ANNUAL REVIEW

2022

ELENIA

GROUP STRUCTURE, OPERATIONS AND OPERATING AREA

ELENIA AT YOUR SERVICE

RELIABLE ELECTRICITY DISTRIBUTION SERVICES

Elenia Group consists of Elenia Oy, a provider of diverse services in the energy sector, and its wholly-owned subsidiary Elenia Verkko Oyj providing electricity network services.

Elenia Oy

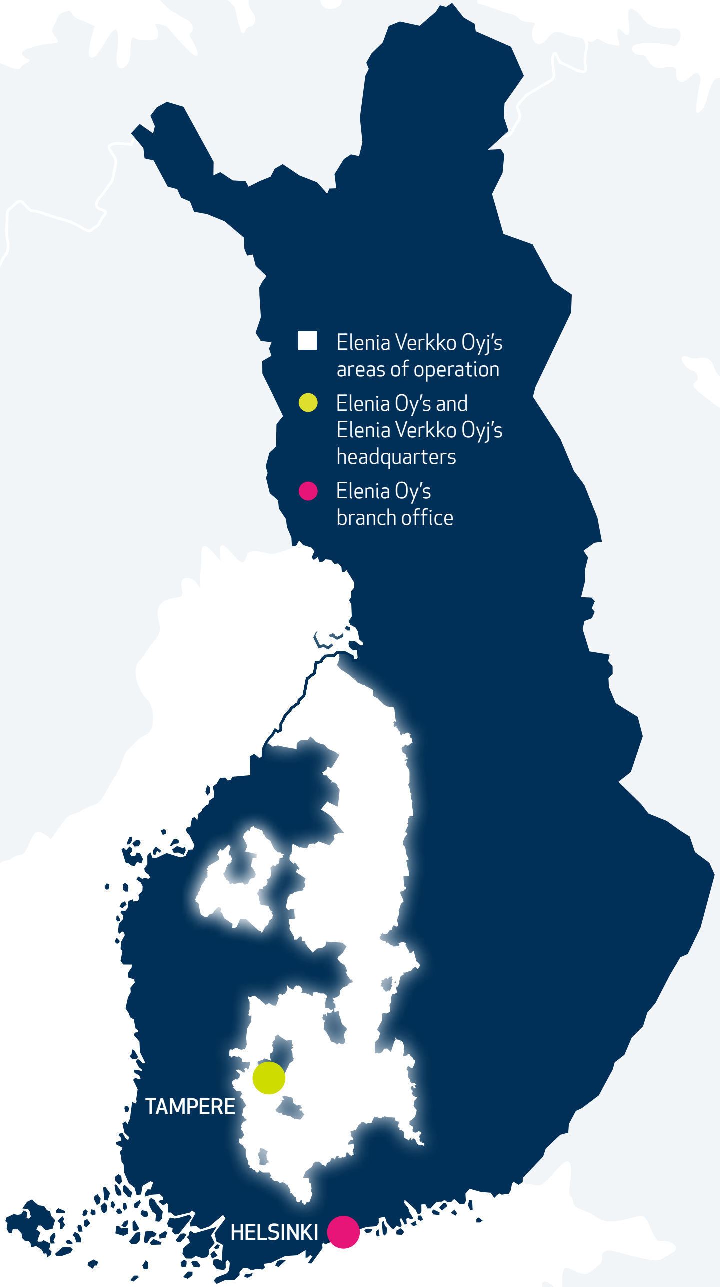
Elenia Verkko Oyj

Elenia Oy is a multi-skilled service provider in the energy sector. It provides customer service for electricity distribution, district heating, natural gas and electricity sales businesses. The operations are guided by the service and business objectives of its customers. In cooperation with its customers, the company renews the Finnish energy markets' customer service offering in response to the changing needs of end customers.

Elenia Verkko Oyj distributes electricity to a total of 438,000 household, corporate and community customers in approximately one hundred municipalities in the regions of Kanta-Häme, Päijät-Häme, Pirkanmaa, Central Finland, Southern Ostrobothnia and Northern Ostrobothnia. The company is responsible for the construction, maintenance and operation of its electricity distribution network in cooperation with external contractors, as well as connecting new customers to the network, measuring its customers' electricity consumption and submitting consumption data to electricity suppliers. Elenia is the second largest among the approximately 80 electricity distribution companies in Finland. The company has approximately 76,700 kilometres of electricity network.

Elenia's owners are Valtion Eläkerahasto (VER), Allianz Capital Partners (ACP)* as well as Macquarie Infrastructure and Real Assets (MIRA).

* on behalf of Allianz entities and entities managed by ACP for other investors.



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THE ENERGY CRISIS HIGHLIGHTS THE IMPORTANCE OF STRENGTHENING THE SECURITY OF SUPPLY AND ACCELERATING THE GREEN TRANSITION

The year 2022 was a year of serious crises that shook the world. Russia's invasion of Ukraine has led to a global security, economic and energy crisis that also affects Finland in many ways. As 2022 began, the fight against the pandemic continued. In the second half of the year, Finland prepared for potential electricity shortages during the winter season due to the scarcity of electricity.

The availability and high prices of energy have been a concern for customers, decision-makers and the energy sector, and the security of supply has increased in importance. Rising construction and material costs, as well as the multiplication of the price of network losses due to the high electricity prices have increased Elenia's cost pressures.

At the same time, the broad crisis highlights the importance of strengthening the security of supply and increasing the availability of renewable, clean electricity into the market.

RISING COSTS ARE REFLECTED IN THE DISTRIBUTION TARIFFS

Our policy has always been stable and moderate pricing for electricity network services to ensure the development of services and the continuity of investments to meet customer expectations. Due to prolonged and significant cost pressures, the prices of our electricity network services will increase at the beginning of May 2023. Among other things, construction, materials and fuels have become more expensive. The high price of electricity has multiplied the cost of network losses. Because of this, Elenia's tax inclusive distribution tariffs will increase by an average of 5.8%. We have postponed the price increase to the late spring so that the price change does not take place when the electricity prices are high. The last time prices were raised was more than three years ago in 2019.

ELECTRICITY SAVING EFFORTS WERE REFLECTED IN DISTRIBUTION VOLUMES

The winter months of 2022 were substantially warmer than in 2021. Compared to 2021, which was an exceptionally cold year, distribution volumes declined by just under six per cent. From the autumn onwards, distribution volumes were also reduced by the household electricity savings. In response to the energy crisis, society and the energy sector encouraged citizens to participate in the effort by carrying out the "Down a Degree" campaign. Electricity savings by consumers approached 10 per cent in the latter part of the year.

The record-high electricity prices caused significant additional costs, as we are clearly the largest individual electricity buyer in our network area. The costs of electricity purchases increased by as much as 50 per cent. Elenia's annual electricity network losses correspond to the consumption of approximately 20,000 electrically heated single-family houses.

THE PREDICTABILITY OF REGULATION MUST BE RESTORED FOR THE UPCOMING REGULATORY PERIODS

Following the amendment to the Electricity Market Act ("EMA") that entered into force on 1 August 2021, the Energy Authority changed its regulation methods in the middle of the regulatory period. The regulation methods were confirmed in 2015 and were valid until end of 2023. This change was highly detrimental to the development of our business. The Energy Authority normally monitors the reasonable return of distribution system operators (DSOs) in periods of four years and establishes regulation methods in advance for an eight-year period. The highly exceptional and sudden amendment to the regulation methods has eroded the confidence of DSOs and their stakeholders,

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such as the financial sector, in the authorities and the continuity of regulation.

A key reason for the change was the extensive negative publicity concerning electricity distribution prices, which has lasted for several years. In the negative publicity, the quality requirements imposed on the DSOs by the EMA were ignored, and the need for the development of the electricity network, which is important for the functioning of society, was forgotten. The significant political pressure led to a change in the regulatory methods despite regulatory methods even though the changes would not have been required by the amended Electricity Market Act. The construction and modernisation of electricity networks takes decades, and the networks serve customers for as long as 60 years. With this in mind, the trends in distribution prices must be considered in the long term. This needs to be the starting point when planning the regulatory methods for the periods 2024–2027 and 2028–2032.

OUR DEVELOPMENT EFFORTS TO MEET SOCIETY'S NEEDS MUST CONTINUE

We have been the forerunner in the reform of DSO services and the efficiency improvements in our industry. Our investments in modernising the ageing electricity network exceed one billion euros over the past 10 years. In just over a decade, the share of the weatherproof network has increased from less than 20 per cent to around 60 per cent in our 76,000 kilometres of electricity network. At the same time, we have maintained stable and moderate price development.

The changes made in 2021, in the middle of the regulatory period, interrupted our long-term work. We have cut our planned investments for 2022–2023 by nearly EUR 100 million. This has reduced the work of our contracting partners and our orders to the Finnish cable and equipment manufacturers. The development of the electricity network and the improvement of the security of supply have slowed down.

The regulatory changes are also inconsistent with the legal principles of administration. The changes affect the companies and their customers in different ways, and DSOs have not been treated equally. Consequently, along with other DSOs, we appealed to the Market Court in January 2022 against the changes in regulatory methods made by the Energy Authority.

THE TRANSITION TO CLEAN ENERGY REQUIRES A SMART GRID

Finland's self-sufficiency in energy must be strengthened and the security of supply must be maintained by all available means. It is our responsibility to ensure that the networks can withstand the continuously increasing electrification and are able to absorb the production of both small solar power plants and new wind farms. Using renewable energy to the fullest extent is a step towards energy self-sufficiency.

The growth of renewable, weather-dependent generation requires flexibility from the energy system, where the DSOs play a key role. The market needs demand response opportunities to balance the production and consumption of electricity. This transition requires DSOs to not only make investments but also provide digital solutions. All of the technological advances also highlight the importance of maintaining a high standard of cyber security.

The ability of DSOs to respond to the changing needs of customers and society, to build modern and smart systems and manage the generated data must be supported by ensuring the predictability and stability of appropriate regulation to enable the required development.

In spite of cutting our investments, we continued the mass installation of next-generation electricity meters across our network area in 2022. The new metering system will enable us to control electricity consumption almost in real time in the future in order to enable demand response. When the project is completed in the mid-2020s, it will be possible to have electrical devices turned on automatically when the market price of electricity is at its lowest, creating clear financial benefits for customers and enabling the more effective management of the balance of the electricity system.

Electricity storage is another significant aspect of the development of a smart grid. In the coming years, tens of electricity storage units will be built, which will also support the security of electricity supply. A new trend is customers who are investing in electricity storage units, i.e. batteries, to participate in the balancing market.

Our ongoing modernisation and renewal efforts meet the needs of the future energy system in terms of the security of supply, safety and environmental friendliness. By developing our services and building a smart and weatherproof electricity network, we ensure convenience in everyday life and help maintain the security of supply.

SERVICE BUSINESSES DEVELOPED AS PLANNED

Both the customer satisfaction of our own network customers and our service business offering services to other energy companies developed in line with our targets in 2022. The high price of electricity is prompting discussion about the electricity market, electricity saving and electricity consumption in general, which was reflected in a higher than usual number of contacts. The general public now understands what the EMA, which originally entered into force in 1995, means in practice with regard to the separation of electricity sales and the distribution. We continue to build fibre-optic cable networks in connection with the construction of the electricity network in areas where there are enough interested customers.

TURNING OUR AMBITIOUS ENVIRONMENTAL TARGETS INTO ACTION

We are committed to climate targets of the Science Based Targets initiative (SBTi). Our target is to reduce greenhouse gas emissions by 42% by 2030 in terms of our own emissions and those of the energy we procure. We are also part of the Net Zero target, which means emissions reduction of about 90% by 2050 throughout our value chain. Our targets and measures to promote sustainable development are discussed in our sustainability report, which is published in the spring.

Despite the exceptional conditions we faced in 2022, we are looking ahead with a strong sense of purpose. It is essential for the industry that the longevity of the previous regulatory methods will be readopted during the next regulatory period starting at the beginning of 2024. Our stakeholders' confidence in the legislation and continuity of regulation, as well as our customers' acceptance and trust in Elenia, can only be restored by determined improvements in operational efficiency and service quality.

I want to take this opportunity to thank our customers, employees and owners for their strong cooperation during a highly exceptional and challenging period.

Tapani Liuhala
CEO

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SECURITY OF SUPPLY WAS INCREASINGLY IMPORTANT, THE RISK OF ELECTRICITY SHORTAGES EMERGED FOR THE FIRST TIME IN YEARS

The security of supply remained a key focus area throughout 2022 due to a number of factors related to electricity distribution. When Russia's war of aggression started early in the year, Elenia improved its physical and cyber security contingency planning and situation awareness. We updated the statutory contingency plan in the spring and submitted it to the Energy Authority in the early summer. In the plan update, we took into account identified development needs and changes in security development, for example. In the self-assessment related to the contingency plan, we noted that our contingency planning had improved in several areas when compared to the 2019 level. Towards the end of the year, we carried out the final measures and tests related to the EU-level Network Code for Emergency and Restoration and reached the required level on schedule. Our ability to operate in situations such as a national power outage has improved. Throughout the year, we were constantly prepared for major power disruptions caused by weather events or technical disturbances. In 2022, there were no significant major power disruptions and the preparedness level was raised only a few times.

Russia's war of aggression that began in February 2022 and the resulting termination of electricity imports from Russia to Finland had significant impacts on Finland's energy supply. In summer 2022, the Finnish transmission system operator Fingrid estimated that the availability of electricity during the winter season 2022–2023 will be the lowest in decades. If electricity production and imports were not sufficient to cover electricity consumption, distribution network operators must limit consumption in order to ensure the functioning of the electricity system. This situation is called an electricity shortage. The risk of electricity shortages is greatest during periods of non-windy weather with very low sub-zero temperatures when electricity consumption is high and wind power generation is low.

Distribution network operators are required to maintain a contingency plan that includes the principles of preparedness for electricity shortages. Elenia's contingency plan has always been very comprehensive and also covers the key issues related to preparing for electricity shortages and disturbances in the main grid. In late summer, Elenia launched measures to specify its plans for electricity shortages and, among other things, to improve its ability to cooperate with the transmission system operator. At the same time, customers and media began to take an interest in this topic. There was a lot of customer and media contacts throughout the autumn. Elenia's comments and electricity shortage procedures were mentioned in news and newspaper articles nearly 200 times in late 2022.

It is worth noting that all news coverage was neutral, providing facts and advice about electricity shortages. Elenia was also invited to several events organised by the authorities and public administration to talk about electricity shortages and related practices.

On the basis of the contingency plan, Elenia developped a detailed plan for preparing for electricity shortages in the winter season 2022–2023. It included training the personnel and partners to operate during electricity shortages, conducting system development for the tools used, providing customers and media with information and planning the order of power outages in the event of an electricity shortage. In December 2022, drills on dealing with electricity shortages were organised and minor development needs were identified.

In December, the Government Decree on the prioritisation of critical customers in the event of disturbances and electricity shortages entered into force with a transition period of one month. The Decree was drafted quickly, especially due to the risk of electricity shortages during the winter. The Decree defined 13 customer groups that are critical for the functioning of society. The continuity or restoration of their electricity supply must be a priority in various disturbances and this information must be specified in the statutory contingency plan. However, belonging to these critical customer groups is not a guarantee of interrupted electricity supply; everyone must be prepared for power outages. Elenia had updated its information about customers' critical places of electricity use throughout the autumn and when the Decree entered into force, the collection of information focused on critical customer groups. Elenia organised numerous cooperation meetings and webinars related to data collection for municipalities and rescue services, for example. The necessary data was collected and the disconnection plan for shortage-related power outages was updated within the given timeframe. Similarly, the work to supplement the contingency plan was completed at the very end of 2022 and the plan was submitted to the Energy Authority at the beginning of 2023.

In 2022, there were no electricity shortages in Finland, even though people, companies and organisations were prepared for it. Private individuals saved electricity, domestic production continued mostly uninterrupted and import connections offered a good supply of electricity, including during the period of very low sub-zero temperatures in December. Our preparedness to handle electricity shortages is at an excellent level and the measures taken in 2022 and the agreed cooperation practices will help to maintain our preparedness well into the future.

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LONG-TERM DEVELOPMENT PLAN OF ELENIA'S ELECTRICITY NETWORK AND CONSULTATION WITH CUSTOMERS

In connection with the amendment to the Electricity Market Act in 2013, the distribution system operators were obliged to draw up a plan by which they would ensure that the security of supply requirements laid down in the amendment would be met within the given timeframe. The first network development plans had to be submitted to the Energy Authority for review by the end of June 2014 and after that every other year.

With the amendment to the Electricity Market Act that entered into force in autumn 2021, the development plans of the distribution system operators had to include not only how they fulfil the security of supply requirements but also how they see their operating environment developing over the coming ten-year period, especially with regard to the green and energy transition, and what measures they are taking to prepare for the changes. In addition, in the future, operators must demonstrate the cost efficiency of their chosen network development measures. Instead of simply monitoring the development of the security of supply, operators will have to present their operations more comprehensively in their development plans and provide more detailed grounds for their operations.

At the end of 2022, there was almost 1,000 MW of wind power connected to Elenia's high-voltage distribution network. This is expected to more than double over the next 10 years. To respond to this development, Elenia is renewing 110 kV transmission lines and building entirely new lines, the work encompassing more than 850 kilometres of lines. At the end of 2022, more than 11,500 solar power plants were connected to Elenia's low-voltage and medium-voltage distribution network. In addition, the charging stations required by the increase of electric vehicles are becoming more common both in real estate properties and along motorways. Put together, these require additional local capacity from the electricity network but also flexibility solutions in the future. Elenia's goal is to achieve a 90% underground cabling rate in the electricity network by the end of 2036. With this and the continuous development of network automation and information systems, we ensure the electricity distribution quality level required by the electrification of society. In 2021–2025, we are renewing the smart electricity metering system by installing 400,000 new smart meters for Elenia's customers. By the end of 2022, approximately 100,000 meters had already been installed. A sufficiently strong electricity network together with smart electricity metering lays the foundation for electricity market development and flexibility solutions.

From 2022 onwards, the development plan must also be published for evaluation by customers and stakeholders before it is submitted to the Energy Authority for review. As a response to this new requirement, Elenia created the Elenia Avoin service. The development plan is a very complex and comprehensive and Elenia's goal was to present it in a way that is easy to understand and shows how the plan influences the customer. In the Elenia Avoin service, the user enters an address that interests them and the service shows which substation feeds electricity to the location and what development measures are planned for this substation feeder. The customer can check when the security of supply level decreed by law is achieved at their address and how and when the distribution network in their area is developed. Elenia Avoin creates much-needed transparency regarding the current state of the electricity network and long-term plans and helps people understand how the distribution network works.

Elenia Avoin was published on 2 May 2022 and the official development plan consultation lasted for a month. During the consultation, more than 16,000 users visited Elenia Avoin and Elenia received almost 800 comments. The feedback did not result in changes to the actual development plan but led to a few maintenance assignments and field surveys. The feedback was mainly positive and we were able to provide the Energy Authority with valuable information about our customers' views on electricity network management.

The service is still in continuous use and our customers can, at any time, learn more about the electricity network that serves them and give feedback on it. Opinions on the development plan will be collected also in the coming years through the Elenia Avoin service. The continuously used service also makes it possible to arrange voluntary consultations with changing themes. Next, we will use the service to collect information and ideas from our customers regarding the green transition.

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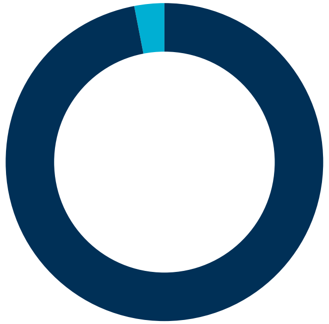
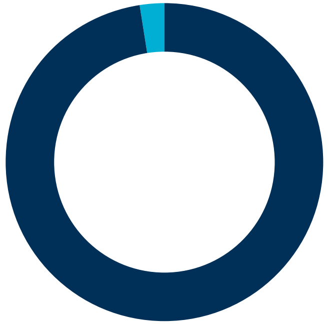
GROUP KEY FIGURES 2022

REVENUE BREAKDOWN, MEUR



ELENIA GROUP'S INVESTMENTS*, MEUR



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ELENIA'S STRATEGY

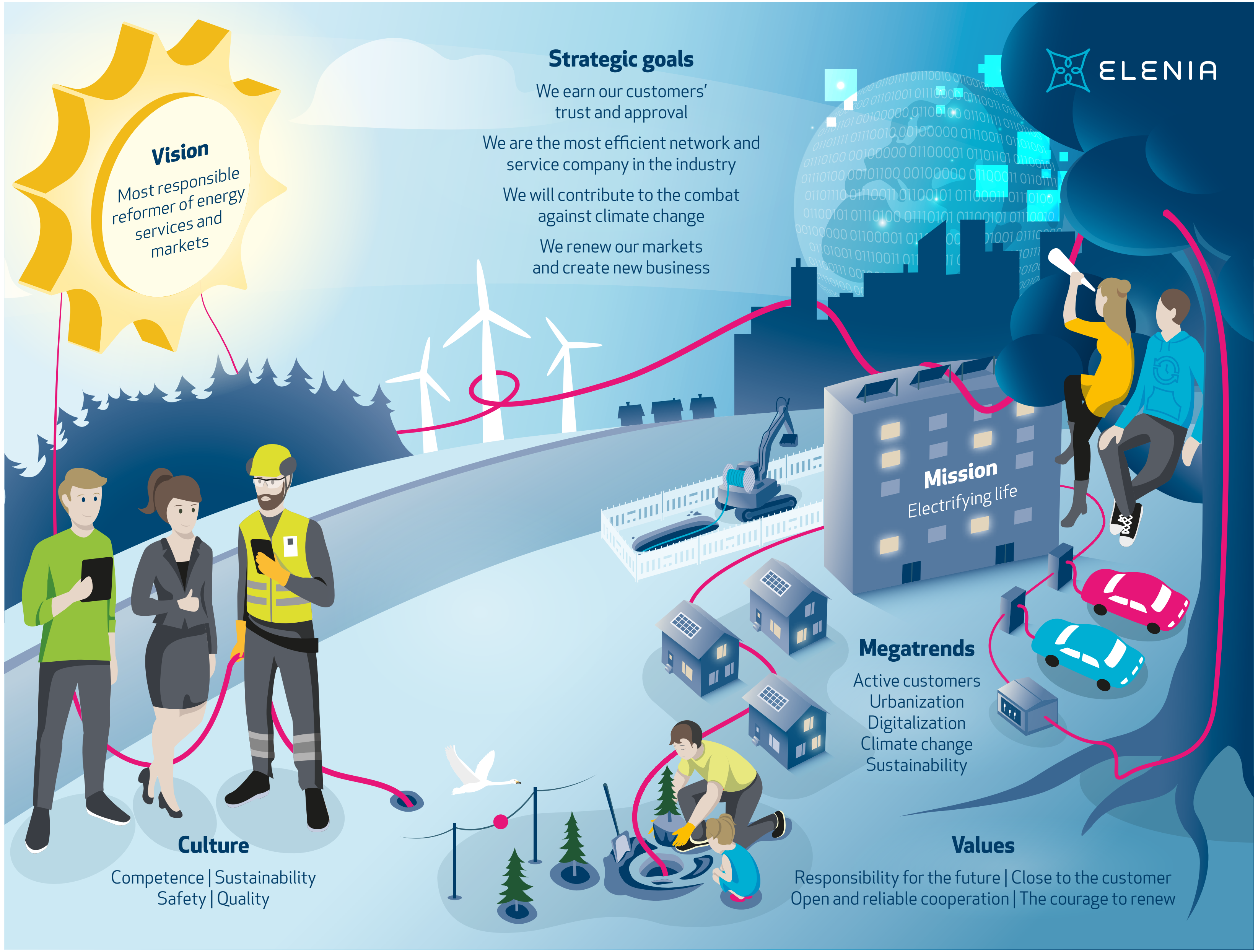
SUCCESS FACTORS

NETWORK BUSINESS

- We utilize digitalization in our operational processes efficiently and innovatively
- We improve our security of supply taking into account customer needs
- We strive to influental and customer-minded stakeholder collaboration
- We provide a Smart Grid for our customers and electricity market participants
- We renew the services and practices of the industry together with our partners

SERVICE BUSINESS

- We provide the best service experience
- We are the most efficient and high quality network builder
- We are active operator in fiber network markets
- We promote market digitalisation and create new services



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STAKEHOLDER ADVISORY COMMITTEE

Committee to boost Elenia's stakeholder cooperation

The European energy crisis highlights the importance of improving Finland's self-sufficiency in energy and ensuring the security of supply in the energy system. The national targets strengthen the role of Elenia's smart grid services in the energy market. Open and constructive interaction with our stakeholders is increasingly important.

As part of our stakeholder cooperation, we established Elenia's Stakeholder Advisory Committee in 2022. The Committee meets 2–3 times a year to discuss topical themes. We provide the Stakeholder Advisory Committee with information about our sustainability and development work, discuss the development of the electricity market and hear the views of the Committee members on how we can further improve our services, taking into account the needs and expectations of both customers and society.

The Stakeholder Advisory Committee does not make decisions concerning the company. It works in close advisory cooperation with the company's senior management. It has no business responsibilities or official status in the organisation. The company does not pay salary or remuneration to the Committee members; however, the company reimburses the travel and accommodation expenses incurred by their participation in the Committee work.

Elenia's Stakeholder Advisory Committee members

- Anneli Jäätteenmäki, former Prime Minister and Member of Parliament, Centre Party
- Emma-Stina Vehmanen, Transport Policy Advisor, Suomen Yrittäjät
- Johannes Koskinen, Member of Parliament, Social Democratic Party
- Marju Silander, Executive Director, Finnish Home Owners' Association
- Pekka Verho, Professor of Electrical Power Engineering, Tampere University
- Petri Pylsy, Leading Specialist, Finnish Real Estate Federation
- Sofia Vikman, Member of Parliament, National Coalition Party
- Elenia's representatives: CEO Tapani Liuhala, Deputy CEO Jorma Myllymäki

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REPORT OF THE BOARD OF DIRECTORS 2022

Elenia Group's Business Operations

Elenia Group ("Elenia") consisted of Elenia Oy (the parent company) and its fully-owned subsidiary Elenia Verkko Oyj[1].

Elenia Group is engaged in four businesses, of which electricity distribution is the Group's core business and constitutes the majority of Group's revenue. In the Group structure, Elenia Verkko Oyj ("network business") owns and operates an electricity distribution network. Additionally, Elenia Oy engages in the customer service business ("customer service business"), procurement, construction and project management business ("construction business") and it builds and operates a passive fibre-to-the-home network ("fibre business") (collectively referred to as "service business").

Financial Performance

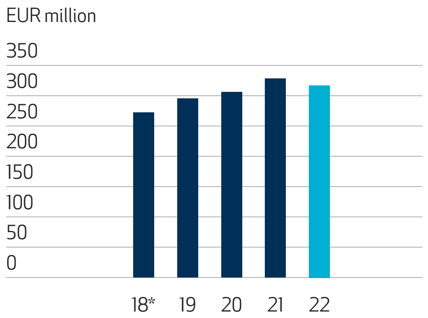
Elenia Group's revenue in 2022 was EUR 317.4 million (EUR 328.6 million in 2021). Revenue declined by EUR 11.2 million (3.4%). The main reason behind the lower revenues was the milder winter in 2022 compared to 2021, which was exceptionally cold. Additionally, during the last four months of the year, the electricity consumption declined due to energy saving measures by our customers as a response to the exceptionally high electricity prices.

EBITDA was EUR 204.2 million for the financial year (EUR 214.8 million in 2021). EBITDA declined by EUR 10.6 million (4.9%). EBITDA excluding items affecting comparability was EUR 205.7 million for the financial year (EUR 215.1 million in 2021). The items affecting comparability mainly consisted of exceptionally high electricity price[2].

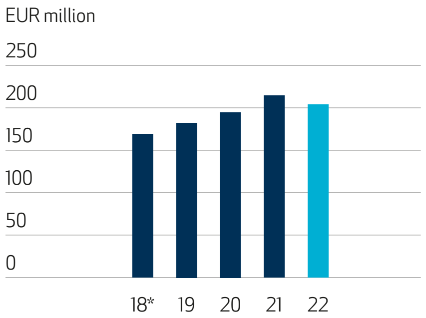
1 In addition, Elenia Innovations Oy was established in 2020 as a wholly-owned subsidiary of Elenia Verkko Oyj. Elenia Innovations Oy had no business operations in 2021 nor in 2022.

2 During H1 2022 Elenia made the decision to treat electricity prices above 60€/MWh as exceptional. This is higher than any monthly average price in Finland for the previous ten years, which evidences well the exceptionally high electricity prices during 2022. Elenia needs to cover its distribution losses (which are 3–4% of the distribution volumes) by buying electricity, making Elenia a sizeable electricity purchaser. Elenia has hedging policy in place for electricity purchases, which partially mitigates the impact of the high electricity prices.

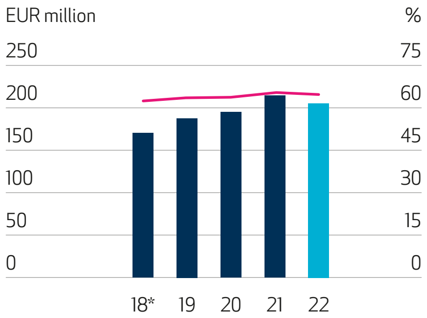
REVENUE



EBITDA



EBITDA** AND EBITDA MARGIN**



** excluding items affecting comparability

\) 2018–2022 figures in the graphs include the revenue and EBITDA without the discontinued operations. The district heating business divestment was completed on 22 July 2020 and 2018 figures are restated for comparability.

ELENIA GROUP

(EUR million)	2022	2021	Change %
Revenue	317.4	328.6	-3.4
EBITDA	204.2	214.8	-4.9
EBITDA excluding items affecting comparability	205.7	215.1	-4.4
EBITDA margin (excluding items affecting comparability)	64.8	65.5	

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Business Review – Network Business

Elenia Verkko Oyj is Finland's second-largest electricity distribution system operator (DSO) with a 12% market share in terms of total number of customers. The company has a regional monopoly position, and it serves all customers in the geographical areas defined in the licence granted by the Energy Authority (EA). The licence holder has the exclusive right to build and operate an electricity distribution network in its geographical area of responsibility.

With an electricity network of approximately 76,000 kilometres, Elenia Verkko Oyj supplies electricity to over 438,000 end users. In addition to residential customers, key customer segments include industrial, service, construction and public sectors. The company has operations in more than 100 cities and municipalities spanning a geographical area of nearly 600 km in length across central Finland, from Southern Häme to Northern Ostrobothnia.

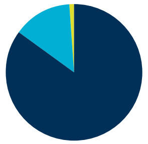
During the financial year, Elenia's network business distributed 6,260 GWh of electricity, compared to 6,643 GWh in the previous year. The distribution volume declined by 383 GWh (5.8%). The decline is partly attributable to the fact that the distribution volume in 2021 was the highest in Elenia's history driven by cold winter and electrification, and partly to the energy saving measures in 2022 undertaken by Elenia's customers in response to the exceptionally high electricity prices.

Revenue from the network business came to EUR 310.8 million (EUR 322.1 million in 2021). Revenue declined by EUR 11.3 million (3.5%). The EBITDA of the network business was EUR 203.1 million (EUR 213.9 million in 2021). EBITDA declined by EUR 10.7 million (5.0%). The negative EBITDA development was the result of declining distribution volumes as well as the exceptionally high distribution loss costs resulting from the very high electricity prices.

The weather during 2022 can be characterised as benign with no major power disruptions caused by snow loads or storms. In March, the Manu storm caused outages in certain areas of Elenia's distribution network served by overhead lines. The maximum number of customers simultaneously without electricity was approximately 9,000 and all connections were restored in less than 26 hours. Additionally, a series of thunderstorms hit Elenia's network area in August causing outages. The maximum number of customers simultaneously without electricity was approximately 10,300 and all connections were restored in just over two days. Both Manu storm and the thunderstorms were classified as a class 2

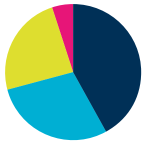
CUSTOMER SEGMENTS AND DISTRIBUTION VOLUMES, ELENIA VERKKO OYJ

CUSTOMER SEGMENTS



Residential	85%
Agriculture, services and construction	14%
Industry	1%
Other	0%

ENERGY BY CUSTOMER SEGMENT



Residential	42%
Agriculture, services and constr	29%
Industry	24%
Other	5%

power disruptions and jointly they caused almost 1000 fault repair tasks. In total Elenia raised its preparedness level (to yellow, i.e. the lowest level) seven times in 2022.

The operational costs of all storm repair and preparedness activities were EUR 1.7 million, mandatory compensations EUR 0.1 million and voluntary compensations EUR 0.1 million.

SAIDI (System Average Interruption Duration Index), a measure of the duration of outages, was 70 minutes during the year (111 minutes in 2021). SAIDI excluding the impact of Class 3 and 4 storms was 70 minutes (67 minutes in 2021). While Elenia did not experience any Class 3 and 4 storms, the impact of the Manu storm and August thunderstorms to SAIDI were 7 minutes and 8 minutes, respectively. Without these two events, SAIDI would have been 55 minutes. The SAIDI figures show the positive trend in outages driven by the increased underground cabling, but also the need to continue to improve security of supply in the coming years by replacing old overhead lines at the end of their useful life with new underground cables.

Elenia Verkko Oyj continued to invest in the electricity network in accordance with its development plan during the financial year. The investment plan of Elenia's network business is designed to improve the security of supply via underground cabling. Since 2009, Elenia has built only weatherproof distribution lines. At the end of the year, 61.7% of Elenia's network was underground, compared to 58.5% at the end of 2021.

The Electricity Market Act (EMA) states that 100% of customers must be within the scope of the quality requirements by the end of 2036[3]. At the end of the year, 80% of the customers of Elenia's network business were within the scope of the quality requirements stipulated by the EMA. The corresponding figure at the end of 2021 was 78%. The main focus of Elenia's network development is in improving the security of supply and replacing overhead lines at the end of their lifetime by underground cabling. Elenia also seeks to improve the security of supply by other means. In 2020, a battery pack was successfully deployed in the Kuru area to provide electricity to local households in case of an outage. Two additional battery packs will be operational by the end of 2023.

Elenia invested 175.8 EUR million in developing electricity networks during the financial year. In 2021, the corresponding investments amounted to EUR 172.2 million. Investments in the electricity network will continue in 2023, but Elenia will invest EUR 60 million less than previously planned. The significant reduction in investments is due to changes in regulatory methods implemented by the EA, especially the significant

3 Pursuant to the EMA, which was amended in 2021, by the end of 2036, all customers (100%) must be connected to a secure network where outages cannot last more than 6 hours in zoned areas and not more than 36 hours in other areas. For Elenia, 75% of customers must be connected to a secure network by the end of 2023, and 100% by the end of 2036. The previous deadline for the quality requirements was the end of 2028, which still applies to some network companies (whose underground cabling rate was over 60% at the end of 2018).

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reduction in the reasonable rate of return, which presents challenges to the financing of the investments.

In June 2022 Elenia submitted to the EA its statutory network development plan Elenia's capex requirements to replace aging overhead lines and improve the security of supply exceed EUR 1,500 million by 2036. Additionally, green transition related capex including e.g. deployment of smart meters and increasing network capacity to enable connection of wind power, are expected to amount to approximately EUR 500 million by 2031. Elenia was required for the first time to organise a public hearing for its customers and stakeholders on the network development plan. One of the findings of the hearing was that 85% of the customers think that 12 hours is the maximum acceptable outage length, which is significantly shorter than the 36-hour limit set in EMA for 2036.

In 2022, 254.8 MW of new wind power capacity and 4,457 new small-scale solar panel installations were connected to Elenia's distribution grid. There is a clear increase among our corporate customers in industrial electrification solutions and interest in battery solutions. For the consumer customers there is a clear increase in the solar panel installations and EV charging, and the interest towards real-time electricity consumption data, our online services and Elenia Aina application. For corporate customers the interest is driven by the green transition and the need to move away from fossil fuel based solutions (such as natural gas) and for consumer customers the interest is driven additionally by the very high electricity prices.

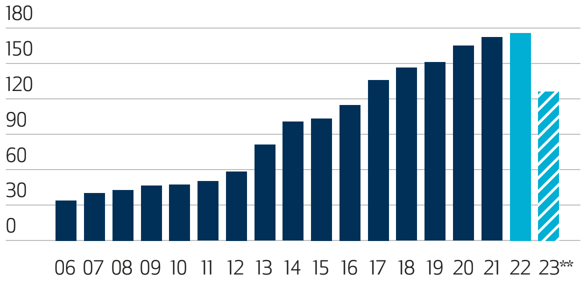
In 2022, Elenia Verkko Oyj continued to develop its asset management system according to the international standard ISO 55001:2014. The requirements of ISO 55001 guide the construction, operation, maintenance and repairs of Elenia's electricity network. This ensures that the company will continue to operate, maintain and upgrade its electricity network in order to respond to its customers' needs. The standards also require that suppliers and service providers commit to responsible, high-quality operations. The asset management system of Elenia's network business was recertified in November 2022 by Lloyd's Register.

Elenia supplemented its statutory preparedness plan, which was originally submitted to the EA in June, based on the government decree on the priority order of critical customers in disruption and power shortage situations.

The EA oversees the operations of Finnish distribution system operators. The regulation is based on four-year regulatory periods. The past year was the third year of the fifth regulatory period (2020–2023). The reasonable rate of return declined from 5.35% in 2021 to 3.97% in 2022 mainly due to a change in the calculation methodology for the risk-free rate. For 2023, the EA has confirmed that the reasonable rate of return is 6.08%. The substantial increase is due to the sharp rise in the interest rates in 2022.

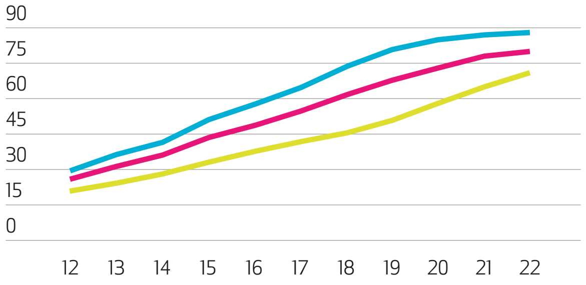
Like other DSOs, Elenia received a new regulatory decision in December 2021 regarding changes in regulatory methods that entered into effect on 1 January 2022 and remain in effect for only two years, namely 2022 and 2023. The changes were in line with the previous information communicated by the EA. The key changes include updated unit prices, changes to WACC calculation methods and eliminating the security of supply incentive from the regulatory methods. Like several other Finnish DSOs, Elenia has appealed to the Market Court to repeal the decision of the EA with regard to the key aspects of the decision. The outcome of the appeal is expected in 2023 or 2024.

TOTAL INVESTMENTS IN ELECTRICITY NETWORK 2006–2022, EUR MILLION*



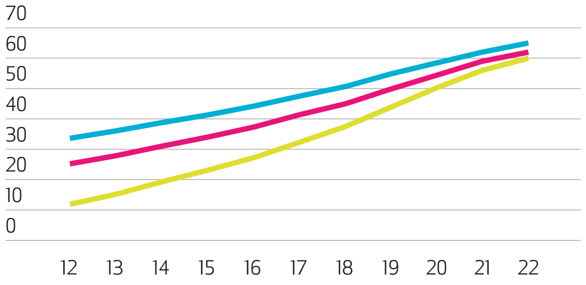
* excludes ICT system investments and the street lighting network
** estimate

CUSTOMERS COVERED BY THE QUALITY REQUIREMENTS 2012–2022, %



Pursuant to the Electricity Market Act, quality requirements will apply to 50% of customers by the end of 2021, 75% of customers by the end of 2023 and 100% of customers by the end of 2028.

UNDERGROUND CABLING RATE 2012–2022, %



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Business Review – Service Business

The year under review was a successful period for Elenia's service business despite the turbulence in electricity retail market in Finland and the exceptionally high customer contact inflow. The customer service business has developed in line with expectations for the most part. No new customer relationships were acquired during the year mainly due to the national Datahub project but Elenia's target is to continue the growth also with new customer relationships.

The construction business also progressed according to plan, but the volumes were lower as a result of the capex cuts implemented due to the changes in regulatory methods midperiod by the EA. Elenia Oy has continued its joint construction projects with municipalities and telecom companies.

The fibre business has developed favourably, and Elenia expanded its fibre network during the year under review. Good progress was made in project implementation in 2022.

Revenue from the service business came to EUR 168.7 million (EUR 166.8 million in 2021). The growth in revenue was attributable to the customer service business, which was offset by the declining construction volumes. The EBITDA of the service business was EUR 29.5 million (EUR 22.7 million in 2021).

The most significant development project in the service business relates to the next-generation remote-readable electricity meters, which Elenia has developed in cooperation with several partners under new innovation partnership model. The new meters will replace most of Elenia's existing electricity meters, totalling over 435,000, during the period 2021–2025. The next-generation electricity meters provide market participants with access to more real-time data on electricity consumption and enable the implementation of demand response services that take advantage of the smart grid. At the end of 2022 almost 100,000 new meters had been installed.

Another highly significant project is the Datahub project led by the transmission system operator Fingrid Oyj (Fingrid). The purpose of the project is to provide and develop a centralised data exchange service for the electricity market along with related services for the electricity market participants as well as manage the registered data required by the electricity market. Datahub 1.0 became operational in February 2022 and Datahub 2.0 in December 2022.

Financing

Elenia Group's financing activities are centralised into Elenia Verkko Oyj. In 2022, Elenia Verkko Oyj did not issue any new bonds (no new bonds were issued in 2021). The Group's solvency and liquidity remain very strong after the bond issue carried out in 2020. At the end of the financial year, cash and cash equivalents amounted to EUR 51 million (EUR 72 million at the end of 2021).

The Group's credit facilities consist of a EUR 350 million Capex Facility, a EUR 60 million Working Capital Facility and a EUR 60 million Liquidity Facility. The first two mature in June 2024 and the seven-year Liquidity Facility matures in June 2029. All of the credit facilities were entirely undrawn (as was the case at the end of 2021). In addition, the facility of EUR 100 million agreed upon with the European Investment Bank was entirely undrawn at the end of the year. In 2023, Elenia will renew its Capex, Working Capital and Liquidity Facilities, well ahead of their final maturity.

The bonds issued by Elenia Verkko Oyj are rated by S&P Global Ratings ("S&P"). S&P downgraded the issue rating to BBB (stable) at the end of January 2022 as a result of the changes in the regulatory methods in the middle of the regulatory period.

Elenia sold its district heating business in 2019. In relation to this, EUR 14.2 million in equity repayment was paid in 2022 (EUR 70 million in 2021).

Elenia Group has two financial covenants in its financing agreements: Interest Coverage Ratio (ICR) and Leverage Ratio (LR). For each relevant period until 31 December 2027 ("the First Ratio Adjustment period"[4]), the trigger event ratio levels are 1.46x for ICR and 10.18x for LR and the default ratios are 0.96x for ICR and 11.33x for LR. At the end of 2022, the ICR and LR were 5.21 and 8.69, respectively. At end of 2021, the corresponding levels were 5.52 and 8.22. Elenia Group is in compliance with the financial covenants. Elenia retains adequate headroom to both financial covenants on a historical and forward-looking basis.

Employees

Elenia's number of employees declined moderately in 2022.

	31 Dec 2022	31 Dec 2021
	FTE	FTE
Elenia Group[5]	300	303

Close cooperation with local contracting partners is an integral part of the Group's operations. The total employment effect of the Group and its external subcontractor's operations related to Elenia is approximately 1,000 people.

The employees have largely worked remotely for the past three years. The transition to remote work in 2020 was successful, and employees will also be offered extensive and flexible remote work opportunities going forward, taking job-specific differences into account.

Employees' ability to cope with remote work has been assessed with the usual employee surveys and psychosocial stress surveys carried out in cooperation with the occupational health services at the end of 2020, 2021 and 2022. During 2022, the situation in Ukraine has also affected Elenia's personnel, increasing the willingness to help, but to some extent also increasing psychosocial stress.

For more information on Elenia's personnel, please see our sustainability report at www.elenia.com.

4 Elenia's financing is based on three core financial documents and all financiers are parties to these agreements. These documents are the Common Terms Agreement (CTA), the Security Trust and Intercreditor Deed (STID) and the Master Definitions Agreement (MDA). In 2018, the trigger event and event of default levels for both ICR and LR were amended in accordance with the requirements of the Common Terms Agreement (CTA) to mitigate the impact of the IFRS 15 standard, which became effective on 1 January 2018 obliging Elenia to change the revenue recognition of connection charges. The change affected only figures such as EBITDA that are reported in accordance with IFRS, it had no impact on FAS, taxes, cash flows or regulatory accounting.

5 Comprises all of the employees of Elenia Oy, Elenia Verkko Oyj and Elenia Group Oy.

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Acquisitions and Divestments

There were no major corporate acquisitions or divestments during the financial year. However, Elenia acquired several powerlines in December 2022:

- Two 110kV Toivila-Leskenmaja powerlines were acquired from UPM. The total length of the powerlines is 28.9km.
- The 110kV Petäjävesi-Pysäysperä-Haapavesi powerline was acquired from Fingrid. The length of the powerline is 209.3km.

Corporate Governance

Elenia Oy's Board of Directors has eight members: Timo Rajala (Chairman), Sirpa Ojala, Mark Braithwaite, Miguel Antoñanzas, Michael Pfennig, Eduard Fidler, Tapani Liuhala and Jorma Myllymäki. There were no changes to the board during the fiscal year. The Board of Directors met 8 times during the financial year.

The Board has three committees: the audit and risk committee, the remuneration and nomination committee and the safety, health, environment and security committee. The audit and risk committee is chaired by Mark Braithwaite and its other members are Sirpa Ojala and Eduard Fidler. The remuneration and nomination committee is chaired by Timo Rajala and its other members are Mark Braithwaite, Michael Pfennig and Sirpa Ojala. The safety, health, environment and security committee is chaired by Miguel Antoñanzas and its other members are Sirpa Ojala, Jorma Myllymäki and Eduard Fidler.

During the financial year, the Group's management team consisted of Tapani Liuhala (CEO), Jorma Myllymäki (Deputy CEO of Elenia Verkko Oyj), Ville Sihvola (Deputy CEO of Elenia Oy), Jarkko Kohtala (Chief Procurement and Construction Officer), Heini Kuusela-Opas (Chief Communications Officer), Marianne Kihlman (Chief People Officer), Harri Happonen (CIO, nominated 14 February 2022, replacing Jenni Heinisuo as CIO) and Tommi Valento (CFO).

Auditor

Elenia Oy's auditor is Ernst & Young Oy, with Miikka Hietala, Authorised Public Accountant, as the auditor with principal responsibility.

Shares

Elenia Oy has two hundred and fifty (250) outstanding shares. Each share entitles the holder to one vote at the Annual General Meeting and carries equal rights to dividends.

Corporate Responsibility and Sustainability

Please see Elenia's sustainability report at www.elenia.com.

Risk Management

Please see Elenia's sustainability report at www.elenia.com.

Cyber Security

Elenia has continued to reinforce cyber security awareness as a crucial part of the business internally and in cooperation with partners and the National Cyber Security Centre Finland (NCSC-FI). Elenia's information security management system has been ISO 27001 certified since 2020 and externally audited in 2022.

Events after the Balance Sheet Date

Elenia's information security management system was recertified according to ISO 27001 in January 2023.

In 2022 the EA continued the development of regulatory methods for the upcoming sixth (2024–2027) and seventh (2028–2031) regulatory periods. Elenia is actively involved in the process. The EA has stated that the new regulatory methods will be a continuation of the current methods, and any changes are expected to be relatively minor. Unit prices are expected to be updated again for the sixth regulatory period, which is expected to have a positive impact in view of the recent increase in raw material prices, which is also reflected in the prices of network components. Elenia strongly believes that regulatory methods will continue to support DSOs and compensate for long-term investments in security of supply in the upcoming sixth and seventh regulatory periods. The first guidelines for the regulatory methods were published in March 2023 and they are broadly in line with Elenia's expectations, but without the updated unit prices the impact of the upcoming regulation to Elenia's business cannot be fully assessed.

Outlook

The electricity prices in Finland have surged during 2022 as a result of the Russian war in Ukraine. As a major electricity purchaser due to the distribution losses (which are 3–4% of the distribution volumes), Elenia is susceptible to the electricity price changes. Elenia has a four-year hedging policy and program in place, which has mitigated the impact of increasing electricity prices. Hence the very high electricity price is not fully reflected in the 2022 figures. Elenia estimates that the cost of the distribution losses will total EUR 37.4 million for 2023, out of which EUR 18.4 million will be treated as exceptional for covenant calculation purposes.

Fingrid has informed DSOs that it will not charge transmission fees for at least three and up to six months in 2023, as its congestion revenues have risen sharply due to very high electricity prices. At least for the months of January, February and June, no will be charged. Elenia estimates that the net cost savings from transmission fees for the six months would be EUR 19.2 million, which in its entirety will be treated as exceptional in the covenant calculation.

The high electricity prices and rebates from Fingrid partially offset each other. The high electricity price is however affecting Elenia also otherwise. The electricity consumption, which has increased steadily over the last few years driven by electrification, has started to decline as customers are saving electricity in response for the surging electricity prices. The figures for September to December illustrate that customers (especially consumer customers) can reduce their electricity consumption by 10–15%, depending on the outside temperature. If the January to March is warm, the volumes and revenue can decline clearly compared to winter of 2022.

From the regulatory perspective, both the distribution losses as well as the grid costs are considered as pass-through items and Elenia can recoup them in the coming years. Additionally, the regulation is also volume neutral, which offers protection against declining volumes.

Inflation has been very high in Finland in 2022. It started from the network raw materials such as aluminium and steel, spread to fuels and electricity, and since then to all areas of the society. Elenia expects that its costs will continue to increase in line with the inflation in 2023. To compensate for the increased costs, Elenia is increasing tariffs by 5.8% (tax inclusive) in the beginning of May 2023. The previous tariff increase took place in autumn of 2019, almost four years ago. The tariff increase will take place after the heating season is over, which mitigates the impact for Elenia's customers. The full impact of the tariff increase will not be fully reflected in 2023 revenues.

In 2022 the interest rates rose sharply with the Finnish government bond yield increasing from 0.14% on 3 January 2022 to 3.00% on 2 January 2023. With average maturity of 7.4 years and hedging ratio of 90.5% Elenia is well hedged against rising interest rates.

The Board of Directors' Proposal Concerning Distribution of Profits

The Board of Directors proposes that no dividend be distributed.

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CONSOLIDATED FINANCIAL STATEMENTS 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2022

EUR 1,000	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Revenue	2.1.1	**317,437**	**328,636**
Other operating income	2.2.1	4,131	3,675
Materials and services		-81,873	-83,483
Employee benefit expenses	2.3.3	-16,110	-15,288
Depreciation, amortisation and impairment	3	-90,335	-88,668
Other operating expenses	2.3.1	-19,373	-18,733
Operating profit		**113,877**	**126,140**
Finance income		253	938
Finance costs		-40,007	-40,592
Finance income and costs	4.1	**-39,755**	**-39,653**
Profit before tax		**74,122**	**86,487**
Income tax	6.1.1	-13,627	-11,390
Profit for the year		**60,495**	**75,097**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

EUR 1,000	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Profit for the year	**60,495**	**75,097**
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent years:		
Re-measurement gains on defined benefit plans	202	-143
Income tax effect	-40	29
Other comprehensive income / (loss) for the year after tax	162	-114
Total comprehensive profit for the year	**60,657**	**74,983**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

EUR 1,000	Note	31 Dec 2022	31 Dec 2021
Assets			
Non-current assets			
Property, plant and equipment	3.1	1,593,831	1,534,881
Goodwill	3.2	417,823	417,823
Intangible assets	3.2	30,900	30,271
Right-of-use assets	3.1, 3.3	1,895	2,603
Other non-current financial assets		194	194
Deferred tax assets	6.1.2	20,973	13,743
Total non-current assets		**2,065,617**	**1,999,515**
Current assets			
Trade receivables	2.1.4	18,855	24,359
Other current receivables	2.1.4	40,286	46,048
Cash and cash equivalents		51,154	71,841
Total current assets		**110,294**	**142,248**
Total assets		**2,175,911**	**2,141,763**

EUR 1,000	Note	31 Dec 2022	31 Dec 2021
Equity and liabilities			
Equity			
Share capital	4.4	3	3
Unrestricted equity	4.4	-548,274	-548,274
Retained earnings	4.4	399,755	344,098
Total equity		**-148,516**	**-204,173**
Non-current liabilities			
Loans from financial institutions	4.2	150,000	150,000
Bonds and notes	4.2	1,683,025	1,682,046
Lease liabilities	3.3	988	957
Employee benefit liability	6.2	249	466
Provisions	2.3.4	6,119	7,665
Liabilities related to contracts with customers	2.1.3	39,989	30,751
Other long-term liabilities	2.3.3	1,224	1,036
Deferred tax liabilities	6.1.2	157,495	139,101
Total non-current liabilities		**2,039,089**	**2,012,023**
Current liabilities			
Lease liabilities	2.3.2, 3.3	1,099	2,108
Trade payables	2.3.2	13,678	22,160
Liabilities related to contracts with customers	2.1.3	1,549	1,174
Other current liabilities	2.3.2	269,012	308,470
Total current liabilities		**285,339**	**333,913**
Total equity and liabilities		**2,175,911**	**2,141,763**

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

EUR 1,000	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Operating activities		
Profit for the year	60,495	75,097
Adjustments to reconcile profit to net cash flows		
Depreciation, amortisation and impairment	90,335	88,668
Finance income	-253	-938
Finance costs	40,007	40,592
Taxes	13,627	11,390
Other adjustments	-398	-18
Other short-term and low value rental expenses	49	53
Working capital adjustments		
Increase (+) / decrease (-) in trade and other current liabilities	-6,827	26,772
Increase (-) / decrease (+) in trade and other current receivables	13,215	-7,682
Increase (+) / decrease (-) in provisions	-1,546	-504
Interests received	252	79
Interest and financial expenses paid	-38,662	-38,676
Interest paid on lease liabilities	-387	-811
Taxes paid	-5,354	-5,351
Net cash flows from operating activities	**164,554**	**188,670**

EUR 1,000	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Investing activities		
Capital expenditure	-153,715	-157,206
Changes in investments	4,242	267
Net cash flows used in investing activities	**-149,474**	**-156,939**
Financing activities		
Equity repayment	-14,215	-70,000
Repayment of lease liabilities	-2,168	-3,669
Group contributions received/paid	-19,385	-
Net cash flows from financing activities	**-35,768**	**-73,669**
Net increase in cash and cash equivalents	**-20,688**	**-41,938**
Cash and cash equivalents at 1 January	71,841	113,780
Cash and cash equivalents at 31 December	**51,154**	**71,841**

Cash and cash equivalents comprises of cash balance at bank accounts.

Loans granted and repayments of loan receivables are presented in financing cash flow instead of cash flow from investing activities.

The accompanying notes are an integral part of these consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

EUR 1,000	Share capital	Unrestricted equity: Reserve for invested unrestricted equity	Unrestricted equity: Common control reserve	Retained earnings	Total equity
Equity at 1 January 2022	**3**	**1,659,400**	**-2,207,674**	**344,098**	**-204,173**
Profit for the year	-	-	-	60,495	60,495
Other components of comprehensive income (adjusted by tax effect)					
Change in defined benefit plans	-	-	-	162	162
Total comprehensive income for the year	**-**	**-**	**-**	**60,657**	**60,657**
Transactions with shareholders					
Group contributions	-	-	-	-5,000	-5,000
Total transactions with shareholders	**-**	**-**	**-**	**-5,000**	**-5,000**
Equity at 31 December 2022	**3**	**1,659,400**	**-2,207,674**	**399,755**	**-148,516**

for the year ended 31 December 2021

EUR 1,000	Share capital	Unrestricted equity: Reserve for invested unrestricted equity	Unrestricted equity: Common control reserve	Retained earnings	Total equity
Equity at 1 January 2021	**3**	**1,659,400**	**-2,207,674**	**288,500**	**-259,771**
Profit for the year	-	-	-	75,097	75,097
Other components of comprehensive income (adjusted by tax effect)					
Change in defined benefit plans	-	-	-	-114	-114
Total comprehensive income for the year	**-**	**-**	**-**	**74,983**	**74,983**
Transactions with shareholders					
Group contributions	-	-	-	-19,385	-19,385
Total transactions with shareholders	**-**	**-**	**-**	**-19,385**	**-19,385**
Equity at 31 December 2021	**3**	**1,659,400**	**-2,207,674**	**344,098**	**-204,173**

Changes in the equity are explained in more details in Note 4.4.

The accompanying notes are an integral part of these consolidated financial statements.

CONTENTS

1 GROUP ACCOUNTING POLICIES

Accounting policies haven been described in the relevant note and can be recognised from character

Significant judgements, estimates and assumptions made by the Group management have been presented in the relevant note and can be recognised from character

Risk management principles have been described in the relevant note and can be recognised from character

1.1 GENERAL INFORMATION

Elenia Oy is a Finnish limited liability company domiciled in Tampere (address: Patamäenkatu 7). Elenia Oy's parent company is Elenia Investments S.à r.l., a company duly incorporated under the laws of Luxembourg and having its registered office at 20 Boulevard Royal L-2449 Luxembourg. The ultimate parent of the Group is Elton Investments S.à r.l., domiciled in Luxembourg.

These consolidated financial statements of Elenia Oy are included in the consolidated financial statements of Elton Investments S.à r.l., available at the following address: 20 Boulevard Royal L-2449 Luxembourg.

Elenia Group is the owner and operator of an electricity distribution network (Elenia Verkko Oyj, 'Elenia Networks') and it also has a customer service business, construction business and intercompany services (Elenia Oy, 'Elenia Services').

The Board of Directors approved the consolidated financial statements on 7th March 2023. The shareholders have the right either to approve, reject or change the consolidated financial statements in the Annual General Meeting.

1.2 BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) approved for application within the European Union (EU). The consolidated financial statements are compliant with the provisions of the Finnish Accounting Act and other regulations governing the preparation of financial statements in Finland.

The consolidated financial statements have been prepared based on a historical cost. All Group companies use euro ("EUR") as their operating currency and all figures are reported in euros. The consolidated financial statements are presented in thousands of euros. There may be rounding discrepancies in the sum totals due to the presentation method used.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied for the first-time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2022. The nature of each new standard and amendment adopted by the Group has been described in the relevant note. New standards, amendments and interpretations not material for the Group have been described in Note 5

CONTENTS

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the accompanying disclosures and the disclosure of contingent liabilities.

Estimates and assumptions are based on the management's best judgement on the reporting date. Estimates are made based on historical experience and expectations of future events that are considered probable on the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of assets and liabilities affected in future periods. The Group's significant accounting judgements, estimates and assumptions are described either below or in the relevant notes.

1.4.1 Judgements

The preparation of consolidated financial statements requires management to make judgements in applying the accounting principles. The significant judgements made by the Group management have been presented in the relevant note except for the going concern which is described below.

GOING CONCERN

The consolidated financial statements are prepared on a going concern basis. The Board of Directors has noted that the Group made a profit before tax for 2022 of EUR 74,122 thousands and has a net equity of EUR -148,516 thousands as at 31 December 2022.

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has sufficient resources to continue in business for the foreseeable future. The management's assessment is based on the following:

- The Group has issued bonds under the EUR 3 billion EMTN programme. As at 31 December 2022, the Group has utilized 1,171 million out of this programme. In February 2020 Elenia Verkko Oyj (Elenia Finance Oyj) issued a new EUR 500.0 million benchmark bond maturing in 2027 which was oversubscribed several times, reflecting strong investor demand for the securities issued by Elenia.This programme is supported by strong credit rating of BBB with based on S&P Global Ratings' assessment.
- The Group has sufficient liquidity based on its cash position and undrawn credit facilities of EUR 570 million from a syndicate of international banks and European Investment Bank (as fully described in Note 4.2.9).

CLIMATE CHANGE

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Elenia's management has assessed the financial risks and opportunities related to climate change to Elenia's business. The main risks are related to extreme weather events and the opportunities are related to the green transition. The impact of extreme weather events on Elenia's business is mitigated by Elenia's significant investment in a weatherproof underground network between 2012 and 2022. These investments will continue until at least 2036, for example increasing the level of underground cabling to around 90%, which will further reduce the impact of extreme weather events. In addition, the electricity network regulation mitigates the economic impact of both risks and opportunities for Elenia. For these reasons, the impact of climate change risks on Elenia's financial statements is not material.

1.4.2 Estimates

Estimates are based on the management's best judgement on the reporting date. Estimates are made on the basis of historical experience and expectations of future events that are considered probable on the reporting date. However, actual results and timing may differ from these estimates. The Group's significant accounting estimates have been described in the relevant note.

1.4.3 Restructurings under common control

The restructurings in 2020 of the group structure has been carried out in accordance with the principle of common control in which the the ultimate controlling parties have not changed.

Currently, there is no specific guidance on accounting for common control transactions under IFRSs. The IASB has a project on this topic with a view to examing the definition of common control and the methods of accounting for business combinations under common control in the acquirer's consolidated and separate financial statements. At the time of preparation of these consolidated financial statements, this project is still under study by the IASB.

Elenia Group accounts for restructurings (share-for-share exchange and business combinations) under common control using pooling of interest method. Under this method, the assets and liabilities of the acquired subsidiaries are recognised at their previous carrying amounts.

No adjustments are made to reflect fair values and no new assets and liabilities of the acquired subsidiaries are recognised in these consolidated financial statements. As a result no new goodwill is recognised in these consolidated financial statements. Any difference between the consideration paid / transferred and the shares acquired is reflected within the equity.

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2 OPERATING PROFIT

2.1 REVENUE AND TRADE AND OTHER CURRENT RECEIVABLES

2.1.1 Contracts with customers: revenue recognition and payment terms

ACCOUNTING POLICY

Revenue from the distribution of electricity is recognised at the time of delivery. Revenue from customer service operations and other revenue, for example contracting income is recognised in the period in which such services are rendered.

Connection fees paid by customers for joining an electricity network or fibre network are recognised as revenue in the consolidated statement of profit or loss. Until the end of 2017 revenue from new connections was recognised immediately after signing of the contract or completion of the physical distribution network connection. As a result of the implementation of IFRS 15 standard, from 1 January 2018 onwards the new connection revenue has been recognised over a period of 30 years for the electricity network connections. The time period is in line with the depreciation period of the connection assets.

Electricity network connection fees, which have been paid by the customers before 2008, must be refunded net of demolition costs, if the customer wants to terminate the electricity connection. Similar refunding obligation applies to all district heating connection fees. A provision has been recorded for future refunds.

The Group pays to the customers voluntary outage compensations due to interruption of over 6 hours in the electricity distribution. These compensations are recognised as a reduction of revenue at a point in time and included in the item "distribution of electricity" in the disaggregation of revenue -table below. Outage compensations in accordance with the Electricity Market Act, which are paid to the customers due to interruption of over 12 hours in the electricity distribution, are recognised as other operating expenses (Note 2.3.1).

Payments from all the Group's contracts with customers are generally due within 14 days and consideration for services are paid in cash. Contracts do not have any significant financing components.

2.1.2 Disaggregation of revenue

Group revenue consists of revenue from the distribution of electricity, revenue from customer service operations, connection fees paid by the customers for joining an electricity network and other revenues. Other revenues consist mainly contracting income.

REVENUE BY TYPE OF SERVICE

EUR 1,000	2022	2021
Distribution of electricity	305,754	317,343
Customer service operations	8,818	8,448
Connection fees	1,372	1,002
Other revenues	1,492	1,843
Total	**317,437**	**328,636**

TIMING OF REVENUE RECOGNITION

EUR 1,000	2022	2021
Transferrred at a point in time	316,065	327,634
Transferred over time	1,372	1,002
Total	**317,437**	**328,636**

2.1.3 Liabilities related to contracts with customers

EUR 1,000	2022	2021
Non-current liabilities related to contracts with customers	39,989	30,751
Current liabilities related to contracts with customers	1,549	1,174
Total	**41,538**	**31,926**

Liabilities related to contracts with customers include the unrecognised part of new connection revenue for the electricity network and fibre network connections. Revenue will be recognised over a period of next 30 years for the electricity network connections and 15 years for the fibre network connections. The amount reported as current liabilities will be recognized during the next 12 months.

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2.1.4 Trade and other current receivables

ACCOUNTING POLICY

TRADE RECEIVABLES

Trade receivables are recorded on the balance sheet at their transaction price. Impairment is recorded on trade receivables when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the agreements. The Group records impairment based on lifetime expected credit losses from all trade receivables incurred as a result of transactions subject to IFRS15. The impairment amount is measured as the difference between the asset's original carrying value and the estimated future cash flows.

Trade receivables also include invoiced sales revenue based on estimates.

TRADE AND OTHER CURRENT RECEIVABLES

EUR 1,000	2022	2021
Trade receivables	18,855	24,359
Accrued income and prepaid expenses	37,181	45,790
Other current receivables	3,105	258
Total trade and other receivables	**59,141**	**70,407**

BREAK-DOWN OF ACCRUED INCOME AND PREPAID EXPENSES

EUR 1,000	2022	2021
Sales accruals	35,553	43,411
Accrued financial items (prepayments)	0	280
Other accrued income and receivables	1,629	2,098
Total accrued income and prepaid expenses	**37,181**	**45,790**

FINANCIAL RISK MANAGEMENT

CREDIT RISK

Invoicing for electricity distribution services is based on measured consumption and the distribution tariffs specified in the public electricity network price list. The invoicing period may be one month or two months. In the event that a customer fails to pay the invoice, the electricity distribution company has the right to discontinue the supply of electricity after sending the required collection letters. Also the wide fragmentation of the customer base reduces the credit risk.

The electricity market environment and resulting high electricity prices especially in the last quarter of 2022 has increased the proportion of delayed payments. As a result the credit risk has temporarily increased somewhat, which is reflected in the amount of credit loss additions booked in 2022 and in the resulting amount of credit losses expected for 2023.

TRADE RECEIVABLES

The Group's trade receivables at the end of 2022 were EUR 18.9 million (2021: EUR 24.4 million). EUR 0,0 million collateral securities were received for trade receivables (2021: EUR 0.0 million).

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IMPAIRMENT OF TRADE RECEIVABLES

Group records lifetime expected credit losses from all trade receivables incurred as a result of transactions subject to IFRS15. Trade receivables do not contain any significant financing component. However, applying the impairment requirements of IFRS 9 has had an impact on the method used in calculation of the credit loss allowance for trade receivables, but the amount of credit loss allowances has not changed remarkably. The Group has applied the simplified approach and recorded lifetime expected losses on all trade receivables.

The amount of Credit loss allowance for trade receivables is checked and updated quarterly and it is recognised with similar principals both in IFRS- and FAS-reporting. Uncertain receivables are booked to separate book-keeping account in Group reporting.

The calculation of the amount of credit loss reserve is based on the relative proportion of credit losses calculated from historically realized levels. The customers are segmented to private and company customers to be able to take into account the differences between these customer groups in the calculation. Generally, trade receivables are written-off on a monthly basis based on customers' credit rating level and payment history.

CHANGE IN EXPECTED CREDIT LOSSES

EUR 1,000	2022	2021
Expected credit loss 1 Jan	437	669
Additions	1055	293
Realized credit losses	-830	-525
Expected credit loss 31 Dec	**662**	**437**

FINANCIAL RISK MANAGEMENT

DISTRIBUTION VOLUME AND PRICE RISKS

Electricity distribution operations do not involve particular volume or price risks in the medium term due to being subject to reasonable return under electricity distribution license. In the short term changes in distribution volumes and electricity prices has an impact on revenues and operating expenses respectively.

BREAKDOWN AND IMPAIRMENT OF TRADE RECEIVABLES BY AGE (IFRS)

31 Dec 2022	Trade receivables				
EUR 1,000	Undue	1–90 days	91–180 days	Over 180 days	Total
Trade receivables by age	15,497	3,175	245	599	19,517
Expected credit loss rate, private customers	0.2%	10.3%	52.8%	78.9%	
Expected credit loss, private customers	-17	-204	-114	-142	-476
Expected credit loss rate, company customers	0.1%	1.6%	32.0%	37.5%	
Expected credit loss, company customers	-3	-18	-9	-155	-186
Total expected credit losses	**-21**	**-222**	**-123**	**-297**	**-662**
Total trade receivables	**15,477**	**2,953**	**122**	**303**	**18,855**

31 Dec 2021	Trade receivables				
EUR 1,000	Undue	1–90 days	91–180 days	Over 180 days	Total
Trade receivables by age	19,813	4,317	247	419	24,796
Expected credit loss rate, private customers	0.1%	6.6%	34.1%	53.7%	
Expected credit loss, private customers	-15	-161	-73	-68	-317
Expected credit loss rate, company customers	0.1%	2.0%	8.0%	26.0%	
Expected credit loss, company customers	-4	-38	-3	-75	-120
Total expected credit losses	**-19**	**-199**	**-75**	**-143**	**-437**
Total trade receivables	**19,794**	**4,118**	**172**	**275**	**24,359**

All trade receivables are denominated in euros.

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2.2 OTHER OPERATING INCOME

ACCOUNTING POLICY

2.2.1 Other operating income

Other operating income includes income from non-operating activities, such as income from trade receivables collection and from sales of used fixed assets, insurance compensation and rental income.

Government grants relating to the other purpose than the purchase of property, plant and equipment are recognised as other income in the consolidated statement of profit or loss for the period in which the expenses relating to the grant are incurred and in which the decision on the grant is received.

OTHER OPERATING INCOME

EUR 1,000	2022	2021
Rental income	30	19
Indemnities	852	830
Income from the trade receivables collection	1,044	1,062
Income from the sales of obsolete materials and used fixed assets	1,435	1,260
Gains on sales of fixed assets	381	4
Other operating income	388	500
Total	**4,131**	**3,675**

2.3 OTHER OPERATING EXPENSES AND RELATED LIABILITIES

ACCOUNTING POLICY

2.3.1 Other operating expenses

Outage compensations

Outage compensations in accordance with the Electricity Market Act, which are paid to the customers due to interruption of over 12 hours in the electricity distribution, are recognised as other operating expenses and included in the item "Outage compensation costs" in the table below. The Group pays to the customers voluntary outage compensations due to interruption of over 6 hours in the electricity distribution. These compensations are recognised as a reduction of revenue at a point in time (Note 2.1.1).

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset only when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. The Group has not recognised any development expenditures as an intangible asset.

OTHER OPERATING EXPENSES

EUR 1,000	2022	2021
Lease expenses	-397	-301
External services	-4,248	-4,836
IT and communication expenses	-10,658	-8,713
Research and development costs	-348	-548
Marketing and communications	-777	-689
Insurances	-328	-311
Mailing expenses	-557	-574
Other personnel expenses	-898	-711
Travelling expenses	-354	-241
Outage compensation costs	-225	-594
Other expenses	-583	-1,215
Total	**-19,373**	**-18,733**

Research and development costs mainly include costs of research projects that do not meet the criteria for capitalisation.

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AUDIT FEES

EUR 1,000	2022	2021
Auditing fees	-226	-186
Fees for tax services	-14	-13
Fees for other services	-15	-69
Total	**-254**	**-268**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2023 reporting period.

AUDITING FEES

Auditing fees include fees for auditing the consolidated financial statements and interim accounts and for auditing the parent company and subsidiaries. Fees for tax services include fees charged for tax advice. Fees for other services consist of other assignments.

2.3.2 Trade and other current payables

TRADE AND OTHER CURRENT PAYABLES

EUR 1,000	2022	2021
Short-term financial lease liabilities	1,099	2,108
Trade payables	13,678	22,160
Accrued expenses		
Employee benefits expenses	6,013	5,711
Interest expenses	13,359	13,364
Other accrued expenses	6,707	17,327
Liabilities related to contracts with customers	1,549	1,174
Other liabilities		
VAT liability	15,301	16,687
Energy taxes	16,321	9,569
Tax liability for the period	0	0
Prepayments received	8,887	10,990
Equity repayment liability	190,232	204,447
Other liabilities	12,192	30,376
Total	**285,339**	**333,913**

According to the management's estimate, the fair value of trade and other payables does not materially deviate from the balance sheet value.

Trade payables are non-interest bearing and are normally settled on 14–30 days terms.

Other accrued expenses comprise mainly of deferred material and service purchases as well as deferred financing items.

2.3.3 Employee benefits expenses

EUR 1,000	2022	2021
Salaries and remuneration	-12,799	-12,315
Pensions		
Defined contribution plans	-2,806	-2,520
Defined benefit plans	5	10
Social security costs	-510	-463
Total	**-16,110**	**-15,288**

The total remuneration paid by Elenia Group to its employees consists of salaries, fringe benefits and short-term performance bonuses.

EUR 1,000	2022	2021
Salaries and remuneration paid to CEO		
Salaries and other short-term employee benefits	-318	-301
Other long-term employee benefits	-126	-153
Pension expenses related to salaries and employee benefits	-80	-82
Salaries and remuneration paid to other key members of the management*		
Salaries and other short-term employee benefits	-1,083	-1,021
Other long-term employee benefits	-190	-237
Pension expenses related to salaries and employee benefits	-229	-226

* Salaries and remuneration paid include the salary of Elenia Oy's CFO even though the salaries are paid by Elenia Group Oy, which is Elenia Oy's ultimate Finnish parent company.

LONG-TERM INCENTIVE LIABILITY

EUR 1,000	2022	2021
Other long-term liabilities	1,224	1,036
Other short-term liabilities	434	517
Total	**1,658**	**1,552**

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Elenia Group applies two incentive plans. All employees of the Elenia Group are included within the scope of the short-term annual performance bonus plan; in addition the key members of the management are included by a long-term incentive plan. Both of the plans are company-specific but the principles and criteria are mainly uniform. Companies' Boards of Directors approve both the criteria as well as payment under the plans.

The total remuneration paid by the Group to its employees consists of salaries, fringe benefits and short-term performance bonuses. All employees of the Group are included within the scope of the performance bonus scheme.

The annual performance bonuses (i.e. short-term annual performance bonus plan) are based for example on the Group profitability, work safety and customer or personnel satisfaction. Also the achievement of the individual key objectives in employee's own responsibility area is taken into consideration.

The key members of the management personnel are included within the scope of the long-term incentive plan. The purpose of the plan is to align the interests of the management with those of the shareholders in order to improve the competitiveness of the business and promote long-term financial success. Key management includes management team and Board members of Elenia Oy.

The long-term incentive plan is measured over a three year period and potential remunerations are paid during the following three years after the earnings period. The payment is made only if the goals have been achieved also during the year preceding the payment. In 2022, the remunerations related to the 2017–2019, 2018–2020 and 2019–2021 programmes were paid. During 2022 there were three programmes on-going: 2020–2022, 2021–2023 and 2022–2024.

During 2022 EUR 520 thousand (2021: 534 thousand) were recognized as an expense and EUR 342 thousand (2021: EUR 410 thousand) were paid out related to the long-term incentive plan. During 2022 EUR 1.7 million (2021: EUR 1.6 million) was booked as a liability related to the long-term incentive plan.

The key members of the management have no share or option based incentive schemes.

Five of the key management persons have invested into Elton Investment S.à r.l. which is the ultimate owner of Elenia Oy. The management investment is channelled through a management owned holding company Manco Investment Oy, which owns approximately 0.3% of Elton Investment S.à r.l. after the arrangement. There is also a shareholder loan between Manco Investment Oy and Elton Investment S.à r.l. The original loan amount was 0.3 million euros. The equity investment has been made at fair market values and it therefore is not a compensation plan. The equity ownership forms an additional tool for retaining key management members and therefore promotes continuity, and it also signals strong commitment from the senior management into the long-term development of Elenia.

2.3.4 Provisions

ACCOUNTING POLICY

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events to a third party, provided that it is probable that the obligation will be realised and the amount can be reliably estimated.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

PROVISIONS

Electricity network connection fees, which have been paid by the customers prior to 2008, must be refunded net of demolition costs, if the customer wants to terminate the electricity connection.

A provision for refundable connection fees for electricity network has been calculated by discounting estimated future annual connection fee refunds to their present value. The calculation is based on the management's estimate of the volume and timing of refundable connection fees. The historical level of refunded connection fees is taken into account while compiling the calculations and the discount rates applied correspond to the rates used in impairment testing of goodwill for network and heat businesses.

PROVISIONS

2022

EUR 1,000	Provision for refunds of connection fees	**Total**
Provisions at 1 January	7,665	7,665
Decrease	-1,243	-1,243
Use of provisions	-302	-302
Provisions at 31 December	**6,119**	**6,119**

PAKOLLISET VARAUKSET

2021

EUR 1,000	Provision for refunds of connection fees	**Total**
Provisions at 1 January	8,168	8,168
Decrease	-232	-232
Use of provisions	-271	-271
Provisions at 31 December	**7,665**	**7,665**

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3 INVESTMENTS AND LEASE COMMITMENTS

3.1 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment comprise mainly electricity and heat distribution networks (discontinued operation in 2019), machinery, equipment and buildings.

Property, plant and equipment are stated at original acquisition cost less accumulated depreciation and accumulated impairment losses, if any (see Note 3.2 Accounting policy for Impairment of non-financial assets). The original acquisition cost includes expenditure that is directly attributable to the acquisition of an item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the acquisition cost of the item can be reliably measured.

When a property, plant and equipment asset no longer has any expected revenue streams, the asset is dismantled and the remaining carrying value is recognised as an expense under depreciation, amortisation and impairment.

Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

Until December 31, 2018 land use rights for underground cables have been capitalized in intangible assets for other long-term expenditure, but those rights have been capitalized in property, plant and equipment as networks as of January 1, 2019. According to the estimate of the Group's management, they are not treated as lease contracts under IFRS 16.

All other repairs and maintenance costs are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Land and water areas are not depreciated since they have indefinite useful lives. Depreciation on other assets is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and structures	15–50 years
Electricity transmission network	25–40 years
Electricity distribution network	10–30 years
Machinery and equipment	3–30 years

Right-of-use assets are depreciated on a straight-line basis over the lease term between the commencement date of the lease and the end of the lease term or using the estimated useful life of the asset. Leases of buildings and vehicles generally have lease terms between 3 and 5 years and electricity meters 10 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the sales of property, plant and equipment are recorded as the difference between the selling price and carrying value and recognised in the consolidated statement of profit or loss under other operating income or expenses.

Government grants

Government grants relating to the purchase of property, plant and equipment are recognised by reducing the book value of the asset they relate to when the decision on the grant has been received. The grants are thus reflected in the form of lower depreciation over the useful life of the asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land and water areas	Buildings	Networks	Machinery and equipment	Other tangible assets	Prepayments	**Total**
Cost at 1 January 2022	2,105	8,505	2,515,730	162,799	56	25,337	2,714,532
Additions	11	0	135,549	10,952	0	423	146,934
Additions due to revaluations	0	1,671	0	0	0	0	1,671
Disposals	-1	-709	-11,286	-47	0	0	-12,042
Transfers between balance sheet items	30	0	3,381	0	0	-3,967	-555
Cost at 31 December 2022	**2,145**	**9,466**	**2,643,375**	**173,704**	**56**	**21,793**	**2,850,539**
Accumulated depreciation, amortisation and impairment at 1 January 2022	0	-6,905	-1,023,263	-146,825	-55	0	-1,177,048
Depreciation and amortisation for the year	0	-711	-77,326	-4,666	-1	0	-82,704
Accumulated depreciation and amortisation on disposals	0	0	8,045	4	0	0	8,049
Impairment for the year*	-1	0	-3,109	0	0	0	-3,110
Accumulated depreciation, amortisation and impairment at 31 December 2022	**-1**	**-7,617**	**-1,095,652**	**-151,488**	**-55**	**0**	**-1,254,813**
Book value at 31 December 2022	**2,144**	**1,850**	**1,547,723**	**22,216**	**1**	**21,793**	**1,595,726**
Book value at 31 December 2021	**2,105**	**1,599**	**1,492,467**	**15,974**	**1**	**25,337**	**1,537,484**

EUR 1,000	Land and water areas	Buildings	Networks	Machinery and equipment	Other tangible assets	Prepayments	**Total**
Cost at 1 January 2021	2,105	7,324	2,389,745	157,146	56	27,455	2,583,832
Additions	-	63	140,318	6,228	-	370	146,980
Additions due to revaluations	-	1,391	-	-	-	-	1,391
Disposals	-	-274	-14,609	-575	-	-	-15,459
Transfers between balance sheet items	-	-	276	-	-	-2,488	-2,213
Cost at 31 December 2021	**2,105**	**8,505**	**2,515,730**	**162,799**	**56**	**25,337**	**2,714,532**
Accumulated depreciation, amortisation and impairment at 1 January 2021	-	-6,209	-957,972	-141,769	-54	-	-1,106,004
Depreciation and amortisation for the year	-	-696	-73,628	-5,056	-1	-	-79,381
Accumulated depreciation and amortisation on disposals	-	-	13,726	-	-	-	13,726
Impairment for the year*	-	-	-5,389	-	-	-	-5,389
Accumulated depreciation, amortisation and impairment at 31 December 2021	**-**	**-6,905**	**-1,023,263**	**-146,825**	**-55**	**-**	**-1,177,048**
Book value at 31 December 2021	**2,105**	**1,599**	**1,492,467**	**15,974**	**1**	**25,337**	**1,537,484**
Book value at 31 December 2020	**2,105**	**1,115**	**1,431,773**	**15,377**	**2**	**27,455**	**1,477,828**

* Networks' impairment for the year relates to the demolition of electricity networks.

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3.2 INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets, except goodwill and intangible assets with indefinite life, are stated at original acquisition cost less accumulated amortisation and impairment losses if applicable and amortised on a straight-line method over their expected useful lives.

Computer software and licences

Acquired computer software licences are capitalised based on the costs incurred from the acquisition and implementation of the software. These costs are amortised over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

IFRS interpretations committee issued an agenda decion in April 2021 on configuration and customazation costs in a cloud computing arrangement. In the agenda decision the comittee considered whether an intangible asset according to IAS 38 can be recognised related to configuration and customization costs of a cloud based software and if not, how these costs should be accounted for.

Licenses concerning cloud based software can only be capitalized if the group has the right and ability to take possession of the software and run it on own servers. Otherwise the license is consideer to be a service contract and costs are expensed when incurred. Concerning the implementation costs of a cloud based software only customization related costs can be capitalized if they create and asset that is distinct, controlled by the group and it creates economic benefits that flow to the group. The part of the implementation costs that is not capitalized is expensed when incurred.

Agenda decision has an impact on how implementation costs in Elenia's ongoing ERP-project are accounted for. According to FAS accounting these costs are capitalised as intangible assets but in the Group consolidated IFRS financial statements they are expensed.

Compensation paid to landowners

One-time compensation payments paid to landowners for inconvenience and damage caused by the network company's overhead lines, cables and equipment are capitalised. Until December 31, 2018 land use rights for underground cables have been capitalized in intangible assets for other long-term expenditure, but those rights have been capitalized in property, plant and equipment as networks as of January 1, 2019. According to the estimate of the Group's management, they are not treated as lease contracts under IFRS 16.

Recurring annual compensation payments are recognised as an expense on the consolidated statement of profit or loss under other operating expenses.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value on the acquisition date. The contractual customer relations have a finite useful life and are carried at acquisition cost less accumulated amortisation and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is calculated using the straight-line method over the useful economic life of the customer relationship.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at acquisition cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Amortisation periods for intangible assets

Computer software and licences	3–5 years
Customer relationships	20 years
Compensation paid to landowners	10–30 years

The assets' useful lives are reviewed and adjusted, if appropriate, at each financial year end.

Impairment of non-financial assets

Besides the information given below, disclosures relating to impairment of non-financial assets are also provided in the note 3.1 concerning property, plant and equipment.

The carrying values for individual assets are assessed at each reporting date to determine whether there is any indication of impairment. When considering the need for impairment, the Group assesses whether events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised if the carrying value of an asset or cash-generating unit exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

An impairment loss relating to property, plant and equipment and intangible assets other than goodwill is reversed in the event of a change in circumstances that results in the asset's recoverable amount changing from the time the impairment loss was recorded. An impairment loss recorded on goodwill is not reversed under any circumstances.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. In assessing value in use, the estimated future cash flows expected to be derived from a cash-generating unit are discounted to their present value. The financial projections used in the calculations are based on business plans approved by management.

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INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	**Total**
Cost at 1 January 2022	417,823	22,568	51,744	492,135
Additions	-	15	4,580	4,595
Disposals	-	-	-	-
Transfer between balance sheet items	-	-	555	555
Cost at 31 December 2022	**417,823**	**22,583**	**56,879**	**497,285**
Accumulated depreciation, amortisation and impairment at 1 January 2022	-	-14,244	-29,797	-44,041
Depreciation and amortisation for the year	-	-557	-3,963	-4,521
Accumulated depreciation and amortisation on transfers	-	-	-	-
Impairment for the year	-	-	-	-
Accumulated depreciation, amortisation and impairment at 31 December 2022	**-**	**-14,801**	**-33,760**	**-48,562**
Book value at 31 December 2022	**417,823**	**7,782**	**23,119**	**448,723**
Book value at 31 December 2021	**417,823**	**8,324**	**21,947**	**448,094**

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	**Total**
Cost at 1 January 2021	417,823	21,863	40,932	480,617
Additions	-	64	9,549	9,614
Disposals	-	-	-309	-309
Transfer between balance sheet items	-	641	1,572	2,213
Cost at 31 December 2021	**417,823**	**22,568**	**51,744**	**492,135**
Accumulated depreciation, amortisation and impairment at 1 January 2021	-	-13,697	-26,755	-40,452
Depreciation and amortisation for the year	-	-547	-3,176	-3,723
Accumulated depreciation and amortisation on transfers	-	-	309	309
Impairment for the year	-	-	-175	-175
Accumulated depreciation, amortisation and impairment at 31 December 2021	**-**	**-14,244**	**-29,797**	**-44,041**
Book value at 31 December 2021	**417,823**	**8,324**	**21,947**	**448,094**
Book value at 31 December 2020	**417,823**	**8,165**	**14,177**	**440,165**

As a result of acquisitions in 2012 goodwill of EUR 515.6 million was created. Goodwill is based on the assesment of organisational competence and knowhow which is expected to benefit business operations in coming years. At the end of 2022 the value of Goodwill is 417.8 million euros, since 97.8 million euros was allocated to heating business which was sold in 2019.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

TESTING GOODWILL FOR IMPAIRMENT

The Group tests goodwill annually for impairment.

The recoverable amounts of cash-generating units are based on estimated future cash flows. Preparation of these estimates requires management to make assumptions relating to future cash flows. The main variables in determining cash flows are the discount rate and the assumptions and estimates used.

The Group has conducted a sensitivity analysis of the effects of the key assumptions underlying the impairment testing on the test results.

IMPAIRMENT TESTING OF GOODWILL

Goodwill has been allocated to the cash generating unit, Network business segment, of EUR 418 million. Projected cash flows have been assessed based on long-term operational plans, which have been approved by the senior management and the Board of Directors. Cash flows have been discounted to determine the value in use. The discount rate applied (pre-tax) reflects the risk profile of the business.

Elenia performed its annual impairment test in November 2022. Due to the regulated and stable nature of the electricity distribution business, the basis for cash flow projections is the long-term business plan covering the period Q4/2022–2055 which has been approved by the Board of Directors. A volume growth of approximately 0.5% p.a. has been incorporated for the forecast period. The discount rate applied is 5.9% (pre-tax), calculated based on relevant studies and the Energy Authority's communication regarding the required rate of return in the distribution business. Long term capital expenditure plans have been prepared to meet the security of supply requirements in line with the Electricity Market Act.

The projected cash flows reflect the amendments to the regulatory methods in effect for 2022–2023 with the expectation of the regulatory framework remaining relatively stable subsequently. The Energy Authority will confirm the new regulatory methods for the 6th and 7th regulatory periods (2024–2031) during 2023.

Based on the analysis in 2022 there is a headroom of 2,114 million euros.

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SENSITIVITY TO CHANGES IN ASSUMPTIONS IN DISCOUNT RATE

Discount rate of the projected cashflows is based on the actual risk-free interest rates of the valuation timing and the parameters based on the Energy Authority's communication regarding the required rate of return in the distribution business. The discount rate (pre-tax) increasing by 5.9% (586bps) would cause the recoverable value of the assets to be equal to its book value.

3.3 LEASE COMMITMENTS

ACCOUNTING POLICY

3.3.1 LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.3.2 GROUP AS THE LESSOR

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other operating income in the period in which they are earned (See Note 2.2).

Lease agreements comprise fixed-term agreements and agreements which are valid until further notice.

3.3.3 THE GROUP AS THE LESSEE

According to the requiremets of IFRS 16 the Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets concerning certain lease contracts related to office premises, car leasing contracts, and lease contracts related to electricity meters.

The Group applies the short-term lease exemption to a part of the contracts related to office premises and to IT-contracts. Lease payments on short-term leases are recognised in the consolidated statement of profit or loss as other operating expenses over the lease term. The impact of these costs on the income statement in 2022 was approximately EUR 49 thousand (2021:EUR 53 thousand).

The Group's management has estimated that lease contracts related to indoor secondary substations, primary substations and certain office premises are immaterial contracts (referring to IAS 1 which defines the materiality of the information presented in the financial statements) and therefore IFRS 16 has not been applied to these contracts. The definition of contracts as "immaterial" is based on the low value of leases paid under these contracts which causes the lease liabilities arising from them to be immaterial in relation to the Group's consolidated statement of financial position. Lease payments on these contracts are recognised on the consolidated statement of profit or loss as other operating expenses over the lease term. The effect of these costs on the income statement in 2022 was approximately EUR 269 thousand (2021:EUR 255 thousand).

One-time subsurface rights compensations are paid to landowners based on perpetual contracts. Compensations are capitalized to the networks assets in the consolidated statement of financial position and amortized over their expected useful lives. Normally subsurface rights should be recognised as leases under IFRS 16 but as compensations are paid based on perpentual contracts, they are not treated as lease contracts under IFRS 16.

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Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term between the commencement date of the lease and the end of the lease term or using the estimated useful life of the asset. Leases of buildings and vehicles generally have lease terms between 3 and 5 years and electricity meters 10 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculate using the estimated useful life of the asset. The right-of-use assets are also subject to impairment (see accounting policies in Notes 3.1 and 3.2).

At the transition date the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised because the Group has adopted the IFRS 16 standard by using the modified retrospective method.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses as interest rate an estimated average medium-term financing cost at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in non-current and current financial liabilities.

At the transition date lease liabilities were recognised based on the present value of the remaining lease payments, discounted using as interest rate an estimated average medium-term financing cost at the date of initial application because the Group has chosen to adopt the IFRS 16 standard by using the modified retrospective method.

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Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

EUR 1,000	Buildings	Machinery and equipment	**Total**
As at 1 January 2022	1,329	1,274	2,603
Additions	0	222	222
Revaluations	1,671	-	1,671
Disposals	-709	-43	-752
Depreciations	-700	-1,148	-1,848
As at 31 December 2022	**1,590**	**305**	**1,895**

EUR 1,000	Buildings	Machinery and equipment	**Total**
As at 1 January 2021	833	3,829	4,662
Additions	63	185	248
Revaluations	1,391	-	1,391
Disposals	-274	-575	-849
Depreciations	-685	-2,164	-2,849
As at 31 December 2021	**1,329**	**1,274**	**2,603**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

LEASE LIABILITIES

EUR 1,000	**2022**	**2021**
As at 1 January	3,066	5,893
Additions	1,164	333
Payments	-2,119	-3,626
Other changes	-	566
Interest expenses	-24	-100
As at 31 December	**2,087**	**3,066**
Non-current	988	957
Current	1,099	2,108

The maturity analysis of lease liabilities are disclosed in Note 4.2.6.

Amounts recognised in profit or loss.

EUR 1,000	**2022**	**2021**
Depreciation expense of right-of-use assets	-1,848	-2,849
Interest expense on lease liabilities	-24	-100
Expense related to short-term leases (incl. in other operating expenses)	-49	-53
Total amount recognised in profit or loss	**-1,921**	**-3,002**

During 2022 the Group had total cash outflows for leases of EUR 2,555 thousand (2021: EUR 4,481 thousand).

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in in managing the leased-asset portfolio according to needs of business. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 1.4).

The lease contract concerning the main premises of the group will change from a fixed term to valid untill further notice on 31.3.2022. Management has assessed in December 2022 that the coming lease period will be at least 2 years. The lease contract has been revaluated based on this assesment and the resulting addition to lease liabilities is 962 thousand euros.

According to management's assumption, the Group estimates that it will not use termination options of car's and electricity meters' leases.

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4 CAPITAL STRUCTURE AND FINANCIAL ITEMS

RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

The management of financial risks is based on the following principles.

The Group's Treasury policy, approved by the Board of Directors, defines financial risk management governance, responsibilities and processes for reporting risks and risk management. Treasury Policy defines principles covering currency, liquidity, interest rate and counterparty risks. Also the Group's existing loan arrangements include guidelines and restrictions pertaining to financial risk management. Elenia Verkko Oyj is responsible for the Group financial risk management.

- For credit risk management refer Note 2.1.4.2;
- For liquidity risk, refinancing risk, interest rate risk and currency risk management refer Note 4.2.9.

CAPITAL MANAGEMENT

As the electricity distribution business is a capital-intensive, the Group must ensure it has adequate capital to meet its operating requirements. Business planning includes assessing the adequacy of available capital in relation to the risks arising from business operations and the operating environment.

4.1 FINANCE INCOME AND COSTS

ACCOUNTING POLICY

TRANSLATION DIFFERENCES

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of profit or loss are also recognised in other comprehensive income or statement of profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

The assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their statement of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

EUR 1,000	2022	2021
Interest expenses		
Loans from financial institutions	-729	-446
Bonds and notes	-36,050	-35,925
Interest expenses related to lease liabilities	-24	-100
Other interest expenses	-241	-420
Total interest	**-37,044**	**-36,892**
Other finance costs	-2,963	-3,699
Exchange rate losses		
Loans and receivables	0	-1
Total finance costs	**-40,007**	**-40,592**
Interest income		
Other interest income	252	937
Exchange rate gains		
Loans and receivables	0	0
Other finance income	1	1
Total finance income	**253**	**938**
Finance costs (net)	**-39,755**	**-39,653**

Finance income and costs

Interest expenses include interest expenses on interest-bearing loans. Other interest expenses mainly consist of deposit fees amounting to EUR 0.2 million.

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4.2 FINANCIAL ASSETS AND LIABILITIES

IFRS 9 FINANCIAL INSTRUMENTS

The initial measurement of financial instruments is made at fair value for all financial assets. Financial assets that are debt instruments and to which the fair value option is not applied are measured following initial recognition either at amortised cost or fair value, depending on the company's business model for the management of financial assets and contractual cash flows of the financial assets.

As a rule, all equity instruments are measured at fair value following the initial measurement, either through consolidated statement of profit or loss or through consolidated statement of other comprehensive income. All equity instruments held for trading are to be measured at fair value through profit or loss. Items that are recognised through other comprehensive income will no longer be recognised in the consolidated statement of profit or loss if the entity has elected to measure it at fair value through consolidated statement of other comprehensive income.

The impairment requirements in IFRS 9 are based on an expected credit loss model. In addition, IFRS 9 standard comprises a new hegde accounting model in which the criteria for applying the hedge accounting are relieved and more designations of groups of items as the hedged items are possible. The new hedge accounting model aims to enable companies to better reflect their risk management strategy and objectives in the financial statements.

The Group has adapted the standard on the required effective date but comparative information has not been restated. Overall, the effect of the IFRS 9 standard on the consolidated financial statements has not been very significant. However, applying the impairment requirements of IFRS 9 has had an impact on the method used in calculation of the credit loss allowance for trade receivables, but the amount of credit loss allowances has not changed remarkably. The Group has applied the simplified approach and recorded lifetime expected losses on all trade receivables.

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ACCOUNTING POLICY

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT (ACCOUNTING POLICY)

Classification of current and non-current assets and liabilities
An asset or a liability is classified as current when it is expected to be realised within twelve months after the financial year end or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

All other assets and liabilities are classified as non-current assets and liabilities.

4.2.1 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

4.2.2 Financial assets

Initial recognition and measurement
Financial assets within the scope of IFRS 9 are classified as financial assets carried at amoritsed cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income (OCI), as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets are recognised on the trade date.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The group does not have any financial assets measured at fair value in 2022. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS15. Refer to the accounting policies in Note 2.1.1 Revenue from contracts with customers.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

Financial assets carried at amortised cost
Financial assets carried at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assests carried at amortised cost also include trade receivables and other receivables. Loans are carried at amortised cost using the effective interest rate method less accumulated impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced using an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for measuring the impairment loss. The interest income is recorded as finance income in the consolidated statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IFRS 9.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IFRS 9 are satisfied.

Financial assets at fair value through other comprehensive income (OCI)
Derivatives are measured at fair value and gains and losses from fair value measurement are treated as determined by the purpose of the derivatives. The effects on results of changes in the value of derivatives that are eligible for hedge accounting and that are effective hedging instruments are presented consistent with the hedged item.

Derivatives eligible for hedge accounting are classified as financial assets at fair value through other comprehensive income. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income. Any ineffective portion is recognised immediately in the consolidated statement of

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profit or loss as financial income or costs. The group had no derivatives at the balance sheet date.

Derecognition of financial assets

Financial assets are derecognised when:

- The rights to receive cash flows have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4.2.3 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECL' are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default evets that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4.2.4 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of FRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Derecognition of Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

4.2.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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4.2.6 Carrying amounts by category and maturity profile of financial assets and liabilities

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

VALUES AT 31 DECEMBER 2022

Balance sheet item, EUR 1,000	Note	Amortised cost	Carrying value of balance sheet items	Fair value
Current financial assets				
Trade receivables and other non-interest-bearing receivables	2.1.4	18,855	18,855	18,855
Cash and cash equivalents		51,154	51,154	51,154
Total Current assets		**70,008**	**70,008**	**70,008**
Carrying amount by category		**70,008**	**70,008**	**70,008**
Non-current financial liabilities				
Bonds and notes	4.2.8–9	-1,683,025	-1,683,025	-1,480,588
Loans from financial institutions	4.2.8–9	-150,000	-150,000	-150,000
Interest-bearing non-current liabilities				
- Leases	3.3	-988	-988	-988
Total interest-bearing non-current liabilities		**-1,834,013**	**-1,834,013**	**-1,631,576**
Current financial liabilities				
Other current interest-bearing liabilities				
- Leases	3.3	-1,099	-1,099	-1,099
Trade payables	2.3.2	-13,678	-13,678	-13,678
Total current financial liabilities		**-14,777**	**-14,777**	**-14,777**
Carrying amount by category		**-1,848,790**	**-1,848,790**	**-1,646,353**

The valuation of financial assets and liabilities at fair value has not had an effect on the income statement or the statement of comprehensive income in 2022 and 2021.

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

VALUES AT 31 DECEMBER 2021

Balance sheet item, EUR 1,000	Note	Amortised cost	Carrying value of balance sheet items	Fair value
Current financial assets				
Trade receivables and other non-interest-bearing receivables	2.1.4	24,359	24,359	24,359
Cash and cash equivalents		71,841	71,841	71,841
Total Current assets		**96,200**	**96,200**	**96,200**
Carrying amount by category		**96,200**	**96,200**	**96,200**
Non-current financial liabilities				
Bonds and notes	4.2.8–9	-1,682,046	-1,682,046	-1,895,066
Loans from financial institutions	4.2.8–9	-150,000	-150,000	-150,000
Interest-bearing non-current liabilities				
- Leases	3.3	-957	-957	-957
Total interest-bearing non-current liabilities		**-1,833,003**	**-1,833,003**	**-2,046,023**
Current financial liabilities				
Other current interest-bearing liabilities				
- Leases	3.3	-2,108	-2,108	-2,108
Trade payables	2.3.2	-22,160	-22,160	-22,160
Total current financial liabilities		**-24,269**	**-24,269**	**-24,269**
Carrying amount by category		**-1,857,272**	**-1,857,272**	**-2,070,292**

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CASH AT BANKS AND ON HAND

Elenia had short-term bank deposits amounting to EUR 51,1 million (2021: EUR 71.8 million). All bank deposits were denominated in euros.

BONDS AND NOTES

The fair value of the bonds have been calculated based on the required rate of return estimated using the EUR-denominated swap rate yield curve and the estimated risk premium calculated based on the market quotes of Elenia Verkko Oyj's bonds at the balance sheet date.

FINANCIAL LIABILITIES

Interest-bearing liabilities decreased by EUR 0 million (2021: EUR 1.9 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,835.1 million (2021: EUR 1,835.1 million).

The fair value of short-term trade receivables and payables, other non-interest-bearing receivables, finance leases and cash and cash equivalents corresponds essentially the carrying amount.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual payments.

31 DECEMBER 2022

EUR 1,000	Effective interest rate %	Maturity Within 1 year	 1–5 years	 Over 5 years	Total
Loans from financial institutions	1.93%	0	0	150,000	150,000
Bonds	1.91%	0	640,000	531,000	1,171,000
Notes	2.71%	0	0	518,500	518,500
Lease liabilities		0	988	0	988
Total interest-bearing non-current liabilities					**1,840,488**
Lease liabilities		1,099	0	0	1,099
Total current interest-bearing liabilities					**1,099**
Trade payables		13,678	0	0	13,678
Total current financial liabilities					**13,678**
Total		**14,777**	**640,988**	**1,199,500**	**1,855,265**

31 DECEMBER 2021

EUR 1,000	Effective interest rate %	Maturity Within 1 year	 1–5 years	 Over 5 years	Total
Loans from financial institutions	0.28%	0	0	150,000	150,000
Bonds	1.89%	0	140,000	1,031,000	1,171,000
Notes	2.71%	0	0	518,500	518,500
Lease liabilities		0	957	0	957
Total interest-bearing non-current liabilities					**1,840,457**
Lease liabilities		2,108	0	0	2,108
Total current interest-bearing liabilities					**2,108**
Trade payables		22,160	0	0	22,160
Total current financial liabilities					**22,160**
Total		**24,269**	**140,957**	**1,699,500**	**1,864,726**

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4.2.7 Changes in financial liabilities arising from financing activities

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

EUR 1,000	1 January 2022	Cash flows	New leases IFRS 16	Other changes	**31 December 2022**
Current obligations under lease liabilities	2,108	-2,168	74	1,085	**1,099**
Non-current interest-bearing loans and borrowings (excl. items listed below)	1,832,046	0	0	979	**1,833,025**
Non-current obligations under lease liabilities	957	0	148	-117	**988**

EUR 1,000	1 January 2021	Cash flows	New leases IFRS 16	Other changes	**31 December 2021**
Current obligations under lease liabilities	4,460	-3,669	62	1,256	**2,108**
Non-current interest-bearing loans and borrowings (excl. items listed below)	1,831,082	0	-	964	**1,832,046**
Non-current obligations under lease liabilities	1,433	-	123	-598	**957**

The "Other changes" column includes the effect of reclassification of non-current portion of obligations under finance leases to current due to passage of time, the effect of capitalization of interests of other long-term loans and the effect amortisation of transaction costs of bonds and notes using the effective interest rate method.

The Group classifies interest paid as cash flows from operating activities.

4.2.8 Fair value hierarchy of financial assets and liabilities

ACCOUNTING POLICY

FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value related to disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 4.2.6 and 4.2.8
- Quantitative disclosures of fair value measurement hierarchy Note 4.2.8
- Financial instruments (including those carried at amortised cost) Note 4.2.6

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

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For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The transfers between levels of the fair value hierarchy shall be disclosed at the date of the event or change in circumstances that caused the transfer.

For fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained next.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Notes 4.2.6 and 4.2.8.

FAIR VALUE HIERARCHY

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at 31 December 2022, the Group held the following financial instruments carried at amortised cost in the consolidated statement of financial position:

FINANCIAL ASSETS AND LIABILITIES

	Level 1		Level 2		Level 3		Total	
EUR 1,000	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Financial instruments, non-current liabilities								
Bonds and notes	0	0	-1,480,588	-1,895,066	0	0	-1,480,588	-1,895,066
Loans from financial institutions	-150,000	-150,000	0	0	0	0	-150,000	-150,000
Total non-current financial liabilities	**-150,000**	**-150,000**	**-1,480,588**	**-1,895,066**	**0**	**0**	**-1,630,588**	**-2,045,066**
Total financial liabilities	**-150,000**	**-150,000**	**-1,480,588**	**-1,895,066**	**0**	**0**	**-1,630,588**	**-2,045,066**

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4.2.9 Risk management

FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

Liquidity risk refers to the risk of the Group not having adequate liquid assets to finance its operations, pay interest and repay its loans.

The management of liquidity risk is divided into short-term and long-term liquidity management. Short-term liquidity risk is managed by cash flow planning that takes into account the expected trade receivables, trade payables and other known expenses for a period of two weeks. The adequacy of long-term liquidity is assessed by 12-month forecasts conducted monthly.

CURRENCY RISK

Elenia operates in Finland and uses the Euro as its primary operating currency. Elenia's currency risk is based on purchases of raw materials and services denominated in currencies other than the Euro. The purchases of raw materials and services denominated in currencies other than the Euro have a negative effect on Elenia's result and cash flow in the event that the currencies in question appreciate against the Euro. As the Group's purchasing operations are currently primarily focused on Finland, the currency risk related to purchasing is limited.

The Group has guidelines for the management of currency risk as part of the purchasing policy for network operations approved by the Management team. Currency risks that have an impact on profit or loss are primarily hedged operationally through contractual currency rate clauses.

Operating profit includes EUR 1.0 thousand exchange rate differences (2021: EUR 3.0 thousand). Finance costs include EUR 0.0 thousand exchange rate differences (2021: EUR 1.0 thousand). At the end of 2022 there were no outstanding receivables or payables in foreign currencies.

REFINANCING RISK

Elenia Verkko Oyj issues bonds and notes. Bonds are issued under the EMTN programme and listed at the London Stock Exchange. Notes are unlisted private placements targeted mostly to the North American investors through private placements. The Group has financial covenants relating to interest cover and leverage. The covenants are typical in such arrangements. There were no covenant breaches in 2022. Elenia Verkko Oyj monitors the financial markets in order to carry out loan refinancing at an appropriate time, ahead of the due date of the current loans

At the end of 2022, the Group had no borrowings from the Capex Facility nor from the Working Capital Facility. At the end of 2022 Elenia Verkko Oyj had a drawn loan facility with the European Investment Bank (EIB) of EUR 50 million maturing in 2028 and EUR 100 million maturing in 2030. Elenia Verkko Oyj has agreed another EUR 100 million credit facility with EIB. At the end of 2022 there were no drawdowns from the credit facility.

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES

31 DECEMBER 2022

EUR 1,000	Facility amount	In use	Available amount	Maturity
Capex facility	350,000	0	350,000	1–5 years
Working Capital facility	60,000	0	60,000	1–5 years
Liquidity facility	60,000	0	60,000	Over 5 years
EIB credit facility	250,000	150,000	100,000	Over 5 years
Cash and cash equivalents			51,154	
Total	**720,000**	**150,000**	**621,154**	

INTEREST RATE RISK

Elenia is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the Group's interest rate risk management is to limit volatility of interest expenses in the income statement. The Group's interest rate risk management is handled by Group Treasury.

The interest rate risk is managed primarily by entering into loans with fixed interest. At the balance sheet date 91% (2021: 91%) of the loans were fixed rate loans.

A parallel shift of +/- 1.0 percentage points in the interest rate curve at the balance sheet date would have EUR +/- 1.7 million (2021: EUR +/-1.7 million) effect on the interests relating to floating rate loans.

COMMODITY PRICE RISK

Changes in commodity prices affect mainly electricity purchases used for distribution losses and purchases of electricity network components. The Group has a hedging policy covering electricity purchases for approximately the following 4 years to mitigate the impact of short term price fluctuations. The majority of electricity purchases are hedged for the following year, with a declining hedging profile for the subsequent years. The regulatory methods governing electricity distribution operations provide protection against changes in commodity prices over the medium term. Changes in raw material prices such as oil, aluminum and copper affecting purchases of network components, causes fluctuations primarily in capital expenditure.

COUNTERPARTY AND CREDIT RISK

Accepted financial counterparties are counterparties approved in existing financing agreements and other counterparties separately approved by the Board of Directors. Cash and cash equivalents consist solely of short-term bank deposits.

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4.3 OTHER COMMITMENTS AND CONTINGENCIES

OTHER COMMITMENTS

EUR 1,000	2022	2021
Registered floating charges:		
Provided on behalf of own and Group liabilities	13,500,000	13,500,000
Mortgages	202,000	206,600
Refundable connection fees	**283,337**	**283,293**

Group bank accounts have been pledged as security for loans from financial institutions and bonds.

4.4 EQUITY

Share capital

Reorganisations were done in legal structure during 2020 which are explained in more details in Notes 1.4.1 and 1.4.3. After the changes the parent company of Group changed from Elenia Oy (business ID 2445423-4) to Elenia Palvelut Oy (renamed as Elenia Oy subsequently, business ID 2658611-8). There were no changes in the group sturcture during 2021.

The share are issued and fully paid.

Reserve for invested unrestricted equity

The reserve for invested non-restricted equity comprises of all other equity investments and paid share subscription price, that has not been specifically booked as share capital.

Equity repayment

The meeting of Elenia Oy's shareholders decided on 13 November 2020 the equity repayment of €550.0m based on the interim financial statements as of September 30, 2020 to its sole shareholder Elenia Investment S.à r.l. during 2020–2023. The equity repayment was done from Unrestricted equity and was transferred to short-term payables in December 2020. At the balance sheet date the outstanding balance related to this equity repayment is 190.2 million euros.

Equity investment and common control reserve

In 2021 or 2022 there were no restructurings.

EUR 1,000	2022	2021
Unrestricted equity 1 Jan	-548,274	-548,274
Unrestricted equity 31 Dec	**-548,274**	**-548,274**

Retained earnings

Decrease in retained earnings of 5,000 thousand euros in 2022 is due to group contribution given to Elenia Group Oy. Also decrease in retained earnings of 19,385 thousand euros in 2021 is due to group contribution given to Elenia Group Oy.

Earnings per share

Earnings per share are calculated by dividing the profit or loss attributable to equity holders of the parent by the average number of shares during the reporting period::

	2022	2021
Profit attributable to equity holders of the parent, EUR	60,656,719	74,982,730
Average number of shares, pcs	250	250
Earnings/share, EUR - basic = diluted	**242,627**	**299,931**

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5 CONSOLIDATION

5.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company Elenia Oy and its subsidiaries which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The consolidated financial statements also include, as associated companies, any companies over which the Group has significant influence. Significant influence generally involves a shareholding of over 20% of the voting rights or when the Group has the power to participate in the financial and operating policy decisions of the investee but has not control or joint control over those policies.

Subsidiaries are included in the consolidated financial statements using the acquisition cost method. The acquisition cost is measured as the aggregate of the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Costs related to acquisitions are recorded on the consolidated statement of profit or loss as other operating expenses. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, receivables and debts are eliminated in the consolidated financial statements.

Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group.

As at 31 December 2022, the subsidiaries do not have non-controlling interests.

5.2 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with changes in fair value recognised either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

5.3 ACQUISITIONS AND DISPOSALS

In 2022 or 2021 there were no business disposals.

In 2022 and 2021 there were no acquisitions to be accounted for as business combinations.

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5.4 OTHER CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES / NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

5.4.1 Changes in accounting policies and disclosures

The Group applied for the first-time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2022. The nature of each new standard and amendment adopted by the Group has been described in the relevant note. New standards and amendments not material for the Group have been described below:

AMENDMENT TO IFRS 16 LEASES COVID-19 RELATED RENT CONCESSIONS

The amended standards will be effective for annual periods beginning on or after 1 January 2020 with early adoption permitted. The EU has endorsed the amendments.

The Amendment permits lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions are lease modifications. Therefore, if meeting the conditions, lessees that apply the practical expedient would recognise the amount of rent forgiven on or before 30 June 2021 in income in the year of the concession. In the absence of the practical expedient, it would have been recognised in income over the duration of the contract.

The amendments do not have a material effect on the consolidated financial statements.

AMENDMENTS TO IFRS 3 BUSINESS COMBINATION, IAS 16 PROPERTY, PLANT AND EQUIPMENT, IAS 37 PROVISIONS AND ANNUAL IMPROVEMENTS 2018–2020

The amended standards will be effective for annual periods beginning on or after 1 January 2022 with early adoption permitted. The EU has not endorsed the amendments.

The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.

Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.

Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments do not have a material effect on the consolidated financial statements.

5.4.2 New and amended standards and interpretations issued but not yet effective

Certain new and amended standards and interpretations are issued but not yet effective up to the date of issuance of the consolidated financial statements. The Group intends to adopt these standards, amendments and interpretations, if applicable, when they become effective. The nature of each new standard and amendment to be adopted by the Group has been described in the relevant note. New standards and amendments which have been issued but are not yet effecetive nor material for the Group have been described below:

AMENDMENTS TO IFRS 4 INSURANCE CONTRACTS - DEFERRAL OF IFRS 9

The amended standard is effective for annual periods beginning on or after 1 January 2023, early application is permitted. The EU has not endorsed the standard.

Currently the temporary exemption from applying IFRS 9 included in IFRS 4 Insurance Contracts, is further extended to 1 January 2023. This is to align with the effective date of IFRS 17 Insurance Contracts which will replace IFRS 4.

The amendment is not applicable to the Group.

IFRS 17 INSURANCE CONTRACTS

The new standard is effective for annual periods beginning on or after 1 January 2023, early application is permitted. The EU has not endorsed the standard.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The new standard applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features.

The new standard is not applicable to the Group.

AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT AND CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

The amended standard will be effective for annual periods beginning on or after 1 January 2023 with early adoption permitted. The EU has not endorsed the amendments.

The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments do not have a material effect on the consolidated financial statements.

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AMENDMENTS TO IAS 8 DEFINITION OF ACCOUNTING ESTIMATES

The amended standards will be effective for annual periods beginning on or after 1 January 2023 with early adoption permitted. The EU has not endorsed the amendments.

The amendments clarify the definitions of accounting estimates. After implementing the changes the standard more cleary distiguish between accounting estimates, changes in accounting policies and correction of errors.

The amendments do not have a material effect on the consolidated financial statements.

AMENDMENTS ON IAS 12 DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

The amended standards will be effective for annual periods beginning on or after 1 January 2023 with early adoption permitted.

The amendments clarify the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability.

Group is evaluating the impact of these changes on deferred tax postings and notes on deferred taxes.

AMENDMENTS ON IAS 1 DISCLOSURE OF ACCOUNTING POLICIES

The amended standards will be effective for annual periods beginning on or after 1 January 2023 with early adoption permitted.

The amendments include a requirement for entities to disclose their material accounting policies rather that their significant accouting policies. Also guidance and examples have been added to support the recognition of material accounting policies.

Group is evaluating the impacts of the changes to the accounting policies disclosed.

AMENDMENTS ON IFRS 16: LEASE LIABILITY IN SALEA AND LEASEBACK

The amended standards will be effective for annual periods beginning on or after 1 January 2024 with early adoption permitted.

The changes affect how the seller-lessee handles the variable rental payments arising in a sale and leaseback transaction. With the changes, a new variable payment accounting model will be introduced, which requires that seller-lessees reevaluate and possibly correct sales and leaseback transactions made since 2019. The amendments do not have a material effect on the consolidated financial statements.

REGULATORY ASSETS AND REGULATORY LIABILITIES:POSSIBLE NEW STANDARD

The International Accounting Standards Board published in January 2021 an exposure draft on Regulatory Assets and Regulatory Liabilities. The Exposure Draft sets out the IASB's proposals for a model to account for regulatory assets and regulatory liabilities. If issued as a new IFRS Standard, the proposals would replace IFRS 14 Regulatory Deferral Accounts. The IASB discussed feedback on the Exposure Draft during October and November 2021 and will begin redeliberating the proposals in the Exposure Draft at a future meeting.

Group is following closely the development of this initiative and evaluating impacts.

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6 OTHER NOTES

6.1 TAXES

6.1.1 Current income tax

ACCOUNTING POLICY

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

CURRENT INCOME TAXES

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to the tax estimation.

The Group companies establish provisions based on reasonable estimates. In the case that the final taxes are different than the amounts initially recognized, these differences will affect income tax and provisions for deferred tax during the year when the determination of tax differences took place. Management estimates that the estimated tax shown in the consolidated financial statement represent a reasonable estimate of the Group's tax position.

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EUR 1,000	2022	2021
Current income tax charge	-2,501	-5,344
Adjustments in respect of current income tax of previous periods	-3	-6
Deferred taxes	-11,123	-6,039
Income tax expense reported in the consolidated statement of profit or loss	**-13,627**	**-11,390**

CONSOLIDATED STATEMENT OF OCI

EUR 1,000	2022	2021
Deferred tax related to items recognised in OCI during the year:		
Remeasurement gains (losses) on defined benefit plans	-40	29
Deferred tax charged to OCI	**-40**	**29**

INCOME TAX RATE

Tax on profit before tax deviates from the nominal tax calculated according to the tax rate as follows:

EUR 1,000	2022	2021
Profit before tax	**74,122**	**86,487**
Theoretical income tax using the nominal tax rate of 20.0% (2021: 20.0%)	-14,824	-17,297
tax-free income items	-60	-54
expenses that are non-deductible in taxation	251	68
non-deductible interests from previous years	-	2,024
Deductible expenses not recorded in profit and loss	1,010	3,877
adjustment of taxes based on previous periods	-3	-6
Income tax in the income statement	**-13,627**	**-11,390**

Effective tax rate was 18% (2021: 13%).

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6.1.2 Deferred tax

ACCOUNTING POLICY

DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

ACCOUNTING ESTIMATES

DEFERRED TAX

The Group recognizes deferred tax assets by taking into account their recoverability, based on the existence of deferred tax liabilities with similar maturities for netting and the possibility of generation of sufficient future taxable profits. The management assessed the deferred tax booked in the financial statements to be recoverable.

The estimations and the actual flows of taxes paid or received could differ from the estimates made by the Group as a result of unforeseen future legal changes in estimates.

ACCOUNTING ESTIMATES

DEFERRED TAX

The Group has deferred tax assets and liabilities which are expected to be realised through the consolidated statement of profit or loss over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

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CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES IN 2022

DEFERRED TAX ASSETS EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Recognised in other comprehensive income	**Balance sheet 31 Dec 2022**
Elimination of internal margin in non-current assets	6,667	5,346	-	12,012
Measurement of assets at fair value in acquisition	352	-49	-	303
Defined benefit plans	93	-3	-40	50
Liabilities related to contracts with customers	6,385	1,922	-	8,307
Finance leases	182	-127	-	55
Cloud computing arrangements	64	181	-	244
Total	**13,743**	**7,270**	**-40**	**20,973**
Deferred tax assets	**13,743**			**20,973**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Recognised in other comprehensive income	**Balance sheet 31 Dec 2022**
Interest-bearing liabilities	1,306	-205	-	1,101
Depreciation differences	79,421	22,897	-	102,318
Measurement of assets at fair value in acquisition	58,375	-4,299	-	54,076
Total	**139,101**	**18,394**	**-**	**157,495**
Deferred tax liabilities	**139,101**			**157,495**

CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES IN 2021

DEFERRED TAX ASSETS EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Recognised in other comprehensive income	**Balance sheet 31 Dec 2021**
Elimination of internal margin in non-current assets	2,485	4,181	-	6,667
Measurement of assets at fair value in acquisition	401	-49	-	352
Defined benefit plans	67	-2	29	93
Liabilities related to contracts with customers	4,689	1,697	-	6,385
Finance leases	478	-296	-	182
Cloud computing arrangements	-	64		64
Total	**8,120**	**5,594**	**29**	**13,743**
Deferred tax assets	**8,120**			**13,743**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Recognised in other comprehensive income	**Balance sheet 31 Dec 2021**
Interest-bearing liabilities	1,567	-261	-	1,306
Depreciation differences	63,198	16,222	-	79,421
Measurement of assets at fair value in acquisition	62,703	-4,328	-	58,375
Total	**127,468**	**11,633**	**-**	**139,101**
Deferred tax liabilities	**127,468**			**139,101**

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6.2 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

ACCOUNTING POLICY

PENSION OBLIGATIONS

Pension arrangements are categorised as defined benefit or defined contribution plans.

Under defined contribution plans, the Group pays fixed pension contributions and has no legal or constructive obligation to make additional payments. This category includes the Finnish Statutory Employment Pension Scheme (TyEL). Payments relating to defined contribution pension plans are recognised in the consolidated statement of profit or loss under personnel expenses for the period in which they are due.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is recorded in the consolidated statement of profit or loss as to spread the service cost over the service lives of employees. The defined benefit obligation is calculated annually on the reporting date and is measured as the present value of the estimated future cash flows.

The Group applies the IAS 19 standard to calculations on defined benefit pension plans. Under this standard, all actuarial gains and losses are recognised in the period in which they occur in total in other comprehensive income and the net defined benefit liability or asset is presented in full on the consolidated statement of financial position. The expected return on plan assets is calculated using the same discount rate as applied for discounting the benefit obligation to its present value. Current and past service costs as well as net interest on net defined benefit liability is recorded in the consolidated statement of profit or loss. Items arising from the remeasurement of the net defined benefit liability are recognised in consolidated statement of other comprehensive income.

The Group has defined contribution pension plans concerning additional pensions. The benefits are insured with an insurance company.

The benefits include both defined benefit (DB) and defined contribution (DC) parts as defined in IAS 19. In the following tables, figures are presented for DB part of the plan.

Items recognised on the consolidated statement of financial position at 31 December

EUR 1,000	2022	2021
Current value of funded obligations	1,643	2,702
Fair value of assets	-1,394	-2,236
Deficit	249	466
Value of the obligation on the consolidated statement of financial position	**249**	**466**

The obligations of defined benefit pension plans have changed as follows:

EUR 1,000	2022	2021
Obligation at the beginning of the year	2,702	3,108
Business combinations	0	0
Current service costs	0	0
Interest expenses	18	15
Actuarial losses	-622	-159
Settlements	-270	-61
Benefits paid	-185	-202
Obligation at the end of the year	**1,643**	**2,702**

The fair value of the assets of defined benefit pension plans has developed as follows:

EUR 1,000	2022	2021
Fair value of plan assets at the beginning of the year	2,236	2,772
Business combinations	0	0
Expected income from assets	15	13
Actuarial gains	-420	-301
Settlements	-264	-50
Payments by the employer	13	3
Benefits paid	-185	-202
Fair value of plan assets at the end of the year	**1,394**	**2,236**

The obligation in the consolidated statement of financial position consists of the following items:

EUR 1,000	2022	2021
Obligation at the beginning of the year	466	336
Business combinations	0	0
Net cost recognised in the statement of profit or loss	-2	-9
Payments by the employer	-13	-3
Profits and losses recognised in other comprehensive income	-202	143
Value of the obligation at year end	**249**	**466**

Items recognised in the consolidated statement of profit or loss:

EUR 1,000	2022	2021
Expenses based on service in the reporting year	-5	-10
Interest income	-15	-13
Interest expenses	18	15
Total	**-2**	**-9**

Items recognised in the consolidated statement of other comprehensive income for the year:

EUR 1,000	2022	2021
Actuarial gains/(losses) on assets	420	301
Actuarial gains/(losses) on obligations	-622	-159
Total	**-202**	**143**

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Sensitivity analysis of defined benefit pension plans

The following table shows how the discount rate affects to projected benefit obligation, related service cost and interest cost.

2022

Assumption EUR 1,000	Change in assumption	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
Discount rate 3.9%		1,643	1,394	249	0	9
Discount rate 1.3%	+0.50%	1,570	1,339	231	0	10
Discount rate 0.2%	-0.50%	1,724	1,454	270	0	9

2021

Assumption EUR 1,000	Change in assumption	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
Discount rate 0.7%		2,702	2,236	466	0	3
Discount rate 1.3%	+0.50%	2,542	2,121	421	0	5
Discount rate 0.2%	-0.50%	2,881	2,362	518	0	1

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As the defined benefit plans are managed by an external insurance company, it is not possible to present a division of the fair values of the plan assets.

Expected contributions for 2023 are estimated to be EUR 14 thousand.

The weighted average duration of defined benefit obligation is 10–13 years.

The following table shows the maturity profile of the future benefit payments.

EUR 1,000	2022	2021
Under 1 year	197	206
1–10 years	1,005	1,179
10–20 years	697	836
20–30 years	421	492
Over 30 years	249	256
Total	**2,569**	**2,968**

ACTUARIAL ASSUMPTIONS USED IN CALCULATIONS

%	2022	2021
Discount rate	3.9%	0.7%
Estimate of salary increases	2.6%	2.9%
Inflation	2.4%	1.9%

6.3 RELATED PARTY DISCLOSURES

Shareholders

All of the shares in Elenia Oy are owned by a Luxembourg company, Elenia Investments S.à r.l.

Elenia's ultimate parent Elton Investments S.à r.l. is majority owned by a consortium of infrastructure investors: Société Foncière Européenne B.V.(SFE) and Allianz Infrastructure Luxembourg I S.à r.l. (AIL), Lynx Elton S.à r.l. (Lynx Elton), Allianz European Infrastructure Acquisition Holding S.à r.l. (AEIAH), Elton Ventures S.à r.l., Manco Investment Oy and Valtion Eläkerahasto (VER).

SFE and AIL are fully indirect subsidiaries of Allianz SE, and therefore members of the Allianz Group. AEIAH is an investment vehicle of the Allianz European Infrastructure Fund S.A. RAIF (AEIF), a fund managed by Allianz Capital Partners (ACP) and Lynx Elton is a vehicle managed by Cap-Man Infra and advised by ACP. Elton Ventures S.à r.l. is an entity managed by Macquarie Infrastructure and Real Assets (Europe) Limited (MIRA) and whose majority shareholder is Macquarie Super Core Infrastructure Fund SCSp. Manco Investment Oy is owned by five Elenia's key management persons.

SUBSIDIARIES AND ASSOCIATES

Elenia Oy (former Elenia Services Oy) owns all of the shares in Elenia Verkko Oyj which owns all of the shares in Elenia Innovations Oy. Before mergers to Elenia Verkko Oyj in July 2020 Elenia Oy- group included also Elenia Oy, Elenia Finance Oyj, Elenia Finance SPPS S.à r.l., Elenia Holdings S.à r.l. and Lakeside Network Investments Holding B.V.

SENIOR MANAGEMENT

Elenia Oy is managed by its Board of Directors. Elenia's senior management includes the Board of Directors and the CEO. Elenia Group has not had any business transactions with persons included in its senior management and Elenia Group has not granted loans to these persons.

Five of the key management persons have invested into Elton Investment S.à r.l. which is the ultimate owner of Elenia Oy. The management investment is channelled through a management owned holding company Manco Investment Oy, which owns approximately 0.3% of Elton Investment S.à r.l. after the arrangement. The equity investment has been made at fair market values. There is a also shareholder loan between Manco Investment Oy and Elton Investment S.à r.l. The original loan amount was 0.3 million euros.

MANAGEMENT TEAM

Management team of Elenia Oy is included within the scope of the long-term incentive plan. Description of the long-term incentive plan has been disclosed in note 2.3.3.

BUSINESS TRANSACTIONS

All transactions with related parties take place in an arm's length manner.

Group companies have intercompany transactions which are related to internal services and construction Elenia Oy provides to Elenia Verkko Oyj. These are eliminated upon consolidation.

Open other long-term receivables (2020: EUR 274.7 million) from the company's ultimate owners through intermediary holding entities were netted against the open payable related to equity repayment during 2021. The following table includes the specification of other long-term receivables and related accrued interests.

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EUR 1,000	Loan amount 1 Jan 2021	Loan amount 31 Dec 2021	Interest expenses 1 Jan - 31 Dec 2021
Elenia Group Oy	274,695	0	858
Total	**274,695**	**0**	**858**

The group had no outstanding long-term loans with related parties during 2021 or 2022.

The meeting of Elenia Oy's shareholders decided on 13 November 2020 the equity repayment of €550.0m based on the interim financial statements as of September 30, 2020 to its sole shareholder Elenia Investment S.à r.l. during 2020–2023. The equity repayment was done from Unrestricted equity and was transferred to short-term payables in December 2020. The following table includes the specification of other short-term payables.

EUR 1,000	Unrestricted equity repayment liability 1 Jan 2021	Decrease during 2021–2022	Unrestricted equity repayment liability 31 Dec 2022
Elenia Investments S.à r.l.	550,000	359,769	190,231
Total	**550,000**	**359,769**	**190,231**

6.4 EVENTS AFTER THE REPORTING PERIOD

Elenia's information security management system was recertified according to ISO 27001 in January 2023.

In 2022 the EA continued the development of regulatory methods for the upcoming sixth (2024–2027) and seventh (2028–2031) regulatory periods. Elenia is actively involved in the process. The EA has stated that the new regulatory methods will be a continuation of the current methods, and any changes are expected to be relatively minor. Unit prices are expected to be updated again for the sixth regulatory period, which is expected to have a positive impact in view of the recent increase in raw material prices, which is also reflected in the prices of network components. Elenia strongly believes that regulatory methods will continue to support DSOs and compensate for long-term investments in security of supply in the upcoming sixth and seventh regulatory periods. The first guidelines for the regulatory methods were published in March 2023 and they are broadly in line with Elenia's expectations, but without the updated unit prices the impact of the upcoming regulation to Elenia's business cannot be fully assessed.

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6.5 CONSOLIDATED STATEMENT OF PROFIT OR LOSS (ADJUSTED FOR COMPARABILITY)

ACCOUNTING POLICY

COMPARABILITY WITH PREVIOUS YEAR FIGURES

Items affecting comparability include items whose adjustment substantially improves the comparability of figures from different years. Typically, they are exceptional either due to their size or nature, one-off or otherwise items that do not relate to the actual operative business of the Group. Such items may arise for example from unusually strong storms, legal costs, corporate and structural arrangements or financial arrangements.These items have been specified in the notes of the consolidated financial statements.

Continuing operations EUR 1,000	Note	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Revenue	2.1.1	317,437	328,636
Items affecting comparability included in revenue		-626	-
Other operating income	2.2.1	4,131	3,675
Items affecting comparability included in other operating income		347	-
Materials and services		-81,873	-83,483
Employee benefit expenses	2.3.3	-16,110	-15,288
Other operating expenses	2.3.1	-19,373	-18,733
Operating expenses Total		-117,355	-117,503
Items affecting comparability included in operating expenses		-1,206	-330
EBITDA		**204,212**	**214,808**
EBITDA before Items affecting comparability		**205,696**	**215,138**
Depreciation and amortisation	3	-90,335	-88,668
Operating profit		**113,877**	**126,140**
Operating profit before Items affecting comparability		**115,362**	**126,470**

The purpose of the above table is to illustrate the underlying profitability of the business without any items affecting comparability (defined in the finance documentation as "exceptional, one off, non-recurring or extraordinary items"). The financial covenants related to Group's financing are calculated excluding Exceptional Items.

In 2022 in total EUR 1,485 thousand was recognised as items affecting comparability. This amount consist of exceptional network losses of 7,005 million euros, costs that relate to legal actions due to regulatory changes of 229 thousand euros, temporary rebate to customers of 626 thousand euros, temporary network upstream cost rebate of 4,482 thousand euros, compensation related to a bankruptcy of 347 thousand euros and decrease in connection fee related provision due do increase in market rates of 1,546 thousand euros.

The maximum monthly average electricity price in Finland during the previous 10-year period was 57 €/MWh as per June 2021. On this basis, costs from network losses exceeding 60 €/MWh on a monthly basis are treated as exceptional. Finland's transmission system operator, Fingrid did not invoice grid service fees from distribution system operators from December 2022. Based on the company's announcement in October 2022, the rebate, which will be granted also for 3–6 months in 2023, is the result of significantly higher than expected congestion income caused by electricity price differences at Finland's boarders. Elenia's distribution revenue decreased correspondingly by the proportion of grid service fees invoiced directly from customers connected to Elenia's high voltage network.

In 2021 in total EUR 330 thousand was recognised as items affecting comparability. This amount relates to damage compensation of EUR 200 thousand paid to a single customer due to a metering error during previous years and consultancy fees of EUR 130 thousand that relate to legal actions taken due to regulatory changes.

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PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Revenue	1.1	**168,908,680.85**	**167,212,784.67**
Other operating income	1.2	1,802,132.66	1,678,432.12
Materials and services	1.3	-111,035,464.20	-117,550,887.61
Personnel expenses	1.4	-16,323,725.85	-15,143,187.40
Depreciation, amortisation and impairment	1.5	-3,058,870.67	-2,817,821.42
Other operating expenses	1.6	-13,326,223.00	-13,275,026.53
Operating profit		**26,966,529.79**	**20,104,293.83**
Finance income and expenses	1.7	-6,483.47	-2,332.91
Profit / loss before appropriations and taxes		**26,960,046.32**	**20,101,960.92**
Appropriations	1.8		
Change in accelerated depreciations		-1,340,247.12	-713,210.12
Group contributions		-25,703,500.00	-19,385,000.00
Income taxes	1.9	-48.03	-37.87
Profit / loss for the year		**-83,748.83**	**3,712.93**

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PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	2.1		
Intangible rights		17,499.59	6,498.00
Goodwill		1,516,315.24	1,759,946.80
Other capitalized long term expenditure		4,252,537.86	4,842,052.81
		5,786,352.69	6,608,497.61
Tangible assets	2.2		
Network		8,691,761.02	4,330,427.56
Machinery and equipments		748,340.85	992,366.57
Advance payments and construction in progress		2,868,088.93	4,234,281.17
		12,308,190.80	9,557,075.30
Investments	2.3		
Holdings in group companies		1,657,480,000.00	1,657,480,000.00
		1,657,480,000.00	1,657,480,000.00
Total non current assets		**1,675,574,543.49**	**1,673,645,572.91**

EUR	Note	31 Dec 2022	31 Dec 2021
Current assets			
Short-term receivables	2.4		
Trade receivables		868,175.23	812,978.30
Receivables from group companies		226,558,894.55	232,610,268.55
Other receivables		16,404.00	16,380.36
Prepayments and accrued income		1,531,076.74	1,902,190.24
		228,974,550.53	235,341,817.45
Cash and cash equivalents	2.4	0.00	0.00
Total current assets		**228,974,550.53**	**235,341,817.45**
TOTAL ASSETS		**1,904,549,094.02**	**1,908,987,390.36**

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PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Capital and reserves	3.1		
Subscribed capital		2,500.00	2,500.00
Non restricted equity		1,657,969,584.70	1,657,969,584.70
Retained earnings		-166,807.25	-170,520.18
Loss for the financial year		-83,748.83	3,712.93
		1,657,721,528.62	1,657,805,277.45
Cumulative accelerated depreciations	3.2	**3,034,294.64**	**1,694,047.52**
Liabilities	3.3		
Non-current liabilitites			
Other non-current liabilities		1,223,864.00	1,035,709.00
		1,223,864.0	1,035,709.00
Current liabilities			
Trade payables		8,038,432.19	5,700,104.79
Liabilities to group companies		191,641.51	0.00
Group contribution liability		25,703,500.00	19,385,000.00
Other short-term liabilities		201,133,420.86	216,255,231.39
Accruals and deferred income		7,502,412.19	7,112,020.22
		242,569,406.75	248,452,356.40
Total liabilities		**243,793,270.75**	**249,488,065.40**
TOTAL EQUITY AND LIABILITIES		**1,904,549,094.01**	**1,908,987,390.37**

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PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flow fron operating activities		
Loss before appropriations and taxes	26,960,046.32	20,101,960.92
Adjustments		
Depreciation, amortisation and impairment	3,058,870.67	2,817,821.42
Finance income and expenses	6,483.47	2,332.91
Other adjustments	-21,000.00	-
Cash flow before change in working capital	**30,004,400.46**	**22,922,115.25**
Change in working capital		
Increase (-) / decrease (+) in non-interest bearing receivables	25,958,473.35	70,640,939.39
Increase (+) / decrease (-) in non-interest bearing liabilities	2,136,561.93	127,072.86
Operating cash flow before financial items and taxes	**58,099,435.74**	**93,690,127.50**
Interest payments	-6,582.91	-1,279.52
Interests received	99.44	18.48
Payments for other finance items	0.00	-1,071.87
Taxes paid	-201.33	129.74
Cash flow from operating activities	**58,092,750.94**	**93,687,924.33**

EUR	1 Jan - 31 Dec 2022	1 Jan - 31 Dec 2021
Cash flow from investing activities		
Capital expenditures	-4,922,544.52	-6,320,555.33
Proceeds from disposals of investments	21,000.00	-
Cash flow from investing activities	**-4,901,544.52**	**-6,320,555.33**
Cash flow from financing activities		
Equity repayment	-14,215,000.00	-70,000,000.00
Group contributions received and paid	-19,385,000.00	-9,070,500.00
Cash flow from financing activities	**-33,600,000.00**	**-79,070,500.00**
Change in cash and cash equivalents	**19,591,206.42**	**8,296,869.00**
Cash and cash equivalents 1 Jan	26,262,452.04	17,965,583.04
Cash and cash equivalents 31 Dec	**45,853,658.46**	**26,262,452.04**

As the company's bank accounts are part of Elenia Verkko Oyj's Group account structure the balances are presented in Balance Sheet as a receivable or a liability to Group companies.

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The financial statements of Elenia Oy have been prepared in accordance with the Finnish Accounting Standards (FAS).

Transactions denominated in foreign currencies and derivative agreements

Transactions denominated in foreign currencies are recognised at the rate prevailing at the time of the transaction. At the balance sheet date the receivables and liabilities in balance sheet denominated in foreign currencies are converted to Euro using the exchange rate prevailing at the balance sheet date. The possible currency exchange rate differences are recognised in finance income or costs or other operating costs in accordance with the underlying item.

Presentation of liquid assets

The bank accounts of the company are part of Elenia Oy's Group account structure. The total balance is presented as a receivable or a liability to Group companies.

For tangible and intangible assets have been used direct acquisition prices which have been deducted with planned depreciations. Depreciations according to the plan are linear and are based on the following assets economical lifetimes:

Intangible fixed assets	15 years
Goodwill	10 years
Other capitalized long term expenditures	3–5 years
Network	15 years
Machinery and equipments	3–10 years

1 NOTES TO INCOME STATEMENT

1.1 Revenue

EUR 1,000	2022	2021
Contracting income	144,652	143,832
Connection fee income	261	493
Other sales income	23,995	22,888
Total	**168,909**	**167,213**

1.2 Other operating income

EUR 1,000	2022	2021
Gains on the sale of scrap and used fixed assets	1,456	1,260
Other operating income	346	418
Total	**1,802**	**1,678**

1.3 Materials and services

EUR 1,000	2022	2021
External services	-55,554	-59,870
Materials	-55,481	-57,681
Total	**-111,035**	**-117,551**

1.4 Personnel expenses

EUR 1,000	2022	2021
Average number of personnel during the financial year	230	223
Salaries	-13,597	-12,717
Pension expenses	-2,290	-2,037
Other employee expenses	-437	-389
Total	**-16,324**	**-15,143**

SALARIES AND REMUNERATION PAID TO CEO

EUR 1,000	2022	2021
Salaries and other short-term employee benefits	-318	-301
Other long-term employee benefits	-126	-153
Pension expenses related to salaries and employee benefits	-80	-82
Total	**-525**	**-536**

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1.5 Depreciations according to the plan

EUR 1,000	2022	2021
Impairment	-	-175
Intangible fixed assets	-1	0
Goodwill	-244	-244
Other capitalized long term expenditure	-1,850	-1,838
Network	-458	-162
Machinery and equipments	-506	-399
Total	**-3,059**	**-2,818**

1.6 Other operating expenses

EUR 1,000	2022	2021
Other external services	-8,925	-9,493
Other operating expenses	-4,401	-3,782
Total	**-13,326**	**-13,275**
Audit charges EUR 1,000		
Auditing fees	-125	-138
Fees for tax services	-7	-2
Fees for other services	-9	-
Total	**-140**	**-140**

1.7 Financial income and expenses

EUR 1,000	2022	2021
Interest and other financial income		
Other financial income	0	0
Total	**0**	**0**
Interest and other financial expenses		
Other interest expenses	-1	-1
Internal interest expenses	-6	-
Other financial expenses	-	-1
Total	**-7**	**-2**
Total financial income and expenses	**-6**	**-2**

1.8 Appropriations

EUR 1,000	2022	2021
Change in accelerated depreciations	-1,340	-713
Group contributions given	-25,704	-19,385
Total	**-27,044**	**-20,098**

1.9 Income taxes

EUR 1,000	2022	2021
Income taxes for the financial period	0	0
Adjustment in income taxes for the previous periods	-	0
Total	**0**	**0**

2 NOTES TO THE BALANCE SHEETS ASSETS

2.1 Intangible fixed assets

INTANGIBLE RIGHTS

EUR 1,000	2022	2021
Cost 1 Jan	7	5
Investments	12	2
Cost 31 Dec	19	7
Accumulated depreciation 1 Jan	0	0
Depreciation according to the plan	-1	0
Book value 31 Dec	**17**	**6**

GOODWILL

EUR 1,000	2022	2021
Acquisition cost 1.1.	2,436	2,436
Investments	-	-
Acquisition cost 31.12.	2,436	2,436
Accumulated depreciation 1.1.	-676	-433
Depreciation according to the plan	-244	-244
Book value 31.12.	**1,516**	**1,760**

OTHER CAPITALIZED LONG-TERM EXPENDITURE

EUR 1,000	2022	2021
Cost 1 Jan	12,837	10,406
Investments	1,261	2,740
Disposals	-	-309
Cost 31 Dec	14,098	12,837
Accumulated depreciation 1 Jan	-7,995	-6,290
Merger	-	309
Disposals	-	-175
Depreciation according to the plan	-1,850	-1,838
Book value 31 Dec	**4,253**	**4,842**

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2.2 Tangible fixed assets

NETWORK

EUR 1,000	2022	2021
Cost 1 Jan	4,537	1,519
Investments	4,819	3,018
Cost 31 Dec	9,356	4,537
Accumulated depreciation 1 Jan	-207	-44
Depreciation according to the plan	-458	-162
Book value 31 Dec	**8,692**	**4,330**

MACHINERY AND EQUIPMENTS

EUR 1,000	2022	2021
Cost 1 Jan	2,314	1,667
Investments	262	647
Disposals	-4	-
Cost 31 Dec	2,572	2,314
Accumulated depreciation 1 Jan	-1,322	-923
Depreciation according to the plan	-506	-399
Book value 31 Dec	**748**	**992**

ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

EUR 1,000	2022	2021
Cost 1 Jan	4,234	4,364
Increase	878	604
Decrease	-2,244	-733
Book value 31 Dec	**2,868**	**4,234**

2.3 Investments

HOLDINGS IN GROUP COMPANIES

EUR 1,000	2022	2021
Cost 1 Jan	1,657,480	1,657,480
Book value 31 Dec	**1,657,480**	**1,657,480**

2.4 Short term receivables

SHORT TERM RECEIVABLES

Receivables from group companies

EUR 1,000	2022	2021
Accrued income	3,258	1,901
Equity repayment receivable	177,447	204,447
Group account	45,854	26,262
Receivables from group companies total	226,559	232,610

External receivables

EUR 1,000	2022	2021
Trade receivables	868	813
Other short-term receivables	16	16
Accrued income	1,531	1,902
External receivables total	2,416	2,732
Short term receivables total	**228,975**	**235,342**
Total receivables	**228,975**	**235,342**
Cash and cash equivalents	**0**	**0**

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3 NOTES TO THE BALANCE SHEETS EQUITY AND LIABILITIES

3.1 Capital and reserves

EUR 1,000	2022	2021
Subscribed capital	3	3
Non restricted equity 1 Jan	1,657,970	1,657,970
Non restricted equity 31 Dec	1,657,970	1,657,970
Retained earnings (loss) 1 Jan	-167	-171
Loss for the the financial year	-84	4
Total capital and reserves	**1,657,722**	**1,657,805**
Distributable equity	1,657,719	1,657,803

3.2 Cumulative accelerated depreciations

EUR 1,000	2022	2021
Cumulative accelerated depreciations	3,034	1,694

Accelerated depreciations include deferred tax liability of 606,858.92 euros.

3.3 Liabilities

NON-CURRENT LIABILITIES

EUR 1,000	2022	2021
Other non-current liabilities to group companies	1,224	1,036
Total non-current liabilities	**1,224**	**1,036**

CURRENT LIABILITIES

EUR 1,000	2022	2021
Trade payables	8,038	5,700
Other short term liabilities	10,901	11,808
Equity repayment liability	190,232	204,447
Accrued expenses		
Salaries and social expenses	4,444	4,086
Other accrued expenses	3,059	3,026
Total	7,502	7,112
Liabilities to group companies		
Accrued expenses	192	-
Group contribution payables	25,704	19,385
Total	25,895	19,385
Total current liabilities	**242,569**	**248,452**
Total liabilities	**243,793**	**249,488**

3.4 Liabilities and quarantees for debts

EUR 1,000	2022	2021
Provided on behalf of own and group liabilities		
Guarantees	1,689,500	1,689,500
Floating charges	4,500,000	4,500,000
Leasing agreements		
Within one year	110	103
After one year but not more than five years	114	114
Total	**224**	**218**
Other lease liabilitites		
Within one year	485	586
After one year but not more than five years	84	8
Total	**569**	**594**

Group bank accounts have been pledged as security for loans from financial institutions and bonds.

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Shares and Holdings

	Domicile	Share	Vote share	Share of ownership	Nominal value EUR 1,000	Book value EUR 1,000
Subsidiary						
Elenia Verkko Oyj	Tampere	100%	100%	100%	1,657,480	1,657,480

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SIGNATURES TO THE FINANCIAL STATEMENTS

Tampere, 7 March 2023

Timo Rajala
Chairman of the Board of Directors

Mark Braithwaite

Eduard Fidler

Tapani Liuhala

Miguel Antoñanzas

Jorma Myllymäki

Sirpa Ojala

Michael Pfennig

AUDITOR'S NOTE

A report on the audit carried out has been issued today.

Tampere, 8 March 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant

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AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Elenia Oy

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Elenia Oy (business identity code 2658611-8) for the year ended 31 December, 2022. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion financial statements give a true and fair view of the group's and parents financial position as well as its financial performance and their cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and comply with the statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Tampere March 8th, 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant

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ELENIA OY BOARD OF DIRECTORS

Timo Rajala
Chairman of the Board

Timo joined the company in 2012 and is the Chairman of the Board. He is also the Chairman of Remuneration and Nomination Committee of Elenia Oy's board. Timo is the CEO of Rajalimes Oy, the Chairman of the Board of FinNuclear Oy, and also the Chairman of the Board of the companies Flexens Oy Ab and EPSE Oy. He is also the Chairman of the Supervisory Board in Elering As (Estonia). Prior to joining the company, Timo was President and CEO of Pohjolan Voima Oy (1992–2010) and Director of Teollisuuden Voima Oy. Timo has also been the Chairman of the following Boards: Teollisuuden Voima Oy (1992–2010) and Fingrid Oy (1996–2010). Timo holds a Master of Science degree in Engineering.

Tapani Liuhala
CEO, Elenia Oy

Tapani joined the company in 1990 and is the CEO of Elenia Verkko Oyj, Elenia Oy and Elenia Group Oy. He is also the Chairman of the Board of Elenia Verkko Oyj, Elenia Innovations Oy, Manco Investment Oy and Kiinteistö Oy Forssan Aleksi 6. He is also a member of the Board of Elenia Oy, Energy Industry, Piceasoft Oy and Financelitas Oy. He held various managerial positions at Vattenfall Verkko Oy including CEO and Manager of Customer Relations. Tapani holds a Bachelor of Science in Electrical Engineering.

Jorma Myllymäki
Executive Vice President, Elenia Verkko Oyj

Jorma joined the company in 2007 and is the Executive Vice President and deputy CEO of Elenia Verkko Oyj. He is operationally responsible for the Networks Business of Elenia. He is also a member of the Boards of Elenia Oy, Elenia Verkko Oyj, Elenia Innovations Oy, J3 Invest Oy, Manco Investment Oy, 358 Exploration Oy and EU DSO Entity. He is also a member of the Safety, Health, Environment and Security Committee of Elenia Oy's board. Prior to this, Jorma was the Chief Operating Officer at Elenia Networks (2015–2019), the Head of Operations and Network Performance at Elenia Networks (2010–2015) and Head of Operations at Vattenfall Distribution Nordic Networks Finland (2007–2010). Prior to joining the company, he held various managerial positions at ABB as Head of Product Management and Global Product Manager (2003–2007), R&D Manager in Sweden (2002–2003) and Development Manager, Site Manager and Program Manager (1997–2002). Jorma holds a Master of Science in Electrical Engineering.

Michael Pfennig
Co-Head of Infrastructure , Allianz Capital Partners

Michael is Managing Director and Co-Head of Infrastructure at Allianz Capital Partners (ACP). He has joined ACP in 2004 and has since worked on numerous transactions both in the infrastructure as well as in the private equity sector. He currently holds non-executive board positions at several companies in the electricity, gas and transport sector across Europe. Prior to joining ACP, Michael worked in Corporate Finance at Deutsche Bank and previously with the Corporate Finance and Strategy practice of McKinsey in Frankfurt and London. He started his career in Corporate Risk Management at Siemens in Munich. Michael holds a master's degree in Business Administration from Frankfurt University (Dipl.-Kfm.) and has received his doctorate in finance and capital markets research from Munich University. He is a member of the Remuneration and Nomination committee of Elenia Oy's board.

Mark Braithwaite
Investment Committee Member, Macquarie Asset Management EMEA

Mark recently retired from Macquarie where he was the Head of Portfolio and Coverage for MAM Real Assets, having previously held the role of Chief Financial Officer of Thames Water Utilities Limited. Prior to joining Thames Water, Mark was Finance Director of the customer and energy divisions at EDF Energy plc. Mark remains a Non-Executive Director of a number of MAM's portfolio infrastructure companies in Europe. Mark is a fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Association of Corporate Treasurers. He has a Bachelor of Science (honours) in Economics from the University of Surrey, UK. He is the Chairman of the Audit and Risk committee and member of the Remuneration and Nomination committee of Elenia Oy's board.

Sirpa Ojala
CEO

Sirpa is the CEO of Delete Group Oyj. She has previously worked as CEO at Colliers International Finland Group (ex Ovenia Group Oy), M-Brain Oy and Digita Oy. Sirpa has an extensive experience in regulated infrastructures and building long-term B-to-B customer relations. Sirpa currently holds board positions at Finnish Broadcasting Corporation (YLE), NESA (Huoltovarmuuskeskus), Mintly Oy and NatWest Nordisk Renting AB. She is also a senior advisor for Valor Oy. She holds a M.Sc. (Eng.) in Industrial Economics from the Lappeenranta University of Technology. She is a member of the Audit & Risk committee, Remuneration and Nomination committee and Safety, Health, Environment and Security committee of Elenia Oy's board.

Miguel Antoñanzas
Operating Partner, Macquarie Asset Management

Miguel is a Non-Executive Director of EDP Redes España, Exolum, HEDNO (Hellenic Electricity Distribution Network Operator S.A.) and Hydro Dolomiti Energia and was the CEO of Viesgo Infraestructuras Energéticas, S.L until 2020. He has held executive positions in Europe and Latin America in the Iberdrola, ENEL and E.ON Energy Groups, having also had international assignments with the global engineering group Bechtel. He has been Chairman and/or member of the Board of Directors of listed and private companies in many countries in the telecoms, engineering, media, water, gas and electricity sectors. Miguel is a member of the Board of Trustees of the International University Menéndez Pelayo and the Reina Sofia School of Music. He is a Civil Engineer specialized in hydraulics and energy. Miguel is the Chairman of Safety, Health, Environment and Security committee of Elenia Oy's board.

Eduard Fidler
Director, Allianz Capital Partners

Eduard leads asset management activities for a number of Allianz's direct infrastructure investments and currently holds board positions at Cadent Gas Limited in the UK, and Delgaz Grid SA in Romania. Eduard has over 15 years' experience in energy and infrastructure investment and asset management. Prior to joining Allianz, Eduard was a senior member of Blackrock's Global Energy & Power team (formerly part of First Reserve), and before this investing and managing utility investments at Macquarie Infrastructure and Real Assets. Eduard is a CFA charterholder, and a graduate of Mechanical Engineering from the University of British Columbia. He is a member of Audit and Risk committee and Safety, Health, Environment and Security committee of Elenia Oy's board.

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