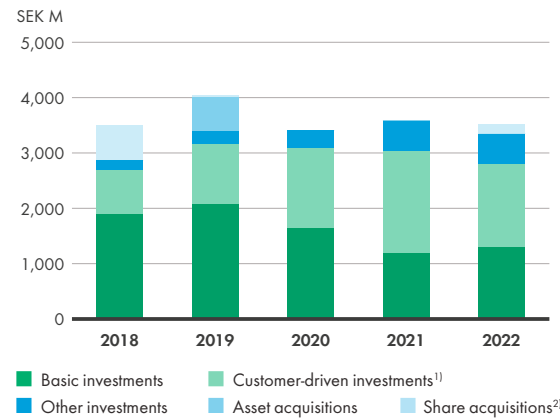


# Record-high investment needs require funding

Ellevio invests heavily in the electricity network to manage society's need for electrification, digitalisation, the energy transition and capacity reinforcements. Investments amounted to SEK 3,345 million in 2022.

Investments including acquisitions 2018–2022



## Investments excluding acquisitions in 2022

**SEK 3,345 million**

<sup>1)</sup> Investments initiated by our customers, such as investments in the connection of new homes, industries and wind farms to the electricity grid.

<sup>2)</sup> 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.



Our investment and maintenance strategy remains in place – Ellevio is to serve as an enabler of the energy transition. This involves efforts on two fronts. Firstly, we are developing smart networks that lead to fewer and shorter outages and more efficient operation. Secondly, we are upgrading and reinforcing our infrastructure to increase transmission capacity and enable electrification.

Swedish network companies, whether state-owned, privately owned, municipal companies or local electricity associations, need to make record-high investments to manage the transition to the electricity system of the future. It is absolutely necessary to meet society's rapidly increasing need for electricity, maintain high levels of availability and enable Sweden to achieve its climate targets.

According to the report “Vad kostar framtiden” (What will the future cost?) produced in 2022, SEK 670 billion of investment is needed in the electricity network by 2045.

Since its foundation in 2015, Ellevio has more than tripled investments in its electricity networks to meet the expectations of customers and enable increased electrification. Over the past five years, 2018–2022, Ellevio has invested almost SEK 17 billion in its electricity grids. And this intense rate of investment needs to continue.

A prerequisite for these investments is that capital can be attracted to them, and for that to happen the framework governing network investments must be long-term, stable and predictable.

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We at Ellevio are very anxious not to reduce the pace. Establishing reasonable conditions for attracting capital to the major investments in weather-proofing, network capacity and automation required to meet demand in an increasingly electricity-dependent society is thus one of our most important priorities.

**Financing via owners and external lenders**

Access to capital is therefore a prerequisite for us to be able to carry out our mission and implement the necessary investments.

In addition to the capital the owners have invested and what can be generated from operators, Ellevio needs loan financing.

The financing strategy is to minimise the total cost of capital while at the same time ensuring access to loan financing at all times. The owners have concluded that Ellevio should have a capitalisation structure corresponding to a credit rating of "Investment Grade", i.e. a level corresponding to at least BBB- for the company's Class A debt.

Ellevio's loans comprise loans from external lenders whereby the company's assets are collateral, as well as subordinated shareholder loans issued to Ellevio AB's holding company and

then loaned to Ellevio AB. The fact that the loans are subordinate means that if the company were to file for bankruptcy, the lenders would only be repaid once amortisations and interest on other loans have been paid. These loans therefore entail a higher risk.

The average financing interest rate for Ellevio's external loan financing, including interest hedging derivatives, amounted to around 2.8 percent at year-end 2022 (2.8), and the average remaining term was 5 years (5.9).

Shareholder loans with terms until 2040 have an interest rate of 6.0 percent (6.0). In 2022 no interest was paid out on shareholder loans and no dividend was paid to shareholders. Read more about our owners on page 38.

**Loans from NIB and EIB in 2022**

Ellevio obtained loans totalling SEK 1 billion from the Nordic Investment Bank (NIB) during the year to partially finance the reconstruction of the switchgears in Värtan and Skanstull in Stockholm.

NIB finances projects that improve productivity and benefit the environment, and commented the loan to Ellevio in a

press release: "The upgrade and expansion of Värtan and Skanstull's substations supports electrification in society and the growing population in Stockholm. The reconstruction of the two large substations in Värtan and Skanstull is seen as crucial for increasing long-term distribution capacity in Stockholm and thereby enabling sustainable development in the capital region."

The loan from NIB runs for ten years and constitutes partial financing of the reconstructions. The loan from NIB was paid out on 31 October 2022.

In January 2023, the same amount was raised to finance these projects from the European Investment Bank, which invests in projects that contribute to the achievement of the EU's sustainability targets.

**Green financing**

Ellevio has worked with green financing since 2020, when green bonds for a total of SEK 2,000 million were issued. See also page 84.

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**Ellevio's view:**

**Insufficient incentives for investment in the current regulation**

The revenue frameworks applicable to the period 2020–2023 are considerably lower than during the previous period, which is leading to a major disincentive to invest in the electricity network. The consequence of this is that the transition to renewable electricity production, electrified transportation and fossil-free industry will be hindered. The reduced revenue frameworks might entail positive short-term effects for customers by way of lower electricity prices, but in the long term they will lead to insufficient investments that result in more outages, higher electricity prices due to bottlenecks in the electricity network and poorer opportunities to manage the energy transition and achieve climate targets.

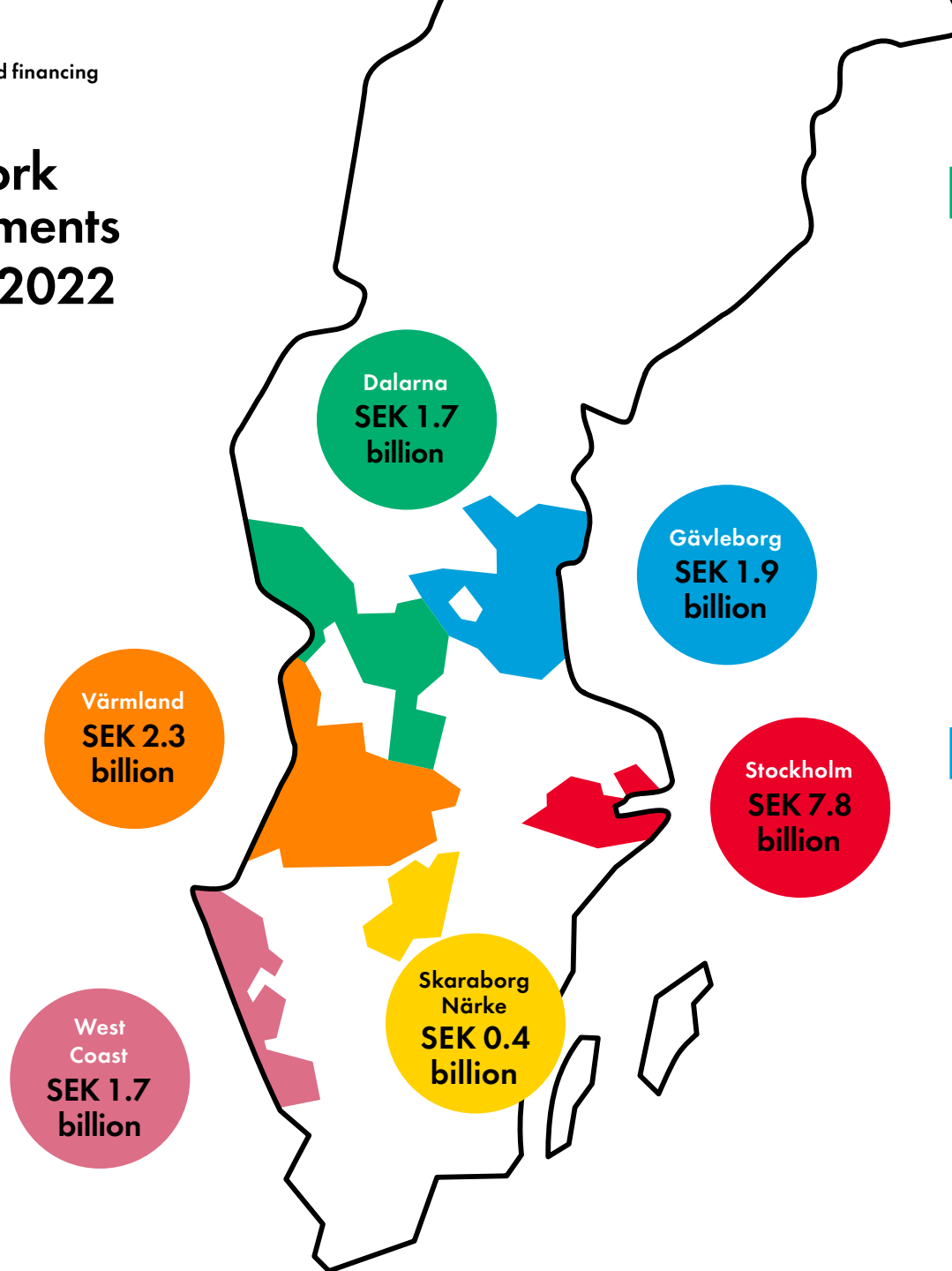
The improvements being carried out will not only result in a modern, flexible and weather-proofed electricity network, but will also contribute to lowering the networks' operating and maintenance costs over the long term, something which will benefit customers.

**Network companies have appealed the regulation**

The less beneficial regulation, with its insufficient investment incentives for 2020–2023, has led to more than 120 of Sweden's 160 electricity network companies, including Ellevio, appealing against the current regulation. Read more on page 13.



# Network investments 2018–2022



## Dalarna

**Approx. 36,000 customers**

- Modernisation and weather-proofing of the local grid is under way in large parts of Dalarna. We are building an electricity grid that can withstand weather and wind and that will reduce the number of power outages. Major projects were undertaken in 2022 in locations such as Gömslet, Idre fjäll, Hornberget, Örebäcken and Hemulberget.
- Several local grid projects were completed and planning is under way for further projects that will be launched in 2023 and 2024.
- Preparations have begun in Borlänge to build a new switchgear that will guarantee the electricity supply to the battery factory to be built by Northvolt in Kvarnsveden.
- Many new customers have been connected during the year, including charging stations, mobile phone masts and new facilities at Idre Fjäll.
- Network investments totalled SEK 535 million in the Dalarna network area in 2022.

## Gävleborg

(Hälsingland, Gästrikland)

**Approx. 74,000 customers**

- Projects are under way in Gävleborg to weather-proof the local grid by burying power lines. A large number of secondary substations are also being replaced. Projects continued during the year in such areas as Sunnanåsbo, Renshammar, Sörväna and Fröste.
- The newly acquired electricity grid in Ovanåker municipality (Edsbyns Elnät) was integrated during the year, and in connection with this Ellevio gained around 4,000 new customers.
- Many new customers have been connected during the year, including charging stations, mobile phone masts and the new bandy arena in Bollnäs.
- Network investments totalled SEK 278 million in the Gävleborg network area in 2022.

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