Annual Report 2019

Rabbalshede Kraft AB (publ)
Annual Report for 2019

Press releases and financial reports can be subscribed to and downloaded on Rabbalshede Kraft's website at www.rabbalshedekraft.se.

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RABBALSHEDE KRAFT IN BRIEF

In the move toward sustainable development, it is important that society increases the share of electricity derived from renewable energy sources such as wind.
Rabbalshede Kraft operates in the wind power segment in Sweden. Since the company's foundation in 2005 up to December 2019, it has invested nearly SEK 2.8 billion in wind power. The company's strength lies in developing and operating wind farms. Rabbalshede Kraft ensures sound control of the entire value chain, from planning and establishing wind farms to production and sales of electricity.

"RABBALSHEDE KRAFT MAKES A DIFFERENCE."

Production and sales of renewable electricity from its own wind farms represent Rabbalshede Kraft's largest source of revenue, and is an area that is growing further in pace with the company's investments in new wind farms. Electricity is sold on the open electricity market, Nord Pool. Investments are made in the company's project portfolio to deliver profitable turnkey wind power projects for sale to partners or for commissioning by the company itself.

Rabbalshede Kraft offers operational management services. Operating wind farms entails a long list of commitments in addition to the obvious aspect of producing electricity.

Rabbalshede Kraft offers investors and wind power owners a comprehensive operational management solution. A professional operation and maintenance organization, in close cooperation with the suppliers of the turbines, contributes to high operational reliability. What Rabbalshede Kraft offers is the opportunity to own wind turbines without having to build a proprietary organization. This provides investors with long-term, secure profitability and a low operating risk. Rabbalshede Kraft has management assignments of nearly 1,326 GWh, of which 790 GWh are proprietarily or jointly operated.

The owners are Manor Investment S.A, part of Treïs Group, the Canadian company TD Asset Management (formerly Greystone), in which Sweden Holdco RK holds shares, the property company Ernst Rosén, Nordea Investment Funds and another approximately 1,000 companies and private shareholders.

Rabbalshede Kraft is certified under ISO 9001 and ISO 14001.

VISION, BUSINESS CONCEPT AND TARGET

Vision

To be the Nordic region's leading independent developer and operator of renewable energy by 2025.

Business concept

Plan and establish onshore wind farms, both for sales of electricity and for sales of entire wind farms or individual wind turbines.

Offer asset management services, and procure and manage the construction of wind farms.

Evaluate other opportunities in renewable energy in the Nordic region.

Target

Own and operate its own platform of wind farms.

- Develop the platform so that it substantially increases in size.
- Commission new wind farms with the best technology and production in the market.
- Commission new farms every year.
- Grow service operations to be a market leader.
- Be the best choice of management operations, related to the cost per MWh

Administration report

MULTI-YEAR REVIEW

2019

PROJECT PORTFOLIO

	No. of turbines					Total capacity, MW				
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Operation	78	78	71	71	71	205	205	190	190	190
Construction	11	-	-	22	-	37	-	-	76	-
Authorized	33	41	45	47	133	111	139	134	140	424
Preplanning, planning and application phase	25	25	101	101	114	102	105	324	324	335
Total in operation and being planned	147	144	217	241	318	455	449	648	730	949
Wind turbines sold	-	-	-	42	24	-	-	-	111	52

PRODUCTION

	Full-year 2019	Full-year 2018	Full-year 2017	Full-year 2016	Full-year 2015
Production outcome, GWh	518	465	510	501	576

FINANCIAL OVERVIEW (MSEK)

	Full-year 2019	Full-year 2018	Full-year 2017	Full-year 2016	Full-year 2015
Net sales	247	243	234	236	264
Total revenue	275	331	257	248	271
EBIT	22	75	3	44	-111
Profit/loss before tax	-14	33	-100	-109	-197
Profit/loss for the year	-14	20	-100	-102	-172
Cash flow from operating activities	117	81	18	-39	21

CONDENSED BALANCE SHEET (MSEK)

	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Total assets	2,399	2,309	2,202	2,356	2,563
Shareholders' equity	1,506	1,321	1,296	1,075	1,145
Interest-bearing liabilities, (excl. shareholder loans)	577	587	605	710	1,232
Other liabilities, (incl. shareholder loans)	316	401	301	571	186

KEY RATIOS

	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015
Return on capital employed before taxes, %	0.1	4	0.4	2.2	neg
Debt/equity ratio, multiple	0.5	0.7	0.6	1.0	1.1
Net debt, MSEK	509	778	743	1,024	915
Equity/assets ratio, %	63	57	59	46	45
Number of shares at the end of the period (millions)	181	160	160	127	75
Shareholders' equity per share, SEK	8.32	8.25	8.09	8.47	15.30
Earnings per share, SEK	-0.08	0.12	-0.64	-0.81	-2.29
Average number of employees	29	27	28	25	21

See Notes for definitions of key metrics.

ADMINISTRATION REPORT

The Board of Directors and CEO of Rabbalshede Kraft AB (publ.), corporate registration number: 556681-4652, hereby submit the Annual Report and consolidated financial statements for the January 1, 2019 to December 31, 2019 fiscal year.

BUSINESS ACTIVITIES

The Group comprises the Parent Company, Rabbalshede Kraft AB (publ.) and 17 wholly owned subsidiaries, of which 6 are directly owned. Refer to Note 19 for further information.
The Parent Company started operations in 2005 and the Group was formed in November 2007. Rabbalshede Kraft refers to the Group in this report.

Rabbalshede Kraft plans and constructs onshore wind farms for proprietary operation or to sell on to other operators. The company ensures effective control of all stages from preplanning, planning, application and construction to, ultimately, operation and maintenance. Optimal long and short-term profitability is achieved by being in control of all of the stages from the initial analysis of suitable areas for the construction of wind farms to their actual operation. Rabbalshede Kraft also offers operational management of wind turbines for partners.

In 2019, the average number of employees was 29 (27).

PARENT COMPANY

The Parent Company, Rabbalshede Kraft AB (publ.), focuses primarily on management, coordination and development of the Group. The administration of electricity sales is carried out by the Parent Company. The Parent Company is responsible for issues related to the equities market, such as preparing consolidated financial statements and equity market information, and to the credit market on such matters as funding and financial risk management. All staff are employed by the Parent Company.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

At the end of the fiscal year, the registered share capital comprised 180,922,758 shares (160,108,636), of which Class A shares comprised 1,000,000 (1,000,000) and Class B shares 179,922,758 (159,108,636). Class A shares entitle the holder to one vote and Class B shares entitle the holder to one tenth of a vote. The quotient value of the shares at December 31, 2019 was SEK 5 per share.

At December 31, 2019, according to the share register maintained by Euroclear Sweden AB, the number of shareholders was 1,046. At the end of the fiscal year, Manor Investment S.A (Treïs Group) controlled 40.47% of the company's votes, Sweden Holdco RK (TD Asset Management) 31.62%, Ernst Rosén Invest AB 10.15%, Thoren Jönsson 2.01% and Nordea Investment Fund 2.46%. No other shareholder controls 2% or more of the company's votes.

Rabbalshede Kraft AB's shares are not listed on any stock exchange or market. In April 2014, the Board of Directors decided to list the company's Class B share for trading on Alternativa Sweden trading platform via the Alternativa List. On the Alternativa List, buyers and sellers can follow share price information and execute regular trading. Trading on the Alternativa List occurs regularly once a month in order to gather transactions and create share liquidity. Each trading period comprises four days. During 2019, 82,215 Class B shares were traded at an average price of SEK 5.33.

The Articles of Association do not include any preemption clauses, meaning barriers to transferring shares in the company.

SIGNIFICANT EVENTS DURING THE FISCAL YEAR

Production in 2019 totaled 518 GWh for the company's own wind farms, which is 5.9% lower than expected production on account of lower annual average wind. Availability during the year remained high at over 98%.

Service operations continued to focus on technical management. Operating and maintenance expenses for the Group's own turbines fell by 12% as old contracts were renegotiated and some service was transferred to the company itself.

February 2019 was an eventful month in terms of business development. An environmental permit was acquired for four wind turbines with a tip height of 180 metres located at Högen in Lilla Edet Municipality in Västra Götaland County. In the same month, an environmental permit was also granted to build eight wind turbines with a tip height of 240 m in the Årjäng NV2 project in Årjäng Municipality, Värmland County. A decision was also made to invest in five wind turbines totaling 20 MW in Gärdshyttan, Askersund Municipality, Örebro County. The planned start of operation for the Gärdshyttan wind farm is April 2020.

A partnership agreement was made with Modvion in the spring for a development project in which Rabbalshede Kraft offered to contribute its experience of construction and logistics in connection with establishing wind farms. Modvion develops modular wind turbine towers made of laminated wood. The second investment decision of the year was made in August 2019. This was for six wind turbines totaling 21 MW in two neighbouring areas: Vindpark Högen in Lilla Edet Municipality and Vindpark Sköllunga in Stenungsund Municipality, both in Västra Götaland County. Operation of the farms is planned to start in February 2021. Another contract was signed with Modvion in October 2019. This was for the construction of wind turbines with wooden towers in the future.

During the year, the company also worked continuously on the planning of new areas, acquisition of new projects and ongoing projects in the company's project portfolio. This work is intended to lead eventually to further investment decisions. The company also evaluated the potential for establishing solar power farms in 2019. The first solar cells were ordered in October, and construction is planned for Q1 2020.

INFORMATION ABOUT RISKS AND UNCERTAINTIES

Political risks

The electricity market is governed by laws and regulations which, in Sweden, are partly derived from EU Directives. Likewise, the market for wind power is governed by laws and regulations, both in terms of the support system and the permit process for establishing new wind turbines.

The projects being planned and under application are subject to evaluation and assessment by the municipality and/or county administrative board. Accordingly, there may be some uncertainty as to whether or not the company will receive permits for these projects.

The electricity certificate system was introduced in Sweden in 2003 to promote the expansion of renewable and carbon-free electricity. From 2012, the aim of the system, with Norway, is to increase the annual production of renewable electricity by 28.4 TWh by 2020 compared with 2012. Up to 2030, it has been proposed that a further 18 TWh/year be constructed, although this only involves Sweden since Norway is closing its system at the end of 2021.

In 2019, the spot price for electricity certificates fell from SEK 170 to SEK 20 per certificate. The decline is primarily due to the expansion of production facilities for renewable energy, which is much faster than could have been anticipated when the certificate system was created. The supply of certificates is therefore much higher than the quota obligation (i.e. the obligation to report certificates in relation to production), which will also affect future spot and forward prices as the production facilities have a long service life.

Electricity prices

In 2019, the annual average spot price was SEK 405 /MWh, which can be compared with the 2018 annual average of SEK 457/MWh in Rabbalshede Kraft's bidding zone (SE 3). Electricity prices are affected by various factors.

In the short term, weather is the most important factor when it comes to prices. However, price elasticity is essentially zero since rapid price fluctuations have only a marginal impact on consumption.

In the medium term, with a time horizon of up to five years, economic conditions will play an important role in setting prices by boosting or reducing electricity consumption in industry. The global economic situation also affects the price of the fossil fuels — primarily coal but also natural gas — used for electricity production, since energy demand increases and decreases with the rise and fall of the business cycle.

In the long term, other additional factors such as price development, will determine the rate of expansion of new power production in relation to demand and the technology that will be used. The expansion of the power grid in the EU will also affect the price of electricity as the transfer capacity between countries improves. A good grid connection is crucial for the continued expansion of renewable electricity since this enables exports from regions with surplus electricity to regions with an electricity deficit.

The weather in 2019 was dominated by low pressure, which resulted in more precipitation than normal and in turn affected watershed levels. Watershed levels changed from a deficit to a surplus, with the result in that hydropower producers have more production resources available, which will likely affect average electricity spot prices negatively in the short term.

Medium and long-term electricity prices decreased in 2019, primarily owing to a decrease in the price of emission allowances, coal and gas. Electricity futures for 2022 decreased from SEK 340/MWh to SEK 300/MWh in 2019. Emission allowances give an electricity producer the right to emit a certain amount (measured in 1,000 kg/tonne) of greenhouse gases (CO_2) in its electricity production. If the producer emits more than the amount indicated in the emission allowances held, it must purchase additional emission allowances and vice versa. If the price of an emission allowance increases, it becomes more expensive to emit greenhouse gases to produce electricity, for example, which means that the price of electricity increases over time as it becomes cheaper to use electricity than coal and gas and vice versa.

Competitors

Over the past few years, interest in wind power has increased and competition for areas with favorable wind conditions has intensified. Through its extensive project portfolio, Rabbalshede Kraft holds a strong position in the Swedish wind power market.

Rabbalshede Kraft is open to partnerships with other operators on individual projects, which can also enable the establishment of more and larger wind farms. Wind farms with favorable wind conditions have a competitive advantage when applying for financing.

The capacity in the power grid is limited, which means that local wind power projects compete for the available space.

Variations in wind

Wind power production varies during the year, normally entailing higher electricity production during the winter season. An average wind year, known as a normal year, is based on wind measurements over at least a ten-year period.

Deviations from the normal year may be substantial during certain periods, thus affecting income and earnings during a single quarter or year. When making investment decisions about wind farms, Rabbalshede Kraft takes variations in wind into consideration and, furthermore, places great importance on diligent wind measurement to optimize the location of wind turbines and production.

Economic life and operating costs

Investment decisions are based on an estimated economic life of 15–30 years depending on the components in a wind turbine. If the actual economic life should be less than the estimated economic life, this will negatively affect the Group's profitability. Such a long investment horizon means that future operating expenses may deviate from estimated expenses and thus affect the earnings trend. The Group established its own operation and maintenance organization in 2010.

Dependency

The company uses various suppliers as part of planning and constructing wind farms. In the opinion of Rabbalshede Kraft, the company is not dependent on any single supplier of strategic components such as wind turbines, which means that any interruptions in deliveries do not need to entail any long-term consequences for operations. The critical point for bringing new turbines into operation is whether they can be connected to the Swedish power grid. On this point, producers of renewable electricity such as Rabbalshede Kraft are extremely dependent on grid companies at local, regional and national levels. Svenska Kraftnät is responsible for the Swedish national grid and has system responsibility for the electricity supply in Sweden. The agency has been tasked by the government to strengthen the national grid with the aim of managing the expansion of wind farms that are often located in sparsely populated areas with power grids that are under-dimensioned for large-scale electricity production. The company expects the connections to be in place in time for those turbines planned to be operational over the next few years.

Employees

The achievement of sustained growth combined with healthy earnings is also dependent on the company's ability to recruit, retain and develop senior executives and other key individuals. The organization will gradually be adjusted for continued growth in line with the expansion plan Additional key employees may be recruited in pace with the company's growth.

Financial instruments and risk management

Through its business operations, the Group is exposed to various categories of financial risk. Financial risk pertains to fluctuations in the company's earnings and cash flow arising from changes in exchange rates, interest rates and defaulted credit. The Group's financial policy was formulated by its Board of Directors and constitutes a framework of guidelines and rules in the form of risk mandates and limits for finance activities for managing financial risks. The CEO is responsible for the Group's financial transactions and risks. The overall objective of the finance function is to provide cost-efficient financing and to minimize the negative impact on consolidated earnings arising from market risks. Reporting is undertaken on a continuous basis to the company's Board of Directors.

MARKET RISK

A market risk is the risk that the fair value or future cash flows of a financial instrument may vary due to fluctuations in market prices. Market risks are divided into three categories: exchange rate risk, interest rate risk and other price risks. The market risks that primarily affect the Group consist of exchange rate risk, interest rate risk and risks attributable to the price trends of electricity and electricity certificates.

The Group's objective is to manage and control market risks within fixed parameters, while optimizing the profits from risk taking within given frameworks. The parameters are fixed with the aim that short-term (6–12 months) market risks should only affect the Group's profit and position marginally. However, persistent changes to exchange rates, interest rates and prices of electricity, electricity certificates and guarantees of origin will have an impact on consolidated profit in the longer term.

PRICE RISKS IN ELECTRICITY SALES

Rabbalshede Kraft is a net producer of electricity, which makes the price of electricity a crucial parameter in the Group's profit. A lower electricity price results in direct negative impact on the Group's sales and earnings. It is thus of great importance that electricity price risks are managed in a professional and cost-efficient manner.

With the aim of achieving stable earnings, Rabbalshede Kraft has prepared a cooperation agreement with Axpo Sweden AB, one of the leading players at Nord pool. Axpo assists with advisory services concerning the markets for electricity and electricity certificates and functions as a support in Rabbalshede Kraft's risk management, and offers hedging products that provide Rabbalshede Kraft with the scope to balance risks and opportunities. The partnership aims to secure future production revenue, reach long-term profitability, reduce the risk of fluctuations in market prices negatively affecting the company's revenue, achieving favorable results from price hedges and managing the need for balance power in a cost-efficient manner. With Axpo, Rabbalshede Kraft has prepared an electricity trading policy aimed at identifying risks and setting frameworks and limits for Rabbalshede Kraft's risk-taking.

Price risk refers to fluctuations in the price of electricity and electricity certificates and their impact on profit. To minimize such exposure, derivative instruments are used as a hedge against future sales. The Group hedges its sale of electricity using forward contracts existing in the market, as well as PPA and EPA products. Fixed limits were set on the maximum permitted deviations in volume between normal hedge volumes and price-hedged volumes relating to ongoing electricity sales. Similarly, there are limits on the volumes that may be stored and sold in advance concerning electricity certificates.

The Group's sale of electricity in 2019 totaled 518 GWh (465).

On the balance sheet date, the following volume levels pertaining to the expected future production of electricity were hedged:

Hedged percentage	2020	2021	2022	2023
Electricity %	79	75	64	41

The fair value of outstanding forward contracts pertaining to future sales of electricity on the balance sheet date amounted to MSEK 10.8 (0) net.

SENSITIVITY ANALYSIS

A fluctuation of 10% in the electricity price results in a change in the profit for the year of MSEK 4.4 (4.4). The sensitivity analysis is based on all other factors remaining unchanged and the non-application of hedge accounting.

EXCHANGE RATE RISK

Exchange rate risk arises in connection with the planning and ordering of wind turbines, which is preferably from European suppliers in EUR. In most cases, payment occurs on a number of predetermined dates. With the aim of restricting the exchange rate risk, Rabbalshede Kraft will, early in the process, reduce the uncertainty by hedging the currency exposure, in full or in part, when the order is placed, to safeguard profits and estimates. This risk is referred to as transaction exposure.

Exchange rate risks are thus hedged if they are attributable to the purchase of future investments in wind turbines for which permits have been obtained. Hedge accounting is applied in the Group. The Group's transaction exposure on the balance sheet date was distributed over the following currencies:

Group	2019	2018
Wind turbines ordered*, MEUR	14.6	-
Of which hedged, %	95%	-

* Includes investments made during the year and orders for turbines for which delivery has not yet been made.

The Group classifies its currency futures that are used for the hedging of forecast purchases as cash flow hedges. Hedge accounting is applied in the Group. The fair value of outstanding forward contracts on the balance sheet date amounted to MSEK 4.3 net.

SENSITIVITY ANALYSIS

A fluctuation of +/- 5% in the SEK/EUR rate at December 31, 2019 would means a change in cost of MSEK 732 (0). The sensitivity analysis is based on all other factors (for example interest) remaining unchanged and the non-application of hedge accounting.

INTEREST RATE RISKS

Interest rate risk is the risk that the value of a financial instrument may vary due to fluctuations in market interest rates. Interest rate risks may result in changes in fair value and changes in cash flows. A significant factor that affects interest rate risk is the fixed interest period.

The Group's interest rate exposure is managed by the Group's financial control function, which is responsible for identifying and managing this exposure. On the balance sheet date the Group had MSEK 584 (593) in loan payables outstanding.

Derivative instruments such as interest rate swaps may be utilized to control the Group's interest rate risk. According to the financial policy, the norm risk has been set at five years. The company has a mandate to allow the debt portfolio's average fixed interest period to deviate from the norm risk by +/- 12 months. A maximum of 50% of the total debt portfolio including derivatives may be subject to a change in interest rate within a 12-month period and a maximum of 50% of the loan maturity (tied-up capital) may be within a 12-month period.

During the year, the company's average interest rate on bank loans was 3.95 (4.41)%. During the year, there were also shareholder loans with an average interest rate of 5.0%.

Interest rate swaps are utilized for switching between variable and fixed interest rates with the aim of adapting interest rates and fixed interest periods. At December 31, 2018, the average fixed interest period was 2.01 years (2.61) and the average capital maturity term for the debt portfolio was 2.75 years (3.34). On the balance sheet date, the company had interest derivatives with a nominal value of MSEK 347 (404).

The fair value of outstanding interest derivatives on the balance sheet date was MSEK –17 (–24) net. These figures were recognized as long-term liabilities in the balance sheet. Hedge accounting is applied in the Group.

SENSITIVITY ANALYSIS

A change in interest rates of 100 basis points would result in an annual change of MSEK 1.3 (1.3) in profit or loss on the balance sheet date.

The sensitivity analysis is based on all other factors remaining unchanged and the non-application of hedge accounting.

LIQUIDITY RISKS

Liquidity risk refers to the risk the Group may have problems in meeting its obligations that are associated with financial liabilities.

The Group has rolling 24-month liquidity planning that is updated monthly. Liquidity planning is used to manage liquidity risks and costs for financing the Group. The objective is for the Group to be able to manage its financial obligations in upturns and downturns without significant unpredictable costs. Liquidity risks are managed by the Group's financial function. According to the financial policy, there must always be sufficient cash and cash equivalents (liquidity reserves) totaling a minimum of MSEK 50 within the Group. The liquidity reserve pertains to cash, overdraft facility, listed investments that can be sold within five days and unutilized confirmed lines of credit. In 2019, liquidity reserves comprised bank funds in accounts. In addition, the due dates for financial liabilities were distributed over time in order to limit the liquidity risk. The Group's financial liabilities at year-end amounted to MSEK 733 (881).

Environmental information

Wind power is a clean and renewable energy source that has an environmental impact throughout the useful life of a turbine. Environmental impact under operation is primarily in the form of sound and shadow. Through its portfolio of wind power facilities, Rabbalshede Kraft operates a business that is licensable or notifiable under the Swedish Environmental Code. The company holds all necessary environmental permits. Where activities are notifiable, application is required under the Environmental Code for building permits to be granted.

In 2010, Rabbalshede Kraft secured ISO 9001 quality certification and ISO 14001 environmental certification. In 2018, the company was certified under ISO 9001:2015, the standard for quality management systems, and 14001:2015, the standard for environmental management systems. Being certified is an important part of the company's operations, as this provides security in both internal and external processes.

Financing

Rabbalshede Kraft's goal is that the company's debt/equity ratio will not fall below 1.25 and that the equity/assets ratio will be at least 40%. Bank loans totaled MSEK 584 (593) at December 31, 2019 and are all with Swedbank.

Board activities

The Board consisted of five directors as of December 31, 2019. During the 2019 fiscal year, the Board held 15 Board meetings. The Board has a written work plan and instructions regulating the duties of the Board and the CEO. Accordingly, the Board's meetings and its work follow an agenda programme dedicated to securing the Board's need for information and control of business activities as well as the Group's organization.

EXPECTATIONS FOR FUTURE DEVELOPMENT

The opinion of the Board of Directors is that the company's future business activities under normal market conditions, meaning when electricity revenues are at historically average levels, will generate a cash flow that results in value growth for the shareholders. The company's project portfolio, from planning to operation, comprises nearly 213 MW represented by some ten wind farms in favorable wind locations across Sweden. In addition to the possibility of building from its own project portfolio, the company also evaluates the possibility of acquiring permits in attractive locations from other players in the market.

The Board's risk assessment regarding Covid-19

The spread of the coronavirus is increasing, and it will affect several companies' continued operations and future development, Rabbalshede Kraft is no exception. Management and the Board have prepared a contingency plan to ensure that the staff is not exposed to stress and unnecessary health risks as well as to ensure minimum effects on operations of our and our customers' wind power plants in the event of high staff absenteeism. A dialogue is also ongoing with suppliers, licensing authorities and other stakeholders.

The financial consequences are difficult to overlook in their entirety. The company has hedged a large portion of the expected electricity production for the next two years, which means that the short-term cash flow will not be materially affected by covid-19.

Future capital requirements

If developments follow the predicted expansion plan, a natural need for fresh capital will arise in the future. Additional shareholders' equity in the company is required before a bank will grant any loans for new wind farms. This means that from time to time the need for cash and cash equivalents may be substantial. Accordingly, additional share issues may be carried out in parallel with the company continuing to sell entire or parts of existing and future wind farms.

To date, Rabbalshede Kraft has secured financing for its expansion on an ongoing basis.

Proposed appropriation of profits

The following funds in SEK are at the disposal of the Annual General Meeting:

Share premium reserve	566,074,412
Retained earnings	-17,746,632
Profit for the year	-31,895,989
Total	516,431,791

Proposed appropriation of profits

The Board of Directors proposes that unappropriated earnings and unrestricted reserves be appropriated as follows (SEK):

To be carried forward	-49,642,621
Share premium reserve	566,074,412
Total	516,431,791

For information regarding the earnings and financial position of the company, please refer to the following financial statements and balance sheets with accompanying notes.

GROUP FINANCIAL STATEMENTS

Consolidated income statement

KSEK	Note	2019	2018
OPERATING REVENUE			
Net sales	3	247,165	243,411
Own work capitalized	4	6,575	5,337
Other operating revenues	5	21,267	82,488
Total revenue		***275,007***	***331,236***
OPERATING COSTS			
Service and maintenance		-74,302	-85,340
Other external costs	6, 7	-26,907	-25,530
Personnel costs	8	-33,063	-27,342
Depreciation, amortization and impairment		-119,179	-114,724
Gain/loss from sale of subsidiary	9	-	-3,050
EBIT		**21,556**	**75,250**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Earnings from other securities and receivables classified as fixed assets	10	4,318	4,317
Interest income and similar profit items	11	-	69
Interest expenses and similar loss items	12	-39,712	-46,753
Profit/loss after financial items		**-13,838**	**32,882**
Tax on profit/loss for the year (income tax, current and deferred)	13	-	-13,379
Profit/loss for the year		**-13,838**	**19,503**

Consolidated balance sheet

KSEK	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Intangible fixed assets			
Business systems	14	2,124	-
Leases and similar rights	15	19,030	18,611
Total		***21,154***	***21,154***
Property, plant and equipment	16		
Land and buildings		17,972	18,106
Operational wind farms		1,620,552	1,736,974
Equipment, tools, fixtures and fittings		778	1,451
Planning in progress		239,266	56,680
Total		***1,878,568***	***1,813,211***
Financial fixed assets			
Receivables from associated companies and joint ventures	17	108,226	108,226
Other long-term securities holdings	18	24	24
Deferred tax assets	13	31,544	32,675
Total		***139,794***	***140,925***
Total fixed assets		**2,039,482**	**1,972,747**
Current assets			
Inventory, etc.			
Electricity certificates		61,591	47,708
Spare parts		1,202	534
Total		***62,793***	***48,242***
Current receivables			
Accounts receivable		2,830	3,160
Receivables from associated companies and joint ventures		11,547	8,605
Other receivables		22,988	11,536
Prepaid costs and accrued income	21	34,744	162,621
Total		***72,109***	***185,922***
Blocked bank funds		48,024	40,845
Cash and cash equivalents	31	176,430	61,292
Total current assets		**359,356**	**336,301**
Total assets		**2,398,838**	**2,309,048**

Continued on next page.

Consolidated balance sheet, cont.

KSEK	Note	Dec 31, 2019	Dec 31, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	22, 23, 24		
Share capital		904,614	800,543
Other capital contributions		608,640	515,948
Reserves		-16,089	-18,532
Retained earnings		22,710	3,207
Profit/loss for the year		-13,838	19,503
Shareholders' equity attributable to Parent Company's shareholders		1,506,037	1,320,669
Total shareholders' equity		**1,506,037**	**1,320,669**
Provisions			
Other provisions	25	9,758	11,759
Long-term liabilities			
Liabilities to credit institutions	26	524,131	503,974
Other liabilities, derivatives	27	20,468	23,770
Shareholder loans	27	155,802	293,468
Total		***710,159***	***821,212***
Current liabilities			
Liabilities to credit institutions	26	53,178	83,153
Accounts payable		81,505	20,859
Other liabilities		3,011	3,435
Accrued expenses and deferred income	28	44,948	47,959
Total		***182,642***	***155,407***
Total liabilities		**892,801**	**988,379**
Total equity and liabilities		**2,398,838**	**2,309,048**

Consolidated statement of changes in shareholders' equity

Shareholders' equity attributable to Parent Company's shareholders, KSEK	Share capital	Other capital contributions	Hedging reserve	Retained earnings incl. profit/loss for the year	Total shareholders' equity
Opening shareholders' equity, Jan. 1, 2018	800,543	515,948	-23,921	3,206	1,295,776
Profit/loss for the year			5,390	19,503	24,893
Total changes in equity excluding transactions with the company's owners	800,543	515,948	-18,531	22,709	1,320,669
Transactions with the Group's owners	-	-	-	-	-
Closing shareholders' equity, Dec. 31, 2018	**800,543**	**515,948**	**-18,531**	**22,709**	**1,320,669**
Opening shareholders' equity, Jan. 1, 2019	800,543	515,948	-18,531	22,709	1,320,669
Profit/loss for the year	-	-	2,443	-13,838	-11,395
Total changes in equity excluding transactions with the company's owners	800,543	515,948	-16,089	8,872	1,309,274
Transactions with the Group's owners					
New share issue	104,071	93,663			197,734
Expenses attributable to the new share issue		-971			-971
Closing shareholders' equity, Dec. 31, 2019	**904,614**	**608,640**	**-16,089**	**8,872**	**1,506,037**

Consolidated cash flow statement

KSEK	Note	Jan. 1, 2019–Dec. 31, 2019	Jan. 1, 2018–Dec. 31, 2018
Operating activities			
Profit/loss before tax		-13,838	32,882
Adjustment for non-cash items	31	118,061	61,496
Cash flow from operating activities before changes in working capital		***104,223***	***94,378***
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in electricity certificates		-14,551	-38,603
Increase (-)/Decrease (+) in operating receivables		-28,133	5,858
Increase (+)/Decrease (-) in operating liabilities		54,975	19,343
Cash flow from changes in working capital		***12,291***	***-13,403***
Cash flow from operating activities		**116,514**	**80,975**
Investing activities			
Acquisition of intangible assets incl. advance payments		-3,323	-4,284
Acquisition of property, plant and equipment, including advances		-182,995	-124,195
Divestment of property, plant and equipment		141,944	-
Acquisition of subsidiaries		-	-350
Divestment of subsidiaries, net of cash and cash equivalents	32	-	13,135
Cash flow from investing activities		**-44,374**	**-115,694**
Financing activities	31		
New share issue		197,734	-
Issue costs		-971	-
Loans raised		74,190	56,682
Shareholder loans raised		-	86,795
Amortization of shareholder loans		-137,623	-
Amortization of loans		-83,155	-74,963
Changes in blocked funds		-7,179	-290
Cash flow from financing activities		**42,996**	**68,224**
Cash flow for the period		**115,136**	**33,505**
Cash and cash equivalents on the opening date	31	61,292	27,787
Cash and cash equivalents at end of period		176,428	61,292
Blocked funds		48,024	40,845
Total cash and cash equivalents and blocked funds		**224,452**	**102,137**

CONSOLIDATED BALANCE SHEET

PARENT COMPANY

Parent Company income statement

KSEK	Note	2019	2018
OPERATING REVENUE			
Net sales	3	13,510	6,769
Own work capitalized	4	4,488	5,337
Other operating revenues	5	19,195	73,331
Total revenue		***37,193***	***85,437***
OPERATING COSTS			
Other external costs	6, 7, 8	-23,750	-24,816
Personnel costs	8	-33,063	-27,342
Depreciation, amortization and impairment		-1,790	-1,315
Income from sale of subsidiary	9	-	-3,050
EBIT		**-21,410**	**28,914**
PROFIT/LOSS FROM FINANCIAL ITEMS			
Earnings from other securities and receivables classified as fixed assets	10	4,318	4,317
Interest income and similar profit items	11	-	69
Interest expenses and similar loss items	12	-12,936	-17,800
Profit/loss after financial items		**-30,028**	**15,498**
Appropriations		-1,868	3,049
Profit/loss before tax		**-31,896**	**18,547**
Tax	13	-	-4,780
Profit/loss for the year		**-31,896**	**13,767**

Parent Company balance sheet

KSEK	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Non-current assets			
Intangible fixed assets			
Business systems	14	2,124	124
Property, plant and equipment	16		
Land and buildings		14,680	14,714
Equipment, tools, fixtures and fittings		415	991
Planning in progress		59,076	52,645
Total		***74,171***	***68,349***
Financial fixed assets			
Participation in Group companies	19	1,317,538	1,228,027
Participations in associated companies and joint ventures	20	13	13
Receivables from associated companies and joint ventures	17	108,226	108,226
Other long-term securities holdings	18	15	15
Deferred tax assets	13	2,110	2,110
Total		***1,427,902***	***1,338,391***
Total fixed assets		**1,504,197**	**1,406,865**
Current assets			
Inventory, etc.			
Spare parts		1,202	534
Current receivables			
Accounts receivable		1,668	1,870
Receivables from Group companies		36,844	3,347
Receivables from associated companies and joint ventures		11,547	8,605
Other receivables		2,274	3,000
Prepaid costs and accrued income	21	1,597	120,770
Total		***53,930***	***137,592***
Blocked bank funds		-	300
Cash and cash equivalents	31	46,858	39,198
Total current assets		**101,990**	**177,624**
Total assets		**1,606,187**	**1,584,489**

Continued on next page.

Parent Company balance sheet, cont'd.

KSEK	Note	Dec 31, 2019	Dec 31, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	22, 23, 24		
Share capital		904,614	800,543
Share premium reserve		566,074	473,383
Retained earnings		-17,746	-31,513
Profit/loss for the year		-31,896	13,767
Total shareholders' equity		**1,421,046**	**1,256,180**
Provisions			
Other provisions	25	675	3,150
Long-term liabilities			
Liabilities to credit institutions	26	2,700	3,375
Shareholder loans	27	155,802	293,468
Total		***158,502***	***296,843***
Current liabilities			
Liabilities to credit institutions	26	675	675
Accounts payable		1,969	4,558
Liabilities to Group companies		1,868	100
Other liabilities		1,328	1,205
Accrued expenses and deferred income	28	20,124	21,779
Total		***25,964***	***28,317***
Total shareholders' equity and liabilities		**1,606,187**	**1,584,489**

Changes in Parent Company's shareholders' equity

	RESTRICTED SHAREHOLDERS' EQUITY	UNRESTRICTED SHAREHOLDERS' EQUITY			
KSEK	**Share capital**	**Share premium reserve**	**Retained earnings**	**Profit/loss for the year**	**Total shareholders' equity**
Opening shareholders' equity, Jan. 1, 2018	800,543	473,383	162,981	-194,495	1,242,412
Appropriation of profits	-	-	-194,495	194,495	-
Profit/loss for the year	-	-	-	13,767	13,767
Closing shareholders' equity, Dec. 31, 2018	**800,543**	**473,383**	**-31,513**	**13,767**	**1,256,180**
Opening shareholders' equity, Jan. 1, 2019	800,543	473,383	-31,513	13,767	1,256,180
Appropriation of profits	-	-	13,767	-13,767	-
Profit/loss for the year	-	-	-	-31,896	-31,896
New share issue	104,071	93,663			197,734
Expenses attributable to the new share issue	-	-971			-971
Reduction of share capital					
Closing shareholders' equity, Dec. 31, 2019	**904,614**	**566,074**	**-17,746**	**-31,896**	**1,421,046**

Parent Company cash flow statement

KSEK	Note	Jan. 1, 2019–Dec. 31, 2019	Jan. 1, 2018–Dec. 31, 2018
Operating activities			
Profit/loss before tax and appropriations		-31,896	18,547
Adjustment for non-cash items	31	25,163	-52,365
Income tax paid		-	-
Cash flow from operating activities before changes in working capital		*-6,733*	*-33,818*
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in inventory		-668	-534
Increase (-)/Decrease (+) in operating receivables		-49,966	320
Increase (+)/Decrease (-) in operating liabilities		-2,396	8,806
Cash flow from changes in working capital		*-53,030*	*8,592*
Cash flow from operating activities		**-59,763**	**-25,226**
Investing activities			
Acquisition of intangible assets incl. advance payments		-2,041	-
Acquisition of property, plant and equipment incl. advance payments		-9,010	-29,020
Divestment of intangible fixed assets		-	16,140
Divestment of property, plant and equipment		137,541	42,299
Acquisition of subsidiaries		-	-358
Divestment of subsidiaries, net of cash and cash equivalents	32	-	13,185
Shareholders' contributions paid		-137,831	-85,253
Cash flow from investing activities		**-11,341**	**-43,007**
Financing activities	31		
Dividend from Group companies		20,000	17,000
New share issue		197,734	-
Issue costs		-971	-
Shareholder loans raised		-	86,795
Amortization of shareholder loans		-137,624	-
Amortization of loans		-675	-676
Changes in blocked funds		300	-
Cash flow from financing activities		**78,464**	**103,119**
Cash flow for the period		**7,660**	**34,886**
Cash and cash equivalents on the opening date	31	39,198	4,312
Cash and cash equivalents on the closing date		46,858	39,198
Blocked funds		-	300
Total cash and cash equivalents and blocked funds		**46,858**	**39,498**

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Accounting policies and valuation policies

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance
with the Annual Accounts Act and Swedish Accounting Standards Board general guidelines BFNAR 2012:1, Årsredovisning och koncernredovisning (K3) [Annual Accounts and Consolidated Financial Statements].

The Parent Company applies the same accounting policies as the Group except in cases listed below in the section "Parent Company accounting policies."

VALUATION BASIS APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS OF THE PARENT COMPANY AND GROUP

Assets and liabilities are recognized at historical cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value consist of derivative instruments.

FUNCTIONAL CURRENCY AND REPORTING CURRENCY

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest thousand.

Classification

Fixed assets and long-term liabilities essentially comprise amounts that are expected to be recovered or paid more than twelve months after the balance-sheet date.

Current assets and current liabilities mainly comprise amounts that are expected to be recovered or paid within 12 months of the balance-sheet date or where the liability is subject to terms that could require repayment of the debt within 12 months.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are companies over which Rabbalshede Kraft AB has a controlling influence. A controlling influence entails the direct or indirect right to formulate a company's financial and operational strategies in order to receive financial benefits. Acquisitions of subsidiaries are recognized using the purchase method. An acquisition is regarded as a transaction whereby the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities. When an acquisition takes place, an acquisition analysis is performed, through which the cost is established for shares or the business, as well as the fair value of acquired identifiable assets, and assumed liabilities and contingent liabilities on the acquisition date.

Amortized cost comprises the sum of the fair values on the acquisition date of assets acquired, arising or assumed liabilities, issued equity instruments submitted as payment in exchange for the acquired net assets and expenses directly attributable to the acquisition. If in a business combination the acquisition cost exceeds the fair value of acquired assets and assumed liabilities, as well as any contingent liabilities that are recognised separately, the difference is recognised as goodwill. When the difference is negative, this is recognized directly in profit or loss.

The financial statements of subsidiaries are included in the consolidated financial statements as from the acquisition date to the date on which the control ceases.

DEFINITIONS OF KEY METRICS

Return on capital employed
Profit before taxes plus financial expenses divided by average capital employed

Total assets
The total value of all of the assets held by the company

Shareholders' equity per share
Shareholders' equity divided by the number of shares

Net debt
Interest-bearing liabilities less cash and cash equivalents

Earnings per share
Profit after tax divided by the number of shares

Debt/equity ratio
Interest-bearing liabilities divided by shareholders' equity

Equity/assets ratio
Shareholders' equity as a percentage of total assets

Capital employed:
Total assets less non-interest-bearing liabilities

FINANCIAL INSTRUMENTS

Financial instruments are reported in accordance with Chapter 12 (Financial instruments measured in accordance with Chapter 4, Paragraphs 14a–e of the Annual Accounts Act) of BFNAR 2012:1. Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, loans and accounts receivable, as well as derivatives with a positive fair value. The liabilities side includes accounts payable and loan payables, as well as derivatives with a negative fair value. At inception, financial instruments are recognized at a cost corresponding to the instrument's fair value, including direct transaction costs for all financial instruments except those belonging to the category; financial assets measured at fair value in profit or loss and al lderivatives, which are recognized at fair value less transaction costs.

Recognition in and derecognition from the balance sheetn

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognized in the balance sheet when invoices have been sent. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received. Accounts payable are recognised when an invoice has been received.

A financial asset is derecognized from the balance sheet when the rights inherent in the agreement are realized or expire or if the company loses control over them. The same applies to a portion of a financial asset. A financial liability is removed from the balance sheet when the obligation arising from the agreement has been met or is extinguished for other reasons. The same applies to a portion of a financial liability.

A financial asset and a financial liability are offset and recognized in a net amount in the balance sheet only when there is a legal right to offset the amounts and there is an intention to settle the items in a net amount or to simultaneously realize the asset and settle the liability.

Acquisitions and sales of financial assets are recognized at the transaction date, which is the date when the company commits to acquire or sell the asset.

Classification and measurement

A non-derivative financial instrument is initially recognized at cost, which corresponds to the instrument's fair value including direct transaction costs for all financial instruments except those belonging to the category financial assets measured at fair value in profit or loss, which are recognized at fair value excluding transaction costs. When entered for the first time, a financial instrument is classified on the basis of the purpose for which the instrument was acquired. This classification determines how the financial instrument is measured following the first reporting occasion.

At inception, derivative instruments are recognized at fair value. This means that transaction costs are charged to profit or loss for the year. The main rule is that these financial instruments are recognized on an ongoing basis in profit or loss at fair value unless hedge accounting is applied. Where derivative instruments are used for hedge accounting and, insofar as this is efficient, changes in the value of derivative instruments are recognized on the same line as the hedged item in profit or loss if it pertains to fair-value indexing. Increases and decreases in the value of derivatives are recognized in profit or loss as income and expenses, respectively, or under net financial items based on the purpose of the holding. Refer also to the heading below, "Derivative instruments and hedge accounting."

Financial assets held for trade

Financial assets in this category are measured at fair value, and the changes in value are recognized in profit or loss. The category includes derivatives with positive fair value, excluding derivatives that are an identified and effective hedging instrument.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with payments that are fixed or can be determined and that are not listed on an active market. These assets are measured at amortized cost. Amortized cost is determined based on the effective rate calculated on the acquisition date. Accounts receivable are recognized at the amounts expected to be received, that is, after deductions for doubtful receivables.

Financial liabilities held for trade

Financial liabilities in this category are measured continuously at fair value, and the changes in value are recognized in profit or loss. The category includes derivatives with negative fair value, excluding derivatives that are an identified and effective hedging instrument.

Other financial liabilities

Loans and other financial liabilities, such as accounts payable, are included in this category. Liabilities are measured at amortised cost.

Impairment of financial assets and liabilities

On each reporting occasion, the company assesses whether there is objective evidence of impairment of a financial asset or group of assets. Objective evidence comprises observable circumstances that have occurred and that have a negative impact on the possibility of recovering the cost. Rabbalshede Kraft receives objective evidence of any impairment of financial assets through credit-assessment reports on borrowers provided by external parties. Unforthcoming interest rates or a lack of ongoing communication from the borrower may constitute an indication that such a report should be ordered. Impairment of accounts receivable is recognized as a cost in profit or loss.

DERIVATIVES AND HEDGE ACCOUNTING

The Group's derivative instruments have been acquired to financially hedge risks associated with interest-rate exposure, and with the selling price or currency exchange rates to which the Group is subject. At inception, derivative instruments are recognized at fair value, entailing that transaction expenses are charged against profit or loss for the year. After initial recognition, derivative instruments are measured at fair value and changes in value are reported in the manner described below. Derivative instruments are recognized in the balance sheet as current receivables and liabilities, or as longterm receivables and liabilities, depending on the duration of the agreement.

Meeting the requirements for hedge accounting in accordance with K3 requires a documented connection to the hedged item. It is also required that the hedge effectively protects the hedged item, that hedge documentation is prepared and that the effectiveness can be measured. Gains and losses pertaining to hedges are recognized in profit or loss at the same date that the gains or losses are recognized for the hedged items. Derivative instruments are used to hedge interest-rate risk, future cash flows from the sale of electricity (where the derivative is settled in cash) and for the hedging of purchases of wind turbines in foreign currencies. Interest-rate swaps are used to hedge future interest-rate flows pertaining to loans borrowed at variable interest rates. Interest-rate swaps are measured at fair value in the balance sheet. The interest coupon portion is recognized continuously in profit or loss as interest income or interest expense. Other changes in the value of interestrate swaps are recognized as fair value reserve until the time when the hedged item impacts profit or loss and as long as the criteria for hedge accounting are fulfilled and the hedged is deemed to be effective. The gain or loss attributable to any ineffective portion is recognized in profit or loss.

Cash-flow hedging is applied to derivative instruments and electricity futures that are used for the hedging of future electricity sales. The majority of electricity agreements consist mainly of PPA and EPA contracts that are also used to hedge electricity prices and that are not settled in cash but through physical deliveries, which is why these agreements are not included under hedge accounting. Cash-settled electricity futures are recognised at fair value in the balance sheet. Changes in value are recognized in fair value reserve until the time when the hedged flow impacts recognized profit/loss, at which time the hedge instrument's accumulated changes in value are transferred to profit or loss in order to match the effects of the hedged transaction.

The currency forward contracts that are used to hedge future cash flows, pertaining to forecast purchases of wind turbines in foreign currencies, are recognized at fair value in the balance sheet. Changes in value are recognized in fair value reserve until the time when the hedged flow impacts profit or loss, at which time the hedge instrument's accumulated changes in value are transferred to property, plant and equipment. This takes place long as the criteria for hedge accounting are fulfilled and the hedge is deemed to be efficient. The gain or loss attributable to the ineffective portion of the ongoing hedge, where hedge accounting is applied, is recognized in profit or loss.

If hedge accounting in the above case is terminated due to the forecast flows no longer being probable or because transactions will not occur, the items in fair value reserve will be transferred to profit/loss for the year.

EMPLOYEE BENEFITS

Defined-contribution pension plans

The company has only defined-contribution pension plans in its operations. Plans in which the company's obligation is limited to the contributions that the company undertakes to pay are classified as defined-contribution pension plans. In such cases, the amount of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return generated by the contribution. Accordingly, it is the employee who bears the actuarial risk (that the payment will be lower than expected) and the investment risk (that the investment assets will be inadequate to provide the expected benefits). The company's obligation regarding contributions to defined-contribution plans are recognised as an expense in profit and loss at the rate in which they are earned by employees performing services for the company during a period.

Remuneration for termination of employment

A provision is recognised in connection with termination of employment only if the company is clearly obligated, without a realistic possibility of reversal, to a formal and detailed plan to terminate employment before the normal time.

When a termination benefit is offered to encourage voluntary redundancy, a cost is recognized if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Short-term remuneration

Short-term benefits to employees are calculated without discounting and are recognized as a cost when the related services are received.

A provision is recognized for the anticipated cost of profit-share and bonus payments when the Group has a valid legal or informal duty to make such payments as a result of services received from employees and when the obligation can be reliably calculated.

REVENUES

Revenue primarily comprises sales of produced electricity, sales of electricity certificates and remeasurement of awarded electricity certificates. Other operating revenue primarily comprises payments for the sale of wind-power projects, re-invoiced construction costs and the sale of asset management services.

Revenue from the sale of produced electricity: Revenue from produced electricity is recognized in the period in which delivery is made. The unhedged portion of electricity produced is valued at the wind production hour (WPH) price from Nasdaq Commodities and the hedged portion is valued at the hedged price. Hedging is carried out using PPAs. Revenue from electricity sales is recognized as accrued revenue in the balance sheet until payment has been received.

Revenue regarding awarded electricity certificates and guarantees of origin (GoO) are recognized in the period in which the delivery of electricity based on certificates or GoO occurred. Electricity certificates and GoO are recognized in the balance sheet as intangible assets when they are registered in the Swedish Energy Agency's account and recognized as accrued revenue provided that they have been earned but not yet registered. Other revenue from sales of wind turbines is recognized during the period in which the purchaser acquires the wind turbines.

FINANCIAL INCOME AND EXPENSES

Financial income comprises interest income and exchange-rate gains and divestments of financial instruments. Interest income on financial instruments is recognised in accordance with the effective interest-rate method. Gains on the disposal of a financial instrument are recognised when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument.

Financial expenses primarily comprise interest expenses for loans, interest derivatives and other financial expenses. Borrowing costs are recognized in profit or loss applying the effective interestrate method. Borrowing costs during construction are included in the asset's cost. Exchange-rate gains and exchange-rate losses are recognised at gross amounts. The effective interest rate is the rate used to discount estimated future cash payments or receipts during the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received by contractual parties that are an integral part of the effective interest rate, transaction costs and all other fair value adjustments.

TAX

Income tax comprises current and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against shareholders' equity or as other comprehensive income, at which time the related tax effect is recognised in equity or other comprehensive income.

Current tax comprises tax that is to be paid or received in the current year, with the application of the tax rates that have been determined, or determined in practice, on the balance-sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, proceeding from the temporary differences existing between the carrying amounts and tax bases of assets and liabilities. Temporary differences are not considered when they arise from the initial recognition of goodwill or from initial recognition of assets and liabilities in a transaction that is not a business acquisition and that affect neither recognized nor taxable earnings at the time of the transaction. Nor are temporary differences attributable to shares in subsidiaries or associated companies that are not expected to be reversed in the foreseeable future taken into consideration. Measurement of deferred tax is based on how the carrying amount of underlying assets or liabilities is expected to be recovered or settled.

Deferred tax is calculated using the tax rates and regulations enacted or substantially enacted at the balance-sheet date. Deferred tax assets relating to deductible temporary differences and loss carryforwards are recognized only insofar as it is probable that they can be utilized. The value of deferred tax assets is adjusted when it is no longer likely that they can be utilised.

INTANGIBLE ASSETS

Leasehold agreements

Intangible assets acquired by the Group take the form of leasehold agreements that are recognized at their respective cost, less accumulated amortization and impairment losses.

Other intangible assets

Other intangible assets comprise acquired computer software and received electricity certificates and guarantees of origin (GoO). A certificate system is in place for the purpose of promoting the use of renewable electricity. Facilities affected by these systems receive certificates, free of charge, in pace with the generation of electricity that qualifies under the scheme. Received electricity certificates are registered in accounts maintained by the Swedish Energy Agency. Electricity certificates are recognized as intangible current assets in the balance sheet of the Rabbalshede Kraft Group.
Whenever certificates are awarded, they are measured at the fair value on the date of receipt and on every balance-sheet date. The

Group recognizes electricity certificates and their remeasurement as net sales. In connection with measurement, historical daily prices are provided by Svensk Kraftmäkling.

Amortization policies

Amortization is recognized on a straight-line basis in profit or loss over the estimated useful life of the intangible asset. Useful lives are reviewed at least on an annual basis. Intangible assets with determinable useful lives are amortized as from the date the asset is available for use.

The applied useful lives of the assets are:
– Leasehold agreements, 25 years
– Software, 5 years

PROPERTY, PLANT AND EQUIPMENT

Owned assets

In the Group, property, plant and equipment are recognized at cost, less accumulated depreciation and any impairment. Cost includes the purchase price, a reasonable share of indirect costs and expenses directly attributable to bringing the asset to where it belongs and in the condition required for it to be used in accordance with the aim of the purchase. When calculating each asset's depreciable amount, consideration is given to the asset's potential residual value. The estimated residual value and applied useful life are continuously reviewed and recognition adjusted to the extent necessary.

In the event that property, plant and equipment comprise components that are significant in relation to the entire asset's value, these are processed separately. Each component is recognized and amortized in accordance with individual depreciation schedules. In the case of Rabbalshede Kraft, differences in the useful life of components may vary between 3 and 25 years.

The carrying amount of a tangible fixed asset is derecognized from the balance sheet when the asset is scrapped or divested, or when no future financial benefits are expected from the use or scrapping/divestment of the asset. Gains or losses arising from the divestment or scrapping of an asset comprise the difference between the selling price and the asset's carrying amount, less direct selling costs. Capital gains are recognised as other operating income and Capital losses are recognised as other expenses.

Additional expenses

Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are expensed in the period they are incurred. An additional expense is added to the cost if the expense pertains to the replacement of identified components or parts thereof. The expense is also activated in cases where new components are created. Any remaining carrying amounts for replaced components, or parts of components, are retired and recognized in conjunction with the exchange. Repairs are expensed on a current account basis.

Borrowing costs

Borrowing costs directly attributable to the purchase, construction or production of assets that take a considerable amount of time to complete for their intended use or sale are included in the asset's cost. Interest expenses are capitalized during the construction phase.

Amortization policies

Depreciation is applied on a straight-line basis over the estimated useful life of assets, while ongoing planning is not amortized. The Group applies component depreciation, which means that the components' estimated useful life provides the basis for the depreciation. However, the useful lives for all components of the wind turbines, foundations and electrical installations are deemed to be the same, which is why there is no further division.

The applied useful lives of the assets are:
– Tower, foundation, roads 30 years
– Rotor blades 25 years
– Transmission case 13 years
– Generator 15 years
– Buildings and land improvements, 20–25 years
– Equipment, tools, fixtures and fittings 3–5 years

Impairment of tangible and intangible assets

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated (see below). If it is not possible to determine essentially independent cash flows for an individual asset and its fair value less selling expenses cannot be used for impairment testing, the assets are to be grouped at the lowest level at which it is possible to identify essentially independent cash flows – this is known as a cash-generating unit (CGU). An impairment loss is recognized when the carrying amount of an asset or CGU exceeds the recoverable amount. An impairment loss is recognised as an expense in profit or loss. Impairment of assets identified for a CGU is distributed proportionally between other assets included in the unit.

The recoverable amount is the higher of the fair value minus selling costs and value in use. When calculating the value in use, future cash flows are discounted using a discount factor taking into account risk-free interest and the risk associated with the specific asset.

Reversal of impairment losses

An asset's impairment loss is reversed if there is an indication that impairment no longer exists and also that a change has occurred in the assumptions on which the estimate of recoverable value was based. A reversal is only performed to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognised, minus appropriate depreciation, if no impairment loss had been recognised.

LEASES

Leased assets

Lease agreements are classified in the consolidated financial statements either as finance leases or operating leases. A finance lease substantially transfers the economic risks and rewards associated with ownership to the lessee; any other case is an operating lease.

Assets under a finance lease agreement are recognized as assets in the consolidated balance sheet. The obligation to pay future lease payments is recognised as either long-term or current liabilities. Leased assets are depreciated on a straight-line basis over the leasing period or useful life, whichever is shorter, while leasing payments are recognised as interest payments and debt amortisation.

Costs for operating leases are recognised in profit or loss for the year on a straight-line basis over the term of the lease. Benefits received in connection with signing an agreement are recognized in profit or loss as a reduction of the lease payment on a straight-line basis across the duration of the leasing agreement. Variable fees are expensed in the period in which they were incurred. The Group's leases consist primarily of ground rent in the form of leasehold agreements.

INVENTORY

Inventory is recognised in accordance with the lowest value principle and the first-in-first-out method (FIFO).

FOREIGN CURRENCIES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the transaction date. Functional currency is the currency of the primary economic environments in which the entity operates. Monetary assets and liabilities in foreign currency are translated into the functional currency using the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising on translation are recognized in profit or loss under net financial items. Exchange-rate differences on investments are capitalized in the balance sheet. Exchange-rate differences arising on business combinations are recognized in EBIT. Exchange-rate differences from financial items are recognized under net financial items. Non-monetary assets and liabilities that are recognised at their historic cost are translated to the exchange rate at the date of the transaction.

PROVISIONS

The agreements and obtained permits are subject to requirements regarding the restoration of land following the expiry of leasehold terms and cessation of production by wind-power plants. This entails an obligation to dismount and remove all facilities, buildings and pipelines. The Company recognizes a provision under Long-term liabilities: Provisions, and this has been discounted to present value.

CONTINGENT LIABILITIES

A contingent liability is recognized when a possible obligation arising from past events exists whose existence will only be confirmed by one or more uncertain future events or when there is an obligation that is not recognized as a liability or provision since it is not likely that an outflow of resources will be required (see above). Refer to Note 30 for further information.

EARNINGS PER SHARE

The calculation of earnings per share is based on the Group's net profit for the year attributable to Parent Company shareholders and on the weighted average number of shares outstanding during the year. In calculating earnings per share after dilution, the earnings and average number of shares are adjusted to take into account the effects of potentially diluting ordinary shares, which derive from issued shares and options distributed to employees during the reported periods. Dilution from options impacts the number of shares and occurs only when the exercise price is lower than the market price. The larger the difference between the exercise and market price, the greater the dilution.

PARENT COMPANY ACCOUNTING POLICIES

The differences between reporting in the Group and the Parent Company are described below. The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company.

Subsidiaries

Shares in subsidiaries are recognised in the Parent Company in accordance with the acquisition-value method. Only dividends received are recognised as revenue.

Group and shareholders' contributions

Group contributions received/paid are recognized as an appropriation in profit and loss. Shareholders' contributions are recognized by the donor as an increase in the recognized value of the participation and by the recipient as an increase in shareholders' equity.

Anticipated dividends

Anticipated dividends from subsidiaries are recognized in cases where the Parent Company has sole rights to decide on the size of the dividend and the Parent Company has passed a resolution on the size of the dividend prior to the Parent Company publishing its financial statements.

Tax

In the Parent Company, untaxed reserves including deferred tax liability are recognized. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liability and shareholders' equity.

Note 2 Assumptions and estimates

Preparing financial statements requires management to make assumptions, estimates and presumptions that affect the application of the accounting policies and the carrying amounts for assets, liabilities, revenue and expenses. The actual outcome may diverge from these estimates and assumptions.

Estimates and assumptions are reviewed regularly and revised when necessary. Changes in the estimates are recognized in the period they are made if this is the only period affected by the change, or in the period the changes are made and in future periods if they also affect future periods. For Rabbalshede Kraft, impairment testing of the Group's fixed assets comprises the area that requires a high degree of assumptions and where estimates are of material significance. Impairment testing of the Group's fixed assets uses revenue that is based on the average of a price curve from Wattsight, the forecasting agency, which is converted in accordance with the EUR/SEK exchange rate on the balance-sheet date. A price curve comprises information on the electricity and certificate price trends, indicated as SEK per MWh for a given forecast period. If, for example, global economic conditions should take a considerable change for the worse following the reporting period, this could lead to an impairment requirement that is not reflected in the annual accounts. When testing ongoing projects among the Group's property, plant and equipment for impairment, the carrying amounts for the projects are compared with their respective market values. The market values are mainly based on quotations or information received from other market operators.

Deferred tax assets are recognized to the extent that it is probable they will be used against future generated profits. The value of deferred tax assets is adjusted when it is no longer likely that they can be utilised. Refer to Note 14 for further information.

Joint ventures

Cooperation arrangements in the form of joint ventures, which for Rabbalshede Kraft (publ) consist of jointly managed companies, are recognized using the equity method in the consolidated financial statements.

The shares in a joint venture are initially recognized as cost at the acquisition date and adjusted on an ongoing basis to the Group's share of the jointly controlled company's income adjusted for dividends, internal profits and depreciation of assets. The Group's share of earnings generated in the joint venture is recognized in the consolidated income statement. When the Group's holding is reduced to zero, additional losses and a liability are recognized, but only to the extent that the Group has incurred legal or constructive obligations or made payments on the joint venture company's behalf. If the joint venture company later reports profits, the Group returns to recognizing its share of those profits only when these total the same amount as the share of losses not recognized by the Group.

Note 3 Net sales

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Income per significant income category				
Sale of electricity	169,755	155,725	-	-
Income from electricity certificates	72,155	82,370	-	-
Income from guarantees of origin	5,255	5,317	-	-
Other income from Group companies	-	-	13,510	6,769
Total	**247,165**	**243,411**	**13,510**	**6,769**

The Group's sale of electricity in 2019 totaled 517,545 MWh (465,044). Other income from Group companies consists of planning services, operation and maintenance services, as well as administrative services.

Note 4 Own work capitalized

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Capitalized planning personnel	5,596	3,888	3,509	3,888
Capitalized administrative costs	859	1,226	859	1,226
Capitalized depreciation divided by property, plant and equipment	120	223	120	223
Total	**6,575**	**5,337**	**4,488**	**5,337**

The company capitalizes all personnel costs for planning personnel in ongoing projects. Personnel costs for management/administration (overheads) are capitalized at an appropriate percentage for projects that are approved or in the construction phase, and the remaining costs impact earnings.

Note 5 Other operating income

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Technical and financial management	17,857	15,791	15,612	14,226
Reinvoiced costs	-	679	-	-
Services within project planning	-	1,610	-	1,610
Sales of projects	-	59,782	-	56,731
Other	3,410	4,626	3,583	746
Total	**21,267**	**82,488**	**19,195**	**73,331**

Reinvoiced construction costs totaling KSEK 0 (679) are included as a cost under other external costs.

Note 6 Leases

The Group leases no assets through financial leases.
Assets the Group leases through operational leases comprise land where wind turbines are located, office premises and vehicles.

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Operating leases				
Within one year	9,531	11,695	1,730	1,631
Between one year and five years	33,773	43,156	2,573	2,900
Longer than five years	106,152	146,408	-	-
Total	**149,456**	**201,259**	**4,303**	**4,531**

The cost of operating leases in 2019 totaled KSEK 10,979 (10,450). Operating leases mainly comprises leases with landowners. The term correlates with the economic life of the wind turbine. Leases comprise no variable fees.

Note 7 Information on remuneration to the auditors

Fees and cost reimbursement paid to auditors

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
KPMG				
Audit engagements	764	720	185	170
Tax advice	184	400	184	400
Other services	318	280	318	280
Total	**1,266**	**1,400**	**687**	**850**

Note 8 Employees, personnel expenses and remuneration of senior executives employees in Sweden

	2019			2018		
Average number of employees	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Parent Company	8	21	29	10	17	27
Group total	8	21	29	10	17	27

Distribution of company management by gender	GROUP				PARENT COMPANY			
	2019		2018		2019		2018	
	Women	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**	**Men**
The Board of Directors	2	3	2	4	2	3	2	4
Other senior executives	1	5	2	6	1	5	2	6

Salaries and other remuneration distributed between members of the Board/senior executives and other employees, as well as social security expenses.

	2019			2018		
KSEK	**Board of Directors/ Senior executives (12 persons)**	**Other employees**	**Total**	**Board of Directors/ Senior executives (14 persons)**	**Other employees**	**Total**
PARENT COMPANY						
Sweden, salary	11,275	11,894	23,169	8,497	9,929	18,426
Social security expenses	5,822	5,276	11,098	4,508	4,105	8,613
(of which pension costs)	(1,838)	(1,238)	(3,076)	(1,656)	(793)	(2,449)
Group total	**17,097**	**17,170**	**34,267**	**13,005**	**14,034**	**27,039**

All of the employees are in the Parent Company, and consequently, the Parent Company and the Group's payroll expenses are the same.

Senior executives
A fixed monthly salary is paid to senior executives. All of the pension plans in the Group are defined-contribution plans. For senior executives, with the exception of the Board of Directors, a defined-contribution pension agreement is paid into. Premiums correspond to the applicable premium provisions under ITP 1 at that time.

	2019				2018			
Remuneration and other benefits, 2019 KSEK	**Basic salary/ Board fee**	**Other remu-neration/ benefits**	**Pension cost**	**Total**	**Basic salary/ Board fee**	**Other remu-neration/ benefits**	**Pension cost**	**Total**
Bertil Villard, Chairman of the Board, resigned February 7, 2019	36	-	-	36	233	-	-	233
Stine Rolstad Brenna, new Chair-man of the Board as of February 7, 2019	570	-	-	570	152	-	-	152
Mads Miltersen, CEO, resigned February 28, 2019	3,699	38	515	4,252	2,266	281	473	3,020
Peter Wesslau, CEO, April 1, 2019	1,576	95	585	2,256	-	-	-	-
Other senior executives (6 persons)	5,050	210	739	5,999	5,845	110	1,184	7,139
Group total	**10,931**	**343**	**1,839**	**13,113**	**8,496**	**391**	**1,657**	**10,544**

Notice period and severance pay
A mutual notice of termination of 6 months applies between the company and CEO. Upon termination from the Company's side, the CEO is entitled to remuneration that may correspond to a maximum of 6 months' salary.

	GROUP		PARENT COMPANY	
Defined-contribution pension plans KSEK	**2019**	**2018**	**2019**	**2018**
Costs for defined-contribution pension plans	3,077	2,449	3,077	2,449

There are only defined-contribution pension plans in the Group that are completely paid by the companies. The plans are paid into continuously, according to the rules of each plan. The company capitalizes all personnel costs for planning personnel in ongoing projects. Personnel costs for management/administration (overheads) are capitalized at an appropriate percentage for projects that are approved or in the construction phase, and the remaining costs impact earnings. KSEK 4,488 (5,337) was capitalized for the year; refer to Note 4.

Note 9 Profit/loss from participations in Group and associated companies

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Dividend, Group companies	-	-	44,100	463,462
Impairment of shares, Group companies	-	-	-44,100	-463,462
Capital gain on sale of subsidiaries*	-	-3,050	-	-3,050
Total	**-**	**-3,050**	**-**	**-3,050**

*The shares in Åndberg Vind AB were sold in 2018. The sale price totaled KSEK 55,434, of which the value in the company was 58,484.

Note 10 Earnings from other securities and receivables classified as fixed assets

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Interest income, Lyrestad Holding AB	4,318	4,317	4,318	4,317
Total	**4,318**	**4,317**	**4,318**	**4,317**

Note 11 Interest income and similar profit items

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Other interest income	-	69	-	69
Total	**-**	**69**	**-**	**69**

Note 12 Interest expenses and similar loss items

	GROUP		PARENT COMPANY	
KSEK	**2019**	**2018**	**2019**	**2018**
Interest expenses	23,878	26,994	374	112
Interest expense, shareholder loans	12,562	16,447	12,562	16,447
Other financial expenses	3,272	3,312	-	-1,241
Total	**39,712**	**46,753**	**12,936**	**17,800**

Of the Group's interest expenses, KSEK 15,140 (15,796) pertains to interest attributable to liabilities. The corresponding amount for the Parent Company was KSEK 374 (112). Remaining interest expenses pertain to current interest attributable to the Group's interest derivatives.

Note 13 Tax

	GROUP		PARENT COMPANY	
Recognized in profit or loss, KSEK	**2019**	**2018**	**2019**	**2018**
Current tax cost (-)/tax revenue(+)	-	13,922	-	-
Deferred tax regarding temporary differences	-	-543	-	4,780
Total tax	0	13,379	0	4,780
Reconciliation of effective tax, KSEK				
Profit/loss before tax	-13,838	32,882	-31,896	18,548
Tax according to applicable tax rate for the Parent Company, 21.4%	2,961	-7,234	6,826	-4,080
Tax effects of non-deductible expenses	-2,561	-756	-1,862	-740
Tax effects of non-taxable revenues	1	2	-	2
Temporary differences	299	3,723	-	-3,725
Reversal of previously capitalized loss	208	-	208	-
Changes to capitalized loss	-299	-9,114	-	3,673
Uncapitalized loss carryforwards	-609	-	-5,172	-
Recognised effective tax	**0**	**-13,379**	**0**	**-4,780**

Recognized in the balance sheet

Change to deferred tax in temporary differences and tax loss carryforwards.
Deferred tax assets and liabilities are attributable to the following:

GROUP	Balance at January 1, 2019					Balance at December 31, 2019		
KSEK	Deferred tax assets	Deferred tax liabil-ities	Net balance	Recognized in profit/loss for the year	Reserves	Deferred tax assets	Deferred tax liabilities	Net balance
Intangible assets	-	-3,838	-3,838	234	-282	-	-3,886	-3,886
Interest derivatives	5,230	-	5,230	-3	-849	4,378	-	4,378
Capitalized exchange rate gains	-	-2,351	-2,351	157	-	-	-2,194	-2,194
Untaxed reserves	-	-7,249	-7,249	-	-	-	-7,249	-7,249
Capitalized Group interest	68	-	68	-9	-	59	-	59
Internal profits	822	-	822	-59	-	763	-	763
Provisions for rehabilitation	83	-	83	-21	-	62	-	62
Capitalized loss carryforwards	39,910	-	39,910	-299	-	39,611	-	39,611
Tax assets/liabilities	**46,113**	**-13,438**	**32,675**	**0**	**-1,131**	**44,873**	**-13,329**	**31,544**

GROUP	Balance at January 1, 2018					Balance at December 31, 2018		
KSEK	Deferred tax assets	Deferred tax liabilities	Net balance	Recognized in profit/loss for the year	Reserves	Deferred tax assets	Deferred tax liabilities	Net balance
Intangible assets	-	-6,606	-6,606	3,710	-942	-	-3,838	-3,838
Interest derivatives	6,789	-	6,789	-39	-1,520	5,230	-	5,230
Capitalized exchange rate gains	-	-2,479	-2,479	128	-	-	-2,351	-2,351
Untaxed reserves	-	-7,249	-7,249	-	-	-	-7,249	-7,249
Capitalized Group interest	76	-	76	-8	-	68	-	68
Internal profits	862	-	862	-40	-	822	-	822
Provisions for rehabilitation	111	-	111	-28	-	83	-	83
Capitalized loss carryforwards	57,012	-	57,012	-17,102	-	39,910	-	39,910
Tax assets/liabilities	**64,850**	**-16,334**	**48,516**	**-13,379**	**-2,462**	**46,113**	**-13,438**	**32,675**

Note 13 Tax, cont.

PARENT COMPANY	Dec. 31, 2019			Dec. 31, 2018		
KSEK	**Deferred tax assets**	**Deferred tax liabilities**	**Net balance**	**Deferred tax assets**	**Deferred tax liabilities**	**Net balance**
Capitalized loss carryforwards	2,110	-	2,110	2,110	-	2,110
Other temporary differences	-	-	-	-	-	-
Tax assets/liabilities	**2,110**	**-**	**2,110**	**2,110**	**-**	**2,110**

The Parent Company's total closing tax loss at December 31, 2019 was KSEK 153,750. The Group's total closing tax loss at December 31, 2019 was KSEK 475,670. Capitalized loss corresponds to the tax effect of 10-year forecast future results.

Note 14 Business systems

Intangible fixed assets	GROUP		PARENT COMPANY	
KSEK	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Accumulated costs				
Opening balance	-	-	-	-
New acquisitions	2,041	-	2,041	-
Reclassifications	1,042	-	1,042	-
Closing balance	***3,083***	***-***	***3,083***	***-***
Accumulated depreciation and impairment losses				
Opening balance	-	-	-	-
Depreciation for the year	-41	-	-41	-
Reclassifications	-918	-	-918	-
Closing balance	***-959***	***-***	***-959***	***-***
Carrying amount	**2,124**	**-**	**2,124**	**-**

Note 15 Leases and similar rights

Intangible fixed assets	GROUP		PARENT COMPANY	
KSEK	**Dec. 31, 2019**	**Dec. 31,2018**	**Dec. 31, 2019**	**Dec. 31,2018**
Accumulated costs				
Opening balance	27,822	41,756	1,042	19,260
New acquisitions	1,282	4,284	-	-
Reclassifications	-1,042	-	-1,042	
Sales/scrappage	-	-18,218	-	-18,218
Closing balance	***28,062***	***27,822***	***-***	***1,042***
Accumulated amortization and impairment losses				
Opening balance	-9,211	-10,474	-918	-2,954
Amortization for the year	-739	-814	-	-41
Reclassifications	918	-	918	-
Sales/scrappage	-	2,077	-	2,077
Closing balance	***-9,032***	***-9,211***	***-***	***-918***
Carrying amount	**19,030**	**18,611**	**-**	**124**

Note 16 Property, plant and equipment

GROUP	Land and buildings		Operational wind farms		Equipment, tools, fixtures and fittings		Wind farms in construction phase and ongoing planning		Total	
KSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Costs										
Opening balance	24,915	24,915	2,515,668	2,424,480	14,726	14,407	56,680	88,324	2,611,989	2,552,126
Reclassification	-	-	-	-94	-135	-	-	108	-135	14
New acquisitions	392	-	-	91,282	-	319	182,607	32,594	182,999	124,194
Sales/scrappage	-	-	-	-	-	-	-21	-64,345	-21	-64,345
Closing balance	***25,307***	***24,915***	***2,515,668***	***2,515,668***	***14,591***	***14,726***	***239,266***	***56,680***	***2,794,832***	***2,611,989***
Depreciation										
Opening balance	-6,809	-6,283	-778,694	-666,242	-13,275	-12,559	-	-	-798,778	-685,084
Depreciation for the year*	-526	-526	-116,422	-112,437	-670	-716	-	-	-117,618	-113,679
Sales/scrappage	-	-	--	-15	-	-	-	-	-	-15
Reclassification	-	-	-	-	132	-	-	-	132	-
Closing balance	***-7,335***	***-6,809***	***-895,116***	***-778,694***	***-13,813***	***-13,275***	***-***	***-***	***-916,264***	***-798,778***
Carrying amount	**17,972**	**18,106**	**1,620,552**	**1,736,974**	**778**	**1,451**	**239,266**	**56,680**	**1,878,568**	**1,813,211**

PARENT COMPANY	Land and buildings		Equipment, tools, fixtures and fittings		Wind farms in construction phase and ongoing planning		Total	
KSEK	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Costs								
Opening balance	21,116	21,116	13,655	13,426	52,644	86,150	87,415	120,692
New acquisitions	392	-	-	229	8,618	28,791	9,010	29,020
Sales/scrappage	-	-	-	-	-2,187	-62,297	-2,187	-62,297
Closing balance	***21,508***	***21,116***	***13,655***	***13,655***	***59,076***	***52,645***	***94,238***	***87,415***
Depreciation								
Opening balance	-6,401	- 5,975	-12,664	-12,045	-	-	-19,066	-18,020
Depreciation for the year*	-426	-426	-575	-620	-	-	-1,001	-1,046
Sales/scrappage	-	-	-	-	-	-	-	-
Closing balance	***-6,827***	***-6,401***	***-13,240***	***-12,664***	***-***	***-***	***-20,067***	***-19,066***
Carrying amount	**14,680**	**14,714**	**415**	**991**	**59,076**	**52,645**	**74,171**	**68,349**

* Of the depreciation for the year, KSEK 120 (223) was capitalized in property, plant and equipment pertaining to wind measurement equipment. Wind farms in a construction phase are reclassified as operational wind farms when wind turbines are commissioned.

Note 17 Receivables from associated companies and joint ventures

	GROUP		PARENT COMPANY	
KSEK	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Lyrestad Holding AB	108,226	108,226	108,226	108,226
Carrying amount, Dec. 31	**108,226**	**108,226**	**108,226**	**108,226**

Note 18 Other long-term securities holdings

	GROUP		PARENT COMPANY	
KSEK	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Opening balance	24	15	15	15
Acquisition of securities	-	9	-	-
Carrying amount, Dec. 31	**24**	**24**	**15**	**15**

Note 19 Participation in Group companies

PARENT COMPANY

KSEK	**Dec. 31, 2019**	**Dec. 31, 2018**
Accumulated costs		
On 1 January	1,228,027	1,661,262
Purchasing	1,000	3,500
Sales	-17,053	-58,534
Shareholders' contributions	149,663	85,261
Impairment losses	-44,099	-463,462
Carrying amount	**1,317,538**	**1,228,027**

A dividend of KSEK 44,099 (463,462) was paid out during the year, and from that an impairment of shares.

Specification of the Parent Company's direct holdings of shares in subsidiaries

Subsidiaries	**Corp. reg. no.**	**Domicile**	**Votes, %**	**Dec. 31, 2019 Carrying amount**	**Dec. 31, 2018 Carrying amount**
Brattön Elnät AB	556775-1358	Rabbalshede	100	500	200
Rabbalshede Vind AB (formerly Rabbalshede Vind 6 AB)	556872-2879	Rabbalshede	100	1,310,153	1,213,949
RK Halland AB	556794-0340	Rabbalshede	100	3,991	3,720
Lygnern Vind AB	556792-4039	Rabbalshede	100	179	179
Åndberg Elnät AB	556865-6069	Rabbalshede	100	2,614	2,614
Sköllunga Vind AB	556855-9008	Rabbalshede	100	-	3,045
Gärdshyttan Vind AB	556903-5180	Rabbalshede	100	-	4,220
Rabbalshede Värdepapper AB	556732-7852	Rabbalshede	100	100	100
Total				**1,317,538**	**1,228,027**

Shareholdings owned by Group companies other than the Parent Company

Company	**Corp. reg. no.**	**Domicile**	**Votes, %**	**Dec. 31, 2019 Carrying amount**	**Dec. 31, 2018 Carrying amount**
Hud Vind AB	556872-2820	Rabbalshede	100	71,511	76,511
Töftedal Vind AB	556753-8599	Rabbalshede	100	139,763	152,064
Kil Vind AB,	556782-8305	Rabbalshede	100	27,816	31,516
Brattön Vind AB	556753-8870	Rabbalshede	100	96,017	107,517
Dingleskogen Vind AB	556840-0864	Rabbalshede	100	217,269	227,769
Skaveröd Gurseröd Vind AB	556809-3453	Rabbalshede	100	205,431	209,931
Årjäng Nordväst Vind AB	556812-2666	Rabbalshede	100	136,242	142,742
Årjäng Sydväst Vind AB	556872-2804	Rabbalshede	100	217,840	223,840
RK Vind AB (Rabbalshede Vind 2 AB)	556872-2838	Rabbalshede	100	19,370	19,370
Gärdshyttan Vind AB	556903-5180	Rabbalshede	100	87,369	-
Sköllunga Vind AB	556855-9008	Rabbalshede	100	68,024	-
Total				**1,286,652**	**1,191,260**

Note 20 Participations in associated companies and joint ventures

	GROUP	
KSEK	Dec. 31, 2019	Dec. 31, 2018
Profit participation in associated companies*	0	0
Carrying amount	**0**	**0**

PARENT COMPANY			BOOK VALUE	
Associated companies	**Domicile**	**Number of shares**	**Dec. 31, 2019**	**Dec. 31, 2018**
Lyrestad Holding AB	Tanum Munici-pality	25%	13	13
Total participation in associated companies, Parent Company			**13**	**13**

* As the Group's holding is initially valued at zero, losses and a liability are recognized only to the extent that the Group has incurred legal or constructive obligations, or has made payments on behalf of the joint venture company. No such legal or constructive obligations exist. If the joint venture company later reports profits, however, the Group returns to recognizing its share of those profits only when these total the same amount as the share of losses not recognized by the Group.

Note 21 Prepaid costs and accrued income

	GROUP		PARENT COMPANY	
KSEK	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
Accrued electricity sales	18,041	16,777	-	-
Accrued electricity certificates	7,875	6,722	-	-
Accrued guarantees of origin (GoO)	488	442	-	-
Prepaid insurance expenses	2,496	2,077	302	-
Prepaid service contracts	4,944	10,353	492	-
Sales of projects	-	123,937	-	118,800
Other	900	2,313	802	1,970
Total	**34,744**	**162,621**	**1,597**	**120,770**

Note 22 Earnings per share

GROUP

KSEK	**Dec. 31, 2019**	**Dec. 31, 2018**
Earnings per share were calculated as follows:		
Net profit attributable to Parent Company shareholders (KSEK)	-13,838	19,503
Weighted average number of shares		
Total number of ordinary shares at January 1	160,108,636	160,108,636
Effect of new shares	20,814,122	-
Weighted average number of shares before dilution	164,898,735	160,108,636
Weighted average number of shares after dilution	164,898,735	160,108,636
Earnings per share before dilution	-0.08	0.12
Earnings per share after dilution	-0.08	0.12

Note 23 Shareholders' equity

Share capital in Rabbalshede Kraft totaled SEK 904,613,790 on December 31, 2019. The share capital is distributed among 180,922,758 shares, of which 1,000,000 were Class A shares and 179,922,758 Class B shares. Class A shares entitle the holder to one vote and Class B shares entitle the holder to one tenth of a vote. The quotient value of the shares is SEK 5 per share.

GROUP

Other capital contributions

Pertains to shareholders' equity contributed by the owners. Includes premiums that are paid in connection with share issues.

Retained earnings including profit/loss for the year

Retained earnings including profit/loss for the year include funds earned by the Parent Company and its subsidiaries, as well as paid option premiums.

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedging instruments (interest rate swaps, electricity futures and currency forwards) attributable to hedging transactions that have not yet occurred.

PARENT COMPANY

Restricted funds

Restricted funds are not reduced through dividends.

PARENT COMPANY

Number of shares	2019	2018
Opening number of shares	160,108,636	160,108,636
New share issue	20,814,122	-
Closing number of shares	**180,922,758**	**160,108,636**

UNRESTRICTED SHAREHOLDERS' EQUITY

Share premium reserve

When shares are issued to premium reserves, i.e. when more than the shares' quotient value is to be paid for the shares, an amount corresponding to the amount received in excess of the shares' quotient value is transferred to the share premium reserve. The amount that was provided to the share premium reserve as of January 1, 2006 is included under unrestricted capital.

RETAINED EARNINGS

This consists of the previous year's unrestricted equity after any dividend payments. Combined with profit for the year and the share premium reserve, it constitutes the total unrestricted shareholders' equity, i.e. the amount that is available for dividends to shareholders.

Note 24 Proposed appropriation of profits

Proposed appropriation of profits

The following funds in SEK are at the disposal of the Annual General Meeting:

Share premium reserve	566,074,412
Retained earnings	-17,746,632
Profit/loss for the year	-31,895,989
Total	**516,431,791**

Proposed appropriation of profits

The Board of Directors proposes that unappropriated earnings and unrestricted reserves be appropriated as follows (SEK):

To be carried forward	-49,642,621
Share premium reserve	566,074,412
Total	**516,431,791**

Note 25 Provisions

KSEK	GROUP Dec. 31, 2019	GROUP Dec. 31, 2018	PARENT COMPANY Dec. 31, 2019	PARENT COMPANY Dec. 31, 2018
Opening value	11,759	7,365	3,150	-
Change in value for the year	-2,001	4,394	-2,475	3,150
Closing value	**9,758**	**11,759**	**675**	**3,150**

The item relates to a provision for site restoration costs (i.e. that the land where the wind turbines stand is to be restored to its original state regarding commissioned wind turbines). The provision follows the wind farm's useful life.

Note 26 Liabilities to credit institutions

KSEK	GROUP Dec. 31, 2019	GROUP Dec. 31, 2018	PARENT COMPANY Dec. 31, 2019	PARENT COMPANY Dec. 31, 2018
Current liabilities, 0–1 yr				
Liabilities to credit institutions	53,178	83,153	675	675
Long-term liabilities, 2–5 yrs				
Liabilities to credit institutions	524,131	503,299	2,700	2,700
Long-term liabilities, 6-10 yrs				
Liabilities to credit institutions	-	675	-	675
Total long-term liabilities	**524,131**	**503,974**	**2,700**	**3,375**

Collateral for bank loans is issued through what is known as collateral transfer, whereby assets are transferred, as well as mortgage deeds on properties and chattel mortgages; refer to Note 29.
Recognized liabilities are reduced by capitalized financing expenses, which are accrued over the term of the loan agreement. Capitalized financing expenses total KSEK 7,027 (6,173).

Note 27 Other long-term liabilities

KSEK	GROUP Dec. 31, 2019	GROUP Dec. 31, 2018	PARENT COMPANY Dec. 31, 2019	PARENT COMPANY Dec. 31, 2018
Interest derivatives	17,072	23,770	-	-
Currency forward contracts	4,318	-	-	-
Financial contracts	-922	-	-	-
Shareholder loans, interest-bearing	155,802	293,468	155,802	293,468
Total	**176,270**	**317,238**	**155,802**	**293,468**

Note 28 Accrued expenses and deferred income

KSEK	GROUP Dec. 31, 2019	GROUP Dec. 31, 2018	PARENT COMPANY Dec. 31, 2019	PARENT COMPANY Dec. 31, 2018
Accrued holiday pay	3,829	4,403	3,828	4,403
Accrued social security contributions	592	511	591	511
Accrued interest expense	407	293	-	-
Accrued leasehold payments	23,157	22,972	14,557	14,506
Accrued project costs	3,905	-	-	-
Accrued property tax	9,765	13,507	23	341
Other	3,293	6,272	1,126	2,017
Total	**44,948**	**47,959**	**20,124**	**21,779**

Note 29 Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
KSEK	**Dec. 31, 2019**	**Dec.31, 2018**	**Dec. 31, 2019**	**Dec.31, 2018**
Pledged assets				
In the form of pledged assets for own liabilities and provisions				
Collateral transferred for ordered wind turbines and leaseholds	1,615,093	1,731,197	-	-
Mortgage deeds on properties	14,400	14,400	13,500	13,500
Chattel mortgages	5,000	5,000	5,000	5,000
Blocked bank funds	48,024	40,845	300	300
Pledged shares in Rabbalshede Vind AB (Rabbalshede Vind 6 AB)	1,478,190	1,239,981	1,310,153	1,213,949
Total pledged assets	**3,160,707**	**3,031,323**	**1,328,953**	**1,232,749**
Contingent liabilities*	260,840	325,727	260,840	325,727

*See allocation below in MSEK

Pledged assets

Collateral transferred for ordered wind turbines and leaseholds mean that the company has transferred to the bank the right of use to leasehold areas for wind turbines, other rights/permits/agreements, etc. that exist or which will exist to enable the construction of wind turbines that will subsequently produce, distribute and sell electricity, and titles to all buildings, plants, etc. that exist or will be constructed within the leased area. The transfer of collateral occurs solely for the bank to obtain security for the borrower's liabilities with the bank, which, after the utilization of the collateral, may sell the transferred assets at a market price in order to assimilate payments from the purchase price. The transfer of collateral falls under Chapter 3, Section 37, of the Contracts Act. Although it is a matter of a formal transfer of property, it is typical for collateral transfers – unlike real asset transfers – for the transferred property to remain in the transferor's possession and that it may be utilized by the transferor during the time the collateral is availed and the credit liabilities are contractually fulfilled. The transferor also retains all its obligations to third parties such as shareholders and/or beneficial owners of property. No prices are set on the collateral transfer and there are no tax consequences or register changes as in asset transfers. When the credits are repaid, the bank is to transfer the property back to the transferor without charge.

Contingent liabilities

Rabbalshede Kraft AB previously made a contract with a supplier for the acquisition of 15 wind turbines. This contract was performed in 2019, and there is therefore no outstanding obligation for 2019.

Parent company guarantee

The subsidiary Skaveröd Gurseröd Vind AB has signed a partnership agreement with Tanum Vindkraft AB regarding settlement of potential obligations jointly linked to the accumulated sound for the two neighboring wind farms. Rabbalshede Kraft AB issued a Parent Company guarantee as a safeguard for its subsidiary's obligations. The guarantee is not limited to a certain amount.

Rabbalshede Kraft's largest owner, Treïs Group ("Treïs") has issued a Parent Company guarantee for the benefit of Tuike Finland Oy ("Google") in view of the multi-year power purchase agreement that Lyrestad Vind AB signed as regards the sale of electricity at the Lyrestad wind farm. Rabbalshede Kraft has committed to remunerating Treïs if the latter's Parent Company guarantee must be redeemed. The guarantee is limited to MEUR 25, equivalent to MSEK 261 at the closing date rate.

Note 30 Related parties

Related parties and transactions with key individuals in senior positions

For information regarding the remuneration of senior executives, refer to Note 8.

Rabbalshede Kraft holds shareholder loans from the two largest shareholders, Treïs Group and TD Asset Management (formerly Greystone). Interest of MSEK 12.6 was recorded during the year. The closing balance at December 31, 2019 of total shareholder loans was MSEK 155,818.

Note 31 Cash flow statement

	GROUP		PARENT COMPANY	
Cash and cash equivalents, KSEK	**Dec. 31, 2019**	**Dec. 31, 2018**	**Dec. 31, 2019**	**Dec. 31, 2018**
The following sub-components are included in cash and cash equivalents:				
Cash and bank balances	224,452	61,292	46,858	39,198
Liquidity regulated interest, KSEK				
Interest received	4,318	4,385	4,318	4,384
Interest paid	-36,423	-43,382	-12,920	-16,556
Total	**-32,121**	**-38,997**	**-8,602**	**-12,172**

	GROUP		PARENT COMPANY	
Adjustment for non-cash items, KSEK	**2019**	**2018**	**2019**	**2018**
Depreciation and impairment losses	118,431	114,496	1,042	1,087
Impairment of shares	-	-	24,100	-
Capital loss on sale of shares in Group companies	-	3,050	-	3,050
Capital gain from sales of projects	-	-56,814	-	-56,730
Capital loss on sale of shares/projects	-	228	-	228
Inefficient interest-rate hedging	-12	-178	-	-
Capitalized financing expenses	-853	267	-	-
Reversal charges	474	447	-	-
Divestment/disposal of property, plant and equipment/intangible fixed assets	21	-	21	-
Total	**118,061**	**61,496**	**25,163**	**-52,365**

	GROUP				PARENT COMPANY			
		Affecting cash flow	*Not affecting cash flow*			*Affecting cash flow*	*Not affecting cash flow*	
Changes in financing activities, KSEK	**Dec. 31, 2018**	**Changes to loans**	**Capitalized interest**	**Dec. 31, 2019**	**Dec. 31, 2018**	**Changes to loans**	**Capitalized interest**	**Dec. 31, 2019**
Interest-bearing liabilities								
Shareholder loans	293,468	-137,623	0	155,845	293,468	-137,623	0	155,845
Loans from credit institutions	593,300	-8,965	0	584,335	4,050	-675	0	3,375
Total	**886,768**	**-146,588**	**0**	**740,180**	**297,518**	**-138,298**	**0**	**159,220**

Note 32 Divestment of subsidiaries

In the item "Divestment of subsidiaries, net of cash and cash equivalents", revenue from sales totaled MSEK 0 (55.4) and outgoing cash and cash equivalents MSEK 0 (13.1).

Note 33 Events after the balance sheet date

No significant events have occurred since the end of the fiscal year.

Note 34 Information about the Parent Company

Rabbalshede Kraft AB (publ.) is a Swedish limited liability company headquartered in Rabbalshede, Sweden. The address of the head office is Marknadsvägen 1, SE-457 55 Rabbalshede, Sweden. The consolidated financial statements for 2019 relate to the Parent Company and its subsidiaries, jointly designated the Group, and the associated company Lyrestad Holding AB.

The Board of Directors and CEO give their assurance that the consolidated financial statements have been compiled in accordance with K3 and provide a fair and accurate impression of the financial position and earnings of the Group.

The Annual Report was compiled in compliance with generally accepted accounting policies and provides a fair and accurate view of the financial position and earnings of Parent Company. The Administration Report for both the Group and the Parent Company accurately reviews the Group's and the Parent Company's operations, financial positions and earnings and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group. The Annual Report and the consolidated financial statements were approved for release by the Board of Directors on April 2, 2020. The Parent Company's and Group's balance sheets and income statements will be presented to the Annual General Meeting on April 28, 2020 for adoption.

SUBMISSION OF THE REPORT

RABBALSHEDE, APRIL 2, 2020

Stine Rolstad Brenna
Chair of the Board of Directors

Annika Ahl Åkesson
Director

Jeffrey Mouland
Director

Frederic de Stexhe
Director

Nicolò Napolitano
Director

Peter Wesslau
CEO

Our auditors' report was submitted on April 3, 2020
KPMG AB

Fredrik Waern
Authorized Public Accountant

Daniel Haglund
Authorized Public Accountant

AUDITORS' REPORT

To the general meeting of the shareholders of Rabbalshede Kraft AB (publ), corp. id 556681-4652.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Rabbalshede Kraft AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 3-37 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company and the group as of 31 December 2019 and their 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 and consolidated accounts.

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

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 the parent company and the group 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 and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give 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 and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group'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 intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISA 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 and consolidated accounts.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

– Identify and assess the risks of material misstatement in the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

– Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient and appropriate audit evidence regarding the financial information for the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also provide information about significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration by the Board of Directors and the Managing Director of Rabbalshede Kraft AB (publ) for the year 2019 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 the parent company and the group 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. Where a dividend is proposed, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group'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 and the group'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 the company incurring liability for damages, 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 the company incurring liability for damages, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with the starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Göteborg,

KPMG AB

Fredrik Waern	Daniel Haglund
Authorized Public Accountant	*Authorized Public Accountant*