



ELENIA

ANNUAL INVESTOR UPDATE

DECEMBER 2017 – TAMPERE

PRESENTERS



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AGENDA

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BUSINESS & REGULATORY UPDATE

- ✧ Business performance for the first half of 2017 was in line with expectations
- ✧ The network investments were €73.2 million in the first half of 2017 and €128.6 million on a rolling twelve month basis
- ✧ The regulatory methods for the 4th and 5th regulatory periods are supportive for Elenia
- ✧ The approved amendment to the Electricity Market Act became effective 1 Sep 2017

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FINANCING UPDATE

- ✧ Successful issuance of additional €213.5 million debt during 2017
- ✧ Elenia signed new credit facilities in June 2017 with a syndicate of eight banks
- ✧ The next material maturity is in 2020

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BUSINESS & REGULATORY UPDATE

ELENIA NETWORKS H1 2017 BUSINESS UPDATE

- ✧ For the first half of 2017, Elenia Networks' revenue and adjusted EBITDA increased 8.3% and 9.5% (y-o-y) respectively. The key drivers for the increase in revenue were:
 - ✧ The increases in distribution tariffs by 9.4%¹ in each of April 2016 and May 2017
 - ✧ Electricity distribution volumes increased (1.1% y-o-y) due to colder weather throughout the spring and summer
- ✧ There was one power disruption during the first half of 2017
 - ✧ In March, the Sauli storm caused outages in certain areas of Elenia's distribution network served by overhead lines. Elenia was prepared for the storm and worked to mitigate the impact on customers. The maximum number of customers simultaneously without electricity was less than 22,000. All connections were restored in less than 24 hours
- ✧ Elenia successfully continued its capex programme to replace overhead lines with underground cables
 - ✧ On a weighted average basis across medium and low voltage lines, 38.6% of the network is now underground (35.5% H1 2016) reducing outages and improving security of supply to customers

Elenia Networks (€m)²	H1 2016	H1 2017	Y-o-Y Change	FY2016
Volume (GWh)	3,316.2	3,353.3	1.1%	6,330.0
Total Revenue ³	121.5	131.5	8.3%	240.2
EBITDA	74.5	81.5	9.5%	143.1
Capex ⁴	59.3	73.2	23.5%	114.6
<i>EBITDA margin</i>	<i>61.3%</i>	<i>62.0%</i>		<i>59.6%</i>

¹ The tariff increase is 9.4% on pre-tax basis and 6% on post-tax basis. The increase is driven by investments in weatherproofing the network and the transmission system operator Fingrid's increase in transmission tariffs (pass-through cost for Elenia Networks).

² Figures are prepared according to IFRS

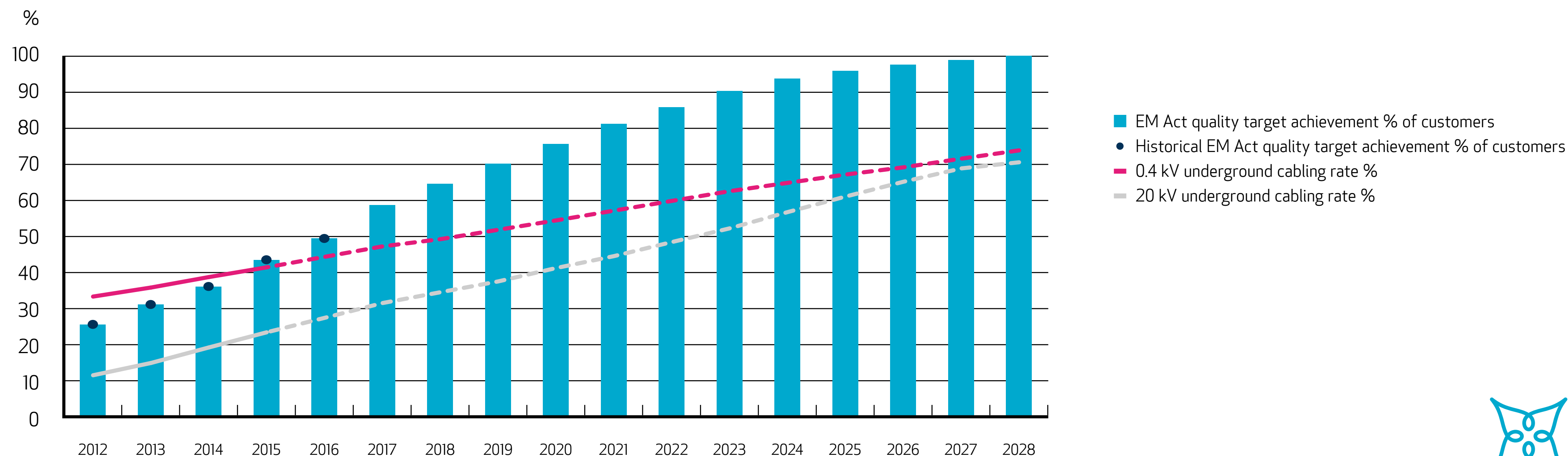
³ Including Other Operating Income and intra-group items

⁴ Regulatory Asset Value (RAV) accretive capex

NETWORK DEVELOPMENT PLAN

- ✧ Elenia submitted its electricity network development plan to the Energy Authority in June 2016
- ✧ The plan includes measures for fulfilling the Electricity Market Act's requirements during the transition period (by 2028)
 - ✧ In zoned areas, power needs to be restored within 6 hours, and in other areas, within 36 hours
 - ✧ The Act's quality requirements apply to 50% of customers by 2019, 75% of customers by 2023 and 100% of customers by the end of 2028

ELENIA'S CUSTOMERS WITHIN THE SCOPE OF QUALITY REQUIREMENTS AND UNDERGROUND CABLING RATES IN 2012-2028



REGULATORY UPDATE

✧ Surplus for the third regulatory period

- ✧ In February 2017 the Energy Authority published the regulatory deficits and surpluses for the third regulatory period (2012–2015)
- ✧ Elenia Networks' cumulative regulatory surplus carried forward to the fourth regulatory period was €79.1 million (net of deficit for the second regulatory period and including interest liability of €3.2 million)
- ✧ Elenia Networks expects its cumulative regulatory surplus to be completely offset by the end of 2017

✧ Electricity Market Act amendment

- ✧ Following the distribution tariff increases announced by certain Finnish distribution system operators in 2016, the Ministry of Economic Affairs and Employment issued a government bill in May 2017 amending the Electricity Market Act 2013 by implementing certain restrictions on price increases by operators
- ✧ The Parliament approved the proposed amendment on 26 June 2017 and it has become effective from 1 September 2017
- ✧ Distribution system operators, including Elenia, are restricted from increasing their electricity distribution tariffs by more than an aggregate 15% (on tariffs after taxes) over any rolling 12 month period
- ✧ The amendment is expected to have no material impact on Elenia¹
- ✧ The new regulation applies to both consumer and corporate customers

¹ For comparison, Elenia increased the distribution tariffs by 9.4% on pre-tax basis and 6% on post-tax basis both in 2016 and 2017.

ELENIA HEAT H1 2017 BUSINESS UPDATE

- ✧ For the first half of 2017 Elenia Heat posted an increase of 3.3% in y-o-y revenue due to the relatively cold weather and the corresponding impact on heat volumes sold
- ✧ Elenia Heat's EBITDA was 0.6% lower during the first half of 2017. This was driven by higher average fuel prices and fixed operating costs compared to the same period in 2016.
- ✧ Elenia Heat continued to provide highly reliable heating
 - ✧ No major interruptions in heat or gas delivery and the reliability of supply to customers was above the industry average
- ✧ The share of domestically sourced fuels (biofuel and peat) exceeded 85%
- ✧ Elenia Heat invested €1.8m in improving the heat distribution network and generation assets

Elenia Heat (€m) ¹	H1 2016	H1 2017	Y-o-Y Change	FY2016
Volume (GWh) ²	614.6	619.2	0.7%	1,094.0
Total Revenue ³	42.4	43.8	3.3%	77.8
EBITDA	14.1	14.1	-0.6%	25.6
Capex	1.9	1.8	-4.3%	6.3
EBITDA margin	33.3%	32.1%		32.9%

- 1 Figures are prepared according to IFRS
 2 Includes heat, electricity and gas volumes
 3 Including Other Operating Income and intra-group items

ELENIA SERVICES H1 2017 BUSINESS UPDATE

ELENIA
SERVICES

- ✧ Customer service to Elenia Group as well as other Finnish utilities
- ✧ The services include frontline customer service, end customer invoicing and payment surveillance and electricity market message exchange
- ✧ In January 2017, Elenia Services entered into an agreement with Jyväskylän Energia ("JE") to provide certain customer service operations to JE's customers. The agreement covers customer service related to the electricity distribution, electricity sales, district heating and water distribution operations
- ✧ In May 2017, Elenia Services began providing customer services to Tampereen Sähkölaitos Oy
- ✧ In June 2017, Elenia Services entered in to an agreement to provide customer services to Auris Kaasunjakelu Oy from February 2018

CONSOLIDATED FINANCIAL PERFORMANCE

€m ¹	H1 2016	H1 2017	Y-o-Y Change	FY2016
Networks Total Revenue ²	121.5	131.5	8.3%	240.2
Heat Total Revenue ²	42.4	43.8	3.3%	77.8
Others ³	2.1	0.0		0.7
Consolidated Total Revenue²	166.0	175.3	5.6%	318.7
Networks EBITDA	74.5	81.5	9.5%	143.1
Heat EBITDA	14.1	14.1	-0.6%	25.6
Other EBITDA ⁴	-0.3	0.6		-0.2
Non-recurring and exceptional items	1.5	0.7		7.8
Consolidated Adjusted EBITDA⁵	89.8	96.9	7.9%	176.3
<i>Consolidated Adjusted EBITDA margin</i>	54.1%	55.3%		55.3%
Consolidated Capex	62.8	76.5	21.7%	126.3
Net Debt	1,262.1	1,401.9	11.1%	1,342.7
Interest Coverage Ratio	4.5 x	4.5 x		4.6 x
Leverage Ratio	7.7 x	7.7 x		7.6 x

1 Figures are prepared according to IFRS

2 Including Other Operating Income and intra-group items

3 Includes intra-group adjustments, IFRS adjustments and Elenia Service's revenue

4 Includes Elenia Services, Issuer, common services and street lighting

5 Excluding non-recurring and exceptional items

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FINANCING UPDATE

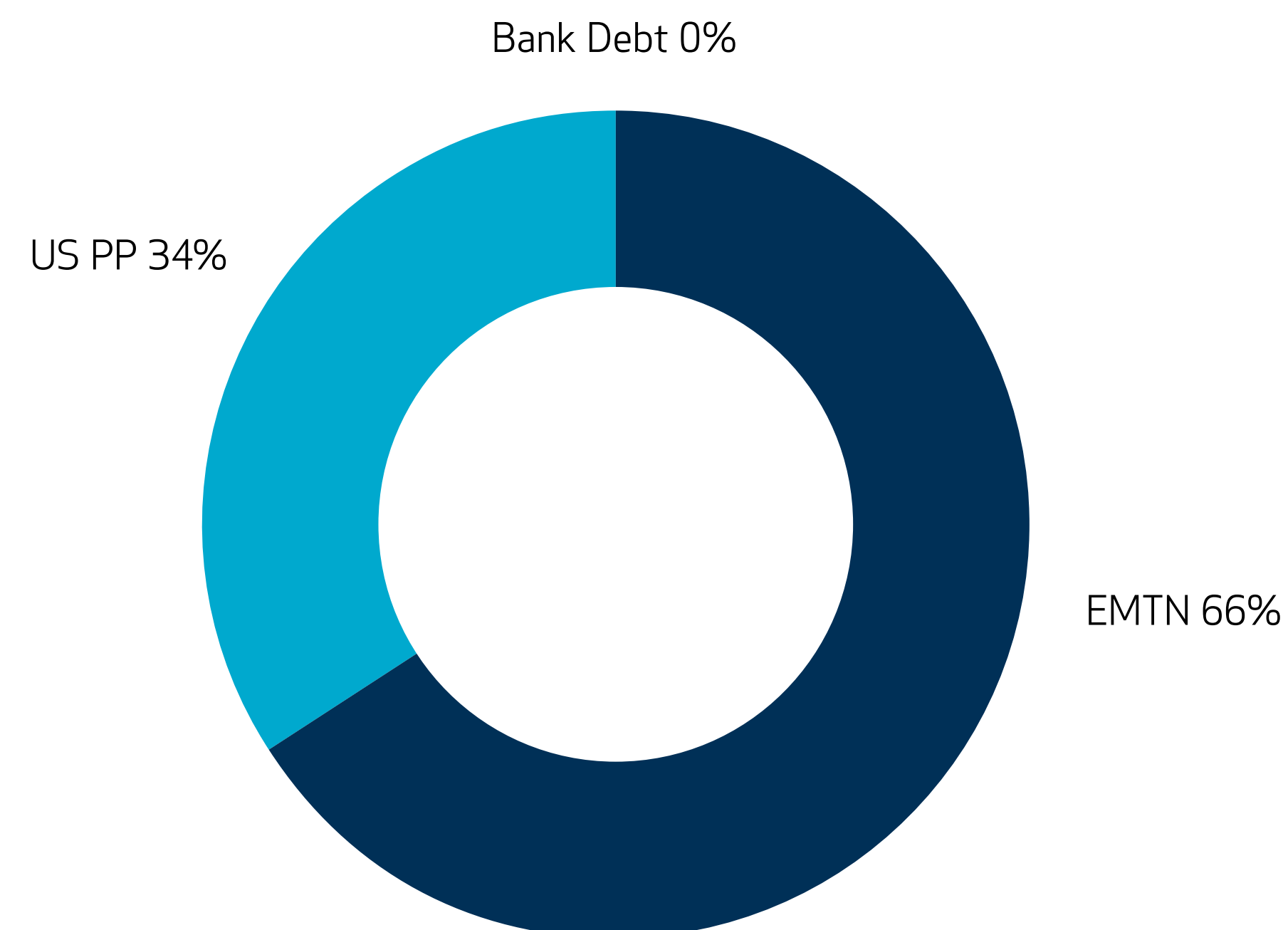
RECENT ACTIVITIES

FINANCING
UPDATE

FINANCIAL POSITION

- ✧ Elenia Finance Oyj has €3,000m multicurrency bond programme listed at London Stock Exchange
- ✧ During the first nine months of 2017, Elenia issued €75m of fixed rate bonds under its multicurrency bond programme as well as €138.5m of secured senior notes to North American institutional investors
 - ✧ USPP €78.5m, 11 years, 2.030%
 - ✧ USPP €60m, 15 years, 2.430%
 - ✧ EMTN €75m, 17 years, 2.602%
- ✧ At the end of September Elenia has €1,010m of bonds outstanding under the EMTN programme and €518.5m of USPPs bringing the total issuances to €1,528.5m
- ✧ Elenia signed in June 2017 new credit facilities totaling €470m with a syndicate of Nordic and international banks:
 - ✧ €350m Capex Facility
 - ✧ €60m Working Capital Facility
 - ✧ €60m Liquidity Facility
- ✧ As at 30 September 2017 the facilities were undrawn

SOURCES OF FINANCING

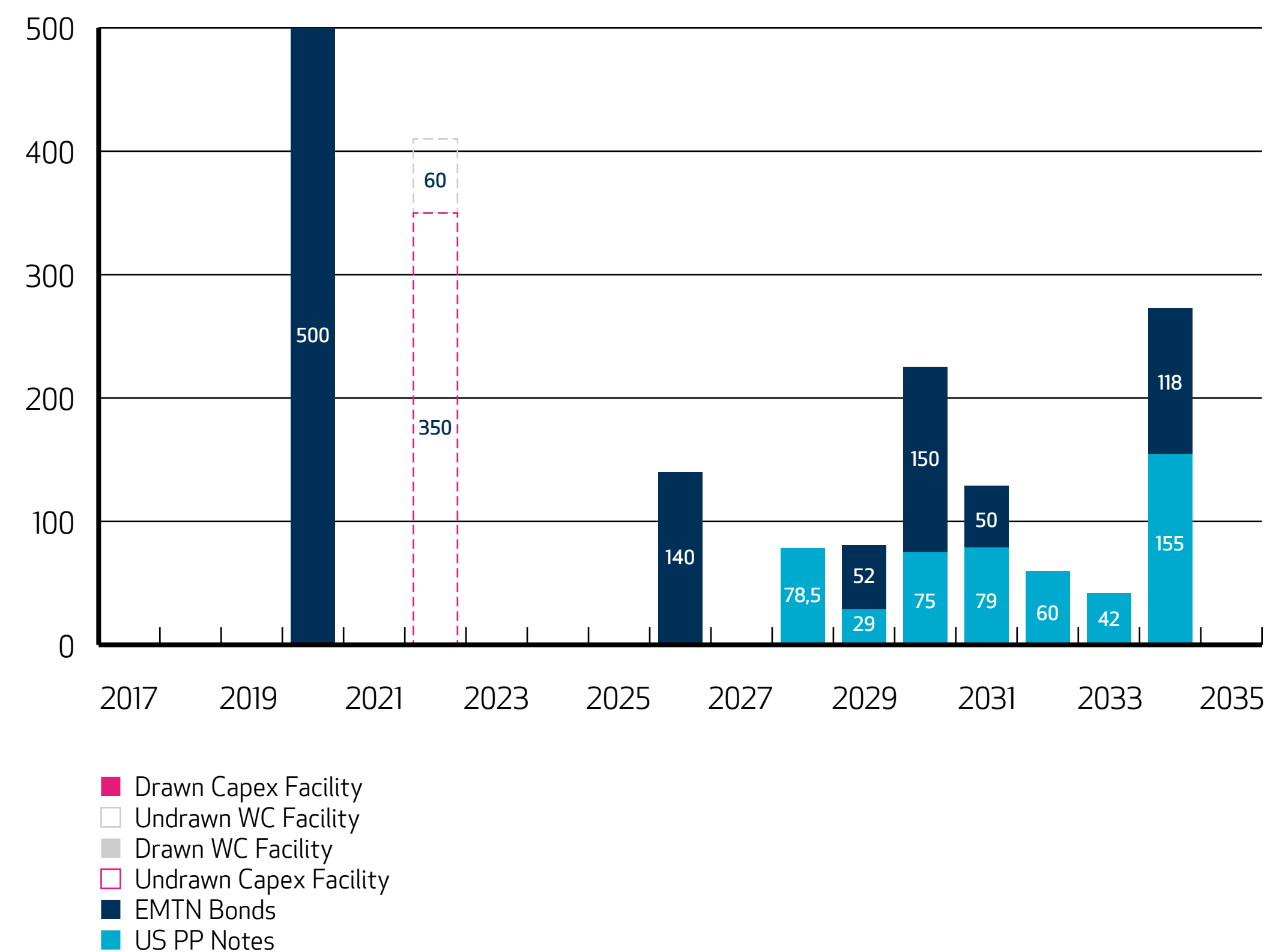


ELENIA'S FINANCING AS OF 30 SEPTEMBER 2017

FINANCING
UPDATE

- ✧ As of 30 September 2017, the weighted average interest rate on Elenia's outstanding debt was approximately 2.9%
- ✧ Elenia's weighted average maturity has increased from 7.3¹ years on 31 December 2013 to 10.1¹ years on 30 September 2017
- ✧ As of 30 September 2017, the hedging ratio was 98.4% and Elenia was in compliance with the Hedging Policy
- ✧ The next material maturity is the benchmark €500m bond maturing in 2020

MATURITY PROFILE - 30 SEPTEMBER 2017



¹ Excluding undrawn facilities and finance leases

FINANCIAL RATIOS & COVENANTS

	Trigger Event	Event of Default	H1 2016	H2 2016	H1 2017	H1 2018 E ¹
Interest Coverage Ratio	1.70x	1.20x	4.46x	4.59x	4.46x	4.23x
Headroom			271.4%	282.4%	272.0%	252.4%
Leverage Ratio	9.5x	10.5x	7.65x	7.63x	7.65x	8.75x
Headroom			27.1%	27.3%	27.1%	16.7%

Elenia retains adequate headroom to both ICR and leverage ratio covenants on a historical and forward looking basis

1 Values are as based on Elenia’s latest compliance certificate.

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