corporate ID number 559005-2451. Consolidated financial statements are prepared by Ellevio Holding 1 AB, corporate ID number 559005-2444. The Group structure is presented in Note 34.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

This annual report was prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RFR 2 Financial Reporting for Legal Entities issued by the Swedish Financial Reporting Board. The application of RFR 2 requires the company to apply, insofar as possible, all EU-adopted International Financial Reporting Standards (IFRS) and interpretations of IFRS issued by the IFRS Interpretation Committee (IFRIC) subject to the provisions of the Swedish Annual Accounts Act and the Swedish Pension Obligations Vesting Act and take account of the relationship between accounting and taxation.

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

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

Reclassification

The company has chosen to present advances from customers attributable to connection services broken down by long- and short-term part. To show comparability between the years a reclassification of the 2017 liabilities in the balance sheet has been prepared as follows:

SEK, million	2017
Increase of long-term liabilities	194
Decrease of short-term liabilities	-194

On January 1, 2018, two new accounting standards came into force; IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which meant a change in the company's accounting principles.

IFRS 15 Revenue from Contracts with Customers was issued on 28 May 2014 and replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes a model for revenue recognition for nearly all types of revenue arising from contracts with customers, with the exception of leases, financial instruments and insurance contracts. The basic principle for recognition of revenue under IFRS 15 is that a company should recognise revenue in the manner that reflects the transfer of the promised goods or service to the customer, in the amount that the company expects to receive in exchange for the goods or service. Revenue is recognised when control of the good or service has passed to the customer. IFRS 15 is applicable for reporting periods beginning 1 January 2018. The new standard has been applied prospectively.

Revenue from connection fees, except revenue from connection of wind farms in the regional grid, had an impact on the company's financial statements due to the implementation of the new standard. The company's assessment is that a connection to the grid consists of two promises: a promise to implement a new connection to the grid and a promise to continuously connect and distribute electricity to the connection points. These promises are not distinct, since a new connection is only possible if there is a commitment to continuously connect and distribute electricity. The two promises should be considered to be one performance obligation as neither one of them fulfils the criteria to be distinct in IFRS 15.

The consequence of this for Ellevio is that connection fees will be periodised. The periodisation period for standard connections is 40 years and 25 years for wind farms. The effect of the change has decreased the company's revenue by SEK 198 million for the full year 2018. Other than the impact on the connection fees the transition to IFRS 15 has not had any impact on the company's financial reports.

IFRS 9 Financial Instruments was issued on 24 July 2014 and replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard contains new requirements on the classification and measurement of financial instruments, on derecognition and impairment, and general rules for hedge accounting. The standard is applicable for periods beginning on 1 January 2018. The new standard has been applied prospectively.

Classification and measurement

The company applies the exception in RFR 2 to not report financial instruments according to the new rules for classification and measurements in accordance with IFRS 9 instead financial instruments are reported on the basis of cost in accordance to the Annual Accounts Act.

Expected credit losses

The implementation of IFRS 9 meant that Ellevio applied a new model for impairment of financial assets. The model is based on expected credit losses instead of the previous model, which is based on losses incurred. The write-down rules under IFRS 9 reflect changes in the credit risk and take account of credit events at an earlier stage. Ellevio's financial assets mainly consist of accounts receivable which are categorized as short-term receivables where the counterparty has a good credit rating, see also Note 4 Credit and counterparty risk. Ellevio 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 a basis for accounts receivable. In order to calculate expected credit losses, the company has developed a model based on classification of the counterparties' credit rating and payment history. The analysis carried out by Ellevio based on historical customer data shows that the transition to the new model for accounting of expected credit losses resulted in an increase of SEK 3.7 million from the provision to the reserve for doubtful receivables. Future impact will vary depending on seasonal variations and size of accounts receivable. Holdings in cash and cash equivalents and internal receivables are also within the scope of application for impairment losses in accordance with IFRS 9. The company has assessed that there is no impairment requirement for these receivables.

Hedge accounting

The company applies hedge accounting according to RFR 2 and even if the company uses the exception in RFR 2 not to report financial instruments in accordance with IFRS 9 the rules in IFRS 9 regarding when hedge accounting may be applied and which financial instruments may be included in a hedging relationship must be followed, see further Note 2 Financial instruments, hedge accounting and Note 4.

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

New and amended standards as well as interpretations of and changes to RFR 2 that have been issued but only become effective for reporting periods beginning after 1 January 2019 have not yet been applied by the company. New and amended standards and interpretations that are deemed to have an impact on the company's financial statements in the period in which they are first applied are described below:

IFRS 16 Leases was issued on 13 January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a right-of-use model under which the lessee is required to recognise essentially all leases in the balance sheet. No classification of operating and finance leases should therefore be made. The exceptions are leases with a term of 12 months or less and low-value leases. Depreciation/

NOTE 2 cont.

amortisation of the asset and interest expenses on the liability are recognised in the income statement. The standard contains more extensive disclosure requirements compared with the current standard. For lessors, IFRS 16 does not entail any real differences compared with IAS 17. IFRS 16 is applicable to reporting periods on or after 1 January 2019. Earlier application is permitted provided that IFRS 15 is applied simultaneously. The standard was adopted by the EU on 31 October 2017. IFRS 16 will not be applied in local gaap. The effect of the change is estimated to have a material impact on the Ellevio Group's financial reports. See Note 1 for more information about Ellevio Group consolidated financial statements. The management believes that other new and changed standards and interpretations that have not yet entered into force will not have any significant impact on the company's financial reports when applied for the first time.

Revenue

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

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

Network services

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

Connection services

Revenue from the sale of connection services is recognised as revenue to the extent that it is not intended to cover future obligations. Revenue from standard connections is allocated over 40 years and revenue from the connection of wind farms is allocated over 25 years.

Other network related services

Revenue from the relocation of network facilities is recognised as revenue to the extent that it is not intended to cover future obligations.

Communication and rental income

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

Other recurring operating income

Other recurring operating income such as income from reconnection services and other customer-initiated activities are recognised in connection with the performance of the service.

Leases

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

Future lease payments refer to operating leases. The company has no significant finance leases.

Foreign currency

Receivables and liabilities in foreign currency have been translated at the rate at the end of the reporting period. Unrealised foreign exchange gains and losses are included in profit or loss. Foreign exchange gains (losses) on operating

receivables and liabilities are recognised in the same item of income and expense as that to which the income or expense refers. Foreign exchange differences related to financial assets and liabilities are recognised under net financial income and expenses.

Borrowing costs

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

Employee benefits

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

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

Changes to the tax rate in Sweden

As a result of the approved tax cuts, deferred tax assets and tax liabilities have been revalued using the new tax rates based on the point in time at which the asset or liability is expected to be realised or regulated. The revaluations resulted in a reduction of both deferred tax liabilities and deferred tax assets to the value of SEK 895 million net. The net impact was reported in the income statement in the "Income tax" line. Also see Note 16.

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.

Property, plant and equipment

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

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

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

The estimated useful lives for property, plant and equipment are:

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

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

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

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

Intangible assets**Internally generated intangible assets**

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

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

Separate acquisition of intangible assets

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

The estimated useful lives for intangible assets are:

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

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

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

Impairment of non-financial assets

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

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

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

Non-current financial assets

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

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

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

Financial instruments

Financial instruments reported in the balance sheet includes, on the asset side, cash and cash equivalents, loan receivables, accounts receivable and derivatives. On the debt side, loan liabilities, accounts payable and derivatives.

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contractual terms and conditions of the instrument. Accounts receivable are recognized when the invoice has been sent and debt is raised when the counterparty has delivered and there is a contractual obligation to pay, even if the invoice has not yet been received. A financial asset is derecognised in the balance sheet when the contractual right to the cash flow from the asset expires or is settled or when the company loses control of it. A financial liability, or portion of a financial liability, is derecognised in the balance sheet when the contractual obligation is fulfilled or else is terminated. Financial instruments are measured at cost on initial recognition. Non-current receivables and non-current liabilities are measured at amortised cost on initial recognition. Borrowing costs are allocated to accounting periods as part of the interest expense of the loan.

Subsequent to initial recognition, current assets that are not derivatives are measured at amortized cost, taking into account any expected credit loss. Subsequent to initial recognition, current liabilities that are not derivatives are measured at amortised cost.

Accounts payable have a short expected maturity and are valued at nominal amount without discounting.

Amortised cost

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

Loans and receivables

Financial assets classified as "Loans and receivables" are financial assets that are not derivatives, have fixed or determinable payments, and are not quoted on an active market. This includes trade receivables and cash and cash equivalents. Trade receivable are generally due for payment within 30 days and all accounts

NOTE 2 cont.

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.

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

Hedge accounting is applied for derivatives that are included in a documented hedge relationship. The use of hedge accounting requires an explicit link to exist between the hedging instrument and the hedged item. It also requires the hedge to effectively protect against the risk that it is intended to hedge, that its effectiveness can be shown to be sufficiently high on an ongoing basis through effectiveness measurements and that hedge documentation has been established. The assessment of whether hedge accounting should be applied is made at the inception of the hedge relationship. Valuation is based on cost and accounting of the change in value is not recognised in the income statement as long as the hedge accounting is effective. The effectiveness of a hedge is evaluated when a hedge relationship is entered. Critical terms are i.e. reference interest rates, interest rate conversion days, payment days, electricity price area, maturity date and nominal amount. The hedged item and hedging instruments are evaluated on an ongoing basis to ensure that the relationship meets the requirements. If changed circumstances affect the terms of the hedged item to such an extent that the critical conditions no longer match exactly with the critical instrument of the hedging instrument, the company uses the hypothetical derivative method to evaluate its effectiveness. If the hedging relationship terminates or if the relationship is no longer considered effective, the derivative instrument with negative value is recognized immediately in the income statement in accordance with the lowest value principle.

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

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

Cash and cash equivalents

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

Provisions

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

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

NOTE 3 SIGNIFICANT ESTIMATES AND JUDGEMENTS

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

Network income and network expenses

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

Useful life of concessions

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

Useful life of goodwill

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

Useful life of other intangible assets

The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network has been defined as 8 years based on the minimum expected life of the monitoring system. Utility easements (including land leases) refer to contracts that give the company access to land belonging

NOTE 3 cont.

to third parties for an indefinite period for the establishment of electricity network facilities. The company therefore considers the asset equivalent to land and no amortisation is recognised. The value of utility easements is tested for impairment annually or when there is an indication of impairment.

Useful life of property, plant and equipment

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

Deferred tax and current tax

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

Impairment of non-financial assets

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

**NOTE 4
FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

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

MARKET RISKS

Currency risk

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

Transaction exposure

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

Balance sheet exposure

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

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

At the end of the reporting period the nominal amount of loans in foreign currency and corresponding outstanding cross-currency interest rate swaps amounted to EUR 655 million (655) and USD 1,104.5 million (1,104.5).

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

	31 Dec 2018		Average interest rate
	Nominal amount	Fair value	
EUR converted into MSEK			
Maturity over 5 years	3,067	188	3,63
Maturity over 10 years	3,109	166	4,18
USD converted into MSEK			
Maturity over 5 years	4,766	-189	2,83
Maturity over 10 years	4,036	-446	3,70
Total	14,978	-281	3,51

	31 Dec 2017		Average interest rate
	Nominal amount	Fair value	
EUR converted into MSEK			
Maturity over 5 years	3,067	39	3,63
Maturity over 10 years	3,109	45	4,18
USD converted into MSEK			
Maturity over 5 years	2,231	-255	2,67
Maturity over 10 years	6,571	-1,049	3,42
Total	14,978	-1,220	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 2018		31 Dec 2017	
	Volume, GWh	Fair value	Volume, GWh	Fair value
Maturity within 12 months	667	142	665	4
Maturity within 1-5 years	676	64	668	15
Maturity after 5 years	-	-	-	-

The hedged item consists of highly probable forecast transactions relating to purchases of electricity. Cash flows are expected to be generated in 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 interest-bearing liabilities, including intra-Group loans, and interest rate derivatives based on nominal amounts converted into SEK.

NOTE 4 cont.

Fixed-rate term	31 Dec 2018	31 Dec 2017
Within 12 months	1,842	2,807
Within 1–5 years	–	3,273
Within 5–10 years	25,864	20,387
Over 10 years	30,182	30,226
Total	57,888	56,693

The company's policy is to reduce the volatility of net financial income/expenses by mainly financing operations at fixed, long-term interest rates. The financial policy states that at least 75 percent of the external interest-bearing debt is to be financed or fixed at fixed interest rate. At the end of the reporting period, 95 percent of the company's external debt was subject to fixed interest rates after taking account of interest rate derivatives. The weighted average interest rate on all borrowings, taking account of derivatives contracts, was 4.8 percent at the end of the reporting period.

The company applies hedge accounting. The hedge is a cash flow hedge. During 2018, the company has closed interest rate swaps which resulted in an unrealised loss of SEK 377 million. During the period SEK 375 million (127) 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, of which SEK 366 million is attributable to the interest rate swaps that was realised during the year. 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 2018		Average interest rate
	Nominal amount	Fair value	
Maturity within 12 months	–	–	–
Maturity within 1–5 years	–	–	–
Maturity over 5 years	8,421	–507	1,66
Maturity over 10 years	–955	–13	1,51
Total	7,466	–520	1,68

	31 Dec 2017		Average interest rate
	Nominal amount	Fair value	
Maturity within 12 months	–	–	–
Maturity within 1–5 years	3 273	–429	4,73
Maturity over 5 years	10 000	–564	1,66
Maturity over 10 years	–955	–22	1,51
Total	12 318	–1 015	2,49

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 2018, around 5 (5) percent of the debt portfolio, including intra-Group loans, was subject to variable interest rates. The effect of a 1 percent change in the interest rate for the debt portfolio is SEK 16 million (21) for 2019.

Valuation of financial instruments to fair value

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

Derivatives

All derivatives are measured according to level 2. Interest rate swaps are measured by discounting future cash flows based on actual market interest rates (observable curves) and interest rates according 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. At the end of the reporting period, the company's cash and cash equivalents excluding customer deposits amounted to SEK 45 million (1), while guaranteed loan commitments amounted to SEK 10,066 million (9,857). The company's total loans amounted to SEK 57,870 million (56,693) at the end of the reporting period, of which SEK 38,649 million (35,528) referred to external loans and SEK 19,176 million (21,164) referred to interest-bearing loans from Group companies. No more than 25 percent of the total outstanding external 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 loans was 8,6 years (8.5). 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 2018	Within 12 months	1–5 years	Over 5 years	Total
Interest-bearing liabilities	1,296	8,853	56,424	66,573
Trade payables	818	–	–	818
Total	2,114	8,853	56,424	67,391

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 rates at the end of the reporting period.

31 Dec 2018	Within 12 months	1–5 years	Over 5 years	Total
Electricity derivatives (net receivable)	140	67	–	206
Cross-currency interest rate swaps (liabilities)	–528	–2,117	–3,054	–5,699
Cross-currency interest rate swaps (receivables)	473	1,892	2,775	5,140
Interest rate swaps (net debt)	–175	–702	–292	–1,169
Total	–90	–861	–570	–1,523

CREDIT AND COUNTERPARTY RISK

Credit risk refers to the risk that a counterparty to a transaction will cause a loss by failing to fulfil its contractual obligations. The company's exposure to credit risk is primarily attributable to trade receivables and derivatives. The company's derivatives are transacted with counterparties with a minimum credit rating of BBB+ (S&P, Fitch) or Baa1 (Moody's). Trade receivables are spread across a large number of customers and no individual customer accounts for a significant share of the company's total trade receivables. Nor are the company's trade receivables concentrated to a specific geographic area. The total sales to the single biggest customer equals approximately 1.1 percent of the company's net sales, see also Note 20. The company therefore considers the concentration risks to be limited. The company's credit risk in relation to external banks arising from cash and cash equivalents is deemed to be low, as the majority of the company's liquid assets are held in the Swedish banking system.

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

	31 Dec 2018	31 Dec 2017
Trade receivables	1,098	632
Other current receivables	1,706	988
Cash and cash equivalents	45	1
Total	2,849	1,620

CAPITAL STRUCTURE

The company's target is to maintain an efficient capital structure that minimises the cost of the sum of equity and debt while ensuring long-term access to debt financing. The company is primarily financed through external loans amounting to about SEK 38.6 billion. The external debt consists of various types of debt that are all managed through an established financing platform based on a Common Terms Agreement, where all lenders have common terms and conditions and are equal from securitisation point of view (senior Class A debt). Almost half of the external loans are listed on the Irish stock exchange. The company is also financed with internal loans from Ellevio Holding 4 AB, which consists of loans from the Group's shareholders to Ellevio Holding 1 AB of

approximately SEK 19.1 billion. To further strengthen its capital structure, the company repaid existing junior debt within the Group in 2018 and issued a 7-year fixed-rate class B bond at a value of SEK 3 billion. In addition to the issue of class B debt, the company took on new long-term class A debt in the form of two separate fixed-rate bilateral loans. In May, the company contracted a 15-year loan at a value of SEK 1,500 million from the Nordic Investment Bank (NIB), as well as an 11-year loan at a value of SEK 1,500 million from Export Development Canada (EDC) in August.

Ellevio's senior class A debt has a "BBB" credit score (stable 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 2018	31 Dec 2017
Interest-bearing liabilities	57,870	56,693
Less intra-Group interest-bearing liabilities	-19,176	-21,164
Less cash and cash equivalents excl. customer deposits	-45	-1
External net debt	38,649	35,528
Operating profit	2,067	2,161
Plus depreciation, amortisation and impairment	2,121	2,046
EBITDA	4,188	4,207
Items affecting comparability	39	23
Comparable EBITDA	4,227	4,230
Leverage ratio	9.1	8.4

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**

2018	Distribution revenue	Connection fees	Other network related services	Total
Local networks Central Sweden	4,954	13	36	5,003
Local networks West Coast	1,006	3	1	1,010
Regional networks Rest of Sweden	818	5	24	847
Regional networks Stockholm	38	-	77	115
Total	6,817	20	137	6,974

¹¹ In 2018 the network area Local networks Stockholm, Local networks West Svealand and Local networks South Norrland were reported together within the reporting area local networks Central Sweden in accordance with the Swedish Energy Market Inspectorate's decision and joint price-setting policy.

2017	Distribution revenue	Connection fees	Other network related services	Total
Local networks Stockholm	2,788	143	31	2,962
Local networks West Svealand	1,225	19	3	1,247
Local networks West Coast	989	37	1	1,027
Local networks South Norrland	724	16	0	740
Regional networks Rest of Sweden	803	8	10	821
Regional networks Stockholm	37	0	60	97
Total	6,566	223	105	6,894

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

IFRS 15 Revenue from Contracts with Customers is applicable to the fiscal year starting 1 January 2018. As a result of this new standard, any revenue recognition relating to connection services or which is not attributable to revenue for connecting wind power to regional networks has impacted the company's financial statements for the 2018 fiscal year. Ellevio has opted to apply the standard prospectively, meaning no comparative figures have been recalculated, see Note 2 for more information. The company's contractual debt consists of accrued connection

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

NOTE 6 cont.

Contractual assets and contractual liabilities	2018	2017
Contractual assets and contractual liabilities consists of the following items as of 31 December:		
Contractual assets	869	826
Contractual liabilities – Long-term	-528	-194
Contractual liabilities – Short-term	-14	-9
Net of contractual assets (contractual liabilities)	327	623

Revenue reported during the period, as of:	2018	2017
Revenue included in opening balance in items:		
Contractual assets	826	808
Contractual liabilities	5	4

**NOTE 7
OTHER OPERATING INCOME**

	2018	2017
Communication income	11	7
Rental income	8	7
Reconnection income	5	5
Network monitoring services	4	4
Reminder fees	28	26
Other operating income	37	20
Total	93	70

**NOTE 8
REMUNERATION TO AUDITORS**

KSEK	2018	2017
Ernst & Young AB		
Audit engagement	-790	-
Audit activities in addition to audit engagement	-105	-
Deloitte AB		
Audit engagement	-	-780
Audit activities in addition to audit engagement	-	-76
Tax advisory services	-	-360
Other services	-	-467
Total	-895	-1,683

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. Other services largely comprise advice and assessment of the company's refinancing in 2017.

**NOTE 9
LEASES**

Operating leases – lessee	2018	2017
Expense for the year, operating leases		
Lease expenses	-139	-127
Total	-139	-127

Leases refer primarily to land leases and rents for stations. 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:

	2018	2017
Maturity:		
Within 1 year	140	126
1–5 years	198	215
Later than 5 years	446	452
Total	784	793

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 8 million (8). Future minimum lease expenses under non-cancellable operating leases fall due as follows:

	2018	2017
Maturity:		
Within 1 year	7	7
1–5 years	8	10
Later than 5 years	4	5
Total	20	22

**NOTE 10
EMPLOYEES AND EMPLOYEE BENEFITS**

Average numbers of employees	2018	2017
Women	128	120
Men	337	313
Total	465	433

Number of directors and senior executives	2018	2017
Women:		
Board of Directors	2	3
Other senior executives	6	6
Men:		
Board of Directors	7	6
Other senior executives including the CEO	5	5
Total	20	20

Salaries and remuneration	2018	2017
Salaries and other remuneration to Directors, the CEO and other senior executives	-30	-25
Salaries and other remuneration to other employees	-263	-236
Pension costs for Directors, CEO and other senior executives	-5	-4
Pension costs for other employees	-42	-40
Social security contributions	-106	-94
Total	-446	-399

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 2018

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

¹⁾ The variable remuneration consists of both expensed bonuses (short-term incentives, STIs) that will be paid during following year, and expensed long-term incentives (LTIs) that will be paid out in during the three following years. For further information on variable remuneration, please see information below on STIs and LTIs.

²⁾ Other benefits mainly consist of company cars.

³⁾ Disclosures on pension costs refer to pension premiums expensed for the financial year.

Remuneration and other benefits 2017

KSEK	Base salary/ Board fees	Variable remuneration ¹⁾	Other benefits ²⁾	Pension costs ³⁾	TOTAL	Capital value of pension commitment
Sören Mellstig (Chairman of the Board)	-1,400				-1,400	
Oskar Backman (Board member)					-	
Ralph Berg (Board member)					-	
Catharina Elmsäter-Svärd (Board member)	-233				-233	
Jens Henriksson (Board member)					-	
Colin Hood (Board member)	-535				-535	
Nicola Shaw (Board member)	-535				-535	
Johan Lindehag (CEO)	-2,253	-1,958	-30	-701	-4,942	-281
Other senior executives (10 persons)	-11,335	-6,810	-207	-3,452	-21,804	-116
Total	-16,291	-8,768	-237	-4,153	-29,449	-397

¹⁾ The variable remuneration consists of both expensed bonuses (short-term incentives, STIs) that will be paid during following year, and expensed long-term incentives (LTIs) that will be paid out in during the three following years. For further information on variable remuneration, please see information below on STIs and LTIs.

²⁾ Other benefits mainly consist of company cars.

³⁾ Disclosures on pension costs refer to pension premiums expensed for the financial year.

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

In 2018, the CEO received a fixed salary of SEK 2,282 thousands (2,253) and variable remuneration of SEK 3,218 thousands (1,958). Variable remuneration consists of a short-term incentive corresponding to 0–100 percent of the fixed annual salary, and a long-term incentive corresponding to 0–100 percent of the yearly fixed salary. Variable remuneration does not constitute pensionable salary, nor is it a basis for holiday pay. (For further information on variable remuneration, please see information below on STIs and LTIs).

The CEO and all other senior executives in the management team are covered by a defined contribution pension plan that is entirely based on premiums, under which premiums comprise 30 percent of the fixed annual salary (see Note 11). For 2018, 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. During the year, one senior executive has resigned and will receive salary during an extended notice period until August 2019. The employment terms of other senior executives are consistent with market employment terms and there are no agreements providing for termination salary in excess of six months or agreements on severance pay.

SHORT-TERM INCENTIVES (STI)

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

LONG-TERM INCENTIVES (LTI)

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

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

NOTE 11 PENSIONS

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

Defined benefit pension plans

The company has undertaken to make predetermined payments to the employee on or after retirement. The company has the following defined benefit pension plans: PA-KL (including SPP), Birkaplanen and the ITP 2 Plan. PA-KL (including SPP) is a plan for municipal employees in Sweden. There are currently no active employees in that plan. The plan is administered and valued by SPP. Birkaplanen is an alternative ITP plan. The benefits are administered by and secured through an insurance policy with Skandia Liv. The ITP 2 Plan is partly closed, which means that only new employees born before 1979 have the option of choosing the ITP 2 solution. The ITP 2 Plan is insured with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Recognition of the ITP 2 Plan Funded through Insurance with Alecta, this is a defined benefit plan covering several employers. For the 2018 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 24 million (19). 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 2018, Alecta's surplus in the form of the collective consolidation level was 142 percent (154).

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 2.3 percent (2.4). Assumed annual returns are defined by the company.

Defined benefit pension plans in the consolidated balance sheet

	31 Dec 2018	31 Dec 2017
Total present value of defined benefit obligations	125	149
Fair value of plan assets	155	187
Net amount, defined benefit pension plans	31	38

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

	2018	2017
Cost in profit/loss for the year		
Costs relating to services during current period	-47	-44
Total	-47	-44

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

	2018	2017
Amortisation of intangible assets	-741	-740
Depreciation of buildings and land improvements	-28	-30
Depreciation of machinery and other technical plant	-1,339	-1,266
Depreciation of equipment, tools and facilities	-13	-10
Total	-2,121	-2,046

NOTE 13 INTEREST INCOME AND SIMILAR ITEMS

	2018	2017
External interest income	2	1
Proceeds of sale shares in group companies	35	-
Dividend received	21	-
Total	58	1

NOTE 14 INTEREST EXPENSE AND SIMILAR ITEMS

	2018	2017
External interest expense	-1,755	-1,340
Intra-Group interest expense	-1,609	-1,656
Derivatives that do not meet the criteria for hedge accounting	375	127
Other financial expenses	-30	-43
Total	-3,019	-2,912

NOTE 15 APPROPRIATIONS

	2018	2017
Group contributions received	1,514	1,493
Group contributions paid	0	0
Reverse of depreciations above plan	74	-
Distribution to tax allocation reserve	-125	-286
Total	1,463	1,207

NOTE 16

TAX

	2018	2017
Current tax		
Current tax on profit for the year	-83	-189
Current tax attributable to prior years	0	-1
Deferred tax		
Deferred tax attributable to temporary differences	-82	21
Deferred tax attributable to prior years	-19	0
Deferred tax attributable to revaluation of tax rate	895	-
Total	711	-169
Reconciliation, tax expense for the year	2018	2017
Profit/loss before tax	569	457
Tax calculated at Swedish rate (22%)	-125	-101
Tax effect, permanent items:		
Non-deductible depreciation on goodwill	-66	-66
Non-taxable income	29	0
Other items	-2	-2
Current tax attributable to prior years	0	-1
Tax effect, temporary items:		
Depreciation of fixed assets	1	-43
Change in market value unrealised derivatives	82	28
Other items	-1	-6
Change in deferred tax	-82	21
Deferred tax attributable to previous years	-19	0
Revaluation of deferred tax attributable to new Swedish tax rates (21.4% and 20.6%)	895	-
Total	711	-169
Recognised tax expense for the year	711	-169

Deferred tax assets and deferred tax liabilities

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

	31 Dec 2018	31 Dec 2017
Deferred tax assets		
Doubtful receivables	1	0
Unrealised losses on derivatives	-	85
Other	0	0
Deferred tax assets	2	86
Deferred tax liability		
Surplus value concessions	8,051	8,646
Buildings and land improvements	141	152
Residual value depreciation, machinery and equipment	5,121	5,293
Deferred tax liability	13,313	14,091
Net deferred tax liabilities	13,311	14,005

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

The Swedish parliament has resolved to reduce corporation tax in two stages. On 1 January 2019 this tax will be reduced to 21.4% before being further reduced on 1 January 2021 to 20.6%. Ellevio has considerable amounts of deferred tax and the company has revalued the deferred tax liabilities in line with the tax rate that best corresponds to the period in which the underlying temporary difference will be realised. The reduction in corporation tax resulted in a positive one-off item of SEK 895 million.

NOTE 17

INTANGIBLE ASSETS

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

At the end of the reporting period, there were commitments to acquire intangible fixed assets amounting to SEK 34 million (3).

The useful life of a part of IT investments related to systems for monitoring the operation of the electricity network has been defined as 8 years based on the minimum expected life of the monitoring system. The cost amounts to SEK 32 million (32) and the residual value per 2018-12-31 amounted to SEK 19 million (23).

2017	Goodwill	Concessions	IT systems	Utility easements	Projects in progress and advance payments	Total
COST at 1 January 2017	5,967	40,235	421	141	59	46,823
Costs incurred during the year	–	–	–	–	49	49
Disposals/retirements	–	–	–	–	–	–
Acquisition value through merger	38	104	–	–	–	142
Reclassifications	–	–	–	–	22	22
Classification of capitalised costs	–	–	31	22	–53	–
Accumulated cost at 31 December 2017	6,005	40,339	452	163	77	47,035
Depreciation at 1 January 2017	-472	-637	-321	–	–	-1,430
Disposals/retirements	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–
Depreciation for the year	-300	-403	-37	–	–	-740
Accumulated depreciation at 31 December 2018	-772	-1,040	-358	–	–	-2,170
Carrying amount at 31 December 2018	5,233	39,298	94	163	77	44,865

Impairment testing

The company's non-financial assets excl. goodwill are divided into four 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. 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 2018	Goodwill	Concessions
Local networks Central Sweden		28,057
Local networks West Coast		7,717
Regional networks Rest of Sweden		2,737
Regional networks Stockholm		540
Common	4,983	
Carrying amount	4,983	39,051

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 five years are based on detailed business plans. The 40-year forecast period corresponds approximately with the regulatory lifetime of the electricity distribution assets, which also conforms well with the investment cycle. Determination of future cash flow is made by calculating how allowed revenue is expected to evolve over time, based on an assumption that the current regulatory model will remain valid for future regulatory periods. The calculations are based on the

company's long-term investment plans, assumptions concerning the company's evolution of costs for both investments and operating costs in relation to regulatory norm-/reference costs and regulatory rate of return (WACC). The assumption for the regulatory weighted average cost of capital (WACC) is based on the new regulation resolved by the government in August 2018 for the period 2020–2023. Ellevio does not feel that this regulation provides sufficient incentive to implement necessary investments to develop the electricity network and thus enable society's energy transition. Cash flows from 2024 and onwards are based on an assumption of a return to a long-term sustainable rate of return. After the 40-year period a growth rate of 2 percent is applied, which coincides with the company's long-term assumption of inflation and long-term growth. The company's future cash flow is discounted to its value of use with a discount factor of 5.6 percent after tax. Assumptions of the discount rate are based on external observable market information for similar assets. The discount rate is consistently used for all cash-generating units, based on the notion that they all adhere to the same regulatory framework. The annual test for possible impairment performed in the fourth quarter of 2018 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 0,25 percent after tax, all other factors remaining equal, shows a need for impairment by SEK 300 million of the cash generating unit Local networks Västskusten.

NOTE 18 TANGIBLE FIXED ASSETS

	Buildings and land	Land improvements	Machinery and other technical plant	Equipment, tools and facilities	Assets under construction and advance payments	Total
2018						
Cost at 1 January 2018	1,323	21	47,284	158	2,476	51,263
Costs incurred during the year	–	–	–	–	2,767	2,767
Disposals/retirements	–22	–	–262	–24	–	–308
Acquisition value through merger	39	–	654	25	24	742
Reclassifications	–	–	1	–1	–	–
Classification of capitalised costs	11	–	2,293	22	–2,326	–
Accumulated cost at 31 December 2018	1,351	21	49,971	180	2,942	54,467
Depreciation at 1 January 2018	–472	–20	–20,932	–122	–	–21,546
Disposals/retirements	16	–	235	22	–	273
Accumulated depreciations through merger	–18	–	–227	–21	–	–266
Reclassifications	–	–	–1	1	–	–
Depreciation for the year	–28	–1	–1,339	–13	–	–1,381
Accumulated depreciation at 31 December 2018	–500	–20	–22,264	–135	–	–22,920
Carrying amount at 31 December 2018	850	1	27,706	46	2,942	31,546

At the end of the reporting period, there were commitments to acquire property, plant and equipment amounting to SEK 2,686 million (2,821).

	Buildings and land	Land improvements	Machinery and other technical plant	Equipment, tools and facilities	Assets under construction and advance payments	Total
2017						
Cost at 1 January 2017	1,311	21	45,710	129	1,681	48,852
Costs incurred during the year	–	–	–	–	2,332	2,332
Disposals/retirements	–3	–	–240	–1	–	–244
Acquisition value through merger	11	–	324	1	10	345
Reclassifications	–	–	–	–	–22	–22
Classification of capitalised costs	4	–	1,491	29	–1,524	0
Accumulated cost at 31 December 2017	1,323	21	47,284	158	2,476	51,263
Depreciation at 1 January 2017	–443	–19	–19,880	–112	–	–20,454
Disposals/retirements	0	–	216	0	–	216
Accumulated depreciations through merger	0	–	–3	0	–	–3
Reclassifications	–	–	–	–	–	–
Depreciation for the year	–29	–1	–1,266	–10	–	–1,305
Accumulated depreciation at 31 December 2017	–472	–20	–20,932	–122	–	–21,546
Carrying amount at 31 December 2017	852	1	26,352	36	2,476	29,718

NOTE 19 INVESTMENTS IN ASSOCIATES

	31 Dec 2018	31 Dec 2017
Cost at 1 January	0	0
Carrying amount at 31 December¹⁾	0	0

¹⁾ The carrying amount at 31 December 2018 was SEK 32,000 (32,000).

Name	Share of equity ²⁾	Share of votes	Number of shares	Value 31 Dec 2018
Triangelbolaget	25%	25%	525	0

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

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

NOTE 20 TRADE RECEIVABLES

	31 Dec 2018	31 Dec 2017
Trade receivables, gross	1,104	641
Provision for doubtful receivables	–6	–10
Trade receivables, net after provisions for doubtful receivables	1,098	632

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

For the year 2018, energy tax is also included in the amount trade receivables since tax liability for energy tax has been taken over by the electricity distribution companies as of January 1 2018.

Changes in provisions for doubtful receivables

	31 Dec 2018
Provisions for doubtful receivables at 1 January	-10
Provisions for doubtful receivables for the year	-6
Write-offs	3
Reversal of unused amount	7
Provisions at 31 December	-6

31 Dec 2018	Gross	Provisions for doubtful receivables	Net
Not yet payable	1,063	-1	1,062
30 days past due	25	-1	24
31-60 days past due	4	-0	4
61-90 days past due	1	-0	1
> 90 days past due	11	-3	7
Total	1,104	-6	1,098

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

NOTE 21
RECEIVABLES FROM GROUP COMPANIES

	31 Dec 2018	31 Dec 2017
Receivable, group contributions	1,514	1,493
Other receivables	0	0
Total	1,515	1,493

NOTE 22
OTHER RECEIVABLES

	31 Dec 2018	31 Dec 2017
Settlement account for taxes and fees	6	0
Settlement, billing agent	284	154
Other current receivables	1	1
Total	291	155

NOTE 23
PREPAID EXPENSES AND ACCRUED INCOME

	31 Dec 2018	31 Dec 2017
Accrued distribution revenue	869	826
Accrued energy tax	543	-
Accrued interest income	159	165
Prepaid rents	27	25
Other items	18	21
Total	1,616	1,037

NOTE 24
CASH AND CASH EQUIVALENTS

	31 Dec 2018	31 Dec 2017
Available balances with banks and other credit institutions	45	1
Customer deposits	11	9
Total	56	10

NOTE 25
UNTAXED RESERVES

	31 Dec 2018	31 Dec 2017
Tax allocation reserve	1,198	1,069
Total	1,198	1,069

NOTE 26
NON-CURRENT LIABILITIES

	31 Dec 2018	31 Dec 2017
Maturity within 1-5 years	5,382	9,480
Maturity over 5 years	52,434	47,001
Total carrying amount	57,817	56,480

The nominal amount of the long-term loans at the end of the reporting period was SEK 57,477 million (56,184).

The company's utilised overdraft facilities totalled SEK 392 million (136) and are included in the item "Current liabilities to credit institutions." The limit on the overdraft facility is SEK 1,000 million (300).

NOTE 27
LIABILITIES TO GROUP COMPANIES

	31 Dec 2018	31 Dec 2017
Accrued interest	-	38
Other liabilities	1	-
Total	1	38

NOTE 28
OTHER CURRENT LIABILITIES

	31 Dec 2018	31 Dec 2017
Restructuring reserve	8	0
Liability, VAT	206	111
Energy tax	1,168	-
Employer contributions and deduction of withholding tax	14	13
Repayments to customers	2	1
Disruption and damage compensation to customers	0	10
Advances received	26	23
Periodised connection services	14	9
Other current liabilities	10	-
Total	1,448	167

NOTE 29
ACCRUED EXPENSES AND DEFERRED INCOME

	31 Dec 2018	31 Dec 2017
Accrued interest	495	441
Accrued salaries	60	55
Accrued social security contributions	23	21
Deferred income	3	2
Accrued investment expenses	193	117
Accrued transmission costs	86	74
Accrued measurement value costs	4	10
Accrued rents	29	28
Accrued field services	245	131
Accrued customer service costs	8	9
Other items	48	56
Total	1,195	944

NOTE 30

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

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

	31 Dec 2016	Cash flows	Non-cash items			31 Dec 2017
			Capitalized interest	Unrealised contracts	Periodised financing costs	
Liabilities to Group companies	20,490	-421	1,049		14	21,131
Current liabilities to credit institutions	130	378				509
Non-current liabilities to credit institutions	14,513	-9,645			138	5,005
Bonds	19,099	10,635			14	29,749
Derivatives	515	-122		-5		388
Total liabilities from financing activities	54,747	825	1,049	-5	166	56,782

NOTE 31 MERGER

In 2018, Ellevio AB acquired the Group company Elverket Vallentuna AB, corporate ID number 556577-2171 and the subsidiary Elverket Vallentuna Elnät AB, corporate ID number 556907-2134, from Ellevio Holding 1 AB. As of October 1 2018, the acquired companies were merged with Ellevio AB. The income statement for Ellevio AB for 2018 includes SEK 88 million in net profit, SEK 23 million in operating profit and SEK 57 million from financial items that relate to the income statements from Elverket Vallentuna AB and Vallentuna Elnät AB before the merger (taking account of elimination of internal transactions between the companies). In the merger, goodwill on consolidation from intangible and tangible assets and the related deferred tax and depreciations were taken over by Ellevio AB. A merger difference of SEK 121 million was booked to equity. The balance items are allocated follows:

Assets

Goodwill	51
Surplus value concessions	157
Surplus value buildings and land	15
Surplus value machinery, equipment and tools	454
Projects in progress and advanced payments	20
Current assets	47
Cash and cash equivalents	28
Total assets	771

Equity and liabilities

Untaxed reserves	78
Deferred tax liabilities	98
Current liabilities	15
Total equity and liabilities	191

NOTE 32 PLEGDED ASSETS

	31 Dec 2018	31 Dec 2017
Floating charges	136	136
Property mortgages	462	462
Bank deposits	45	1
Total	643	599

NOTE 33 RELATED-PARTY TRANSACTIONS

The company's balances with Group companies mainly consist of interest-bearing liabilities and related interest expenses to the parent company, Ellevio Holding 4 AB. 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 2018. Information on transactions with related parties is provided in Notes 4, 14, 21 and 27.

NOTE 34 GROUP STRUCTURE

Company	Corp. ID No.	Share (%)
Ellevio Holding 1 AB	559005-2444	100%
Elverket Entreprenad AB	556910-6791	100%
Laforsen Produktionsnät AB	556050-9191	100%
Ellevio Holding 2 AB	559001-1937	100%
Ellevio Holding 3 AB	559005-2436	100%
Ellevio Holding 4 AB	559005-2451	100%
Ellevio AB (publ)	556037-7326	100%

NOTE 35 PROPOSED ALLOCATION OF RETAINED EARNINGS

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

Retained earnings	6,048
Profit/loss for the year	1,280
	7,328

The Board of Directors proposes:

Retained earnings to be carried forward	7,328
	7,328

NOTE 36 SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

In early 2019 Ellevio announced its investment plans for the next regulatory period of 2020–2023. Ellevio has adjusted the plans in order to adapt to the new regulation entailing lower permitted revenue. During the period Ellevio will invest SEK 4.3 billion in the network, referred to as basic investments, that include reinvestments and new investments in expanding capacity in the existing networks.

This will lead to a more than 40% reduction compared to the original plans and investments between 2016–2019 – a reduction that will negatively impact the electricity infrastructure and society as a whole. The focus of investments will continue to be placed on weather-proofing the networks in rural areas and ensuring there is sufficient capacity in cities to enable the expansion of the underground network in Stockholm, for example. Ellevio's view of the regulation is that its framework does not support the long-term goal of ensuring the maintenance of the network's high level of reliability and enabling the transition to a climate-smart society. On 22 January 2019, Ellevio announced that the company had signed a financing agreement with 12 Swedish and international banks.

The agreement, known as a Revolving Credit Facility and Liquid Facility worth SEK 9 billion, secures financing for Ellevio at a pre-determined interest rate for a period of 5 to 7 years.

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 25 April 2019 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 85–86, has been prepared in accordance with GTR's Standard guidelines.

Stockholm, April 25, 2019

Sören Mellstig
Chairman of the Board

Oskar Backman

Ralph Berg

Mattias Bylund

Lars Clausen

Jens Henriksson

Karin Jarl Månsson

Mohammad Nazemi

Pamela Sundin

Johan Lindehag
Chief Executive Officer

We submitted our audit report on April 25 2019
Ernst & Young AB

Henrik Jonzén
Authorised Public Accountant

Auditor's Report.

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts of Ellevio AB (publ) for the financial year 2018-01-01–2018-12-31. The annual accounts of the company are included on pages 43–68 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 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

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

Basis for Opinions

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

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

Other matters

The audit of the annual accounts for the financial year 2017-01-01–2017-12-31 was performed by another auditor who submitted an auditor's report dated 26 April 2018, with unmodified opinions in the Report on the annual accounts.

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, 2018 amounts to 44 436 MSEK, which equals 53.2% of the company's total assets. Of the reported value, 4 983 MSEK relates to goodwill and 39 051 MSEK relates to concessions. As described in note 2 impairment testing is done on an annual basis and on the indication of a need for impairment. In order to determine the value of a potential impairment loss an asset's recoverable amount is calculated. With the aim of determining a need for impairment, the assets are grouped together based on the minimal levels for which there are identifiable cash flows (cash-generating units). The recoverable amount is determined by calculating the value in use and in note 17 the main assumptions used when calculating the value in use are described. Intangible assets constitute a significant part of the company's total assets and the valuation of these are dependent of management's assumptions and judgments. Hence, we have assessed the valuation of intangible assets as a key audit matter in our audit.

How our audit addressed this key audit matter

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

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on pages 1–40 and 71–86. 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 2018-01-01–2018-12-31 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 26, 2018 and has been the company's auditor since April 26, 2018.

Stockholm April 25, 2019
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, 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 2018. A statutory review of the corporate governance report has been carried out by company's auditors whose opinion is on page 73.

Principles of corporate governance

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

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

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

Owners and ownership structure

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

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

The Group also includes Ellevio Holding 2 AB, Ellevio Holding 3 AB, Elverket Entreprenad AB and Laforsen Produktionsnät AB. The Group structure is presented in Note 34 on page 67.

Annual general meeting

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

The 2018 annual general meeting was held on 26 April at Ellevio's head office in Stockholm. All shareholders were represented and the auditors were present. No decisions were taken beyond the ordinary decisions at the annual general meeting. Given the limited amount of owners, neither a notification of nor minutes for the annual general meeting were published on the company's website.

The 2019 annual general meeting will be held on 25 April 2019 in Stockholm.

Board of Directors and its work

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

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

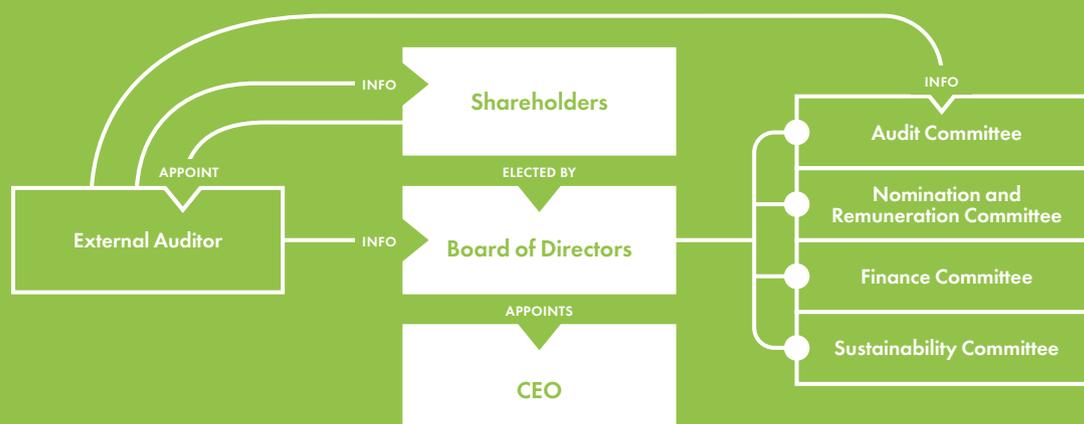
The Board is to establish written rules of procedure governing its own work, and these should be revised and established on an annual basis. These include instructions for the Board's areas of responsibilities and the boundaries versus the Board Committees as well as the CEO.

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

Composition of the Board

According to the Articles of Association, the Board is to comprise no less than three and no more than 10 Directors, and no more than 10 deputies. The shareholders nominate Directors in accordance with the shareholder agreement, and the annual general meeting takes the final decision.

In 2018, the Board consisted of seven Directors and two employee representatives. The Board comprised Sören Mellstig (Chairman of the Board), Oskar Backman, Ralph Berg, Mattias Bylund, Jens Henriksson, Colin Hood, Karin Jarl Månsson, Pamela Sundin (employee representative) and Mohammad Nazemi (employee



representative) who replaced Patrik Widén in March 2018. Colin Hood was replaced by Lars Clausen from 1 March 2019.

The Board's deputies during the year were Alastair Hall, Sten Olsson, Henrik Nordlander who replaced Klas Åkerbäck in April 2018, Johan Magnusson who replaced Martin Källström in September 2018, Tomas Bergquist (employee representative) and Fredrik Ullman (employee representative). The Board of Directors is presented on page 74.

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 2018, nine 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 Government's ordinance from August 2018
- Financing matters
- Safety issues, particularly concerning the working environment and cyber security

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 2018, the Audit Committee comprised Mattias Bylund (Chair) and Sören Mellstig.

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 2018, the Committee comprised Sören Mellstig (Chair), Oskar Backman, Jens Henriksson and Alastair Hall, who replaced Ralph Berg in April 2018.

The Finance Committee is responsible for reviewing the company's financial strategy and the ongoing monitoring of the financial risk exposure. In 2018, the Finance Committee comprised Oskar Backman (Chair), Ralph Berg, who was replaced by Alastair Hall in April 2018 and Patrik Widén (employee representative), who was replaced by Mohammad Nazemi (employee representative) in April 2018.

The Sustainability Committee is responsible for assessing the Health, Safety and Environment (HSE) strategy, monitoring HSE performance in relation to set targets, identifying key areas of improvement and encouraging greater awareness of the importance of HSE. In 2018, the Sustainability Committee comprised Colin Hood (Chair), Tomas Bergquist (employee representative) and from April 2018 Karin Jarl Månsson.

Board fees

The shareholders have submitted a proposal for adoption by the annual general meeting concerning Board fees. The 2018 annual general meeting adopted a resolution on fees pursuant to the proposal submitted by shareholders. Information on Board fees for 2018 can be found in Note 10 on pages 59–60.

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 26 April 2018, Ernst & Young AB was elected as the company's auditor for the period until the end of the 2019 annual general meeting. The principal auditor is authorised public accountant Henrik Jonzén.

The auditor reported the findings of the review of the 2018 annual accounts to the Audit Committee at its meeting of 12 February 2019 as well as to the Board at the Board meeting of 25 April 2019.

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. Information about remuneration to the CEO and management team in 2018 can be found in Note 10 on pages 59–60. The management team, including the CEO, is presented on page 75.

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 the Swedish Energy Markets Inspectorate (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 became the first standalone electricity distribution operator to join the UN Global Compact, which covers the areas of human rights, labour law, environment and anti-corruption.

Auditor's report on the corporate governance statement

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the financial year 2018-01-01–2018-12-31 on pages 71–72 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance

with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

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

Stockholm April 25, 2019
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant

Board of Directors.



FROM LEFT TO RIGHT, SEATED:

Colin Hood*

Year of birth: 1955, joined the business in: 2015

Jens Henriksson

Year of birth: 1967, joined the business in: 2015

Sören Mellstig

Chairman

Year of birth: 1951, joined the business in: 2015

Oskar Backman

Year of birth: 1971, joined the business in: 2015

Mattias Bylund

Year of birth: 1977, joined the business in: 2018

FROM LEFT TO RIGHT, STANDING:

Karin Jarl Månsson

Year of birth: 1964, joined the business in: 2018

Mohammad Nazemi.

Employee representative

Year of birth: 1976, joined the business in: 2018

NOT IN THE PHOTO:

Pamela Sundin

Employee representative

Year of birth: 1972, joined the business in: 2015

Ralph Berg

Year of birth: 1972, joined the business in: 2015

* Colin Hood resigned 28 February 2019. He was replaced by Lars Clausen.

Management Team.



FROM LEFT TO RIGHT, SEATED:

Erika Abrahamsson

Legal

Year of birth: 1965, joined the business in: 2011

Thomas Saubach

Operations

Year of birth: 1969, joined the business in: 2002

Anna Lidberg

Communications

Year of birth: 1968, joined the business in: 2008

Jan Seveborg

Treasury

Year of birth: 1962, joined the business in: 2015

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

Anna-Karin Käck

Finance

Year of birth: 1976, joined the business in: 1999

FROM LEFT TO RIGHT, STANDING:

Anna Byström

HR and sustainability (Acting)

Year of birth: 1969, joined the business in: 2018

David Bjurhall

Regulation

Year of birth: 1975, joined the business in: 2010

Bengt Johansson

Network

Year of birth: 1961, joined the business in: 1989

Sustainability management and results.

This year's sustainability results show that we have made good progress towards our sustainability targets. Equality has increased, our employees are happy working for us and our customers are increasingly happy.

Our sustainability initiatives

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

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

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

Ellevio's environmental responsibility entails that our impact on the climate and our natural resources should be as minimal as possible, and involves us contributing to the transition to a sustainable energy system.

Our 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 corrective measures wherever necessary. We describe our efforts and achievements in 2018 in this report.

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 85–86.

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.

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

Examples of such affiliations include:

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

Sustainability targets

Ellevio has established five long-term strategic sustainability targets.

By 2023, we are to have achieved the following:

1. Safety and the environment will be taken into account in all of our work and decisions, which will lead to better choices for a sustainable future. Ellevio's safety culture will be well integrated into the organisation and extend right out to staff in the field who work on behalf of Ellevio. The result of this will be fewer incidents and accidents. Our environmental footprint will be reduced and we will have enhanced biodiversity along our power line corridors by establishing adapted maintenance plans.
2. Our customers will see us as reliable, committed and sustainable. In addition to a reliable supply of electricity, our customers will be offered a modern platform that enables efficiency enhancements. Our customers and other important stakeholders will view Ellevio as a responsible and reliable partner and consultant within our society.
3. We will have ensured a dramatically reduced proportion of power outages, unplanned maintenance and actions to remedy faults thanks to effective investments in the network and preventive maintenance.
4. Our sustainability initiatives will be a fully integrated part of our processes and organisation.
5. Our employees will be very satisfied with Ellevio as an employer. Diversity will be a strength, with more and more women working at the company and occupying management positions and thus contributing to greater equality. Employees will enjoy a good work-life balance thanks to correct resource allocation and planning, as well as support from sensitive managers who set a good example. Ellevio will be an attractive company, renowned in its sector and a preferred option for people who have the skills and qualifications Ellevio needs to continue its success.



Ellevio’s overall environmental goals involve – apart from the transition to a sustainable energy system – reducing the impact on the climate and natural resources and contributing to strong biodiversity.

The following detailed targets have been established:

Significant sustainability issues	Description of target	2018	2023 target
Health and safety	Total percentage of fulfilled requirements in the field during unannounced visits to the site (indexed)	82%	88%
	Accident frequency (LWIF) of workers at contractors	2.8	<2
Biodiversity	Number of km surveyed power line corridors including updated management plans (compiled length)	414	900
Good working conditions	Percentage women at the company	27%	33%
	Employee commitment index (level of commitment)	70.5	75

Management of sustainability initiatives

A Code of Conduct which reflects the Global Compact’s ten principles and a sustainability policy form the basis of Ellevio’s sustainability initiatives. Both the sustainability policy and the Code of Conduct have been adopted by Ellevio’s Board of Directors. Ellevio has an environmental management system certified in accordance with ISO 14001:2015. In addition to these policies, there are further supporting policies and guidelines that govern Ellevio’s sustainability initiatives:

- Ellevio’s sustainability requirements for contracts
- Fundamental safety policy
- Code of Conduct for suppliers
- Risk policy
- Information security policy
- Network policy, which describes how Ellevio will plan and develop its electricity network, including principles for redundancy
- Whistleblowing policy
- Equal opportunity policy
- Sponsorship policy
- SF₆ policy

All major sustainability issues, such as joint improvement targets, activities and measurements, are prepared by one of the sustainability committees appointed by the Board for decisions to be taken by the Board.

Ellevio’s sustainability manager participates in the meetings of the sustainability committee and is responsible for implementing decisions within the organisation.

There are several sustainability aspects that must be considered for large infrastructure projects and investments in the network, such as choice of materials, construction method and whether the planned location involves any environmental or human impact. All projects over SEK 5 million and SEK 10 million respectively (local and regional networks) must therefore undergo a sustainability analysis before an investment decision can be taken. The aim of the sustainability analysis is to ensure that every sustainability aspect and risk relevant to us is taken into account in the investment proposal. By integrating and mapping such sustainability aspects during the investment process, we are able to increase our understanding of sustainability. The analysis also ensures that our investment proposals are in line with Ellevio’s environmental targets and the sustainability policy.

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

Stakeholder dialogue and materiality analysis

Ellevio pursues a continuous dialogue with its most important stakeholders. This dialogue takes a different form for different groups.

The report is based on the materiality analysis undertaken in 2017 to identify the sustainability issues that have the most significant financial, environmental and social impact on Ellevio and its most important stakeholders.

The materiality analysis comprised three parts: a secondary analysis, interviews and an internal workshop with Ellevio employees.

- The secondary analysis mapped out Ellevio’s sustainability context and was based on internal information and a review of the sustainability initiatives of industry colleagues.
- Interviews with stakeholders. Employees, representatives of owners, industry and stakeholder organisations, suppliers and customers were all interviewed. There were no major differences in how these stakeholders viewed Ellevio’s significant issues.
- The results of the secondary analysis and interviews along with nine significant sustainability issues for Ellevio were established at the workshop, which involved executive management.

Important stakeholders



In December 2018 Ellevio held a meeting with representatives from the business community, academia and authorities to discuss what needs to be done in both the short and long term to achieve targets linked to the transition towards a sustainable energy society. The meeting, which was an important part of our continuous stakeholder dialogue, touched on both what Ellevio can do as part of its operations and what needs to happen in wider society in order for these targets to be achieved.

Significant sustainability issues

On pages 2–4 and 18–21 we describe our business model and how Ellevio creates value in society. Below are our nine most significant sustainability issues based on the materiality analysis.

Certain issues affect several areas and can have a financial, environmental and social impact.

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

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 and managing risks lies with each business unit. The finance department is responsible for coordinating risk management activities and for reporting on significant risks together with action plans for the Board of Directors. Ellevio’s Audit Committee, which reports directly to the Board, bears overall responsibility for risk management.

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

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

Sustainability results 2018.

Below we report the results of our sustainability initiatives in 2018. The report is structured around our significant sustainability issues.

Transition to a more sustainable energy system

On pages 6 and 8–15 there is a description of what is meant by a sustainable energy system and its significance to society. In order to track its development, we have chosen to divide up sustainable energy systems in investments in infrastructure, weather-proofing, choice of

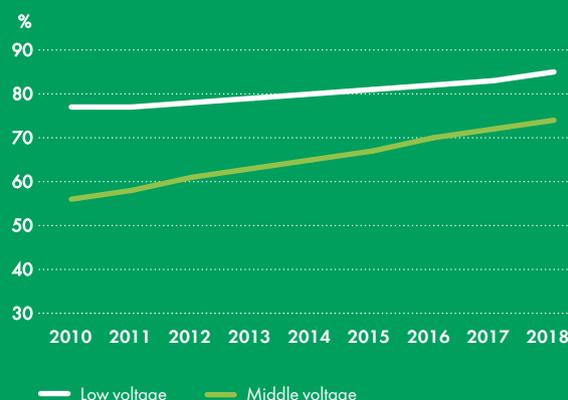
materials, smart electricity networks and electricity from renewable sources as significant issues. Ellevio is to invest SEK 10 billion during the period 2016 to 2019 and it has already invested SEK 7.4 billion.

Issue	Target	2018	2017
Transition to a more sustainable energy system. <i>Choice of materials</i>	Decommission pipelines with pressurised oil-filled cables to reduce the risk of oil leaks. According to the plan, all oil cables in Stockholm will be decommissioned in 2019. Only use SF ₆ if there are no alternatives and reduce leakage. Reduce usage of creosote poles. 25,000–30,000 poles are to be removed between 2018 and 2019.	20 km were cleaned. Planning was carried out for a new cable to replace the remaining 1.2 km of pressurised oil cable in operation. 285 kg (1,040 kg) was newly installed and total leakage was 8.7 kg. Around 14,000 creosote poles were removed.	14 km was decommissioned and 33 km was cleaned. 1,040 kg (208 kg) was newly installed and total leakage was 29.6 kg. Around 13,600 creosote poles were removed.
Transition to a more sustainable energy system. <i>Smart electricity networks</i>	Improved network monitoring and measurement infrastructure by replacing electricity meters for all customers.	In 2018 Ellevio carried out a procurement to establish new business partners who could implement the new electricity meters; the procurement process concluded in early 2019.	The procurement commenced in 2017.
Transition to a more sustainable energy system. <i>Electricity from renewable sources</i>	Contribute to greater share of electricity produced by renewable sources.	In 2018, the number of microproducing solar panels increased by 99%. The total number of customers in 2018 was 2,899. 31 new wind turbines with a total output of 107 MW were connected.	In 2017, the number of microproducing solar panel customers increased by 56%. The total number of customers in 2017 was 1,454. 26 new wind turbines with a total output of 82 MW were connected.
Transition to a more sustainable energy system. <i>Investments in infrastructure</i>	Ellevio is to invest SEK 10 billion during the period 2016–2019.	SEK 2.9 billion was invested.	SEK 2.4 billion was invested.
Transition to a more sustainable energy system. <i>Weather-proofing</i>	Continuously increase the cabling rate in our local networks in order to make our power grids more resilient towards harsh weather.	Ellevio has reached a cabling rate of 80% in the local networks.	Ellevio has reached a cabling rate of 79% in the local networks.

Security of supply (SAIDI)



Cabling rate, local networks (%)



Choice of materials

Ellevio considers it vital to minimise – or ideally avoid – the use of the gas sulphur hexafluoride (SF₆), which has more than 23,000 times greater impact on the climate than CO₂. Ellevio's policy is not to use gases that impact the climate more than is absolutely necessary on the grounds of technology, space or cost. In practice, we minimize the usage of SF₆ as an insulator for switching centres. In Stockholm new facilities with SF₆ are only built at higher voltages, where we compete with many other players for space which provides us with few or none alternative technical methods.

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

Wooden poles have an environmental disadvantage due to the need to protect against decay. Ellevio is reducing the number of creosote-impregnated wooden poles by replacing older low-voltage overhead lines with cables in the ground as far as possible, thus also weather-proofing the networks. When replacing poles we take the surrounding environment into consideration, and so other pole materials are used in sensitive environments, such as composite, steel or concrete. Measures are taken to protect the ground from deposits of preservatives in the case of temporarily erected poles.

To ensure these chemicals are used in a controlled manner, there are clear requirements in agreements, policies and internal control programmes. Continuous work is under way to pinpoint more environmentally solutions.

Smart electricity networks

The description of why smart electricity networks are a significant issue and how they are managed can be found on pages 12–14.

Electricity from renewable sources

The description of why electricity from renewable sources is a significant issue can be found on pages 11–13 and 30–31. Ellevio is working actively to connect wind power by way of close collaborations with wind power developers. We also have specific processes to help micro-producers who want to produce electricity using solar panels, for example.

Investments in infrastructure

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

Investments are the most important activity in terms of adapting the electricity network to the needs of the future. In 2018, Ellevio invested SEK 2,870 million in network infrastructure. The duration of the investments is expected to be at least 40 to 60 years, depending on the type of facility. Ellevio is active both in regions with major population growth, principally Stockholm and Gothenburg, but also in sparsely populated areas where the expansion of the network enables tourism activities and new wind power facilities to develop.

Weather-proofing

Weather-proofing overhead lines can be carried out in different ways. Two examples include replacing them with new, insulated overhead lines or simply replacing them with buried underground cables. The process of burying power lines can be very long in areas of major natural and cultural value. At times, judicial decisions and permissions from authorities and municipalities are required. We always discuss and negotiate with land owners to obtain permission to carry out work on their land.

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, a specific organisation has been established at Ellevio that monitors the electricity network around the clock, 7 days a week and 365 days a year. Good accessibility to electricity is vital if today's society is to function, and accessibility will become increasingly important as new industries become electrified. Ellevio currently has a security of supply of 99.98 percent.

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 periods (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 autumn or winter of the year in question. SAIDI is based on reporting to Ei.

Since Storm Gudrun in 2005, Ellevio has undertaken systematic work to weather-proof the electricity network, particularly in rural areas, which are affected more severely than Stockholm and other urban areas. There are more customers in Stockholm, but a larger proportion of the network is buried underground and there are extensive opportunities for change-over switching.

Comments

Despite major investments in weather-proofing of the electricity network, many kilometres of overhead lines remain exposed to strong winds and trees falling onto the lines. 2018 was a considerably more windy year than 2017, which can also be seen in the outage statistics.

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

Customer satisfaction

Electricity is a necessity if our modern lives are to function properly. A reliable electricity supply is the basis of our offering to customers and a prerequisite for our customers feeling satisfied with us as a company. In addition to measuring security of supply, we have also chosen to report customer satisfaction in some of the company's most important customer processes – customer service, outage compensation and connection.

Customer satisfaction is measured on a monthly basis by way of telephone surveys among a selection of our customers. In total, some 10,000 customers respond to our questions every year. The results of the customer surveys are followed up at management level and reported to the Board of Directors.

Target	2018	2017
84% satisfied customers.	87% satisfied customers.	85% satisfied customers.

Responsible purchasing

Ellevio's Code of Conduct for suppliers specifies environmental and social requirements that the suppliers must fulfil. These requirements are identical to the ones we place on ourselves. The majority of Ellevio's purchasing takes place via call-off orders from relevant framework agreements in which extensive social and environmental requirements are set during the procurement process, as well as projects procured via the Act on procurement of water, energy, transport and postal services (LUF), in which equivalent requirements are set for the specific project. Ellevio procures various goods and services which are divided up into five main categories: contract work, IT, consultant services, strategic materials and indirect materials/services.

A small amount of suppliers and contractors account for a very high share of Ellevio's purchasing volumes: 105 suppliers account for a full 95% of Ellevio's total purchasing volume. Within this supplier segment, all EHS-related requirements are continuously and carefully checked,

and fulfillment of Ellevio's Code of Conduct is an obligatory condition of becoming an Ellevio supplier. We also check whether these requirements are complied with at later stages, by way of unannounced visits to suppliers in the field. Furthermore, Ellevio has a large amount of smaller suppliers of products and services, with annual volumes of SEK 0–100,000. 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, as according to the proportionality principle. More information about responsible purchasing can be found on page 21.

Comments

75 percent of purchases in 2018 were for contractor services and materials for investments in our electricity networks.

Target	2018	2017
All new supplier contracts are to include Ellevio's sustainability requirements.	All 5 new major suppliers reviewed.	All 19 new major suppliers reviewed.
250 unannounced site visits.	334 unannounced site visits.	313 unannounced site visits.
10 in-depth audits to be carried out.	10 in-depth audits.	10 in-depth audits.

Biodiversity

Biodiversity is a concept used to describe the variety of species of life on Earth. There is a large number of different species, habitats and ecosystems that combine to provide the fundamental conditions needed for our climate and environment. For Ellevio, contributing to biodiversity is a significant issue. Our power lanes are kept free from trees and brushwood so that electricity can be transported as safely as possible, thus minimising outages. This clearance also means that former meadows and pastures are kept exposed. Many typical types of meadow are currently under threat as a result of rangelands growing again to a large extent over the past 100 years. Ellevio takes responsibility for these threatened meadows by taking an inventory and then adapting the management of our grassland areas that are rich in different species. This way we can contribute to the maintenance and enhancement of biodiversity.

Power lanes link areas of biodiversity together, as well as grasslands along roads, embankments, airport and golf courses. These areas complement traditional meadows and pastures and represent part of what is known as "green infrastructure". Green infrastructure can be defined as an ecological network that is used in such a way that preserves biodiversity and promotes important ecosystems throughout the landscape. Ellevio has 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.

Comments

Over the next five years, work will focus on maintaining biodiversity along power lanes containing overhead lines of 50 kV and above, due to their width.

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

Health and safety

The health and safety of our employees and business partners is a key issue at the core of our operations. Ellevio is to be a safe and attractive workplace and contractor. The safety of the people who work at and for Ellevio is always our top priority and we have a zero vision in relation to accidents and work-related illnesses. We measure and follow our performance every month, the metrics are both reactive and proactive and reported to management and board. Communication about our performance is distributed to all employees and contractors.

Ellevio has a deviation management system for reporting and following up deviations relating to near-accidents, accidents, risks, safety shortcomings, work-related injuries 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 that contribute to the continuous improvement of our operations and help prevent serious near-accidents, accidents and work-related illnesses.

Comments

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

LWIF: "Lost Workday Incidents 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 more than one day (including fatalities).

One fatality occurred during 2018, see page 7.

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

Responsibility for local communities

For Ellevio, it is important to involve local stakeholders to minimise potentially negative effects on the environment and on residents who are affected by work we carry out when initiating new projects. The work we carry out could affect local communities negatively, for example by limiting accessibility, noise or related issues.

Ellevio adheres to society's recommendations and uses permit processes as a basis for its environmental impact descriptions and collaborations. In addition, arguments and viewpoints that are submitted are analysed on the basis of cost and benefit. Financial sustainability is an important factor as it is ultimately our customers who have to bear any potential increases to investment costs. This is why there must be concrete advantages for customers if costs increase.

The clearing or logging of forests is timed carefully so that particular attention can be paid to land with a poor level of bearing capacity. Before logging takes place, cultural heritage sites, biotope protection, Natura 2000 and other protective values should be checked and demarcated on the land.

In addition, we communicate with the public about what we intend to do and always invite consultation with stakeholders when we deem it to be necessary, thus enabling viewpoints to be collected as early as possible.

Comments

Before a concession application, a consultation should always be conducted. This can be done in several ways and to different extents depending on the complexity and environmental impact of the project.

Target	2018	2017
Increase share of local activities, impact assessments and/or development programmes.	<p>21 concession were granted by Ei, of which 6 were for new lines and 13 for extensions of concessions. 13 new applications were submitted to Ei, of which 9 were for extensions and 4 for new concessions. An open day was held for three projects.</p>	<p>20 concession were granted by Ei, of which 7 were for new lines and 13 for extensions of concessions. 21 new applications were submitted to Ei, of which 5 were for new lines and 2 for redevelopments of existing lines. An open day was held for three projects.</p>

Equality

The description of why equality is a significant issue can be found on pages 7 and 23. 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.

Gender equality is measured, among other things, by comparing women's and men's wages for equal and equivalent work. The company conducts an annual salary survey. The purpose of the survey is to show if there are unfounded grounds for the salary level depending on gender. In those cases, the survey shows unreasonable differences, the company corrects these. Gaining equal pay is a priority issue for gender equality for Ellevio. Ellevio operates in an industry with a large

number of older men with long working experience and with, so far, fewer young women. Ellevio continuously strive to improve the balance of the candidate pool and by working more value driven, in which an inclusive culture is one important part of becoming an equal company.

Comments

In June 2018 Lowina Lundström left her role as Head of Customer Relations at Ellevio. She was replaced by Emma Thorsén on 1 January 2019. The gender and age distribution within the management team is based on the situation as per 31 December 2018, when there were 10 members of the management team.

Target	2018	2017
Maintain an equal distribution between men and women in the management team.	50% women	55% women
Increase the number of female managers at the company.	20% women	22% women
Increase the total number of women at the company.	27% women	27% women

Good working conditions

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

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

Each year, Ellevio undertakes an employee survey that assesses the level of commitment (the Employee Engagement Index), through, among others, pride, well-being and recommendations. Each business unit reviews the results and produces an action plan.

Efforts to create good working conditions are followed up by way of employee surveys, follow-ups of employee appraisals and reviewing employee turnover and the number of people who took out parental leave, divided up by gender. Employee turnover amounted to 6 percent in 2018. 50 new employees were recruited during the year, of which 17 were women. 26 employees, of which 7 were women, took parental leave days during the year.

Comments

This personal data is based on data collected by Ellevio's HR system.

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

Key indicators and ratios

Number of employees

2018 (2017)	Under age of 30	Age 30-50	Over age of 50	Total
Permanent employees	56 (41)	273 (273)	155 (136)	484 (450)
– of which women	18 (11)	80 (84)	36 (29)	134 (124)
Temporary employees*	0 (0)	0 (0)	6 (7)	6 (7)
– of which women	0 (0)	0 (0)	0 (1)	0 (1)
Total	56 (41)	273 (273)	161 (143)	490 (457)
– of which women	18 (11)	80 (84)	36 (30)	134 (125)

* Temporary employees refers to all once-permanent employees who are now retired and working on an hourly basis.

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. The acquisition of Elverket Vallentuna was completed during the year, which meant 17 employees were added to Ellevio's ranks.

New recruitments

2018 (2017)	Under age of 30	Age 30-50	Over age of 50	Total
Women	9 (7)	6 (14)	2 (1)	17 (22)
Men	12 (15)	15 (29)	6 (11)	33 (55)
Total	21 (22)	21 (43)	8 (12)	50 (77)

Elverket Vallentuna was acquired during the year, which meant 17 employees were added to Ellevio's ranks. They are excluded from the compilation of new recruits, however.

Proportion of total employees, %

2018 (2017)	Under age of 30	Age 30-50	Over age of 50	Total
Women	2 (2)	1 (1)	0 (0)	3 (5)
Men	2 (3)	3 (3)	1 (2)	7 (12)
Total	4 (5)	4 (4)	2 (4)	10 (17)

Employee turnover

Gender, proportion of total employees, %

2018 (2017)	Under age of 30	Age 30-50	Over age of 50	Total
Women	0 (0)	2 (2)	0 (1)	2 (2)
Men	1 (0)	2 (2)	1 (1)	3 (3)
Total	1 (0)	4 (4)	1 (1)	6 (6)

Diversity in management, managers and employees

Gender, proportion in %

2018 (2017)	Management team	Other managers	Employees	Total
Women	50 (55)	20 (15)	29 (28)	27 (27)
Men	50 (45)	80 (85)	71 (72)	73 (73)

Age, proportion in %

2018 (2017)	Management team	Other managers	Employees	Total
Under age of 30	0 (0)	0 (0)	13 (11)	11 (9)
Age 30-50	60 (64)	63 (69)	55 (58)	56 (60)
Over age of 50	40 (36)	38 (31)	32 (31)	33 (31)

GRI Index.

This is Ellevio's second sustainability report and refers to the fiscal year 2018. The report has been produced in line with GRI standards "core" level. Ellevio annually reports results of its sustainability initiatives, with the previous sustainability report having been published in April 2018. The report is not audited by an external party, but our auditors confirm that Ellevio has produced a statutory sustainability report for 2018 in accordance with the requirements set out in the Annual Accounts Act.

The report covers all operations conducted within Ellevio AB (publ),

unless stated otherwise. No changes were made to the scope of the report since the previous report. The significant sustainability issues are the same as those reported in 2018. No information from previous years has been adjusted in this report. For questions about Ellevio's sustainability initiatives, contact maria.bang@ellevio.se.

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

Standard disclosures

GRI disclosure	Page	Comments	UN Global Compact
Organisational profile			
102-1 Name of the organisation	Inside cover		
102-2 Activities, brands, products and services	2-4, 16-17		8-9: Environmental standards
102-3 Location of head office	Inside cover		
102-4 Countries where the organisation operates	2		
102-5 Nature of ownership and legal form	71		
102-6 Market presence	2		
102-7 Scale of the organisation	2		
102-8 Information about employees	22-23, 81-84	Ellevio does not report staff divided up by region as this is not considered applicable. The reason for this is that many of our employees work at a specific office while simultaneously carrying out duties that concern the entire business.	6: Labour standards
102-9 Supply chain of the organisation	10, 21, 81		
102-10 Significant changes to the organisation and its supply chain		No changes have occurred within the organisation's supply chain. Elverket Vallentuna was integrated into operations during the year.	
102-11 Application of the precautionary principle	78		7 Environmental standards
102-12 External regulations, principles and initiatives	19, 24, 28, 30, 76-77		
102-13 Memberships in organisations	76		
Strategy			
102-14 CEO's statement	6-7		
Ethics and integrity			
102-16 Values, principles, standards, Code of Conduct and ethics policy	7, 19, 23, 76-77		1-10: Human rights, working conditions, environment, corruption
Governance			
102-18 Governance structure	77-78		
Stakeholder dialogue			
102-40 Stakeholder groups	78		
102-41 Percentage of employees covered by collective bargaining	85	100% of Ellevio's employees are covered by collective bargaining agreements.	3: Labour standards
102-42 Identifying and selecting stakeholders	77-78		
102-43 Methods for collaborating with stakeholders	77-78		
102-44 Important issues highlighted by stakeholders	78		
Reporting profile			
102-45 Business units included in the report	85		
102-46 Process for defining report content and the Aspect Boundaries	77-78		
102-47 Issues identified as significant	78		
102-48 Explanation of the effects of any re-statements of information provided in earlier reports	78		
102-49 Changes in reporting	78		
102-50 Reporting period	78		
102-51 Date of most recent report	78		
102-52 Reporting cycle	78		
102-53 Contact details for questions about the report	78		
102-54 Selection of reporting level	78		
102-55 GRI content index	85-86		
102-56 External assurance		No external assurance applied.	

Significant questions

GRI disclosure	Page	Comments	Ellevio's significant sustainability issues	UN Global Compact
ECONOMIC STANDARDS				
103-1	Explanation of the material topic and its Boundary	8, 11-15, 18, 20-21, 30-32, 34-35, 79-81		
103-2	The management approach and its components	13-15, 20-21, 30-31, 77-81		
103-3	Evaluation of the sustainability management approach	79-81		
Indirect economic impact				
203-1	Infrastructure investments and services supported	13-15, 34-37, 79	All of Ellevio's investments are made on commercial terms.	Transition to a more sustainable energy system
	- Own disclosure: Choice of materials	79-80		
	- Own disclosure: Smart electricity networks	13-15, 79-80		
	- Own disclosure: kWh electricity from renewable sources	11-13, 30-31, 79-80		
	- Own disclosure: Weather-proofing	79-80		
ELL-1	- Own disclosure: Security of supply	20, 80		Security of supply
ELL-2	- Own disclosure: Customer satisfaction	81		
ENVIRONMENTAL STANDARDS				
103-1	Explanation of the material topic and its boundary	30-32, 77-78, 81		
103-2	The management approach and its components	21, 81		
103-3	Evaluation of the sustainability management approach	21, 30-32, 79, 81		
Supplier environmental assessment				
308-1	New suppliers screened using environmental criteria	21, 81		Responsible purchasing
				7-8: Environmental standards
Biodiversity				
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	30-32, 81	Geographical location and biodiversity value are not reported. Size of the area as well as the rights to the underground surface are not reported either when data is not available (and in the latter case is not relevant considering Ellevio's activities).	Biodiversity
				7-8: Environmental standards
SOCIAL STANDARDS				
103-1	Explanation of the material topic and its Boundary	7, 20, 22-23, 27, 77-78, 81-84		
103-2	The management approach and its components	21-23, 27, 77-78, 81-84		
103-3	Evaluation of the sustainability management approach	23, 27, 81-84		
Occupational health and safety				
403-2	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities	7, 26-28, 76, 82	Ellevio does not report Type of Injury Rate (IR), Occupational Disease Rate (ODR), Lost Day Rate (LDR), and Absentee Rate (AR), as these are not considered applicable. Ellevio has other own similar measurement numbers that are used and are well integrated into the business.	Health and safety
				1-2: Human rights 4-6: Labour standards
Supplier social assessment				
414-1	New suppliers screened using social criteria	21, 81		Responsible purchasing
				1-2: Human rights 3-6: Labour standards 10: Corruption
Local communities				
413-1	Operations with local community engagement, impact assessments and development programmes	82		Responsibility for local communities
				1-2: Human rights 8-9: Environmental standards
Diversity and equal opportunity				
405-1	Diversity of governance bodies and employees	23, 76, 83-84		Equality
				6: Labour standards
Employee turnover				
401-1	New employee hires and employee turnover	83-84		Good working conditions
				6: Labour standards
Training and education				
404-3	Number of employees who regularly receive appraisals and follow-up of performance and career development	83		Good working conditions
				6: Labour standards

Auditor's report on the statutory sustainability statement.

To the general meeting of the shareholders of Ellevio AB (publ), corporate identity number 556037-7326

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the financial year 2018-01-01–2018-12-31 on pages 2–4, 18–33 and 76–87 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

A statutory sustainability statement has been prepared.

Stockholm April 25, 2019
Ernst & Young AB

Henrik Jonzén
Authorized Public Accountant



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