Elenia Group
INVESTOR REPORT
2013

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For the year ended 31 December 2013

Elenia Group

This investor report provides information on the Elenia Group's business in 2013, including regulatory developments, Elenia's financial performance and other information in accordance with the requirements of the Common Terms Agreement dated 10 December 2013.

1. Overview

In accordance with its strategy, Elenia continued operations in 2013 with a special focus on providing progressive electricity network services to its customers, thereby helping society to function without disruption to daily life.

Throughout the year, Elenia continued the roll-out of its long term 2012-2027 investment plan which is designed to improve the security of supply. Elenia invested over €80 million into its electricity distribution network, increasing the underground cabling rate from 25% at the end of 2012 to 28% at the end of 2013.

Elenia remains focussed on its consumers, improving customer service via the implementation of automated smart services. In December 2012, Elenia Networks launched the "Elenia Mukana" mobile application. The application enables customers to access detailed information about their electricity consumption and delivery status. The application is a good example of an automated smart service utilising information from Elenia's automatic meter-reading system to enhance customer service. Around 16 500 customers are already using the application, and the number of new users is growing at approximately 1 000 per month. In April 2013, Elenia Networks launched "Elenia Weatherproof" on its website (www.elenia.fi), providing customers with detailed information explaining planned and on-going network maintenance and development.

In 2013, Elenia continued to develop its asset management system according to the British PAS 55 standard[1]. The system was certified externally in December 2013 by Lloyd's Register.

Financial performance in 2013 was driven by weather related events. 2013 was relatively warm, meaning that distributed volumes were lower than the previous year with an associated impact on revenue. In June, November and December, Elenia was also affected by exceptionally strong storms.

The key financial performance indicators for the year (excluding the impact of exceptional items) are shown in the table below. (Further information is available at: www.elenia.com/en/financialinformation)

Key Financial Performance indicators (€M)	2013	2012	change %
Revenue	293.7	299.6	-2.0%
EBITDA *	152.4	157.4	-3.2%

** Excluding exceptional and non-recurring items*

In December 2013; Elenia implemented a Whole Business Securitisation structure and successfully refinanced its acquisition debt.

2. Regulatory and Business Update

[1] PAS 55-1:2008 Publicly Available Specification for the optimised management of physical assets

a. Storms

In June, November and December of 2013, five storms occurred in Elenia's network area. The storms were unusually strong and were characterised by lightning and gusty winds, causing outages in areas of the network served by overground lines. The affected areas and number of customers suffering outages during the storms are shown in the table below.

	Elviira 27th June	Reima 5th November	Eino 17th November	Oskari 1st December	Seija 13th December
Afftected areas	West of lake Päijänne and Northern-Pirkanmaa	Pirkanmaa and Southern Middle Finland	Throughout Elenia's distribution area.	Pirkanmaa. Southern Middle Finland. Päijät- and Itä-Häme	Throughout Elenia's distribution area.
Maximum number of customers without electricity simultaneously	28000	13000	92100	23700	58100

Statistics from the major power disruptions during 2013

Two of the storms (Eino and Seija) were exceptionally (€11.2 million)have been classified as exceptional items in the financial statements. Costs and customer outages caused storms such as this underpins Elenia's commitment to improving the security of supply by increasing the proportion of the network served by underground cables.

b. Regulation

Electricity Market Act

An amended Electricity Market Act came into force on 1 September 2013. The amended Energy Market Act is designed to (a) modernise and clarify the partially outdated legislation to codify into law certain practices already adopted and applied by the Energy Authority, (b) transpose into national law the European Union Third Energy Package, (c) improve the security of electricity supply and overall customer service, including quality of service during major weather-related and other disturbances, particularly in rural communities and scarcely populated areas and (d) to meet the increased demands of distribution system operator ("DSO") customers.

Security of Supply Incentive

In November 2013, the Energy Authority introduced a new Security of Supply Incentive for 2014 and 2015. The incentive will be applied from 1st January 2014 and consists of two parts.

(i) Any regulatory asset value ("RAV") of prematurely demolished 20kV and 0.4kV overhead lines, pole mounted transformer stations (excluding transformers) and disconnectors will be recovered via the incentive. This will compensate DSOs for replacing and/or upgrading such assets before the end of their useful life.

(ii) Additional costs relating to tree clearance outside line corridors and the development and operational expenses of outage communication systems (e.g. SMS messages) will be considered as pass through costs.

The new incentive will help promote the security of supply and is expected to have a positive impact for Elenia.

Updated Efficiency Incentive

As a result of a ruling of the Market Court issued in December 2012, the Energy Authority has adopted certain amendments to the efficiency incentive designed to limit the impact of major power disruptions. Based on the Energy Authority's decision of 3 July 2013, the outage cost component of the efficiency incentive will be capped at the aggregate amount of the reference regulatory outage costs plus 20% of the annual reasonable return for the relevant year. Any costs that exceed this cap are eliminated for purposes of calculating the efficiency incentive. The cap will be applied to all DSOs for the entire third regulatory period (2012 to 2015) and is expected to reduce the financial impact of major power disruptions.

c. Investment Programme and Underground Cabling

Elenia's long-term 2012-2027 investment programme is based on improving the security of supply by replacing overhead lines with underground cables. The investment programme will decrease the number of faults in the distribution network, reduce fault repair costs and fulfil the security of supply targets set by the new Electricity Market Act.

The investment programme takes into account technical and economic factors within the regulatory regime and Elenia's distribution network. The programme is closely followed with key performance indicators, which are reported directly from the network information system and from the distribution management system.

In 2013, Elenia accelerated investments according to the long-term investment plan. Due to favourable winter conditions and careful project and contractor management, underground cabling projects progressed well during the year. All key operational targets for implementing the investment plan were met in 2013. Additionally, IT developments, such as the deployment of Network Investment Management functionality in the network information system, have supported the implementation and monitoring of the investment plan.

One of Elenia's important obligations under the Electricity Market Act is to provide connections to the existing network for new customers. Such new connections totalled €14 million in 2013, adding 2,577 new customers to Elenia's network.

The total capital expenditure for Elenia's distribution network in 2013 was €81 million.

d. IT Projects

One of Elenia's key strategic goals is to be a forerunner in the adoption and utilisation of new ICT technologies and network automation solutions. The main focus throughout 2013 has been on developing the existing systems in co-operation with partner service providers. Utilisation and development of network automation helps to prevent short network interruptions and improve the efficiency of outage management.

Elenia continued to invest in IT development projects, which will support the implementation and monitoring of the network investment plan. For instance, a new Network Investment Management module was taken into use in Elenia's Network Information System (Tekla NIS). Moreover, the implementation of new functionality and integration of the Tekla NIS and Microsoft Dynamics AX2012 ERP systems for investment portfolio management and project management continued to progress in 2013.

e. Health and Safety

Elenia's personnel did not sustain any recorded accidents in 2013. There were also no recorded severe accidents for Elenia's contractor personnel in 2013. Elenia's employees continued to receive regular safety training and the company continued to carry out Safety Walks (safety reviews) at its construction sites. The total number of completed Safety Walks in 2013 was 97.

There were no recorded severe environmental incidents at Elenia in 2013. The ISO 14001 based Environmental Management System and OHSAS 18001 based Occupational Health and Safety System of Elenia Oy were successfully audited in 2013.

f. Elenia Heat

As in 2012, Elenia Heat delivered a highly reliable source of heating. There were no major interruptions in heat or gas delivery, and the reliability of supply to customers was above the industry average.

. Existing customer churn continued to be very low and Elenia Heat was successfully able to acquire 61 new customers despite little activity in building construction

Elenia Heat was able to continue to increase the share of renewable fuels in the fuel mix of its heat production facilities. By reducing the proportion of fossil fuels, particularly natural gas, Elenia Heat reduced its carbon dioxide emissions per produced unit of heat.

Elenia Heat invested €6 million on improving its network and heat generation assets in 2013. The biggest single investment was a flue gas scrubber in Lammi, which will increase production efficiency.

Elenia Heat continued its focus on environmental, health and safety matters. No environmental damage occurred in 2013 and Elenia Heat was in full compliance with the environmental permit requirements for its heating generation operations. External and internal audits and inspections have been successfully carried out, with no major recommended changes to operations. In 2013 there were no serious accidents and sick leave percentage was lower than the industry average.

Due to the warm weather in 2013, the amount of heat sold decreased by 8%. The production of electricity decreased by 16% due to unfavourable spark spreads. Despite these prevailing market conditions, Elenia Heat was able to mitigate the impact on revenue (a decrease of only 2%) and operating profit (a decrease of 5%).

3. Changes to the Board of Directors:

There were two changes in the composition of the Board of Directors of Elenia Oy in 2013. Anirudha Satchcroft (until 6 September 2013) was replaced by Kunal Koya (since 9 September 2013) and Scott Moseley (until 27 June 2013) was replaced by Timothy Short (since 23 August 2013).

There were no changes to Elenia Heat's board of directors.

4. Financing and Hedging Position

Since the Initial Issue Date, the Elenia Group has drawn €17 million of the Capex Facility. As of the date of this report, the Hedging Ratio is 102.4% and Elenia Group is in compliance with the Hedging Policy.

5. Acquisitions or Disposals

There have not been any material acquisitions or disposals since the Initial Issue Date.

6. Restricted Payment

The amount of any Restricted Payment made since the date of the Initial Issue Date is nil.

7. Ratios

In respect of this investor report dated 21 May 2014, by reference to the most recent Financial Statements delivered to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Security Group Covenants) of the Common Terms Agreement:

The Interest Coverage Ratio (FFO/ Net Finance Charge) in respect of the Relevant Periods are:

31 December 2013 €152.020 M / €35.900 M = 4.23

31 December 2014 €149.541 M / €32.891 M = 4.55

The Leverage Ratio (Total Net Debt / EBITDA) in respect of the Relevant Periods are:

31 December 2013 €1 012.816 M / €152.253 M = 6.65

31 December 2014 €1 097.317 M / €149.626 M = 7.33

(together the Ratios).

Each of the above Ratios has been calculated in respect of the Relevant Period(s) or as at the Calculation Dates for which it is required to be calculated under the Common Terms Agreement.

8. Confirmations

We confirm that:

(a) no Default or Trigger Event has occurred and is continuing

(b) the Security Group is in compliance with the Hedging Policy; and

(c) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully,

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Aapo Nikunen

Chief Financial Officer

Signing without personal liability, for and on behalf of

Elenia as Security Group Agent