

Investments in the electricity network cannot be neglected

The electricity supply has been at the top of the news throughout the year, not least due to the risk of power shortages and record-high electricity prices. Two government electricity bill support packages were launched, and the risk of manual disconnection was deemed to be considerable before the winter. At Ellevio, we have expanded our dialogue with customers and noticed both heightened interest and more questions. Our household customers radically reduced their electricity consumption during the autumn due to the high prices, a trend that has continued throughout the winter. As we purchase large amounts of electricity to compensate for network losses, this rise in prices also affected us and led to us having to bring forward a price rise in October.

Extensive interest and greater consensus

On the bright side, interest in the electricity market has grown and the energy transition has received a boost in Europe as everyone wants to become independent of Russian oil and gas.

In Sweden, it is assessed that demand for electricity will more than double by 2045 as sectors such as transport and industry are electrified. Despite the turbulence of 2022, we cannot see any slowdown in the pace of electrification: changes are moving fast, with the business community in the driving seat. We are supporting our customers in this transition.

Sweden needs more fossil-free electricity production, expanded electricity grids, smart system solutions and energy-efficiency enhancements. The electricity system represents critical infrastructure – equally vital for society as roads, railways and broadband. According to our report “What will the future cost” from 2022, investments of SEK 670 billion are required in the grids by 2045 to meet future needs.

I am seeing greater consensus in society regarding the need for investments in the energy system. However, we have a way to go in terms of achieving consensus about how such investments are to be financed. The framework for the next regulatory period will be drawn up this year. Network companies require long-term rules, stable and predictable conditions and shorter permit processes to create a system that supports the transition and enables us to achieve climate targets. The sector's collective competence and experience should be exploited in the process, and we at Ellevio are here to contribute.

The transition requires action to be taken now, and the need for stability has therefore never been greater.

How we are building the energy system of tomorrow

In 2022, Ellevio invested SEK 3.4 billion in our electricity network. We replaced old with new, wind and weather-proofed the grids, expanded capacity, digitalised and enhanced efficiency. We also developed our operational, monitoring and troubleshooting capability, installed smart electricity meters for nine out of ten customers, laid underwater cables beneath Lake Mälaren, connected Stockholm's longest charging street and improved our customer dialogue. We also worked to make new battery factories for Northvolt in Borlänge and Volvo in Mariestad a reality, and we connected the major Tovåsen wind farm in Ånge. And that is merely a selection of this year's highlights.

Yes, it has been fast-paced and that pace will continue. If we are to succeed, we need more people. Both we and the rest of the sector need to recruit. That is why it is particularly pleasing that we have once again ranked among the frontrunners of Sweden's most attractive employers



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and that our customer satisfaction index hit a new record of 8.1 on a 10-point scale in December.

The Ellevio family is growing

2022 also saw the launch of an entirely new business area – Ellevio Energy Solutions AB – which kicked off with investments in energy storage and part ownership in the energy technology company Flower.

We also saw an increase in the number of customers and employees in 2022. We welcomed 4,000 new customers from Edsbyns Elverk and we recruited 150 new colleagues.

We also gained a new owner in December, the pension fund AMF, which, just like our other owners, has a long-term investment horizon and a stable financial position.

An enabler and role model

According to the new EU taxonomy for sustainable investments, electricity grid operations contribute to the EU's climate targets. This is specified in this year's sustainability report. In addition to this, we want to serve as a role model through our own operations. Two of our main areas of sustainability are safety

“Without modern and expanded electricity grids, there will be no climate transition. It is as simple as that.”

and the climate: everyone who works for us should come home healthy and unharmed from work and we must reduce the carbon footprint of our operations.

Statistics show that we are on the right track: the number of work-related injuries that led to sick leave fell while safety observations doubled, which is positive as observation is the first step to ensuring safe behaviours. We also established a target for electric vehicles and construction machines, drew up stricter sustainability requirements in procurements and and launched a unique collaborative project for reduced environmental and climate impact in Orsa in Dalarna, during the year.

This year's annual and sustainability report serves as our Communication on Progress in line with the UN Global Compact, and I would like take this chance to reaffirm our ongoing support for this initiative.



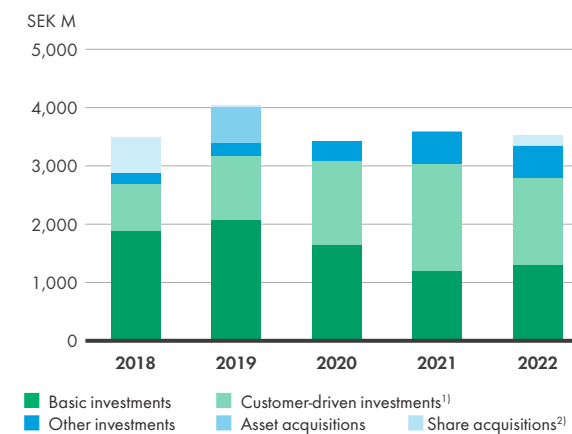
A stable foundation

We first proved that we have an ability to adapt to new conditions when the pandemic struck. But this was reaffirmed in 2022 when the operating environment demanded a greater focus on protective security, management of high electricity costs and the customer dialogue to support worried customers. Despite the energy crisis, customer satisfaction also increased among corporate customers, while the level remained unchanged among household customers.

Once again, we have delivered in an unusually complicated operating environment. Ellevio has committed, reliable and innovative employees who have proven that they are at their best when tackling challenges. This is part of our DNA and bodes well for the years to come. This period of upheaval demands that we are able to manage both the aspects for which we have planned and the unforeseen situations that arise along the way. I conclude this CEO's statement with great confidence that we have what it takes.

Johan Lindehag
CEO, Ellevio

Investments including acquisitions 2018–2022



¹⁾ Investments initiated by our customers, such as investments in connections of new homes, industries and wind farms to the electricity grid.
²⁾ Acquisition of the shares in Edsbyns Elnät AB in 2022, in three companies with assets in Laforsen's distribution station in 2019 and Elverket Vallentuna AB in 2018.

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