Statnett

The Green Pulse

Investor Presentation
May 2023

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1. Critical infrastructure – **State** (Aaa) owned monopoly
2. Investments to support the **Green** transition
3. **Sustainability** – Systematic and targeted
4. **Stable** regulatory framework (Aaa) – Cash flow visibility
5. **Prudent** financial risk management

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Key credit highlights

Critical infrastructure Monopoly TSO in one of the world's most stable and prosperous countries (Aaa)		**State enterprise** By law, only the government can be the owner	On a mission from a **Supportive owner** Power system **enabling the green transition**
Fully regulated Pure play transmission Excellent cashflow visibility	Regulatory framework **Stable and predictable** Aaa scored - better than most peers	**A2/A+ stable** Board committed to a robust A rating	**Taxonomy aligned** 99.1-100% **Dark Green** shading from CICERO

Sole Transmission System Operator (TSO) in Norway

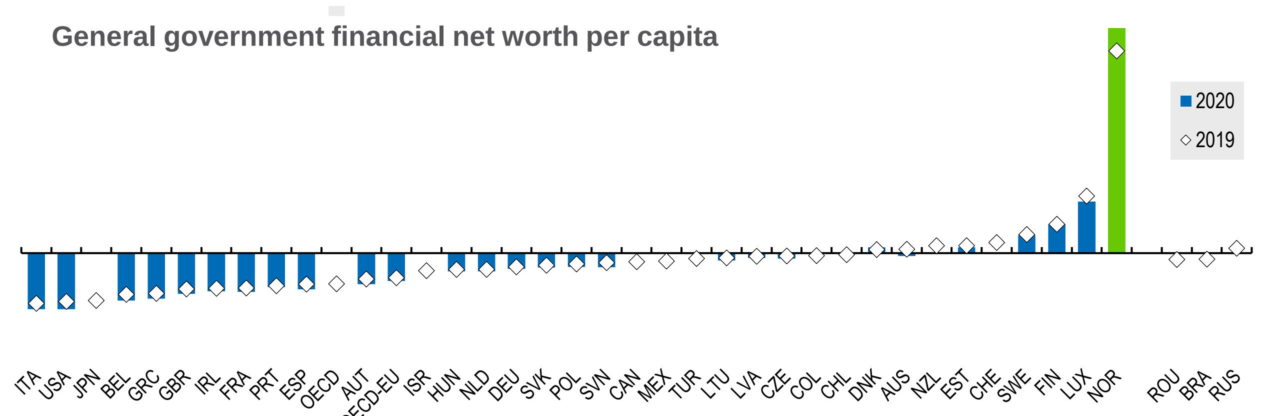
11 500 km high voltage lines	2 550 km subsea and underground cables	190 substations	1 600 employees

2022 Financials – NOK bn			
Balance sheet 87.2	Revenue 22.9	Underlying revenue[1] 16.1	Underlying EBITDA[1] 4.6

[1] Underlying figures (adjusted for change in temporary accruals/deferrals vs regulated revenue)

Norway - one of the world's most stable and prosperous countries

- Rated **Aaa / AAA / AAA** by Moody's, S&P and Fitch
- Extraordinarily **strong net asset position**
- Evenly distributed wealth and educated population underpins **economic resilience and political stability**
- Norway ranked #2 out of 140 countries on **adherence to rule of law** (World Justice Project)



Source: OECD

S&P Global AAA (Stable)

S&P Global Ratings, 13 March 2023
"The sovereign has extremely strong fiscal and external net asset positions, which together with high wealth levels, strong institutions, and an effective monetary policy regime support the rating."

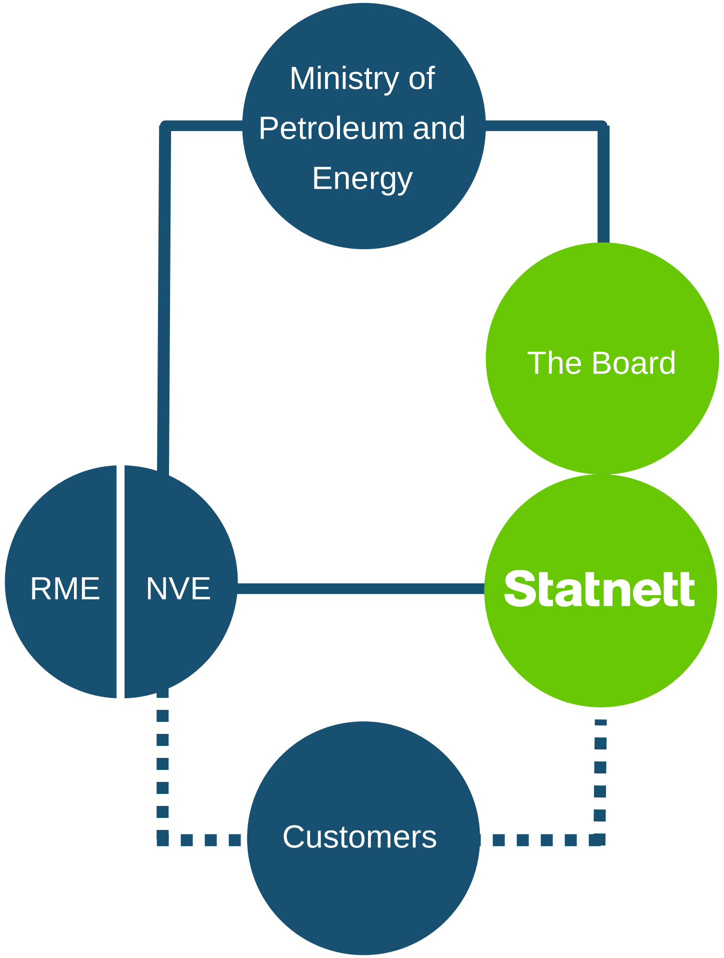
Moody's Aaa (Stable)

Moody's Credit Opinion, 28 November 2022
"Our credit view of Norway reflects its high and relatively evenly distributed wealth, well educated labor force, strong government and external balance sheets as well as consensus-driven political framework."

FitchRatings AAA (Stable)

Fitch Ratings, 20 January 2023
"Norway's credit profile is supported by very high GDP per capita, extremely strong sovereign and external balance sheets and very strong institutions. Large fiscal buffers and a robust macroeconomic policy framework allow the authorities ample room to respond to economic shocks, like the pandemic."

Sound independent company governance



- **Regulated** by Norwegian Water Resources and Energy Directorate (NVE) and The Norwegian Energy Regulatory Authority (RME), with the latter responsible for the economic regulation

- **100% owned** by the Ministry of Petroleum and Energy
- The Ministry appoints the Board of Directors and **the Board acts independently**
- **Governed by the State enterprise act** which is almost identical to the law for limited companies, with the key difference being that there can only be one owner – the State

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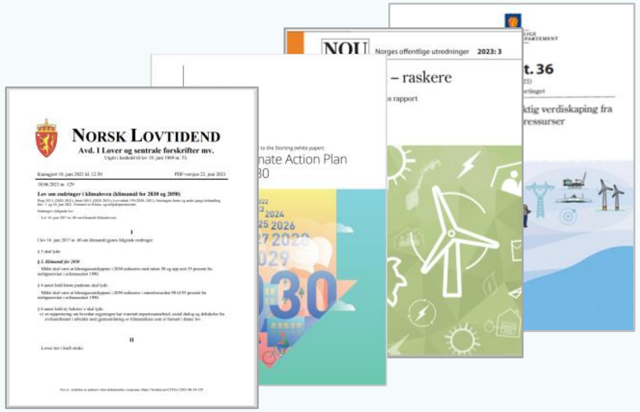
Statnett's activities are key to Norway achieving its climate goals

Norway's climate goals

Norway maintains a 1.5°C target and commitment to the Paris Agreement.

GHG emission reductions (vs 1990 levels)
- **At least 55% by 2030**
- **At least 90-95% by 2050**

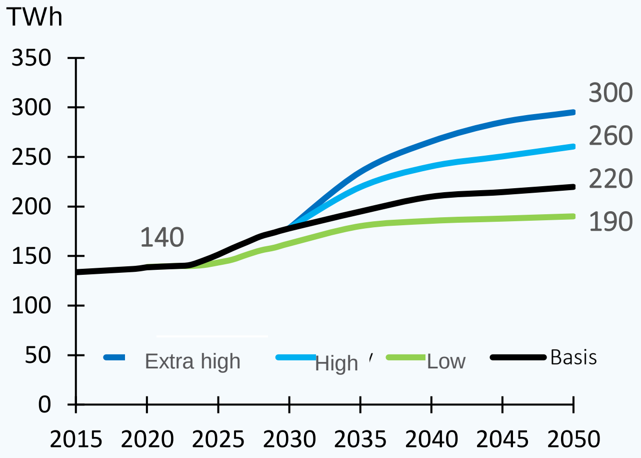
Governed by the Norwegian Climate Change Act[1]



Power demand accelerating

The green transition significantly increases demand for power and **transmission infrastructure**.

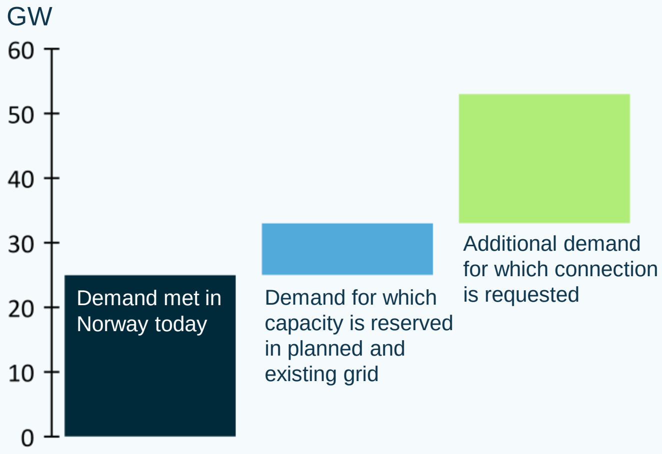
Scenarios for development of consumption of electricity in Norway:



The green transition is happening

Statnett already sees a **steep increase in requests for connection** to the grid due to electrification and new green industry.

Requests for connection of new demand to the Norwegian power system:



1) Implementation of change from previously 50-55% by 2030 to "at least 55%" expected to be approved by Parliament in June 2023.

Statnett is investing to enable Norway's green transition

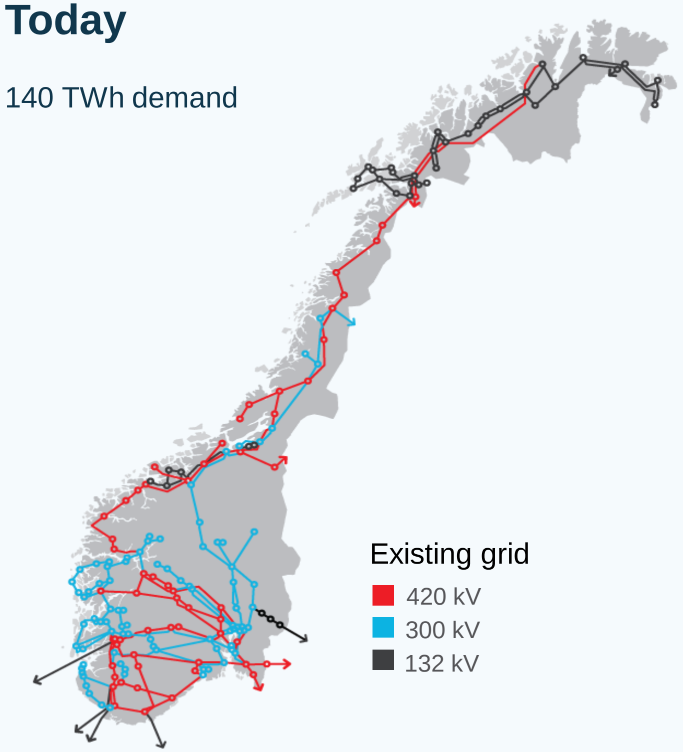
Investment in transmission grid of 60-100 bn NOK by 2030

Investments all over Norway

- Enabling new connections and strengthening the grid across the country to facilitate **electrification** and new **green industry**
- Facilitating **offshore wind** production
- Upgrading all major transmission channels to 420 kV to **increase capacity between regions**
  - North-south
  - East-west
- Strengthening and maintaining **security of supply**
- **Digitalization and automation** of system operation

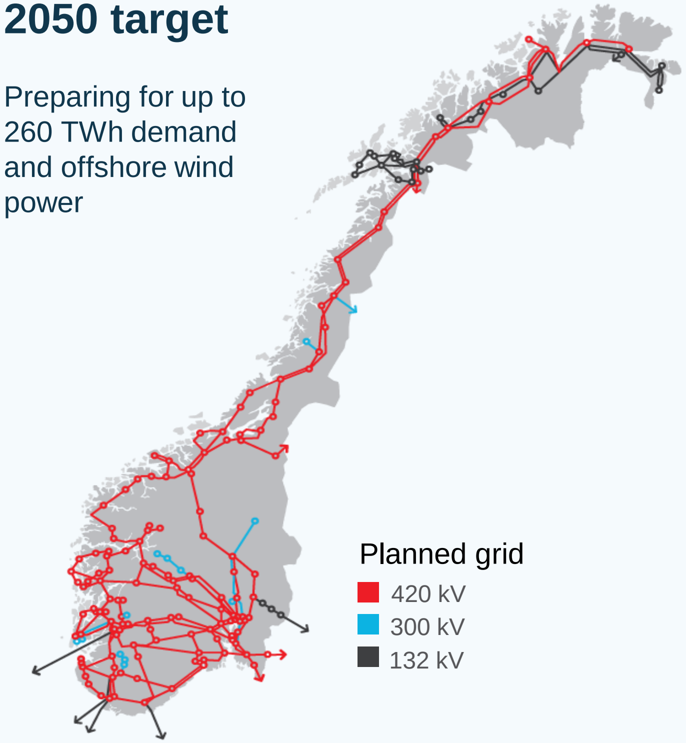
Today

140 TWh demand



2050 target

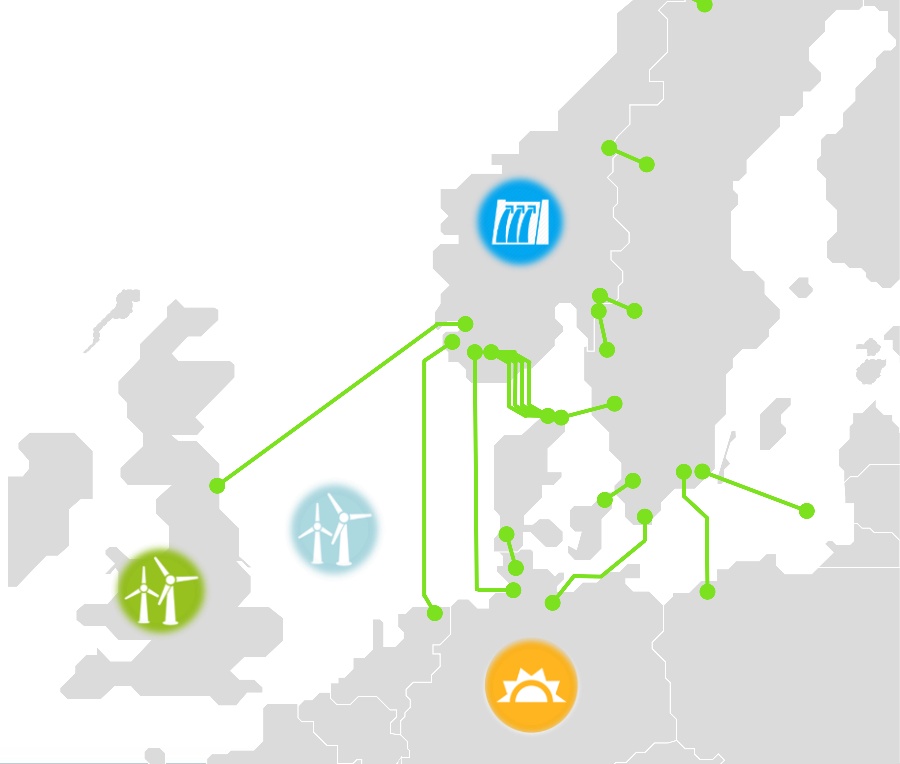
Preparing for up to 260 TWh demand and offshore wind power



The flexible Norwegian power system supports a greener Europe

Reservoir flexibility and interconnectors supports European renewable generation mix

Interconnectors are also important for security of supply in Norway in dry years.

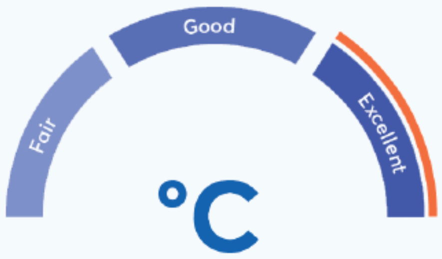


Green bond financing

Green bond framework

Eligible project categories

- Connecting renewable power production
- Enabling efficient use of clean energy
- Increasing the market for renewable energy



CICERO Second Opinion: Dark Green

Strengths

"Overall, Statnett's green bond framework provides a progressive, clear and sound framework for investments into projects that well align with the Green Bond Principles"

"The overall assessment of the governance structure of Statnett gives it a rating of Excellent"

"Statnett has updated its climate and environment strategy and defined ways for how to reduce emissions"

Weaknesses

"There are no apparent weaknesses in the framework"

Examples of eligible projects

New power line Lyse – Fagrafjell
Secures supply and supports electrification, new green industry and renewable power production in South Rogaland. Project includes new substation at Fagrafjell (low emission construction site).

- Voltage level: 420 kV
- Length: 67 km
- Expected completion: Summer 2023
- Expected total cost: NOK 2.22 – 2.34 bn

NordLink
Connects Norwegian and German electricity markets.

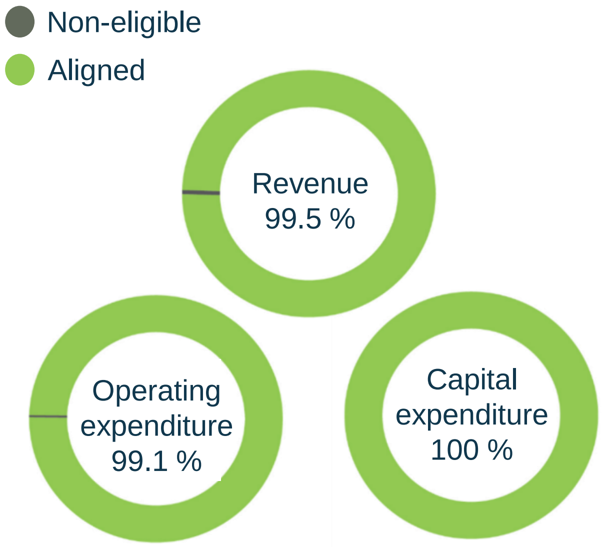
- Capacity app.: 1,400 MW
- Length: Over 500 km
- Voltage: 525 kV
- Completion: Trial operation was completed in March 2021
- Total cost: Approx. EUR 1.7 bn (Statnett 50% of this)

For more information about our projects, visit www.statnett.no

Statnett is eligible and aligned to the EU taxonomy

Taxonomy included in our 2022 annual report, one year ahead of requirement.

Statnett's activity is taxonomy eligible
- *Activity 4.9 Transmission and distribution of electricity*



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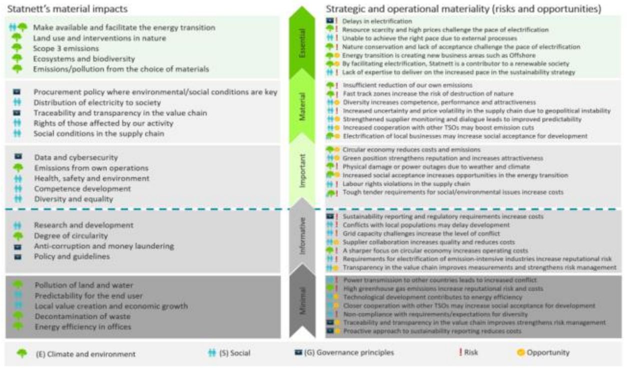
Statnett's sustainability strategy

Targeted and systematic sustainability initiatives are key

We have prioritized three areas based on a double materiality assessment:



Double materiality assessment

1 Sustainable transition

- Contribute to electrification and green value creation
- Work for coexistence in society
- Reduce risk in the value chain

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

2 Cutting emissions – net zero in 2050

- Reduce Scope 1, 2 and 3 emissions in line with SBTi framework
- SF_6 free by 2050

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

13 CLIMATE ACTION

3 Preserving nature – moving towards being nature positive

- Limit our footprint
- Avoid harm to valuable nature
- Preserve and restore nature

14 LIFE BELOW WATER

15 LIFE ON LAND

Our governance principles for sustainable business

Integrated sustainability

Our work on sustainability is integrated into our processes through our management systems and strategy

- The Board of Directors has overarching responsibility
- Group Management is responsible for the company's targets and implementing necessary actions
- Day-to-day implementation is a management responsibility
- Risk management and internal controls implemented

Governing documents

Our commitments are included in:

- Ethical guidelines (Code of Conduct)
- Supplier Code of Conduct
- Sustainability policy
- Security policy
- Procurement policy
- Employee guidelines

Our sustainability commitments

We follow international standards and frameworks

- We are committed to following the **UN Global Compact's ten principles** for responsible business
- Certified according to the international standards **ISO 14001 for environmental management and ISO 55001 for asset management**
- Our reporting meets the requirements of the **Global Reporting Initiative (GRI) Standards**
- **Independent limited assurance** by Deloitte
- **We are committed to and preparing for emerging regulations**, standards and frameworks:
    - SBTi: commitment letter sent April 2023
    - EU Taxonomy, CSRD (ESRS), CSDDD
    - Norwegian government ownership policy
    - The Norwegian Transparency Act – statement on Due Diligence in annual report
    - UN Nature agreement (2022) – SBTN

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Strong cash flow visibility provided by stable regulatory framework (Aaa)

Permitted revenue is cost based with updated parameters each year – providing excellent cash flow visibility

- Full cost recovery when efficient
- Efficiency benchmark is Statnett's own historic unit cost average adjusted by inflation. Efficiency adjustment therefore relatively limited and foreseeable over time.

Permitted revenue collected through tariffs and congestion revenue

- Differences to permitted revenues made up in subsequent years through tariff adjustments or cash contributions

Top scoring regulatory framework (Aaa)

Moody's Investors Service

"The credit quality of Statnett SF (A2 stable) is supported by the **stable, predictable and supportive regulatory framework** under which the company operates, which provides excellent cash flow visibility"

Moody's investor service, April 2023

S&P Global Ratings

"We see the framework as successful in establishing **predictable revenue** while allowing for **full cost recovery**, a fair return on investments, and significant incentives for efficiencies"

S&P research update, April 2023

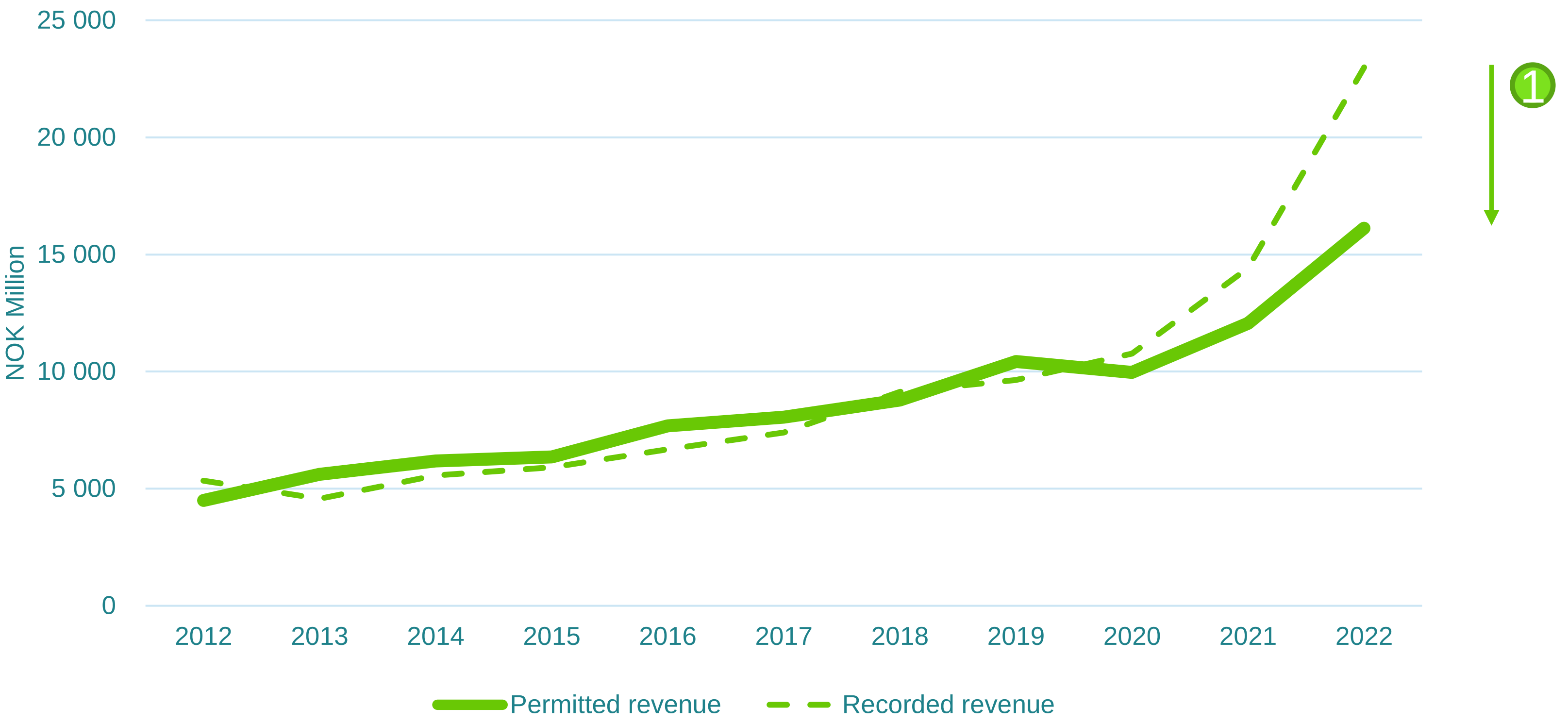
Stability and predictability of regulatory regime

Aaa	Norway, UK (onshore), Ireland
Aa	Czech Republic, Finland, France, Northern Ireland, Italy, Netherlands
A	Tennet, Gasunie, Estonia, Germany, Portugal

Business Risk: Excellent

Steady revenue growth

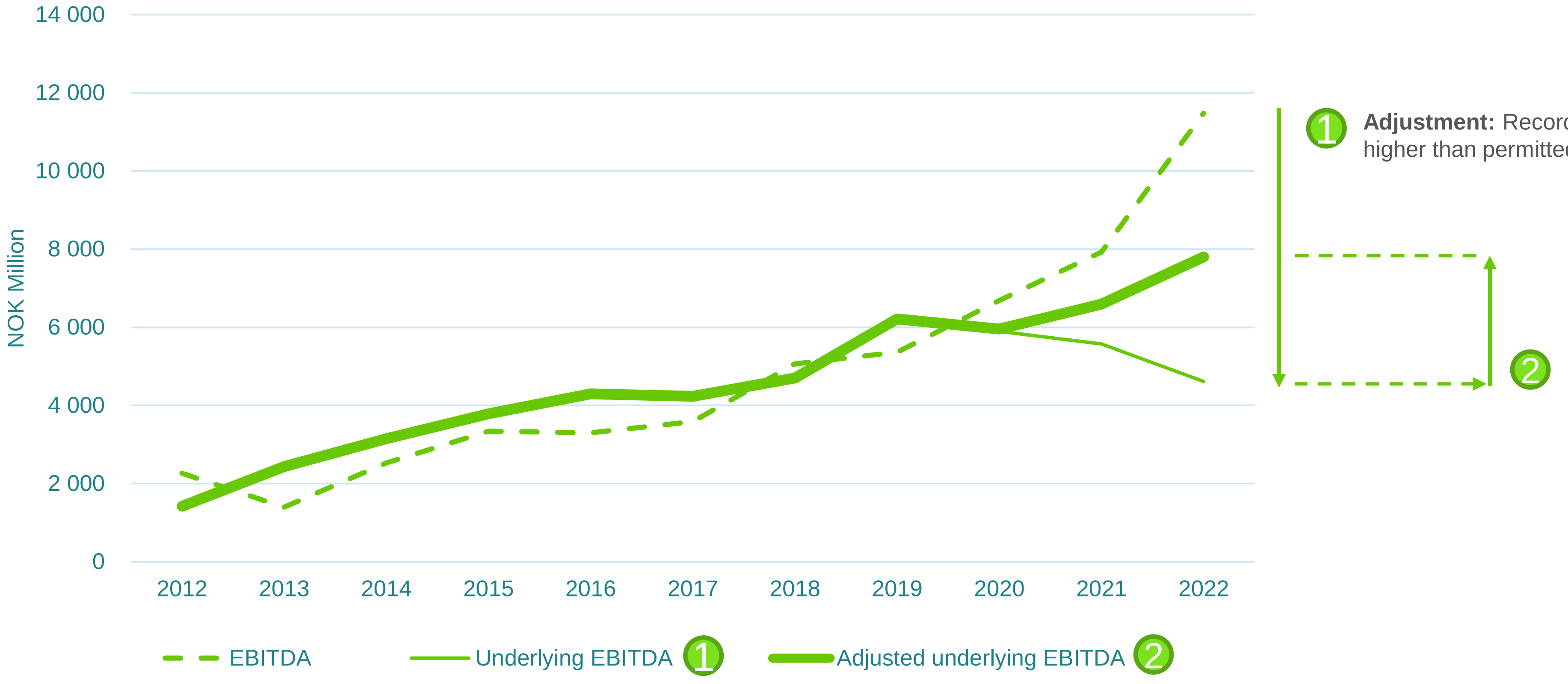
Revenues



Extraordiarily high congestion revenues lead to higher income than the the permitted revenue. Will level out over time, so on aggregate, we will collect the permitted revenue.

Calculations detailed in Appendix.

Steady underlying EBITDA growth – temporary fluctuations to level out



1 **Adjustment:** Recorded Revenue higher than permitted revenue.

2 **Timelag adjustment:** Extraordinarily high system operations costs in 2021-2022 will be included in permitted revenue with a two year timelag.

Calculations detailed in Appendix.

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5 **Prudent** financial risk management

Prudent financial policy and low financial risk

Prudent liquidity management

- Sufficient liquidity to fund operations, investments and redemptions over a minimum 12 months period
- NOK 8bn committed sustainability-linked RCF and EUR 130mill loan from EIB (both undrawn)

Low counterparty risk

- Minimum rating requirement of A- for our counterparties
- Credit Support Annex (CSA)

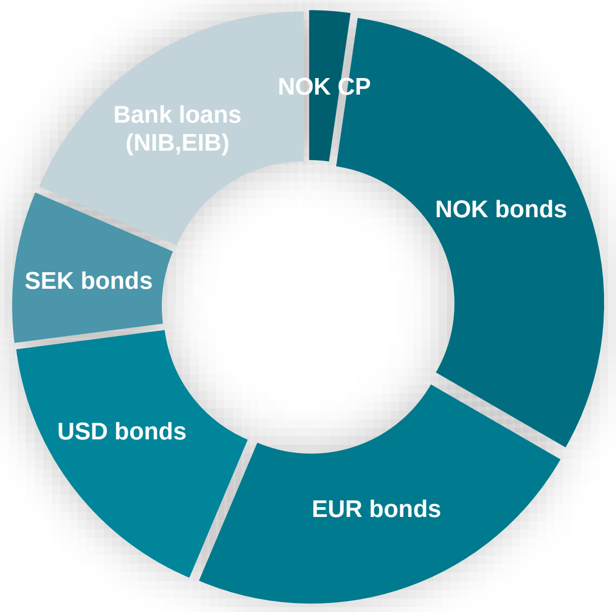
Low interest rate risk

- Seek to correlate rate on debt with NVE-interest rate (regulated return)

Low currency and commodity exposure

- Investments enter RAB cost base in NOK as expensed, exchanged or hedged
- All debt swapped to NOK

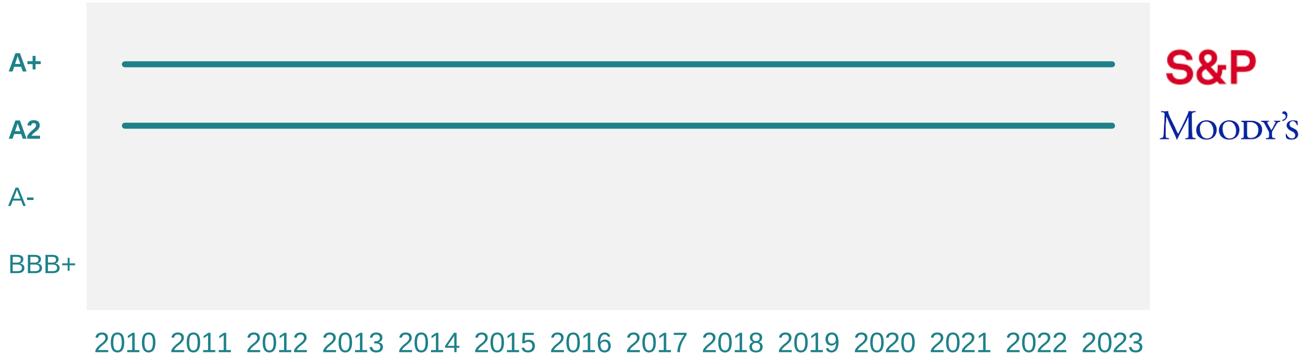
Demonstrated diversity of funding sources across markets



Debt as of 31.12.2022

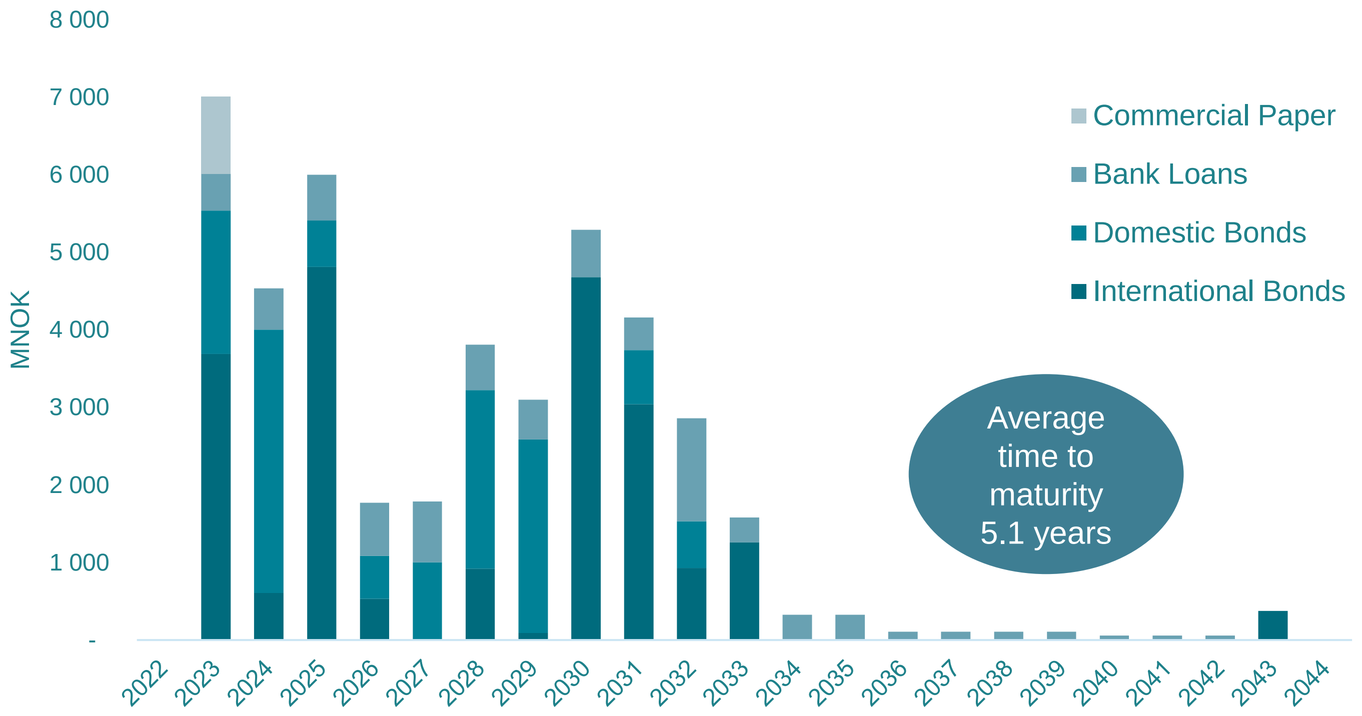
- Policy: At least 3 independent funding markets
- Supported by
  - EUR 5bn EMTN Programme
  - Strong and supportive bank group
  - Stable A2/A+ ratings from S&P/Moody's since 2010

Stable long-term issuer ratings since 2010



Balanced maturity profile with long average maturity

Debt as of 31.12.2022



Redemptions backed by NOK 8bn RCF, undrawn loan, cash, securities and robust debt capital markets access.

See Note 16 in 2022 Annual report for further details.

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Statnett

Appendix

Understanding the 2022 financial statements

	NOK m
EBITDA	11 479
Less revenues in excess of permitted revenue (note 4)	- 6 868
Underlying EBITDA	**4 611**
Interest bearing debt as reported	47 376
Less net value of debt related derivatives	- 2 282
Plus off balance sheet debt to customers (note 4) (higher than permitted revenue balance after tax) 9278*(1-0,22)	+7 237
Underlying debt, net of derivatives	**52 331**

- 2022 energy market volatility resulted in unprecedented high congestion revenues for Statnett. Statnett therefore reduced fixed consumption tariffs to zero and even facilitated some direct payouts to customers, but total (and reported) revenues still ended NOK 6.9 bn higher than the regulated permitted revenues. This excess revenue will add to the balance of higher revenue that we have to return to customers going forward, through adjusting tariffs, so that on aggregate, we only keep the permitted revenue.
- Statnett has no power production, and purchases of electricity for line losses are compensated in the regulation. So we are not significantly exposed to energy prices directly. But the extraordinary 2022 market nevertheless resulted in system services costs being much higher than previous years (2022: NOK 3,8 bn compared to 2020: NOK 0,6 bn). These costs are recouped in the regulation with a two year timelag. In short, the extraordinarily high system services costs resulted in lower EBITDA in 2022, but will lead to higher permitted revenue and underlying EBITDA in 2024.
- Statnett swap all foreign debt back to NOK. When NOK weakens, the value of our debt increases, but so does the value of our derivatives which will cover for that. The NOK 2.3 bn worth of derivatives counters movements in principal and interest rates on our debt.
- At the end of 2022, the off balance sheet higher revenue balance was NOK 9.3 bn. We will give that back to customers over time by reducing tariffs. The after tax effect of this constitutes off balance sheet debt (interest bearing, as interests will be added to the balance).

Reconciliation of financial key figures (in million NOK)

Unadjusted figures	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Recorded revenue	5 334	4 561	5 563	5 906	6 678	7 401	9 138	9 641	10 761	14 412	22 993
EBITDA	2 260	1 394	2 528	3 340	3 296	3 585	5 062	5 366	6 688	7 926	11 479
EBIT	1 433	346	1 378	1 714	1 152	1 312	3 120	3 027	3 868	4 846	8 433
Result for the year	837	82	829	1 103	645	813	2 213	1 906	2 697	3 307	5 949
Adjustments											
Accumulated higher revenue*	3 455	2 413	1 790	1 346	343	-303	59	-732	60	2 410	9 278
Adjustment for changes in acc. higher/lower revenue	-838	1 042	623	444	1 003	646	-362	791	-792	-2 350	-6 868
Adjusted figures ("underlying")											3,6
Permitted revenue	4 496	5 603	6 186	6 350	7 681	8 047	8 776	10 432	9 969	12 062	16 125
Underlying EBITDA	1 422	2 436	3 151	3 784	4 299	4 231	4 700	6 157	5 896	5 576	4 611
Underlying EBIT	595	1 388	2 001	2 158	2 155	1 958	2 758	3 818	3 076	2 496	1 565
Underlying result for the year	234	832	1 284	1 427	1 397	1 304	1 934	2 523	2 079	1 474	592
Underlying EBITDA with adjustment for extraordinary system operations cost increase in 2021 and 2022 (to enter permitted revenue calcualtion for 2023 and 2024 respectively)											
Underlying EBITDA	1 422	2 436	3 151	3 784	4 299	4 231	4 700	6 157	5 896	5 576	4 611
System operations costs						435	541	492	600	1 505	3 788
System operations costs increase (compared to t-2)								57	59	1 013	3 188
Adjusted underlying EBITDA	1 422	2 436	3 151	3 784	4 299	4 231	4 700	6 214	5 955	6 589	7 799

Base numbers directly from the P&L in the annual reports.

*See note 4 in Annual Report for changes in accumulated higher/lower revenue.

Predictable revenues and profitability dynamically adapted to costs

1

Revenues:

Costs[1] x 30% + Costs[1] x 70% x Efficiency Score

Efficiency score range limited
Measured against own historic average

Benchmark costs indexed

Timely compensation
No time lag on investments, system service costs or depreciation, two years lag on operational costs (compensated with inflation)

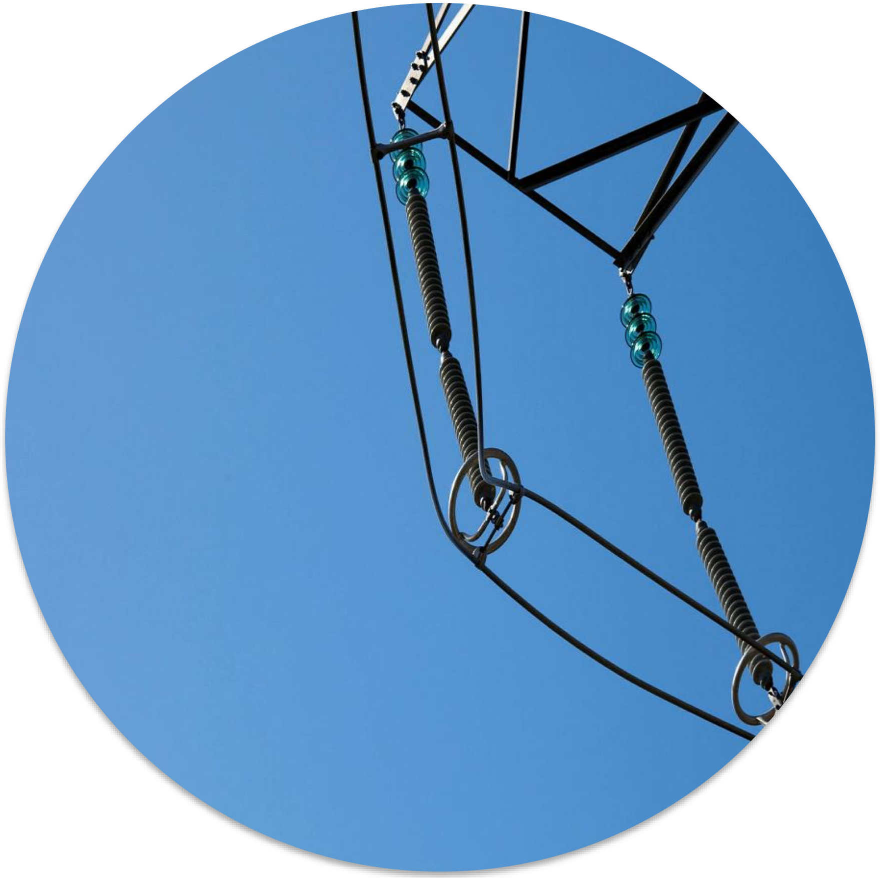
2

Regulated rate of return (2022: 7.47%)

$$\frac{1.5\% + \text{Inflation} + 0.875 \times 5\%}{(1-\text{Tax rate})} \times 40\%^{2} + (\text{5y swap rate} + \text{margin}) \times 60\%^{2}$$

2016: 6.32%, 2017: 6.12%, 2018: 6.10% , 2019: 5.69%, 2020: 5.15%, 2021: 5,37%, 2022: 7,47%

1) See separate slide for definition of costs 2) 40% equity share regulatory assumption – fixed parameter independent of company



Sources: www.nve.no/norwegian-energy-regulatory-authority/economic-regulation/ and www.nve.no/reguleringsmyndigheten/regulering/nettvirksomhet/oekonomisk-regulering-av-nettselskap/

Calculation of permitted revenue

Permitted revenue$_n$ $= 30\%*\text{Cost base}_n + 70\%*\text{Norm cost}_n + SS_{n-2} + TrC_n + Ptax_n + 30\%^1*SO_{n-2} + 70\%^1*(1\text{-}0{,}6\%)*SO_{n-2} - CENS_n$

Cost of system services year n-2, inflation adj.

Transit costs year n

Property tax year n

System operations cost base: Inflation adj. operating costs + depretiations$_{n-2}$ + RAB_{n-2}*1,01* $NVErate_n$

System operations cost base reduced with a productivity requirement of 0,6%

Calculated cost on energy not supplied year n

Cost base*Efficiency score*(1-productivity requirement of 2%)

$O\&M_{n-2}*CPT_n/CPI_{n-2} + D_n + RAB_n*1{,}01*NVErate_n + TL_{n-2}*P_n + CENS_{n-2}$

D and RAB are included in two steps. First the two year lagged values are included in the cost base and the efficiency is calculated. Then the increase in D and RAB from n-2 to n are included in the permitted revenue without any efficiency adjustment.

Transportation loss year n-2 multiplied with power marked price year n

Calculated cost om energy not supplied year n-2

Sources: www.nve.no/norwegian-energy-regulatory-authority/economic-regulation/ and www.nve.no/reguleringsmyndigheten/regulering/nettvirksomhet/oekonomisk-regulering-av-nettselskap/

Tariff in a normal year

- Set by Statnett ahead of each year
- Defines how Statnett distributes the permitted revenue between different customer groups
- The tariff does not define the long term revenue:
  - Any difference between collected tariffs and the permitted revenue is made up in subsequent years
  - End result: Over time, Statnett ends up with the cost based regulated permitted revenue cap

- Tariff is split between a variable part and a fixed part
- The variable part (approximately 20%) is based on marginal transmission loss in each node and billed weekly
- The fixed part is designed to cover the remaining part of the permitted revenues. It is allocated according to customer groups, load/production and point of connection, and paid mid-month for the same month.