ELENIA

ANNUAL REVIEW

# 2019

**GROUP STRUCTURE, OPERATIONS AND OPERATING AREA**

# ELENIA AT YOUR SERVICE

## RELIABLE ELECTRICITY DISTRIBUTION SERVICES

Elenia Group consists of the electricity distribution company Elenia Oy and its wholly-owned subsidiaries Elenia Palvelut Oy and Elenia Finance Oyj.

Elenia Oy

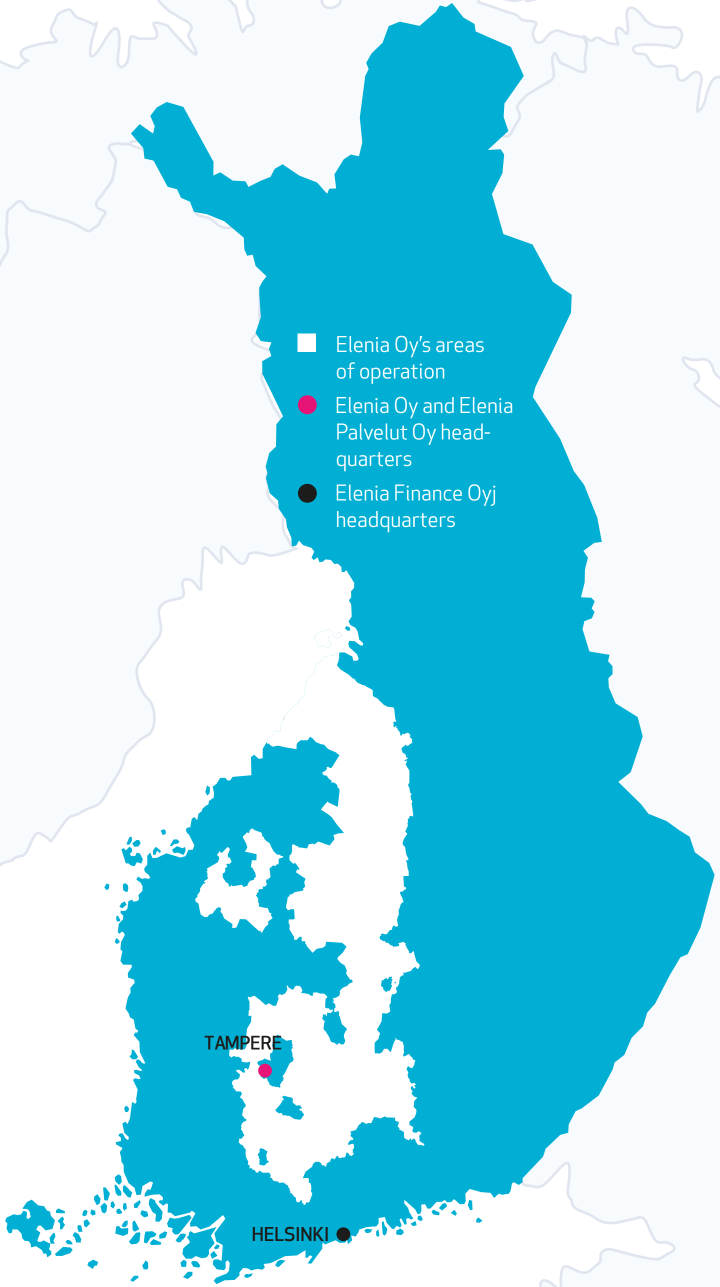
Elenia Palvelut Oy | Elenia Finance Oyj

**Elenia Oy** distributes electricity to a total of circa 430,000 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 networks 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 cirka 74,000 kilometres of electricity networks.

**Elenia Palvelut 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, Elenia Palvelut Oy is renewing the Finnish energy markets' customer service offering in response to the changing needs of end customers.

The parent company of the Group, Elenia Oy, sold 22 on July, 2019 its district heating business to SL Capital Infrastructure II SCSP, DIF Infrastructure V Coöperatief U.A. and LPPI Infrastructure Investments LP. Elenia Lämpö Oy will continue its operations as of January 2020 under the name Loimua Oy.

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

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# OUR RENEWAL IS A RESPONSE TO THE CHANGING NEEDS OF OUR CUSTOMERS AND SOCIETY


We carried out an extensive strategic renewal process in 2019 based on an assessment of the key trends in our operating environment as well as wide-ranging dialogue with our customers, external stakeholders and personnel.

The previously identified megatrends in our operating environment — namely the growing significance of sustainability, digitalisation and climate change — were further emphasised in the renewal of our strategy. Urbanisation and active customer participation in the electricity markets were also highlighted as important factors. To respond to these trends, we updated the strategy of our network business and service business, which also covers our network construction operations.

The core values we defined at the start of the last decade — Close to the customer, Accountable partner, Achieving together and Courage to renew — are still the foundation of everything we do.

## CONSTRUCTION OF WEATHERPROOF ELECTRICITY NETWORK PROGRESSED ACCORDING TO PLAN

The operational development of our network business was in line with our objectives in 2019, although the severe storm Aapeli and the subsequent heavy snow loads caused damages that resulted in substantial costs.

At the beginning of September, we increased our distribution tariffs by 6.5 per cent on average, enabling our continued progress according to plan in upgrading the ageing electricity network into a weatherproof network. We have been building a weatherproof electricity network for more than 10 years. Half of our network is now underground as we enter the new decade. We will continue our renewal efforts in response to the requirements of society as well as the changing needs of our customers and the electricity infrastructure. We estimate that the renewal of our network has now progressed far enough that the pressure to increase distribution tariffs is reduced.

In January 2020, the Ministry of Economic Affairs and Employment submitted a government proposal for comments with the aim of

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mitigating the rise of electricity distribution tariffs. The proposed methods include lowering the annual price increase ceiling from 15 per cent to 12.5 per cent and extending the implementation schedule of security of supply targets from 2028 to 2036 for networks that involve particularly significant challenges related to rising costs. Elenia will continue to develop its network business in line with its long-term plan.

### HIGHER OPERATING VOLUME FOR ELENIA PALVELUT

The service business of Elenia Palvelut Oy expanded during the year as we took over certain services related to the electricity distribution and district heating functions of Suur-Savon Sähkö Group and Etelä-Savon Energia Group. Services that support Elenia's network business and cooperation with the Group's previous external customers developed well. Elenia Palvelut now provides services to approximately 1.1 million end customers.

We carried out an organisational change at the beginning of 2019 that involved the centralisation of Elenia's construction activities under Elenia Palvelut Oy. The change led to a significant increase in the company's operating volume. We also began the construction of a fibre-optic network in connection with the construction of our weatherproof electricity network. Providing high-speed internet connections through the fibre-optic network to our customers in sparsely populated areas supports the achievement of the objectives outlined in Finland's digital infrastructure strategy. Joint cabling projects in the construction of the underground electricity network and fibre-optic infrastructure also promote Elenia's strategic goals.

In 2019, we piloted our fibre-optic network together with our partners Elisa and Telia, which provide internet and entertainment services for the network, and decided that we will expand our fibre-optic network construction activities. Several plans concerning joint projects were completed.

### CHANGES IN GROUP STRUCTURE

We divested our district heating company Elenia Lämpö Oy in July. The reason for the divestment decision was that the district heating business that this subsidiary engaged in was not part of our core business. The sale enables us to focus on improving the reliability of electricity distribution as well as the development of the smart grid and our customer services.

Late in the year, we carried out an organisational redesign that covered the entire Elenia Group with the aim of increasing the efficiency of operations, and we also initiated a process to simplify the Group structure and thereby reduce administrative work. The process has progressed according to plan and will be completed in the second half of this year.

### STRONG PERFORMANCE IN THE INTERNATIONAL GRESB SUSTAINABILITY ASSESSMENT

Sustainability has been a cornerstone of our operations right from the start. During the past couple of years, we have had a strong focus on making our sustainability efforts more systematic and reporting on their results. We continued the development of our sustainability programme in 2019, made sustainability a more comprehensive component of our management systems and published our first Sustainability Report.

In the summer, we participated for the second time in the Global Real Estate Sustainability Benchmark (GRESB), an assessment of sustainability in the infrastructure industry. Having already achieved a full five-star rating the first time we participated in the benchmarking, we significantly improved our scores this time around. We were ranked first among distribution system operators and fifth among 393 infrastructure companies in the overall results. Our excellent GRESB results speak to the success of our sustainability efforts. We will continue the ambitious development of the sustainability of our operations and services, with the GRESB assessment providing a very useful international benchmark for our performance.

With its organisational and structural changes and many development projects, 2019 was a busy year for us and our stakeholders. We again achieved good results through close cooperation, and I would like to take this opportunity to thank our personnel, customers, partners and owners for their contribution.

Tapani Liuhala
CEO

## STRATEGIC GOALS

We earn our customers' trust and approval

We are the most efficient network and service company in the industry

We will contribute to the combat against climate change

We renew our markets and create new business

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# CLIMATE CHANGE DRIVES THE TRANSFORMATION OF ENERGY PRODUCTION AND CONSUMPTION

## THE SMART GRID WILL ASSUME A CENTRAL ROLE

The mitigation of climate change is transforming the energy sector and energy markets. Energy production that generates carbon dioxide emissions must give way to renewable energy, and the future is set to become increasingly electric in all areas of life: homes, transport, industry and society. This energy transition will also affect electricity network services and increase their significance as part of the big picture of energy consumption, production and storage.

The target set for international cooperation is to limit the increase of the Earth's average temperature and to bring about changes throughout the world to keep warming at 1.5 degrees or less. Reducing the emissions generated by energy production will play a key role in achieving this target.

The continuous growth of wind and solar power makes it more challenging to maintain the balance of the electricity system because the output of these energy sources depends on the weather. The amount of electricity produced must always match the amount used. The effective functioning of the electricity system requires a smart and weatherproof electricity network.

Two decades of work have seen Elenia develop a smart grid that is among the world's best and the subject of widespread interest at international events for the energy sector. A few years from now, our customers will be able to access near real-time data on their electricity consumption when the next-generation metering system is deployed.

A significant change is also taking place in customers' attitudes towards their energy consumption. More and more people are making value judgments regarding electricity consumption and starting to produce electricity themselves. The lower costs of technology and various smart solutions give customers greater possibilities to contribute to the achievement of climate targets.

Electricity storage and electric cars with storage and smart charging functionalities will provide more opportunities in the future for utilising one's own electricity production. At the same time, smart solutions will be introduced in homes and household appliances, enabling the electricity consumption of homes to automatically react to the price of electricity, for example, which provides benefits to customers.

The key challenge faced by the Finnish electricity market in the future will be to ensure the security of supply with regard to electricity generation as well as electricity distribution networks. The primary goal is to build a smart energy system that meets the security of supply requirements.

The growth of renewable energy production and the concurrent downscaling of traditional electricity production creates the need for stronger demand response in electricity consumption. A smart energy system makes electricity available whenever it is needed and implements this required level of demand response without causing disruptions to customers and society.

Elenia has engaged in the determined development of a smart grid as a platform for the electricity market of the future. We will be able to offer the solutions of the next-generation smart metering system we are currently working on for use by virtual power plant operators in the demand response market, for example.

In the future, the smart grid can promote the expansion of the commercial demand response market by providing network-based load control for use by the competitive markets. This will give a growing number of consumers access to the demand response market.

We began modernising the ageing electricity network to make it weatherproof against increasingly extreme weather phenomena more than a decade ago. We have made great progress on that front as well. In 2020, half of our electricity network will be underground and weatherproof. Our investments in the reliability of electricity distribution exceeded a billion euros during the past decade. By 2028, 75 per cent of Elenia's network will be underground. This will ensure city-level electricity distribution even outside urban areas.

The strengthening of the customer's position and digitalisation will revolutionise the conventional operating models of the electricity markets. The energy sector will be transformed by comprehensive services that make the customer's day-to-day life easier and promote energy efficiency. Elenia will play a significant role in this transformation by developing first-class services

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# GROUP KEY FIGURES 2019

**ELENIA OY´S CUSTOMERS**

430,000*

**ELECTRICITY NETWORK**

74,000 km

**TOTAL UNDERGROUND CABLING RATE OF THE ELECTRICITY NETWORK**

49.6%

**TOTAL ELECTRICITY DISTRIBUTION VOLUME**

6,362 GWh

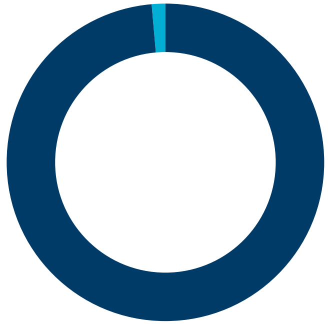
**ELENIA PALVELUT OY'S CUSTOMERS**

1,124,000

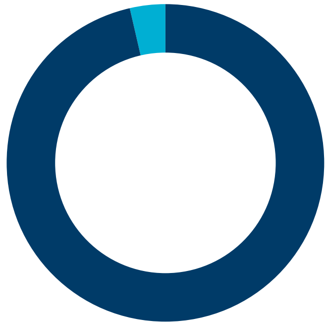
END USERS

* Elenia changed its customer base calculation method in 2019 and no longer includes small production customers, comparable figure at year end 2018 is 427,000

**REVENUE BREAKDOWN, MEUR**




**ELENIA GROUP'S INVESTMENTS*, MEUR**




* Elenia Lämpö Oy was sold on 22.07.2019, so its investments are not reported here

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# ELENIA'S STRATEGY

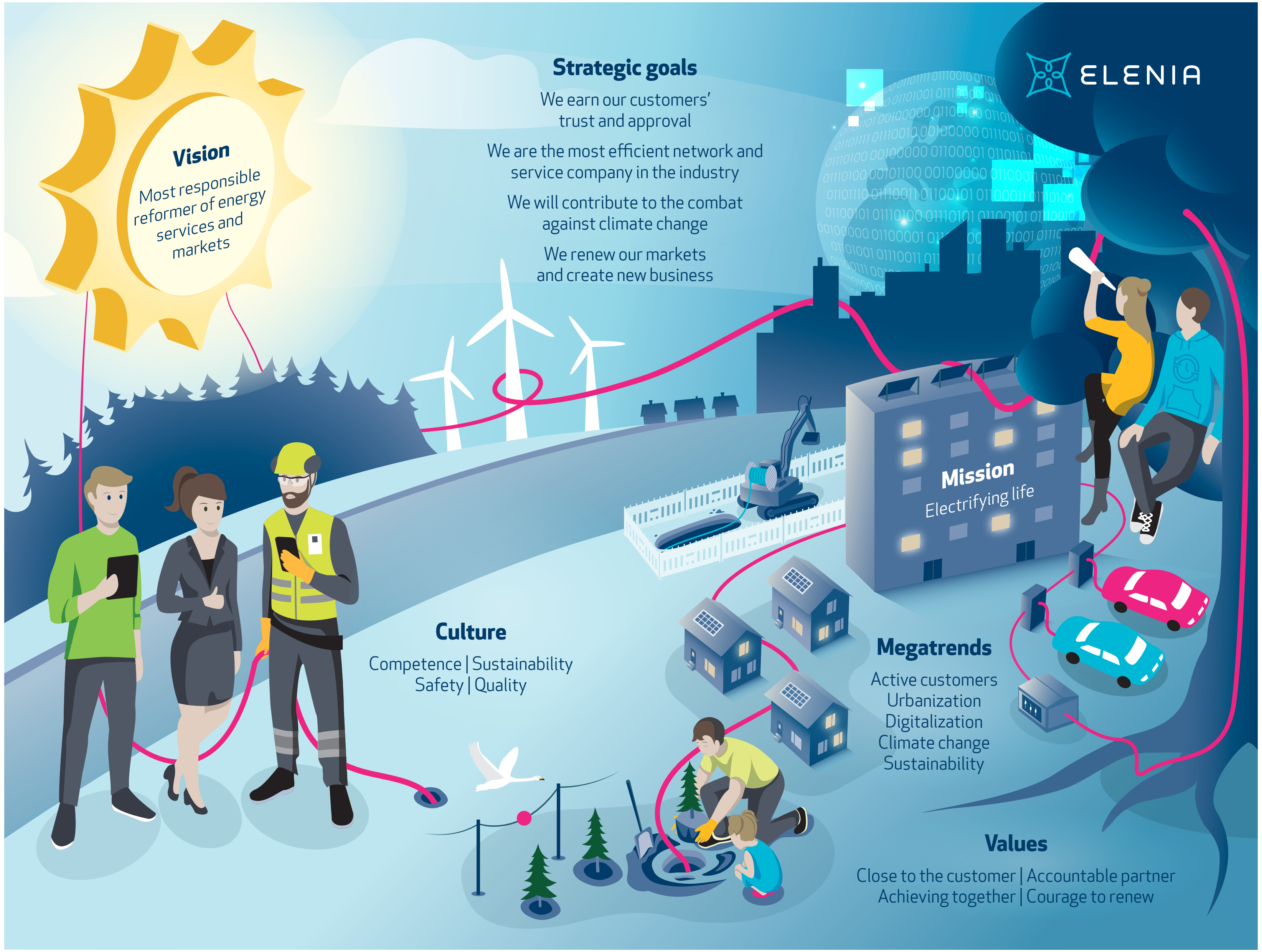
## SUCCESS FACTORS

### 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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# REPORT OF THE BOARD OF DIRECTORS 2019

## Elenia Group's Business Operations

Elenia Group ("Elenia") consists of Elenia Oy, Elenia Palvelut Oy[1] and Elenia Finance Oyj.

Elenia has four business lines:

- Elenia Networks owns and operates an electricity distribution network, which is the main business of the Group;
- Elenia Services operates a customer service business, procurement, construction and project management business, and builds and operates passive fiber-to-the-home network.

These business functions are supported by Elenia Finance Oyj ("Elenia Finance"), which provides treasury related services to the Group companies. In 2019 Elenia Oy was the parent company of the Group. Previously Elenia Oy owned a district heating business (Elenia Lämpö Oy), which was divested to a consortium of infrastructure investors in July 2019.

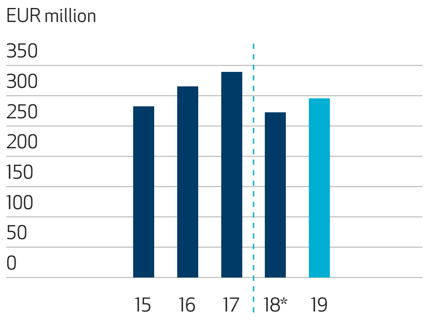
## Financial Performance

Elenia Group's revenue in 2019 was EUR 295.6 million (EUR 272.7 million in 2018, restated[2] ). The 8.4% revenue growth was mainly driven by the increases in electricity distribution tariffs. Elenia Networks increased its tariffs by on average 9.9% in August 2018 and by 9% in September 2019 to finance the continued investments in underground cabling. Due to

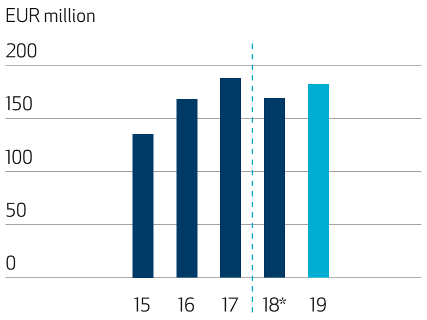
1 Elenia Palvelut Oy has a fully owned subsidiary Elenia NewCo Oyj, which in 2019 was dormant.

2 Elenia divestment of its district heating business was completed on 22 July 2019. The district heating business accounted for approximately 22% of group revenues and 13% of group EBITDA (according to 2018 full year actuals). The revenue and EBITDA in 2018 including the district heating business were EUR 349.7 million and EUR 194.4 million, respectively. EBITDA excluding exceptional and non-recurring items was EUR 196.0 million in 2018.

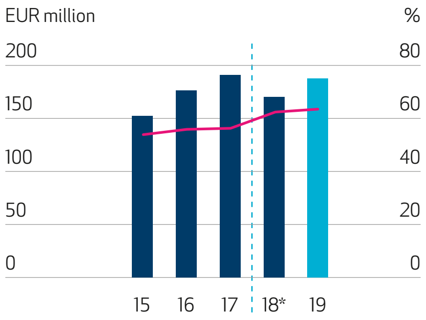
### REVENUE




### EBITDA




### EBITDA** AND EBITDA MARGIN**




** excluding non-recurring and exceptional items

**) 2018–2019 figures in the graphs include the revenue and EBITDA without the discontinued operations. The district heating business divestment was completed on 22 July 2019 and 2018 figures are restated for comparability. 2015-2017 figures has not been restated.*

### ELENIA GROUP

| (EUR million) | **2019** | **2018 (restated)*** | **Change %** |
|---|---|---|---|
| Revenue | 295.6 | 272.7 | +8.4 |
| EBITDA | 182.6 | 169.5 | +7.7 |
| EBITDA excluding non-recurring and exceptional items | 187.9 | 170.4 | +10.3 |
| EBITDA margin (excl. non-rec. and exceptional items) | 63.6% | 62.5% | |

**) The figures in the table include the revenue and EBITDA without the discontinued operations. The district heating business divestment was completed on 22 July 2019 and 2018 figures are restated for comparability*

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taxes, the actual increases on customer invoices were approximately 6% on both times.

In 2019, the Group's EBITDA totalled EUR 182.6 million (EUR 169.5 million in 2018, restated). The 7.8% growth in EBITDA was mainly driven by higher revenues. EBITDA excluding non-recurring and exceptional items was EUR 187.9 million in 2019 (170.4 million in 2018, restated). The non-recurring and exceptional items in 2019 mainly consists of costs related to the snow loads during January and February of 2019. The snow load situation lasted for six weeks making it the longest lasting snow loads in the history of Elenia. It accounts for EUR 4.8 million of the EUR 5.3 million non-recurring and exceptional items.

### Business Review – Electricity Distribution

Elenia Networks is Finland's second largest electricity distribution system operator ("DSO") with a 12% market share in terms of number of customers. Elenia Networks is a regional monopoly serving all customers in the regions in which it operates as defined by the licence granted by the Energy Authority ("EA"). The relevant licence holder has the exclusive right to build and operate an electricity distribution network in its area of responsibility.

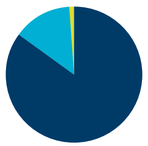
With an electricity network of approximately 74,000 km, Elenia Networks supplies electricity to approximately 430,000 end-users[3]. In addition to residential customers, key customer segments include industrial, service, construction and public sectors. The company has operations in more than 100 cities and municipalities spanning a geographical area of nearly 600 km in length across central Finland, from Southern Häme to Northern Ostrobothnia.

In 2019, Elenia Networks distributed 6,362 GWh (6,440 GWh in 2018) of electricity, which is 1.2% less than in 2018, mainly driven by warmer weather during the winter months. Elenia Networks' total revenue

3 In 2019 Elenia Networks changed the way it reports number of customers. The official number reported to the EA of 434,263 includes the households that have solar powers two times: first as users of electricity (430,318) and then producers of electricity (3,816). The balance between the numbers are the large-scale electricity generators (129 at end of 2019). The number comparable with 430,318 (31.12.2019) is 427,361. The number of customers rose by 0.7% during 2019.

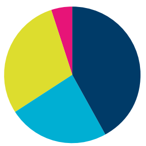
## CUSTOMER SEGMENTS AND DISTRIBUTION VOLUMES, ELENIA OY

### CUSTOMER SEGMENTS



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

### ENERGY BY CUSTOMER SEGMENT



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

(including intra-group items and other operating income) was EUR 294.3 million (273.2 million in 2018). The 7.7% increase in total revenue was attributable to an increase in electricity distribution tariffs. Elenia Networks' EBITDA in 2019 was EUR 183.4 million (EUR 169.0 million in 2018). The growth in EBITDA was primarily driven by the increase in revenue described above.

The weather conditions in 2019 were more challenging than in 2018. The year started with Aapeli storm in early January. Aapeli caused outages in certain areas of Elenia's distribution network served by overhead lines. The maximum number of customers simultaneously without electricity was less than 39,000. All connections were restored within 52 hours. The costs related to the storm were approximately EUR3.5 million.

After the Aapeli storm, January was cold with substantial snowfall causing heavy snow loads in trees and subsequent outages in the distribution network. The snow load situation was challenging and continued until mid-February, making it the longest period of continuous outages during Elenia's recorded history. The exceptional and non-recurring costs related to the snow loads were approximately EUR4.8 million.

In May 2019, the Helka storm caused outages in certain areas of Elenia's distribution network served by overhead lines. The maximum number of customers simultaneously without electricity was less than 15,000. All connections were restored in less than 24 hours.

In December 2019, Aapo snowstorm caused an acute snow load situation in Pirkanmaa region when heavy and wet snow was accompanied by below zero temperature. The maximum number of customers without electricity was almost 40,000 but all connections were restored in less than 48 hours.

SAIDI (System Average Interruption Duration Index), a measure of the duration of outages, was 254 minutes during the year (95 minutes in 2018). SAIDI excluding the impact of Class 3 and 4 storms, was 87 minutes (95 minutes in 2018). The SAIDI figures show the positive underlying 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 estimates that the number of customers without electricity during Storm Aapeli would have been three times as high without the considerable investments into the network during the previous decade. Elenia Networks' investments since 2009 amount to over one billion euros.

During 2019, Elenia Networks continued to invest in the electricity network in accordance with its development plan. Elenia Networks' investment plan has been designed to improve the security of supply via underground cabling. Elenia Networks has built only weatherproof underground cables since 2009. At the end of 2019, 49.6% of the network was underground, up from 45.1% at the end of 2018.

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At the end of 2018, Elenia launched a procurement process for next generation smart meters. The procurement tender was carried out in the form of innovation partnership during the first half of 2019 and Aidon, IskraEmeco and Telia were selected for the innovation phase, which continues until the second half of 2020, when the vendor is selected. During the second half of 2019, the preparations were made for the tender of the installation of the smart meters. The tender process will be carried out during the first half of 2020. The target is that the first test batch of new smart meters will be installed during the fourth quarter of 2020 with the large-scale roll-out targeted to commence during the second quarter of 2021. The roll-out will take place between 2021 and 2023.

In 2019, Elenia also continued to invest in other technological solutions such as robotics, business intelligence and data analytics, and has set a goal to develop its cybersecurity management to reach the ISO 27001 standard during the first half of 2020.

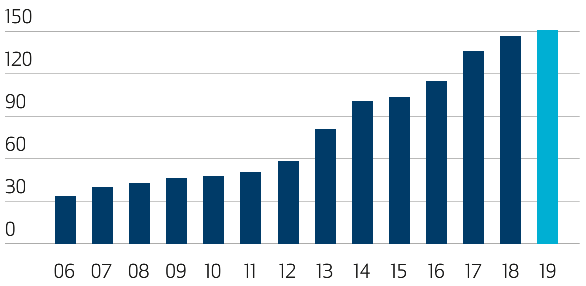
The Electricity Market Act ("EMA") states that 100% of customers must be within the scope of the quality requirements by the end of 2028[4]. Elenia Networks will achieve the requirement by increasing the cabling rate to 75% by the end of 2028. At the end of 2019, approximately 68% of Elenia Networks' customers were within the scope of the EMA quality requirements, up from 62% at end of 2018. While the main focus in relation to the development of the security of supply remains on underground cabling, Elenia Networks also seeks to improve the security of supply by other means. For example, in recent years Elenia Networks has developed an efficient model for tree clearance outside line corridors.

Elenia Networks invested EUR 152.7 million in developing its electricity network in 2019, of which EUR 151.0 million was Regulatory Asset Value ("RAV") accretive. Investment in the electricity network will continue in 2020. Elenia Networks invests annually over EUR 160 million primarily to construct over 3,500 km of underground cables.

Elenia Networks continued to further develop its asset management system according to the PAS 55-1:2008 standard and the international standard ISO 55001:2014. The requirements of both PAS 55 and ISO 55001 guide the construction, operation, maintenance and repair of Elenia's electricity network. This ensures that Elenia Networks continues to improve the way it operates, maintains and upgrades its electricity network in order to respond to its customers' needs. The certificates also require that the suppliers and service providers commit to responsible,

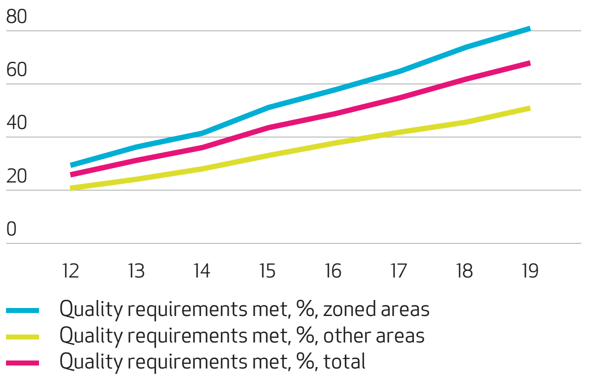
4 EMA stipulates that by end of 2028 all customers (100%) need to be connected to a secure network where outages cannot last more than 6 hours in zoned areas and not more than 36 hours in other areas. By end of 2019 50% customers must be connected to a secure network, 75% by end of 2023 and 100% by end of 2028.

## ELENIA OY'S TOTAL INVESTMENTS IN ITS ELECTRICITY NETWORK 2006–2019, EUR MILLION*



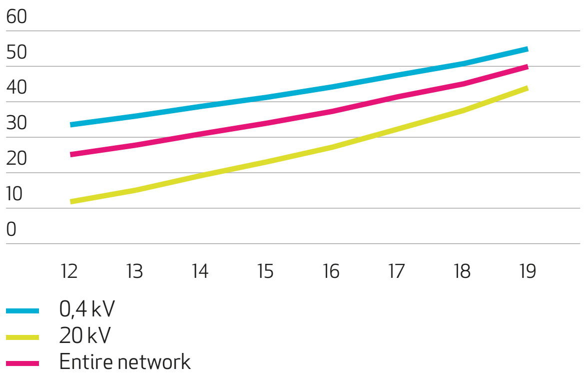

* excludes ICT system investments and the street lighting network

## ELENIA OY'S CUSTOMERS COVERED BY THE QUALITY REQUIREMENTS 2012–2019, %




Pursuant to the Electricity Market Act, quality requirements will apply to 50% of customers by the end of 2019, 75% of customers by the end of 2023 and 100% of customers by the end of 2028.

## ELENIA OY'S UNDERGROUND CABLING RATE 2012–2019, %

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high-quality operations. Elenia Networks' asset management system was recertificated in November 2019.

The EA supervises the operations of Finnish DSOs. The regulation is based on four-year regulatory periods. The current year marks the first of the fifth regulatory period (2020–2023). The reasonable rate of return declined from 6.62% in 2018 to 6.20% in 2019 due to a change in the risk-free rate. The regulatory guidelines provide stability for the industry and enable the continuation of Elenia Networks' security of supply driven investment programme as planned.

The EA has published selected preliminary key figures, including Regulatory Asset Base ("RAB") and regulatory deficit/surplus for all Finnish DSOs for 2018. Elenia Networks' RAB was EUR 1633.0 million and regulatory deficit was EUR 36.9 million. Elenia Networks' cumulative regulatory deficit - after taking into account the surplus carried over from the third period – was EUR 51.6 million at the end of 2018. The publication of these figures was preceded by discussions between Elenia Networks and the EA and, whilst Elenia is confident that these numbers will not change, they should be considered preliminary until the final regulatory decision has been given by the EA. The EA will confirm the final regulatory deficit as well as the final RAB figures after the end of the entire fourth period, either during the latter part of 2020 or in early 2021. Therefore, Elenia is not publishing its own calculation of 2019 regulatory deficit, the cumulative regulatory deficit or RAB.

## Business Review – Service Business

Elenia Services provides customer service and related services to the Elenia Group and other Finnish utilities, including invoicing, collection, connection sales, outage management and electricity market information exchange services. In the beginning of 2019, Elenia Oy transferred its procurement and construction unit as well as marketing and sales unit to Elenia Palvelut Oy. This intra-group transfer means that Elenia Palvelut Oy is well positioned to offer procurement and project management services also to external customers and strengthen its offering in customer services concept. Additionally, this change in organisation allowed Elenia Palvelut Oy to pilot the entry into the fiber business (offering passive fiber-to-the-home) in two areas in Pirkanmaa and Häme.

In May 2019, Elenia Services entered into a customer service agreement with Suur-Savon Sähkö Oy and Etelä-Savon Energia Oy. Elenia Services has, in addition to Suur-Savon Sähkö and Etelä-Savon Energia, five external third party customers: Lahti Energia Oy, Alva Oy (formely known as Jyväskylän Energia Oy), Tampereen Sähkölaitos Oy, Auris Kaasunjakelu Oy and Loimua Oy (formerly known as Elenia Lämpö Oy).

In May 2019, Elenia Services closed down the Jyväskylä office to streamline the operations as the services will be provided from the headquarter in Tampere. The cooperation with Alva will continue in accordance with the service agreement. Also in May 2019, Elenia Services opened a new office in the city of Mikkeli in connection with the new service agreement with Suur-Savon Sähkö and Etelä-Savon Energia.

In 2019 Elenia Services' total revenue (including intra-group items) was EUR 24.5 million (EUR 10.5 million in 2018). Of this, the total revenue from external customers amounted to EUR 4.0 million in 2019 (EUR 2.4 million in 2018). Elenia Services' EBITDA was EUR 2.4 million in 2019 (EUR 1.8 million in 2018).

Excellent customer service is a key strategic goal for Elenia Group. Customer service and process quality are also critical success factors for Elenia Services to grow in the customer service business in the Finnish energy sector.

## Financing

In 2019 Elenia Finance did not issue any bonds under its EMTN programme or made any private placements (in 2018 EUR 161 million bond was issued under the EMTN programme). However, partially with the proceeds from the sale of the district heating business, Elenia Finance made a tender offer for its EUR 500 million benchmark bond maturing in December 2020. The tender was very successful with almost EUR 411 million being bought back, representing 82% of the entire issue. Consequently, there is approximately EUR 89 million of the bond left to mature in December 2020. The tender was completed in early December 2019.

The weighted average maturity of Elenia Group's debt was prolonged to 11.4 years (9.6 years at the end of 2018), excluding other long-term loans and bank facilities. The weighted average interest rate (excluding other long-term loans) was 2.3% in 2019 (2.9% at the end of 2018). Partially with the proceeds from the sale of the district heating business, Elenia repaid all the remaining other long-term loans.

Elenia'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 Capex Facility and Working Capital Facility were extended by one year in June utilising the second extension option, and consequently the facilities have a maturity date in June 2024. The Liquidity Facility with a 7-year tenor was renewed during 2019 as well.

Elenia Group continues to have a strong liquidity position. As at 31 December 2019, cash and cash equivalents amounted to EUR 29 million (EUR 17 million in 2018), while EUR 320 million of the credit facilities was drawn at the year-end (EUR 58 million was drawn at the end of 2018). At end of December 2019, EUR 50 million was drawn from the EUR 150 million facility from the European Investment Bank ("EIB") signed in December 2018.

The bonds issued by Elenia Finance are rated by Standard & Poor's ("S&P"), with most recent credit rating published in November 2019. S&P upgraded the rating to BBB+ (outlook stable), having changed the outlook from stable to positive in July 2019 after Elenia Oy announced the sale of the district heating business and the use of the proceeds to be used to reduce leverage.

S&P regards Elenia Group's business risk profile as excellent, mainly due to the fully regulated electricity distribution business, which now accounts for approximately 99% of the group's EBITDA. S&P also considers the Finnish regulatory framework for electricity distribution network companies to be well established, predictable and supportive.

Elenia Group has two financial covenants in its finance documentation: interest coverage ratio ("ICR") and leverage ratio ("LR"). 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")[5] 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.

For each relevant period until 31 December 2027 ("the First Ratio Adjustment period"), the trigger event ratio levels are 1.46x for ICR and

5 Elenia's financing is based on three core financial documents and all financiers are parties to these agreements. These documents are CTA, Security Trust and Interceditor Deed ("STID") and Master Definitions Agreement ("MDA").

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10.18x for LR and the default ratios are 0.96x for ICR and 11.33x for LR. At end of 2019, the ICR and LR were 3.55x and 8.65x, respectively. The corresponding ratios at the end of 2018 were 4.05x and 8.87x, respectively. Elenia Group is in compliance with the financial covenants. Elenia retains adequate headroom to both financial covenants on a historical and forward-looking basis.

## Corporate Reorganisation

In November 2019 Elenia launched a process to obtain consent from the secured creditors to simplify the group structure through a group reorganisation and make certain amendments into its finance documents. Over 95% of the secured creditors voted (based on the euro amount of the bonds) and almost 92% of the secured creditors, who voted, voted in favour of the proposal. Elenia started to implement the changes immediately and the finance documents were amended on 20 December 2019. In preparation to the upcoming changes to the group structure, Elenia Palvelut Oy established a new fully owned subsidiary Elenia NewCo Oyj and Lakeside Network Investments S.à r.l. (domiciled in Luxembourg) established a new fully owned subsidiary Elenia Investment S.à r.l. Both of the newly established companies as well as Lakeside Network Investments S.à r.l. acceded as obligors into Elenia's finance agreements on 30 December 2019.

The final steps of the reorganisation are expected to take place during July 2020, after which Elenia group structure will have two operating companies in Finland: Elenia Palvelut Oy and Elenia Verkko Oyj[6]. Elenia Verkko Oyj will be the surviving entity from several mergers, including the mergers of Elenia Oy and Elenia Finance Oyj. Elenia Verkko Oyj will therefore be the owner and operator of the electricity distribution network and own all the network assets that currently reside in Elenia Oy. Following completion of the reorganisation, Elenia Verkko Oyj will also act as the borrower under the secured debt arrangements including all of the bank facilities as well as bonds and private placements that now reside at Elenia Oy and Elenia Finance Oyj. After the reorganisation, Elenia Palvelut Oy will be the parent of the operating group and Elenia Verkko Oyj will be the network licence holder[7] as well as the issuer of bonds and notes. S&P has confirmed that the reorganisation will not have adverse rating impact.

## Employees

Elenia changed its organisation in 2019 to streamline its operations and to enhance the distinction between the regulated and unregulated businesses. The new organisation became effective on 1 January 2019. There were several changes, but the most significant was the transfer of the project management and construction business unit from Elenia Networks to Elenia Services. The number of people transferred to Elenia Services was 78.

At the end of 2019, the Group employed 311 people (360 in 2018). The main driver for the lower headcount is the disposal of the district heating business. The following table illustrates the headcount and FTEs per company.

| | Dec 31, 2019 | | Dec 31, 2018 | |
|---|---|---|---|---|
| | Headcount | FTE | Headcount | FTE |
| Elenia Oy* | 122 | 119 | 179 | 171 |
| Elenia Lämpö Oy | – | – | 87 | 87 |
| Elenia Palvelut Oy | 189 | 170 | 94 | 80 |
| **Group Total** | **311** | **289** | **360** | **338** |

**) Includes also 2 people working at Elenia Finance Oyj and 1 person working at Elenia Group Oy.*

Close cooperation with local partner companies is an integral part of the Group's operations. Including the personnel of external sub-contractors, the Group's business operations employ approximately 1,000 people.

## Revised Strategy

In 2019, Elenia reviewed its strategy at the wake of the disposal of the district heating business. A new strategy was formulated separately for the network business and the service business, which now includes also procurement and construction business and newly established fiber business in addition to the customer service business. Elenia's vision is to be the most responsible reformer of electricity services and markets. Our strategic goals are to earn our customers' trust and approval, aspire to be the most efficient network and service company in the industry, renew markets and create new business, and combat climate change. The matters related to sustainability and corporate responsibility have been brought to the forefront of Elenia's strategy as further explained under title "Corporate Responsibility".

## Acquisitions and Divestments

The disposal of Elenia Heat to a consortium of international infrastructure consisting of SL Capital Infrastructure II SCSP ("SL"), DIF Infrastructure V Coöperatief U.A. ("DIF") and LPPI Infrastructure Investments LP ("LPPI") was completed on 22 July 2019. The disposal had a substantial impact on Elenia Group's financial performance due to a capital gain (EUR 335.9 million) on the sale of shares in Elenia Heat. The disposed business had a total revenue of EUR 41.8 million during 1 January 2019–22 July 2019 (EUR 77.0 million in 2018). The disposed business had EBITDA of EUR 13.7 million during 1 January 2019–22 July 2019 (EUR 25.0 million in 2018).

## Corporate Governance

The Board of Directors of Elenia Oy has eight members: Timo Rajala (Chairman), Sirpa Ojala, Mark Braithwaite, Thomas Metzger, Michael Pfennig, Eduard Fidler, Tapani Liuhala and Jorma Myllymäki. There was only one change to the Board composition during 2019; on 18 November Joerg Spanier ceased to be a Board Member and Eduard Fidler was nominated as the Board Member. The Board convened seven times during 2019 with an attendance of 96.4%.

The Board has three committees: audit and risk committee (five meetings during 2019), remuneration and nomination committee (three meetings during 2019) and safety, health, environment and security committee (three meetings during 2019). Audit and risk committee is chaired by Mark Braithwaite and other members are Sirpa Ojala and Eduard Fidler. The remuneration and nomination committee is chaired by Timo Rajala

6 Elenia Palvelut Oy will be renamed Elenia Oy and Elenia NewCo Oyj will be renamed Elenia Verkko Oyj.
7 Elenia Newco Oyj has applied for a new network license from the EA on 4 December 2019.

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and other members are Mark Braithwaite, Michael Pfennig and Sirpa Ojala. The safety, health, environment and security committee is chaired by Thomas Metzger and other members are Sirpa Ojala, Jorma Myllymäki, and Eduard Fidler (who replaced Michael Pfennig in November 2019).

The management team consists of Tapani Liuhala (CEO), Jorma Myllymäki (Deputy CEO of Elenia Oy), Ville Sihvola (Deputy CEO of Elenia Palvelut Oy), Jarkko Kohtala (Director, Head of Procurement and Construction), Heini Kuusela-Opas (Head of Communications), Marianne Kihlman (Head of HR), Jenni Heinisuo (CIO), Teemu Hovi (Head of Legal and Risk Management) and Tommi Valento (CFO). Jouni Pylvänäinen resigned from his position as Head of Strategic Development in January 2019. There were no other changes to the management team during 2019.

## Auditor

Elenia is audited by Ernst & Young Oy, with Mikko Rytilahti, Authorised Public Accountant, as the auditor with principal responsibility.

## Shares

Elenia Oy has 100 outstanding shares. Each share entitles the holder to one vote at the Annual General Meeting and carries equal rights to dividends.

## Corporate Responsibility

Elenia's sustainability program is aligned with the UN's Sustainable Development Goals ("SDGs") and Elenia has selected six goals that have strong links to Elenia's business and operations. The goals are related to:

- Affordable and clean energy to all (SDG 7)
- Decent work and economic growth (SDG 8)
- Industry, innovation and infrastructure (SDG 9)
- Sustainable cities and communities (SDG 11)
- Climate action (SDG 13)
- Partnerships for the goals (SDG17)

For each of the six goals, the management has set specific goals and the related KPIs are reported and followed on a monthly basis. In 2019, Elenia continued the development of its sustainability programme and reporting is based on Global Reporting Initiative standards. The first report was published in 2019 and the second, more comprehensive report will be published in 2020.

In 2019, Elenia participated for the second time in the Global Real Estate Sustainability Benchmark ("GRESB") Infrastructure Assessment. GRESB is a responsibility-focused research and benchmarking organisation tailored to real estate and infrastructure companies. It works to promote operational responsibility and to gather valuable international data to compare the operations and performance of companies. The GRESB assessment looks at the environmental, social and governance ("ESG") performance of a company and how it has succeeded in the three areas.

A total of 393 infrastructure companies took part in the GRESB Infrastructure Assessment around the world. Elenia scored full five stars in the assessment and a total score of 89 (81 in 2018), which is well above average of the infrastructure companies taking part in the assessment. Elenia placed 5th in the total results. Out of the 236 European companies, Elenia was 3rd. Out of the seven electricity distribution companies, Elenia placed first.

Elenia will utilise the GRESB Assessment's results in developing and executing its own ESG development programme as well as in following the development of the industry. Elenia intends to participate in the GRESB assessment also in 2020.

Elenia Group aims to ensure that its employees and partners work in a safe and motivating environment. In addition to highly competent and professional employees, the safety work is based on safe equipment, processes and operating models as well as visible safety management.

In addition, Elenia Group provides its employees with general information on topical occupational safety and environmental issues and an opportunity to participate in training that facilitates the improvement of their professional skills and competences. Supervisors and employees working on site are required to successfully complete Occupational Safety Card training and ensure that their statutory qualifications are up to date. Compliance with regulations is monitored regularly. Elenia Group has an externally certified occupational health and safety management system in place, since 2009 in accordance with OHSAS 18001 and since May 2018 in accordance with the new international ISO 45001:2018 standard.

Elenia Group operates in accordance with the principle of continuous improvement with the aim of being a leading company in occupational safety. Elenia Group and its extensive partner network have a target of zero occupational accidents and zero defects in all stages of construction. In 2019, Elenia Networks together with its partners had Loss Time Injury Frequency[8] of 5.9 (5.2 in 2018). In January 2019, Elenia Networks signed the Safety Manifesto with its main contractors, aiming to show that they are jointly committed to safety work and that everyone is entitled to return home healthy after work. The Safety Manifesto is a continuation of Safely back Home -project that was started in 2018.

## Environmental Matters

Elenia Networks and Elenia Services have systematic Environmental Management Systems ("EMS"). Since 2008, Elenia Networks has been certified as having an ISO 14001 EMS. In 2016, Elenia Networks' and Elenia Services' EMS were recertified to ISO 14001:2015. In addition, external sub-contractors are required to have environmental management systems that support environmental work and are in line with the ISO 14001 standard.

The most significant environmental aspects of Elenia Group's operations are related to land use, the protection of soil and water areas, waste handling, the preservation of biodiversity, the control of greenhouse gas emissions and material and energy efficiency. In line with its strategy, Elenia Group takes safety and the environment into consideration in all decision-making through the development and use of its Environmental Policy for sustainable development. Environmental matters are integral to Elenia Group's corporate culture, and its operations are based on continuous improvement. The goal is to reduce the environmental effects of all operations and lead the way in environmental management in the industry.

## Risk Management

The Legal Affairs and Risk Management unit is responsible for coordinating risk management. Comprehensive risk management is undertaken covering risk identification, assessment, reporting and measures to manage risks in cooperation with business units and Group functions. In 2019, Elenia Group conducted an enterprise risk management (ERM) based maturity study and is currently developing its risk management according

8 Lost Time Injury Frequency (LTIF), the number of lost time injuries occurring in all Elenia Networks' activities per 1 million internal as well as external hours worked. Lost time injuries include all on-the-job injuries that require a person to stay away from work more than 1 day. Total LTIF = (ΣLTI*1,000,000 h) / (Cumulative internal & external hours).

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to leading frameworks and best practices. The Finance Unit is responsible for Elenia Group's insurance programme and for handling insurance claims in cooperation with an insurance broker.

## Cyber Security

Elenia has continued to reinforce cyber security awareness as a crucial part of the business internally and in cooperation with the partners. In 2019 Elenia trained its staff and partners with several Cyber Security exercises within the company and in cooperation with other organisations nationally. The main project of the year was the ISO 27001 Information Security Management System certification project. The project consisted of improvements in processes, documentation, technology and awareness. The certification will be achieved in 2020.

## Events after the Balance Sheet Date

Elenia has continued to streamline its organisation and on 1 January 2020 the new organisation came into force. There were number of smaller changes, but the key change was the transfer of the support functions and related staff from Elenia Networks to Elenia Services affecting 38 people.

Elenia continued to implement the reorganisation in order to simplify its group structure. On 1 January 2020 Elenia Services ceased to be a subsidiary of Elenia Networks. On 2 January 2020 certain share-for-share exchanges were carried out transferring Lakeside Network Investments Holding B.V. shares to Elenia NewCo Oyj. Following the aforementioned transactions, Elenia Services is the indirect parent of Elenia Networks. On 14 February 2020 the merger plans of Elenia Networks and Elenia Finance were filed at the trade register. Both mergers are expected to be implemented on or about 1 July 2020.

On 16 January 2020 the Ministry of Economic Affairs and Economy published a draft government bill that, if enacted, will impact the business of Elenia. The proposed key changes are:

- DSO's – such as Elenia Networks - who have medium-voltage line underground cabling rate below 60% (at the end of 2018) would have until end of 2036 to comply with the full quality requirements (as opposed to end of 2028 as currently included in the EMA)
- DSOs would be allowed to increase their electricity distribution tariffs by up to an aggregate 12.5% (on tariffs after taxes) over any rolling 12-month period. The current cap is 15%
- The offsetting period of cumulative regulatory deficit would be prolonged from four to eight years i.e. two consecutive regulatory periods
- The network development plan would be reviewed more extensively by the EA to make sure that the DSOs invest efficiently and consider also other alternatives to investments. A DSO would need to hear its appropriate customers regarding the network development plan, and the network development plan needs to be published together with the hearing results
- The level of mandatory compensations payable on outages that last more than 12 hours would be increased in cases where the outage last more than 48 hours

Elenia submitted its comments to the draft bill prior to the deadline of 14 February 2020. Generally, Elenia sees all endeavours reducing the pressure on distribution tariffs positive and hence has reservedly positive predisposition towards the changes and especially to the practical implications that the changes entail.

In January 2020 Elenia Finance issued a EUR 500 million benchmark bond with a seven-year maturity. The coupon of the bond was set at 0.375%, making it the lowest coupon paid in the history of Elenia. The new issuance will extend the weighted average maturity and lower interest costs. The funds will be used for general corporate purposes including the refinancing of the remaining approximately EUR 89 million portion of the previous EUR 500 million bond maturing in December 2020 as well refinancing of the existing bank facilities.

## Outlook

Customers, as well as the surrounding society, require secure supply of electricity and also faster and more reliable internet connections now and in the future. In order to meet these expectations, Elenia has prepared an investment plan which emphasises the significance of underground cabling to ensure the security of electricity supply. Additionally, Elenia has also entered into broadband fiber business. In certain network areas Elenia lays down fiber optic broadband cables at the same time when new electricity underground cables are installed, which improves efficiency and sustainability. Previously Elenia has cooperated with broadband telecom companies in co-construction projects in areas where existing telecom companies have been expanding their network and this work continues in areas where other fiber operators are available. Entry into the fiber business means that Elenia offers fiber access in areas where Elenia is installing underground cables and none of the telecom companies currently have existing broadband network.

Elenia's target is to increase the underground cabling rate of the electricity distribution network to 75% by 2028. This requires substantial investments. Elenia's investments in the electricity distribution network will be over EUR 160 million in 2020.

The EA has confirmed that the regulatory reasonable return is 5.73% for 2020. Elenia is forecasting a regulatory deficit for 2019 and a cumulative regulatory deficit for the entire fourth regulatory period. This regulatory deficit will be carried over to the fifth regulatory period. The EA will confirm these numbers, along with all other regulatory numbers, in its regulatory decision, which is expected during later in 2020 or in early 2021.

## The Board of Directors' Dividend Proposal

The Board of Directors proposes not to declare a dividend.

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# CONSOLIDATED FINANCIAL STATEMENTS 2019

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

**for the year ended 31 December 2019**

| EUR 1,000 | Note | 1 Jan - 31 Dec 2019 | 1 Jan - 31 Dec 2018 Restated |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 2.1.1 | **295,558** | **272,728** |
| Other operating income | 2.2.1 | 3,016 | 2,822 |
| Materials and services | | -76,291 | -74,887 |
| Employee benefit expenses | 2.3.3 | -14,241 | -13,577 |
| Depreciation, amortisation and impairment* | 3 | -83,908 | -78,023 |
| Other operating expenses* | 2.3.1 | -25,424 | -17,610 |
| **Operating profit** | | **98,711** | **91,453** |
| Finance income | | 873 | 235 |
| Finance costs* | | -85,051 | -93,757 |
| **Finance income and costs** | 4.1 | **-84,178** | **-93,522** |
| **Profit before tax from continuing operations** | | **14,533** | **-2,069** |
| Income tax | 6.1.1 | -2,568 | -5,293 |
| **Profit for the year from continuing operations** | | **11,965** | **-7,362** |
| **Discontinued operations** | 5.4 | | |
| Sales profit of discontinued operations | | 335,911 | - |
| Profit after tax for the year from discontinued operations | | 8,250 | 14,342 |
| **Profit for the year** | | **356,126** | **6,980** |

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**for the year ended 31 December 2019**

| EUR 1,000 | 1 Jan - 31 Dec 2019 | 1 Jan - 31 Dec 2018 Restated |
|---|---|---|
| **Profit for the year** | **356,126** | **6,980** |
| **Other comprehensive income, continuing operations** | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent years: | | |
| Re-measurement gains on defined benefit plans | -27 | 44 |
| Income tax effect | 5 | -9 |
| Other comprehensive income / (loss) for the year after tax | -22 | 35 |
| **Other comprehensive income, discontinued operations** | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent years: | | |
| Re-measurement gains on defined benefit plans | 538 | 12 |
| Income tax effect | -1 | -2 |
| Other comprehensive income / (loss) for the year after tax | 537 | 10 |
| **Total comprehensive profit for the year** | **356,641** | **7,024** |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

*According to IFRS 16 standard lease commitments are reported from 1.1.2019 onwards in balance sheet in fixed assets and borrowings. In Consolidated Statement of profit or Loss leases are reported as depreciation costs and interest costs. More information about IFRS 16 standard in Note 3.3.

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**as at 31 December 2019**

| EUR 1,000 | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 3.1 | 1,391,762 | 1,420,589 |
| Goodwill | 3.2 | 417,823 | 515,606 |
| Intangible assets | 3.2 | 19,657 | 87,996 |
| Right-of-use assets* | 3.1, 3.3 | 9,015 | - |
| Investments in associates | 5.5 | - | 774 |
| Other non-current financial assets | | 196 | 196 |
| Other interest bearing receivables | 6.4 | 159,576 | 478 |
| Deferred tax assets | 6.1.2 | 4,421 | 2,914 |
| **Total non-current assets** | | **2,002,450** | **2,028,552** |
| | | | |
| **Current assets** | | | |
| Inventories | 6.2 | - | 3,447 |
| Trade receivables | 2.1.4 | 20,148 | 19,786 |
| Other current receivables | 2.1.4 | 39,925 | 49,650 |
| Cash and cash equivalents | | 29,178 | 17,383 |
| **Total current assets** | | **89,251** | **90,266** |
| | | | |
| **Total assets** | | **2,091,701** | **2,118,818** |

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

| EUR 1,000 | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | | 3 | 3 |
| Unrestricted equity | | 2,000 | 2,000 |
| Retained earnings | | 217,648 | -138,997 |
| **Total equity** | | **219,651** | **-136,994** |
| | | | |
| **Non-current liabilities** | | | |
| Loans from financial institutions | 4.2 | 370,000 | 18,000 |
| Bonds and notes | 4.2 | 1,183,897 | 1,682,305 |
| Other long-term loans | 4.2 | - | 252,185 |
| Lease liabilities* | 3.3 | 5,800 | 8,608 |
| Employee benefit liability | 6.3 | 473 | 1,105 |
| Provisions | 2.3.4 | 7,907 | 8,711 |
| Liabilities related to contracts with customers | 2.1.3 | 15,899 | 9,397 |
| Other long-term liabilities | | 946 | 1,147 |
| Deferred tax liabilities | 6.1.2 | 115,720 | 142,924 |
| **Total non-current liabilities** | | **1,700,642** | **2,124,382** |
| | | | |
| **Current liabilities** | | | |
| Loans from financial institutions | 4.2 | - | 40,000 |
| Bonds and notes | 4.2 | 88,920 | - |
| Lease liabilities* | 2.3.2, 3.3 | 4,428 | 3,772 |
| Trade payables | 2.3.2 | 10,519 | 15,146 |
| Liabilities related to contracts with customers | 2.1.3 | 568 | 330 |
| Other current liabilities | 2.3.2 | 66,974 | 72,182 |
| **Total current liabilities** | | **171,408** | **131,430** |
| | | | |
| **Total equity and liabilities** | | **2,091,701** | **2,118,818** |

*According to IFRS 16 standard lease commitments are reported from 1.1.2019 onwards in balance sheet in fixed assets and borrowings. More information about IFRS 16 standard in Note 3.3.

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# CONSOLIDATED STATEMENT OF CASH FLOWS

**for the year ended 31 December 2019**

| EUR 1,000 | 1 Jan - 31 Dec 2019 | 1 Jan - 31 Dec 2018 |
|---|---|---|
| **Operating activities** | | |
| Profit for the year | 356,126 | 6,980 |
| Adjustments to reconcile profit to net cash flows | | |
| Depreciation, amortisation and impairment | 89,730 | 89,496 |
| Gains and losses on the disposal of non-current assets | -335,892 | - |
| Finance income | -878 | -255 |
| Finance costs | 85,051 | 93,771 |
| Share of profit of an associate | - | -143 |
| Taxes | 2,160 | 4,448 |
| Other adjustments | 35 | -84 |
| Other short-term and low value rental expenses* | 232 | - |
| Working capital adjustments | | |
| Increase (-) / decrease (+) in inventories | 352 | 683 |
| Increase (+) / decrease (-) in trade and other current liabilities | 12,609 | 10,081 |
| Increase (-) / decrease (+) in trade and other current receivables | 2,497 | -3,156 |
| Increase (+) / decrease (-) in provisions | 388 | -304 |
| Dividends received | 48 | 96 |
| Interests received | 199 | 248 |
| Interest and financial expenses paid | -65,181 | -47,541 |
| Interest paid on other long-term loans | -15,747 | -34,746 |
| Interest paid on lease liabilities* | -1,082 | - |
| Taxes paid | -11,623 | -31 |
| **Net cash flows from operating activities** | **119,025** | **119,544** |

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

| EUR 1,000 | 1 Jan - 31 Dec 2019 | 1 Jan - 31 Dec 2018 |
|---|---|---|
| **Investing activities** | | |
| Subsidiary shares sold | 245,608 | - |
| Proceeds from discontinued operations | 335,914 | - |
| Capital expenditure | -166,098 | -158,715 |
| Changes in loans | - | -125 |
| Changes in investments | 25 | -21 |
| **Net cash flows used in investing activities** | **415,449** | **-158,862** |
| **Financing activities** | | |
| Proceeds from short-term borrowings | - | 40,000 |
| Repayment of short-term borrowings | -40,000 | - |
| Proceeds from long-term borrowings | 495,000 | 179,000 |
| Repayment of long-term borrowings | -806,161 | -182,274 |
| Payment of debt arrangement costs | -489 | -444 |
| Repayment of lease liabilities* | -4,836 | -4,101 |
| Loans granted | -158,420 | - |
| **Net cash flows from financing activities** | **-514,907** | **32,182** |
| **Net increase in cash and cash equivalents** | **19,567** | **-7,136** |
| Cash and cash equivalents at 1 January | 17,383 | 24,519 |
| Change in cash and cash equivalents | 11,795 | -7,136 |
| **Cash and cash equivalents at 31 December** | **29,178** | **17,383** |
| **Cash and cash equivalents, Discontinued operations (Note 5.4)** | **7,772** | |

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

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only break-downs of continuous operations are provided. In cash flow calculation figures for 2018 are not restated. See cash flow calculation and more information about the discontinued operation from Note 5.4.

*According to IFRS 16 standard lease payments are deducted from operating activities and added to financing activities in cash flow calculation. More information about IFRS 16 standard in Note 3.3.

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# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**for the year ended 31 December 2018**

| EUR 1,000 | Share capital | Reserve for invested unrestricted equity | Retained earnings | Total equity |
|---|---|---|---|---|
| **Equity at 1 January 2018** | **3** | **2,000** | **-146,021** | **-144,019** |
| Profit for the year, continuing operations | - | - | -7,362 | -7,362 |
| Profit for the year, discontinued operations | - | - | -3,948 | -3,948 |
| Group contribution, discontinued operations | - | - | 18,290 | 18,290 |
| Other components of comprehensive income (adjusted by tax effect) | | | | |
| Change in defined benefit plans, continuing operations | - | - | 35 | 35 |
| Change in defined benefit plans, discontinued operations | | | 10 | 10 |
| **Total comprehensive income for the year** | **-** | **-** | **7,024** | **7,024** |
| **Transactions with shareholders** | | | | |
| **Total transactions with shareholders** | **-** | **-** | **-** | **-** |
| **Equity at 31 December 2018** | **3** | **2,000** | **-138,997** | **-136,994** |

**for the year ended 31 December 2019**

| EUR 1,000 | Share capital | Reserve for invested unrestricted equity | Retained earnings | Total equity |
|---|---|---|---|---|
| **Equity at 1 January 2019** | **3** | **2,000** | **-138,997** | **-136,994** |
| Profit for the year, continuing operations | - | - | 11,965 | 11,965 |
| Profit for the year, discontinued operations | - | - | 344,161 | 344,161 |
| Other components of comprehensive income (adjusted by tax effect) | | | | |
| Change in defined benefit plans, continuing operations | - | - | -22 | -22 |
| Change in defined benefit plans, discontinued operations | - | - | 537 | 537 |
| **Total comprehensive income for the year** | **-** | **-** | **356,641** | **356,641** |
| **Equity at 31 December 2019** | **3** | **2,000** | **217,645** | **219,647** |

When implementing IFRS 16 standard the right-of-use assets were recognised based on the amount equal to the lease liabilities; therefore retained earnings have not been adjusted on 1 January 2019.

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

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

## CONTENTS

# 1 GROUP ACCOUNTING POLICIES

**Accounting policies** have 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 Holdings 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 Elenia Holdings 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 Oy, 'Elenia Networks') and it also has a customer service business (Elenia Palvelut Oy, 'Elenia Services'). These business functions are supported by Elenia Finance Oyj ('Elenia Finance'), which provides treasury services to the Group companies. Elenia Group also had district heating business (Elenia Lämpö Oy, 'Elenia Heat') until July 2019 when Elenia Oy sold its district heating business, Elenia Lämpö Oy, to SL Capital Infrastructure II SCSP, DIF Infrastructure V Coöperatief U.A. and LPPI Infrastructure Investments LP.

The Board of Directors approved the consolidated financial statements on 5 March 2020. 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 2019 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 2019. 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.

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## 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.

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 (continuing operations) for 2019 of EUR 14,533 thousands and has a net equity of EUR 219,647 thousands as at 31 December 2019.

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:

- Only EUR 89 million of the Group's external debt is maturing in next twelve months (as fully described in Note 4.2).
- The Group has issued bonds under the EUR 3 billion EMTN programme. As at 31 December 2019, the Group has only utilized 760 million out of this programme. This programme is supported by credit rating of "BBB+ with outlook stable" based on S&P Global Ratings' assessment.
- The Group has sufficient liquidity based on its cash position and undrawn credit facilities of EUR 250 million from a syndicate of international banks (as fully described in Note 4.2).

In July 2019 Elenia Oy, sold its district heating business, Elenia Lämpö Oy (Elenia Heat), to SL Capital Infrastructure II SCSP, DIF Infrastructure V Coöperatief U.A. and LPPI Infrastructure Investments LP.

As part of the reorganization of the Group, on 28 November 2019 Elenia Finance Oyj announced that the Security Trustee had received the requisite votes from the Secured Creditors in favour of the proposed reorganisation of Group to be implemented as it was published on 4 November 2019.

The purpose of the reorganization is to i) simplify the existing structure, ii) cure the negative equity of Elenia Oy and iii) ensure the operating assets of the regulated network business are within the same entity as interest costs. This is a common control reorganization (i.e. ultimate ownership of the Group will not change) and the operations of the Group will remain same.

As part of the reorganization, the following steps are taken in 2019 and will be taken during 2020:

- During 2019, Elenia Palvelut Oy incorporated Elenia Newco Oyj (to be renamed Elenia Verkko Oyj subsequently) as its direct subsidiary and Lakeside Network Investments S.à r.l. incorporated a new company Elenia Investment S.à r.l. as its direct subsidiary.
- In January 2020, Elenia Oy (the parent of the operational Group) sold 100% of the shares in Elenia Palvelut Oy to Elenia Investment S.à r.l.
- In January 2020, the shares in Lakeside Network Investments Holding B.V. have been transferred by series of share-for-share exchanges from Lakeside Network Investments S.à r.l. to Elenia Verkko Oyj.
- In July 2020, Elenia Oy (the parent of the operational Group) will merge upstream into Elenia Verkko Oyj, with Elenia Verkko Oyj will be the surviving company.
- In July 2020, Elenia Finance Oyj will merge into Elenia Verkko Oyj, with Elenia Verkko Oyj will be the surviving company.
- In July 2020, Elenia Finance (SPPS) S.à r.l. will merge into Elenia Holdings S.à r.l. with Elenia Holdings S.à r.l. will be the surviving company.
- In July 2020, Elenia Holdings S.à r.l. and Lakeside Network Investments Holding B.V. will merge into Elenia Verkko Oyj, with Elenia Verkko Oyj will be the surviving company.

After all the above mergers Elenia Palvelut Oy will renamed as Elenia Oy and it will be the parent of the operational Elenia Group.

After taking over the above steps for the reorganization of the Group, Elenia Oy's immediate parent company will be Elenia Investments S.à r.l., and above that there will be Lakeside Network Investments S.à r.l. (which will be renamed as Elenia Holding S.à r.l.). Elenia Group Oy will be the ultimate Finnish parent company of Elenia Oy.

On 14 February 2020, The Board of Directors of the Elenia Oy approved the merger plan of Elenia Oy. The Board of Directors is expected to approve the implementation of the merger at a later stage of the merger process.

Considering the reorganization steps that will be taken in 2020, Elenia Oy will be merged into Elenia Verkko Oyj and assets and liabilities will therefore be transferred to Elenia Verkko Oyj. Given that the Secured Creditors have approved the reorganizations and as the mergers are universal succession, the reorganization has no adverse impact on the creditors and their rights. Furthermore, as mergers are universal succession, therefore, the Board of Directors prepares the annual accounts on a going concern basis.

### 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.

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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)

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 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.

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 | 2019 | 2018 Restated |
|---|---|---|
| Distribution of electricity | 287,708 | 267,130 |
| Customer service operations | 3,992 | 2,390 |
| Connection fees | 422 | 166 |
| Other revenues | 3,436 | 3,043 |
| **Total, continuing operations** | **295,558** | **272,728** |

TIMING OF REVENUE RECOGNITION

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Transferrred at a point in time | 295,137 | 272,563 |
| Transferred over time | 422 | 166 |
| **Total, continuing operations** | **295,558** | **272,728** |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

### 2.1.3 Liabilities related to contracts with customers

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Non-current liabilities related to contracts with customers | 15,899 | 9,397 |
| Current liabilities related to contracts with customers | 568 | 330 |
| **Total** | **16,467** | **9,727** |

Liabilities related to contracts with customers include the unrecognised part of new connection revenue for the electricity network as well as district heating and gas network connections. Revenue will be recognised over a period of next 30 years. 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

#### 2.1.4.1 TRADE RECEIVABLES

Trade receivables are recorded on the balance sheet at their fair value. 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 | 2019 | 2018 |
|---|---|---|
| Trade receivables | 20,148 | 19,786 |
| Accrued income and prepaid expenses | 39,630 | 49,489 |
| Other current receivables | 295 | 161 |
| **Total trade and other receivables** | **60,073** | **69,436** |

### BREAK-DOWN OF ACCRUED INCOME AND PREPAID EXPENSES

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Sales accruals | 36,203 | 45,405 |
| Accrued financial items (prepayments) | 1,437 | 2,014 |
| Other accrued income and receivables | 1,990 | 2,070 |
| **Total accrued income and prepaid expenses** | **39,630** | **49,489** |

### FINANCIAL RISK MANAGEMENT

#### CREDIT RISK

Due to electricity distribution companies having regional monopolies based on electricity distribution system licenses, customers do not have the option of choosing which distribution company's network they connect to. As a result, the local distribution company always provides electricity distribution services, with the exception of electricity generation customers who, pursuant to the Finnish Electricity Market Act, have the right to choose which electricity distribution company's network to connect to.

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.

In district heating business operations, the credit risk is based on the difference between the invoicing period and the heating supplied. Credit risk is mitigated by monthly invoicing.

### TRADE RECEIVABLES

The Group's trade receivables at the end of 2019 were EUR 20.1 million (2018: 19.8 million). EUR 0.1 million collateral securities were received for trade receivables (2018: 0.1 million).

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## IMPAIRMENT OF TRADE RECEIVABLES

Elenia Oy 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 persentages calculated from historically realized credit losses. The customers are segmented to private and company customers to be able to take into account the differences between thes customer groups in the calculation. Due to the nature of business and customers no material credit losses are expected in Elenia Palvelut Oy and Elenia Finance Oyj. Therefore no credit loss allowance is booked in these companies.

## CHANGE IN EXPECTED CREDIT LOSSES

| EUR 1,000 | 2019 |
|---|---|
| Expected credit loss 1 Jan 2019 | 655 |
| Additions | 595 |
| Credit losses | -639 |
| **Expected credit loss 31 Dec 2019** | **611** |

## FINANCIAL RISK MANAGEMENT

### VOLUME AND PRICE RISKS

Electricity distribution operations do not involve particular volume or price risks due to being subject to reasonable return under electricity distribution license.

## BREAKDOWN AND IMPAIRMENT OF TRADE RECEIVABLES BY AGE

| 31 December 2019 | Trade receivables | | | | |
|---|---|---|---|---|---|
| EUR 1,000 | Undue | 1–90 days | 91–180 days | Over 180 days | Total |
| Trade receivables by age | 15,250 | 4,486 | 318 | 705 | 20,759 |
| Expected credit loss rate, private customers | 0.1% | 4.1% | 36.3% | 22.5% | |
| Expected credit loss, private customers | -22 | -182 | -115 | -159 | -478 |
| Expected credit loss rate, company customers | 0.0% | 1.3% | 3.4% | 8.6% | |
| Expected credit loss, company customers | -2 | -59 | -11 | -61 | -132 |
| **Total expected credit losses** | **-24** | **-241** | **-126** | **-219** | **-611** |
| **Total trade receivables** | **15,226** | **4,244** | **192** | **486** | **20,148** |

| 31 December 2018 | Trade receivables | | | | |
|---|---|---|---|---|---|
| EUR 1,000 | Undue | 1–90 days | 91–180 days | Over 180 days | Total |
| Trade receivables by age | 14,746 | 4,443 | 367 | 885 | 20,442 |
| Expected credit loss rate, private customers | 0.1% | 3.5% | 36.9% | 10.2% | |
| Expected credit loss, private customers | -21 | -156 | -136 | -90 | -403 |
| Expected credit loss rate, company customers | 0.0% | 1.0% | 4.0% | 21.6% | |
| Expected credit loss, company customers | -2 | -44 | -15 | -191 | -252 |
| **Total expected credit losses** | **-23** | **-200** | **-150** | **-282** | **-655** |
| **Total trade receivables** | **14,723** | **4,243** | **217** | **604** | **19,786** |

The fair value of trade and other receivables does not materially differ from the values on the consolidated statement of financial position. 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. Also possible gains from the sales of emission rights are included in other operating 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 | 2019 | 2018 Restated |
|---|---|---|
| Rental income | 28 | 25 |
| Indemnities | 210 | 1 |
| Capital gains on tangible and intangible assets | - | 25 |
| Income from the trade receivables collection | 1,084 | 915 |
| Income from the sales of obsolete materials and used fixed assets | 889 | 1,220 |
| Other operating income | 805 | 636 |
| **Total, continuing operations** | **3,016** | **2,822** |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

## 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 "other expenses" in the table below.

**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.

**Emission allowances**

Emission allowances, which are purchased to cover future periods deficit are recorded in intangible assets and measured at cost.

Emission allowances received free of charge are not recognised in the consolidated statement of financial position. In the event if the amount of emission allowances returned exceeds the amount of emission allowances received, a provision is recognised at the market value of the emission allowances at financial year end. The cost of the provision is recognised in the consolidated statement of profit or loss within materials and services.

OTHER OPERATING EXPENSES

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Lease expenses* | -554 | -1,078 |
| External services | -7,034 | -4,883 |
| IT and communication expenses | -5,965 | -4,699 |
| Research and development costs | -1,646 | -2,511 |
| Marketing and communications | -821 | -796 |
| Insurances | -296 | -315 |
| Mailing expenses | -259 | -545 |
| Other personnel expenses | -918 | -771 |
| Travelling expenses | -493 | -310 |
| Outage compensation costs | -4,101 | -153 |
| Other expenses | -3,338 | -1,548 |
| **Total, continuing operations** | **-25,424** | **-17,610** |

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

*According to IFRS 16 standard lease commitments are reported from 1.1.2019 onwards in balance sheet in fixed assets and borrowings. In Consolidated Statement of profit or Loss leases are reported as depreciation costs and interest costs. More information about IFRS 16 standard in Note 3.3.

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### AUDIT FEES

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Auditing fees | -290 | -312 |
| Fees for tax services | -64 | -24 |
| Fees for other services | -5 | -26 |
| **Total, continuing operations** | **-358** | **-362** |

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2020 reporting period.

### AUDITING FEES

Auditing fees include fees for auditing the consolidated financial statements 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.

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

## 2.3.2 Trade and other current payables

### FINANCIAL RISK MANAGEMENT

### 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 Executive Board. According to the guidelines, currency risks that have an impact on profit or loss are hedged either operationally through contractual currency rate clauses or, if that is not possible, through forward contracts concluded by the Treasury unit.

Operating profit includes EUR 11.2 thousand exchange rate differences (2018: 7.6 thousand). Finance costs include EUR 2.3 thousand exchange rate differences (2018: -6.6 thousand). At the end of 2019 there were total amount of EUR 0.1 million liabilities in British Pounds, Swedish Krona and US Dollars and no receivables in other currencies than in EUR.

### TRADE AND OTHER CURRENT PAYABLES

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Short-term financial lease liabilities | 4,428 | 3,772 |
| Trade payables | 10,519 | 15,146 |
| Accrued expenses | | |
| Employee benefits expenses | 4,823 | 6,617 |
| Interest expenses | 13,282 | 14,217 |
| Other accrued expenses | 17,079 | 17,710 |
| Liabilities related to contracts with customers | 571 | 330 |
| Other liabilities | | |
| VAT liability | 15,146 | 13,387 |
| Energy taxes | 9,742 | 9,330 |
| Tax liability for the period | 1 | 6,005 |
| Prepayments received | 1,229 | 778 |
| Other liabilities | 5,669 | 4,138 |
| **Total** | **82,489** | **91,430** |

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.

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### 2.3.3 Employee benefits expenses

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Salaries and remuneration | -11,521 | -11,382 |
| Pensions | | |
| Defined contribution plans | -2,484 | -2,306 |
| Defined benefit plans | -3 | -29 |
| Social security costs | -233 | 139 |
| **Total, continuing operations** | **-14,241** | **-13,577** |

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

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| **Salaries and remuneration paid to CEO, continuing operations** | | |
| Salaries and other short-term employee benefits | -296 | -686 |
| Other long-term employee benefits | -174 | -184 |
| Pension expenses related to salaries and employee benefits | -85 | -156 |
| **Salaries and remuneration paid to other key members of the management, continuing operations *** | | |
| Salaries and other short-term employee benefits | -1,177 | -2,071 |
| Other long-term employee benefits | -242 | -247 |
| Pension expenses related to salaries and employee benefits | -238 | -403 |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

* Salaries and remuneration paid in 2019 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.

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.

During 2019 EUR 564 thousand (2018: 439 thousand) were recognized as an expense and EUR 389 thousand (2018: 431 thousand) were paid out related to the long-term incentive plan.

During 2019 EUR 1.4 million (2018: 1.8 million) were booked as a liability related to the long-term incentive plan.

Key management includes management team and Board members of Elenia Oy.

The annual performance bonuses are based for example on the Group company's 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. 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 2019, the remunerations related to the 2014–2016, 2015–2017 and 2016–2018 programmes were paid. During 2019 there were three programmes on-going: 2017–2019, 2018–2020 and 2019–2021.

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

External salary review for management's total salaries (salary, fringe benefits, short-term and long-term incentives) was seen to be on a good level in the Remuneration and Nomination Committee.

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## 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. Similar refunding obligation has applied to all district heating connection fees.

A provision for refundable connection fees for electricity and heating networks 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
2019

| EUR 1,000 | Provision for costs related to oil leakage cleanup | Provision for refunds of connection fees | **Total** |
|---|---|---|---|
| Provisions at 1 January 2019 | 110 | 8,601 | 8,711 |
| Discontinued operations (Note 5.4) | -110 | -1,119 | -1,229 |
| Increase | - | 763 | 763 |
| Cancellations of provisions | - | - | - |
| Use of provisions | - | -337 | -337 |
| **Provisions at 31 December 2019** | **0** | **7,907** | **7,907** |

### PROVISIONS
2018

| EUR 1,000 | Provision for costs related to oil leakage cleanup | Provision for refunds of connection fees | **Total** |
|---|---|---|---|
| Provisions at 1 January 2018 | 0 | 9,015 | 9,015 |
| Increase | 110 | 175 | 285 |
| Cancellations of provisions | - | -192 | -192 |
| Use of provisions | - | -398 | -398 |
| **Provisions at 31 December 2018** | **110** | **8,601** | **8,711** |

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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, 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. In the 2019 financial statements, the transfer between intangible and tangible fixed assets had an effect of EUR 5,273 thousand.

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 |
| District heating and natural gas network | 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 2019 | 2,751 | 20,553 | 2,186,148 | 254,980 | 1,257 | 31,544 | 2,497,234 |
| Adjustement of cost at 1 January 2019, Right-of-use assets additions | - | 2,337 | - | 258 | - | - | 2,595 |
| Discontinued operations (Note 5.4) | -717 | -15,660 | -80,982 | -101,011 | -1,201 | -10,170 | -209,742 |
| Additions | 47 | 71 | 150,626 | 2,992 | - | 7,407 | 161,143 |
| Disposals | - | - | -12,138 | -206 | - | - | -12,344 |
| Transfers between balance sheet items | - | - | 10,515 | 30 | - | -6,347 | 4,198 |
| **Cost at 31 December 2019** | **2,081** | **7,300** | **2,254,168** | **157,044** | **56** | **22,434** | **2,443,083** |
| Accumulated depreciation, amortisation and impairment at 1 January 2019 | - | -11,966 | -886,982 | -177,189 | -508 | - | -1,076,645 |
| Adjustement of cost at 1 January 2019, Right-of-use assets additions | - | - | - | - | - | - | 0 |
| Discontinued operations (Note 5.4) | - | 7,447 | 49,397 | 50,312 | 479 | - | 107,635 |
| Depreciation and amortisation for the year | - | -1,015 | -69,324 | -9,976 | -25 | - | -80,340 |
| Transfers between balance sheet items | - | 0 | -353 | - | - | - | -353 |
| Accumulated depreciation and amortisation on disposals | - | 0 | 12,138 | 60 | - | - | 12,198 |
| Impairment for the year | - | 0 | -4,800 | -1 | - | - | -4,800 |
| **Accumulated depreciation, amortisation and impairment at 31 December 2019** | **-** | **-5,534** | **-899,924** | **-136,794** | **-54** | **-** | **-1,042,305** |
| **Book value at 31 December 2019** | **2,081** | **1,766** | **1,354,244** | **20,250** | **3** | **22,434** | **1,400,778** |
| **Book value at 31 December 2018** | **2,751** | **8,587** | **1,299,166** | **77,791** | **749** | **31,544** | **1,420,589** |

| EUR 1,000 | Land and water areas | Buildings | Networks | Machinery and equipment | Other tangible assets | Prepayments | **Total** |
|---|---|---|---|---|---|---|---|
| Cost at 1 January 2018 | 2,663 | 19,788 | 2,053,292 | 249,463 | 1,257 | 23,860 | 2,350,322 |
| Additions | 88 | 766 | 141,697 | 5,520 | - | 15,408 | 163,480 |
| Disposals | - | - | -8,841 | -65 | - | - | -8,906 |
| Transfers between balance sheet items | 0 | - | - | 62 | - | -7,724 | -7,662 |
| **Cost at 31 December 2018** | **2,751** | **20,553** | **2,186,148** | **254,980** | **1,257** | **31,544** | **2,497,234** |
| Accumulated depreciation, amortisation and impairment at 1 January 2018 | - | -11,394 | -825,577 | -164,847 | -459 | - | -1,002,277 |
| Depreciation and amortisation for the year | - | -572 | -66,808 | -12,373 | -49 | - | -79,802 |
| Transfers between balance sheet items | - | - | - | - | - | - | - |
| Accumulated depreciation and amortisation on disposals | - | - | 8,841 | 31 | - | - | 8,873 |
| Impairment for the year | - | - | -3,439 | - | - | - | -3,439 |
| **Accumulated depreciation, amortisation and impairment at 31 December 2018** | **-** | **-11,966** | **-886,982** | **-177,189** | **-508** | **-** | **-1,076,645** |
| **Book value at 31 December 2018** | **2,751** | **8,587** | **1,299,166** | **77,791** | **749** | **31,544** | **1,420,589** |
| **Book value at 31 December 2017** | **2,663** | **8,393** | **1,227,715** | **84,616** | **799** | **23,860** | **1,348,045** |

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.

**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. In the 2019 financial statements, the transfer between intangible and tangible fixed assets had an effect of EUR 5,273 thousand.

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.

### 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 (see table below).

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## INTANGIBLE ASSETS

| EUR 1,000 | Goodwill | Intangible rights | Other long-term expenditure | Other intangible assets | **Total** |
|---|---|---|---|---|---|
| Cost at 1 January 2019 | 515,606 | 60,183 | 36,762 | 88,200 | 700,751 |
| Discontinued operations (Note 5.4) | -97,783 | -33,465 | -5,692 | -88,200 | -225,140 |
| Additions | - | 153 | 3,360 | - | 3,513 |
| Disposals | - | - | -176 | - | -176 |
| Transfer between balance sheet items | - | -5,273 | 1,076 | - | -4,198 |
| **Cost at 31 December 2019** | **417,823** | **21,598** | **35,329** | **0** | **474,750** |
| Accumulated depreciation, amortisation and impairment at 1 January 2019 | - | -46,428 | -26,025 | -24,696 | -97,149 |
| Discontinued operations (Note 5.4) | - | 33,439 | 4,040 | 26,460 | 63,939 |
| Depreciation and amortisation for the year | - | -548 | -2,172 | -1,764 | -4,484 |
| Accumulated depreciation and amortisation on decrease | - | - | 176 | - | 176 |
| Accumulated depreciation and amortisation on transfers | - | 353 | - | - | 353 |
| Impairment for the year | - | - | -106 | - | -106 |
| **Accumulated depreciation, amortisation and impairment at 31 December 2019** | **-** | **-13,184** | **-24,087** | **0** | **-37,271** |
| **Book value at 31 December 2019** | **417,823** | **8,414** | **11,243** | **0** | **437,479** |
| **Book value at 31 December 2018** | **515,606** | **13,755** | **10,737** | **63,504** | **603,602** |

| EUR 1,000 | Goodwill | Intangible rights | Other long-term expenditure | Other intangible assets | **Total** |
|---|---|---|---|---|---|
| Cost at 1 January 2018 | 515,606 | 58,223 | 34,344 | 88,200 | 696,372 |
| Additions | - | 1,960 | 2,357 | - | 4,318 |
| Disposals | - | 0 | 0 | - | - |
| Transfer between balance sheet items | - | - | 61 | - | 61 |
| **Cost at 31 December 2018** | **515,606** | **60,183** | **36,762** | **88,200** | **700,751** |
| Accumulated depreciation, amortisation and impairment at 1 January 2018 | - | -45,729 | -23,997 | -21,168 | -90,893 |
| Depreciation and amortisation for the year | - | -700 | -2,028 | -3,528 | -6,256 |
| Accumulated depreciation and amortisation on decrease | - | - | - | - | - |
| Accumulated depreciation and amortisation on transfers | - | - | - | - | - |
| **Accumulated depreciation, amortisation and impairment at 31 December 2018** | **-** | **-46,428** | **-26,025** | **-24,696** | **-97,149** |
| **Book value at 31 December 2018** | **515,606** | **13,755** | **10,737** | **63,504** | **603,602** |
| **Book value at 31 December 2017** | **515,606** | **12,494** | **10,347** | **67,032** | **605,479** |

Other intangible assets mainly consist of customer relationships capitalised in connection with the business combination and acquisition.

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.

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation. EUR 97.8 million of goodwill was related to discontinued operations and has been written off against selling price. See Note 5.4 for more information about the discontinued operation.

## 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 in order to determine the value in use. The discount rate applied (pre-tax) reflects the risk profile of the business.

Due to the regulated and stable nature of the electricity distribution business, the basis for cash flow projections is the long-term business plan for the period 2020–2055 which has been approved by the Board of Directors. Long term capital expenditure plans have been prepared in order to meet the security of supply reguirements in line with Electricity Market Act (588/2013). A volume growth of approximately 0.5% p.a. has been incorporated for the forecast period. The discount rate applied for Network segment is 5.2% based on the prevailing return and risk assumptions in the business (the applied pre-tax discount rate in 2018 was 5.6%).

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**Sensitivity analysis**
With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount. The sensitivity analysis was performed for discount rate and the results are presented in the chart below.

**Change in key assumptions**

| | 2019 | 2018 |
|---|---|---|
| Change in discount rate, %-points | 5.7 | 6.6 |

The table above indicates, which amount of change in the discount rate (percentage point) would incur the recoverable amount of the assets to be equal to its carrying amount.

## 3.3 LEASE COMMITMENTS

### 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 2019.

**IFRS 16 Leases**
IFRS 16 standard is effective for annual periods beginning on or after 1 January 2019. The EU has endorsed the standard.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessee: leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are required to remeasure the lease liability upon the occurrence of certain events and the amount of the remeasurement of the lease liability is generally recognized as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from accounting under IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group has adopted the IFRS 16 standard on the required effective date using the modified retrospective method when comparative figures have not been restated.

### 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 effect of these costs on the income statement in 2019 was approximately EUR 230 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 2019 was approximately EUR 320 thousand.

One-time compensations paid to landowners based on land easement contracts are capitalized to the networks assets in the consolidated statement of financial position and amortized over their expected useful lives. Hence, according to the estimate of the Group's management, 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.

### As at 1 January 2019:

- A total of EUR 13,773 thousand of right-of-use assets and were recognised in the statement of financial position. This includes the lease assets recognised previously under finance lease of EUR 11,179 thousand that were reclassified from Machinery and equipment.
- Additional lease liabilities of EUR 2,595 thousand were recognised.
- The right-of-use assets were recognised based on the amount equal to the lease liabilities; therefore retained earnings have not been adjusted.

### The effect of adopting IFRS 16 is, as follows:

Impact on the consolidated statement of balance sheet (increase/decrease):

| EUR 1,000 | 1.1.2019 |
|---|---|
| **Assets** | |
| Right-of-use assets | 13,773 |
| Assets prior reported as finance leases | -11,179 |
| Prepayments | - |
| **Total assets** | **2,595** |
| **Equity** | |
| Retained earnings | - |
| **Total equity** | **-** |
| **Liabilities** | |
| Interest-bearing loans | 2,595 |
| **Total liabilities** | **2,595** |

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease and other rental commitments as of 31 December 2018, as follows:

| EUR 1,000 | 1.1.2019 |
|---|---|
| **Operating lease commitments as at 31 Dec 2018** | 3,128 |
| Weighted average rate as at 1 January 2019 | 2% |
| **Discounted operating lease commitments as at 1 January 2019** | 2,933 |
| **Less:** | |
| Commitments relating to short-term leases | -338 |
| **Add:** | |
| Commitments relating to leases previously classified as finance leases | 12,380 |
| **Lease liabilities as at 1 Jan 2019** | **14,974** |

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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 2019 | 2,127 | 11,646 | 13,773 |
| Additions | - | 70 | 70 |
| Disposals | - | -20 | -20 |
| Discontinued operations (Note 5.4) | - | -230 | -230 |
| Depreciations | -654 | -3,923 | -4,578 |
| **As at 31 December 2019** | **1,473** | **7,543** | **9,015** |

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

| EUR 1,000 | Lease liabilities |
|---|---|
| As at 1 January 2019 | 12,380 |
| Additions | 2,913 |
| Payments | -4,604 |
| Interest expenses | -461 |
| **As at 31 December 2019** | **10,228** |
| | |
| Non-current | 5,800 |
| Current | 4,428 |

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

Amounts recognised in profit or loss:

| EUR 1,000 | **2019** |
|---|---|
| Depreciation expense of right-of-use assets | -4,578 |
| Interest expense on lease liabilities | -461 |
| "Expense related to short-term leases (incl. in other operating expenses)" | -232 |
| **Total amount recognised in profit or loss** | **-5,270** |

During 2019 the Group had total cash outflows (continuing operations) for leases of EUR 5,919 thousand.

The Group has not lease contracts that contains variable payments, but all lease contracts contains fixed rent.

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).

According to management's assumption, the Group estimates that it will not use termination options of car's and electricity meters' leases, but intends to make use of the extension options for office premise 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 Finance Oyj is responsible for the Group financial risk management.

- For credit risk management refer Note 2.1.4.2;
- For currency ris management refer Note 2.3.2; and
- For liquidity risk, refinancing risk and interest rate risk management refer Note 4.2.9.

CAPITAL MANAGEMENT

As the electricity distribution and heating businesses are 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 | 2019 | 2018 Restated |
|---|---|---|
| Interest expenses | | |
| Loans from financial institutions | -417 | -55 |
| Bonds and notes | -47,640 | -46,449 |
| Other long-term loans | -15,747 | -42,820 |
| Interest expenses related to lease liabilities | -458 | - |
| Other interest expenses | -365 | -798 |
| **Total interest** | **-64,628** | **-90,122** |
| | | |
| Other finance costs | -20,424 | -3,623 |
| Exchange rate losses | | |
| Loans and receivables | - | -12 |
| **Total finance costs** | **-85,051** | **-93,757** |
| | | |
| Interest income | | |
| Other interest income | 870 | 228 |
| Dividend income | - | - |
| Exchange rate gains | | |
| Loans and receivables | 3 | 5 |
| Other finance income | 1 | 1 |
| **Total finance income** | **873** | **235** |
| **Finance costs (net)** | **-84,178** | **-93,522** |

Finance income and costs

Interest expenses include interest expenses on interest-bearing loans. Other interest expenses mainly consist of interest on finance leases of EUR 0.5 million (2018: 0.6 million).

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

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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.

With regard to financial liabilities, the main amendment is that when applying the fair value option, the effect of changes in the entity's own credit risk on the fair value of the financial liability will be recognised through other comprehensive income. These changes in value recognised through other comprehensive income will no longer be recognised in the consolidated statement of profit or loss.

The impairment requirements introduced 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 new 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.

The requirments of the new standard were initailly applied on 1 January 2018.

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ACCOUNTING POLICY

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

**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 character-ristics and the Group's business model for managing them. With the exception of trade recevables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. 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 carreid 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 etermined 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

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recognised directly in other comprehensive income. Any ineffective portion is recognised immediately in the consolidated statement of 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 2019

| Balance sheet item, EUR 1,000 | Note | Amortised cost | Fair value through profit and loss | Fair value through other comprehensive income | Carrying value of balance sheet items | Fair value |
|---|---|---|---|---|---|---|
| **Current financial assets** | | | | | | |
| Trade receivables and other non-interest-bearing receivables | 2.1.4 | 20,148 | - | - | 20,148 | 20,148 |
| Available-for-sale financial assets | 4.2.8 | - | 0 | - | 0 | 0 |
| Cash and cash equivalents | | 29,178 | - | - | 29,178 | 29,178 |
| **Total Current assets** | | **49,326** | **0** | **-** | **49,326** | **49,326** |
| **Carrying amount by category** | | **49,326** | **0** | **-** | **49,326** | **49,326** |
| **Non-current financial liabilities** | | | | | | |
| Bonds and notes | 4.2.8–9 | -1,183,897 | - | - | -1,183,897 | -1,376,431 |
| Loans from financial institutions | 4.2.8–9 | -370,000 | - | - | -370,000 | -370,000 |
| Other long-term loans | 4.2.8–9 | - | - | - | - | - |
| Interest-bearing non-current liabilities | | | | | | |
| - Leases | 3.3 | -5,800 | - | - | -5,800 | -5,800 |
| **Total interest-bearing non-current liabilities** | | **-1,559,697** | **-** | **-** | **-1,559,697** | **-1,752,231** |
| **Current financial liabilities** | | | | | | |
| Bonds and notes | 4.2.8–9 | -88,920 | - | - | -88,920 | -91,667 |
| Loans from financial institutions | 4.2.8–9 | - | - | - | - | - |
| Other current interest-bearing liabilities | | | | | | |
| - Leases | 3.3 | -4,428 | - | - | -4,428 | -4,428 |
| Trade payables | 2.3.2 | -10,519 | - | - | -10,519 | -10,519 |
| **Total current financial liabilities** | | **-103,866** | **-** | **-** | **-103,866** | **-106,613** |
| **Carrying amount by category** | | **-1,663,563** | **-** | **-** | **-1,663,563** | **-1,858,845** |

CASH AT BANKS AND ON HAND

Elenia had short-term bank deposits amounting to EUR 29.2 million (2018: 17.4 million). All bank deposits were denominated in euros.

BONDS AND NOTES

The fair value of the bonds have been calculated using the market quotes at the balance sheet date. For calculating the fair value of the bonds and notes without market quote, the market quotes of the corresponding bonds have been used.

FINANCIAL LIABILITIES

Interest-bearing liabilities decreased by EUR 351.8 million (2018: 40.9 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,653.0 million (2018: 2,004.9 million).

The fair value of Other long-term loans has been calculated by using the market value of Finnish benchmark government 10 year bonds at the balance sheet date. 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.

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## CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

### VALUES AT 31 DECEMBER 2018

| Balance sheet item, EUR 1,000 | Note | Amortised cost | Fair value through profit and loss | Fair value through other comprehen-sive income | Carrying value of balance sheet items | Fair value |
|---|---|---|---|---|---|---|
| **Current financial assets** | | | | | | |
| Trade receivables and other non-interest-bearing receivables | 2.1.4 | 19,786 | - | - | 19,786 | 19,786 |
| Available-for-sale financial assets | 4.2.8 | - | 0 | - | 0 | 0 |
| Cash and cash equivalents | | 17,383 | - | - | 17,383 | 17,383 |
| **Total Current assets** | | **37,169** | **0** | **-** | **37,169** | **37,169** |
| **Carrying amount by category** | | **37,169** | **0** | **-** | **37,169** | **37,169** |
| **Non-current financial liabilities** | | | | | | |
| Bonds and notes | 4.2.8–9 | -1,682,305 | - | - | -1,682,305 | -1,776,388 |
| Loans from financial institutions | 4.2.8–9 | -18,000 | - | - | -18,000 | -18,000 |
| Other long-term loans | 4.2.8–9 | -252,185 | - | - | -252,185 | -262,107 |
| Interest-bearing non-current liabilities | | | | | | |
| - Finance leases | 3.3 | -8,608 | - | - | -8,608 | -8,608 |
| **Total interest-bearing non-current liabilities** | | **-1,961,098** | **-** | **-** | **-1,961,098** | **-2,065,103** |
| **Current financial liabilities** | | | | | | |
| Bonds and notes | 4.2.8–9 | - | - | - | - | - |
| Loans from financial institutions | 4.2.8–9 | -40,000 | - | - | -40,000 | -40,000 |
| Other current interest-bearing liabilities | | | | | | |
| - Finance leases | 3.3 | -3,772 | - | - | -3,772 | -3,772 |
| Trade payables | 2.3.2 | -15,146 | - | - | -15,146 | -15,146 |
| **Total current financial liabilities** | | **-58,918** | **-** | **-** | **-58,918** | **-58,918** |
| **Carrying amount by category** | | **-2,020,016** | **-** | **-** | **-2,020,016** | **-2,124,021** |

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

### 31 DECEMBER 2019

| EUR 1,000 | Effective interest rate % | Maturity: Within 1 year | 1–5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Loans from financial institutions | 0.44% | - | 370,000 | - | 370,000 |
| Bonds | 2.98% | - | - | 671,000 | 671,000 |
| Notes | 2.71% | - | - | 518,500 | 518,500 |
| Other long-term loans | | - | - | - | - |
| Lease liabilities | | - | 5,800 | - | 5,800 |
| **Total interest-bearing non-current liabilities** | | | | | **1,565,300** |
| Loans from financial institutions | - | - | - | - | - |
| Bonds | 2.88% | 89,024 | - | - | 89,024 |
| Lease liabilities | | 4,428 | - | - | 4,428 |
| **Total current interest-bearing liabilities** | | | | | **93,452** |
| Trade payables | | 10,519 | - | - | 10,519 |
| **Total current financial liabilities** | | | | | 10,519 |
| **Total** | | **103,970** | **375,800** | **1,189,500** | **1,669,270** |

### 31 DECEMBER 2018

| EUR 1,000 | Effective interest rate % | Maturity: Within 1 year | 1–5 years | Over 5 years | Total |
|---|---|---|---|---|---|
| Loans from financial institutions | 0.48% | - | 18,000 | - | 18,000 |
| Bonds | 2.94% | - | 500,000 | 671,000 | 1,171,000 |
| Notes | 2.71% | - | - | 518,500 | 518,500 |
| Other long-term loans | 12.00% | - | - | 252,185 | 252,185 |
| Finance lease liabilities | | - | 8,608 | - | 8,608 |
| **Total interest-bearing non-current liabilities** | | | | | **1,968,293** |
| Loans from financial institutions | 0.48% | 40,000 | - | - | 40,000 |
| Bonds | | - | - | - | - |
| Finance lease liabilities | | 3,772 | - | - | 3,772 |
| **Total current interest-bearing liabilities** | | | | | **43,772** |
| Trade payables | | 15,146 | - | - | 15,146 |
| **Total current financial liabilities** | | | | | 15,146 |
| **Total** | | **58,918** | **526,608** | **1,441,685** | **2,027,211** |

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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 2019 | Cash flows | New leases IFRS 16 | Other changes | **31 December 2019** |
|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings (excl. items listed below) | 40,000 | -40,000 | - | 88,920 | **88,920** |
| Current obligations under lease liabilities | 3,772 | -4,604 | 866 | 4,394 | **4,428** |
| Non-current interest-bearing loans and borrowings (excl. items listed below) | 1,952,490 | -311,161 | - | -87,432 | **1,553,897** |
| Non-current obligations under lease liabilities | 8,608 | - | 1,728 | -4,536 | **5,800** |

| EUR 1,000 | 1 January 2018 | Cash flows | New leases IFRS 16 | Other changes | **31 December 2018** |
|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings (excl. items listed below) | - | 40,000 | - | - | **40,000** |
| Current obligations under lease liabilities | 4,068 | -4,101 | - | 3,804 | **3,772** |
| Non-current interest-bearing loans and borrowings (excl. items listed below) | 1,947,466 | -3,274 | - | 8,298 | **1,952,490** |
| Non-current obligations under lease liabilities | 12,412 | - | - | -3,804 | **8,608** |

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. In addition it includes in 2019 also EUR 89,024 thousand transfer from non-current interest-bearing loans and borrowings to current interest-bearing loans and borrowings.

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

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### 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.

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

#### SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Due to the nature of terms of Elenia Finance Oyj's EMTN Programme no profits are expected to be accumulated from the investment in Elenia Holdings S.à r.l. Due to the nature of terms of Elenia Finance Oyj's EMTN Programme no profits are expected to be accumulated from the investment in Elenia Holdings S.à r.l. through a subordinated profit-participating security (the SPPS). Based on the expected cash flows the investment has no value and therefore the book value and the fair value of the investment have been determined to be zero.

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As at 31 December 2019, the Group held the following financial instruments carried at amortised cost in the consolidated statement of financial position:

## FINANCIAL ASSETS

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| EUR 1,000 | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| **Financial instruments, current assets** | | | | | | | | |
| Available-for-sale financial investments | - | - | - | - | 0 | 0 | 0 | 0 |
| **Total financial assets** | **-** | **-** | **-** | **-** | **0** | **0** | **0** | **0** |

## FINANCIAL LIABILITIES

| | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| EUR 1,000 | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** | **2019** | **2018** |
| **Financial instruments, current liabilities** | | | | | | | | |
| Bonds and notes | - | - | -91,667 | - | - | - | -91,667 | - |
| Loans from financial institutions | - | -40,000 | - | - | - | - | - | -40,000 |
| **Total current financial liabilities** | **-** | **-40,000** | **-91,667** | **-** | **-** | **-** | **-91,667** | **-40,000** |
| **Financial instruments, non-current liabilities** | | | | | | | | |
| Bonds and notes | - | - | -1,376,431 | -1,776,388 | - | - | -1,376,431 | -1,776,388 |
| Loans from financial institutions | -370,000 | -18,000 | - | - | - | - | -370,000 | -18,000 |
| Other long-term loans | - | - | - | -262,107 | - | - | - | -262,107 |
| **Total non-current financial liabilities** | **-370,000** | **-18,000** | **-1,376,431** | **-2,038,495** | **-** | **-** | **-1,746,431** | **-2,056,495** |
| **Total financial liabilities** | **-370,000** | **-58,000** | **-1,468,098** | **-2,038,495** | **-** | **-** | **-1,838,098** | **-2,096,495** |

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### 4.2.9 Financial 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.

REFINANCING RISK

Elenia Finance Oyj issues bonds and notes. Bonds are issued under the EUR 3 billion EMTN programme and listed at the London Stock Exchange. Notes are unlisted private placements targeted mostly to the US investors through private placements.

At the end of 2019 Group has borrowed from the international banks EUR 320.0 million using the Capex Facility (2018: EUR 18.0 million). There were not borrowings from Working Capital Facility (2018: EUR 40.0 million). In December 2018 Elenia Oy agreed on EUR 150.0 million credit with European Investment Bank. The loan can be drawn within 18 months from the agreement and the maturity of the loans will be 7–10 years from the drawdown. At the end of 2019 there were EUR 50 million drawdown from the credit facility maturing in 2030 (2018: no drawdowns). At the end of 2019 the Group does not have other long-term loans which are subordinated to the bonds and notes (2018: EUR 252.2 million).

In November 2019 the Group published the tender offer regarding EUR 500 million Bond maturing in December 2020. Amount of the submitted tenders was EUR 411.0 million, which was repaid to the investors in December 2019. The Group has not issued any bonds or private placements during 2019.

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES

| 31 DECEMBER 2019<br>EUR 1,000 | Facility amount | In use | Available amount | Maturity |
|---|---|---|---|---|
| Capex facility | 350,000 | 320,000 | 30,000 | 1–5 years |
| Working Capital facility | 60,000 | - | 60,000 | 1–5 years |
| Liquidity facility | 60,000 | - | 60,000 | Over 5 years |
| EIB credit facility | 150,000 | 50,000 | 100,000 | Over 5 years |
| Cash and cash equivalents | | | 29,178 | |
| **Total** | **620,000** | **370,000** | **279,178** | |

The bonds are listed on London Stock Exchange. Elenia Oy and Elenia Palvelut Oy have given EUR 1,278.5 million joint guarantees relating to the loans from financial institutions, bonds and notes. The Group's financial structure has financial covenants relating to interest cover and leverage. The covenants are typical in such arrangements. There were no covenant breaches in 2019. Elenia Finance 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.

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 by entering into interest rate swaps and by drawdown of loans with fixed interest. At the balance sheet date 76% (2018: 95%) 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 +/- 4.0 million (2018: +/-0.5 million) effect on the interests relating to floating rate loans.

COUNTERPARTY RISK

Accepted financial counterparties are counterparties approved in existing financing agreements and other counterparties separately approved by the Board of Directors.

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## 4.3 OTHER COMMITMENTS AND CONTINGENCIES

MUUT VASTUUT JA SITOUMUKSET

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| **Registered floating charges:** | | |
| Provided on behalf of own and Group liabilities | 13,500,000 | 18,000,000 |
| Mortgages | 206,600 | 233,600 |
| **Refundable connection fees** | **283,050** | **317,274** |
| **Loan commitment to Lakeside Network Investment Holding B.V.** | 302 | 522 |
| **Loan commitment to Elenia Group Oy** | 267,322 | - |

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

## 4.4 EQUITY

### Share capital

Please see note 3.1 in Parent financial statements.
The shares are issued and fully paid.

### Reserve for invested non-restricted 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.

### 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:

| | 2019 | 2018 |
|---|---|---|
| Profit attributable to equity holders of the parent, EUR | 356,125,692 | 6,979,949 |
| Average number of shares, pcs | 100 | 100 |
| **Earnings/share, EUR - basic = diluted** | **3,561,257** | **69,799** |

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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 2019, 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 July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy, to SL Capital Infrastructure II SCSP, DIF Infrastructure V Coöperatief U.A. and LPPI Infrastructure Investments LP. Elenia Lämpö Oy has been reported as discontinued operations and hence more detailed information on this business disposal is presented in note 5.4.

In 2018 there were no business disposals.

In 2019 and 2018 there were no acquistions to be accounted for as business combinations.

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## 5.4 DISCONTINUED OPERATIONS

### ACCOUNTING POLICY

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
  Or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

### Heating business disposal

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, including Elenia Lämpö Oy and associated company Oriveden Lämpö Oy, to SL Capital Infrastructure II SCSP, DIF Infrastructure V Coöperatief U.A. and LPPI Infrastructure Investments LP. Elenia Lämpö Oy has been reported as discontinued operations in income statement and related notes full year in 2018 and until the date of disposal in 2019. More information about sold of asscociated company in Note 5.5.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below.

The results of district heating business for the year are as follows:

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Revenue from contracts with customers | 41,830 | 77,005 |
| Investment in an associate | - | 143 |
| Expenses | -33,992 | -63,657 |
| Sales profit of Heat business less costs to sell | 335,911 | - |
| **Operating profit** | **343,748** | **13,491** |
| Finance income and costs | 4 | 6 |
| **Profit before tax from discontinued operations** | **343,753** | **13,497** |
| Tax benefit / (expense): | | |
| Profit recognised on the remeasurement to fair value less costs to sell | 408 | 845 |
| **Profit / (loss) for the year from discontinued operations** | **344,161** | **14,342** |
| **Profit / (loss) for the year from discontinued operations without sales profit** | **8,250** | **14,342** |

The profit for the year from discontinued operations for 2018 includes EUR 18,290 thousand group contribution from Elenia Lämpö Oy to Elenia Oy, which is in IFRS reported through equity.

Assets and liabilities of district heating business are as follows:

| EUR 1,000 | Note | 2019 |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | 3.1 | 101,018 |
| Goodwill | 3.2 | 97,783 |
| Intangible assets | 3.2 | 63,418 |
| Investments in associates | 5.5 | 756 |
| Deferred tax assets | 6.1.2 | 226 |
| Inventories | 6.2 | 3,016 |
| Current receivables | 2.1.4 | 14,109 |
| **Assets total** | | **280,327** |
| **Liabilities** | | |
| Provisions | 2.3.4 | 1,205 |
| Deferred tax liabilities | 6.1.2 | 25,536 |
| Lease liabilities | 3.3 | 221 |
| Trade payables | 2.3.2 | 1,563 |
| Liabilities related to contracts with customers | 2.1.3 | 489 |
| Other non-current liabilities | 4.2 | 912.822 |
| Other current liabilities | 2.3.2 | 4,791 |
| **Liabilities total** | | **34,718** |
| **Net assets directly associated with disposal group** | | 245,609 |
| Gain on disposal | | 335,911 |
| **Consideration received less costs to sell** | | **581,519** |
| Cash and cash equivalents disposed of | | -7,772 |
| **Cash inflow arising from disposal** | | **573,748** |

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The net cash flows incurred by district heating business are as follows:

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Operating activities | 29,647 | 23,844 |
| Investing activities | -8,517 | -10,304 |
| Financing activities | -13,358 | -13,540 |
| **Net cash flow** | **7,772** | **0** |

## 5.5 INVESTMENT IN AN ASSOCIATE

### ACCOUNTING POLICY

#### INVESTMENT IN AN ASSOCIATE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

Investments in associated companies are valued at acquisition cost on the date of the acquisition. Interests in associated companies are accounted for using the equity method. The Group's share of its associated companies' post-acquisition profits or losses after tax is recognised in the consolidated statement of profit or loss.

The carrying value of the investment is adjusted by post-acquisition changes in equity. Investments in associated companies include the goodwill recorded for the acquisition. Goodwill is not amortised or individually tested for impairment. If the Group's share of losses in an associated company exceeds the carrying value of the investment, the investment is recorded on the balance sheet as having zero value and losses in excess of the carrying value are not recognised in the consolidated financial statements unless the Group has undertaken obligations on behalf of the associated company.

After application of the equity method, the Group assesses whether there is a need to record impairment for an associated company. If there are indications that the value of the investment has declined, the Group calculates the loss on impairment and records the difference in the consolidated statement of profit or loss as a loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associated company. The Group's share of the results of associated companies for the financial period is presented as a separate item before operating profit.

The accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Acquisition cost at 1 January | 774 | 727 |
| Share of profit for the year | - | 143 |
| Dividends received | -48 | -96 |
| Disposal | -726 | - |
| **Acquisition cost at 31 December** | **0** | **774** |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, including Elenia Lämpö Oy and associated company Oriveden Lämpö Oy, to SL Capital Infrastructure II SCSP, DIF Infrastructure V Coöperatief U.A. and LPPI Infrastructure Investments LP.

After that disposal Group does not have any investment in an associate company.

### INFORMATION CONCERNING THE ASSOCIATES

31 December 2018

| EUR 1,000 | Segment | Holding, % | Assets | Liabilities | Revenue | Profit/loss |
|---|---|---|---|---|---|---|
| Oriveden Aluelämpö Oy | Lämpö | 50 | 3,820 | 3,178 | 1,884 | 283 |

Oriveden Aluelämpö Oy is located in Orivesi municipality, Finland. Company's main products are district heating production and distribution.

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

### 5.6.1 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 2019. 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:

#### AMENDMENTS TO IFRS 9: PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

The amended standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has endorsed the amendments.

The amendments clarify that in the early termination of the contract a debt instrument can be measured at amortised cost or at fair value through other comprehensive income regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

#### AMENDMENTS TO IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

The amended standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has endorsed the amendments.

The amendments specify how an entity is required to determine current service cost and net interest when a plan amendment, curtailment or settlement occurs during the annual reporting period.

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

#### AMENDMENTS TO IAS 28: LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES

The amended standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has endorsed the amendments.

The amendments clarify that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

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

#### ANNUAL IMPROVEMENTS TO IFRSS (2015–2017 CYCLE)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 January 2019. The EU has endorsed the improvements.

**IFRS 3 Business Combinations and IFRS 11 Joint Arrangements**

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

**IAS 12 Income Taxes**

The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

**IAS 23 Borrowing Costs**

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The improvements do not have a significant effect on the consolidated financial statements.

#### IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The IFRIC interpretation is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has endorsed the amendments.

The interpretation clarifies application of the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The interpretation does not have a significant effect on the consolidated financial statements.

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### 5.6.2 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:

#### IFRS 17 INSURANCE CONTRACTS

The new standard is effective for annual periods beginning on or after 1 January 2021, 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 AND IAS 8: DEFINITION OF MATERIAL

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 purpose of the amendments is to align the definition of "material" across the standards and to clarify certain aspects of the definition.

The amendments will not have an essential effect on the consolidated financial statements.

#### AMENDMENT TO IFRS 3: BUSINESS COMBINATIONS

The amended standard will be effective for annual periods beginning on or after 1 January 2020 with early adoption permitted. The EU has not endorsed the amendments.

The amendments help entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendment will not have a material effect on the consolidated financial statements.

#### AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The effective date of the amendments has been postponed and hence the EU has not yet endorsed the standard amendments.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

#### AMENDMENTS TO IFRS 9, IAS 39 AND IFRS 7: INTEREST RATE BENCHMARK REFORM

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 amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR).

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

#### AMENDMENTS TO REFERENCES TO THE CONCEPTUAL FRAMEWORK IN IFRS STANDARDS

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 revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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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 2019 and 2018 are:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS, CONTINUING OPERATIONS

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Current income tax charge | -5,605 | -6,007 |
| Adjustments in respect of current income tax of previous periods | -4 | -3 |
| Deferred taxes | 3,042 | 717 |
| **Income tax expense reported in the consolidated statement of profit or loss** | **-2,568** | **-5,293** |

CONSOLIDATED STATEMENT OF OCI, CONTINUING OPERATIONS

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| **Deferred tax related to items recognised in OCI during the year:** | | |
| Remeasurement gains (losses) on defined benefit plans | 5 | -9 |
| **Deferred tax charged to OCI** | **5** | **-9** |

INCOME TAX RATE

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

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| **Profit before tax, continuing operations** | **14,533** | **-2,069** |
| Theoretical income tax using the nominal tax rate of 20.0% (2018: 20.0%) | -2,907 | 414 |
| tax-free income items | -67 | -3,692 |
| expenses that are non-deductible in taxation | 429 | -1,999 |
| adjustment of taxes based on previous periods | -4 | -3 |
| unrecognized deferred tax assets from taxation losses | -18 | -13 |
| **Income tax in the income statement, continuing operations** | **-2,568** | **-5,293** |

Effective tax rate was 18%

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

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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 JUDGEMENTS

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 2019

| DEFERRED TAX ASSETS EUR 1,000 | Balance sheet 31 Dec 2018 | Recognised in the statement of profit or loss | Discon-tinued operations (Note 5.4) | Recognised in other compre-hensive income | **Balance sheet 31 Dec 2019** |
|---|---|---|---|---|---|
| Elimination of internal margin in non-current assets | - | 67 | - | - | 67 |
| Measurement of assets at fair value in acquisition | - | 340 | - | - | 340 |
| Deferred tax asset for the confirmed losses | - | - | - | - | - |
| Defined benefit plans | 221 | -4 | -226 | 5 | -4 |
| Liabilities related to contracts with customers | 1,945 | 1,430 | 17 | - | 3,393 |
| Finance leases | 747 | -122 | 0 | - | 625 |
| **Total** | **2,913** | **1,711** | **-208** | **5** | **4,421** |
| Offset by deferred tax liabilities | 0 | | | | 0 |
| **Deferred tax assets** | **2,913** | | | | **4,421** |

| DEFERRED TAX LIABILITIES EUR 1,000 | Balance sheet 31 Dec 2018 | Recognised in the statement of profit or loss | Discon-tinued operations (Note 5.4) | Recognised in other compre-hensive income | **Balance sheet 31 Dec 2019** |
|---|---|---|---|---|---|
| Interest-bearing liabilities | 1,675 | -371 | - | - | 1,304 |
| Depreciation differences | 53,243 | 3,423 | -9,639 | - | 47,028 |
| Measurement of assets at fair value in acquisition | 88,005 | -4,382 | -16,234 | - | 67,388 |
| **Total** | **142,924** | **-1,330** | **-25,874** | **0** | **115,720** |
| Offset by deferred tax assets | 0 | | | | 0 |
| **Deferred tax liabilities** | **142,924** | | | | **115,720** |

In the consolidated financial statements for the year ended 31 December 2017 the Group had tax losses of EUR 95,205 thousand for the parent company Elenia Oy to be offset against future taxable profits. The confirmed losses and deferred tax asset recorded on them were utilized in total during the financial period 1 January - 31 December 2018.

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

## CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES IN 2018

| DEFERRED TAX ASSETS EUR 1,000 | Balance sheet 31 Dec 2017 | Recognised in the statement of profit or loss | Recognised in other comprehen-sive income | **Balance sheet 31 Dec 2018** |
|---|---|---|---|---|
| Elimination of internal margin in non-current assets | - | - | - | - |
| Measurement of assets at fair value in acquisition | - | - | - | - |
| Deferred tax asset for the confirmed losses | 12,672 | -12,672 | - | 0 |
| Defined benefit plans | 227 | 5 | -11 | 221 |
| Liabilities related to contracts with customers | - | 1,945 | - | 1,945 |
| Finance leases | 831 | -84 | - | 747 |
| **Total** | **13,730** | **-10,805** | **-11** | **2,914** |
| Offset by deferred tax liabilities | -12,672 | | | 0 |
| **Deferred tax assets** | **1,058** | | | **2,914** |

| DEFERRED TAX LIABILITIES EUR 1,000 | Balance sheet 31 Dec 2017 | Recognised in the statement of profit or loss | Recognised in other comprehen-sive income | **Balance sheet 31 Dec 2018** |
|---|---|---|---|---|
| Interest-bearing liabilities | 1,812 | -137 | - | 1,675 |
| Depreciation differences | 60,294 | -7,051 | - | 53,243 |
| Measurement of assets at fair value in acquisition | 93,193 | -5,187 | - | 88,005 |
| **Total** | **155,299** | **-12,375** | **0** | **142,924** |
| Offset by deferred tax assets | -12,672 | | | 0 |
| **Deferred tax liabilities** | **142,627** | | | **142,924** |

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## 6.2 INVENTORIES

### ACCOUNTING POLICY

#### INVENTORIES

Inventories mainly consist of fuels and spare parts used in the production process. Inventories are stated at the lower of acquisition cost and net realisable value. Acquisition cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Oil | - | 1,455 |
| Bio fuels | - | 1,485 |
| Other inventories | - | 507 |
| **Total** | **0** | **3,447** |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation. The inventory has been about Elenia Lämpö Oy. See Note 5.4 for more information about the discontinued operation.

## 6.3 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 | 2019 | 2018 Restated |
|---|---|---|
| Current value of funded obligations | 3,564 | 5,550 |
| Fair value of assets | -3,092 | -4,445 |
| Deficit | 473 | 1,105 |
| **Value of the obligation on the consolidated statement of financial position** | **473** | **1,105** |

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

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Obligation at the beginning of the year | 5,550 | 5,888 |
| Business combinations | -2,186 | 0 |
| Current service costs | 30 | 58 |
| Interest expenses | 71 | 86 |
| Actuarial losses | 344 | -274 |
| Settlements | - | 45 |
| Benefits paid | -245 | -254 |
| **Obligation at the end of the year** | **3,564** | **5,550** |

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

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Fair value of plan assets at the beginning of the year | 4,445 | 4,754 |
| Business combinations | -1,553 | 0 |
| Expected income from assets | 58 | 70 |
| Actuarial gains | 320 | -218 |
| Settlements | - | 30 |
| Payments by the employer | 66 | 63 |
| Benefits paid | -245 | -254 |
| **Fair value of plan assets at the end of the year** | **3,092** | **4,445** |

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

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Obligation at the beginning of the year | 1,105 | 1,134 |
| Business combinations | -633 | 0 |
| Net cost recognised in the statement of profit or loss | 43 | 90 |
| Payments by the employer | -66 | -63 |
| Profits and losses recognised in other comprehensive income | 24 | -56 |
| **Value of the obligation at year end** | **473** | **1,105** |

Items recognised in the consolidated statement of profit or loss:

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Expenses based on service in the reporting year | 3 | 29 |
| Interest income | -44 | -48 |
| Interest expenses | 51 | 55 |
| **Total** | **10** | **36** |

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

| EUR 1,000 | 2019 | 2018 Restated |
|---|---|---|
| Actuarial gains/(losses) on assets | -219 | 153 |
| Actuarial gains/(losses) on obligations | 247 | -197 |
| **Total** | **27** | **-44** |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

## 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.

2019

| 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 0.4–0.7% | | 3,564 | 3,092 | 473 | 0 | 2 |
| Discount rate 0.9–1.1% | +0.50% | 3,348 | 2,923 | 425 | 0 | 4 |
| Discount rate -0.1–0.1% | -0.50% | 3,806 | 3,278 | 528 | 0 | -1 |

2018 Restated

| 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 1.5–1.7% | | 5,550 | 4,445 | 1,105 | 3 | 7 |
| Discount rate 2.0–2.2% | +0.50% | 5,176 | 4,190 | 986 | 3 | 8 |
| Discount rate 1.0–1.2% | -0.50% | 5,969 | 4,727 | 1,242 | 3 | 5 |

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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 2020 are estimated to be EUR 30 thousand.

The weighted average duration of defined benefit obligation is 13–21 years.

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

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Under 1 year | 225 | 264 |
| 1–10 years | 1,611 | 2,231 |
| 10–20 years | 1,072 | 2,139 |
| 20–30 years | 621 | 1,503 |
| Over 30 years | 318 | 948 |
| **Total** | **3,847** | **7,086** |

### ACTUARIAL ASSUMPTIONS USED IN CALCULATIONS

| % | 2019 | 2018 |
|---|---|---|
| Discount rate | 0.4–0.7% | 1.5–1.7% |
| Estimate of salary increases | 2.1–2.3% | 2.6–2.7% |
| Inflation | 1.1–1.3% | 1.6–1.7% |

## 6.4 RELATED PARTY DISCLOSURES

### Subsidiaries and associates

Elenia Oy owns all of the shares in Elenia Palvelut Oy and Elenia Finance Oyj. Elenia Finance Oyj owns all of the shares in Elenia Finance (SPPS) S.à r.l., Luxembourg. Elenia Oy owned shares in Elenia Lämpö Oy, which has an associated company Oriveden Lämpö Oy, of which Elenia Lämpö Oy owns 50%. Elenia Lämpö Oy and the associated company Oriveden Lämpö Oy were sold in July 2019.

### SENIOR MANAGEMENT

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

### 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 mainly related to administrative services. Besides Elenia Palvelut Oy provides customer service and related services to the Elenia Group, and Elenia Finance Oyj provides treasury services to the Group companies. These are eliminated upon consolidation.

Other long-term loans were repaid during the financial year amounted to EUR 0.0 million as at 31 December 2019 (2018: 252.2 million). Loans were due to the company's ultimate owners through intermediary holding entities. Starting from 1 March 2018 these loans were treated as shareholder loans in taxation. The following table includes the specification of other long-term loans and related interests.

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| EUR 1,000 | Loan amount 31 Dec 2018 | Interest expenses 1 Mar - 31 Dec 2018 | Loan amount 31 Dec 2019 | Interest expenses 1 Jan - 15 Aug 2019 |
|---|---|---|---|---|
| Tampere Finance B.V. | 113,551 | 14,622 | - | 7,085 |
| Kimi Finance B.V. | 113,428 | 14,622 | - | 7,087 |
| Pispala Finance B.V. | 25,206 | 3,249 | - | 1,575 |
| **Total** | **252,185** | **32,494** | **0** | **15,747** |

As at 31 December 2019, other long-term receivables with an aggregate carrying value of EUR 159.6 million (2018: 0.0 million) are due from the company's ultimate owners through intermediary holding entities. The following table includes the specification of other long-term receivables and related accrued interests.

| EUR 1,000 | Loan amount 31 Dec 2018 | Interest expenses 1 Mar - 31 Dec 2018 | Loan amount 31 Dec 2019 | Interest expenses 1 Jan - 31 Dec 2019 |
|---|---|---|---|---|
| Elenia Group Oy | - | - | 158,678 | 678 |
| Elenia Holdings S.à r.l. | - | - | 200 | 2 |
| Lakeside Network Investments Holding B.V. | 478 | 8 | 698 | 10 |
| **Total** | **478** | **8** | **159,576** | **689** |

## 6.5 EVENTS AFTER THE REPORTING PERIOD

Elenia changed its organization on January 1, 2020. The most significant change in the organizational structure was the transfer of Support Functions from Elenia Oy to Elenia Palvelut Oy.

In January 2020, Elenia Oy (the parent company of the operative group) sold 100% of the shares in Elenia Palvelut Oy to Elenia Investment S.à r.l. As a result, Elenia Palvelut Oy became the parent company of the operative group. See Note 1.4 for more information on reorganizations.

On February 6, 2020, Elenia issued a EUR 500 million bond to institutional investors with a maturity of seven years and a fixed coupon of 0.375%.

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## 6.6 CONSOLIDATED STATEMENT OF PROFIT OR LOSS (ADJUSTED FOR COMPARABILITY)

### ACCOUNTING POLICY

#### COMPARABILITY WITH PREVIOUS YEAR FIGURES

Items affecting comparability may include costs relating to exceptionally severe storms, and other items which are considerable in amount and do not relate to the actual operative business of the Group. Such items may arise for example as a result of mergers, acquisitions, divestments, corporate or organisational restructurings, major information system projects as well as certain financial transactions. These items have been specified in the notes of the consolidated financial statements.

| Continuing operations<br>EUR 1,000 | Note | 1.1.–31.12.2019 | 1.1.–31.12.2018<br>Restated |
|---|---|---|---|
| Revenue | 2.1.1 | 295,558 | 272,728 |
| Exceptional items included in revenue | | 177 | -154 |
| Other operating income | 2.2.1 | 3,016 | 2,822 |
| Non-recurring items included in other operating income | | 207 | - |
| Materials and services | | -76,291 | -74,887 |
| Employee benefit expenses | 2.3.3 | -14,241 | -13,577 |
| Other operating expenses | 2.3.1 | -25,424 | -17,610 |
| Operating expenses Total | | -115,955 | -106,075 |
| Exceptional items included in operating expenses | | -4,363 | -747 |
| Non-recurring items included in operating expenses | | -1,292 | - |
| **EBITDA** | | **182,619** | **169,475** |
| **EBITDA before exceptional and non-recurring items** | | **187,890** | **170,376** |
| Depreciation and amortisation | 3 | -83,908 | -78,023 |
| **Operating profit** | | **98,711** | **91,453** |
| **Operating profit before exceptional and non-recurring items** | | **103,982** | **92,354** |

In July 2019 the parent company of the Group, Elenia Oy, sold its district heating business, Elenia Lämpö Oy which has been reported as a discontinued operation in income statement. In the Notes of income statement only breakdowns of continuous operations are provided. See Note 5.4 for more information about the discontinued operation.

The purpose of the above table is to illustrate the underlying profitability of the business without any Exceptional Items (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 2019, a total of EUR 4,186 thousand has been recognized as other exceptional items. This amount consists of an item of EUR 177 thousand recognized as an increase in revenue related to the correction of a metering error of one customer in previous years. In addition, in 2019, operating expenses include EUR 407 thousand cost adjustments (revenue) related to the above measurement error and EUR 4,770 thousand related to the extraordinary repair of defects caused by snow loads.

In 2018, a total of EUR 901 thousand has been recognized as other exceptional items. This amount consists of an item of EUR 154 thousand recognized as a loss of revenue relating to the correction of a metering error of one customer in previous years. In addition, operating expenses for 2018 include EUR 540 thousand related to the aforementioned measurement error and EUR 207 thousand other operating expenses. In 2018, there were no exceptional repair costs.

In 2019, EUR 1,085 thousand is recognized as non-recurring items. This amount consists of compensation from the bankruptcy estate of EUR 207 thousand recognized in other operating income and EUR 1,292 thousand of group restructuring costs recognized in operating expenses.

In 2018 there were no operating expenses classified as non-recurring items.

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# PARENT COMPANY FINANCIAL STATEMENTS

## PARENT COMPANY INCOME STATEMENT

| EUR | Note | 1 Jan–31 Dec 2019 | 1 Jan–31 Dec 2018 |
|---|---|---|---|
| **Revenue** | 1.1 | **301,186,073.52** | **281,886,601.04** |
| Other operating income | 1.2 | 346,769,770.96 | 2,821,632.67 |
| Materials and services | 1.3 | -76,719,146.76 | -76,068,508.14 |
| Personnel expenses | 1.4 | -7,511,995.04 | -9,526,040.28 |
| Depreciation, amortisation and impairment | 1.5 | -112,936,265.03 | -107,636,743.74 |
| Other operating expenses | 1.6 | -36,902,203.66 | -27,545,416.82 |
| **Operating profit** | | **413,886,233.99** | **63,931,524.73** |
| Finance income and expenses | 1.7 | 396,242,983.61 | -202,939,058.95 |
| **Profit / loss before appropriations and taxes** | | **810,129,217.60** | **-139,007,534.22** |
| Appropriations | 1.8 | | |
| Change in accelerated depreciations | | -16,500,000.00 | 35,449,787.18 |
| Group contributions | | -62,999,000.00 | -29,991,000.00 |
| Income taxes | 1.9 | -5,607,830.82 | -18,678,673.15 |
| **Profit / loss for the year** | | **725,022,386.78** | **-152,227,420.19** |

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# PARENT COMPANY BALANCE SHEET

| EUR | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 2.1 | | |
| Intangible rights | | 15,049,150.84 | 13,727,424.46 |
| Other capitalized long term expenditure | | 454,565,270.21 | 489,314,224.44 |
| | | 469,614,421.05 | 503,041,648.90 |
| Tangible assets | 2.2 | | |
| Land and water areas | | 2,080,698.69 | 2,033,422.69 |
| Buildings and constructions | | 293,465.07 | 318,834.99 |
| Electricity network | | 1,372,561,187.97 | 1,293,028,669.00 |
| Machinery and equipments | | 12,363,507.88 | 14,153,586.41 |
| Other tangible assets | | 2,513.36 | 3,205.75 |
| Advance payments and construction in progress | | 20,298,077.81 | 24,970,625.91 |
| | | 1,407,599,450.78 | 1,334,508,344.75 |
| Investments | 2.3 | | |
| Holdings in group companies | | 408,222,084.70 | 240,310,968.62 |
| Other shares and holdings | | 194,287.64 | 194,287.64 |
| | | 408,416,372.34 | 240,505,256.26 |
| **Total non current assets** | | **2,285,630,244.17** | **2,078,055,249.91** |

| EUR | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **Current assets** | | | |
| Long-term receivables | 2.4 | | |
| Loan receivables | | 159,575,666.67 | 478,000.00 |
| Loan receivables from group companies | | 4,100,000.00 | 3,000,000.00 |
| | | 163,675,666.67 | 3,478,000.00 |
| Short-term receivables | 2.4 | | |
| Trade receivables | | 19,512,020.44 | 18,618,138.32 |
| Receivables from group companies | | 2,768,880.23 | 5,896,759.93 |
| Other receivables | | 264,908.02 | 8,084.30 |
| Prepayments and accrued income | | 37,407,952.09 | 34,987,004.20 |
| | | 59,953,760.78 | 59,509,986.75 |
| Cash and cash equivalents | 2.4 | 27,406,649.18 | 17,129,197.51 |
| **Total current assets** | | **251,036,076.63** | **80,117,184.26** |
| **TOTAL ASSETS** | | **2,536,666,320.80** | **2,158,172,434.17** |

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# PARENT COMPANY BALANCE SHEET

| EUR | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | 3.1 | | |
| Subscribed capital | | 2,500.00 | 2,500.00 |
| Non restricted equity | | 1,688,828,000.00 | 1,688,828,000.00 |
| Retained earnings | | -2,026,158,515.05 | -1,873,931,094.86 |
| Loss for the financial year | | 725,022,386.78 | -152,227,420.19 |
| | | 387,694,371.73 | -337,328,015.05 |
| **Cumulative accelerated depreciations** | 3.2 | **234,371,087.99** | **217,871,087.99** |
| **Other provisions** | 3.3 | **1,278,524,000.00** | **1,689,500,000.00** |
| **Liabilities** | 3.4 | | |
| Non-current liabilitites | | | |
| Connection fees | | 203,305,750.73 | 203,642,772.14 |
| Loans from financial institutions | | 370,000,000.00 | 18,000,000.00 |
| Other long-term loans | | - | 252,185,170.29 |
| Other non-current liabilities | | 945,907.00 | 874,334.97 |
| | | 574,251,657.73 | 474,702,277.40 |
| Current liabilities | | | |
| Loans from financial institutions | | - | 40,000,000.00 |
| Trade payables | | 8,608,979.71 | 13,457,292.67 |
| Liabilities to group companies | | 4,784,281.58 | 12,892,703.35 |
| Other short-term liabilities | | 29,291,937.41 | 25,461,360.84 |
| Accruals and deferred income | | 19,140,004.65 | 21,615,726.97 |
| | | 61,825,203.35 | 113,427,083.83 |
| **Total liabilities** | | **636,076,861.08** | **588,129,361.23** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,536,666,320.80** | **2,158,172,434.17** |

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# PARENT COMPANY CASH FLOW STATEMENT

| EUR | 1.1.–31.12.2019 | 1.1.–31.12.2018 |
|---|---|---|
| **Cash flow fron operating activities** | | |
| Loss before appropriations and taxes | 810,129,217.60 | -139,007,534.22 |
| Adjustments | | |
| Depreciation, amortisation and impairment | 112,936,265.03 | 107,636,743.74 |
| Finance income and expenses | -396,242,983.61 | 202,939,058.95 |
| Other adjustments | -341,784,705.73 | -51,764.42 |
| **Cash flow before change in working capital** | **185,037,793.29** | **171,516,504.05** |
| Change in working capital | | |
| Increase (-) / decrease (+) in non-interest bearing receivables | -5,597,280.60 | -2,367,839.70 |
| Increase (+) / decrease (-) in non-interest bearing liabilities | -3,557,633.73 | 2,330,154.10 |
| **Operating cash flow before financial items and taxes** | **175,882,878.96** | **171,478,818.45** |
| Interest payments | -16,372,916.70 | -35,040,966.87 |
| Interests received | 227,647.10 | 207,247.64 |
| Payments for other finance items | 2,375,696.47 | 930,849.81 |
| Connection fee refunds | -337,021.41 | -242,504.78 |
| Taxes paid | -11,613,770.00 | 24,476.06 |
| **Cash flow from operating activities** | **150,162,514.42** | **137,357,920.31** |

| EUR | 1.1.–31.12.2019 | 1.1.–31.12.2018 |
|---|---|---|
| **Cash flow from investing activities** | | |
| Capital expenditures | -154,610,482.30 | -146,638,124.31 |
| Investments in group companies' shares | -407,570,000.00 | - |
| Disposal of subsidiaries | 581,521,589.84 | - |
| Change in loans receivable (investing activities) | -1,100,000.00 | -725,000.00 |
| **Cash flow from investing activities** | **18,241,107.54** | **-147,363,124.31** |
| **Cash flow from financing activities** | | |
| Proceeds from short-term borrowings | - | 40,000,000.00 |
| Proceeds from long-term borrowings | 495,000,000.00 | 18,000,000.00 |
| Re-payment of short-term borrowings | -40,000,000.00 | - |
| Re-payment of long-term borrowings | -395,185,170.29 | -182,274,062.59 |
| Group contributions received and paid | -59,521,000.00 | -33,013,000.00 |
| Increase in non restricted equity | - | 161,000,000.00 |
| Loans granted | -158,420,000.00 | - |
| **Cash flow from financing activities** | **-158,126,170.29** | **3,712,937.41** |
| **Change in cash and cash equivalents** | **10,277,451.67** | **-6,292,266.59** |
| Cash and cash equivalents 1 Jan | 17,129,197.51 | 23,421,464.10 |
| Cash and cash equivalents 1 Jan + change | 27,406,649.18 | 17,129,197.51 |
| **Cash and cash equivalents 31 Dec** | **27,406,649.18** | **17,129,197.51** |

Cash and cash equivalents comprise of bank deposits.

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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).

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 | 3–30 years |
| Goodwill | 5–15 years |
| Other capitalized long term expenditures | 5–25 years |
| Buildings and constructions | 15–50 years |
| Transmission network | 25–40 years |
| Distribution network | 10–30 years |
| Machinery and equipments | 3–30 years |

From the 1st of January 2008 connection fees have been non-refundable and therefore they have been booked as revenue in the profit and loss account after that. Before 2008 connection fees were included in long term liabilities.

### 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.

## 1 NOTES TO INCOME STATEMENT

### 1.1 Revenue

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Distribution income | 288,793 | 267,603 |
| Contracting income | 2,752 | 2,402 |
| Connection fee income | 7,556 | 9,486 |
| Other sales income | 2,936 | 2,531 |
| Outage compensation | -851 | -136 |
| **Total** | **301,186** | **281,887** |

### 1.2 Other operating income

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Lease income | 28 | 25 |
| Capital gain on the sale of non-current assets | 341,863 | 25 |
| Other operating income | 4,879 | 2,772 |
| **Total** | **346,770** | **2,822** |

### 1.3 Materials and services

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Grid costs | -38,802 | -40,598 |
| Network losses | -10,148 | -10,725 |
| External services | -26,717 | -23,564 |
| Materials | -1,052 | -1,181 |
| **Total** | **-76,719** | **-76,069** |

### 1.4 Personnel expenses

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Average number of personnel during the financial year | 113 | 182 |
| Salaries | -6,297 | -7,944 |
| Pension expenses | -1,065 | -1,675 |
| Other employee expenses | -150 | 93 |
| **Total** | **-7,512** | **-9,526** |

### SALARIES AND REMUNERATION PAID TO CEO

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Salaries and other short-term employee benefits | -296 | -686 |
| Other long-term employee benefits | -174 | -184 |
| Pension expenses related to salaries and employee benefits | -85 | -156 |
| **Total** | **-554** | **-1,026** |

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### 1.5 Depreciations according to the plan

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Impairment | -4,906 | -3,439 |
| Intangible fixed assets | -1,177 | -1,048 |
| Other capitalized long term expenditure | -34,915 | -34,867 |
| Buildings and constructions | -26 | -27 |
| Electricity network | -68,337 | -64,866 |
| Machinery and equipments | -3,574 | -3,391 |
| **Total** | **-112,936** | **-107,637** |

### 1.6 Other operating expenses

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Lease expenses | -6,446 | -6,703 |
| Loss on sale of fixed assets | -6 | -36 |
| Other external services | -21,614 | -15,846 |
| Other operating expenses | -8,837 | -4,961 |
| **Total** | **-36,902** | **-27,545** |
| **Audit charges EUR 1,000** | | |
| Auditing fees | -280 | -264 |
| Fees for tax services | -23 | -19 |
| Fees for other services | -5 | -19 |
| **Total** | **-308** | **-303** |

### 1.7 Financial income and expenses

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Interest and other financial income | | |
| From group companies | 3,382 | 3,283 |
| Other financial income | 871 | 160 |
| **Total** | **4,254** | **3,442** |
| Interest and other financial expenses | | |
| Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds and notes | 410,976 | -161,000 |
| Interest expenses | -16,521 | -43,122 |
| Other financial expenses | -2,465 | -2,259 |
| **Total** | **391,989** | **-206,381** |
| **Total financial income and expenses** | **396,243** | **-202,939** |

### 1.8 Appropriations

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Change in accelerated depreciations | -16,500 | 35,450 |
| Group contribution received | 431 | 3,909 |
| Group contribution paid | -63,430 | -33,900 |
| **Total** | **-79,499** | **5,459** |

### 1.9 Income taxes

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Income taxes for the financial period | -5,603 | -6,007 |
| Adjustment in income taxes for the previous periods | -4 | - |
| Change in deferred taxes | - | -12,672 |
| **Total** | **-5,608** | **-18,679** |

## 2 NOTES TO THE BALANCE SHEETS ASSETS

### 2.1 Intangible fixed assets

#### INTANGIBLE FIXED ASSETS

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 26,718 | 24,758 |
| Investments | 2,079 | 1,960 |
| Cost 31 Dec | 28,797 | 26,718 |
| Accumulated depreciation 1 Jan | -12,991 | -12,293 |
| Depreciation according to the plan | -757 | -697 |
| **Book value 31 Dec** | **15,049** | **13,727** |

#### OTHER CAPITALIZED LONG-TERM EXPENDITURE

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 747,801 | 746,604 |
| Investments | 692 | - |
| Disposals | -176 | 1,197 |
| Cost 31 Dec | 748,318 | 747,801 |
| Accumulated depreciation 1 Jan | -258,487 | -223,270 |
| Disposals | 70 | - |
| Depreciation according to the plan | -35,335 | -35,217 |
| **Book value 31 Dec** | **454,565** | **489,314** |

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## 2.2 Tangible fixed assets

### LAND AND WATER AREAS

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 2,033 | 2,014 |
| Investments | 47 | 19 |
| Cost 31 Dec | 2,081 | 2,033 |
| **Book value 31 Dec** | **2,081** | **2,033** |

### BUILDINGS AND CONSTRUCTIONS

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 3,119 | 3,119 |
| Cost 31 Dec | 3,119 | 3,119 |
| Accumulated depreciation 1 Jan | -2,801 | -2,775 |
| Depreciation according to the plan | -25 | -26 |
| **Book value 31 Dec** | **293** | **319** |

### ELECTRICITY NETWORK

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 2,131,071 | 2,001,143 |
| Investments | 152,669 | 138,768 |
| Disposals | -12,138 | -8,841 |
| Cost 31 Dec | 2,271,602 | 2,131,071 |
| Accumulated depreciation 1 Jan | -838,042 | -778,578 |
| Disposals | 7,339 | 5,402 |
| Depreciation according to the plan | -68,337 | -64,866 |
| **Book value 31 Dec** | **1,372,561** | **1,293,029** |

### MACHINERY AND EQUIPMENTS

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 63,051 | 60,679 |
| Investments | 1,894 | 2,436 |
| Disposals | -162 | -65 |
| Cost 31 Dec | 64,783 | 63,051 |
| Accumulated depreciation 1 Jan | -48,897 | -45,538 |
| Disposals | 51 | 31 |
| Depreciation according to the plan | -3,574 | -3,391 |
| **Book value 31 Dec** | **12,364** | **14,154** |

### OTHER TANGIBLE ASSETS

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 56 | 56 |
| Cost 31 Dec | 56 | 56 |
| Accumulated depreciation 1 Jan | -53 | -52 |
| Depreciation according to the plan | -1 | -1 |
| **Book value 31 Dec** | **3** | **3** |

### ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 24,971 | 21,224 |
| Increase | 152,710 | 148,128 |
| Decrease | -157,382 | -144,381 |
| **Book value 31 Dec** | **20,298** | **24,971** |

## 2.3 Investments

### HOLDINGS IN GROUP COMPANIES

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 240,311 | 240,311 |
| Investments | 407,570 | - |
| Disposals | -239,659 | - |
| Cost 31 Dec | 408,222 | 240,311 |
| **Book value 31 Dec** | **408,222** | **240,311** |

### OTHER SHARES AND HOLDINGS

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cost 1 Jan | 194 | 245 |
| Disposals | - | -51 |
| Cost 31 Dec | 194 | 194 |
| **Book value 31 Dec** | **194** | **194** |

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## 2.4 Receivables

### LONG TERM RECEIVABLES

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| External loan receivables | 159,576 | 478 |
| Loan receivables from group companies | 4,100 | 3,000 |
| **Long term receivables total** | **163,676** | **3,478** |

### SHORT TERM RECEIVABLES

**Receivables from group companies**

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Trade receivables | 21 | 3 |
| Accrued income | 323 | 1,985 |
| Other short-term receivables | 1,994 | - |
| Group contribution receivables | 431 | 3,909 |
| Receivables from group companies total | 2,769 | 5,897 |

**External receivables**

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Trade receivables | 19,512 | 18,618 |
| Other short-term receivables | 265 | 8 |
| Accrued income | 37,408 | 34,987 |
| External receivables total | 57,185 | 53,613 |
| **Short term receivables total** | **59,954** | **59,510** |
| **Total receivables** | **223,629** | **62,988** |
| **Cash and cash equivalents** | **27,407** | **17,129** |

# 3 NOTES TO THE BALANCE SHEETS EQUITY AND LIABILITIES

## 3.1 Capital and reserves

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Subscribed capital | 3 | 3 |
| Non restricted equity 1 Jan | 1,688,828 | 1,527,828 |
| Change (+/-) | - | 161,000 |
| Non restricted equity 31 Dec | 1,688,828 | 1,688,828 |
| Retained earnings (loss) 1 Jan | -2,026,159 | -1,873,931 |
| Loss for the the financial year | 725,022 | -152,227 |
| **Total capital and reserves** | **387,694** | **-337,328** |
| Distributable equity | 387,692 | - |

At the balance sheet date, 31 December 2019, the equity of the company is more than one half of the share capital and the register entry on the loss of share capital will be removed from the Trade Register.

## 3.2 Cumulative accelerated depreciations

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Cumulative accelerated depreciations | 234,371 | 217,871 |

Accelerated depreciations include deferred tax liability of 46,874,218 euros.

## 3.3 Mandatory provisions

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds | 1,278,524 | 1,689,500 |
| **Mandatory provisions total** | **1,278,524** | **1,689,500** |

## 3.4 Liabilities

### NON-CURRENT LIABILITIES

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Connection fee liability 1 Jan | 203,643 | 203,885 |
| Connection fee refunds | -337 | -243 |
| Connection fee liability 31 Dec | 203,306 | 203,643 |
| Loans from financial institutions | 50,000 | - |
| Capex facility | 320,000 | 18,000 |
| Other long-term liabilities | 946 | 874 |
| Other long-term loans | - | 252,185 |
| **Total non-current liabilities** | **574,252** | **474,702** |

### CURRENT LIABILITIES

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Loans from financial institutions | - | 40,000 |
| Trade payables | 8,609 | 13,457 |
| Other short term liabilities | 29,292 | 25,461 |
| Accrued expenses | | |
| Salaries and social expenses | 2,507 | 4,071 |
| Other accrued expenses | 16,633 | 17,545 |
| Total | 19,140 | 21,616 |
| Liabilities to group companies | | |
| Group account | 2,563 | 12,052 |
| Other short term liabilities | 2,221 | 840 |
| Total | 4,784 | 12,893 |
| **Total current liabilities** | **61,825** | **113,427** |
| **Total liabilities** | **636,077** | **588,129** |

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## 3.5 Liabilities and quarantees for debts

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| Floating charges | | |
| Provided on behalf of own and group liabilities | 4,500,000 | 4,500,000 |
| Mortgages | 206,600 | 206,600 |
| Leasing agreements | | |
| Within one year | 4,436 | 4,465 |
| After one year but not more than five years | 5,717 | 10,415 |
| **Total** | **10,154** | **14,880** |
| Other lease liabilitites | | |
| Within one year | 16 | 491 |
| After one year but not more than five years | - | 1,043 |
| **Total** | **16** | **1,534** |
| Other own liabilities | | |
| Connection fees not included in the balance sheet values | 85,114 | 85,114 |
| Loan commitment to LNI Holding B.V. | 302 | 522 |
| Loan commitment to Elenia Palvelut Oy | 1,000 | 2,000 |
| Loan commitment to Elenia Group Oy | 267,333 | - |

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

## Shares and Holdings

| | Share | Vote share | Share of ownership | Nominal value EUR 1,000 | Book value EUR 1,000 |
|---|---|---|---|---|---|
| Subsidiary | | | | | |
| Elenia Finance Oyj | 100% | 100% | 100% | 407,650 | 407,650 |
| Elenia Palvelut Oy | 100% | 100% | 100% | 572 | 572 |
| Other shares and holdings | | | | 194 | 194 |
| | | | | 408,416 | 408,416 |

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# DIFFERENTIATED PROFIT AND LOSS ACCOUNT

| EUR 1,000 | 1 Jan - 31 Dec 2019 | 1 Jan - 31 Dec 2018 |
|---|---|---|
| **Revenue** | **298,788** | **280,004** |
| **Other operating income** | **2,992** | **2,785** |
| **Materials and services** | | |
| Materials and goods | | |
| Purchase during the financial period | | |
| Network losses | -10,123 | -10,705 |
| Other materials | -1,044 | -1,177 |
| Services | | |
| Grid costs | -38,754 | -40,561 |
| Other external services | -26,702 | -23,553 |
| **Personnel expenses** | **-6,670** | **-8,838** |
| **Depreciation, amortisation and impairment** | | |
| Merger loss | -58,701 | -56,939 |
| Network assets | -52,508 | -49,332 |
| Other assets | -1,678 | -1,316 |
| **Other operating expenses** | | |
| Lease expenses | -472 | -446 |
| Network rents and network leasing expenses | -5,931 | -6,168 |
| Other operating expenses | -26,153 | -18,489 |
| **Operating profit** | **73,044** | **65,266** |

| EUR 1,000 | 1 Jan - 31 Dec 2019 | 1 Jan - 31 Dec 2018 |
|---|---|---|
| **Financial income and expenses** | | |
| Income from other fixed investment | | |
| Interest and other financial income | | |
| From group companies | 3,382 | 3,283 |
| From other companies | 871 | 160 |
| Interest and other financial expenses | | |
| From other companies | -18,987 | -45,381 |
| **Profit / loss before appropriations and taxes** | **58,311** | **23,327** |
| **Appropriations** | | |
| Change in accelerated depreciations | | |
| Network assets | -16,292 | 34,881 |
| Other assets | -408 | 318 |
| Group contributions | | |
| Group contribution received | 431 | 3,909 |
| Group contribution paid | -63,430 | -33,900 |
| **Income taxes** | **-5,608** | **-18,679** |
| **Loss for the year** | **-26,996** | **9,856** |

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# DIFFERENTIATED BALANCE SHEET

| EUR 1,000 | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Intangible assets | | |
| Intangilble rights | 15,601 | 14,477 |
| Other capitalized long term expenditure | 454,014 | 488,565 |
| | 469,614 | 503,042 |
| Tangible assets | | |
| Land and water areas | 190 | 190 |
| Buildings and constructions | 293 | 319 |
| Electricity network | 1,023,821 | 935,575 |
| Merger losses | 361,534 | 371,657 |
| Machinery and equipments | 1,142 | 1,425 |
| Other tangible assets | 3 | 3 |
| Advance payments and construction in progress | 20,298 | 24,971 |
| | 1,407,280 | 1,334,139 |
| Investments | | |
| Holdings in group companies | - | 240,311 |
| | - | 240,311 |
| **Total non current assets** | **1,876,895** | **2,077,492** |

| EUR 1,000 | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **Current assets** | | |
| Long-term receivables | | |
| Loan receivables | 159,576 | 478 |
| Loan receivables from group companies | 4,100 | 3,000 |
| | 163,676 | 3,478 |
| Short-term receivables | | |
| Trade receivables | 19,512 | 18,544 |
| Receivables from group companies | 2,446 | 5,708 |
| Other receivables | 28 | 8 |
| Prepayments and accrued income | 37,408 | 34,987 |
| | 59,394 | 59,247 |
| Cash and cash equivalents | 24,843 | 8,487 |
| **Total current assets** | **247,913** | **71,212** |
| **TOTAL ASSETS** | **2,124,807** | **2,148,704** |

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# DIFFERENTIATED BALANCE SHEET

| EUR 1,000 | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| **Capital and reserves** | | |
| Subscribed capital | 3 | 3 |
| Non restricted equity | 1,606,126 | 1,675,920 |
| Retained earnings | -319,642 | -329,498 |
| Loss for the financial year | -26,996 | 9,856 |
| | 1,259,491 | 1,356,281 |
| **Cumulative accelerated depreciations** | **233,600** | **216,899** |
| **Liabilities** | | |
| Non-current liabilitites | | |
| Connection fees | 203,306 | 203,643 |
| Loans from financial institutions and other long-term loans | 370,000 | 270,185 |
| Other non-current liabilities | 946 | 874 |
| | 574,252 | 474,702 |
| Current liabilities | | |
| Short-term loans | - | 40,000 |
| Trade payables | 8,272 | 13,164 |
| Liabilities to group companies | 2,221 | 840 |
| Other short-term liabilities | 29,221 | 25,461 |
| Accruals and deferred income | 17,750 | 21,356 |
| | 57,465 | 100,822 |
| **Total liabilities** | **631,717** | **575,524** |
| **TOTAL EQUITY AND LIABILITIES** | **2,124,807** | **2,148,704** |

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# NOTES FOR DIFFERENTIATED FINANCIAL STATEMENTS

According to the Electricity Market Act, a company operating on electricity market must differentiate its electricity network business from other business activities. The differentiated financial statements of electricity business should be published and attached to company's official financial statements.

Differentiated financial statements include income statement and balance sheet, which should be derived from the accounting.

In addition to Electricity Network business Elenia Oy's other businesses are Streetlightning Network business and Group Shared Services business.

## Differentiation principles

Income statement items have been allocated into the differentiated businesses directly on the basis of accounting.

Balance sheet items have been allocated to the differentiated businesses directly on the basis of accounting or using an allocation key.

Depreciation principles for intangible and tangible assets are based on Elenia Oy's depreciations rules which have been presentes in the beginning of parent company notes.

## Electricity Network business' key figures

| EUR 1,000 | 2019 | 2018 |
|---|---|---|
| **INVESTMENTS** | | |
| Intangble assets | | |
| Intangble rights | 2,134 | 2,324 |
| Other capitalized long term expenditures | | |
| Connection fees | 600 | 300 |
| Other capitalized long-term expenditures | 38 | 534 |
| Tangible assets of electricity network business | | |
| Land and water areas | 47 | 19 |
| Electricity network | 147,862 | 133,858 |
| Demolition costs | 4,808 | 4,991 |
| Meters | 1,084 | 1,367 |
| Other tangible assets | 810 | 989 |
| **OTHER KEY FIGURES** | | |
| Refundable connection fees | 203,306 | 203,643 |
| Mandatory outage compensations | 4,101 | 148 |
| R&D expenses in the profit and loss account 1 Jan - 31 Dec | 1,007 | 1,743 |
| Operative expenses included in security of supply incentive 1 Jan - 31 Dec | 1,161 | 2,209 |
| Average number of personnel in the network business | 113 | 182 |

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# SIGNATURES TO THE FINANCIAL STATEMENTS

Helsinki, 5 March 2020

Timo Rajala
Chairman of the Board of Directors

Mark Braithwaite

Eduard Fidler

Tapani Liuhala

Thomas Metzger

Jorma Myllymäki

Sirpa Ojala

Michael Pfennig

## AUDITOR'S NOTE

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

Helsinki, 5 March 2020

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

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# AUDITOR'S REPORT (TRANSLATION)

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 2445423-4) for the year ended 31 December, 2019. 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.
- 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

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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.

Helsinki 5.3.2020

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
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. Timo is the CEO of Rajalimes Oy, is the Chairman of the Board of FinNuclear Oy, and is also the Chairman of the board of the companies Flexens Oy Ab, Rautu Corporation Oy, Sanitation5 Oy and EPSE Oy. He is also a member of the Board of Ilmatar Windpower Oyj and Ilmatar Energy Oyj and 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.

## Mark Braithwaite
Senior Managing Director, Macquarie Infrastructure and Real Assets, Head of Portfolio and Strategy

Mark is the Head of Portfolio and Strategy and sits on MIRA's investment committee in Europe. Mark joined MIRA in 2011, 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 is a Non-Executive Director on a number of MIRA's portfolio companies and is a trustee of 'Leadership through Sport & Business', a UK social mobility and employability charity. 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.

## Tapani Liuhala
CEO, Elenia Oy

Tapani joined the company in 1990 and is the CEO of Elenia Networks, Elenia Services and Elenia Group Oy. He is also the Chairman of the Board of Elenia Services, Elenia Finance Oyj, Kiinteistö Oy Forssan Aleksi 6 and Piceasoft Oy. He is also a member of the Board of Elenia Networks and Financelitas Oy. He held various managerial positions at Vattenfall Verkko Oy including Head of Networks Finland, Assistant Managing Director and Manager of Customer Relations. Tapani holds a Bachelor of Science in Electrical Engineering.

## Thomas Metzger
Managing Director, Macquarie Infrastructure and Real Assets

Thomas joined MIRA in 2007 and plays a key role of the Network & Utilities team. The first 8 years of his career he spent in London and since 2015 he is working in the Frankfurt office. The focus of his work is on the acquisition of companies in the German speaking region and in the asset management of existing companies. Thomas sits on the board of Currenta GmbH & Co. In the DACH region Thomas was responsible for the Currenta, Open Grid Europe, Thyssengas and Energie Steiermark transactions and has furthermore led acquisitions in Elenia and was a key member of the team acquiring TDC in Denmark. He graduated from University of Bonn in Germany and holds a Master in Finance from the Lancaster Management School in England. He has also studied in Denmark and Spain.

## Jorma Myllymäki
Senior Vice president, Elenia Oy

Jorma joined the company in 2007 and is the deputy CEO of the Elenia Networks. He is also a member of the Board of Elenia Services. Prior to this, Jorma was the Chief Operating Officer and before 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). Prior to that, Jorma was Sales Manager at Otis Oy (1996–1997) and Team Leader, Specialist and Design Engineer at ABB Transmit Oy (1993–1996). Jorma holds a Master of Science in Electrical Engineering.

## Sirpa Ojala
CEO, Colliers International Finland Group Oy

Sirpa 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), Kuntien Tiera Oy. She holds a M.Sc. (Eng.) in Industrial Economics from the Lappeenranta University of Technology

## Michael Pfennig
Managing Director, Allianz Capital Partners

Michael joined ACP in 2004 and heads the direct investment/infrastructure team in Munich. He and has worked on numerous transactions both in the infrastructure as well as in the private equity sector. Michael currently holds non-executive board positions at several companies in the European gas and electricity DSO sector as well as Tank und Rast in Germany. 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 degree in Business Administration from Frankfurt University (Dipl.-Kfm.) and has received his doctorate in finance and capital markets research from Munich University.

## Eduard Fidler
Director, Allianz Capital Partners

Eduard Fidler is a Director at Allianz Capital Partners. He 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. He began his professional career at AMEC plc in corporate strategy and project engineering. Eduard is a CFA® charterholder, and a graduate of Mechanical Engineering from the University of British Columbia.

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