

An aerial photograph of a residential neighborhood. In the center, several houses with red-tiled roofs are visible, some with solar panels. A large, plowed field with distinct circular tracks is on the left. A road curves through the middle, and a dense forest of trees is on the right. The overall scene is bright and clear.

# Half Year Report 2018

Investor presentation

**ELLEVIÖ**

We bring  
electricity to you

# Continued strong performance during the first six months of 2018

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- Net sales amounted to SEK 3,542 (3,538) million
- Distributed electricity amounted to a total of 14.3 (14.1) TWh
- Operating profit amounted to SEK 1,217 (1,213) million
- Free cash flow totalled SEK 1,912 million (1,269)
- Capital expenditure amounted to SEK 1,022 million (975)
- Number of customers totaled ~941,000, compared to ~939,000 in the year-end 2017

# Strategic highlights during January-June 2018

- Integration of Elverket Vallentuna continues
- Well defined strategy for continued growth
- A series of financing transaction completed – securing a stable long term financing platform
- Normal period in operations, no major outages
- Large investment programs continued
- Ordinance passed in Government regarding new functional requirements for electricity metering
- The bill for “Elmarknadsfrågor” passed in the Swedish Parliament
- Decision to lower corporate tax rate from 22% to 20.6%. Interest deduction rules in line with EU-directive with cap at 30% of EBITDA
- After the end of the reporting period – Swedish Government passed a new ordinance on the regulatory framework



- Joined the construction industry initiative “Håll Nollan”, Retain Zero
- First follow-up report submitted to Global Compact, based on Ellevio’s sustainability report
- Price harmonisation initiated according to plan
- The transition of the energy tax from electricity sales companies to DSO:s conducted
- Continued digitalisation in all aspects of the customer experience – chat function, BankID
- Initiatives to increase the equality in the company and in the industry
- Continued strong employee engagement

An aerial photograph of a tennis court, a road, and a river surrounded by lush greenery. The tennis court is a reddish-brown color with white lines, situated on a green lawn. To the right of the court is a paved road with white lane markings. To the left of the court is a dark blue river or stream. The surrounding area is filled with various types of trees and vegetation, creating a dense green landscape.

# Financials & Financing

# Income statement

MSEK	1 Jan 2018 30 June 2018	1 Jan 2017 30 June 2017	1 Jan 2017 31 Dec 2017
Net sales	3,542	3,538	6,894
Capitalised own work	43	34	70
Other income	34	31	70
	<b>3,619</b>	<b>3,604</b>	<b>7,034</b>
<b>Operating expenses</b>			
Costs for purchase and transit of power	-576	-526	-1,023
Other operating expenses	-561	-639	-1,384
Employee benefit expense	-230	-209	-419
Depreciations and amortisation	-1,035	-1,017	-2,046
<b>Operating profit</b>	<b>1,217</b>	<b>1,213</b>	<b>2,161</b>
<b>Financial income and expenses</b>			
Interest income and similar items	1	1	1
Interest expense and similar items	-1,574	-1,497	-2,912
<b>Profit/loss after net financial income/expense</b>	<b>-356</b>	<b>-284</b>	<b>-750</b>
Appropriations	0	0	1,207
<b>Profit/loss before tax</b>	<b>-356</b>	<b>-284</b>	<b>457</b>
Income tax expense	794	-70	-169
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>438</b>	<b>-353</b>	<b>288</b>

# Balance sheet

MSEK	30 June 2018	30 June 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	44,530	45,188
Property, plant and equipment	30,040	29,043
Non-current financial assets	3,633	1,492
<b>Total non-current assets</b>	<b>78,203</b>	<b>75,722</b>
<b>Current assets</b>		
Current receivables	1,932	1,408
Cash and cash equivalents	146	9
<b>Total current assets</b>	<b>2 078</b>	<b>1,417</b>
<b>TOTAL ASSETS</b>	<b>80 282</b>	<b>77,139</b>

MSEK	30 June 2018	30 June 2017
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>6,639</b>	<b>5,560</b>
<b>Untaxed reserves</b>	<b>1,069</b>	<b>783</b>
<b>Deferred tax liability</b>	<b>13,141</b>	<b>14,018</b>
<b>Non-current liabilities</b>		
Bond loans	32,719	32,114
Liabilities to credit institutions	4,218	1,726
Liabilities to Group companies	17,664	20,076
Derivative instruments	430	448
Other non-current liabilities	323	166
<b>Total non-current liabilities</b>	<b>55,354</b>	<b>54,530</b>
<b>Total current liabilities</b>	<b>4,078</b>	<b>2,248</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>80,282</b>	<b>77,139</b>

# Cash flow statement

MSEK	1 Jan 2018 30 June 2018	1 Jan 2017 30 June 2017	1 Jan 2017 31 Dec 2017
<b>Cash flow from operating activities</b>	<b>3,078</b>	<b>2,404</b>	<b>4,117</b>
<b>Investing activities</b>			
Capital expenditure intangible assets	-47	-21	-64
Capital expenditure property, plant and equipment	-1,118	-1,113	-2,305
Acquisition of shares	-627	-438	-438
Proceeds from sales of fixed assets	0	4	4
<b>Cash flow from investing activities</b>	<b>-1,792</b>	<b>-1,568</b>	<b>-2,802</b>
<b>Cash flow before financing activities</b>	<b>1,286</b>	<b>835</b>	<b>1,314</b>
<i>Of which free cash flow</i>	<b>1,912</b>	<b>1,269</b>	<b>1,748</b>
<b>Financing activities</b>			
Borrowings	5,305	13,020	14,063
Repayment of borrowings	-5,809	-12,910	-12,695
Loans given	0	0	-650
Repayment of loan receivables	624	0	0
Received interest	1	1	1
Paid interest	-1,271	-1,006	-2,094
<b>Cash flow from financing activities</b>	<b>-1,149</b>	<b>-895</b>	<b>-1,374</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>136</b>	<b>-60</b>	<b>-60</b>

# Head-room under financial covenants

Financial covenants (Common Terms Agreement)		2018-06-30 ACT	2019-06-30 FCT	Lock-up
Total Interest Cover Ratio	EBITDA less tax / Total Net Finance Charges	3.1x	3.1x	<1.5x
Total Leverage Ratio	Total Net Debt / Consolidated EBITDA	8.9x	9.5x	>11.9x
Senior Interest Cover Ratio	EBITDA less tax / Senior Class A Net Finance Charges	3.4x	3.3x	<1.7x
Senior Leverage Ratio	Senior Class A Net Debt / Consolidated EBITDA	8.2x	8.8x	>10.75x
Senior Historic Leverage Ratio	FFO / Senior Class A Net Debt	8.3%	N/A	<5%
Senior 3 year Forward Leverage Ratio	FFO / Senior Class A Net Debt	N/A	7.0%	<6%



# Financing activities and maturity profile

- January – prepaid SEK 372 million of the IACFA term loan facility (A3) whereby the term loan facility was prepaid in full.
- February – issued its inaugural contractually subordinated secured debt (class B) in form of a SEK 3,000 million 7 year fixed rate bond in the Swedish market. S&P assigned a 'BB+' issue credit rating to the bond, and at the same time affirmed the 'BBB' rating on Ellevio's senior secured debt (class A).
- March – amortized SEK 500 million on its shareholder loan whereby the loan amount was reduce to SEK 17,664 million
- May – raised a SEK 1,500 million fixed rate amortizing term loan from Nordic Investment Bank to finance the ongoing capex program. The loan has a tenor of 15 years.
- June – the amount drawn under RCFs was reduced by SEK 1,586 million to SEK 1,250 million at end of June.
- June – Ellevio Holding 2 AB pre-paid its SEK 3,000 million junior debt facility.

## Debt and Interest maturity 2018-06-30



## Significant events after the end of the period

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- On the 16 August, the Government decided on a new ordinance regarding the regulatory framework for the third regulatory period, 2020-2023.
- The ordinance states six different parameters which should be applied when calculating WACC and the allowed revenue.
- According to the Minister, based on today's conditions, these changes will lead to a WACC-level of approximately 3 per cent, SEK 60 billion lower allowed revenue for the industry and in average in all companies a 21 per cent decrease in consumer tariffs for the period 2020-2023.
- Ellevio continues to engage in dialogue with Ei and other relevant stakeholders to work for a long term, predictable and stable regulatory framework.

# Coming legislative process and political milestones

Legislative process

**August 2018:**  
New ordinance 16 Aug.

**March 2019:**  
Deadline for the applications  
for allowed revenue for RP3  
31 March

**October 2019:**  
Deadline for Ei's decisions  
the industry's applications  
31 Oct.

2018

2019

Political milestones

**September 2018:**  
National election  
9 Sept.

**October 2018:**  
Election of "talman" in  
the Parliament  
10 Oct.

**November 2018:**  
New Government's budget  
15 Nov.

# ELLEVIO

We Bring Electricity to You.

Operating in a strong macro environment

Ellevio is well positioned for growth both organic and via acquisitions

Investment programme well underway, with improved capex outperformance

Smart grid development will secure reliability in a renewable energy system

Stable financials with headroom under covenants. Diversified financing platform established