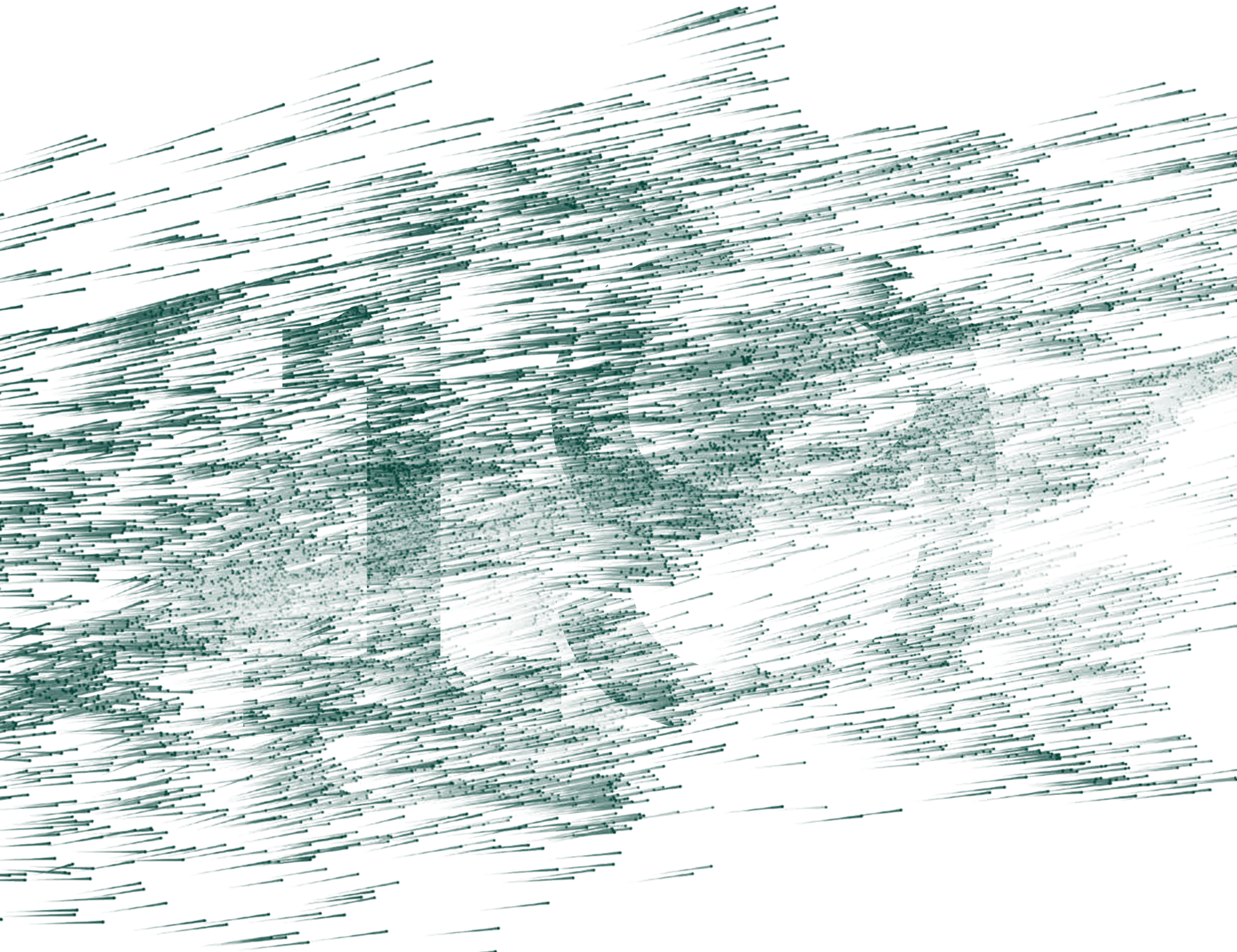
Our energy never ends

Annual Report 2019



About OX2

OX2 develops, builds and manages renewable power generation. OX2 has taken a leading position in large-scale onshore wind power over the past 15 years, having generated more than 2.3 GW of wind power in the Nordic region. By constantly increasing access to renewable energy, OX2 is promoting the transition towards a more sustainable future. OX2 has operations in Sweden, Norway, Finland, Poland, Lithuania and France. Its head office is located in Stockholm, Sweden. Sales revenue in 2019 amounted to SEK 4,906 million.

Photo: Thomas Stray

The Åmot-Lingbo and Tönsen wind farms (Valhalla) in Sweden totalling 366 MW being constructed in 2019.

Contents

The year in brief – continued high activity in the Nordic region

2019 was a record-breaking year in many ways. In the third and fourth quarters of 2019, OX2 constructed 14 wind farms in the Nordic region, with more than 1 GW in capacity and an investment volume amounting to around SEK 12 billion.

490 MW*

secured sale of
wind power projects

1 GW*

wind power
under construction

The Stigshöjden wind farm (21.6 MW) in Sweden was handed over to Fontavis in 2019.
Photo: Joachim Lagercrantz

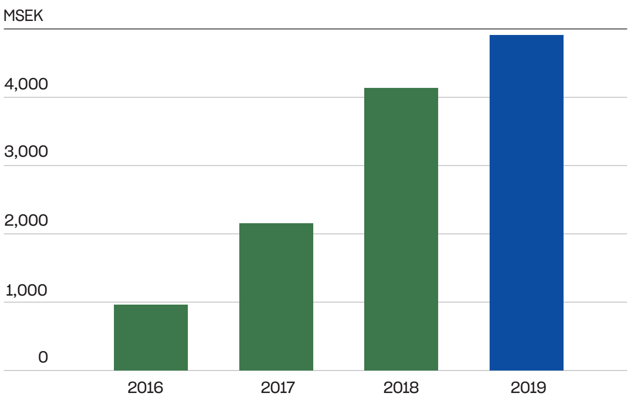
109 MW*

of wind power transferred to purchasers

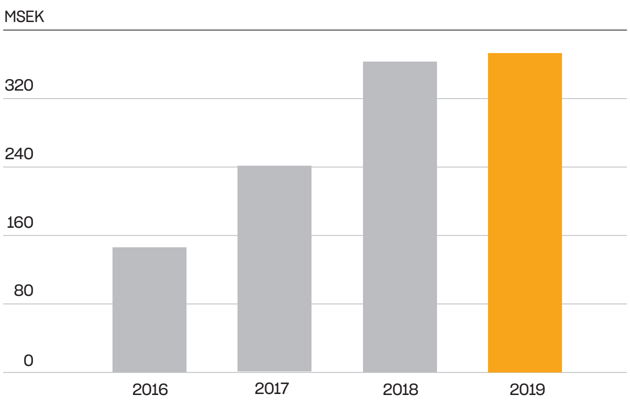
Financial result - the strongest year to date

Net sales SEK 4,906 (4,135) million	SEK 4,906 million
Operating profit SEK 371 (363) million	SEK 371 million
Earnings after financial items 373 (384) SEK million	SEK 373 million

Net sales



Operating profit



* Rounded figures as at 31 December 2019

Variations between different years depend on the rate at which wind power projects are completed and handed over to the customer.

The CEO’s view: “By constantly increasing access to renewable energy, we are leading the transition towards a sustainable planet”

Paul Stormoen,
CEO of OX2

Photo: Christian Gustavsson

At a time when the climate crisis is the focus of attention at both global and regional levels, it is becoming increasingly apparent that companies like OX2 are playing an important part in facilitating the necessary transition of the energy system. OX2 is pursuing the development of renewable power that benefit the environment in socio-economically effective ways as they are now being constructed without the aid of state subsidies in the majority of markets.

2019 was a record year for OX2, and in the latter part of the year we were working on the construction of 14 wind farms in the Nordic region, offering capacity of over 1 GW. This is equivalent to investments worth around SEK 12 billion. Besides our record initiatives in the Nordic region, our business expanded still further in Poland, where we established a project portfolio for years to come. We also began construction of our first wind farm in Poland in January 2020.

We have brought in new human resources in order to maintain our ongoing growth in existing and new markets and reinforce our project portfolio. We appointed 61 new employees throughout the year, thereby almost doubling our workforce.

One milestone that we passed during the year was the commissioning of Valhalla, one of the largest onshore wind farm projects in northern Europe, with 85 wind turbines producing enough electricity to run around 230,000 households.

Metsälamminkangas, one of the biggest wind farms in Finland, is another significant project. This was acquired by OX2 during the year, and the decision to invest was made in January 2020 together with Lundin Petroleum. It is pleasing to drive development of the industry forward by creating attractive and renewable investment opportunities for energy companies wishing to meet the market's more stringent demands for sustainability.

Construction of the Åmot-Lingbo and Tönsen wind farms (366 MW) in Sweden. Photo: Joachim Lagercrantz

Construction of the Åndberg wind farm with its 53 wind turbines also began during the year. This is our second biggest project to date and evidence of OX2's leading position when it comes to application of the latest technology for optimisation of production costs.

The operating organisation has had a successful year, which has been made possible by offering effective ownership focusing on proactive processes for increased profitability. OX2 had 492 wind turbines under management contracts, equivalent to 5.9 TWh, at the end of the year. Management agreements were also concluded during the year for a wind farm that we did not develop ourselves, comprising 33 wind turbines. This is further evidence of the operating organisation's ability to add value for our customers.

2019 was an enjoyable and informative year at OX2, and I would like to extend my warmest thanks to all colleagues, partners, customers and suppliers for their cooperation and commitment.

One of the highlights for me was the internal values and culture project that was initiated during the year. This resulted in well-founded values as most employees took part in the formulation of these which are based on the culture and core of OX2.

Despite concern in the market on account of the coronavirus pandemic, OX2 is maintaining a positive view of the future. I look forward to the coming year with confidence, when we will be leading the transition towards a sustainable planet by constantly increasing the availability of renewable energy.

Paul Stormoen, CEO of OX2.

OX2 – Europe's leading developer within large-scale onshore wind power

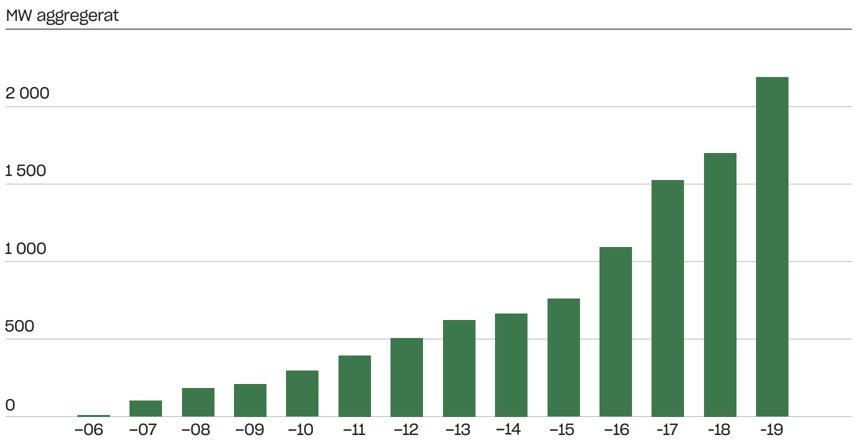
By developing, building and managing renewable power generation, OX2 is promoting the transition towards a more sustainable future. 2019 was a year of strong growth which further reinforced the company's position in the market.

Within large-scale onshore wind power, OX2 has, over the years, generated more than 2 GW wind power. The company has today a strong project portfolio, establishing OX2 as one of the leading stakeholders in renewable power generation in Europe. OX2's investment in wind power goes back 15 years, when the cmpany began building up expertise within the entire value chain of wind power – from initial project development, through sales and construction, to technical and commercial management.

In the course of this journey, the company has built up substantial experience in the industry and a network of partners, along with an in-depth knowledge of financing from institutional and industrial capital. These factors, together with an ability to be at the forefront with new technological and financial solutions, have been vital to the company's success in recent years.

The majority of OX2's customers are financial investors but also include energy companies and other industries. We have a history of repeat business, such as Ingka Group and Aquila Capital, with most customers continuing to use OX2 during the operational phase. Trust and satisfied customers along with constant adaptation to the prevailing market conditions are a guarantee of continued growth.

OX2, generation of wind power 2006–2019, cumulative nameplate capacity



Assembly of wind turbines at the Åmot-Lingbo and Tönsen wind farms (366 MW).
Photo: Joachim Lagercrantz

Project planning of wind power and acquisition of project rights
OX2 has a strong project portfolio that is developed continuously in accordance with the market's needs and conditions. The wind power projects are of varying size, spread geographically over a wide area and focusing particularly on Sweden and Finland. The business has been extended in 2019 to include more employees and potential projects in Poland and France. The ambition in every country in which OX2 operates is to realise the projects with the greatest potential based on low production costs and stable returns at the same time as meeting high sustainability targets. Good wind conditions, well-adapted infrastructure and local support for the project are examples of important factors in achieving this.

More projects in development
In 2019, OX2 has focused more on its own development of wind power projects, in addition to acquisition of project rights. Working in parallel with projects at various phases allows us to create a business model that is sustainable in the long term.

Sale and construction of wind power plants
OX2 builds wind power on the basis of EPC contracts, with most of our investors coming from the financial sector. In connection with the financing of individual projects, OX2 can also assist the investor in signing electricity price agreements with major electricity consumers in order to hedge revenues in the long term.

Typical financial investors see ownership of wind power as a long-term and sustainable investment with stable cash flows and good, risk-adjusted returns.

For energy companies and other industries, investments in wind power are an opportunity to acquire cost-effective and sustainable generation which can meet their customers' increased demand for environmentally friendly electricity.

1 GW under construction
OX2 had a total of 14 wind farms under construction in 2019, corresponding to approximately 770 MW in Sweden, 192 MW in Finland and 56 MW in Norway. Four wind farms totalling approximately 109 MW were completed and handed over to the purchasers on schedule. The sale and financing of 490 MW across six wind farms was secured during the year.

Commercial and technical management of wind power plants
OX2 offers a complete range of operational and management services, including production analysis, operational optimisation, monitoring, administration, finance and various specialist assignments. These services ensure that owners are able to enjoy maximum profitability and problem-free ownership.

OX2 has the Nordic Region's largest management portfolio, along with considerable experience of managing wind turbines of different sizes and ages, as well as working closely with different suppliers. It enables OX2 to provide a high level of availability and production which allows an efficient ownership.

5.9 TWh under management agreements
At the end of the period, management contracts covered 492 wind turbines, which is equivalent to approximately 5.9 TWh total electricity production per year.

The Ponsivuori wind farm (30 MW) in Finland was commissioned and handed over to IKEA. Photo: Matti Latva-Hirvelä/Carelin

Main events in 2019

1 GW*
wind power in total under construction

* Figure rounded up

Agreement with Ardian relating to Åndberg
In February, OX2 and Ardian concluded the purchase agreement relating to the Åndberg wind farm (286 MW), with 53 wind turbines in Sweden. Commissioning of this wind farm is planned to take place in 2021.

Agreement relating to the Kjølberget wind farm
Following successful cooperation on the Raskiftet wind farm in 2018, OX2 was again commissioned to work on projects by energy companies Stadtwerke München of Germany and Eidsiva Energi and Gudbrandsdal Energi of Norway. In April 2019, the agreement was concluded relating to the Kjølberget wind farm, comprising 13 wind turbines (56 MW) in Norway. Construction of this wind farm is expected to be completed in 2021.

Partnership with SCA
SCA, which owns 2.6 million hectares of environmentally certified forest in northern Sweden, concluded a partnership agreement with OX2 in May. The goal of the agreement is to realise around 1,000 MW of new wind power within a five-year period that will have an annual production capacity of approximately 3.5 TWh.

Hornamossen sold to Green Investment Group
In June, Green Investment Group (GIG) acquired the Hornamossen wind farm (43 MW) with ten wind turbines in Sweden. Construction began immediately and the wind farm is expected to be completed by the end of 2020. GIG has secured a long-term agreement (PPA) with Axpo Nordic for the purchase of electricity from the farm.

The Stigshöjden wind farm (21.6 MW) in Sweden was commissioned and handed over to Fontavis. Photo: Joachim Lagercrantz

Acquisition of project rights for Metsälamminkangas
In July, OX2 acquired the project rights for Metsälamminkangas (150 MW) in North Ostrobothnia in Finland.

Infracapital invests in the Kröpuln and Storbacken wind farms
In August, OX2 concluded an agreement with Infracapital for the sale of two wind farms in Finland; the Kröpuln wind farm and the Storbacken wind farm. The project comprises a total of 14 wind turbines (60 MW). The wind farms are expected to be completed at the end of 2021.

Stigshöjden handed over to Fontavis
The Stigshöjden wind farm in Sweden was commissioned in September and handed over to purchaser Fontavis on schedule. This wind farm comprises six wind turbines (21.8 MW) and is able to produce an estimated approx. 62 GWh per year on average, which is equivalent to the amount of electricity needed to run over 12,000 households for a year*. OX2 will continue to manage the facility.

Acquisition of project rights for Ljungbyholm
In October, OX2 obtained the project rights to the Ljungbyholm wind farm (50 MW) in Sweden.

Grajewo - auction winner
In November, OX2 won the state auction with the Grajewo wind power project (40 MW) in Poland.

Cooperation continuing with Aquila Capital
The Korkeakangas wind farm in Finland was sold to Aquila Capital in December. This wind farm will comprise nine wind turbines (43 MW). This is the fifth project to be implemented by OX2 with the investment of Aquila Capital. Commissioning of the facility is planned to take place in late 2021.

Ponsivuori handed over to IKEA Retail Finland
In December, the Ponsivuori wind farm in Finland with its 25 wind turbines (30 MW) was handed over to purchaser IKEA Retail Finland, part of the Ingka Group. OX2 is still responsible for managing the facility. The farm is expected to produce around 100 GWh per year, which is equivalent to the amount of electricity needed to run around 20,000 households* per year. Ponsivuori is one of four wind farms that OX2 is constructing as part of an EPC contract for IKEA Retail Finland under the 107.4 MW Project Castles”.

* 5,000 kWh per household

Interview with Anders Nilsson, Project Development Team Leader in Sweden

Emphasis on greenfield development of projects in parallel with acquisitions in 2019 has guaranteed a strong portfolio for the future.

What characterised the Swedish project development in 2019?
We've focused more on greenfield development than we did before to secure a long-term pipeline of projects. We've screened new areas and held discussions with various parties regarding cooperations. For example, we entered into a strategically important partnership with SCA where we'll be working together to develop wind power on their land. They own 2.6 million hectares of environmentally certified forest in northern Sweden, which provides major opportunities. The goal of the agreement is to realise around 1,000 MW of new wind power collectively. We're currently working on five projects where we've started on inventories, held consultations and progressing with environmental impact assessments.

What is your view of project acquisitions from other developers?
Acquisition of projects is still interesting, and it's something we're constantly working with. We're always working hard to find the best projects, regardless of whether we develop them ourselves or acquire them from other developers.

What is the strength of OX2's Swedish portfolio and project development?
Besides the volume, the range in terms of size, different development phases and geographical spread. OX2's strength in projects lies in our network and our strategic partnerships with various stakeholders such as landowners, utility companies and other developers. We're good at optimising projects both technically and in terms of permitting, matching with the right investors and electricity consumers and then procuring and constructing high-quality projects on time and on budget. As a rule, we also manage our wind farms when they're fully constructed. As a result, municipalities, landowners, suppliers and other stakeholders can feel secure in their cooperation with OX2.

How are the challenges for the Swedish market looking, going forward?
It's starting to become apparent that the industry has not prioritized greenfield development for a number of years and the number of granted permits has fallen. Further on, the challenge lies in the fact that many projects may have no grid connection as the expansion of the power grid is trailing behind and lead times are long.

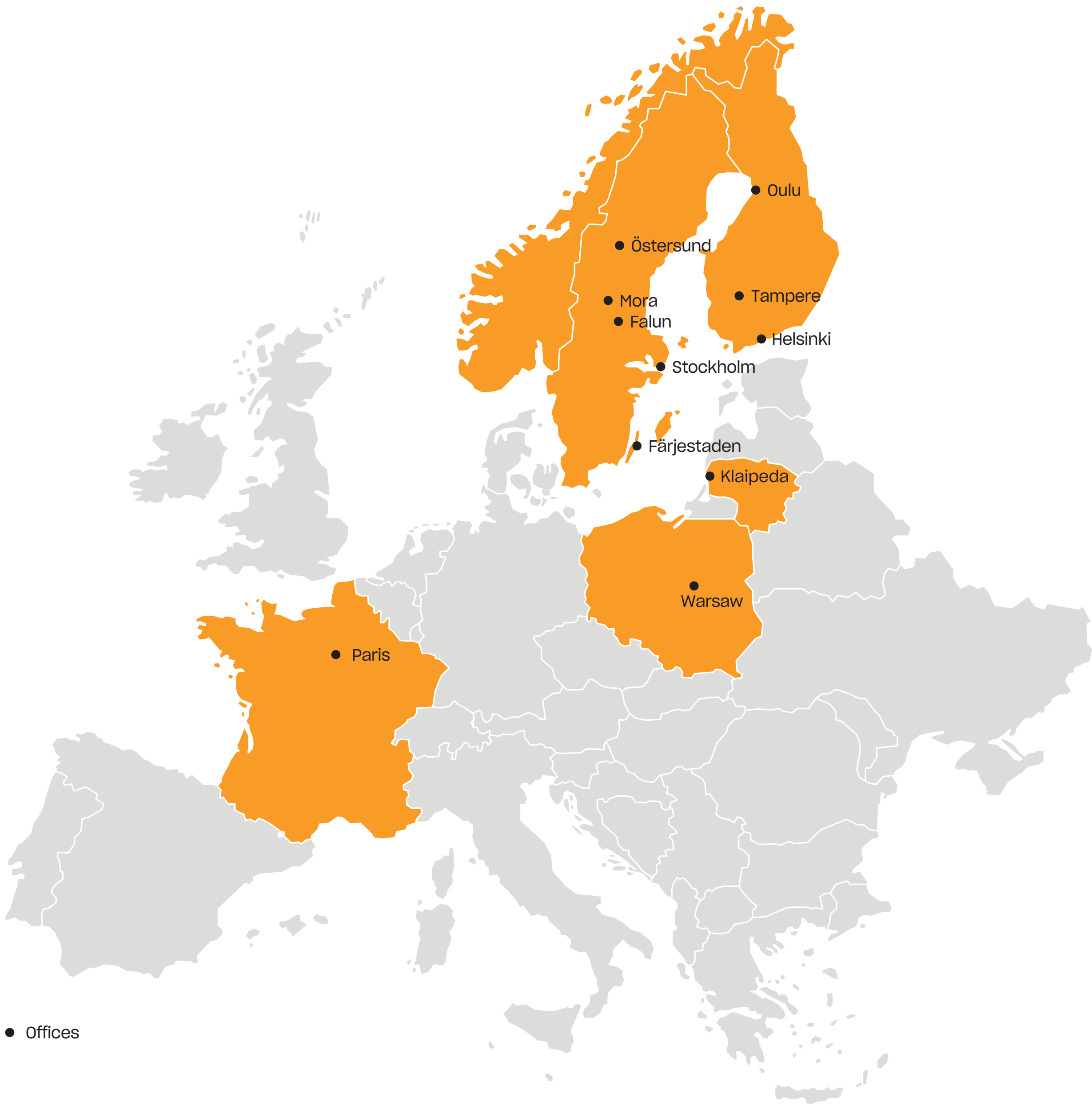
What will OX2's position be in five years' time?
In five years' time, we'll be starting to reap the rewards from the work we began in 2019. We're endeavouring to go on being the leading project developer on the Swedish market.

"We're endeavouring to go on being the leading project developer and implementer on the Swedish market"

Anders Nilsson, Project Development Team Leader in Sweden

Photo: Christian Gustavsson

Map of OX2's market presence



Wind power projects under construction and management in 2019

Sweden	
Under construction:	approx. 800 MW
Operation and management:	573 MW
Finland	
Under construction:	approx. 190 MW
Operation and management:	102 MW

Norway	
Under construction:	56 MW
Lithuania	
Operation and management:	45 MW

Valhalla – one of Europe's biggest wind power projects is completed

Valhalla comprises the Åmot-Lingbo and Tönsen wind farms and is OX2's biggest project to date. The 85 wind turbines are expected to produce 1.1 TWh of electricity on average, which is enough electricity to run 230,000 households per year.

Facts about the project:

- 85 Vestas V136 4.3 MW wind turbines, total height 180 m
- Expected electricity production per year: approx. 1.1 TWh
- Owners: Hermes Infrastructure and CNG Europe Energy
- EPC and management of wind farm: OX2

Valhalla is made up of the Åmot-Lingbo and Tönsen wind farms, which are situated in the municipalities of Bollnäs and Ockelbo in Sweden. Valhalla is OX2's biggest project to date and one of the biggest onshore wind power projects in northern Europe.

The challenges faced during construction were mainly to do with its size and complexity, with many parallel activities taking place in different phases simultaneously. The weather has also presented a challenge. There was more than a metre of snow in the area at the start of the construction phase and the fire risk severely impacted work in the dry summer of 2018. At times there were 170 people working on site at the same time, and in total around 500 people have been involved in the construction work. Establishment of this project has benefited the local business community primarily due to land and construction contracts, but also on account of accommodation.

Construction of Valhalla began in late 2017/early 2018. Firstly, existing forest roads were reinforced and trees were felled followed by new roads and crane locations being constructed for each new wind turbine. Work on the roads and construction of parking areas continued through-

OX2's Construction Project Manager Stefan Karlsson during assembly of the wind turbines at the Åmot-Lingbo and Tönsen wind farms (366 MW).
Photo: Joachm Lagercrantz

The Valhalla project, comprising the Åmot-Lingbo and Tönsen wind farms (366 MW) in Sweden. Photo: Joachim Lagercrantz

out 2018, in parallel with foundation casting and electrical work. Ellevio began constructing an entirely new station for the power grid.

Environmental considerations are a basic prerequisite for all OX2 projects. This requires good planning at an early stage. Later, during construction work it requires compliance with licences and conditions by for example adapting crane locations and road routes to the natural local conditions.

For the Tönsen project, OX2 has been working with an ornithologist since 2008 to study the bird life in the area. The results from this extensive study have assisted in the design of the farm and the wind turbines have been positioned so that the birds are not disturbed.

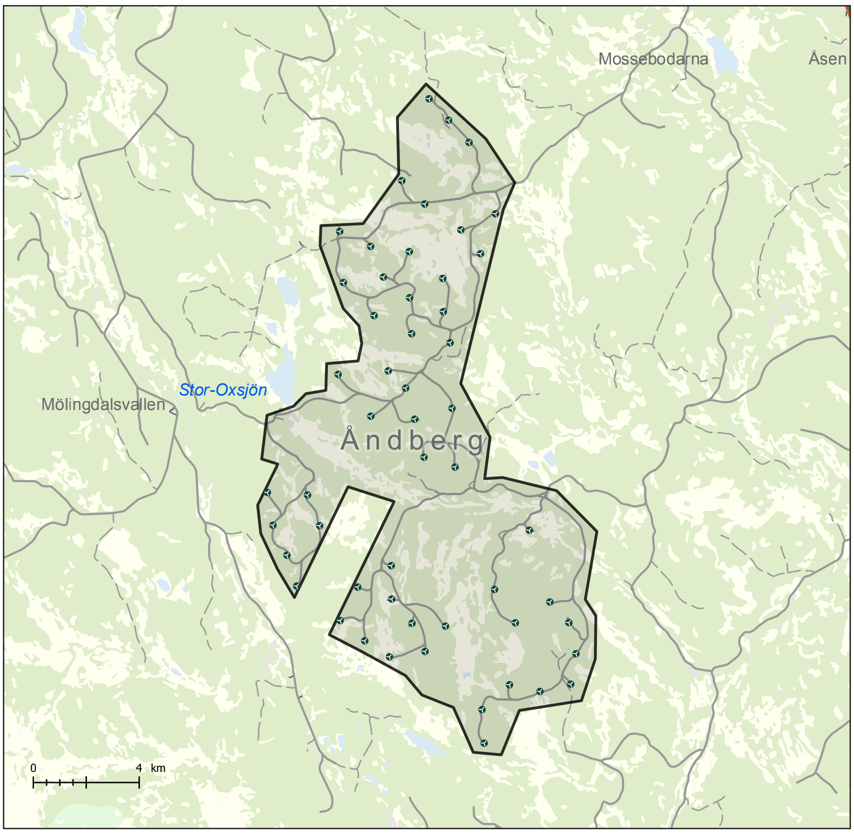
Despite the fact that a great deal of importance was attached to precautionary measures and that all water activities are regulated, a waterway was dug up in error during the construction work. This took place when the stream was frozen, and the problem was not discovered until the water began flowing in spring 2018, when the snow melted.

All work was then stopped immediately and the supervisory authority was notified. Intensive efforts were then deployed to minimise the damage and restore the stream to its original condition. "We limited the cloudy water downstream by means of sediment traps, digging a new stream bed and constructing an arch beneath the road. We have now restored the stream bed to what it should be thanks to the right skills and an enormous amount of care," says Stefan Karlsson, Construction Project Manager at OX2. "It is regrettable that this has happened, but I am pleased that we were able to restore the stream. Moreover, lessons have been learned from the accident and we have implemented new processes as a consequence," continues Stefan.

The project entered into an intensive phase in the early summer of 2019 when the components for the wind turbines were transported from the Port of Gävle to the project site for assembly and installation. The wind turbines are supplied by Vestas and have a hub height of 112 m. Each rotor blade is 68 m long, which means that the total height, from the ground to the highest point of the rotor, is 180 metres. Assembling a wind turbine of this size normally takes three days, but the high lifting work required is incredibly susceptible to meteorological conditions and work is stopped in very windy weather or when visibility is poor. Wind turbine assembly continued for the rest of the year, in parallel with gradual commissioning and fine-tuning of the wind farm. The wind farm was handed over to its owners in 2020.

Åndberg wind farm constructed using the latest technology

Ardian, one of the world's leading investment companies, concluded a purchase agreement with OX2 for the Åndberg wind farm (286 MW) in February 2019. The farm will be constructed using 53 x 5 MW Nordex wind turbines.



Map of the Åndberg wind farm (286 MW)

Facts about the project:

- 53 Nordex N149/5.X wind turbines, total height 180 m
- Expected electricity production per year: approx. 800 GWh
- Purchasers: Ardian
- EPC and management of wind farm: OX2

Åndberg wind farm with 53 wind turbines is being constructed near to Lillhärdal in Härjedalen, Sweden. "OX2 is the perfect partner for us for this project," says Amir Sharifi, Managing Director at Ardian Infrastructure. "We look forward to together building a state-of-the-art wind farm using the latest available technology."

The plan from the outset was to construct the wind farm using 4 MW wind turbines, but in the autumn of 2019 OX2 and Ardian made a decision to upgrade the wind turbines. The Åndberg wind farm will be the first to use the

Work on a wind turbine foundation at the Åndberg wind farm (286 MW) Photo: OX2

new N149/5.X wind turbine model, introduced by Nordex in March 2019.

“We always do everything in our power to use the best, most cost-effective technology in our projects. These new wind turbines will allow us to maximise the potential of the project and this was made possible because we had flexible design solutions and were able to hold off on making decisions on upgrading to the latest technology available,” says Kristina Lindgren, Head of Engineering at OX2.

OX2 built roads and cable networks in 2019, as well as preparing wind turbine foundations and crane locations. The foundations will be cast in the summer of 2020 and assembly of the wind turbines is planned to commence in the summer of 2021.

After commissioning, OX2 will also be responsible for the commercial and technical management of the farm. The plant is expected to produce around 800 GWh per year, which is equivalent to the amount of electricity needed to run around 160,000 households per year.* For Ardian, the Åndberg wind farm is the first step in a major Nordic initiative. Its objective is to invest SEK 30 billion in renewable energy on the market over the next five years via its newly launched company, Enordic.

“As a leading investor in the industry, we perceive significant potential growth in renewable energy in order to support the transition to sustainable energy in the Nordic region. Here we have political stability, professional stakeholders and a competitive market that work without subsidies,” explains Amir Sharifi.

Kristina Lindgren, Head of Engineering
Photo: Christian Gustavsson

* 5,000 kWh per household

OX2's work process for establishing and financing wind power

OX2 is involved in all stages of the wind power value chain; from project development or the acquisition of project rights, through financing, sale and construction, to technical and commercial management.

Project development
During the initial screening phase, a suitable area for establishing a wind power plant is identified, considering wind resources, electricity grid, land ownership and the conditions for obtaining permits. This phase also includes an assessment of potential investment based on production income as well as construction and operating costs.

The actual project development phase starts with the signing of a land lease. Testing of the suitability of the wind power plant in accordance with applicable legislation and securing of grid connections will then commence. This takes the form of dialogue with relevant business owners, such as government authorities, associations, grid companies and local residents. This dialogue will culminate in an environmental impact assessment, among other things. Wind measurements will commence at the same time, production calculations will be performed and roads and power grids will be designed with the involvement of the OX2 engineering team. Wind farm layout and turbine selection will be optimised with a view to making the project as sustainable and as cost-effective as possible.

Acquisition
In addition to its own project development, OX2 assesses and purchases project rights from other developers and is also involved in collaboration on the development of projects.

Sale and financing
Many wind farms implemented by OX2 have a financial buyer, such as a fund that invests in renewable electricity production. OX2 structures the venture on the basis of the financing preferences of the investors, e.g. regarding share of equity and the need for bank financing.

Electricity sales, price hedging and PPA solutions
It has become more common for investors to demand hedging of the revenues from the plant via so-called PPAs (Power Purchase Agreements), which are signed with a major electricity consumer. Alternatively, revenues can be secured via state-regulated replacement models/systems such as feed-in tariffs or CFDs (contracts for difference).

OX2 has a dedicated team that constantly works with the market for different types of electricity price agreements with the aim of being at the forefront of the best solutions based on each individual project and investor.

Procurement and construction
OX2 uses traditional tendering processes aimed at established manufacturers to procure, for example, wind turbines, infrastructure and foundations for its projects. This procedure takes place in accordance with international requirements and standards and the end product is assured from both a technical and a financial standpoint. OX2 then manages construction of the wind power plant, serving as main contractor for the purchaser. The construction period is normally 1 to 2 years. Depending on the financing solution, the purchaser or OX2 is responsible for financing during the construction period.

Managing wind power plants
OX2 handles all the issues which are important to wind power owners, such as operational monitoring, optimisation of production, inspections, contract management, finance and administration. The aim is to maximise profitability and to ensure smooth and efficient ownership.

OX2 and Ingka – a successful partnership for a sustainable future

In 2019, OX2 managed five wind farms for Ingka/IKEA[1]. Three of the farms are in Sweden, one in Finland and one in Lithuania. This amounts to a total production of around 670 GWh per year.

Jack Chambers is the Asset Manager Renewable Energy at Ingka Investments.

Why is it important for Ingka to own its own wind power?
“With only one planet and limited resources, we need to tackle climate change and the transition to a circular economy. The Ingka Group is determined to be part of the solution. We can make a significant contribution by owning our own wind and solar energy generation. It is logical on a purely commercial basis – and it is what our customers expect from us.”

How would you describe the partnership with OX2?
“Ingka Group and Ingka Investments in particular are very interested in cooperating with companies who share our own values and our ambition to have a positive impact on people and the planet. We have a common denominator in OX2 in this regard – we have worked with them for many years now. Our cooperation is an important part of being able to meet our goal of producing as much renewable energy as we consume in our own operations by 2020.”

Ida Bodin is the Commercial Manager at OX2 with responsibility for Ingka’s three wind farms in Sweden: Glötesvålen, Rämsberget and Korpfjället.

How would you describe the partnership with Ingka?
“Ingka is a very competent partner with great experience in creating long-term sustainable investments and this is reflected in our daily cooperation and motivates us to deliver the very best we can.”

OX2 is the leading player in the Nordic countries in the management of wind farms. What are the success factors?
“We make it easy to own wind power and create optimal returns for our customers. Wind power is usually not the customer’s core business, so they want us, the experts, to manage the facilities, with all that it involves, e.g. monitoring, proactive production analytics and ensuring as high production as possible, as well as ensuring that we have optimal contracts with all suppliers. Basically, it is all about trust.”

What are the most challenging and most enjoyable parts of your job?
“The wide range of issues can be challenging and we must be prepared for unforeseen operational events, although that is what makes the job interesting. It is most satisfying when I notice that the client feels safe and is confident that we are doing a good job. We are also a great team that work well together at OX2. There is a great atmosphere and everyone has a very high level of expertise.”

Ida Bodin, Commercial Manager
Photo: Christian Gustavsson

1) Ingka Group runs the majority of IKEA department stores globally.

Market – the future is renewable

It is time for action and achieving our target – to limit warming to 1.5 degrees – is possible in theory, but the countries of the world have to multiply their efforts. And time is short. Renewable energy has a starring role to play in the realignment initiative. Costs for wind power and solar power are continuing to decline and development take place without subsidies on a number of markets.

Photo: Joachim Lagercrantz

Raskiftet wind farm (112 MW) in Norway.

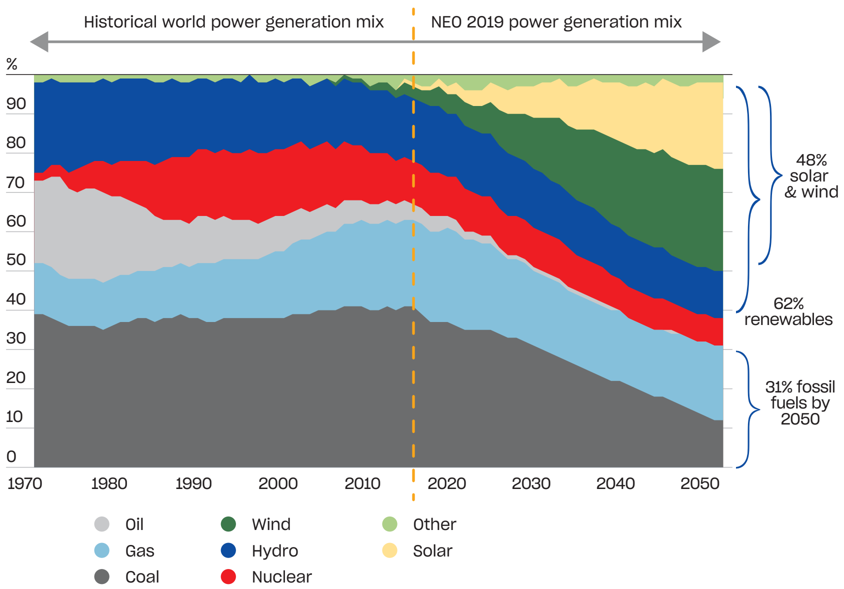
There is no doubt that the world is being shaken by climate change. Sea levels are continuing to rise, the ice is melting and we are seeing extreme weather events. The last five years are the warmest on record. The average global temperature has now increased by 1.1 degrees compared with the period prior to industrialisation, according to the WMO, the World Meteorological Organization.

Global carbon dioxide emissions did not increase in 2019 as they did before. This has bucked the trend slightly. Emissions fell by five per cent in the EU. This is primarily due to reduced emissions from electricity generation in developed economies, thanks to the fact that renewable sources such as solar power and wind power are playing an increasingly large part. Moreover, natural gas has replaced coal as a fuel source and nuclear power generation has increased.[1]

But that is not enough. The countries of the world have to multiply their efforts to achieve the climate targets decided upon in Paris in 2015. This conclusion has been reached by the UN in its annual Emissions Gap Report. Current climate plans will culminate in the warming of 3.2 degrees instead of the 1.5 or 2 degrees targeted. It is possible in theory still achieve the 1.5-degree target, according to the UN Environment Programme, UNEP, but this requires fast and thorough realignment.

In 2019, Greta Thunberg's school strike grew into a global manifestation and is the biggest youth movement of our age. At the same time, the gap between what is demanded by researchers and young people and what world leaders are managing to achieve is growing. The UN's annual Conference of the Parties was held in Madrid, but a number of the main issues on the agenda – such as the regulation of emissions trading between states – were not resolved.

World energy production, 1970-2050



Source: Bloomberg New Energy Finance (BNEF)

Emphasis on renewable energy

Two-thirds of the world's energy production is fossil-based at present. According to forecasts by Bloomberg New Energy Finance (BNEF), two-thirds of total energy generation will be emissions-free by 2050. 26 per cent is expected to come from wind power and 22 per cent solar power, which is driven primarily by the fact that these types of energy are the cheapest to extend throughout much of the world, but also by the fact that they are eco-friendly. Hydropower will grow to a marginal extent and nuclear power will remain unchanged. Coal is considered to be the biggest loser.

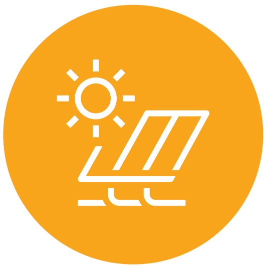
The decommissioning of the coal power industry in Europe is historically rapid and one reason as to why the price of EU allowances has finally begun to rise. Coal power is also being decommissioned at a rapid pace in the US. The International Energy Agency (IEA) predicts that this trend will continue but with the proviso that a lot depends on China, where half of the world's coal is produced and consumed.

1) International Energy Agency (IEA)

49%

Cost reduction since 2010.

Source: BNEF



85%

Cost reduction since 2010.

Source: BNEF

As costs for the production of wind power and solar power continue to fall, the need for subsidies is also declining. These energy sources are standing on their own two feet in a number of markets now, and we will be seeing more developments of this kind.

EU - a Green Deal

According to BNEF, Europe is one of the markets where the realignment will proceed most rapidly. The new EU Commission launched a Green Deal in December 2019. A couple of days later, the EU's Heads of State or Government – with the exception of Poland – agreed that the Union should be climate-neutral by 2050. The target for emissions reductions will be tightened up, to 50–55 per cent by 2030. It is hoped that the Green Deal will be converted into firm decision in 2020 and that the EU will be a driver of the other initiatives to exert pressure on the major emitters.

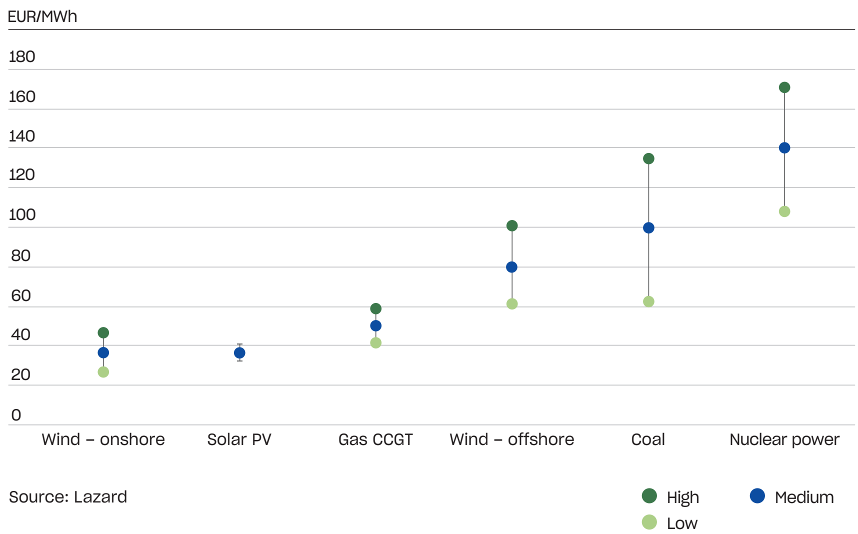
The EU will be revising its targets for energy efficiency and renewable energy in 2020. At present, attempts are made to ensure that at least 32 per cent of energy should come from renewable energy sources by 2030. However, the national energy and climate plans of some member states are falling behind and this may prevent timely attainment of the target.[2]

Doubling of renewable energy

Renewable energy rose to record levels and generated 37.5 per cent of the EU's electricity in 2019. Over 34 per cent was generated from fossil fuels and 28 per cent from nuclear power.[3]

Over 15 GW of new wind power was installed, representing an increase of 28 per cent compared with 2018. This is equivalent to 15 per cent of total electricity consumption. Three-quarters of the installations were onshore wind farms. Spain, Sweden and France installed the most onshore wind power. Germany stood out in that the number of installations there fell markedly, a development that was noted back in 2018. Long permitting processes are the primary cause of this.[4]

Weighted total production costs for different world energy types, 2019



Source: Lazard

2) Bloomberg Green
3) EnAppSys
4) WindEurope

The planned expansion of wind power in Europe should remain strong, albeit geographically uneven, until 2023. WindEurope's central forecast scenario predicts 12.2 GW of average annual expansion for onshore wind power by 2023.[5]

Large volumes for offshore wind

More wind power was installed in European waters in 2019 than ever before. More specifically, 3.6 GW of new offshore wind power capacity was installed across ten wind farms. The United Kingdom was responsible for almost half of this new capacity, followed by Germany, Denmark and Belgium.

Auctions in the United Kingdom, France and the Netherlands delivered electricity prices to consumers in the EUR 40–50/MWh range, which is a significant reduction in cost. It is now cheaper to build offshore wind farms than to build new production plants for gas, coal and nuclear power.

One major advantage of offshore wind farms is the volumes. The average size of offshore wind turbines installed in 2019 was 7.8 MW, but a wind turbine of almost 12 MW was also installed in Rotterdam. This can be compared with the average size of onshore wind turbines: 3.1 MW. The size of offshore wind farms has doubled since 2010. The average wind farm in 2010 was around 300 MW – now it is 600 MW.[6]

A report compiled by the EU Commission states that at least 230–450 GW of new offshore wind power is needed in order to make the transition to a fossil-free European energy system. For linear development, at least 7 GW of new offshore wind power needs to be constructed every year.

Greatest increase in solar power

Almost 17 GW of new solar power was installed in 2019; more than twice the amount in the previous year, making solar power the technology with the greatest increase. This growth is explained primarily by reductions in the cost of solar panels. Solar power is now the cheapest energy source in many European countries and the industry is predicting rapid growth going forward.[7]

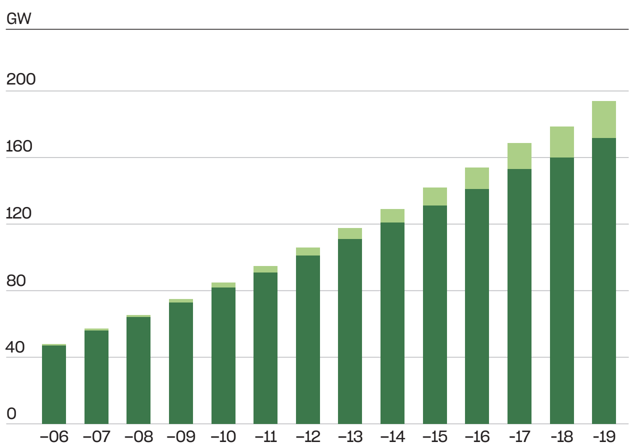
BNEF is forecasting that Europe will generate 80 per cent of its electricity from solar power and wind power by 2050.

Low activity for repowering

The operational lifetime of a wind farm is 25-30 years. In Germany, about 30 per cent of installed wind power is more than 15 years old. In Denmark, the corresponding figure stands at around 50 per cent. This means that many wind farms will reach the end of their service life during the next decade and need to be renewed. The previously installed wind turbines are able to produce a few hundred kW and have a hub height of about 60 m. If these were to be replaced by today's much more powerful wind turbines, it would be possible to generate a significantly larger amount of energy over the same area.

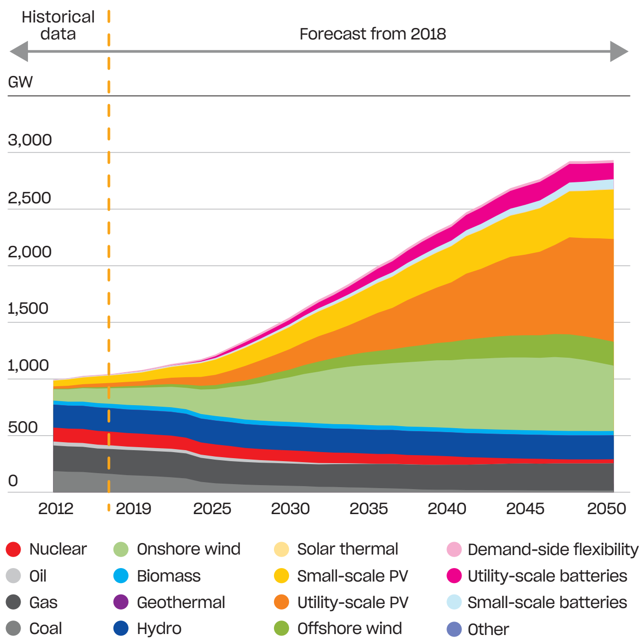
Just 185 MW of these new installations were repowering projects in 2019, compared with more than 460 MW the previous year. This low level of activity is

Wind power in EU 2006-2019, cumulative nameplate capacity



Source: WindEurope.

Energy generation in Europe, 2012-2050



Source: Bloomberg New Energy Finance (BNEF)

5) Agora Energiewende
6) WindEurope
7) SolarPower Europe
8) WindEurope

wind turbine blades being transported to the Orrberget wind farm (33 MW) in Sweden. Photo: Joachim Lagercrantz

due in part to a lack of legislative support and awkward licensing processes.[8]

Electrification of society

Electrification of transport, buildings and industries may reduce carbon dioxide emissions in Europe by 60 per cent between 2020 and 2050, according to a BNEF study. This will be achieved by sector coupling, involving both direct and indirect changes.

Direct changes include electrification of the automotive sector and electric heating systems such as heat pumps, for example. Indirect changes include using green hydrogen as a fuel for industrial processes and for heating buildings, for instance.

However, this requires new policies and incentives, reinforcement and extension of power grids, development of various storage options and changes in behaviour.

But above all, more electricity is needed. In the BNEF scenario with sector coupling, total generation capacity is estimated to grow by 400 per cent by 2050, compared with 180 per cent without the additional sector coupling. In both scenarios, 75 per cent of generation capacity is expected to come from solar power and wind power.

The fact that costs for various kinds of storage are falling significantly, coupled with increasingly sophisticated systems offering flexibility on the demand side, is promoting this kind of development. According to BNEF, it will be possible for electricity generation from solar power and wind power to exceed 80 per cent on certain markets thanks to this.

85%

Cost reduction since 2010.

Source: BNEF

The market for wind power investments

There are essentially two types of investment groups investing in wind power in today's market: financial investors and energy companies.

Wind power investments in Europe fell in 2019, from about EUR 25 billion to EUR 19 billion, compared with 2018, which was a record year. More than twice as much was invested in onshore wind power than in offshore wind power, although the latter is growing rapidly.[9]

Financial stakeholders - risk-adjusted return over time

Financial investors are generally choosing to invest in wind power in order to achieve a good risk-adjusted return over time. Investments may be made in various parts of the value chain, from licences and construction to completed wind farms.

The financial investors are key to OX2. Clients include specialist asset managers such as Aquila Capital, Prime Capital and Ardian and insurance companies such as Allianz. Pension funds also view wind power investments as attractive.

PPAs with major electricity consumers

Depending on the choice of investment strategy, some investors are entering into hedging agreements (such as PPAs – Power Purchase Agreements) with major electricity consumers for the electricity produced by wind farms. A PPA normally provides a fixed guaranteed price over a predetermined period of the wind farm's service life, resulting in financial security for the investor. The electricity consumer is aiming to reduce its carbon dioxide emissions and hedge its electricity consumption in the long term. One example of a company that has entered into several PPAs is Google, with whom OX2 has collaborated on a number of projects.

PPAs equivalent to around 19 GW globally were concluded in 2019, representing an increase from the 13 GW or so for 2018. The fact that the proportion of commitments from major, electricity-consuming companies is increasing is important for the industry and an incentive for a fossil-free future.

In 2019, North America accounted for the majority of PPA volume. The distribution between power types – wind power and solar power – was relatively equal.

Some major electricity consumers are also investing directly in wind power instead of purchasing renewable electricity via a PPA. INGKA (IKEA) is one example of a major electricity consumer that has purchased a number of wind farms directly from OX2.

Energy companies - switch to renewable energy

Most major, well established European energy companies and generators of power have increased their focus on investments in renewable energy over the last few years and some companies, such as E.ON and Orsted, have embarked upon total transformation and are aiming to be 100 per cent renewable. Increase in demand, new laws and taxes and the opportunity to acquire new production capacity at relatively low cost are underlying reasons for this.

The "Castles" project (107.4 MW) in Finland was constructed in 2019. Investor INGKA. Photo: Joachim Lagercrantz

One sign of the times is the fact that producers of oil and gas are also diversifying their businesses and changing their names in ways that reflect their new directions. Norska Equinor was previously known as Statoil, for example.

Another example is Shell, which is focusing on smart home technology in addition to its traditional business. Most major stakeholders in this segment will be striving to cover the entire value chain for energy and utilising existing infrastructure in new ways going forward.[10]

OX2 has a number of energy companies among its clients, including Stadtwerke München, Eidsiva Energi, Gudbrandsdal Energi and Lundin Petroleum.

9) Wind Europe
10) Bloomberg NEF

OX2's wind power markets

Sweden - record expansion

Wind power beat production records and hydropower enjoyed a strong year. Hydropower and nuclear power accounted for 78 per cent of total Swedish electricity generation with 39 per cent each. Wind power accounted for around 12 per cent.[11]

Almost 1600 MW of new wind power was installed in 2019 which is more than twice the level in 2018 (approx. 700 MW)[12]. One of Sweden's eight nuclear reactors (Ringhals 2) was decommissioned in December 2019 and another one (Ringhals 1) will be closed in 2020.[13]

Investments in Swedish wind power have beaten records over the last few years. Sweden has the lowest costs in Europe for the construction of onshore wind power. The country has good wind conditions, low population density, good infrastructure, in terms of roads and electricity grid, and good access to balancing power from hydropower. Wind power investments amounting to almost SEK 90 billion have been decided upon or notified since the Energy Agreement in 2016. Decisions relating to wind power investments producing a total output of 2,506 MW were made in 2019. Wind power is expected to account for more than 30 per cent of the electricity used in Sweden within three years.[14]

Two parties, the Moderate Party and the Christian Democrats, left the Energy Agreement in December 2019. However, the objective of achieving a 100 per cent renewable energy system by 2040 is still in place as this was decided upon previously by the Swedish Parliament (Riksdag).

There are plans to phase out the electricity certificate system at the same time as Norway, as the target for this has been reached. Wind power can be constructed without subsidies.

Swedish electricity generation totalled record highs of more than 164 TWh in 2019. However, electricity consumption fell resulting in a net export level of more than 26 TWh. Sweden produces large volumes of carbon dioxide-free electricity which can replace fossil-based power in other countries. Continued opportunities to export electricity are positive for Sweden, which is why it is important to go on extending transmission capacity beyond the country's borders.[15]

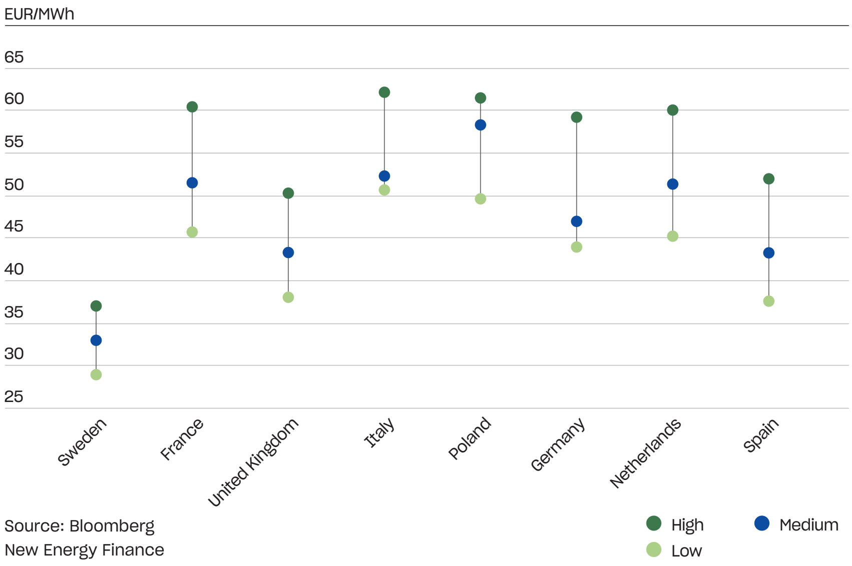
A common electricity certificate market for Sweden and Norway

The Swedish/Norwegian electricity certificate system entitles producers of renewable energy to electricity certificates for each MWh of renewable electricity generated. Buyers are stakeholders, primarily electricity suppliers, with what is known as a quota obligation. Those with a quota obligation must buy a certain number of electricity certificates proportionate to the electricity that they sell or use.

The current common goal is to increase renewable electricity generation in Sweden and Norway by a total of 28.4 TWh between 2012 and 2020. The Swedish energy agreement which was introduced in the summer of 2016 means that the electricity certificate system for Sweden's part was extended by a further 18 TWh of new certificates up to 2030.

Norway chose not to participate in the extension of the system. The target has already been reached, and the industry is pushing for early conclusion of the electricity certificate system as wind power is now able to manage without subsidies.[16]

Weighted total production costs for onshore wind power in Europe - different countries



Source: Bloomberg New Energy Finance

11) Swedish Energy Agency
12) Svensk Vindenergi
13) Vattenfall
14) Svensk Vindenergi
15, 16) Swedish Energy Agency


Stigshöjden wind farm (21.6 MW) in Sweden. Photo: Joachim Lagercrantz

Construction of the Långmossa wind farm in Finland. This wind farm is part of the “Castles” project (107.4 MW). Photo: Joachim Lagercrantz

Norway – wind power doubled

Norway is essentially self-sufficient in electricity due to domestic hydropower in combination with a small amount of gas and a small but rapidly increasing amount of wind power.

At the end of the year, Norwegian wind farms had a total installed wind power output of around 2 GW, which in a normal year is expected to produce just over 7.7 TWh. A further 2 GW was being constructed at the end of 2019.

During the 21st century, the environmental policy has been to increase electricity generation from forms of renewable energy other than hydropower, thereby achieving a diversified energy mix. For that reason, in 2012, Norway signed up to the Swedish electricity certificate system. However, Norway chose not to extend the system and therefore only projects commissioned prior to the end of 2021 will receive electricity certificates.

A directive was issued at the end of 2019, stating that projects that have already been given permission must not be extended beyond 31 December 2021. This will allow Norwegian supervisory authorities to focus on projects under construction and at the licensing phase. Projects at earlier phases will be given priority later on.[17]

Finland – from 0 to 1500 MW

Finland is a net importer of electricity, equivalent to 23 per cent of total consumption in 2019. Nuclear power dominates, accounting for 27 per cent of electricity generation. Hydropower and wind power accounted for 21 per cent, biomass and peat 17 per cent and fossil fuels for 11 per cent of electricity generation.

The basic prerequisites for wind power in Finland are favourable, for example the possibility of high tower heights, large land areas, a significant proportion of regulating power in the form of hydropower and a relatively strong grid infrastructure.

In the spring of 2018, the Parliament of Finland introduced the new auction system in which the state indicates how much renewable electricity it will attempt to obtain in a round of tenders. The projects with the lowest premium prices will be accepted in ascending order until the annual target for renewable energy has been achieved. A feed-in premium will be allocated to the approved projects for a maximum of 12 years. No premium is paid if the price of electricity rises above a certain level. This procedure is technology-neutral and tenders can be received from producers of wind, solar, wave, biogas and biomass energy.

The tenders for 2019 were submitted by the wind power industry only and of these seven projects were approved. Annual production for these totals 1.36 TWh.

56 new wind turbines (243 MW) were commissioned in 2019. All of them were constructed without subsidies. Wind power generated 6 TWh in total, which was equivalent to 7 per cent of electricity generation. This was the first time in history that wind power produced more electricity than coal power.

More than 1500 MW of wind power was under construction in early 2020.[18]

17) Norwegian Water Resources and Energy Directorate
18) Finnish Energy

Interview with Teemu Loikkanen, OX2 Country Manager for Finland

The Finnish wind power market grew from 0 MW installed in 2018 to more than 1500 MW under construction in January 2020. This represents enormous growth where OX2 accounted for around 20 per cent. Most of these projects are being constructed without subsidies.

Why has there been strong growth in wind power in 2019?
“Wind power technology is developing rapidly. The output has multiplied in just a few years, while costs have fallen dramatically. Not only is wind power now the cheapest new energy production capacity to expand, but it is also profitable to construct without subsidies in Finland. We import almost 25 per cent of the electricity that we consume, so we need to become more self-sufficient. Given costs and carbon dioxide emissions, wind power is the natural choice.”

What makes Finland an attractive market for investors?
“The land area of Finland is comparable with that of Germany, but instead of 83 million inhabitants we have 5.5 million. This means that Finland can offer the large, unpopulated areas required when building large-scale onshore wind farms. Moreover, Finland offers investors good wind resources, strong infrastructure, a robust business environment and a political agreement for a zero-emission society by 2035.”

Why should investors work with OX2 in Finland?
“OX2 have been active in Finland since 2012, and we now have dedicated teams working with development, engineering and construction in Helsinki, Tampere and Oulu. We have started construction of 11 wind farms to date* and have all the experience and expertise required to construct wind farms on time and on budget.

OX2 constructed Castles, one of the biggest wind power projects, in 2019 with no subsidies in Finland. What makes this project special?
“We have succeeded in combining four smaller wind farms to create a project with a capacity of 107.4 MW and to construct these simultaneously in a cost-effective way. This shows that the biggest projects are not necessarily needed to be able to construct profitable wind farms without subsidies in Finland. IKEA Retail Finland, part of the Ingka Group, is financing the construction, with an obligation to acquire the farms when they are commissioned in early 2020.”

OX2 is now constructing all new projects in Finland without subsidies. Why is this good news?
“I do not think any industry can remain dependent on subsidies for a long time. If the wind industry is to be able to grow even more and provide a solution so that climate change can be combated, it is very important to be able to operate without subsidies. This will also allow us to be able to make significant investments in local municipalities which are frequently situated in sparsely populated areas: for their part, this means large tax revenues, rental income and jobs.”

“Finland is now the largest subsidy-free wind power market in Europe”

Teemu Loikkanen, Country Manager OX2 Finland

Photo: Mirkku Merimaa

* January 2020

Construction of the Orrberget wind farm (33 MW) in Sweden. Photo: Joachim Lagercrantz

France - great long-term potential
France continues to have untapped potential for renewable energy. Nuclear power accounts for almost three-quarters of electricity generation and the nuclear industry has a major influence on energy policy. France is also a major net exporter of electricity (55 TWh in 2019).

However, there has been greater emphasis on a switch to renewable energy since Emmanuel Macron became president in May 2017. France aims to become carbon neutral by 2050. Nuclear power will not be phased out, but the proportion of energy generated by nuclear power must decrease from the current 75 per cent to 50 per cent before 2035. 2019 was a good year for wind power in France, with 1.36 GW of new capacity installed. The level was approximately the same as the previous year. Solar power continued to increase, with 889 MW. There is enormous potential for solar power in France, as the government wishes to increase the number of solar power from the current 9.4 GW to 35–44 GW by 2028.

The support system for onshore wind power and solar power has recently switched from being auction-based, but the complexity of project development is resulting in a shortage of projects. In turn, this is leading to insufficient competition at auctions.

However, the auction for the Dunkerque offshore wind farm project was a success, with a record low price of EUR 44/MWh which is lower than the previous tenders for onshore wind power and solar power.

The auctions for 2020 is planned to take place in two rounds of tenders for onshore wind power, 750 MW and 925 MW. Further six rounds for solar power using various technologies and totalling almost 3,000 MW is planned.

The French government's recently published energy plan (PPE) for 2023–2028 reinforced that there are good future prospects for renewable energy. The plan confirms the goal of up to 34 GW of onshore wind power by 2028.[19]

19) French strategy for energy and climate (PPE)
20) WysokieNapiecie.pl, Polish Energy Policy to 2040 (PEP 2040), Poland National Energy and Climate Plan (NECP 2021-2030)

Poland - better conditions for renewable energy

The Polish energy mix in 2019 was made up of 74 per cent coal energy, 15 per cent renewable energy, 9 per cent gas and 2 per cent other technologies. However, the new energy policy and national energy and climate plan (PPE) published at the end of the year foresees a reduction in coal energy production to 56–60 per cent and an increase in renewable energy to 21–23 per cent by 2030. Poland is also aiming to build its first nuclear power plant by 2033.

Renewable energy is expected to grow rapidly going forward, driven primarily by the market for solar power and construction of the first offshore wind farms. The company is aiming for a total installed output of 16 GW of solar power, 8 GW of offshore wind power and about 9.8 GW of onshore wind power by 2040. Renewable energy is expected to amount to 32 per cent of the total energy mix for the same year, provided that storage is developed and more gas power plants are constructed.

Auctions in 2018 saw almost 1 GW of permitted wind farms and 600 MW of solar farms being awarded 15-year contracts. The 2019 auction for onshore wind power and solar power over 1 MW was the biggest renewable energy tender in Europe. Almost all the wind power totalling 3 GW was rewarded wind power. Two major auctions are expected to take place in 2020.

In connection with the auctions, it became clear that onshore wind power is the cheapest technology for lowering electricity prices in the foreseeable future. The greatest obstacle to development is the “ten times total height” rule (“10H rule”). This defines the distance to the closest settlement and was adopted by the Polish government in 2016. It is still in force. This rule has reduced the number of development projects to almost zero. However, in early 2020 the Polish Ministry of Economic Development admitted that the 10H rule is to be amended. This change in the law is expected to come into force on 1 January 2021.20.

Construction of the Ribäcken wind farm in Finland. Photo: Joachim Lagercrantz

Sustainability – an integrated agenda

Active environmental work and promotion of social responsibility add value; not just for stakeholders, but for our society and the planet as well.

OX2 was founded on the basis of developing sustainable and profitable large-scale energy solutions, with the final goal of contributing to a 100% sustainable planet. In other words, it permeates all aspects of our enterprise. It is important for our work to be carried out sustainably throughout the entire value chain. OX2 does its best to improve still further every day, both as an organisation and as human beings. OX2's work in the field is based on three dimensions:

People - Planet - Profit
The interaction between these dimensions is what creates sustainable social development and this will be required if we are to achieve the global goals in Agenda 2030. OX2 is doing its best to be a responsible and inclusive company, with a stringent safety culture and respect for people and the environment. We are using innovative business models and business ethics to implement green investments that will increase our production of renewable energy. In 2019, OX2's sustainability work has been surveyed in order to identify challenges and opportunities; at the same time we have developed our work on the basis of the goals defined for the enterprise.

Sustainability year 2019
Throughout the year, OX2 has increased awareness, commitment and communication relating to these issues throughout the entire value chain, both internally and externally. Social and environmental aspects have been given a more prominent position on the agenda, both for the corporate management team and within projects. Emphasis has been placed on sustainability work within ongoing projects, which has included governance and reporting on issues such as local involvement, consideration for the environment, the work environment and environmental impact. One example of how OX2 is working with these issues in its projects can be viewed in our video documentary of the Valhalla project, which focuses on environmental considerations and local communication: https://www.youtube.com/watch?v=CoJ0LTceBV0

As the impact from OX2's operations is linked primarily with manufacturing, transport and construction work, the company has also spent the year working on clearer specification of requirements in the supply chain relating to matters such as felling of trees, respect for local communities and social responsibility.

OX2 is now affiliated to the UN Global Compact in order to provide a clear manifestation of the importance of working with collective global sustainability goals, as well as linking its operations more clearly to the interim goals of Agenda 2030 (see the description on page 28). As a result of OX2's sustainability profile, the company was invited to be part of the Swedish business delegation at the UN Climate Change Conference in Madrid. This work has reinforced OX2's criteria for implementation of renewable energy projects in relation to the requirements defined by various stakeholders.

Information meeting for the general public at the Löten Community Centre, Tönsen wind farm in Sweden. Photo: Joachim Lagercrantz

Priorities
OX2 has set ambitious goals as to how the company can contribute to a more sustainable planet. At the same time, priorities need to be made. The materiality analysis performed from both an external and an internal perspective has led to a number of priority areas (see below).

These priority areas form the basis for OX2's business planning. They influence the formulation of goals, as well as how they are to be fulfilled and reported. Pages 34-39 report on OX2's sustainability goals and follow-up within each area.

People
- Relations with the local community
- Health & safety
- Diversity & gender equality
- Non-discriminatory culture

Planet
- Renewable energy generation
- Environmental law
- Carbon footprint
- Onshore and offshore emissions

Profit
- Long-term profitability
- Influencing opinion
- Anti-corruption
- Sustainable supply chain

OX2 and Agenda 2030

Agenda 2030 highlights the UN's 17 global sustainable development goals with its 169 interim goals, which constitute an action plan for delivering progress on global challenges relating to the environment, social aspects and economy. Besides providing a basis for strategy, accounting, analysis and goals, Agenda 2030 also defines an agenda of business opportunities for OX2. Fourteen of the 17 goals are of key or significant relevance to OX2. The company has chosen to focus more actively on goals 7 and 13, as these are most closely linked with OX2's core business.

7 Sustainable energy for all

By constantly increasing access to renewable energy, OX2 is promoting the transition towards a sustainable planet. The company's leading position is also driving the ongoing development of technology, financing solutions and forms of cooperation. This will lead to increased efficiency and reduced costs, which will pave the way for renewable energy even in markets where OX2 is not active. Up to now, OX2 has generated more than 2 GW of wind power in the Nordic region. 2019 was a record-breaking year in many ways. In the third and fourth quarters, OX2 built a total of 14 wind farms: this is equivalent to a further approx. 1 GW of wind power or 3 TWh of renewable energy. At the end of the year, OX2 had management contracts equivalent to 5.9 TWh per year.

13 Take action to combat climate change

Climate change is the biggest challenge of our age, OX2 is helping to provide the solution by driving the switch to renewable energy, thereby reducing greenhouse gas emissions from fossil fuels. Additional production from ongoing construction in 2019, amounting to approximately 3 TWh, is equivalent to the annual consumption of electricity in 600,000 households*. This renewable production will save up to 1.8 million tonnes of carbon dioxide annually when it supersedes coal and gas power in our neighbouring countries or permits electrification of the transport sector and industry. These savings are equivalent to annual emissions from 1 million cars.

OX2 affiliated to UN Global Compact

WE SUPPORT UN GLOBAL COMPACT

Corporate responsibilities in respect of social conditions, human rights and the environment have a significant part to play. The UN Global Compact (UNGC) is an initiative that encourages companies to adopt responsible approaches in order to contribute to the development of economies and societies in a more sustainable manner. OX2 has joined the initiative in 2019, which means that the company is working to promote the following ten principles with regard to human rights, the environment and corruption:

Human rights
Principle 1: To support and respect international human rights within the sphere of the company's influence.
Principle 2: To ensure that our own company is not involved in human rights abuses.

Labour law
Principle 3: To maintain freedom of association and recognise the right to collective bargaining.
Principle 4: To eliminate all forms of forced labour.
Principle 5: To abolish child labour.
Principle 6: To abolish discrimination in respect of recruitment and employment.

Environment
Principle 7: To support the precautionary principle in respect of environmental risks.
Principle 8: To take the initiative to promote greater environmental awareness.
Principle 9: To encourage development of eco-friendly technology.

Corruption
Principle 10: To work against all forms of corruption, including extortion and bribery.

Goal		Relevance	Impact
1 NO POVERTY	**Goal 1.** No poverty		By promoting decent and meaningful work in the supply change and helping to bring about positive change in the local community, OX2 can make a contribution towards social protection and financial resources for men, women and children (SDG 1.2).
2 ZERO HUNGER	**Goal 2.** No hunger		By replacing fossil fuels with renewable energy, global climate change will be slowed, which will help to maintain ecosystems and the quality of agricultural land for food production (SDG 2.4).
3 GOOD HEALTH AND WELL-BEING	**Goal 3.** Good health and well-being		OX2 is using preventive efforts such as mindfulness training and wellness allowances to promote physical and mental health and well-being for its employees (SDG 3.4).
4 QUALITY EDUCATION	**Goal 4.** Good education for all		OX2 is safeguarding the supply of skills in the industry by means of involvement in the Swedish "Become a wind power technician" initiative, in order to ensure that relevant skills and professional expertise are available on a growing market (SDG 4.4).
5 GENDER EQUALITY	**Goal 5.** Gender equality		As OX2 is an expanding company that appoints personnel regularly, the company has a major opportunity to get involved in issues relating to gender equality. Making the workplace as equal and as inclusive as possible presents both a challenge and an opportunity for OX2. This also includes giving women equal opportunities for leadership (SDG 5.1, 5.5).
6 CLEAN WATER AND SANITATION	**Goal 6.** Clean water and sanitation for all		Provision of both air and water is being reduced as fossil fuels are being replaced with renewable energy. Taking a great deal of care with regard to operations in and near to water and handling chemicals responsibly during construction work is allowing OX2 to minimise its impact on waterways in areas in which renewable energy plants are established (SDG 6.3).
7 AFFORDABLE AND CLEAN ENERGY	**Goal 7.** Sustainable energy for all		OX2 is making a significant contribution to increasing the percentage of renewable energy on the markets in which the company is active, but it is also creating conditions on other markets by driving development and cost reductions (SDG 7.2).
8 DECENT WORK AND ECONOMIC GROWTH	**Goal 8.** Decent working conditions and economic growth		OX2 is helping to bring about economic growth and productive employment. The company has an important role to play in setting clear requirements for decent working conditions throughout the entire value chain (SDG 8.5).
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Goal 9.** Sustainable industry, innovation and infrastructure		The expansion of renewable energy is leading to reinforcement of regional and local power grids and roads, which is helping to enhance human well-being and local economic development and provide jobs (SDG 9.1).
10 REDUCED INEQUALITIES	**Goal 10.** Reduced inequality		As the company grows – both in size and in geographical terms – there are opportunities to even out gender distribution mismatches and promote diversity in order to reinforce our workforce and ensure social inclusion (SDG 10.2).
11 SUSTAINABLE CITIES AND COMMUNITIES	**Goal 11.** Sustainable towns and communities		Extensive inventories of the project site are performed before establishing wind power. Both natural and cultural aspects are documented and highlighted to ensure that these areas are protected during design, engineering and construction work. Assets that were previously unknown in areas have been identified on many occasions (SDG 11.4).
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Goal 12.** Sustainable consumption and production		Wind is an infinite natural resource that produces no emissions and is used for large-scale energy production. After 6–8 months, a wind turbine produces the amount of energy that was required for its production and construction. OX2 has good opportunities to define requirements for its suppliers and encourage suppliers to introduce sustainable methods to the production process (SDG 12.2, 12.6).
13 CLIMATE ACTION	**Goal 13.** Climate action		Large-scale wind power is a significant, cost-effective climate action, and OX2 is one of the leading stakeholders in northern Europe. OX2 is working actively to create conditions to allow climate action to be integrated in policies, strategies and planning (SDG 13.2).
14 LIFE BELOW WATER	**Goal 14.** Seas and marine resources		Both onshore and offshore pollution will be reduced by replacing fossil fuels with renewable energy. Taking a great deal of care and maintaining a cautious approach during construction and operation is allowing OX2 to prevent pollution at sea as a consequence of its operations (SDG 14.1).
15 LIFE ON LAND	**Goal 15.** Ecosystems and biodiversity		Extensive inventories are performed as part of every project to identify protected species, and a great deal of care is taken when felling trees in order to protect natural habitats. Even though the climate benefit provided by renewable energy and the contributions this energy makes to combating climate change provide the biggest benefit for the continued survival of many species, there is a great deal of potential in taking action to promote biodiversity in connection with construction work. (SDG 15.5).
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Goal 16.** Peaceful and inclusive communities		Being responsive and inclusive when making decisions on wind power is a prerequisite and crucial to local acceptance. Democratic support for recipients of community funds is of major importance (SDG 16.7).
17 PARTNERSHIPS FOR THE GOALS	**Goal 17.** Implementation and partnership		OX2 works with many different partners, all of which share a single goal: to expand renewable energy. Switching energy systems requires a systematic approach and involves everything from state land-owners and utility companies to contractors, suppliers and investors (SDG 17.17).

People

OX2 is primarily a knowledge-intensive organisation that is dependent on its ability to attract and retain skilled and committed personnel. As the company grows – both in size and in geographical terms – there are opportunities to even out gender distribution and promote diversity. OX2 strives to maintain an inclusive corporate culture in which the skills, commitment and health of employees are managed and developed. During the year, OX2 has increased its focus on systematic work environment management by appointing a Health & Safety Manager commencing work on ISO45001 certification so as to ensure a stringent safety culture continues to be maintained for employees and suppliers alike.

OX2 and its suppliers are guests in the local communities where wind farms are established. It is extremely important to create open dialogue and show respect for the people who live and work in the local area. Local commitment creates trust and good conditions for both the operations and the local community. OX2 strives to help bring about positive development of the local area. This may involve local jobs, business sector development or financial grants through community funds or property tax, depending on the market and conditions in the area.

Photo: OX2/Christian Gustavsson

Christoffer Brandorf
Senior Transaction Director

What are you working on?
I'm responsible for our department when it comes to project management and transactions. My day-to-day work involves working closely with the projects and initiatives that we're involved in and making sure that we're working with the right projects and have the right staffing levels for them. I also spend time on business development, working with both human resources and the business side of things.

How long have you worked for OX2?
I've been working at OX2 since March 2015.

What is the most enjoyable part of your job?
Having the opportunity to work with so many fantastic colleagues, helping to bring about the switch to green energy and working in a transaction-intensive environment.

What is it like working for OX2?
It's obvious that everyone at the company is committed and wants to do a good job. It's easy to feel at home in an environment like that and to feel that you get things done together. OX2 is a really inclusive, non-hierarchical place to work and it's constantly developing in a growing industry.

Katarzyna Suchcicka
Country Manager, Poland

What are you working on?
I'm responsible for the Polish market and continuous development of our portfolio of onshore wind power and large-scale solar power, from both long-term and short-term perspectives.

How long have you worked for OX2?
I started working for OX2 in April 2019.

What is the most enjoyable part of your job?
My colleagues are definitely the highlight of my work. Their passion, their curiosity, the fact that they focus on results – and, most of all, the fact that they're open to new ideas are the aspects that I appreciate the most.

What is it like working for OX2?
Working at OX2 is very much a five-star experience – it's more than just a job.

Relations with the local community

Results and key figures

In 2019, the strategic shift towards focusing on more greenfield projects has raised awareness with regard to the importance of local involvement. Additional emphasis has been placed on communication and relations with the local community.

- Around a hundred local meetings have been organised for projects over the year.
- 28 complaints have been recorded and followed up within our projects, the vast majority of which related to construction work.
- In 2019, community funds worth SEK 2.8 million were distributed to 19 different wind farms in Sweden.
- OX2 has extended the opportunities for supporting local development on the Swedish market by also offering the Garantia model, which is a corporate lending service aimed at supporting local enterprise.

Goal

- To ensure local involvement and a local presence in projects.
- To respect the local community and be visible, accessible, transparent and proactive in the dialogue where wind farms are established.
- To assist with positive development of the community affected by establishment of a wind farm.
- To ensure that contractors and suppliers engaged demonstrate social responsibility and show consideration for the local area.
- To always provide feedback to those making complaints.

Health & safety

Results and key figures

In 2019, OX2 has focused extensively on following up non-conformance reporting in its projects, as well as clarifying supplier requirements in respect of responsible work environment and safety management.

- A Health & Safety Manager was appointed towards the end of the year in order to safeguard systematic work environment management.
- No serious accidents were reported in 2019.
- In the construction projects, 59 incidents and 23 minor accidents were reported during the year.
- Operations reported 32 incidents and 3 minor accidents during the year.
- The health index for 2019 shows a high level of work attendance, at 99.2 per cent (99.4% in 2018).

Goal

- No serious workplace accidents.
- Increased awareness regarding the work environment and safety within the company and throughout the value chain.
- High levels of work attendance and little long-term sick leave.
- Contractual requirements for contractors regarding responsible work environment and safety work.
- ISO45001 certification.
- All full-time employees are to be offered mindfulness training.

Diversity & gender equality

Results and key figures

We have seen a very high rate of recruitment in 2019 and 61 new employees were appointed during the year. This presents both challenges and opportunities.

- At the end of the period, the company had a total of 139 employees, 65 per cent of whom were men and 35 per cent women. The percentage of women is showing a marked increase on the 21 per cent employed in 2018.
- 35 per cent of senior positions within the company are held by women.
- An increasing percentage of company employees do not have the language of their country of employment as their native language.
- Parental pay has been introduced during the year.

Goal

- Gender equality between men and women in terms of employment and compensation, overall and in senior positions.
- To promote diversity in recruitment.
- To be an inclusive workplace.

Non-discriminatory culture

Results and key figures

Most of the company has been involved in efforts to clarify OX2's core values with a view to reinforcing the corporate culture.

- One instance of victimisation was reported during the year, and followed up by the manager concerned.
- A new code of conduct has been devised over the year.
- Equal Belonging has been identified as one core value within the scope of our internal values and culture project.

Goal

- No discrimination or harassment.
- No human rights abuses.
- To achieve Equal Belonging by including people with respect and curiosity.

Planet

Consideration for valuable countryside at the Valhalla wind farm (366 MW) in Sweden.
Photo: Joachim Lagercrantz

Climate change is the biggest challenge of our age and OX2 is helping to provide the solution by driving the transition to renewable energy, thereby reducing greenhouse gas emissions from fossil fuels. However, building a wind farm is not a climate-neutral enterprise as it requires materials, manufacture, transport and – frequently – felling of trees and each of these elements involves a carbon footprint. OX2 strives to continuously reduce its own direct and indirect carbon footprint by means of effective planning and demands made of subcontractors. By implementing the best projects, optimised on the basis of each project's specific conditions, the greatest benefit can be achieved in relation to the environmental impact. The intrusion is minimised through great consideration for the environment and adaptation to nature.

OX2's operations in various countries are subject to a variety of legislation relating to the environment and in most instances environmental permits are required to build wind farms. Clear environmental conditions, self-monitoring and compliance review by the authorities are things that OX2 values highly, and our aim is to take even greater care than is demanded of us. OX2 has held ISO14001 certification since 2010, which guarantees a systematic approach to the environment and effective procedures in this regard, both generally within the company and particularly within the projects.

Renewable energy generation

Results and key figures

In 2019, OX2 has started focusing on more greenfield projects: this will create a portfolio sustainable in the long term and offers major potential to increase renewable energy volumes.

- Financing was secured for six wind farms, equivalent to approximately 490 MW, in 2019.
- Four wind farms of approximately 109 MW were completed and handed over to the purchasers on schedule.
- At the end of the year, OX2 had management contracts equivalent to 5.9 TWh per year.

Goal

- To increase the amount of renewable energy and create profitability with minimal environmental impact.
- To implement the best projects, optimised on the basis of the specific criteria for each project, to create maximum benefits in relation to the impact required.

Environmental law

Results and key figures

In 2019, the environmental management system has been transferred from the parent company, Peas Industries, to OX2, which has involved a substantial review of our systematic environmental management.

- Approved ISO14001 certification for 2019.
- High level of compliance with the law in projects.
- A great deal of care has been taken when working in sensitive areas. Action has been taken to reduce impact.
- For construction projects, 21 environmental incidents and 9 minor accidents were reported during the year.
- Operations reported 1 environmental incident and 2 minor accidents during the year.

Goal

- Active and systematic environmental management.
- To maintain ISO14001 certification.
- Increased reporting of environmental non-conformances.
- To guarantee the right skills and relevant training for employees working with environmental aspects.
- To adopt the precautionary principle in respect of environmental risks.

Carbon footprint

Results and key figures

The company's awareness of the carbon footprint of the work we do increased in 2019 and work is in progress on carbon dioxide calculations for various parts of the enterprise.

- OX2 is working actively to reduce its carbon footprint by means of careful road construction, giving great consideration to felling, well-planned logistics and the use of local materials.
- Unnecessary felling of production forest was found to be taking place in one of our projects during the year: this led to a review and improvement of processes relating to felling.

Goal

- To ensure carbon dioxide calculations for the company and the entire value chain.
- To work to actively reduce the direct and indirect carbon footprint.
- To minimise felling within projects.
- To optimise logistics and materials handling.
- To minimise adverse impact and increase positive impact on the environment by promoting biodiversity, for example.

Onshore and offshore emissions

Results and key figures

As emissions from OX2 operations are largely linked with production, transport and construction work, most of the company's impact will be achieved by defining requirements of suppliers and following up such measures.

- No serious environmental emissions or oil spills occurred within projects in 2019. The minor spills that occurred were managed and cleared up in an environmentally sound manner.
- Self-monitoring and preventive work have worked well during both construction and operation. The non-conformances noted have been remedied.

Goal

- To ensure that OX2's suppliers have the knowledge and expertise required to carry out their work with the greatest possible consideration for the environment.
- Effective self-monitoring.
- To minimise oil spills.

Profit

Cooperation in the supply chain during the construction of the Orrberget wind farm (33 MW) in Sweden.
Photo: Joachim Lagercrantz

From the very beginning, OX2 has believed that commercial forces can drive the transition to a sustainable society. Technological development with increased efficiency and drastically reduced costs has meant that renewable energy is today competing with fossil energy on purely economic grounds. Wind power is now being constructed with absolutely no subsidies in both Sweden and Finland. OX2 is creating green investments by means of innovative business models and long-term relationships. By developing profitable wind power projects, OX2 is leading the transition towards a more sustainable future.

The prerequisites for success with switching to a renewable energy system involve technology and financing, but also the political and social will to bring about this change. This is why OX2 is working actively on issues relating to long-term approaches and clear rules and regulations on renewable energy and how climate goals can be achieved.

As in all activities involving the sale and financing of major projects, as well as long supply chains, there are always risks associated with corruption, substandard working conditions or other fraudulent behaviour. OX2 is constantly working hard to improve even more and become more sustainable by creating an open, learning culture and working actively with its code of conduct, for example.

Many years of experience in generating wind power are a source of new business opportunities, not least within other forms of renewable energy. OX2's sustainability work is creating new business opportunities and is a must if we are to attract investors. The market now understands that sustainable companies are the ones that will be able to manage risks and hence maintain their growth and profitability in the long term.

Long-term profitability

Results and key figures

2019 is following the same patterns as 2018, with high growth and increased market shares. Investments in wind power are profitable and the market is growing.

- Net sales totalled SEK 4906 million.
- Operating profit totalled SEK 371 million.
- Increased renewable energy on the market by commissioning 109 MW of new wind power.
- The number of employees increased by 78 per cent in 2019.

Goal

- Increased amount of renewable energy on the market.
- Increased sales.
- Increased operating profit.
- Growth, both economically and numerically

Influencing opinion

Results and key figures

OX2 gets involved in social debate, trade associations, partnerships and conferences in order to pave the way for renewable energy.

- OX2 is an active member of Nätverket Vindkraftens Klimatnytta (the Wind Power Climate Benefit Network) in Sweden.
- OX2 works together with national trade associations on important key issues.
- In Sweden, OX2 has played an active part in efforts by the Swedish Energy Agency and the Swedish Environmental Protection Agency to devise a national strategy for sustainable wind power expansion.
- OX2 is considering the system perspective and playing an active part with regard to issues relating how to safeguard a renewable electrical system.

Goal

- To create the prerequisites for a 100% renewable energy system.
- To clarify the long-term rules of the game for renewable energy
- Create understanding, insight and acceptance for the transition of the energy system.
- To strengthen the legal position of wind power.
- To communicate the company's sustainability work more clearly.

Anti-corruption

Results and key figures

Most of the company's staff have been involved in efforts to clarify OX2's core values with a view to reinforcing the corporate culture.

- No issues regarding business ethics were reported during 2019.
- Extensive effort has gone into formulating by-laws and rules for recipients of community grants, in order to ensure a democratic process for distribution of the community fund.
- During the year, OX2 has updated and implemented a new code of conduct in order to clarify the company's commitment to business ethics, environmental considerations and social corporate responsibility in order to create long-term relations, both internally and with business partners, suppliers and other stakeholders.

Goal

- Zero tolerance towards all forms of corrupt business behaviour.
- To counter all forms of corruption through OX2's supplier code, defining this as a requirement in all supplier contracts and purchase criteria.
- To ensure that the beneficiary of the community grant from a wind power plant is a well-organised, democratic association.

Sustainable supply chain

Results and key figures

OX2 is surveying the suppliers who have the greatest potential environmental impact and working to constantly improve procedures for evaluation and follow-up in the supply chain.

- 39 suppliers underwent this survey in 2019, many of which were new suppliers compared with 2018. 62 per cent held environmental accreditation according to ISO 14001 (67% in 2018), which corresponds to 97 per cent of the procurement value.
- Extensive work has been done throughout the year on clarifying supplier requirements linked with people and the environment in contract documents.
- A selection of OX2 suppliers have been reviewed with regard to how they work with risks related to human rights.

Goal

- To promote decent working conditions in the supply chain through OX2's supplier code, defining this as a requirement in all supplier contracts and purchase criteria
- To ensure that all major suppliers used in the construction phase hold ISO14001 certification.
- To create opportunities for the local workforce.

Auditor’s report on the statutory sustainability report

To the Annual General Meeting of OX2 Group AB, corp. reg. no. 556675-7497

Task and division of responsibility
It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 30-39 and that it has been prepared in accordance with the Annual Accounts Act

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

Statement
A statutory sustainability report has been prepared.

Stockholm, 14 April 2020
Deloitte AB

Jonas Ståhlberg
Authorised Public Accountant

Board of Directors and Auditors

The Board of Directors at OX2 consisted of four members in 2019. Deloitte was re-engaged as auditor.

The Board of Directors is the company's second-highest decision-making body after the shareholders' Annual General Meeting. The Board is responsible for the company's organisation and the management of the company's business, e.g. setting goals and strategy, establishing procedures and systems for following up goals, continuously assessing the company's financial situation and evaluating the operational management. The Board of Directors at OX2 consisted of four board members in 2019, including the Chairman of the Board.

At the Annual General Meeting held on 29 April 2019, Deloitte AB was re-elected, with Jonas Ståhlberg as the company's auditor for the period until the 2020 AGM.

Johan Ihrfelt
Chairman of the Board

- Current position: CEO of Peas Industries AB.
- Other appointments: Board member of several companies within Peas Industries and member of the advisory board at a number of external companies.
- Education: MBA, Stockholm School of Economics and NYU, Stern School of Business in New York. He also studied law at the University of Stockholm.
- Born: 1967

Thomas von Otter
Board member

- Current position: Deputy CEO of Peas Industries AB.
- Other appointments: Board member of several other Peas Industries companies, as well as a number of external companies.
- Education: Studied economics at Stockholm Business School.
- Born: 1966

Anna-Karin Eliasson Celsing
Board member

- Other appointments: Chairman of the Board of SVT AB. Board member of Lannebo Fonder AB, Landshypotek Bank AB, Serneke AB, Volati AB and Peas Industries AB.
- Education: MBA, Stockholm School of Economics.
- Born: 1962

Niklas Midby
Board member

- Other appointments: Chairman of the Board of Sbanken ASA, stoEr AB and Credon AB and board member at Consiglio Capital AB, Resscapital AB and Peas Industries AB.
- Education: MBA, Stockholm School of Economics.
- Born: 1959

Photo: Christian Gustavsson

The Raskiftet wind farm (112 MW) in Norway. Photo: Joachim Lagercrantz

Directors' Report

The Board of Directors and CEO for OX2 AB, corporate ID no. 556675-7497, with registered office in Stockholm, hereby submit the annual report and consolidated financial statements for the financial year 01/01/2019 to 31/12/2019.

The nature of the business and its direction
The business concept of OX2 AB and its subsidiaries ("OX2") is to develop, build and manage renewable power production. OX2 AB's parent company is Peas Industries AB.

Significant events during 2019

- In February, Ardian made the decision to invest in a 53 turbine (286 MW) wind farm at Åndberg, Sweden. OX2 will build the wind farm for commissioning in 2021.

- In April 2019, OX2 concluded an agreement for the Kjølberget wind farm (56 MW) in Norway. The Client is a joint venture between Stadtwerke München, Eidsiva Energy and Gudbrandsdal Energy. This is the same purchasing group that previously contracted OX2 for the construction of the Raskiftet wind farm.

- In June, Green Investment Group (GIG) acquired the Hornamossen wind farm with ten wind turbines (43 MW) in Sweden. Construction began immediately, and the wind farm is expected to be complete by the end of 2020.

- In July 2019, OX2 acquired the project rights for Metsälamminkangas (150 MW) in Finland.

- In August 2019, OX2 concluded an agreement with Infracapital concerning the sale of two wind farms in Finland; the Kröpuln wind farm and the Storbacken wind farm. The project comprises a total of 14 wind turbines (60 MW). The wind farms are expected to be completed at the end of 2021.

- In September, Stigshöjden wind farm (21.8 MW) was commissioned and handed over to the purchaser, Fontavis on schedule. This wind farm is made up of six wind turbines and produces approximately 62 GWh per year on average. OX2 will be continuing to manage the facility.

- In October 2019, OX2 obtained the project rights to Ljungbyholm wind farm (50 MW) in Sweden.

- In November 2019, OX2 won the state auction for the Grajewo wind power project in Poland.

- The Ponsivuori wind farm was commissioned in December and handed over to IKEA Retail Group. OX2 will continue to manage the facility. It is estimated that the wind farm will produce approximately 100 GWh per year. Ponsivuori is one of four wind farms that OX2 is constructing as part of an EPC contract for IKEA.

- The Korkeakangas wind farm in Finland was sold to Aquila Capital in December. This wind farm will comprise nine wind turbines (43 MW). This is the fifth project to be implemented by OX2 with the investment of Aquila. Commissioning of the plant is planned to take place in late 2021.

Performance and financial position
The earnings trend for individual periods is affected primarily by the rate at which wind power projects are completed, transferred to the customer and the revenue recognised. Similarly, the Balance Sheet is significantly affected by the size of ongoing construction projects and the stage they are at.

Revenue
Revenue for 2019 totalled SEK 4,906.2 million (4,135.5). The increase in revenues is attributable to the fact that four wind farms have been handed over to their purchasers. Over the year 29 (94) wind turbines and 109 (339) MW have been handed over, all on schedule.

Costs
The costs for goods and project planning during 2019 totalled SEK 4,296.8 million (3,629.0). Other external costs during 2019 amounted to SEK 79.9 million (58.0). The increase in external costs compared with the same period in the preceding

year is related to the fact that operations have expanded. Personnel costs for 2019 totalled SEK 147.1 million (85.5). The increase in staff costs is explained by the fact that the workforce has increased compared with the corresponding period the previous year.

Profit

The operating result for 2019 was SEK 371.1 million (362.6). The increase in operating result is mainly attributable to an increased number of projects during construction with good performance during the year. The profit after financial items for 2019 amounted to SEK 373.2 million (383.9).

The profit for the year amounted to SEK 157.5 million (102.1).

Financial position and liquidity

Current assets as at 31 December 2019 amounted to SEK 2,392.5 million (1,611.0). Cash and cash equivalents as at 31 December 2019 amounted to SEK 1,005.3 million (706.6). As at 31 December 2019, other long-term interest-bearing liabilities amounted to SEK 21.5 million (424.5). Current liabilities as at 31 December 2019 amounted to SEK 1,871.0 million (800.3).

Cash flow

The cash flow from operating activities before changes in working capital during 2019 totalled SEK 358.9 million (356.9), and is attributable to accrued profits. The cash flow from operating activities during 2019 was SEK 374.8 million (68.3). The cash flow from investment activities during 2019 amounted to SEK -67.7 million (-4.3). The cash flow from financing activities during 2019 amounted to SEK -9.1 million (0). The total cash flow for 2019 was SEK 298.0 million (64.0).

Parent company

The parent company OX2 AB has management, project development, financing and project implementation. The operating loss for 2019 was SEK 136.5 million (127.7). The profit after financial items for 2019 amounted to SEK 305.0 million (206.9). The profit for 2019 amounted to SEK 171.1 million (163.6). The parent company's equity as at 31 December 2019 amounted to SEK 436.0 million (264.9). Cash and cash equivalents as at 31 December 2019 totalled SEK 59.5 million (263.2).

Employees

As at 31 December 2019, the number of employees was 139 (61), of which 35 (21) percent were women. The number of employees has increased by 128 percent (36) compared with the corresponding period in the previous year. The average number of employees during the year was 100 (53).

Risks and uncertainty factors

The renewable energy industry is dependent on the general global economic and political situation. Access to capital and the willingness to invest may affect the company's ability to sell projects. The climate and environmental targets adopted by the EU and individual countries in which OX2 operates also affect the potential for the wind power market and the growth potential of the company.

The wind power market is regulated by laws and regulations in respect of both support systems and the permit process for establishing turbines. A more rigorous permit application process with more stringent requirements than is currently the case would lead to longer planning periods and require greater resources, with a consequent rise in costs. In the Swedish market, OX2 is dependant on the electricity price. The price of electricity is affected by fundamental factors such as water access, access to production capacity, fuel prices, prices of carbon credits and electricity consumption. The euro rate affects OX2's investment calculations, since the turbine suppliers' costs are in euros. At the same time, the sale of wind farms to European purchasers most often takes place in euros, which minimises the total exposure to the euro, since turbines represent more than 70 percent of the total establishment costs for wind power projects. In each project, currency risks are handled in a way which meets the finance policy's requirements for risk minimisation, adapted to the conditions of the particular project. In addition, account is also taken of the Group's total inflows and outflows in euros in the same period.

The loan-to-value ratio of an investment in a wind farm is normally around 50-70 percent and, consequently, changes in the interest market may affect the company's profitability. In most projects, however, it is the customer who is responsible for financing risk. Note 4 provides a description of financial instruments and risk management.

Research and development

OX2 is working in conjunction with the authorities, suppliers and other stakeholders in the industry on a number of research and development projects to develop wind power. OX2 is also represented on the board of directors for StandUp for Wind, which is a research collaboration between Uppsala University and the Swedish Royal Institute of Technology that integrates all research related to wind power provisioning; and is represented on a reference group for ongoing research projects. In 2019, OX2 has also participated in a project within Nätverket för vindbruk [*The Wind Power Network*] aimed at developing guidance for improving processes in wind power consultations. The project is associated with Uppsala University and financed by the Swedish Energy Agency. Overall, OX2 intends, as far as is possible, to be able to contribute to research and development in Sweden concerning wind power's potential for effective integration into the system and the environment taking place with great consideration for society and technology.

Outlook and trends

The transition to renewable energy supplies is a long-term and important project for society and, despite the market unrest due to the Corona pandemic, OX2 regards the future as being positive. The industry has strong political support because it both creates growth in the economy and is considered to be the most effective way of reducing global CO2 emissions. Energy companies and financial investors increasingly regard greater ownership stakes in renewable energy as being stable and attractive infrastructure investment in the long term.

OX2 holds a leading position in the Swedish and Finnish wind power markets and holds the industry's largest project portfolio. In addition, OX2 is the most active organization for acquisition, development, construction and operation of wind power, which provides good conditions for continued growth.

The trends towards larger projects and more complex technical and financial solutions in order to make wind power projects profitable without government subsidies, and thus possible to realise, are positive for OX2 because that requires an organization with local presence, a strong brand and broad knowledge.

The work of the Board of Directors during the year

At the 2019 Annual General Meeting, a Board of Directors was re-elected comprising Johan Ihrfelt and Thomas von Otter for the period until the end of the next Annual General Meeting. Anna-Karin Eliasson Celsing and Niklas Midby were elected to the Board of Directors at the Extraordinary General Meeting in March 2019. During 2019, the Board of Directors of OX2 Group AB held ten Board meetings.

Proposal for allocation of earnings (SEK)

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

Unrestricted equity	264,821,421
Net profit for the year	171,052,368
Total	**435,873,789**

The Board proposes the following sum be carried forward to new account	435,873,789
Total	**435,873,789**

Please refer to the Income Statements and Balance Sheets, Cash Flow Statements and additional information that follow for the rest of the parent company's and Group's results. All amounts are expressed in SEK thousand, unless otherwise specified.

Revenue, results and position, SEK thousand

	2019	2018	2017
Revenue	4,906,177	4,135,513	2,152,503
Operating profit	371,131	362,580	240,276
Operating margin[1]	8%	9%	11%
Profit after financial items	373,176	383,892	250,624
Net margin[2]	8%	9%	12%
Balance sheet total	2,432,806	1,615,405	1,398,465
Equity ratio[3]	22%	23%	19%
Return on equity[4]	35%	32%	19%
Return on capital employed[5]	60%	76%	97%
Average number of employees	100	53	40

1) Operating profit in relation to revenue
2) Profit after financial items in relation to revenue
3) Equity in relation to the balance sheet total
4) Net earnings for the year divided by average equity
5) Operating profit after financial items plus financial expenses in relation to average capital employed

Annual General Meeting

OX2 AB will hold its Annual General Meeting on 14 April 2020 at the company's premises at Lilla Nygatan 1 in Stockholm.

OX2's accounts

The Consolidated Income Statement

Amounts in SEK thousand	Note	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Operating revenue			
Net sales	5	4,906,177	4,135,513
Total revenue		**4,906,177**	**4,135,513**
Cost of goods and project planning		-4,296,773	-3,628,994
Other costs	6, 7	-79,869	-57,979
Staff costs	8	-147,138	-85,461
Value adjustments of tangible and intangible assets	13,14,15	-11,266	-499
Total operating expenses		**-4,535,046**	**-3,772,933**
Operating profit		**371,131**	**362,580**
Financial income	9	39,424	45,518
Financial expenses	10	-37,379	-24,206
Profit after financial items		**373,176**	**383,892**
Group contributions provided		-200,000	-250,000
Profit before tax		**173,176**	**133,892**
Tax	12	-15,669	-31,771
Net profit for the year		**157,507**	**102,121**
Net profit for the year attributable to:			
Parent company shareholders		157,507	102,121
Consolidated report of comprehensive income			
Profit for the period		**157,507**	**102,121**
Other comprehensive income:			
Items that will be allocated to the income statement			
Translation difference from translation of foreign subsidiaries		179	-379
Cash flow hedges			
Changes in fair value	24	13,674	-7,316
Tax attributable to cash flow hedges		-2,884	1,915
Total comprehensive income for the year, net after tax		**168,475**	**96,341**
Comprehensive income for the year attributable to:			
Parent company shareholders		**168,475**	**96,341**

Consolidated report on financial position

Amounts in SEK thousand	Note	31/12/2019	31/12/2018
Assets			
Fixed assets			
Other intangible fixed assets	13	3,224	279
Plant, equipment and tools	14	1,049	1,954
Right-of-use assets	15	32,823	-
Other financial assets		3,184	2,165
Total fixed assets		**40,280**	**4,398**
Current assets			
Work in progress on behalf of others	17	959,050	335,060
Accounts receivable	18	46,615	350,406
Other receivables		34,920	27,926
Receivables from Group companies		–	1,275
Prepaid expenses and accrued income	19	342,706	189,699
Derivative instruments	24	3,887	-
Cash and cash equivalents		1,005,348	706,641
Total current assets		**2,392,526**	**1,611,007**
Total assets		**2,432,806**	**1,615,405**

Consolidated report on financial position, cont.

Amounts in SEK thousand	Note	31/12/2019	31/12/2018
Equity and liabilities			
Share capital	20	100	100
Retained earnings including profit for the year		537,277	368,802
Total equity attributable to parent company shareholders	**21**	**537,377**	**368,902**
Long-term liabilities			
Long-term interest-bearing liabilities	23	21,486	424,519
Derivative instruments	24	–	15,685
Deferred tax liability	12	2,916	5,978
Total long-term liabilities		**24,402**	**446,182**
Current liabilities			
Customer advances	25	371,472	199,900
Accounts payable		248,101	121,910
Tax liabilities		–	4,102
Other liabilities	26	849,583	129,472
Liabilities to Group companies		210,083	251,299
Accrued expenses and deferred income	27	191,788	93,639
Total current liabilities		**1,871,027**	**800,322**
Total equity and liabilities		**2,432,806**	**1,615,405**

Consolidated report of changes in equity

Amounts in SEK thousand	Share capital	Translation reserve	Hedge fund	Balance sheet earnings	Total equity attributable to parent company shareholders	Total equity attributable to non-controlling interests	Total equity
Opening balance as at 1 January 2018	100	-392	44	272,809	272,561	–	272,561
Profit for the period				102,121	102,121	–	102,121
Other comprehensive income							
Translation difference from translation of foreign subsidiaries		-379			-379	–	-379
Cash flow hedges			-5,401		-5,401	–	-5,401
Total other comprehensive income	–	-379	-5,401	–	-5,780	–	-5,780
Total comprehensive income for the year	–	-379	-5,401	102,121	96,341	–	96,341
Closing balance as at 31 December 2018	100	-771	-5,357	374,930	368,902	–	368,902

Amounts in SEK thousand	Share capital	Translation reserve	Hedge fund	Balance sheet earnings	Total equity attributable to parent company shareholders	Total equity attributable to non-controlling interests	Total equity
Opening balance as at 1 January 2019	100	-771	-5,357	374,930	368,902	–	368,902
Profit for the period				157,507	157,507	–	157,507
Other comprehensive income							
Translation difference from translation of foreign subsidiaries		179			179	–	179
Cash flow hedges			10,789		10,789	–	10,789
Total other comprehensive income	–	179	10,789	–	10,968	–	10,968
Total comprehensive income for the year	–	179	10,789	157,507	168,475	–	168,475
Closing balance as at 31 December 2019	100	-592	5,432	532,437	537,377	–	537,377

Consolidated cash flow report

Amounts in SEK thousand	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating activities			
Profit after financial items		373,176	383,892
Adjustments for items not included in cash flow, etc.	29	11,266	499
Income tax paid		-25,564	-27,460
Cash flow from operating activities before changes in working capital		**358,878**	**356,931**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in work in progress		-555,734	-104,172
Decrease(+)/increase(-) in accounts receivable		307,047	-313,659
Decrease(+)/increase(–) in current receivables		-149,920	267,630
Decrease(–)/increase(+) in accounts payable		125,644	37,454
Decrease(–)/increase(+) in current liabilities		288,903	-175,861
Cash flow from current operations		**374,818**	**68,323**
Investment activities			
Acquisition of companies under the same controlling influence		-61,919	–
Acquisition of shares in other companies		-1,020	-2,165
Acquisition of intangible assets		-3,806	-28
Acquisition of tangible fixed assets		-994	-2,086
Cash flow from investment activities		**-67,739**	**-4,279**
Financing activities			
Borrowing		–	-
Amortisation of leasing debt		-9,058	-
Cash flow from financing activities		**-9,058**	**-**
Cash flow for the year		**298,021**	**64,044**
Translation difference for cash and cash equivalents		686	-731
Cash and cash equivalents at beginning of the year		**706,641**	**643,328**
Cash and cash equivalents at year end		**1,005,348**	**706,641**

Parent company income statement

Amounts in SEK thousand	Note	01/01/2019 – 31/12/2019	01/01/2018 – 31/12/2018
Operating revenue			
Net sales	5	452,263	313,963
Other operating revenue		3,651	316
Total revenue		**455,914**	**314,279**
Operating expenses			
Cost of goods and project planning		-136,262	-75,712
Other external costs	6, 7	-73,164	-40,579
Staff costs	8	-109,622	-70,152
Value adjustments of tangible and intangible fixed assets	13, 14	-364	-162
Total operating expenses		**-319,412**	**-186,605**
Operating profit		**136,502**	**127,674**
Result from participations in Group companies		170,000	80,000
Other interest income and similar income statement items	9	4,348	1,941
Interest expenses and similar income statement items	10	-5,803	-2,714
Profit after financial items		**305,047**	**206,901**
Appropriations	11	-133,352	-19,565
Profit before tax		**171,695**	**187,336**
Tax on profit for the year	12	-643	-23,763
Net profit for the year		**171,052**	**163,573**
COMPREHENSIVE INCOME REPORT			
Profit for the period		**171,052**	**163,573**
Other comprehensive income:			
Total comprehensive income for the year, net after tax		171,052	163,573
Comprehensive income for the year		**171,052**	**163,573**

Parent Company Balance Sheet

Amounts in SEK thousand	Note	31/12/2019	31/12/2018
Assets			
Fixed assets			
Other intangible fixed assets	13	3,205	251
Plant, equipment and tools	14	961	210
Participations in Group companies	16	87,662	1,515
Total fixed assets		91,828	1,976
Current assets			
Work in progress for others' account	17	22,672	-
Accounts receivable	18	2,971	2,389
Current receivables, Group companies		648,715	458,962
Other receivables		23,912	9,491
Prepaid expenses and accrued income	19	1,042	1,059
Cash and cash equivalents		59,476	263,244
Total current assets		758,788	735,145
Total assets		850,616	737,121

Parent company's balance sheet, cont.

Amounts in SEK thousand	Note	31/12/2019	31/12/2018
Equity and liabilities			
Restricted equity			
Share capital	20	100	100
Total restricted equity		**100**	**100**
Unrestricted equity			
Profit or loss brought forward		264,796	101,223
Translation differences		26	-
Net profit for the year		171,052	163,573
Total unrestricted equity		**435,874**	**264,796**
Total equity	21	**435,974**	**264,896**
Untaxed reserves	22	53,844	53,844
Current liabilities			
Accounts payable		49,425	30,754
Liabilities to Group companies		213,420	273,750
Current tax liabilities		-	24,263
Other current liabilities	26	33,985	50,541
Accrued expenses and deferred income	27	63,968	39,073
Total current liabilities		**360,798**	**418,381**
Total equity and liabilities		**850,616**	**737,121**

Parent company changes in equity

	Restricted equity	Unrestricted equity			
Amounts in SEK thousand	Share capital	Share premium reserve	Profit or loss brought forward	Profit for the year	Total equity
Opening balance as at 1 January 2018	100	31	75,246	25,946	101,323
Profit for the period				163,573	163,573
Comprehensive income for the year	–	–	–	163,573	163,573
Appropriation of earnings in accordance with the decision by the Annual General Meeting			25,946	-25,946	0
Closing balance as at 31 December 2018	100	31	101,192	163,573	264,896

	Restricted equity	Unrestricted equity			
Amounts in SEK thousand	Share capital	Share premium reserve	Profit or loss brought forward	Profit for the year	Total equity
Opening balance as at 1 January 2019	100	31	101,192	163,573	264,896
Profit for the period				171,052	171,052
Translation difference from translation of foreign subsidiaries			26		26
Comprehensive income for the year	–	–	–	171,052	171,052
Appropriation of earnings in accordance with the decision by the Annual General Meeting			163,573	-163,573	0
Transactions with owners					
Shareholder dividend					
Closing balance as at 31 December 2019	100	31	264,791	171,052	435,974

Parent company's cash flow report

Amounts in SEK thousand	Note	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Operating activities			
Profit after financial items		305,047	206,901
Adjustments for items not included in cash flow, etc.	29	-169,635	197
Income tax paid		-19,839	-13,292
Cash flow from operating activities before changes in working capital		**115,573**	**193,806**
Cash flow from changes in working capital			
Decrease(+)/increase(-) in work in progress		-22,672	–
Decrease(+)/increase(-) in accounts receivable		-582	6,407
Decrease(+)/increase(–) in current receivables		–39,123	-176,385
Decrease(–)/increase(+) in accounts payable		18,672	-13,937
Decrease(–)/increase(+) in current liabilities		-185,344	173,402
Cash flow from current operations		**-113,476**	**183,293**
Investment activities			
Acquisition of shares in subsidiaries		-86,147	-263
Acquisition of intangible assets		-3,118	–
Acquisition of tangible fixed assets		-948	-18
Cash flow from investment activities		**-90,213**	**-281**
Financing activities			
Dividend paid to shareholders		–	–
Cash flow from financing activities		**–**	**–**
Cash flow for the year		**-203,689**	**183,012**
Translation difference for cash and cash equivalents		-79	–
Cash and cash equivalents at beginning of the year		**263,244**	**80,232**
Cash and cash equivalents at year end		**59,476**	**263,244**

Notes

Note 1 General information

OX2 AB, corporate ID number 556675-7497, is a limited company that is registered in Sweden and has its registered office in Stockholm. The address of the head office is Lilla Nygatan 1. The business concept of the company and its subsidiaries ("OX2") is to develop, construct, sell and manage wind power projects in Europe.

OX2 Wind AB changed its name to OX2 AB during the financial year. The parent company OX2 Group AB has changed its name to Peas Industries AB.

Note 2 Significant accounting policies

The consolidated financial statements for OX2 AB have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS), as well as interpretations of the International Financial Reporting Interpretation Committee (IFRS IC) for periods beginning on or after 01 January 2019. Furthermore, the Group also applies the Swedish Council for Financial Reporting's recommendation RFR 1 Supplementary accounting rules for Groups, which specifies additions to IFRS information required under the provisions of the Swedish Annual Accounts Act.

Items have been valued in the consolidated financial statements at acquisition value, except in the case of certain financial instruments that are valued at fair value and at accrued acquisition value. The following is a description of the most important accounting policies that have been applied.

New and amended standards and interpretations that apply for 2019:

IFRS 16

Leasing IFRS 16 Leasing will replace IAS 17 Leasing with associated interpretation statements as of 1 January 2019. The new standard requires lessees to recognise assets and liabilities attributable to all leases, with the exception of agreements shorter than twelve months and/or relating to small amounts. The OX2 group has chosen to apply the modified retroactive method for accounting comparative figures. In the modified retroactive method the comparative figures for 2018 are presented according to previously applied accounting principles in accordance with IAS 17. Effects on the transition to IFRS 16 are reported as of January 1, 2019, see Note 7.

Other standards, amendments and interpretations that entered into force for the financial year beginning 1 January 2019 have had no material effect on the consolidated financial statements.

New standards and interpretations that have not yet been applied by the Group

A number of new standards and interpretations will enter into force for the financial years beginning after 1 January 2019 and have not been applied in the preparation of this financial report. None of these are expected to have a material impact on the consolidated financial statements with the exception of those following below.

Parent company accounting policies

The parent company OX2 AB prepares its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Council for Financial Reporting's recommendation RFR 2 "Accounting for legal entities". The applicable statement from the Swedish Council for Financial Reporting is also applied. Application of RFR 2 means that the parent company must apply all EU-approved IFRS standards as far as possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and take into account the relationship between accounting and taxation. The parent company does not apply IFRS 9 Financial Instruments: Accounting and valuation. The parent company applies a method that is based on the acquisition value in accordance with the Swedish Annual Accounts Act. This means that financial assets are valued at their acquisition value, less any impairment losses and financial current assets at the lower of cost or net realisable value. Financial liabilities are valued at amortised cost using the effective interest method. Principles for recognition and removal of financial instruments are equivalent to those applicable for the Group and described above.

No amendments to RFR 2 "Accounting for legal entities" have affected the parent company financial statements.

Amendments to RFR 2 that have not yet entered into force

No future changes in RFR 2 are expected to have any significant impact on the parent company financial statements.

Consolidated financial statements

The consolidated financial statements include the accounts of the parent company OX2 AB and the companies over which the parent company has a controlling influence (subsidiaries). Controlling influence over a company is deemed to occur when the parent company has influence over a company, is exposed to or has the right to variable returns from its holding in the company and has the opportunity to affect the return through its influence in the company. Subsidiaries are included in the consolidated accounts from the date on which the control has been transferred to the Group. They are excluded from the consolidated accounts from the date on which the controlling influence ceases. Please refer to Note 15 for the composition of the Group. If the accounting policies applied in a subsidiary differ from the consolidated accounting policies, the subsidiary's accounts are adjusted in order to follow the same principles applied by the other Group companies. Internal transactions between Group companies, as well as Group balances are eliminated in the preparation of the consolidated accounts.

Operational acquisitions

The acquisition of subsidiaries is reported in accordance with the purchase method. The fair value of the acquired assets and liabilities is determined by the date on which the dominant influence is obtained over the acquired company. The purchase price for the acquisition consists of the fair value of the transferred assets, liabilities and any shares issued by the Group. The fair value of conditional purchase prices is also included. The acquisition costs are not included in the cost of the subsidiary company but are expensed in the period in which they arise. The difference between the total of the purchase price, the value of the minority holding and the fair value of the previous holdings and the fair value of acquired identifiable assets, liabilities and contingent liabilities is reported as goodwill. In the event of a negative difference, the difference is recognised directly in the income statement. The minority shares are recognised either as a proportional share of the acquired net assets or at fair value, which is assessed on an acquisition by acquisition basis. Supplementary purchase prices are reported at estimated fair value with subsequent changes recognised in the income statement.

Phased acquisition is valued at fair value at the date on which the dominant influence is achieved. Revaluation effects on previously owned shares before the control is achieved are recognised in the income statement. Increases or decreases in ownership shares of subsidiaries that remain under control are reported as changes in equity.

Investments in associated companies
Holdings in associated companies are reported in accordance with the equity method. An associated company is a unit in which the Group has a significant, but not a controlling influence, which is usually achieved by a shareholding of between 20-50%. Application of the equity method means that investments in associated companies are reported in the statement of financial position at cost with additions for changes of the Group's share of the associated company's net assets and net of any impairment losses and dividends. The Income Statement reflects the Group's share of the associated company's profit after tax. Transactions that are reported in the associated company's comprehensive income are reported in the Group's other total comprehensive income.

If the Group's share of reported losses in the associated company exceeds the reported value of the shares in the Group the value of the shares is reduced to zero. Continued losses are not recognised unless the Group has given guarantees to cover losses arising in the associated company.

A positive difference between the acquisition value of the acquired shares and the Group's share of the fair values of identifiable assets and liabilities acquired in the associated company constitutes goodwill that is included in the reported value of the associated company. If a negative difference arises, it is reported as revenue in the period in which the acquisition took place.
Impairment of reported participations in associated companies is considered if there is any indication of a decline in value. In transactions between Group companies and associated companies, that part of the unrealised gains is eliminated that corresponds to the Group's share of the associated company. Unrealised losses are eliminated in the same way unless this is an indication of a need for impairment.

Revenues
The revenues of the OX2 Group consist mainly of the sale of wind power projects and wind power farms.

IFRS 15 Revenue from Contracts with Customers replaced IAS 18 Revenue and IAS 11 Construction Contracts as of January 2018. IFRS 15 is based on revenue being recognised when control over a product or service is transferred to the customer. The revenues of OX2 consist mainly of the sale of wind power facilities.

Thus the introduction of IFRS 15 involved a new approach to how revenue was recognised before 2018.

Revenue is recognised when the customer obtains control over the sold product or service, a policy replacing the previous policy whereby revenue was recognised when risks and benefits were transferred to the purchaser. The basic policy in IFRS 15 is for a company to recognise a revenue in the manner that best reflects the transfer of the promised product or service to the customer. This recognition takes place with the help of a five-step model:

Step 1: identify the contract with the customer
Step 2: identify the various performance commitments in the contract
Step 3: establish the transaction price
Step 4: distribute the transaction price over the performance commitments
Step 5: recognise a revenue when a performance commitment is fulfilled

Revenue from contracts with customers
The most common contract type applied by OX2 involves transfer of project rights and a concluded construction contract, but sales agreements may also occur where the customer takes over a commissioned wind power farm when it is completed. According to IFRS, revenue is to be recognised through fulfilment of OX2's performance commitment either over time or at a time.

Revenue from transfer of project rights and a concluded construction contract
As regards revenue from sales agreements where the customer takes over the project rights and concludes a construction contract with OX2, the agreement means that the customer has taken over the project rights and that OX2 will then perform work that creates or improves an asset controlled by the customer. This means that the revenue is recognised at the sale of project rights, and also the time in accordance with the policy for the percentage of completion method.

On application of the percentage of completion method, the revenue is matched to the costs on the basis of the work carried out up to the balance sheet date. Revenues and costs are attributed to the accounting period during which the work is performed.

To determine what result has been developed at a given time, information is required on the following:
- Revenue must be of such a nature that OX2 can absorb it in the form of actual invoices or payments
- Costs must be attributable to the recognised revenue
- Degree of completion will be followed up

The percentage of completion method will include an uncertainty component. Unforeseen incidents may occur that could affect the final result so that it becomes either higher or lower than expected. Construction projects will be followed up on an ongoing basis and reservations for any losses will be made as soon as these are known.

Revenue from the sale of commissioned wind power farms
In cases where the customer does not have control over the asset until it is completed, the revenue will be recognised at a time that takes place on completion and handover to the customer.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method. The effective interest rate is the rate at which the net present value of all future inward and outward payments during the interest period is equal to the carrying amount of the receivable.

Leasing contracts
The Peas Group applies the modified retroactive method for reporting comparative figures In connection with the transition from IAS 17 to IFRS 16. In the modified retroactive method the comparative figures for 2018 are presented according to previously applied accounting principles in

accordance with IAS 17. Pursuant to IAS 17, a financial lease is an agreement whereby the financial risks and benefits associated with ownership of an object to all material extent are transferred from the lessor to the lessee. Other leasing contracts are classified as operational leasing agreements.

The Group as the lessee
Pursuant to IAS 17, assets that are held under financial lease agreements are reported as fixed assets in the consolidated Balance Sheet at fair value at the inception of the lease or at the present value of the minimum lease payments, if this is lower. The corresponding liability to the lessor is recognised in the Balance Sheet as a financial lease liability. Lease payments should be apportioned between the interest rate and the amortisation of the debt. The interest rate is distributed over the term of the lease so that each accounting period is charged with an amount corresponding to a fixed interest rate on the liability for each period. The interest expense is recognised directly in the Income Statement.

An asset held under a finance lease is depreciated over the estimated useful life of the asset, as above, or over the leasing period if this is shorter. Lease payments under operating leases are expensed on a straight line basis over the lease term unless another systematic basis is more representative of the user's financial benefit over time.

Foreign currency
Transactions in foreign currencies are translated into the functional currency at the exchange rate that is in force on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate in force on the balance sheet date. Exchange rate differences arising from translation are reported in the Income Statement. Non-monetary assets and liabilities that are reported at their historical acquisition values are translated at the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are recognised at fair value are converted to the functional currency at the rate in effect at the time of the fair value valuation.

Exchange rate differences are recognised in the Income Statement in the period in which they arise, with the exception of transactions forming hedges that satisfy the conditions for hedge accounting of cash flow or of net investments, when gains and losses are recognised in equity.

Financial statements for foreign operations
Items included in the financial statements of the various entities of the Group are recognised in the currency of the primary economic environment in which the unit operates primarily (functional currency). In the consolidated financial statements, all amounts are translated into Swedish kronor (SEK), which is the parent company's functional and presentation currency.

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated from the functional currency to the reporting currency of the Group, Swedish kronor, using the exchange rate on the balance sheet date. Income and expenses in foreign operations are translated into SEK at an average exchange rate comprising an approximation of the exchange rates in effect at the respective transaction dates. Translation differences arising from currency translation of foreign operations are reported in the comprehensive income result and accumulated in a separate component of equity, hereinafter referred to as the translation reserve. In the event of disposal of a foreign operation, the accumulated translation difference attributable to the divested foreign operation is reclassified from equity to the profit for the year as a reclassification adjustment at the time the gain or loss on the sale is reported.

Borrowing costs
Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are included in the acquisition value of the asset until the time when the asset is ready for its intended use or sale. Interest income from the temporary placement of borrowed funds for the above asset is deducted from the borrowing costs that may be included in the acquisition cost of the asset. Other borrowing costs are charged to earnings for the period to which they relate.

Remuneration to employees
Remuneration to employees in the form of wages, paid leave, sick leave, etc., as well as pensions, is reported as earnings. With regard to pensions and other post-employment benefits, these are classified as defined contribution plans or defined benefit pension plans. The Group only has defined contribution pension plans.

Defined contribution plans
For defined contribution plans, the company pays fixed contributions to a separate independent legal entity and has no obligation to pay further contributions. Costs are charged against consolidated earnings as the benefits are earned, which normally coincides with the time at which the premiums are paid.

Taxes
The tax cost is the total of current tax and deferred tax.

Current tax
Current tax is calculated on the taxable profit in the period. Taxable profit differs from the reported results in the Income Statement when it has been adjusted for non-taxable income and non-deductible expenses and for income and costs that are taxable or deductible in other periods. The Group's current tax liability is calculated according to the rates that have been adopted or substantively enacted at the balance sheet date.

Deferred tax
Deferred tax is accounted for on the difference between the carrying amount of assets and liabilities in the financial statements and the tax value used in the calculation of taxable profit. Deferred tax is reported in accordance with the Balance Sheet method. Deferred tax liabilities are recognised in principle for all taxable temporary differences and deferred tax assets are recognised in principle for all deductible temporary differences to the extent that it is probable that the amounts can be utilised for future taxable surpluses. Deferred tax liabilities and receivables are not recognised if the temporary difference is attributable to goodwill or if it occurs as a consequence of a transaction that constitutes the initial recognition of an asset or liability (which is not a business acquisition) and that, at the time of the transaction, affects neither accounting profit nor taxable profit.

The deferred tax liability is recognised for taxable temporary differences relating to investments in subsidiaries and associated companies, except in the cases where the Group is able to control the timing of the reversal of the temporary difference and it is probable that such a reversal will not occur in the foreseeable future. The deferred tax liabilities that are attributable to the deductible temporary differences in respect of such investments and interests is only recognised to the extent that it is probable that the amounts can be utilised against future taxable surpluses and it is probable that such a use will take place in the foreseeable future.

The carrying amount of deferred tax assets is tested at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available for use in whole or in part against the deferred tax asset. Deferred tax is calculated in accordance with the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

Current and deferred taxes are offset when they relate to income tax that is levied by the same authority and the Group intends to regulate the tax with a net amount.

Current and deferred tax for the period
Current and deferred tax is reported as a cost or revenue in the Income Statement, except when the tax is attributable to transactions recognised directly in equity. In such cases, tax is also recognised directly in equity.

Fixed assets
Tangible fixed assets and intangible assets with finite useful life are reported at acquisition value with deductions for accumulated depreciation and impairment. The cost includes the purchase price and costs directly attributable to bringing the asset to the location and in the condition for use in accordance with the purpose of the acquisition. Borrowing costs are included in the acquisition value when the criteria for this are met. Tangible fixed assets comprising parts with different useful lives are regarded as being separate components of tangible fixed assets.

Subsequent expenditure is added to the acquisition value only if it is probable that the future financial benefits associated with the asset will flow to the company and the cost can be calculated in a reliable way. All other subsequent expenditure should be recognised as an expense in the period in which it arises. A subsequent expenditure is added to the acquisition value if the cost relates to the replacement of identified components or parts thereof. Any residual reported values for replaced components are scrapped and expensed in the context of the replacement. Expenditure for repairs and maintenance is expensed on an ongoing basis.

Depreciation is based on the acquisition value of the assets with a deduction for estimated residual value at the end of its useful life and is reported on a straight line basis over the estimated useful life of the respective essential component. The useful life of all the components of the wind turbines, foundations and electrical installations is expected to coincide, which is why no further breakdown has taken place. Useful lives and residual values are subject to annual review.

The estimated useful lives are as follows:

Equipment	4-7 years
Intangible assets	5-10 years

Gains or losses that occur during scrapping or disposal of material fixed assets make up the intermediate difference between what has been received for the asset and its carrying value and is reported in operating profit.

Impairment
At each balance sheet date, the Group analyses the reported values of tangible and intangible assets to determine whether there is any indication that these assets have decreased in value. If there are any indications in this respect, the recovery value of the asset is calculated in order to determine the size of any impairment. Where it is not possible to estimate the recoverable amount of an individual asset, the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, intangible assets with indefinite useful lives are impairment tested each year as well as intangible assets that are not yet available for use.

The recoverable amount is the higher of fair value minus the acquisition cost and beneficial value. When calculating the beneficial value the estimated future cash flow is discounted to current value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash generating unit) is set at a lower value than the reported value, the reported value of the asset (or the cash-generating unit) is reduced to the recovery value. An impairment is recognised directly in the Income Statement. If an impairment is then subsequently reversed, the carrying amount of the asset (the cash-generating unit) is increased to the revalued asset recovery value, but the increased carrying amount may not exceed the carrying amount that would have been set if no impairment of the asset (the cash-generating unit) had taken place in previous years. A reversal of an impairment is recognised directly in the Income Statement. Impairment of goodwill is not reversed.

Financial instruments
A financial asset or a financial liability is recognised in the Balance Sheet when the company becomes a party to the instrument's contractual terms. A financial asset is removed from the Balance Sheet when the contractual rights have been realised, mature or when the company loses control over it. A financial liability is removed from the Balance Sheet when the obligation in the contract is fulfilled or it becomes otherwise extinct.

At each Balance Sheet date the company assesses whether there are objective indications that a financial asset or group of financial assets, which are not valued at fair value with changes in value recognised in profit or loss, require impairment due to past events. Financial instruments are reported at accrued acquisition value or at fair value, depending on their initial assignment under IFRS 9.

Fair value of financial instruments
The fair values of financial assets and financial liabilities are determined according to the following: The fair value of financial assets and liabilities with standard terms and conditions which are traded in an active market is determined in reference to the quoted market price.

The fair value of financial assets and liabilities is determined in accordance with generally accepted valuation models, for example models based on discounted cash flow analyses. Observable market data is used as far as possible in the valuation methods applied. The carrying value of financial assets and liabilities is considered to be a good approximation of their fair value, when the term is short, unless otherwise indicated in the following notes to the accounts.

Derivatives and hedge accounting
All derivatives are recognised at fair value and recognised as either assets or liabilities in the Balance Sheet, depending on whether the fair value is positive or negative at the balance sheet date. Reporting of the changes in value is dependent on whether the derivative is identified as a hedging instrument or not.

If a derivative is identified as a hedging instrument in a cash flow hedge, the effective portion of the changes in the derivative's fair value is reported in other comprehensive income and is accumulated in the hedge reserve in equity. The ineffective portion of a cash flow hedge is recognised directly in the consolidated results. Amounts attributed to equity are reversed in the consolidated results during the periods when the hedged item affects the consolidated result.

Valuation at fair value
Information must be given about the method for determination of fair value in accordance with a three-level valuation hierarchy. The levels should reflect the extent to which the fair value is based on observable market data and own assumptions. The following describes the various levels for the determination of fair value.

Level 1
Financial instruments for which fair value is determined on the basis of observable (unadjusted) quoted market prices in an active market for identical assets and liabilities. A market is considered active if the quoted prices from a stock exchange, broker, industrial group, pricing service or supervisory authority are easily and regularly accessible and these prices represent actual, regularly occurring arm's-length market transactions.

Level 2
Financial instruments for which fair value is determined on the basis of valuation models that are based on other observable data for the asset or liability other than the quoted prices included in level 1, either directly (i.e. price quotations) or indirectly (i.e. derived from quotations). Examples of observable data within level 2 are data that can be used as a basis for the price assessment, for example market interest rates and yield curves.

Level 3
Financial instruments for which fair value is determined on the basis of valuation models where substantial input is based on non-observable data.

Determining fair value
Currency forward contracts
The fair value of forward exchange contracts is determined from the current forward rates for the remaining term at the balance sheet date. All forward exchange contracts are assigned at level 2 in the fair value hierarchy above.

Offsetting financial assets and liabilities
Financial assets and liabilities are offset and recognised as net amounts in the Balance Sheet when there is a legally enforceable right to offset and when the intention is to regulate the items with a net amount or at the same time to realise the asset and settle the liability. No offsets have been made of the financial assets and liabilities in the Group, nor is there any legal right to offset.

Financial assets
Classification and subsequent valuation
On its first recognition, a financial asset is classified as being valued at: accrued acquisition value, fair value via other comprehensive income or fair value through the Income Statement.

Financial assets that meet the following conditions are then valued at accrued acquisition value:

- the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows: and
- the agreed terms and conditions of the financial asset give rise, at certain times, to cash flows that are only payments of principal and interest on the amount of capital outstanding.

Financial assets will not be reclassified after the first time they are recognised unless the Group changes its business model for the management of financial assets.

All financial assets that are not classified as measured at accrued acquisition value or fair value via other comprehensive income are valued at fair value through the Income Statement.

Financial assets valued at fair value through the Income Statement
The subsequent valuation of these assets is at fair value. Net gains and losses are reported in the Income Statement. See note 26 for derivatives identified as hedging instruments.

Financial assets valued at accrued acquisition cost
The subsequent valuation of these assets takes place at accrued acquisition cost using the effective interest method. The accrued acquisition value is reduced by impairment. Interest income, foreign exchange gains and losses and impairment are reported in the Income Statement. Profits or losses arising from removal are reported in the Income Statement.

Cash and cash equivalents
Cash and cash equivalents include cash and bank balances and other short-term investments that can be easily converted into cash and are subject to insignificant risk of changes in value. In order to be classified as cash and cash equivalents, maturity may not exceed three months from the date of acquisition. Cash and bank balances are categorised as "Loans and receivables", which means valuation at accrued acquisition value. Because funds in banks are available on demand, the accrued acquisition value is equal to the nominal value.

Accounts receivable
Accounts receivable are categorised as "Assets at accrued acquisition value", which means valuation at accrued acquisition value. The expected maturity of accounts receivables is short, which is why they are reported at nominal amounts without discounting. Deductions are made for expected credit losses. Impairment of accounts receivable is reported as operating expenses.

Contract assets
Contract assets are contractual payment flows from customers and are categorized as "Assets at accrued acquisition value".

These receivables have a maturity exceeding the maturity of accounts receivable and amount to a maximum of 12 months. Deductions are made for expected credit losses.

Financial liabilities
Classification, subsequent valuation and gains and losses
Financial liabilities are classified at accrued acquisition value or fair value via the Income Statement. A financial liability is classified at fair value through the Income Statement if it is classified as a holding for commercial purposes, as a derivative, or has been identified as such at the time of initial recognition.

Financial liabilities measured at fair value through the Income Statement are measured at fair value and net gains and losses, including interest costs, are reported in the Income Statement. The subsequent valuation of financial liabilities takes place at accrued acquisition cost using the effective interest method. Interest expenses and foreign exchange gains and losses are reported in the Income Statement. See note 26 for financial liabilities identified as hedging instruments.

Accounts payable
Accounts payable are categorised as “Financial liabilities”, which means valuation at accrued acquisition value. The expected maturity of accounts payable is short, which is why they are reported at nominal amounts without discounting.

Liabilities to credit institutions and other loan liabilities
Interest-bearing bank loans, bank overdrafts and other loans are categorised as "Financial liabilities" and are measured at amortised cost in accordance with the effective interest rate method. Any differences between the loan amount received (net after transaction costs) and the payment or repayment of loans over the duration of the loans are reported in accordance with the consolidated accounting policy for borrowing costs (see above).

Provisions
Provisions are reported when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. When a provision is calculated by estimating the expenditure expected to be required to settle the obligation, the carrying amount must be equal to the present value of these payments. Where some or all of the expenditure required to settle a provision is expected to be paid by a third party, the payment must be reported separately as an asset on the Balance Sheet when it is virtually certain that reimbursement will be received if the company settles the obligation and the amount can be calculated in a reliable way.

Contingent liabilities
Contingent liabilities are possible commitments arising from past events, the existence of which is confirmed only by the occurrence or absence of one or more future events, which are not entirely within the Group's control. Liabilities arising from past events are also recognized as contingent liabilities, but are not recognized as liabilities because it is not likely that an outflow of resources will be required to settle the commitment.

Performance guarantees issued with payment guarantees from insurers and banks are included in the amount up to nominal value until the project is handed over. In some cases, the value of a part completed is deducted from the obligation under the respective agreement.

Accounting policies for the parent company
The parent company OX2 AB prepares its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Council for Financial Reporting’s recommendation RFR 2 “Accounting for legal entities”. The differences between the parent company’s and Group’s accounting principles are described below:

Shares in subsidiaries
Shares in subsidiaries are accounted for in accordance with the acquisition value method. Acquisition-related costs to subsidiaries that are expensed in the consolidated financial statements are included as part of the acquisition value of shares in subsidiaries. The carrying amount of shares in subsidiaries is tested for impairment when there is an indication of need for impairment.

Group contributions and shareholder contributions
Shareholder contributions are recognised directly in the equity of the recipient and reported against shares and participations from the provider, in so far as impairment is not required.

Group contributions between the parent company and subsidiaries are reported as year-end dispositions.

Leasing
In the parent company, all leasing agreements are reported in accordance with the regulations for operational leasing.

Note 3 Estimates and assessments in the financial statements

The consolidated financial statements are based on various estimates and assessments made by management that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenues and costs. Assessments that are made may deviate from future results.

The estimates and assumptions are reviewed on a regular basis. The effects of changes in estimates are reported in the period in which the change is made if the change affects that period only, or in the period of the change and future periods, if the change affects both the current period and future periods.

Impairment of fixed assets
Determination of whether the fixed asset should be impaired or not requires an assessment of the recoverable value. The recoverable amount is the higher of the asset’s beneficial value or fair value less sales costs. The calculation of the beneficial value requires estimates of future cash flows and the discount rate. Naturally enough, such assessments always entail a certain degree of uncertainty.

The assessment of the degree of completion for the percentage of completion method
The Group applies the percentage of completion method in accounting for the projects that are sold as construction contracts. The percentage of completion method means that the Group must make estimates in respect of the completion of the transaction at the balance sheet date.

Reporting cash flows at the acquisition and sale of companies
The cash flow effects arising from the sale and acquisition of companies related to projects in the form of a company are recognised as changes in operating capital in the consolidated cash flow analysis.

Recognition of sales of wind power projects
When wind power projects are sold through the sale of shares in subsidiaries, a change in assessment has been made as to whether the sales should recognised as gross or net. The Group has previously recognised net sales of wind power projects using this type of structure, regardless of how the acquisition of project rights is recognised on the Balance Sheet. The change consists in the revenue for the project being reported gross in the Income Statement when sales have been treated as a current asset up to the time of disposal.

Recognition of project rights
In connection with the change in the assessment of gross/net project revenue as described in the paragraph above, changes have also been made in the management of project rights classification. This is so that management of project rights will reflect how each project will then be recognized as revenue. The reclassification from intellectual property rights ("project rights") to current assets ("work in progress") has thus been carried out for the projects that are reported gross in the Income Statement. The change has also been made retroactively for 2018 with an amount equivalent to SEK 42.5 million.

Note 4 Financial risk management and financial instruments

Financial policy
Through its operations, the OX2 Group is exposed to various financial risks in the form of market risks, which include currency and interest rate risks, credit and financial risks. The Group's overall risk management policy focuses on the unpredictability of the financial markets and strives to minimise potentially adverse effects on the Group's financial results. Risk management is performed in accordance with the financial policy adopted by the Board. The Board has established written policies for both the overall risk management and for specific areas such as currency risk, interest risk, counterparty risk and the investment of surplus liquidity. The financial policy is updated annually and as required.

Market risks
Introduction
The OX2 Group's main business model is to sell commissioned wind power plants. Consequently, most market risks are indirect, i.e. the OX2 Group's customers may manage risks and the OX2 Group suffers indirectly via reduced demand and/or lower sales prices.

Currency risks
Sales of projects are primarily in EUR, which involves a so-called Transaction risk. When evaluating the currency risk, projects' total inflows and outflows in foreign currency are taken into account. Wind turbines are primarily ordered from European suppliers in EUR, which means a natural hedge against sales that take place in EUR. The currency risk for each project is handled in a way which meets requirements from the policy in respect of risk minimisation, adapted to the conditions of the particular project. The Group's total currency exposure is taken into account when hedging each project. The Transaction exposure resulting from purchases and sales can be hedged for up to 36 months. Most of the hedging will mature in the first quarter of 2020.

Given the 2019 contracted flows at year-end date and no hedge, a change in the EUR/SEK exchange rate of SEK 0.10 would influence the result with SEK +/- 7.7 million (+/- -5.2). In the case of a change to the EUR/SEK exchange rate of SEK 0.10 at the end of the year, the impact on equity is expected to amount to approximately SEK +9.8 million (+5.9) given the currency hedging that has been recognised via equity.

Interest rate risk
The Group has outstanding interest-bearing loans of EUR 74 million with a fixed interest rate of 2%, which has been raised by a project company to finance the construction of related wind farms. At year-end, there were no floating interest rate bank loans.

The Group is also affected by the interest component in the currency derivatives included in the hedges for currency risks: see also the section entitled Currency risks. A change in the swap component of +- 0.01 (100 pips), a so-called parallel change of the average rates, would affect the market value of the forward exchange contracts by SEK –/+ 1.2 (0.8) million, based on current forward exchange contracts during 2019.

Investments
The Group's cash flow generated from operating activities and from the sales of project/operational wind turbines will be used for the development of new projects and the financing of ongoing activities. Surplus liquidity will be invested with counterparties that have high credit ratings and thus low credit risk. Given the 2019 figures, a reduction of revenue interest to 0 per cent would lead to a reduction of interest income of approx. SEK 0.2 million (0.0). OX2 has not paid negative interest on funds in its other bank accounts.

Price risk for electricity
The market price for electricity varies over time. The future price for electricity is the single most important parameter in the customers' investment calculations. Thus, the OX2 Group's activities in both the short and the long term are affected by how the futures market for electricity and electricity certificates develops. The OX2 Group follows the market, the economy and the price of other types of energy.

Credit risk
Credit risk or counterparty risk refers to the risk of loss if the counterparty fails to fulfil its obligations. The commercial credit risk includes customers' ability to pay and is managed via monitoring and follow-up of customers' financial reports. The OX2 Group's customers are primarily major corporations in the financial sector, which usually have regulated operations.

The Group's total credit risk is distributed over a small number of customers who represent a relatively large proportion of the Group's accounts receivable. The financial credit risk is covered by the general model for expected credit provisions in IFRS 9. The model is based on the counterparty's rating. Due to short terms and stable counterparties, the reserve is immaterial.

Liquidity and financing risk
Liquidity risk is understood to be the risk that the Group can be adversely affected by the lack of management and control of cash and cash equivalents and cash flows. Financing risk is the risk that the Group is not able to mobilise sufficient funds to meet its commitments. The OX2 Group is constantly working with cash flow forecasts and with respect to wind turbines sold to customers as operational, the company aims to match payment plans from suppliers against payments from customers in the respective projects.

Note 4 Financial risk management and financial instruments, continued

Maturity distribution of the contractual payment obligations related to the Group's and parent company's financial assets and liabilities is shown in the tables below.

Group (SEK thousand)	2019				2018			
Assets	0-3 months	3-12 months	1-5 years	Total	0-3 months	3-12 months	1-5 years	Total
Accounts receivable	46,615	–	–	46,615	350,406	–	–	350,406
Other current receivables	34,920	–	–	34,920	27,813	–	–	27,813
Derivative instruments	–	3,887	–	3,887	–	–	–	–
Cash and cash equivalents	1,005,348	–	–	1,005,348	706,641	–	–	706,641
Total	1,086,883	3,887	–	1,090,770	1,084,860	–	–	1,084,860

Liabilities	0-3 months	3-12 months	1-5 years	Total	0-3 months	3-12 months	1-5 years	Total
Other long-term liabilities	–	–	21,486	21,486	–	–	424,519	424,519
Derivative instruments[1]	–	–	–	–	–	15,685	–	15,685
Accounts payable	248,101	–	–	248,101	121,910	–	–	121,910
Other current liabilities	–	849,583	–	849,583	–	129,359	–	129,359
Total	248,101	849,583	21,486	1,119,170	121,910	145,044	424,519	691,473

Parent company (SEK thousand)	2019				2018			
Assets	0-3 months	3-12 months	1-5 years	Total	0-3 months	3-12 months	1-5 years	Total
Accounts receivable	2,971	–		2,971	2,389	–	–	2,389
Receivables from Group companies	–	648,715		648,715	–	458,962	–	458,962
Other current receivables	23,912	–		23,912	9,491	–	–	9,491
Cash and cash equivalents	59,476	–		59,476	263,244	–	–	263,244
Total	86,359	648,715	0	735,074	275,124	458,962	-	734,086

Liabilities					0-3 months	3-12 months	1-5 years	Total
Accounts payable	49,426	–		49,426	30,754	–	–	30,754
Liabilities to Group companies	–	213,420		213,420	–	273,750	–	273,750
Other current liabilities	–	33,985		33,985	–	50,541	–	50,541
Total	49,426	247,405	0	296,831	30,754	324,291	-	355,045

1) Belongs to category 2.

Note 4 Financial risk management and financial instruments, continued

Credit and counterparty risk
External purchasers assume part of the OX2 Group's credit risk in connection with the sale of wind turbines. The proportion which the external purchasers assume depends on whether delivery has been made or not. External purchasers can provide security for their obligations through the OX2 Group. Furthermore, the purchaser makes an advance payment in accordance with a payment plan. The Group and the parent company's maximum exposure to credit risk is represented by the carrying values of all financial assets and is shown in the table below.

	Group		Parent company	
Amounts in SEK thousand	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Accounts receivable	46,615	350,406	2,971	2,389
Receivables from Group companies		–	648,715	458,962
Other receivables	34,920	27,813	23,912	9,491
Cash and cash equivalents	1,005,348	706,641	59,476	263,244
Maximum exposure to credit risk	1,086,883	1,084,860	735,074	734,086

Categorisation of financial instruments
The carrying value of financial assets and financial liabilities, divided per evaluation category in accordance with IFRS 9, is shown in the table below.

	Group		Parent company	
Amounts in SEK thousand	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Financial assets				
Assets valued at accrued acquisition value [1]				
Accounts receivable	46,615	350,406	2,971	2,389
Receivables from Group companies	–	–	648,715	458,962
Other current receivables	34,920	27,813	23,912	9,491
Cash and cash equivalents	1,005,348	706,641	59,476	263,244
Derivatives [2]	3,887	–	–	–
Total financial assets	1,090,770	1,084,860	735,074	734,086
Financial liabilities				
Derivatives identified as hedging instruments				
Other financial liabilities[1]				
Other long-term liabilities	21,486	424,519	–	–
Liabilities to Group companies	–	–	213,420	273,750
Accounts payable	248,101	121,910	49,425	30,754
Other current liabilities	849,583	129,359	33,985	50,541
Derivatives [2]	–	15,685	–	–
Total financial liabilities	1,119,170	691,473	296,830	355,045

1) Valued at accrued acquisition value.
2) Belongs to category 2.

Discounting has no significant effect on short-term financial instruments. Our assessment is that there are no significant changes to the credit risk, which is why the fair value and carrying value of our long-term liabilities are considered to be essentially the same. There has been no reclassification between the valuation categories above during the period.

Management of capital risks
The Group's target for the management of the capital is to secure the Group's ability to continue its activities so that the Group can continue to generate a reasonable return to the shareholders and deliver benefits to other stakeholders. The Group strategy is not to have any debt apart from financing of inventory, accounts receivable and, in some cases, construction of wind power projects.

Note 5 Revenue

The Group's revenue mainly comprises sales of wind power projects and commissioned wind power farms. The Group normally recognises revenue over time, and in certain cases at a specific time.

(SEK thousand)	Group		Parent company	
Net revenue per category	2019	2018	2019	2018
Sales of wind power projects and wind power farms	4,906,177	4,135,513	452,263	313,963
Total	**4,906,177**	**4,135,513**	**452,263**	**313,963**

(SEK thousand)	Group	
Revenue by country [1]	2019	2018
Sweden	4,208,734	3,023,522
Finland	592,580	191,056
Norway	104,863	920,935
Total	**4,906,177**	**4,135,513**

1) The revenue by country is based on where projects are located.

(SEK thousand)	Group	
Time of revenue recognition	2019	2018
At a certain time	403,134	2,375
Over time	4,503,043	4,133,138
Total	**4,906,177**	**4,135,513**

The following table shows the total amount of the transaction price distributed over the performance commitments that are unfulfilled (or partly unfulfilled) at the end of the reporting period.

(SEK thousand)	Group	
Contract assets	2019	2018
Ongoing work in progress on behalf of others (see also Note 17)	92,629	16,785
Accrued income (see also Note 19)	60,410	28,691
Total	**153,039**	**45,476**

of which		
Long-term assets	–	–
Current assets	153,039	45,476
Total	**153,039**	**45,476**

The following table shows how much of the recognised revenue for the period is attributable to advance payments received that were included in recognised contract liabilities at the start of the year. No revenue has been recognised during the year that is attributable to fulfilled performance commitments in earlier periods.

(SEK thousand)	Group	
Contract liabilities	2019	2018
Advance payments from customers (see also Note 25)	371,472	199,900
Prepaid income (see also Note 27)	–	–
Total	**371,472**	**199,900**
of which		
Long-term liabilities	–	–
Current liabilities	371,472	199,900
Total	**371,472**	**199,900**

No information is provided about transaction prices allocated to remaining performance commitments, since no such commitments existed at 31 December 2019 with an expected term of longer than one year.

Note 6 Information about auditor fees and reimbursement

	Group		Parent company	
(SEK thousand)	2019	2018	2019	2018
Deloitte AB				
Audit tasks	1,443	936	496	413
Audit work in addition to audit tasks	345	50	224	0
Tax advice	1,301	139	1,017	113
Total	**3,089**	**1,125**	**1,737**	**526**

The audit fee refers to the auditor's remuneration for the statutory audit. The work involves the examination of the annual report and accounts, the Board of Directors and the CEO's management and the remuneration for advice given in the context of the audit task. The audit activity in addition to the audit task is mainly concerned with quality assurance services other than the statutory audit.

Note 7 Leasing

Operational leasing
The introduction of IFRS 16 Leasing means that previous operational leases relating to office machinery and the rental of office premises for the year 2019 for the Group are included in Note 15 Right-of-use assets. Operational leases for the Group for the previous year amounted to SEK 961 thousand. The Parent Company's operational leases refer to office machinery and rental for office premises, and from 2019 also to passenger vehicles. The annual cost of operational leasing agreements amounts to SEK 6,663 thousand (671) for the parent company.

	Group		Parent company	
(SEK thousand)	2019	2018	2019	2018
Year 1	–	1,578	9,153	671
Between 2 and 5 years	–	1,226	15,291	–
Later than 5 years	–	–	–	–
Total	**–**	**2,804**	**24,444**	**671**

Note 8 Number of employees, salaries, other remuneration and social security expenses

	2019		2018	
Average number of employees	Average quantity employees	Of whom men	Average quantity employees	Of whom men
Parent company				
Sweden	53	38	35	27
Finland	11.5	7.5	5	4
France	4.5	3	1.5	1.5
Germany	1	0.5	1.5	1.5
Total in parent company	70	49	43	34
Subsidiaries				
Sweden	21	14	10	9
Finland	3.5	3		
Germany	2	1		
Poland	3	1.5		
Lithuania	0.5	0.5		
Total in subsidiaries	30	20	10	9
Total in Group	100	69	53	43

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
The distribution of senior management at balance sheet date				
Women:				
Board members	1	1	1	1
other people in the management of the Company, incl. CEO	–	–	–	–
Men:				
Board members	3	3	3	3
other people in the management of the Company, incl. CEO	1	1	1	1
Total	5	5	5	5

	2019		2018	
(SEK thousand) Salaries, remuneration, etc.	Salaries and other remuneration	Soc. costs (of which pension costs)	Salaries and other remuneration	Soc. costs (of which pension costs)
Parent company	57,989	26,019	44,542	19,948
		(6,277)		(6,305)
Subsidiaries	39,327	12,644	9,383	3,896
		(4,772)		(1,060)
Total for Group	97,316	38,663	53,925	23,844
		(11,049)		(7,365)

	2019		2018	
Salaries and remuneration divided between Board members etc. and employees	The Board and CEO (of which bonuses, etc.)	Other employees	The Board and CEO (of which bonuses, etc.)	Other employees
Parent company	10,544	47,445	7,150	37,392
	(7,500)		(5,000)	
Subsidiaries	1,176	38,151	–	9,383
	(447)		(–)	
Total in Group	11,720	85,596	7,150	46,775
	(7,947)		(5,000)	

Note 8 Number of employees, salaries, other remuneration and social security expenses, cont.

Remuneration to senior executives
The Chairman and other Board members are paid a fee in accordance with the resolution of the Annual General Meeting. In 2019, the costs of remuneration to the Board of Directors amounted to SEK 294,000 (0). Remuneration to the CEO for the year amounted to SEK 10,798 thousand (8,942). Remuneration to the CEO and other senior executives consists of basic salary, bonuses, other benefits and pension.

Bonus
Within the Group there is an annual bonus program, which means that an employee can receive an amount up to a maximum of one fixed monthly salary, provided that the company achieves its financial and operational objectives for the year in question. In addition, there are individually agreed bonus programs. A profit-based bonus for 2019 has been reserved for all employees amounting to a total of SEK 27,262,000 (13,834).

Pensions
The Group only has defined contribution pension plans. Pension cost relates to the cost that will affect earnings for the year.

Pension premiums normally amount to 35% of the pensionable salary. The pensionable salary is the basic salary. The retirement age for other senior management is 65. Pension premiums for other senior management are individually agreed and are usually a maximum of 26% of the pensionable salary.

Severance pay
For senior executives, the period of notice is 3 to 6 months. There are no agreements regarding severance pay for senior executives.

Note 9 Financial income

	Group		Parent company	
(SEK thousand)	2019	2018	2019	2018
Interest income	739	436	37	–
Interest income from Group companies	–	–	568	88
Exchange rate gains	38,685	45,082	3,743	1,853
Total financial income	**39,424**	**45,518**	**4,348**	**1,941**

All interest income relates in its entirety to financial assets that are not assessed at fair value via the Income Statement.

Note 10 Financial costs

	Group		Parent company	
(SEK thousand)	2019	2018	2019	2018
External interest costs	-764	-24	-3	-2
Interest costs leasing debt	–	–	–	–
Exchange rate losses	-36,615	-24,182	-5,800	-2,712
Total financial costs	**-37,379**	**-24,206**	**-5,803**	**-2,714**

All interest costs relate in their entirety to financial assets that are not assessed at fair value via the Income Statement.

Note 11 Year-end appropriations

	Parent company	
(SEK thousand)	2019	2018
Group contributions received/made	-133,352	14,435
Provision to tax allocation reserve	–	-34,000
Total financial costs	**-133,352**	**-19,565**

Note 12 Taxes

Reported tax expense

(SEK thousand)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Current tax				
Tax cost for the year	-21,407	-30,678	-622	-23,759
Adjustments recognised in the current year in respect of earlier years' current tax	-54	-4	-21	-4
Deferred tax				
Temporary differences	12,448	8,591	–	–
Tax allocation fund	-6,655	-9,680	–	–
Total reported tax cost	-15,669	-31,771	-643	-23,763

Income tax in Sweden is calculated at 21.4% on the year's taxable profit. In Finland, the corresponding rate is 20%. A reconciliation between the reported results and the tax cost for the year is given below

Deferred tax is calculated in accordance with the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at balance sheet date.

(SEK thousand)	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Profit for the year before tax	173,176	133,892	171,695	187,336
Tax calculated in accordance with the current tax rate	-37,060	-29,456	-36,743	-41,214
Tax effect of non-deductible expenses	-1,014	-2,344	-242	-145
The tax effect of non-taxable revenues	14,626	7	36,380	17,600
Tax effect of Group adjustment items	1	26	–	–
Tax attributable to prev. years	-54	-4	-21	-4
Tax effect temporary difference	7,832	–	-17	
Total reported tax cost for the year	-15,669	-31,771	-643	-23,763

Group

Deferred tax assets/tax liabilities	31/12/2019	31/12/2018
Tax allocation fund	-23,986	-17,456
Temporary differences	22,068	9,591
Financial instruments	-969	1,915
Tax allocation reserve	-28	-29
Total	-2,916	-5,978

Note 13 Other intangible fixed assets

(SEK thousand)	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening acquisition values	718	725	690	725
Purchases	3,806	42,573	3,118	–
Disposals for the year	–	-35	0	-35
Reclassification	–	-42,545	–	–
Closing acc. acquisition values	**4,524**	**718**	**3,808**	**690**
Opening depreciation	-439	-321	-439	-321
Depreciation according to plan	-861	-127	-164	-127
Disposals for the year	0	9	0	9
Closing acc. depreciation	**-1,300**	**-439**	**-603**	**-439**
Closing residual value according to plan	**3,224**	**279**	**3,205**	**251**

Estimated utilisation period for intangible fixed assets is 5 to 10 years.

Note 14 Equipment

(SEK thousand)	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Opening acquisition values	4,029	9,288	3,947	9,288
Purchases	994	212	948	130
Impairment	0	-33	0	-33
Disposals for the year	-2,114	-5,438	-2,114	-5,438
Closing acc. acquisition values	**2,909**	**4,029**	**2,781**	**3,947**
Opening depreciation	-3,737	-9,140	-3,737	-9,140
Depreciation according to plan	-237	-35	-197	-35
Disposals for the year	2,114	5,438	2,114	5,438
Closing acc. depreciation	**-1,860**	**-3,737**	**-1,820**	**-3,737**
Closing residual value according to plan	**1,049**	**292**	**961**	**210**

Financial leasing agreements

The Group's financial leasing agreements relate to the leasing of 11 (11) cars and for the parent company 1 (1). For 2019, financial leasing agreements for the Group are included in right-of-use assets, see note 15.

(SEK thousand)	Group	
	31/12/2019	31/12/2018
Opening acquisition values	–	1,303
Purchases	–	1,843
Sales	–	-1,303
Closing acc. acquisition values	–	**1,843**
Opening depreciation	–	-770
Sales	–	926
Depreciation according to plan	–	-337
Closing acc. depreciation	–	**-181**
Closing residual value according to plan	–	**1,662**
Total equipment	1,049	**1,954**

Future leasing charges for leases with a remaining term:

(SEK thousand)	Group			
	31/12/2019		31/12/2018	
	Nominal	Current value	Nominal	Current value
Less than 1 year	–	–	371	354
Longer than 1 year but not more than 5 years	–	–	542	484
Longer than 5 years	–	–	–	–
Total	–	–	**913**	**838**

Note 15 Right-of-use assets

(SEK thousand)	Real estate	Equipment	Vehicles	Miscellaneous	Total
Net value					
Opening value 01/01/2019	41,751	176	1,625	–	43,552
new contracts	–	–	–	–	–
Extended existing contracts	–	–	–	–	–
Disposals	–	–	–	–	–
Reclassifications	–	–	–	–	–
Depreciation	-10,182	-47	-500	–	-10,729
Miscellaneous	–	–	–	–	–
Closing value 31/12/2019	**31,569**	**129**	**1,125**	**–**	**32,823**

In previous years, only leasing assets and liabilities related to financial leasing agreements were reported in accordance with IAS 17 Leases. The assets were presented as part of tangible fixed assets and liabilities as part of the Group's borrowing. For adjustments reported during the transition to IFRS 16 as of January 1, 2019, see Note 14.

Note 16 Participations in Group companies

	Parent company	
(SEK thousand)	31/12/2019	31/12/2018
Opening acquisition value	1,515	1,252
Purchases	213	263
Capital injections	85,934	–
Closing acquisition value	**87,662**	**1,515**

The Group contains the following subsidiaries:

Company name	Number of shares	Share of share, %	Carrying value (SEK thousand)2019	Carrying value (SEK thousand)2018
OX2 Construction AB	1,000	100%	100	100
OX2 Wind Production AB	1,000	100%	100	100
OX2 Wind Finland AB	1,000	100%	3,091	270
OX2 Wind International AB	1,000	100%	77,951	782
OX2 GmbH	1	100%	408	263
OX2 Sp. z o.o.	100	100%	13	–
OX2 Technical and Commercial Management AB	1,000	100%	100	–
OX2 Holding Finland 1 AB	500	100%	1,050	–
OX2 Holding Sverige 1 AB	500	100%	4,849	–
Total			**87,662**	**1,515**

Company name	Corp. ID no.	Registered office	Equity incl. net profit for the year	Profit
OX2 Construction AB	556807-5252	Stockholm	132,121	71,519
OX2 Wind Production AB	556773-3877	Stockholm	74,964	51,334
OX2 Wind Finland AB	556928-0109	Stockholm	19,034	-341
OX2 Wind International AB	556967-5746	Stockholm	77,969	22
OX2 GmbH	151942	Hamburg	612	170
OX2 Sp. z o.o.	773067	Warsaw	189	174
OX2 Technical and Commercial Management AB	556749-1534	Stockholm	3,581	2,164
OX2 Holding Finland 1 AB	559202-8426	Stockholm	1,045	-5
OX2 Holding Sverige 1 AB	559202-8392	Stockholm	24,851	20,002

All subsidiaries are consolidated in the Group. The percentage of voting rights in the subsidiaries that are directly owned by the parent company does not differ from the percentage of ordinary shares owned.

Total ownership of holdings without a controlling influence amounts to SEK 0 (0) for the period.

Note 17 Work in progress on behalf of others

	Group		Parent company	
(SEK thousand)	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Ponsivuori	–	99,953	–	–
Ribäcken	182,079	77,707	–	–
Verhonkulma	210,815	44,933	–	–
Långmossa	275,235	61,680	–	–
Åndberg	-	13,053		
Orrberget	–	16,785	–	–
Halsua	10,408	10,408	–	–
Kröpuln	–	2,160	–	–
Lingbo	72,571	–	–	–
Brännliden	17,058	–	–	–
Korpivaara	22,003	–	–	–
Metsälamminkangas	83,488	–	–	–
TM Voima	12,332	–	6,033	–
Vaala	9,583	–	9,583	–
Ånglarna	6,000	–	6,000	–
Ljungbyholm	2,618	–	–	–
Grajewo	29,840	–	–	–
Sulmierzyce	3,230	–	–	–
Juniewicze	17,567	–	–	–
Miscellaneous	4,223	8,381	1,056	–
Closing reported value	**959,050**	**335,060**	**22,672**	**–**

Ongoing work refers to the costs incurred for each project.

Note 18 Accounts receivable

	Group		Parent company	
(SEK thousand)	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Accounts receivable, gross	46,615	350,406	2,971	2,389
Provision for expected credit losses	–	–	–	–
Total accounts receivable, net of the provision for expected credit losses	**46,615**	**350,406**	**2,971**	**2,389**

Management assesses that the reported value for accounts receivable, net of the provision for expected credit losses, conforms with the fair value.

(SEK thousand)	31/12/2019		31/12/2018	
Group Age analysis of accounts receivables	Gross	Provision for expected credit losses	Gross	Provision for expected credit losses
Not due	46,615	–	348,317	–
Due 30 days	–	–	–	–
Due 31 - 60 days	–	–	132	–
Due 61 - 90 days	–	–	–	–
Due > 90 days	–	–	1,957	–
Total	**46,615**	**–**	**350,406**	**–**

(SEK thousand)	31/12/2019		31/12/2018	
Parent company Age analysis of accounts receivables	Gross	Provision for expected credit losses	Gross	Provision for expected credit losses
Not due	2,971	–	2,389	–
Due 30 days	–	–	–	–
Due 31 - 60 days	–	–	–	–
Due 61 - 90 days	–	–	–	–
Due > 90 days	–	–	–	–
Total	**2,971**	**–**	**2,389**	**–**

Note 19 Prepaid expenses and accrued income

	Group		Parent company	
(SEK thousand)	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Other prepaid costs	1,580	711	892	647
Prepaid rent	146	170	127	159
Prepaid construction costs	280,570	160,127	–	–
Accrued project revenue	60,185	27,743	–	–
Other accrued revenue	225	948	23	253
Total	**342,706**	**189,699**	**1,042**	**1,059**

Note 20 Share capital development

Date of registration with Swedish Companies Registration Office	Event	Change, share capital SEK	Total share capital, SEK	No. of A shares/ change	No. of B shares/ change	Quotient value
02/02/2005	The company was registered	100,000	100,000	10,000	–	10
			100,000	**10,000**	**–**	**10**

Share capital: 10,000 shares at a quota value of SEK 10 divided into 10,000 series A shares, 0 Series B shares and no preferential shares.

Note 21 Translation reserve and hedging reserve

Translation reserve
The translation reserve includes exchange rate differences arising from the translation of the financial statements from the subsidiaries and branches that have prepared their financial statements in euros or Norwegian kroner.

Hedging reserve
The hedging reserve includes the effective portion of the accumulated net change in the fair value of a cash flow instrument attributable to hedging transactions that have not yet occurred.

Note 22 Untaxed reserves

	Parent company	
(SEK thousand)	31/12/2019	31/12/2018
Tax allocation reserve 17	8,713	8,713
Tax allocation reserve 18	11,000	11,000
Tax allocation reserve 19	34,000	34,000
Excess depreciation	131	131
Total	53,844	53,844

Note 23 Long-term liabilities

	Group	
(SEK thousand)	31/12/2019	31/12/2018
Due for payment 2 to 5 years after balance sheet date:	-	423,228
Financial leasing	21,486	1,291
Total	21,486	424,519

Note 24 Derivative instruments

Currency forward contracts	Group	
(SEK thousand)	31/12/2019	31/12/2018
Change in value of currency hedging as at 31/12/2019	3,887	-15,685
Total	3,887	-15,685

Outstanding forward exchange contracts	31/12/2019	31/12/2018
Expiration year 2019	EUR	EUR
Amount (EUR thousand)	–	58,650
Average rate currency hedging	–	9.994
Year-end rate as at 31/12/2019	–	10.275
Expiration year 2020	EUR	EUR
Amount (EUR thousand)	70,790	21,890
Average rate currency hedging	10.491	10.339
Year-end rate as at 31/12/2019	10.434	10.275
Expiration year 2021	EUR	EUR
Amount (EUR thousand)	49,625	–
Average rate currency hedging	10.552	–
Year-end rate as at 31/12/2019	10.434	–

Total derivative instruments	Group	
(SEK thousand)	31/12/2019	31/12/2018
Change in value as at 31/12/2019	3,887	-15,685
Total	3,887	-15,685

OX2 uses currency derivatives to hedge against fluctuations in currency exchange rates. A derivative instrument gives an unrealised value change relating to exchange hedging that is part of the cash flow hedges for the Brännliden, Castles, Hornamossen, K2, Kröpuln, Storbacken, Valhalla and Åndberg. OX2 applies hedge accounting for financial instruments in accordance with IFRS 9. This means, among other things, that changes in the value of derivatives that are obtained for hedging of cash flow risks are recognised in equity. The nominal value of outstanding forward exchange contracts amounts as at end of 31 December 2019 to SEK 1,266.3 million (812.5). The market value of the outstanding forward exchange contracts as at 31 December 2019 amounted to SEK +3.9 million (-15.7). The information used for the valuation of derivative instruments is based on information from the banks that we consider to be in accordance with a Level 2 valuation when it is based on the discounted cash flows with the help of market data per year-end date. There were no outstanding options as at 31 December 2019. In 2019, OX2 made a release of currency hedges where cash flow had already occurred. The net release for 2019 amounts to SEK +0.5 million (SEK -5.1 million) after tax. At the time of the financial statements, the Group's hedging was effective.

Note 25 Advance payments from customers

(SEK thousand)	Group 31/12/2019	Group 31/12/2018
Advance payments from customers, Lingbo project	–	74,293
Advance payments from customers, Tönsen project	–	33,793
Advance payments from customers, Stigshöjden project	–	6,452
Advance payments for Brännliden project	–	75,332
Advance payments for SnowWhite	–	10,030
Advance payments for Kjölberget	276,247	–
Advance payments for Hornamossen	28,967	–
Advance payments for Kröpuln	8,137	–
Advance payments for Korkeakangas	58,121	–
Total	371,472	199,900

Note 26 Other current liabilities

	Group		Parent company	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Project financing	775,833	–	–	–
VAT	4,790	78,553	31,691	48,945
Purchase price, acquisition of Åmot-Lingbo	51,125	48,693	–	–
Withholding tax	3,265	1,850	2,284	1,593
Part of the short-term debt financial leasing	13,008	371	–	–
Other items	1,561	5	10	3
Total	849,583	129,472	33,985	50,541

Note 27 Accrued expenses and pre-paid income

	Group		Parent company	
(SEK thousand)	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Accrued personnel costs, including social security payments	52,378	31,727	42,955	27,542
Accrued project costs	15,444	1,130	16,093	7,570
Accrued consulting costs	5,292	4,325	4,812	3,665
Accrued construction costs	111,984	55,792	0	–
Other items	6,690	665	108	297
Total	191,788	93,639	63,968	39,074

Note 28 Pledged assets and contingent liabilities

Pledged assets

	Group		Parent company	
(SEK thousand)	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Shares in subsidiaries	29,917	29,917	–	–
Bank deposits	83,925	59,782	–	–
Total	113,842	89,699	–	–

Restricted bank deposits are also reported as cash and cash equivalents in the Balance Sheet.

Contingent liabilities

	Group		Parent company	
(SEK thousand)	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Performance guarantees	1,253,157	568,409	1,253,157	100,698
Total	1,253,157	568,409	1,253,157	100,698

Note 28 Assets pledged and contingent liabilities, cont.

The OX2 Group mainly provides two types of guarantees that are subject to contingent liabilities and they are payment guarantees and performance guarantees.

Performance guarantee obligations are issued for the construction of wind farms, which are included in terms of nominal value under the contracts until the delivery of the wind farms has taken place. Performance guarantees are usually replaced by two-year guarantees in connection with the hand over of the wind farm to its owner.

In addition to these performance guarantees, OX2 and its Group companies have provided payment guarantees in favour of counterparties in the contractor contracts for ongoing construction projects. The terms and conditions of these payment guarantees may vary, but they are generally linked to contract value and are impaired at the same rate as the payments are made. These payment obligations fall within the control of the Group and it has been assessed that the Group can meet its obligations under the contracts, so that these are not included as contingent liabilities.

Comparison figures for 2018 have been updated according to the same principle.

Note 29 Cash flow statement

Adjustments for items not included in cash flow

	Group		Parent company	
(SEK thousand)	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Depreciation/impairment	11,266	499	365	162
Anticipated dividend	–	–	-170,000	–
Disposals	–	–	–	35
Total	11,266	499	-169,635	197

Disclosure of interest paid and interest received

Group
During the year the interest paid amounted to SEK 764 thousand (24) and interest received to SEK 739 thousand (436).

Parent company
During the year the interest paid amounted to SEK 3 thousand (3) and interest received to SEK 37 thousand (0).

Note 30 Significant events after the end of the reporting period

In January 2020, OX2 concluded an agreement with Lundin Petroleum concerning the sale of the Metsälamminkangas project comprising 24 wind turbines (132 MW) in Finland. This is the third largest wind farm to be built in Finland and it is being built without state funding.

In February 2020, OX2 signed an agreement with MEAG for the construction and EPC project delivery of Zary Wind Farm with 7 wind turbines in Poland. This is OX2's first wind power contract in Poland.

In February 2020, OX2 signed an agreement with Octopus Renewables Infrastructure Trust plc for the sale of Ljungbyholm Wind Farm with 12 wind turbines in Sweden.

In March 2020, OX2 signed an agreement with Momentum Gruppen AS for sale of OX2's business in Germany.

The transition to renewable energy supplies is a long-term and important project for society and, despite the market unrest due to the Corona pandemic, OX2 regards the future as being positive. The industry has strong political support because it both creates growth in the economy and is considered to be the most effective way of reducing global CO2 emissions.

The global Corona pandemic has not had any significant impact on OX2's operations. One explanation for this is that most of the OX2 wind farms are at an early stage of the construction phase, so that land works are carried out using local contractors. The deterioration of the conditions in the global market for supply of materials does not, therefore, affect OX2 as strongly.

Note 31 Proposal for allocation of earnings (SEK)

Proposal for allocation of earnings (SEK)
The following earnings are at the disposal of the Annual General Meeting:

Unrestricted equity	264,821,421
Net profit for the year	171,052,368
Total	**435,873,789**
The Board proposes the following sum be carried forward to new account	435,873,789
Total	**435,873,789**

Note 32 Approval of financial statements

The annual report was adopted by the Board of Directors and approved for publication on 14 April 2020.

Statement

The Board of Directors hereby certify that the annual report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 1.3 and 2.3 and gives a true and fair view of the financial position and results, and that the Directors' Report gives a fair review of the development of the Group's operations, position and results and describes significant risks and uncertainties facing the company. The Board of Directors hereby certify that the consolidated financial statements have been prepared in accordance with the International Financial Standards (IFRS) as adopted by the EU and give a true and fair view of the Group’s financial position and results, and that the Directors’ Report for the Group annual report gives a fair review of the development of the Group’s operations, position and results that describe significant risks and uncertainties facing the company.

The annual report and consolidated financial statements have, as outlined above, been approved by the Board on 14 April 2020. The consolidated Income Statement and Balance Sheet will be subject to adoption by the Annual General Meeting on 14 April 2020.

Stockholm, 14 April 2020

Johan Ihrfelt
Chairman

Thomas von Otter
Board member

Paul Stormoen
Chief Executive Officer

Anna-Karin Eliasson Celsing
Board member

Niklas Midby
Board member

Our audit report was submitted on 14 April 2020

Deloitte AB

Jonas Ståhlberg
Authorised Public Accountant

Auditor’s report

To the Annual General Meeting of the shareholders of OX2 AB
Corporate ID no. 556675-7497

Report on the annual report and consolidated financial statements

Statement

We have audited the annual report and the consolidated financial statements for OX2 AB for the financial year 01/01/2019 to 31/12/2019. The company’s annual report and the consolidated financial statements are included on pages 43-79 of this document.

It is our belief that the financial statements have been drawn up in accordance with the Swedish Annual Accounts Act and provide in all essential respects a fair picture of the parent company’s financial position at 31 December 2019 and of its financial performance and its cash flows for the year in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been drawn up in accordance with the Swedish Annual Accounts Act and provide in all essential respects a fair picture of the Group’s financial position at 31 December 2019 and of its financial performance and its cash flows for the year in accordance with the Swedish Annual Accounts Act. The Board of Directors’ report is consistent with the other parts of the annual report and the consolidated financial statements.

We recommend that the Annual General Meeting adopts the Income Statement and the Balance Sheet for the parent company and the Group.

Grounds for our statements

We have carried out the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our liability in accordance with these standards is described in the section regarding the auditor’s responsibility. We are independent in relation to the parent company and the Group in accordance with the code of ethics in Sweden and have fulfilled our ethical responsibility in accordance with these requirements.

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

Information other than the annual report and the consolidated financial statements

The Board of Directors and the CEO are responsible for the other information. The other information consists of pages 1-42 but does not include the annual report and the consolidated financial statements and our audit report for these.

Our statement with regard to the annual report and the consolidated financial statements does not include this information and we make no statement with certification relating to this other information.

As part of our audit of the annual report and the consolidated financial statements, it is our responsibility to read the information identified above and to consider whether the information is incompatible with the annual report and the consolidated financial statements to any considerable extent. At this time we also take into consideration the knowledge that we have acquired during the audit and assess whether the information in the other information seems to contain material errors.

If, based on the work that has been carried out with regard to this information, we conclude that the other information contains a material misstatement, we are obliged to report this. We have nothing to report in this regard.

Responsibility of the Board of Directors and CEO

The Board of Directors and the CEO are responsible for the annual report and the consolidated financial statements being drawn up and for ensuring that they give a true and fair view in accordance with the Swedish Annual Accounts Act and, as regards the consolidated financial statements in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for the internal control that they deem necessary for drawing up the annual report and consolidated financial statements to ensure that they do not contain any material misstatement, whether these are the result of irregularities or errors.

When preparing the annual report and the consolidated financial statements, the Board of Directors and the CEO are responsible for the assessment of the company’s and the Group’s ability to continue operations. They report, when applicable, conditions that may affect the company’s ability to continue in business and to use the assumption of continued operation. The assumption of continued operation is not applied if the board of directors and the CEO intend to liquidate the company, cease operations or have no realistic alternative but to do either of these.

The responsibility of the auditor

Our goal is to achieve a reasonable degree of certainty as to whether the annual report and the consolidated financial statements, as a whole, do not contain any material misstatements, whether these are the result of irregularities or errors and to submit a report containing our statements. Reasonable certainty is a high degree of certainty but is no guarantee that an audit carried out in accordance with the ISA and generally accepted auditing standards in Sweden will always be able to detect a material misstatement, if there is one. Inaccuracies may occur as a result of irregularities or errors and are considered to be material if they, individually or together, can reasonably be expected to influence the financial decisions made by users on the basis of the annual report and consolidated financial statements.

A further description of our responsibility for the audit of the annual report and consolidated financial statement is available at the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se//revisornsansvar. This description forms part of the audit report.

Report on other legal and statutory requirements

Statement

In addition to our audit of the annual report and the consolidated financial statements, we have also carried out an audit of the board of directors' and the CEO's management of OX2 AB for the financial year 01/01/2019 to 31/12/2019 and of the proposal for the appropriation of the profit or loss.

We recommend to the Annual General Meeting that the profit is allocated in accordance with the proposal in the Directors' Report and that the members of the Board of Directors and the CEO are discharged from liability for the financial year.

Grounds for our statements

We have carried out the audit in accordance with generally accepted auditing standards in Sweden. Our liability in accordance with these standards is described in the section regarding the auditor's responsibility. We are independent in relation to the parent company and the Group in accordance with the code of ethics in Sweden and have fulfilled our ethical responsibility in accordance with these requirements.

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

Responsibility of the Board of Directors and CEO

The Board is responsible for the proposal for the appropriation of the company's profit or loss. In the case of a proposal for dividend, this includes an assessment of whether the dividend is justifiable, taking into account the requirements that the nature, scope and risks to the company's and Group's operations set to the size of the parent company's and the Group's equity, consolidation needs, liquidity and financial position in general.

The Board of Directors is responsible for the organisation of the company and management of the affairs of the company. This includes, among other things, ongoing assessment of the company's and the Group's financial situation and ensuring that the organisation of the company is designed so that the accounts, the management of company's funds and its financial affairs are checked in an appropriate manner. The CEO will manage the company on a day-to-day basis in accordance with the Board of Directors' guidelines and instructions, and take the measures necessary for the company accounts to be completed in accordance with the law and for the management of the company's funds to be arranged in a satisfactory manner.

The responsibility of the auditor

Our goal in the case of audit of the company's management, and thus our opinion concerning discharge from liability, is to collect the evidence in order to assess with a reasonable degree of certainty whether any board member or the managing director has in any material respect:

- taken any action or been guilty of any omission that could give rise to any liability to the company or
- has in any other way acted in contravention of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our goal with regard to the audit of the proposal for the appropriation of the profit or loss, and thus our statement on this, is to ensure, with a reasonable degree of certainty, that the proposal is compatible with the Swedish Companies Act.

Reasonable certainty is a high degree of certainty, but there is no guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards in Sweden will always detect any acts or omissions that may give rise to any liability to the company or to a proposal for the appropriation of the profit or loss not being compatible with the Swedish Companies Act.

A further description of our responsibility for the audit of the annual report and consolidated financial statement is available at the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se//revisornsansvar. This description forms part of the audit report.

Stockholm, 14 April 2020

Deloitte AB

Jonas Ståhlberg

Authorised Public Accountant

Glossary

Electricity certificate
Tradable certificates that are received on the production of renewable energy.

Electricity generation capacity
The total amount of electricity that it is possible to generate from a specific type of power or area.

EPC agreement
Agreement relating to the construction of a turnkey contract. The abbreviation stands for: Engineering Procurement and Construction.

Fossil fuel energy
Energy from fossil fuels such as coal, oil and gas.

Renewable energy
Renewable energy sources are sources of energy which constantly renew themselves and therefore will not run out in the foreseeable future, such as wind and water and bioenergy. (Nuclear energy is not regarded as renewable since it is based on finite resources.)

Nameplate capacity
Output in accordance with the design data. Usually measured in MW.

PPA agreement
Agreement which a major electricity consumer signs to purchase electricity from the owner of a wind power plant. The abbreviation stands for: Power Purchase Agreement.

Repowering
Reinvestment in existing wind farms, replacing older turbines with new, modern turbines with more output.

Availability
Availability means the percentage of total time during which the wind turbine has been available for generating electricity.

Wind power supplier or turbine supplier
Supplier of complete wind turbines.

Emission rights
Emission rights give the holder the right to discharge a specified amount of carbon dioxide.

Wind farm
Group station consisting of at least 3 turbines.

Wind turbine
Free-standing wind turbine consisting of tower, nacelle and rotor.

Greenhouse gases
Gases which surround the earth and impede the outflow of heat. The most important greenhouse gases are water vapour (H_2O), carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4) and CFC (chlorofluorocarbons, freons).

Units
Energy is specified in kilowatt hours.

1 MWh	=	1,000 kWh
1 GWh	=	1,000,000 kWh
1 TWh	=	1,000,000,000 kWh

Power is specified in watts

1 MW	=	1,000,000 W
1 GW	=	1,000,000,000 W

Turbines at Stigshöjden wind farm (21.6 MW) in Sweden. Photo: Joachim Lagercrantz

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