Ellevio's Green Bond Investor Report 27 April 2023

ELLEVIO

Contents

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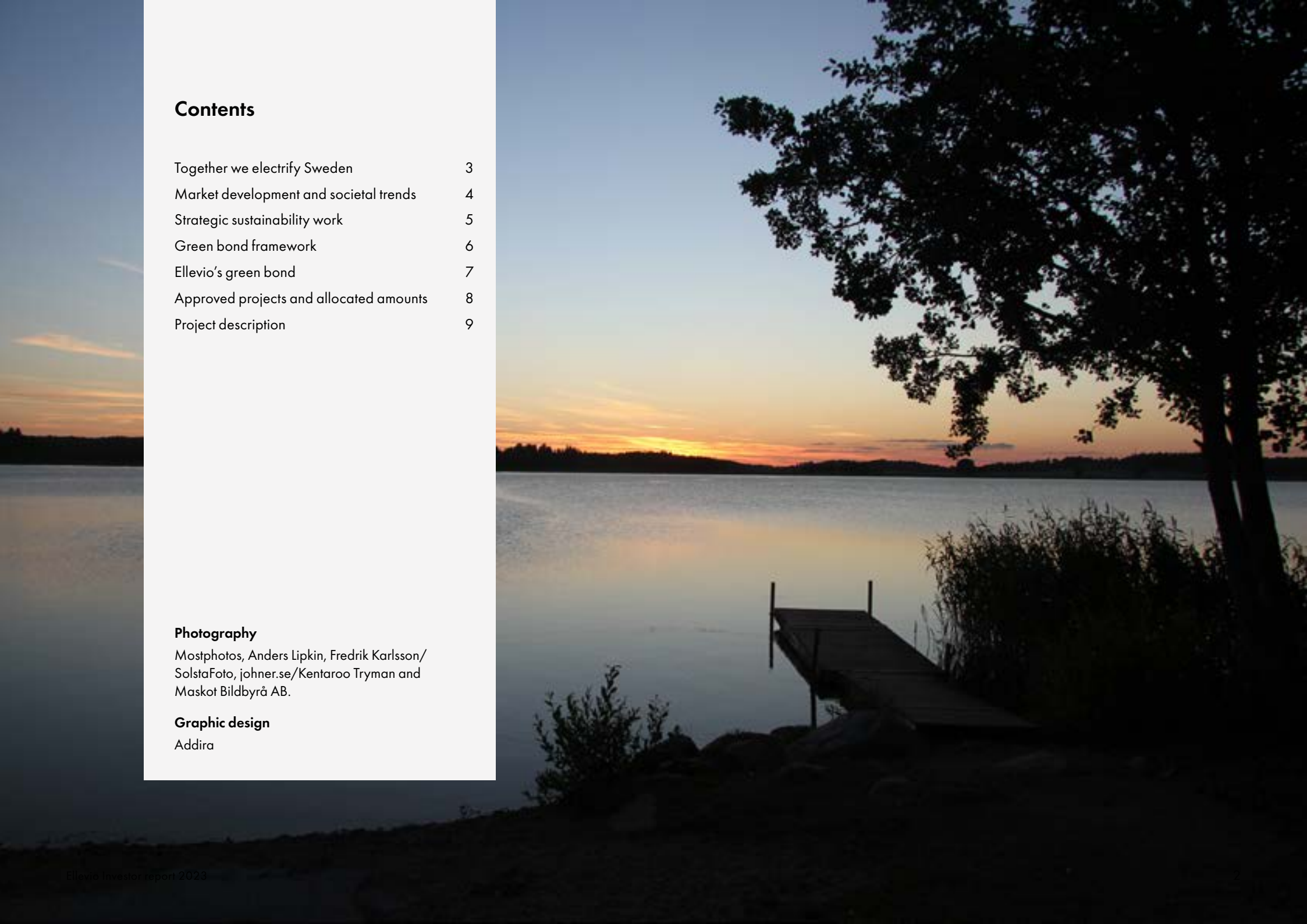
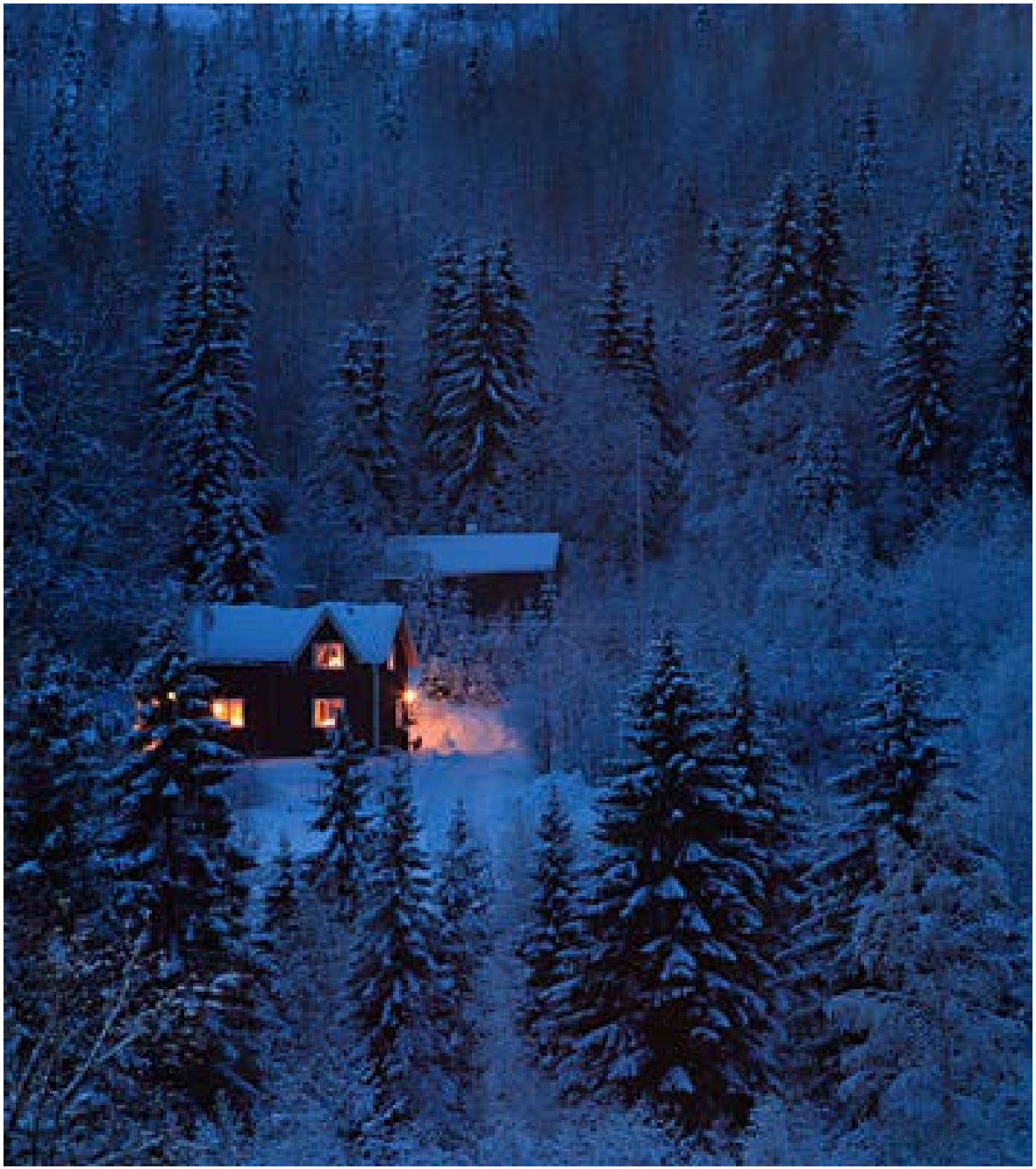




Together we electrify Sweden

Ellevio is one of Sweden's largest electricity network companies. We secure the electricity supply to homes, workplaces, industries, transport and societal functions, while at the same time contributing to the energy transition and the development of a climate-smart energy system. The electricity grid is crucial for both global and national climate targets.

Electrification is required for Sweden to achieve its national goal of zero net emissions of green-house gases by 2045. Working towards these objectives, electrification is often identified as a solution where fossil-free electricity replaces fossil fuels in both industry and the transport sector. It also involves the smarter use of the electricity grid and about connecting more renewable electricity production.

This is a major societal change that requires an infrastructure with greater capacity and flexibility to enable electrification of both the transport sector and industry.

Moreover, demand for electricity is going to increase drastically in the coming years. By 2045, Sweden will, according to several forecasts, need more than double the amount of electricity it requires today. To meet the demand, Swedish electricity networks require investments of around SEK 670 billion by 2045, according to a report published by Ellevio in March 2022.

At Ellevio, we are driving the transition to a long-term sustainable electricity system by:

- Investing in and developing the electricity grid to secure delivery, increase capacity and build the energy system of tomorrow.
- Support customers to act more climate-smart and efficient.
- Develop solutions and services based on smart data and analysis.

Market development and societal trends

Society's growing need for electricity places high demands on Ellevio – but at the same time creates opportunities. The fossil-free, electrified society of the future needs a smart electricity system with greater capacity and flexibility than today. Network companies play a decisive role in this, and the need for investment is huge. The market was challenged afresh in 2022 by the war in Ukraine, which caused an energy crisis throughout Europe.

2022 energy crisis

2022 was clearly marked by the war in Ukraine and its effects on the economy, geopolitics and – not least – the energy market. The war led to a shortage of gas in Europe and energy supply was further constrained when several nuclear reactors had to be taken out of service while the availability of wind and hydropower was low. This contributed to the price of electricity reaching new record levels. On the bright side, the energy transition gained new momentum as the desire to quickly become independent of fossil fuels increased.

New energy mix

The traditional Swedish energy system is built to handle predictable electricity production from a limited number of large plants based on hydropower, nuclear power and cogeneration. However, the electricity system is becoming increasingly dependent on wind but also solar power. As electricity production from weather dependent energy sources is irregular, the electricity grid must be designed to better handle an uneven supply and other technical challenges.

"The electricity grid is crucial for both global and national climate targets."

More and more electricity consumers also produce and sell their own electricity by connecting solar panels to the electricity grid.

Electrification of important sectors

Industries and transport need to be electrified to ensure Sweden achieves its climate targets – but also to maintain its competitiveness. This requires the electricity system to be modernised and expanded. The transition to an electrified transport sector is moving rapidly and many major vehicle manufacturers have ambitious targets. Developments are moving incredibly fast and the expansion of charging points is crucial. Electric vehicles both demand an increased need for charging capacity and provide storage opportunities that could contribute to balancing electricity use.

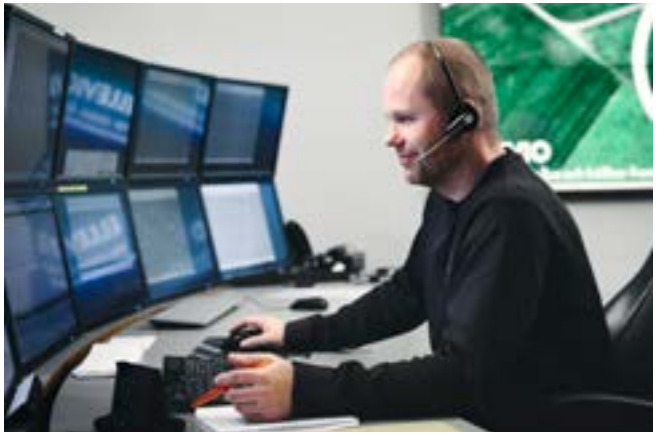
Rapid developments towards electrified processes are also under way within industry. Swedish industry is heading for a comprehensive transition that could have huge positive effects on the emission of greenhouse gases. This kind of breakthrough is expected in the steel industry, with the aim of entirely fossil-free manufacturing by 2045 and similar breakthroughs are underway in other sectors. Sweden is also an attractive location for establishing data centres.

New requirements when more people live in cities

One of the biggest challenges for Sweden's electricity network is that more and more people live in cities. At the same time, demand for improved reliability is increasing throughout the country.

Smart grids – the future of energy efficiency

Smart grids can collect, communicate, store and analyse information from millions of measuring points. This creates opportunities to control the energy system more efficiently and can also help reducing network losses. Ellevio works actively with digitisation of electricity networks and by end of 2022 we had installed the next generation of smart electricity meters at 815,000 of our customers.



Strategic sustainability work

Ellevio's vision is to contribute to a bright and sustainable future. Together with our customers and partners, we electrify Sweden. Contributing to a sustainable future is thus our core business. But we also want to be a pioneer in how we run our own business. This is why we steer our operations towards lower climate impact.

Ellevio is a signatory of the UN Global Compact and supports Agenda 2030 and the UN Sustainable Development Goals (SDGs) and the Paris climate agreement. Contributing to the SDGs is a matter of course for us and an integral part of our business strategy. Our core business has the greatest contribution to the four goals below.

Our Annual and Sustainability Report for 2022 describes how we manage our sustainability work, our commitments, how we measure our progress, and what results we achieved in 2022. Read more in the section 'In-depth sustainability information' on pages 79–116 and on pages 21–23 and in the CEO's statement on pages 10–11.

SDG 7

Sustainable energy for all

This is our social mission and what our long-term investments are aimed at.

SDG 9

Sustainable industry, innovation and infrastructure.

The electricity system is essential to society and enables the transition to a fossil-free world.

SDG 11

Sustainable cities and communities

By creating the electricity system of the future, Ellevio contributes to a sustainable society.

SDG 13

Combating climate change

In addition to electrification being crucial for the transition to a fossil-free society, we work actively to reduce the emissions and environmental impact from our own operations, and also to adapt electricity networks to a changing climate

The taxonomy

Transmission and distribution of electricity	Percentage eligible[1], %	Percentage non-eligible[2], %	Percentage aligned with the taxonomy[3], %	Percentage aligned with the taxonomy, of percentage eligible[4], %
Sales	100	0	100	100
Capital expenditure	98	2	98	100
Operating expenses	95	5	95	100

Ellevio's operations to a large extent taxonomy-eligible and -aligned

The EU taxonomy is an important tool in achieving the EU's climate targets and the objectives of the EU's green growth strategy. Electricity grids are classified as an "enabling activity" in terms of limiting climate change (goal 1), and Ellevio's operations are categorised under Section 4.9 of the taxonomy: "Transmission and distribution of electricity".

Following an extensive review and analysis during 2022, Ellevio has concluded that its operations are both eligible for and aligned with the taxonomy to a very large extent.

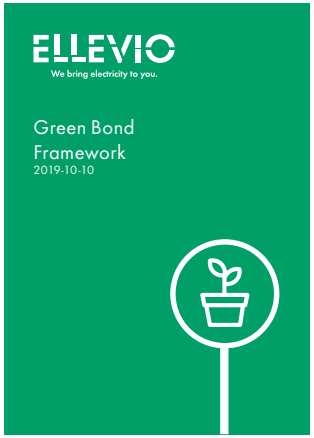
The taxonomy thus gives us the opportunity to put concrete numbers on what we have long claimed: that Ellevio's operations and investments are an enabler of the climate transition.

Green bond framework

Ellevio launched a green framework in 2019 to be able to issue green bonds. The purpose is to offer the capital market opportunities to invest in projects that support the transition to an emission-neutral and climate-smart energy system. Projects that may be eligible for funding are those that contribute to the UN Sustainable Development Goals.

The framework has been reviewed by the independent climate and environmental research institute Cicero and has received the highest rating, 'Dark Green'. Projects that fall within the green bond framework deliver value in the following areas:

- Renewable energy
- Energy efficiency
- Adaptation to climate change
- Protection of natural resources
- Fossil-free transports



°CICERO
Shades of Green

→ Cicero's statement is available at www.ellevio.se/globalassets/content/finansiell-information/second-opinion-cicero-06_11_19.pdf

Ellevio's green bond

Ellevio has issued a total of SEK 2,000 million within the company's green bond framework.

Ellevio issued its first bond under the company's framework for green bonds in June 2020. A total of SEK 1,650 million was issued at that time. The strong demand from investors led to that Ellevio increased the value of the bond by SEK 350 million in August of the same year. No bonds were issued in 2021 or 2022.

The bond is issued under the company's Euro Medium Term Note (EMTN) programme on Euronext Dublin and in accordance with Ellevio's green bond framework.

Ellevio's green bond

ISIN	Amount (SEK m)	Start date	Maturity	Fixed / Variable	Reference rate	Margin	Coupon	Type
XS2187707893	1,000	2020-06-11	2027-06-11	Variable	Stibor 3M	1.43%		Green
XS2187708198	1,000	2020-06-11	2027-06-11	Fixed			1.728%	Green

"As electricity production from weather-dependent energy sources is irregular, the electricity grid must be re-designed."

Approved projects and allocated amounts

In 2022, Ellevio allocated SEK 598 million in projects approved for green financing in accordance with the company's green bond framework. A total of SEK 2,194 million has been invested in green investment projects as part of the framework.

Ellevio's Green Account as of 31 December 2022, amounted to SEK 39 million. Following the allocation of investment funds of accrued costs under approved green investment projects as of 31 December 2022, all green investment funds have ben allocated.

Allocation of green financing for completed investments as of 31 December 2022, SEK million

Approved green investment projects, total amount	**2,194**
– of which energy efficiency	993
– of which renewable energy	1,201
Green funding, total amount	**2,000**
– of which allocated to energy efficiency	900
– of which allocated to renewable energy	1,100

Project description

Ellevio has invested in two types of projects under the green bond framework. The projects increase the share of renewable energy by connecting wind power and enable energy efficiency by installing the latest generation of smart electricity meters.

Energy efficiency – the latest generation of smart electricity meters

The Energy Efficiency project involves installing the latest generation of smart electricity meters in almost one million households and companies in Sweden. The work began in 2020 and will be completed in 2023.

The new meters are an important piece of the puzzle for the sustainable energy systems of the future, and by the end of 2022, around 815,000 of Ellevio's customers had their second generation smart electricity meter installed.

The new electricity meters create opportunities for new smart energy services that enable our customers to live more climate-smart and energy-efficient. Customers are given better conditions to follow, compare, measure and reduce their electricity use.

The new meters give us access to a huge amount of data that provides a better overview of the electricity network's status. This means that faults can be detected and remedied more quickly, which leads to fewer and shorter outages.

The meters also allow the connection of photovoltaic solar panels, and thanks to a standardised interface, the new electricity meters open up new services from third-parties, including energy efficiency, and smart electric vehicle charging and heating.

Renewable electricity – Connection and wind power

Increasing the share of connected renewable energy is part of Ellevio's essential sustainability work, and we are investing in electricity grids to enable convertion of the energy system to renewable energy sources. The proportion of wind power is increasing rapidly, and wind power now accounts for approximately 20 percent of the Sweden's electricity supply. There is a political goal that Sweden should have a 100 percent renewable electricity production by 2040, which means that the importance of wind power is likely to increase in the coming years. In total, the supply of wind power to Ellevio's electricity grid in 2022 amounted to 4.7 TWh (4.0), corresponding to 35 percent (26) of the total electricity directly fed into the network. The connected effect from wind power to Ellevio's network increases every year. Ellevio has made investment decisions on the connection of wind farms and has close collaboration with wind power developers. The investment projects that are approved for green financing have connected 1,839 MW of new wind power production to the company's regional network during the period 2019–2022. In 2022, Ellevio connected 101 (98) new wind turbines with a combined effect of 614 MW (576).

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