Statnett

The Green Pulse

Investor Presentation
June 2024

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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 Norway, 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

The Board committed to a robust A rating

Taxonomy aligned

99.6 – 100%

Dark Green
shading from S&P (2024)

Sole Transmission System Operator (TSO) in Norway

11 389 km high voltage lines	2 341 km subsea and underground cables	236 substations	1 789 employees

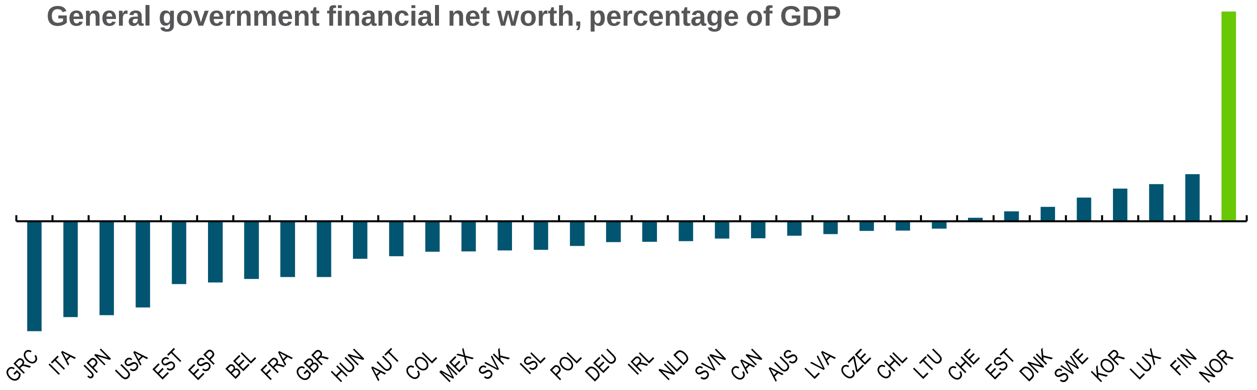
2023 Financials – NOK bn			
Balance sheet 90.3 (87.2)	Revenue 11.6 (22.9)	Underlying revenue[1] 17 (16.1)	Underlying EBITDA[1] 7.1 (4.6)

[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 142 countries on **adherence to rule of law** (World Justice Project)

General government financial net worth, percentage of GDP



Source: OECD

S&P Global AAA (Stable)

S&P Global Ratings, 11 September 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, 7 November 2023

"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."

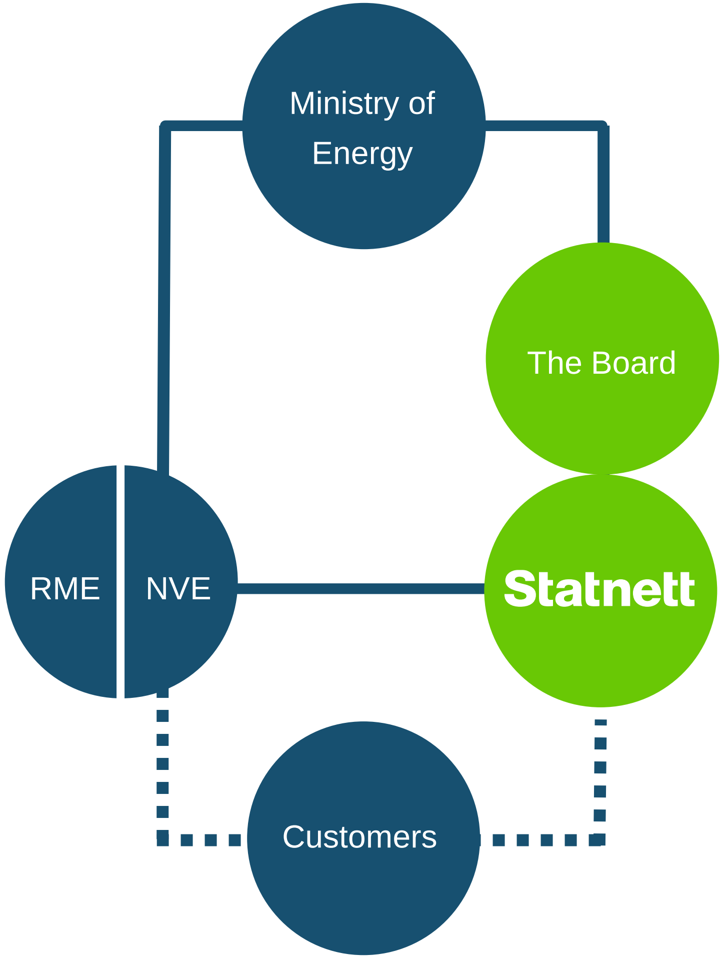
FitchRatings AAA (Stable)

Fitch Ratings, 21 December 2023

"Norway's credit profile is supported by extremely strong sovereign and external balance sheets, very strong institutions and high GDP per capita. The sharp increase in revenues from the surge in energy prices further strengthened Norway's sovereign and external balance sheets in the past two years."

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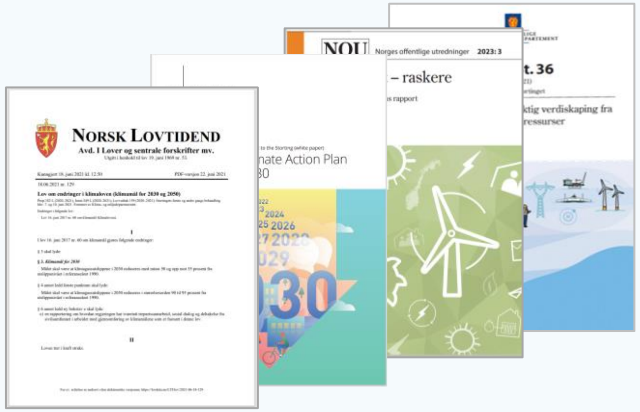
Statnett's activities are key to Norway achieving its climate goals

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**

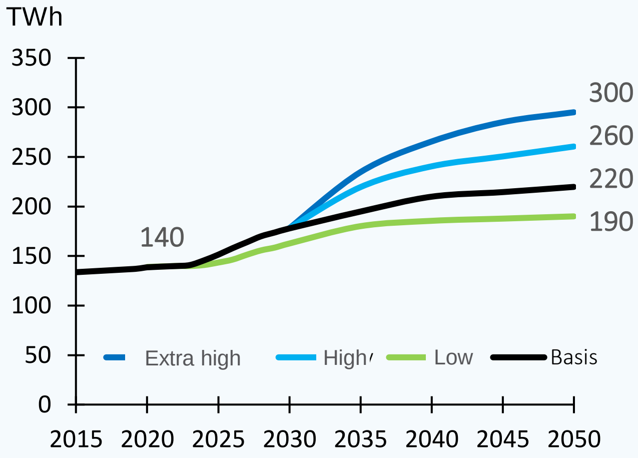
Governed by the Norwegian Climate Change Act[1]



Power demand accelerating

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

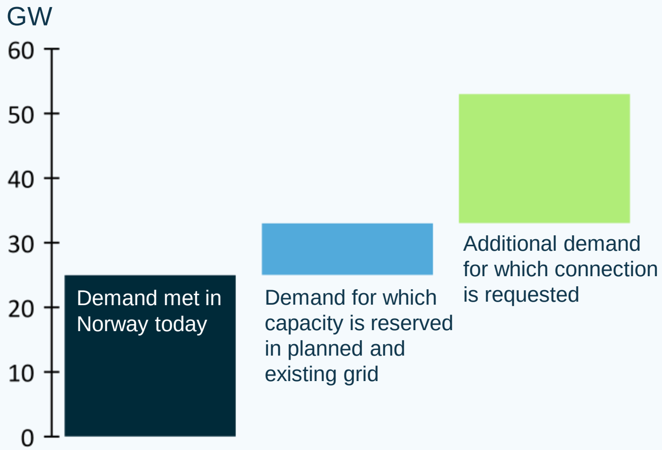
Scenarios for development of consumption of electricity in Norway:



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% by 2030" was approved by Parliament in 2023.

Statnett is investing to enable Norway's green transition

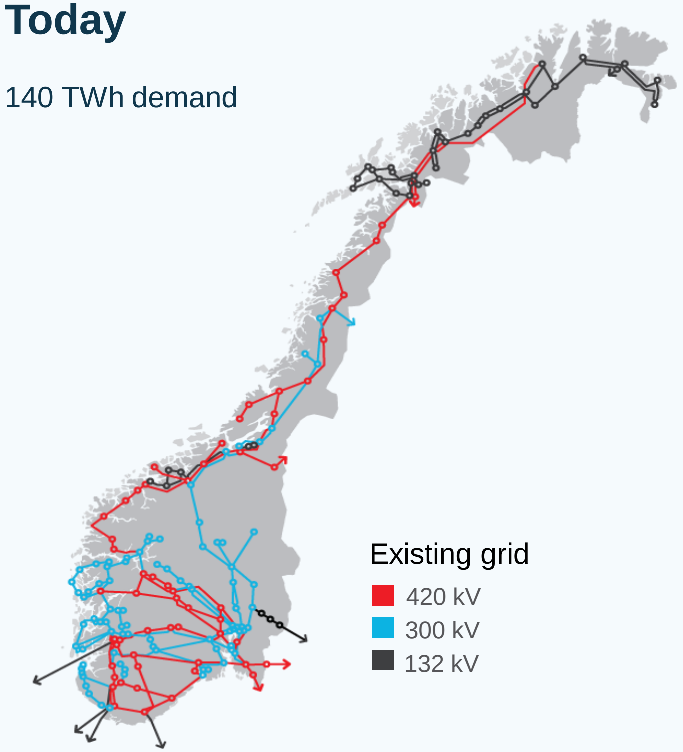
Investment in transmission grid of 100-150 bn NOK by 2033

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

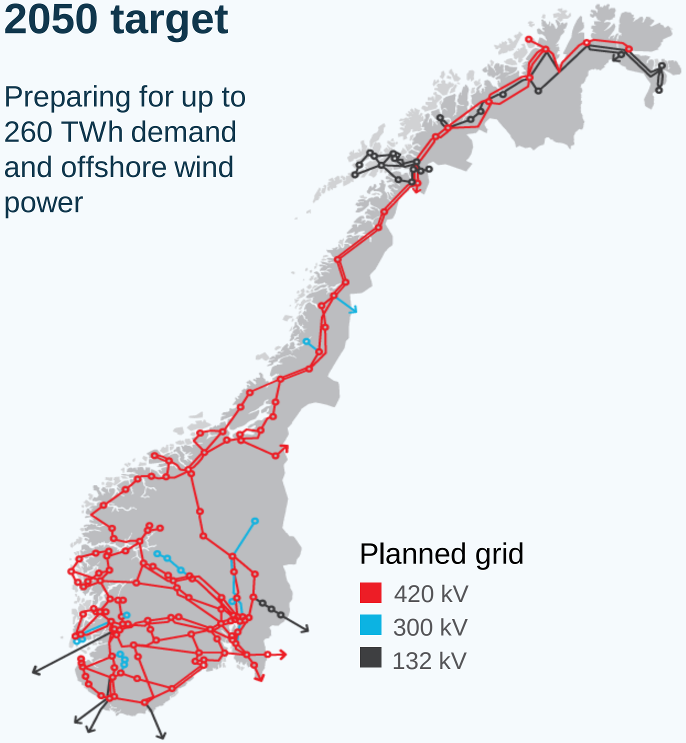
Today

140 TWh demand



2050 target

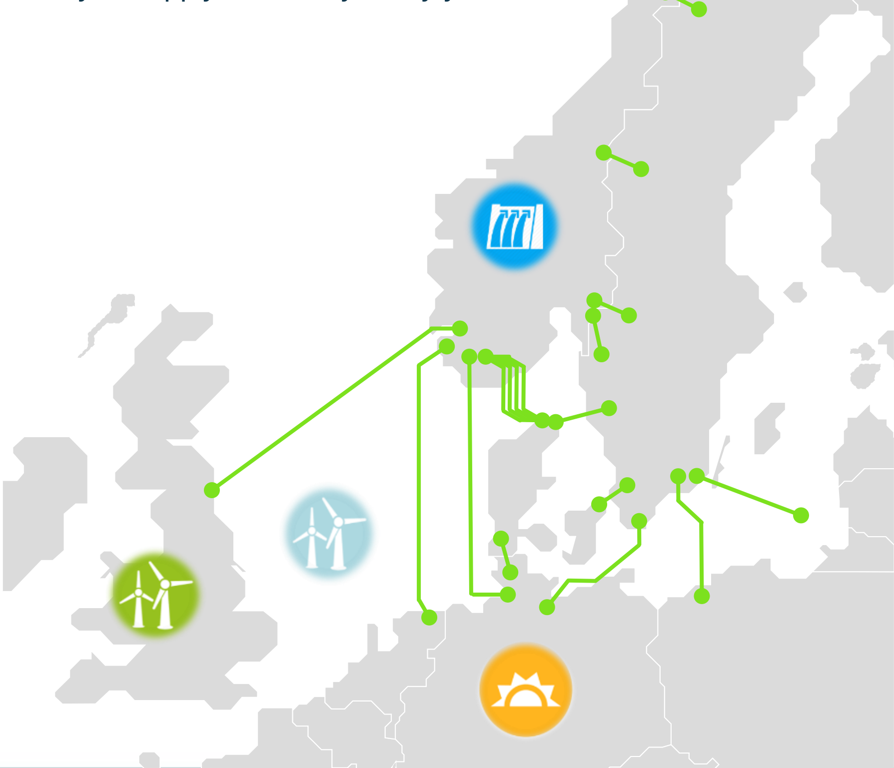
Preparing for up to 260 TWh demand and offshore wind power



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.



S&P Global Ratings

Dark green

Green bond financing

Development since 2018

New Green Bond Framework 2024

- Based on the ICMA Green Bond Principles 2021
- Sustainability strategy in place
- Eligible projects to be financed are "fully aligned" with the EU Taxonomy including Do No Significant Harm and Minimum Safeguards in order to align Statnett's financing and sustainability strategy
- Intends to align with the EU Green Bond Standard in the future
- Additional project category of innovation and technology development added

EU Taxonomy Regulations

The Green Bond Principles

S&P Second Party Opinion: Dark Green

Dark green means that the activities correspond to the long-term vision of a low-carbon climate resilient future

Strengths

- Statnett's activities under financing aim to support the transition to a low-carbon economy
- Statnett has done end-of century climate risk vulnerability assessments of its activities
- Statnett manages its value-chain emissions well
- It is addressing SF6 leaks and grid losses, two of the biggest sector challenges

Weaknesses

“No weaknesses to report”

Green Bond Categories

Renewable Energy

- **Connecting renewable power**
- **Enabling efficient use of clean energy**
- **Increasing the market for renewable energy**
- **Technology – Innovating to enable the green transition**

Expected investments of NOK 100-150bn over the next 10 years

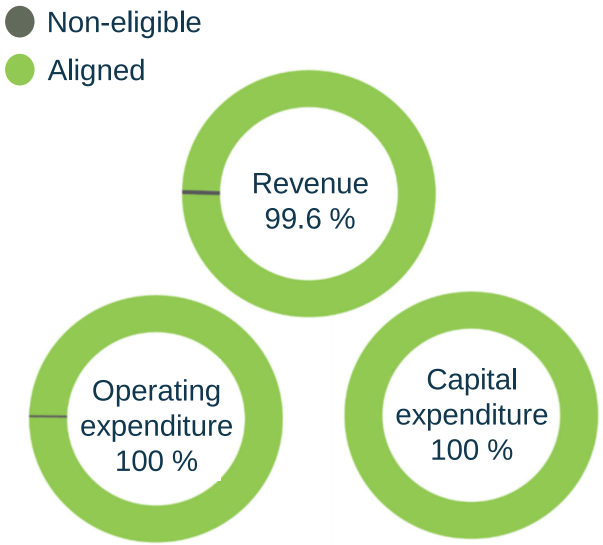
For more information about our projects, visit www.statnett.no

Statnett is eligible and aligned to the EU taxonomy

Taxonomy included in our 2023 annual report – independently audited

Statnett's activity is taxonomy eligible

- *Activity 4.9 Transmission and distribution of electricity*



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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**
- We are EU **taxonomy aligned**
- **Independent limited assurance** by Deloitte
- **We are committed to and preparing for emerging regulations**, standards and frameworks:
  - SBTi: commitment letter sent April 2023
  - CSRD (ESRS), CSDDD
  - Norwegian government ownership policy
  - The Norwegian Transparency Act – statement on Due Diligence in annual report
  - Global Biodiversity Framework (2022) - TNFD

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

Statnett's sustainability strategy

Targeted and systematic sustainability initiatives are key

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

How Statnett impacts our surroundings (inside-out)

Climate and nature	Social aspects	Governance
• Facilitate the energy transition • Land use and interventions in nature • Ecosystems and biodiversity • Scope 3 emissions in the supply chain • Emissions and pollution from materials choices • Scope 1 and 2 emissions in own operations	• Distribution of electricity to society • Health, safety and the environment in own operations and the supply chain • Affected rights-holders • Human rights and decent working conditions in the supply chain • Competency development for own employees • Diversity and equality	• Management of procurements practices • Traceability and transparency in the value chain • Data- and cybersecurity

How sustainability opportunities and risks impact Statnett (outside-in)

	Climate and nature	Social aspects	Governance
Opportunities	• Electrification of local businesses and local communities may increase social acceptance for the construction of new grid infrastructure • The energy transition creates new business areas for offshore wind power • Circular economy reduce costs and emissions	• Diversity improves competency, performance and attractiveness • Strengthened supplier follow-up and dialogue leads to improved predictability	• Increased cooperation with other TSOs may boost emission reductions • A green position strengthens reputation and enhance attractiveness
Risks	• Nature conservation and lack of social acceptance challenge expansion of the grid • Resource scarcity and high prices challenge the pace of electrification • Emissions reductions throughout the value chain is too slow • Physical damages and power outages due to extreme weather	• Increased uncertainty and price volatility in the supply chain due to geopolitical instability. • Violations of human- and labour rights in the value chain	• Delays in the electrification • Stringent tender requirements for social and environmental aspects increase costs

We are working to ensure a responsible transition

- with respect for individuals and society at large

- Contribute to electrification and green value creation
- Work for coexistence between all affected parties and facilitate stakeholder involvement at an early stage
- Integrate due diligence processes and respect human rights and labour rights throughout the value chain

We reduce our greenhouse gas emissions

- on our way to net zero in 2050

- Set science-based targets for emission reduction in line with emission pathways for our future activities
- Reduce the use of SF_6

We take care of nature

- on our way to nature positivity

- Avoid activities in valuable and vulnerable areas of nature
- Reduce our carbon footprint and minimise construction activities in natural carbon sinks
- Adopt nature-positive solutions

The priorities rest on the following three principles:

- **Transparency**
- **Informed governance**
- **Collaboration**

Overview of key activities within sustainability

SOCIAL SUSTAINABILITY

Meaningful dialogue and coexistence
Interdisciplinary workstream

Human rights in the supply chain
Decent working conditions

Diversity, equity and inclusion
Operated by HR

Safe working conditions
Operated by HSE

CLIMATE

Climate accounting
Established complete climate accounting

Emission trajectories
Develop emission trajectories and determine costs

Climate risk
Update and deepen understanding

Science-based targets
Submit targets to SBTi

FLAG
Map and set targets for land use emissions

NATURE

Mapping nature impacts
Land use statistics published

Direction and position on nature
Set goals and actions in line with leading frameworks

Nature risk
Update and deepen understanding

Transition plan for nature and climate
In line with CSRD

REPORTING AND GOVERNANCE

CSRD
Implementation of new requirements and annual reporting

Internal controls
Documentation, quality control and systematization

Digitization
AI for DMA, Hackathon, Microsoft Sustainability Manager

Targets
Set new KPIs for sustainability performance

Compliance-program
For supply chain risk management

Due Diligence
Comprehensive due diligence assessments - CSDDD

COLLABORATION

Competence building internally
Developed more systematically

European networks
RGI, OCEaN, Nordic TSOs

National networks
S-HUB, UNGC, Renewables Norway

External events representation
'Arendalsuka', COP28, COP29

1

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

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; and its long track record of efficiently delivering large capital investment programmes"

Moody's investor service, May 2024

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

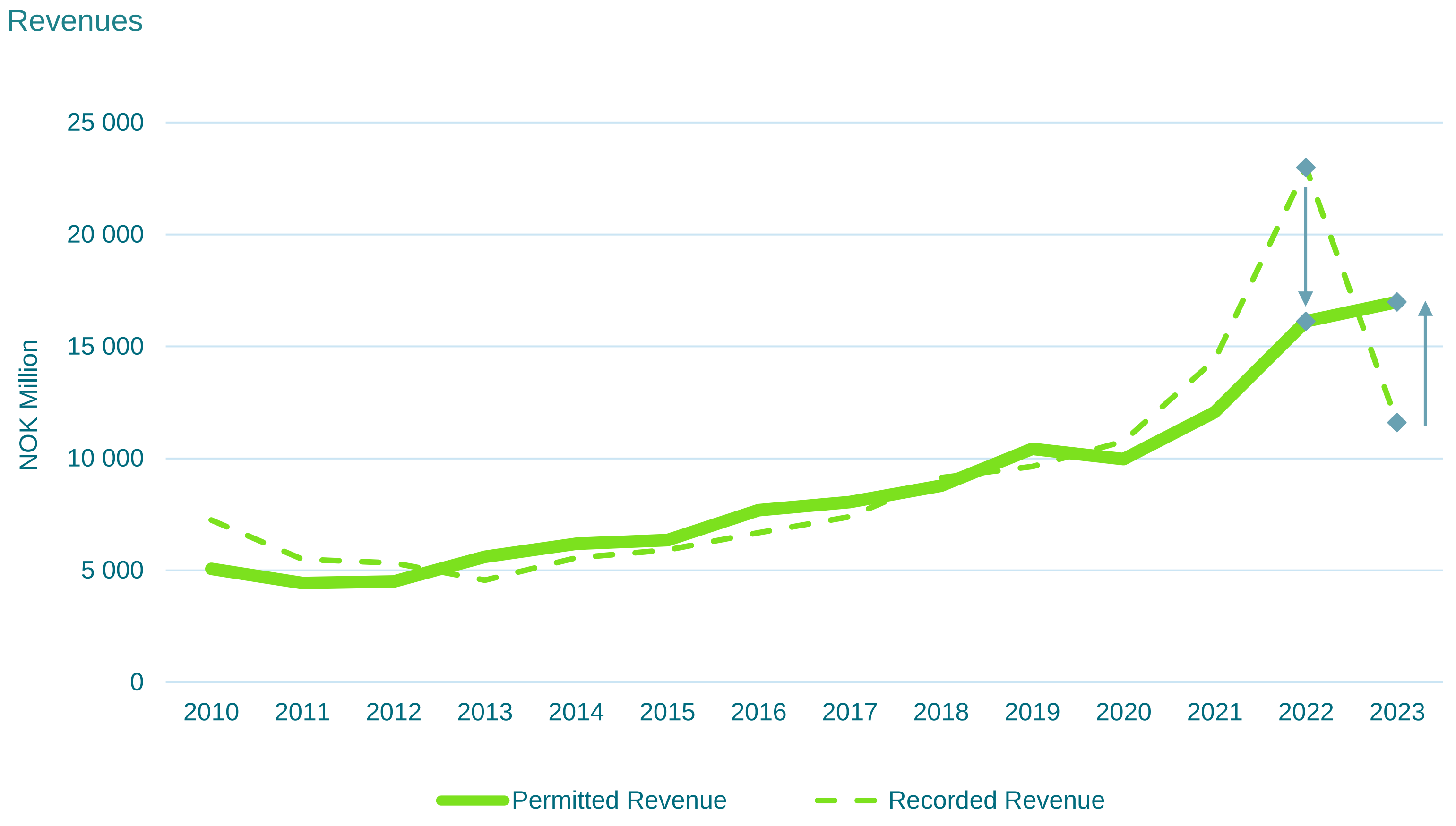
S&P Global Ratings

"Statnett benefits from **stable and predictable cash flow generation, thanks to a supportive regulatory framework**. We see the Norwegian regulatory framework as very credit supportive, allowing for **full operating cost recovery** albeit with a two-year timelag"

S&P research update, June 2024

Business Risk: Excellent

Steady revenue growth



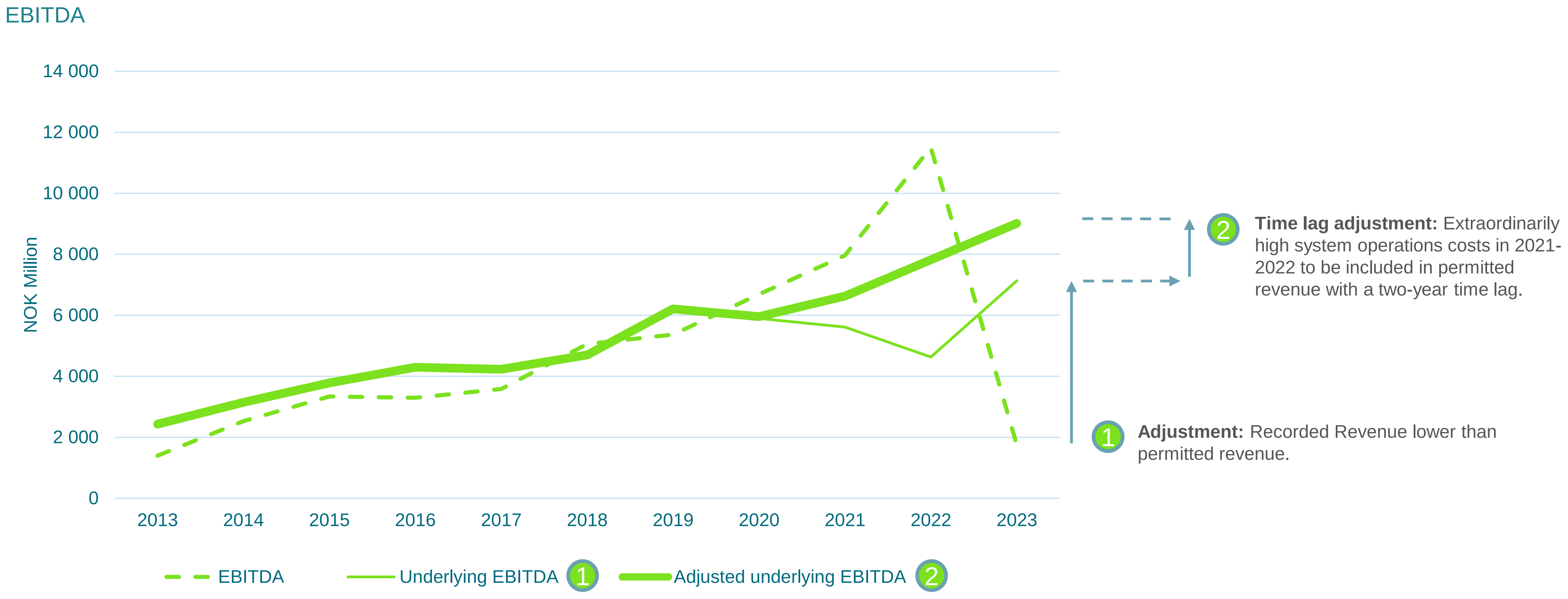
1 2022: Extraordinarily high congestion revenues lead to higher income than the permitted revenue.

2 2023: Lower income than the permitted revenue due to reduced tariffs and lower congestion revenue.

Revenues will level out over time; hence on aggregate, Statnett will collect the permitted revenue.

Calculations detailed in Appendix.

Steady underlying EBITDA growth – temporary fluctuations to level out



Calculations detailed in Appendix slide 33

1 Critical infrastructure – **State** (Aaa) owned monopoly

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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

Low counterparty risk

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

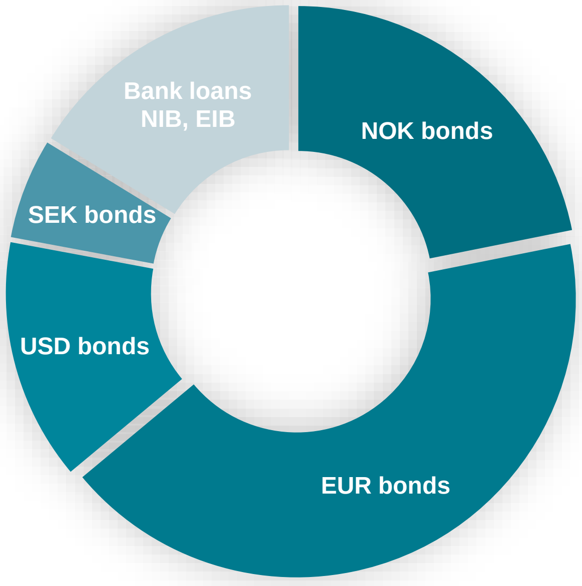
Low interest rate risk

- 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

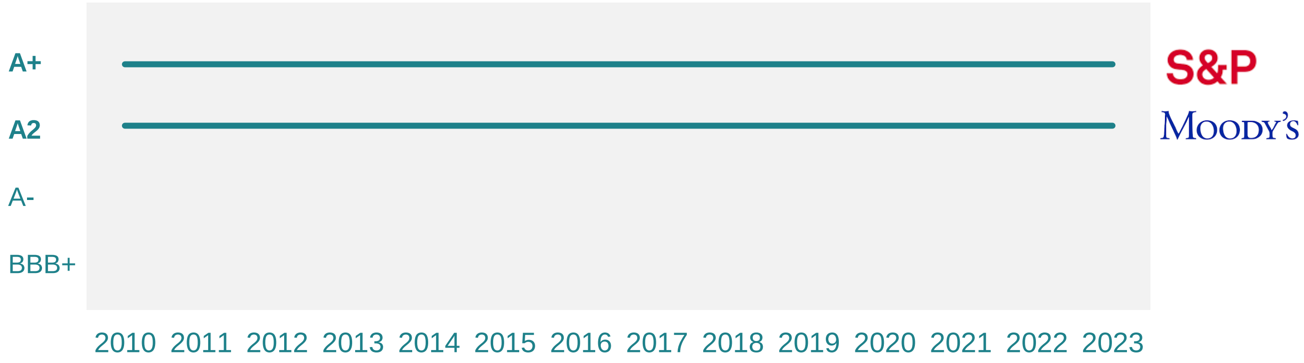
Demonstrated diversity of funding sources across markets



Debt as of 17 June 2024

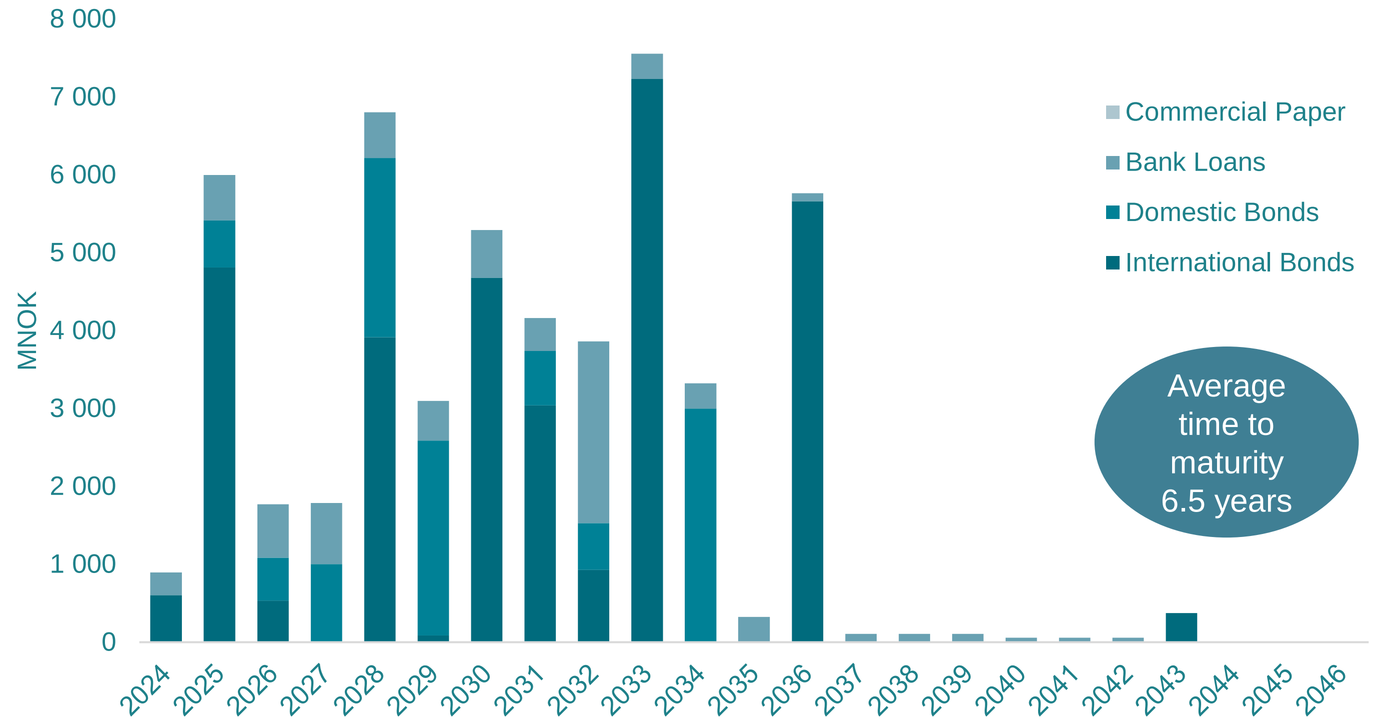
- Policy: At least 3 independent funding markets
- Supported by
  - EUR 5bn EMTN Programme
  - Strong and supportive bank group
  - Stable A2/A+ ratings from S&P/Moody's since 2010

Stable long-term issuer ratings since 2010



Balanced maturity profile with long average maturity

Debt maturities as of 17 June 2024



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

See Note 16 in 2023 Annual and Sustainability Report for further details.

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Financial information and contact info

http://www.statnett.no/en/investor-relations/

Contact details:

Cathrine Lund Larsen (Executive Vice President, CFO)
Tel. +47 97 97 58 67
cathrine.larsen@statnett.no

Petter Erevik (Senior Vice President, Director of Finance)
Tel. +47 23 90 35 70
petter.erevik@statnett.no

Anita Gilje Househam (Senior Advisor, ESG)
Tel. +47 46 93 08 52
anita.househam@statnett.no

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Appendix

Understanding the 2023 financial statements

	NOK m
EBITDA	1 744
Plus return of previous years' higher revenue (note 4)	+ 5 387
Underlying EBITDA	**7 131**
Interest bearing debt as reported	54 836
Less net value of debt related derivatives	- 3 894
Plus off balance sheet debt to customers (note 4) (higher than permitted revenue balance after tax) 3 891*(1-0,22)	+3 035
Underlying debt, net of derivatives	**53 977**

- As a result of the energy market volatility and the unprecedented high congestion revenues in 2022, Statnett reduced fixed consumption tariffs to zero and even facilitated some direct payouts to customers in 2022 and 2023. Total (and reported) revenues for 2023 ended NOK 5.4 bn lower than the regulated permitted revenues. This lower revenue reduced the balance of higher revenue that we have to return to customers. On aggregate, we only keep the permitted revenue, and sometimes that means that we reduce tariffs and pay back – as we did in 2023..
- Note: The underlying EBITDA shown still includes some temporary timelags on operational costs. Statnett has no power production, and purchases of electricity for line losses are compensated in the regulation. Hence, we are not significantly exposed to energy prices directly. But the extraordinary market in 2022 and partly 2023 nevertheless resulted in system services costs being much higher than previous years (2023: NOK 3,4 bn compared to 2021: NOK 1,5 bn),. These costs are recouped in the regulation with a two-year time lag. In short, the extraordinarily high system services costs resulted in lower EBITDA in 2022 and 2023 but will lead to higher permitted revenue in 2024 and 2025.
- 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 3.9 bn worth of derivatives counters movements in principal and interest rates on our debt.
- At the end of 2023, the off-balance sheet higher revenue balance was NOK 3.9 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Recorded Revenue	4,561	5,563	5,906	6,678	7,401	9,138	9,641	10,761	14,412	22,993	11,600
EBITDA	1,394	2,528	3,340	3,296	3,585	5,062	5,366	6,688	7,965	11,503	1,744
EBIT	346	1,378	1,714	1,152	1,312	3,120	3,027	3,868	4,846	8,433	-1,547
Result for the year	82	829	1,103	645	813	2,213	1,906	2,697	3,307	5,949	-2,617
Adjustments											
Accumulated higher revenue*	2,413	1,790	1,346	343	-303	59	-732	60	2,410	9,278	3,891
Adjustment for changes in acc. higher/lower revenue	1,042	623	444	1,003	646	-362	791	-792	-2,350	-6,868	5,387
Adjusted figures ("underlying")											
Permitted Revenue	5,603	6,186	6,350	7,681	8,047	8,776	10,432	9,969	12,062	16,125	16,987
Underlying EBITDA	2,436	3,151	3,784	4,299	4,231	4,700	6,157	5,896	5,615	4,635	7,131
Underlying EBIT	1,388	2,001	2,158	2,155	1,958	2,758	3,818	3,076	2,496	1,565	3,840
Underlying Result for the year	832	1,284	1,427	1,397	1,304	1,934	2,523	2,079	1,474	592	1,585
Adjusted EBITDA**											
Adjusted EBITDA	2,436	3,151	3,784	4,299	4,231	4,700	6,157	5,896	5,615	4,635	7,131
System services costs					435	541	492	600	1,505	3,788	3,390
System services costs increase (compared to t-2)							57	59	1,013	3,188	1,885
Adjusted underlying EBITDA	2,436	3,151	3,784	4,299	4,231	4,700	6,214	5,955	6,628	7,823	9,016

Base numbers directly from the P&L in the annual reports.
*See note 4 in Annual Report for changes in accumulated higher/lower revenue.
**With adjustment for extraordinary system services cost increase in 2022 and 2023 (to enter the allowed revenue calculation for 2024 and 2025, respectively)

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 (2023: 8.36%)

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

2018: 6.10% , 2019: 5.69%, 2020: 5.15%, 2021: 5,37%, 2022: 7,47%, 2023: 8,36%

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

- SS_{n-2}: Cost of system services year n-2, inflation adj.
- TrC_n: Transit costs year n
- $Ptax_n$: Property tax year n
- $30\%^1\text{*}SO_{n-2}$: System operations cost base: Inflation adj. operating costs + depretiations$_{n-2}$ + RAB$_{n-2}$*1,01* NVErate$_n$
- $70\%^1\text{*}(1\text{-}0{,}6\%)\text{*}SO_{n-2}$: System operations cost base reduced with a productivity requirement of 0,6%
- $CENS_n$: Calculated cost on energy not supplied year n

[1]Prior to 2023 40% and 60%

Norm cost$_n$: Cost base*Efficiency score*(1-productivity requirement of 2%)

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

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.

- $TL_{n-2}\text{*}P_n$: Transportation loss year n-2 multiplied with power marked price year n
- $CENS_{n-2}$: 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.