

Annual Report 2021



Skellefteå Kraft

Skellefteå Kraftaktiebolag
Corporate registration number: 556016-2561

This is Skellefteå Kraft

We endeavour to be Sweden's best energy company and see ourselves as the industry's challenger. We put the customer and the customer's needs first and are a driving force for a sustainable future by focusing on our own renewable energy production and investing in research and development. The assignment from our owner, Skellefteå Municipality, is to safeguard the region's energy supply while creating profitable growth that promotes the development of the region.

This report summarises the results and position for the municipality's entire energy operation.*

Our business

Skellefteå Kraft is one of Sweden's five biggest electricity producers and the biggest of the municipally owned power companies. Our production is concentrated in the north of Sweden and we have our own production facilities for wind power, hydropower, heating and bioenergy.

Energy production

We produce electricity from renewable energy sources. The major part of the electricity comes from northern hydro and wind power. In 2021, a total of 842 GWh of heat and 4,301 GWh of electricity was produced.

Electricity grid

Our grid is 12,000 kilometres long and covers nine municipalities. It's one of Sweden's regional grids.

District heating

Our largest district heating network is located in Skellefteå; we also have several smaller networks in the region. Our district heating is produced primarily with biofuel.

Fibre network

We build and own the fibre network in Skellefteå and the surrounding area. Eight out of ten local residents have access to one of Sweden's fastest and best networks.

Development for the future

We focus on research and collaboration projects to develop tomorrow's energy supply.

Focused on the customer

We put our customers and their needs first. The reliability of energy deliveries has first priority, along with good service and great agreements.



770
employees**



67
motivated
employee index



SEK 1,059
million
our profit



89%
proportion of renewable
energy production



93%
of households and com-
panies have a fibre optic
broadband connection

**The Annualised number of employees in 2021 was 737.

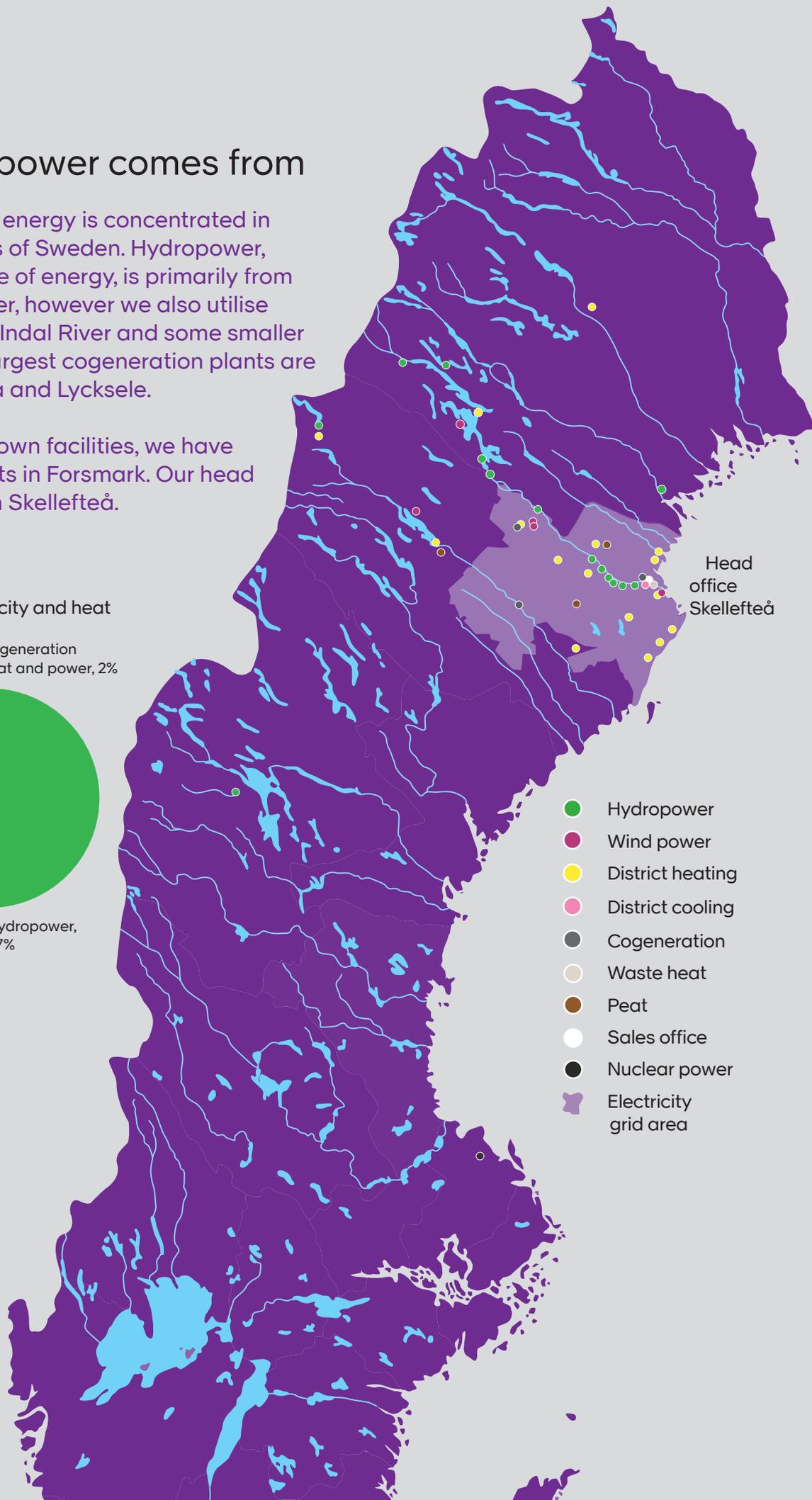
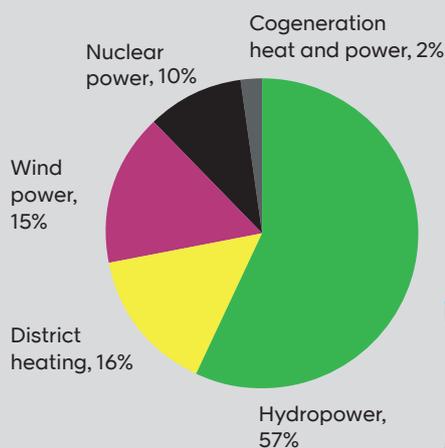
*Skellefteå Kraft is a fictitious group consisting of the municipal administration Skellefteå Kraftverk (parent company) and the sub-group Skellefteå Kraftaktiebolag. The purpose of this report is to show the results and position of the municipality's total energy operation and is thus a summary of the results and position of the corporate sphere and Skellefteå Kraftverk. The Skellefteå Kraftaktiebolag sub-group has been subject to scrutiny by the company's auditor and the municipal board Skellefteå Kraftverk has been scrutinised by Skellefteå municipality's auditor. On the other hand, the consolidated financial statements of the fictitious group have not been scrutinised, since there is no requirement for such scrutiny.

Where the power comes from

Our production of energy is concentrated in the northern parts of Sweden. Hydropower, our primary source of energy, is primarily from the Skellefteå River, however we also utilise the Pite River, the Indal River and some smaller waterways. Our largest cogeneration plants are in Skellefteå, Malå and Lycksele.

In addition to our own facilities, we have ownership interests in Forsmark. Our head office is located in Skellefteå.

Production mix electricity and heat



- Hydropower
- Wind power
- District heating
- District cooling
- Cogeneration
- Waste heat
- Peat
- Sales office
- Nuclear power
- Electricity grid area

Directors' report

The organisation

Skellefteå Kraft is a fictitious group consisting of the municipal administration Skellefteå Kraftverk (parent company) and the sub-group Skellefteå Kraftaktiebolag. The report is thus a summary of the results and position of the corporate sphere and Skellefteå Kraftverk. The Skellefteå Kraftaktiebolag sub-group has been subject to scrutiny by the company's auditor and the municipal board Skellefteå Kraftverk has been scrutinised by Skellefteå municipality's auditor. The consolidated financial statements of the fictitious group have not been scrutinised, however, since there is no requirement for such scrutiny.

The group's annual report has been prepared in accordance with the Annual Reports Act and also in accordance with the Swedish Accounting Standards Board's general guidelines 2012:1 Annual reports and consolidated reports (K3).

The corporate sphere consists of the parent company Skellefteå Kraftaktiebolag, company registration number 556016-2561, with the wholly owned subsidiaries Skellefteå Kraft Elnät AB, Skellefteå Kraft Service AB, Energiservice i Skellefteå AB, Skellefteå Kraft Fibernät AB, Skellefteå Kraft Industry Locations AB, Blaiken Vind AB, Skellefteå Kraft Fastighetsutveckling AB with its subsidiary Skellefteå Kraft Fastighetsförvaltning AB and Skellefteå Kraft Denmark A/S.

The municipality's political parties nominate candidates for the boards of the municipally owned companies. Nominations take into account, for example, gender, age and geographical place of residence. The municipal council appoints the board for each mandate period. Skellefteå Kraft's present board consists of nine members (no deputies): three women and six men. The chair is Fredrik Lundberg.

Skellefteå Kraft is one of Sweden's five largest electricity producers and the largest among the municipally owned power companies, with its own production facilities for wind, hydropower, heat and bioenergy. The business is mainly in Västerbotten and consists of both technical development and sales and delivery. With substantial investments in renewable energy production, the company is a driving force in the development of renewable energy in Sweden. Skellefteå Kraft has its own electricity grid and offers energy and maintenance services. There are also property leasing and fibre network operations.

The owner has stated in the owner's directive that the group shall create profitable growth that promotes the development of the region. In brief, this means that the group shall secure the region's energy supply, create a good infrastructure for energy, telecom and data communications and provide capital and business competence to the region.

Society is entirely dependent on the availability of reliable and competitive energy. For Skellefteå Kraft, sustainable energy production means that the production and delivery of energy is done responsibly and with awareness of the organisation's environment and societal impact. Skellefteå Kraft works for resource-efficient investments, so as to achieve 100 per cent renewable energy production in the longer term. Read more about Skellefteå Kraft's responsi-

bility in the group's sustainability report. The annual and consolidated financial statements are written in SEK millions unless otherwise stated.

Significant events during the financial year

The low electricity prices in 2020 increased significantly in 2021, and this is explained by a number of interrelated factors. In the Nordic countries, there was less rainfall than normal during the year, causing the hydrological balance to turn from a surplus to a deficit. Meanwhile, wind power production capacity increased significantly over the year, but because wind assets are at such a low level, actual production was lower than expected. The Ringhals 1 nuclear power plant was decommissioned in late 2020/early 2021, reducing the supply of electricity in southern Sweden. This also led to an increasing number of incidences of restrictions in the Swedish grid, with the result that the electricity price in northern Sweden was generally significantly lower than in the southern parts of the country. Two new transmission cables between Norway and Europe meant that Nordic electricity prices were more frequently linked to the continental prices, which in turn went up as a result of higher commodity prices for coal and gas.

In 2021, the spot price in the electricity price areas SE1 and SE2, home to most of Skellefteå Kraft's production activities, averaged SEK 0.432 and 0.433 per kWh respectively, in contrast with 2020, when the price settled at SEK 0.15 per kWh in both electricity price areas.

Operating profit for the year was SEK 1,059 million, which is SEK 1,296 million higher than in the previous year. The reason for the improvement compared to 2020 is that the year was characterised by an increase in Swedish electricity prices and high production volumes, and the 2020 figure included write-downs of the Group's wind power plants. As a result of higher electricity prices and high volumes, operating activities in all types of production generated more profit than in the previous year. Some of the activities of the Group exceeded expectations – even those which are unaffected by the price of electricity such as fibre networks and the grid. In the private market business, customer growth continued to accelerate, and the customer base of the electricity trading company Grönare was acquired during the year. Electricity trading, on the other hand, was negatively affected in the latter part of the year due to the cold weather combined with electricity prices that were not just high but volatile too. Higher consumption, mainly in the private customer segment as a direct result of the temperature, resulted in high costs to cover the volume risk. The volatile electricity prices during the later months of the year meant that the profile cost reached historically high levels. The high prices also prompted large numbers of customers to sign multi-year fixed price contracts, affecting the year's result.

Investment in the Group continued at a rapid pace and is expected to remain at historically high levels in the years to come. The investments mainly concern grid expansion in Skellefteå, fibre network expansion in the countryside, and

reinvestments and new investments in hydropower production. Investment continued during the year to expand the electric vehicle charging infrastructure. The collaboration with OKQ8 and the rollout of fast charging stations around Sweden and Denmark has been going to plan and the first charging station in Sweden was commissioned at the beginning of December. During the year, Skellefteå Kraft also launched an electric car pool intended to help the company use its pool cars more efficiently, encourage resource management and support the wider transport transition in society. Sara Kulturhus in Skellefteå was inaugurated in September 2021. Here, Skellefteå Kraft joined forces with ABB to install a unique energy solution at the cutting edge of technology to optimise energy use. The holding in Oy Alholmen Kraft AB was wound up in 2021.

As a result of earlier decisions to stop using peat as fuel in our plants so we can achieve 100% renewable production, a final decision has now been made to discontinue production.

In 2021, all the peat stocks that will be needed up to 2025 as fuel in our plants had been produced, meaning that fuel peat production ended in 2021. This means that peat bog remediation has to be brought forward and a total estimated cost for the remediation work is included as a reserve in the annual accounts, causing an increase compared to the provision in previous years.

The government has activated dormant legislation (Act (2010:950) on liability and compensation for radiological accidents, LRO) with effect from 1 January 2022. This means that nuclear power plant owners in Sweden will have much greater responsibility in the event of an accident. Consequently for Skellefteå Kraft AB, a new contingent liability will be included in the annual accounts starting in 2021.

The year was characterised by the ongoing pandemic, and we successfully focused on preventive work to protect socially critical functions within the Group such as electricity production, electricity grids, heating and fibre networks. The pandemic had a limited impact on the Group's financial performance in 2021.

The year was slightly colder than the year before and the year as a whole was in line with a normal year. As a result of the higher electricity prices, combined with high production volumes, the hydropower business delivered an operating profit significantly above that of 2020. The opening reservoir levels at the beginning of the year and the inflow during the year were higher than the previous year and the production volume was 486 GWh higher than in 2020. At year-end, the reservoirs contained approximately 73 GWh more than the median for the period. For wind power, the year as a whole was worse than in 2020 because wind levels were lower. Meanwhile, wind power production was positively impacted by higher electricity prices, and plant availability was normal except for Uljabuouda. The technical capacity in Uljabuouda proved to be worse than expected over the year. As a result, the book value was not considered to reflect the market value so it was written down. Production for the full year was 748 GWh, which is 145 GWh lower than budgeted and 150 GWh lower than in 2020.

The average price per month for Skellefteå Kraft's electricity plants was within a range of SEK 277 to 846 per MWh. The higher electricity price increased the average revenue from electricity production, and the total production volume also increased due to high price levels. The revenue from electricity sold in 2021 was therefore significantly higher than in the previous year.

Heat production performed better than expected and biofuel availability during the year was good, with stocks in balance. Electricity production in the combined heat and power plants was satisfactory, but was limited somewhat in the early part of the year in order to avoid fossil fuel top-ups. Adding to the major industrial facilities in Skellefteå, development continues in the Hedensbyn industrial area, and the number of enquiries and new connections is increasing. Work to achieve fossil-free district heating production is ongoing. In Lycksele the summer burning of peat has been replaced with dried wood chips, while bio oil is now used as ignition fuel in Skogsbacka. A new top-up boiler for Skellefteå is expected to be operational in early 2022 to cope with the increasing maximum power needs of a growing city.

The price of guarantees of origin increased steadily during the year. Underlying factors include a declining hydrological balance in the Nordic region and higher demand linked to the strong and continuing trend of green profiling among end customers and energy suppliers alike. Supply is not expected to match demand until 2024.

For Skellefteå Kraft Elnät, the goal for 2021 was to carry out preventive work to reduce the number of power cuts – for example two new support systems were installed. All in all, this work allowed the target for unscheduled power cuts as an average per customer facility to be achieved. In recent years, work has been underway to replace old household meters with next-generation meters using mesh technology, which are able to communicate with data collectors as well as other meters nearby. The electricity grid is undergoing reinvestment and reinforcement to maintain high reliability of supply and to meet the soaring demand for new connections in the area around Skellefteå. Reinforcement work on the regional grid began in 2019 and is expected to last until 2025. As enquiries for an increasing number of major new connections come in, a study has been launched to review the options for guaranteeing sufficient grid capacity.

Skellefteå Kraft Fibernät is the largest owner of fibre infrastructure in the municipality in terms of the number of customers connected. According to the Swedish Post and Telecom Authority's latest broadband survey, 93% of all households and companies in the Skellefteå municipality had access to fixed broadband via fibre, or were very close to a fibre network. Outside urban areas and small towns, the access percentage was 71%.

The number of internet services provided by service providers in the skekraft.net open network increased in 2021, and the skekraft.net open network had over 99.99% availability last year. In 2021, the Internet of Things (IoT) was cemented as an important part of the strategy of Skellefteå Kraft Fibernät and the Skellefteå Kraft Group. A business model

was developed to scale up our work with IoT and introduce it as a permanent part of the business.

During the year, Energiservice Skellefteå AB continued its work to develop the business into an efficient contractor. The focus of the company was to safeguard operations in the Group's plants. The company has been growing strongly over several years with a growing workforce and a new CEO who arrived in November. In addition, protection and security activities continued and will be further enhanced in 2022.

Significant events after the end of the financial year

The year 2022 began with colder and drier weather than normal, causing spot prices to remain high. However, the weather forecasts started changing a week into January and now predict much more precipitation along with higher temperatures, pushing down the spot prices in the more hydro-power-reliant electricity areas. In southern Sweden, the spot prices remain high due to the significantly higher continental electricity prices, which look like they will not only continue but also be affected by the geopolitical tensions between the EU and Russia. Swedish power grids had problems last year allocating full grid capacity to the market within the country, causing prices to vary widely. This in turn reduced export opportunities from north to south and resulted in large price differences across the country. Svenska Kraftnät, however, expects these grid limitations to subside in 2022, which could even out the price differences. Futures prices suggest that spot prices will further normalise as summer approaches, depending on the weather and on developments in the availability of raw materials on the continent.

At the beginning of the year, it was announced that the Klimatklivet initiative is allocating government investment funding to the district heating network. The reason is that much of the waste heat from smelting operations at Boliden Rönnskär in Skelleftehamn currently goes unused because at certain times of the year, the local district heating is unable to receive more energy. Skellefteå Kraft and Boliden Rönnskär aim to address this by interconnecting the district heating networks in Skellefteå and Skelleftehamn, allowing the waste heat to be used in Skellefteå's district heating network too. If the interconnection goes ahead, the waste heat will replace over 108,000 MWh per year of the fuel burned at Hedensbyn. This could reduce carbon dioxide emissions by about 25,500 tonnes per year. In total, the project represents an investment by Skellefteå Kraft of around SEK 174 million, and the funding from the Klimatklivet initiative corresponds to half that amount. In addition, Svenska Kraftnät aims to invest just over SEK 8 billion to address power needs along the Norrland coast. Large-scale investment projects by battery makers and fossil-free steel manufacturers will increase demand for grid capacity on the Norrland coast. The projects will only be possible as scheduled if proactive grid reinforcements are carried out in the area. Svenska Kraftnät has developed a package of measures called "Norrland Coast" which aims to halve the lead time in the investment processes so that the considerable power requirements that are expected

to arise can be met more quickly. The package of measures is designed as a pilot project.

Multi-year Summary

Consolidated for the Group

(SEK millions)	2021	2020	2019	2018	2017
Net sales	5,443	3,333	4,436	4,421	3,465
Operating profit (EBIT)	1,059	-238	502	680	337
Balance sheet total	3,703	11,968	12,548	12,294	11,256
Shareholder equity	6,511	5,835	6,202	6,058	5,720
Return on equity (before tax), %	10.6	neg	5.1	7.2	3.9
Equity ratio, %	47.5	48.8	49.4	49.3	50.8
Annualised number of employees	737	675	646	607	587

Sustainability Report

Skellefteå Kraft's sustainability report, based on Global Reporting Initiative (GRI) standards, Core level, is available at skelkraft.se.

Compulsory permits and obligation to notify according to the Environmental Code

The group has 46 operations requiring a permit and 30 with an obligation to notify according to the Environmental Code. The operations requiring permits include one for peat extraction, seven combustion plants for the production of district heating and electricity, as well as a wind farm. Nine permits are for the intermediate storage/transport of hazardous waste, 24 are for the handling of flammable goods, two are water court judgments for district cooling and the use of river water respectively and two concession permits refer to peat extraction. Of the notifiable activities, 26 refer to biofuel-based production of district heating, three to wind power plants and one refers to the construction of a fuel plant. All operations have valid permits.

The environmental impact of the operations requiring permits comes mainly from the combustion of wood fuel, peat and oil, which in turn results in emissions to the air. The emissions consist of both fossil CO₂ from peat and oil and biogenic CO₂ from wood fuels, as well as NO_x and a certain amount of sulphur and dust. All our combustion plants are equipped with different types of purification of flue gases and at the Hedensbyn plant there is also equipment for NO_x reduction.

The new national hydropower plan will establish modern environmental conditions for hydropower through the review of such plants. The first of Skellefteå Kraft's plants to be reviewed is Rickleån and this will take place in 2022.

Future development

Skellefteå Kraft continues to work with a focus on the core business as well as the development of new partnerships, products and services in the future digitalised energy landscape with, among other things, solar and charging. The rapid

transition in the market is leading to an increased internal focus on working methods and leadership in order to best meet the pace of change that exists in the world around us.

There is a great deal of interest from electricity-intensive industries in finding possible establishments in northern Sweden. Skellefteå Kraft Elnät AB continues to reinvest in and develop the electricity grid to enable more electricity production. The work of listening to and conducting a dialogue with politicians continues, so as to create good conditions for taking the business forward. Issues being pursued include the role of hydropower in the energy system, mechanisms that create the conditions for investments in both renewable energy production and in output and securing the transfer link from north to south. Skellefteå Kraft has a clear image of the future and a positive view on the transition that is taking place in the energy system.

Risk management

Skellefteå Kraft's risk management policy was updated during the year. It defines risk as the effect of uncertainty on the objectives of the business. The Group will actively focus on risk management to control the risks that must be taken in order to achieve the agreed objectives. As a starting point, each organisational unit performs a risk analysis linked to the objectives of the business plan, and any necessary risk-controlling measures become part of the company's plan and follow-up activities. A summary of the Group's risks is regularly presented to management and the board of directors. In addition, risk control is integrated into the internal control and audit process.

Risks and uncertainty factors

Significant risks and uncertainties are summarised in this section. In addition, financial risks are addressed separately in later sections. Risks specifically related to sustainability activities are also addressed in the sustainability report.

Risks related to the objective to create an attractive workplace

The progress of the global pandemic remains an uncertainty factor from a social perspective as well as a work environment perspective. Active crisis management with ongoing monitoring, effective measures and clear communication has minimised the negative consequences. In 2021, work also began to manage a new normal situation based on experiences and lessons learned from the pandemic years. The aim is to be able to offer a more attractive and flexible work environment, without negatively impacting the core business, the corporate culture and social interaction.

The rapid growth in the region means there is competition for labour and challenges in the supply of expertise. Major changes in the wider context and in our operations in turn require clarity as we define priorities and working methods, so as not to negatively impact the psychosocial work environment, motivation, staff turnover, etc. Skellefteå Kraft continuously strives to build and maintain its position

as an attractive employer, and an important part of this is our emphasis on common core values and principles. Annual employee surveys, in which employee indices are KPIs with high priority, form a basis for annual action plans.

Some of the Group's activities also entail a relatively high risk of accidents, which means that ongoing risk awareness and a focus on safety are essential in routine and non-routine activities. Skellefteå Kraft has a zero accident culture in the workplace, continuously tracking the relevant KPIs. Electrical work must always be carried out in accordance with ESA (the industry's electrical safety instructions), and applicable work environment rules and internal procedures must be followed for work of all kinds. The process of systematic improvement involves subcontractors as well as our own employees. In 2021, a Group-wide project was initiated to further clarify and improve mandatory training on issues related to the work environment.

Risks related to customer and brand objectives

The Group has a number of separate sales organisations, and risks may arise if there are problems with collaboration and internal communication. We therefore started a project during the year to identify and perform activities that reduce the risk of negative impacts from poorly coordinated marketing communications.

Apart from this daily customer contact, there is also a brand risk associated with the way major adverse events are handled. Good crisis preparedness and effective external communication are essential. Skellefteå Kraft has a very strong brand and is constantly striving to preserve and enhance its value. This involves being open and clear in our external dialogue and communication, being active on social media, and being responsive and adaptive to changes in the world around us. During the year, we strengthened our preventive work against corruption and other behaviour that damages trust by setting up a continuously active interdisciplinary working group.

Risks related to innovation and development

The energy transition and the need for corresponding internal change are associated with uncertainties – opportunities as well as risks. Externally, everything must be considered, from political risks, opinion and a changing regulatory framework, to major market changes, new competition and rapid technological development.

Internally, there are corresponding strategic challenges and serious risks linked to most investment decisions. There are also organisational risks arising from a failure to adapt quickly and effectively enough to the new conditions.

Progress was made during the year in further refining Group-wide business intelligence and the way strategy development is organised and executed. The same is true for the work on innovation and new business: for example, a new business unit for public and professional fast charging was created to establish a new business category. To reduce the risks associated with future investments and major projects,

some improvements were made to the investment process and to the start-up phase of the project model, in which there is a risk that stakeholders and important requirements affecting target fulfilment might be missed.

Through strategic collaborations and participation in external networks, evaluations and pilot projects, the business can continue to learn and position itself for the future. And by also communicating Skellefteå Kraft's attitude and positions to the outside world actively and clearly, we can make use of opportunities to influence a sometimes volatile discourse in the direction the Group wants it to go.

Risks related to profitability and growth

The substantial and rapid changes in the world around us also contribute to uncertainty around the profitability of existing business. Although electricity prices were historically high in 2021, there is a broader risk that margins will shrink over time, yield targets will not be met, and the value of fixed assets will decrease by more than expected. In the near future, large variations in the price of electricity remain the single factor with the greatest impact on financial performance. Skellefteå Kraft counteracts this primarily by focusing on new business and by pursuing its stated goal of reducing dependence on the electricity spot price by various means. New electricity contract models and opportunities for enhanced support services through existing power systems also need to be considered as the market develops and changes.

Power shortages due to bottlenecks in the electricity grid pose a business risk in the medium term, which can partly be addressed with our own investments and measures but which also depends on components owned by Svenska Kraftnät. In the fibre network, too, there is a risk that hardware restrictions will make it harder to meet future business goals, although this is easier to manage internally by implementing measures under the proposed reinvestment program.

Risks of technical breakdowns in production plants, resulting in unplanned maintenance costs and loss of production, require ongoing preventive measures and monitoring. That explains the focus on shutdown planning, risk assessments and condition monitoring in existing plants. To some extent, the loss and damage can also be limited by insurance solutions.

Generally speaking, there are quite significant risks associated with new and changed legal requirements, long processing times in the authorities, and restrictive authorisation procedures. Mainly these are external risks that are difficult to influence, so they must be managed with predictive business intelligence, ongoing competence-enhancing measures, good dialogue with the authorities and forward planning in projects that depend on reports and authorisations. Skellefteå Kraft has an effective environmental department with collaborative expertise, which is deployed to different parts of the organisation to provide the right support where it is needed.

Turning to purchasing, there is an increased risk, especially in the wake of the pandemic, of shortages of materials

and supply chain disruptions. Often these are general global shortages, in which case the risk is difficult to influence other than through good forward planning, more active delivery monitoring, and if possible alternative suppliers. In some situations, spare parts strategies and inhouse production opportunities may also be considered as ways to reduce the risks.

The risk related to the supply of expertise might also have a significant impact on planned projects and activities in the business. That is why constant efforts to keep the organisation an attractive place to work are not only critically linked to the work environment goals, but are also essential for long-term profitability and growth.

Risk related to society and the environment

The global climate and environmental challenge is speeding up the energy transition and is having a major impact on the Group's operations. There are also sustainability risks linked to holdings in nuclear power and thermal power. Furthermore, a new taxonomy could change what counts as a sustainable investment and there are uncertainties around stricter and potentially conflicting requirements on climate and biodiversity. Skellefteå Kraft has long had a strategy based on renewable power and a strong sense of social responsibility. To manage the risks that come with changes, the Group has an active and forward-looking approach to monitoring, debate and skill development. Sustainability activities are a natural part of the business and are reinforced every year.

Network restrictions, authorisation processes and reassessments present social risks linked to the long-term electricity supply. Here, too, there is a constant need for active external work and collaboration with authorities and various public agencies.

Climate change may also contribute to increased direct and operational risks, such as the impact on operational safety of worse and more frequent storms. To address this, there are ongoing and long-term plans for weatherproofing, outage minimisation and maintenance optimisation.

Dam failure is one of the most serious social risks linked to Skellefteå Kraft's operations, which means that continuous risk management is of vital importance. The risk is managed and minimised through ongoing dam safety work supported by a RIDAS-compliant quality system. RIDAS is the industry's dam safety guidelines which include regular external audits. RIDAS was revised in 2021, requiring corresponding changes to be made to internal procedures and working methods.

Increasing geopolitical concerns and cybercrime present external security threats with potentially serious consequences. There may also be a risk that Skellefteå Kraft will be particularly exposed in its role as a socially important organisation. During the year, a great deal of work was done on information security, not least in order to establish security in an organisation with more remote working and ongoing digitalisation. At the same time, new protective security

legislation came into force in 2021, prompting Skellefteå Kraft to adapt the organisation and working methods so they comply with the new arrangements.

Financial risk management

The financial risks are currency risk, interest rate risk, credit risk, refinancing risk, liquidity risk and cash flow risk. These are regulated at an overall level by the governing documents Finance Policy Skellefteå Municipality Group and Rules for Financial Operations in Skellefteå Municipality.

Interest rate and liquidity risk

The liquidity risk is reduced by the internal bank of Skellefteå Stadshus AB guaranteeing Skellefteå Kraft's liquidity, based on established needs forecasts. The Skellefteå Kraft AB Group's external loan liabilities amounted to SEK 3,778 million (4,019) as of 31 December 2021, with an average fixed interest rate period of 2.1 years (2.2). 20% (26) of borrowing had a variable interest rate. Interest rate risk is handled by the internal bank of Skellefteå Stadshus AB by spreading interest rates in the debt portfolio over time. Most of the fixed interest rate position is distributed relatively evenly over a six-year period, and the market situation affects the current fixed interest rate position. A benchmark is that on average, the fixed interest rate position must be between two and four years with a deviation of 1.0 years in either direction.

Credit risk

Credit risks attributable to accounts receivable are handled in the operational organisation. Credit risks associated with bilateral trade in electricity are treated as counterparty risks and are regulated in the guidelines for power trading. The highest single credit loss that could occur is of the order of SEK 50 – 80 million.

Price risk

The price risk mainly concerns the risks associated with unfavourable price movements for electricity. It could also concern other raw materials that directly or indirectly affect the price of electricity, potentially making Skellefteå Kraft unable to achieve its financial goals.

There are internal guidelines that describe how risk management should be handled, and they clarify roles and responsibilities and establish a trading mandate. Awarding the mandate for optimisation makes price hedging possible for production and sales volumes. This reduces the risk of being affected by unfavourable price changes and prevents unacceptable fluctuations in earnings.

Because we own manufacturing assets and the company is engaged in sales, Skellefteå Kraft is constantly exposed to the price of things like electricity, fuel and emission licences. There are, in turn, several other influencing factors such as local assets and demand, policy decisions at national and EU level, and the global macroeconomic situation.

Skellefteå Kraft is an active player in the electricity market

and to reduce the risk of negative impact, the company operates according to a price hedging strategy that is continuously fine-tuned and improved. Broadly speaking, the strategy means that prices for future production and sales are hedged in the futures market. The strategy generally concerns commodities which may have an impact and for which price hedging is possible, in particular electricity futures on Nasdaq OMX. Physical and financial long-term customer contracts are also concluded in order to meet customers' needs but also to manage our own risks in electricity production and supply that extend beyond the periods applicable to standardised electricity futures on the Nasdaq OMX. The price hedging strategy is also based on the fact that the level of uncertainty is lower in the short term. As a result, price hedging is applied according to a sliding scale, with most of the volume hedged for the next few years and falling volumes towards the end. To measure electricity price risks, we use methods including Value at Risk (VaR).

The trading activities in Skellefteå Kraft divide all flows into a structure built up of several portfolios that represent different parts of production and sales. This is to allow risks to be managed in individual portfolios, but also to allow risks to be balanced against each other between different portfolios where applicable.

Volume risk

Volume risk refers to the risk of differences between the expected and actual volumes delivered. The volume risk is greatest in the production portfolio. In hydropower production, it is based on a normal annual production, which is the volume expected to be produced in the years to come. The normal annual production figure is calculated from large amounts of historical weather data, including precipitation, snowmelt and temperature.

The volume risk arises when, for example, the precipitation or temperature deviates from normal, creating a surplus or deficit in production. In order to reduce volume risks, previous expectations are continuously checked against current expectations, and production is compared month by month, all based on intensive monitoring and forecasting work. District heating volumes are managed by improving and developing the forecasts for heat consumption. Volume risks also arise in sales because there is always a risk that more or less electricity may be needed than expected. The most effective risk management tools for sales activities are improved continuous measurement and monitoring of end customers' usage patterns, as well as boosted forecasting capacity.

Of the company's borrowing, 80% is at fixed rate. A change in the interest rate of +/- 1% would affect net financial items by +/- SEK 7.6 million (10.5) in the short term if no measures were taken. A long-term change in interest rates would affect net financial items by +/- SEK 38 million (40) under the same circumstances.

Consolidated Income Statement, SEK million

	2021	2020
OPERATING INCOME		
Net sales	5,443.2	3,333.2
Capitalised work on own account	39.6	30.8
Other operating income	23.9	35.2
	5,506.7	3,399.2
OPERATING EXPENSES		
Energy and production expenses	-2,849.9	-1,569.7
Other external expenses	-545.8	-477.3
Personnel expenses	-598.3	-580.5
Depreciation and impairment	-472.4	-1,001.9
Other operating expenses	-7.6	-5.7
Share of associated company profit	26.2	-1.6
	-4,447.8	-3,636.7
OPERATING PROFIT	1,058.9	-237.5
PROFIT FROM FINANCIAL ITEMS		
Profit from shares in Group companies	-	0.1
Profit from other securities and receivables that are fixed assets	8.8	8.7
Other interest and similar income items	1.1	2.2
Interest and similar income items	-46.9	-45.5
	-37.0	-34.5
PROFIT AFTER FINANCIAL ITEMS	1,021.9	-272.0
Appropriations	0.0	80.0
Tax on profit for the year	-83.5	76.7
PROFIT FOR THE YEAR	938.4	-115.3

Consolidated Balance Sheet, SEK million

	31/12/2021	31/12/2020
ASSETS		
Non-current assets		
<i>Intangible fixed assets</i>		
Capitalised development costs	5.0	7.6
Concessions and similar rights	5.8	2.6
Acquired customer values	17.4	25.9
Goodwill	26.4	29.9
	54.6	66.0
<i>Tangible fixed assets</i>		
Buildings	1,014.0	1,017.2
Land and other immovable property	2,057.4	2,071.0
Machinery and other technical facilities	5,896.5	5,645.2
Equipment, tools and installations	159.5	163.1
Construction in progress	1,365.3	1,121.5
	10,492.7	10,018.0
<i>Financial assets</i>		
Receivables from group companies	80.0	-
Shares in associated companies	130.4	105.8
Receivables from associated companies	116.8	116.8
Other securities held as non-current assets	108.5	108.5
Other non-current receivables	1,138.8	542.1
	1,574.5	873.2
TOTAL NON-CURRENT ASSETS	12,121.8	10,957.2
Current assets		
<i>Goods in stock etc</i>		
Raw materials and consumables	229.2	191.2
<i>Current receivables</i>		
Accounts receivable	266.0	171.1
Receivables from group companies	44.4	121.0
Receivables from associated companies	0.5	0.1
Other receivables	44.9	34.2
Prepaid expenses and accrued income	971.0	383.2
	1,326.8	709.6
Cash and bank deposits	25.1	110.3
TOTAL CURRENT ASSETS	1,581.1	1,011.1
TOTAL ASSETS	13,702.9	11,968.3

Consolidated Balance Sheet, SEK million

	31/12/2021	31/12/2020
EQUITY AND LIABILITIES		
Equity		
Share capital	204.0	204.0
Other equity including profit for the year	6,306.6	5,630.6
Total share capital attributable to the parent company's owners	6,510.6	5,834.6
TOTAL EQUITY	5,834.6	6,202.2
Provisions		
Provisions for pensions and similar obligations	14.7	17.2
Deferred tax liability	1,048.2	964.7
Other provisions	167.9	280.3
TOTAL PROVISIONS	1,230.8	1,262.2
Non-current liabilities		
Other liabilities to credit institutions	3,778.0	4,019.4
Other liabilities	169.0	141.5
TOTAL NON-CURRENT LIABILITIES	3,947.0	4,160.9
Current liabilities		
Advance payments from customers	36.8	52.9
Trade accounts payable	281.6	240.8
Liabilities to Group companies	54.6	2.6
Liabilities to associated companies	4.3	7.8
Current tax liability	3.0	3.8
Other liabilities	1,258.8	176.1
Accrued expenses and deferred income	375.4	226.6
TOTAL CURRENT LIABILITIES	2,014.5	710.6
TOTAL EQUITY AND LIABILITIES	13,702.9	11,968.3

Consolidated Cash Flow statement, SEK million

	2021	2020
CURRENT OPERATIONS		
Profit after financial items	1,021.9	-272.0
Adjustment for items excluded from the cash flow		
Depreciation and impairment	472.4	1,001.9
Profit/loss on the sale of fixed assets	-2.4	4.3
Share of associated company profit	-26.2	1.6
Currency exchange difference for subsidiaries	0.1	-
	1,465.7	735.8
Income tax paid	0.0	0.0
Cash flow from current operations before changes in working capital	1,465.7	735.8
Cash flow from changes in working capital		
Increase (-)/decrease in goods in stock etc.	-38.0	-51.6
increase(-)/decrease in operating receivables	-617.2	242.4
increase/decrease(-) in provisions	-114.9	-9.9
increase/decrease(-) in operating liabilities	1,303.9	-152.3
Cash flow from current operations	1,999.5	764.4
INVESTMENT ACTIVITIES		
Acquisition of intangible assets	-14.0	-8.4
Acquisition of tangible fixed assets	-936.7	-770.0
Sale of tangible fixed assets	17.4	197.4
Acquisition of associated companies	-	-29.4
Sale of associated companies	1.6	-
Increase(-)/decrease in other non-current receivables	-676.7	-83.1
Cash flow from investment activities	-1,608.3	-693.5
FINANCING ACTIVITIES		
Increase/decrease (-) in utilised credit	-241.4	-33.7
Increase/decrease(-) in other non-current liabilities	27.5	60.3
Group contributions given (-)/received	-	80.0
Dividends paid	-95.5	-80.3
Contributions to other activities of the municipality	-167.0	-172.0
Cash flow from financing activities	-476.4	-145.7
Cash flow for the year	-85.2	-74.8
Cash and cash equivalents at start of year	110.3	185.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	25.1	110.3

Multi-year Summary, SEK million

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
FROM INCOME STATEMENT, SEK MILLIONS										
Net sales	5,443.2	3,333.2	4,436.0	4,420.8	3,464.9	3,369.3	3,458.5	3,800.1	4,249.8	4,606.5
Expenses incl. other operating items	-3,911.9	-2,568.8	-3,526.3	-3,368.0	-2,582.3	-2,530.1	-2,594.6	-2,949.8	-3,367.6	-3,492.2
Depreciation	-472.4	-1,001.9	-407.4	-373.1	-545.4	-402.6	-372.8	-364.6	-555.6	-451.7
OPERATING PROFIT (EBIT)	1,058.9	-237.5	502.3	679.7	337.2	436.6	491.1	485.7	326.6	662.6
Financial income etc.	9.9	11.1	19.2	32.7	29.9	36.0	255.2	26.4	-54.0	48.5
Financial expenses	-46.9	-45.6	-56.6	-61.9	-78.1	-87.6	-97.5	-112.7	-116.0	-112.3
PROFIT AFTER NET FINANCIAL ITEMS	1,021.9	-272.0	464.9	650.5	289.0	385.0	648.8	399.4	156.6	598.8
Group contributions	-	80.0	21.6	-6.5	-6.4	-	-	-	-7.3	-
Taxes	-83.5	76.7	-61.3	-54.2	-42.8	-71.9	-42.8	-39.1	-16.3	63.2
PROFIT FOR THE YEAR	938.4	-115.3	425.2	589.8	239.8	313.1	606.0	360.3	133.0	662.0
FROM THE BALANCE SHEET, SEK MILLIONS										
Intangible fixed assets	54.6	66.0	72.8	50.4	2.4	24.6	0.0	3.5	8.0	148.6
Tangible fixed assets	10,492.7	10,018.0	10,436.4	9,570.9	9,295.1	9,232.8	9,237.9	8,871.9	8,527.5	8,054.1
Financial assets	1,574.5	837.2	762.3	1,130.6	922.5	914.3	848.9	827.6	750.2	851.5
Current receivables and stocks	1,556.0	900.8	1,091.6	1,305.5	806.1	839.4	872.0	939.7	880.8	1,071.5
Cash/cash equivalents and investments	25.1	110.3	185.1	236.6	230.3	355.0	417.1	426.7	483.9	379.0
TOTAL ASSETS	13,702.9	11,968.3	12,548.2	12,294.0	11,256.4	11,366.1	11,375.9	11,069.4	10,650.4	10,504.7
Equity	6,510.6	5,834.6	6,202.2	6,057.8	5,720.5	5,662.6	5,497.4	5,085.4	4,936.1	4,993.6
Interest-bearing non-current liabilities and provisions	3,816.4	4,054.1	4,072.9	4,184.0	3,777.8	3,908.6	3,913.4	4,303.2	4,010.2	3,816.4
Non-interest-bearing non-current liabilities and provisions	1,361.4	1,369.0	1,410.1	1,183.4	1,072.3	1,016.1	932.3	905.9	850.8	842.0
Interest-bearing current liabilities	0.0	0.0	0.0	0.0	0.0	0.0	6.1	0.0	5.4	0.0
Non-interest-bearing current liabilities	2,014.5	710.6	862.9	868.8	685.8	778.8	1,026.7	774.9	847.9	852.7
TOTAL EQUITY AND LIABILITIES	13,702.9	11,968.3	12,548.2	12,294.0	11,256.4	11,366.1	11,375.9	11,069.4	10,650.4	10,504.7
KEY FIGURES										
Return on equity (before tax), %	16.6	neg	7.6	11.0	5.1	6.9	12.3	8.0	3.2	12.6
Return on capital employed, %	10.6	neg	5.1	7.2	3.9	5.0	7.9	5.6	3.1	8.5
Return on total capital, %	8.3	neg	4.2	6.1	3.2	4.2	6.6	4.7	2.6	7.0
Operating margin, %	19.5	neg	11.3	15.4	9.7	13.0	14.2	12.8	7.7	14.4
Net margin, %	18.8	neg	10.5	14.7	8.3	11.4	18.8	10.5	3.7	13.0
Equity ratio, %	47.5	48.8	49.6	49.3	50.8	49.8	48.3	45.9	46.3	47.5
Self-financing rate, %	126.8	59.8	50.3	92.7	96.4	125.2	88.7	76.5	69.7	112.7
Interest coverage ratio, multiple	22.8	neg	9.2	11.5	4.7	5.4	7.7	4.5	2.4	6.3
Debt to equity ratio, multiple	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.8
Capital turnover rate, multiple	0.54	0.33	0.43	0.45	0.36	0.35	0.37	0.41	0.48	0.55
OTHER INFORMATION (SEK MILLIONS)										
Capital employed	10,327.0	9,888.7	10,275.2	10,241.8	9,498.3	9,571.2	9,416.9	9,388.6	8,951.7	8,810.0
Net investment in plant	950.6	778.4	1,216.2	728.2	623.4	410.1	900.3	721.2	898.3	726.4
Net investment in shares	0.0	29.4	26.2	130.9	0.5	41.3	0.0	0.0	0.0	1.8
Contribution to other activities of the municipality	262.5	248.1	242.3	228.8	226.5	220.0	220.0	211.0	215.0	205.0

Note: The year 2012 above have not been recalculated according to K3.



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