



Elenia Group
INVESTOR REPORT
2022



ELENIA

INVESTOR REPORT

For the year ended 31 December 2022

Elenia Group

This investor report provides information on the Elenia Group's ("Elenia") business in 2022, including regulatory and business developments, Elenia's financial performance and other information in accordance with the requirements of the Common Terms Agreement dated 10 December 2013 as amended and restated from time to time ("CTA").

1. Overview

In 2022, Elenia distributed 6,260 GWh of electricity, compared to 6,643 GWh in the previous year. The distribution volume in 2021 was the highest in Elenia's history. Elenia's revenue in 2022 was €317.4 million (€328.6 million in 2021). The decline in revenue was driven by the milder winter in 2022 compared to the previous year, which was exceptionally cold. Additionally, the electricity consumption declined due to energy saving measures by the customers as a response to the exceptionally high electricity prices.

Elenia's EBITDA totalled €204.2 million (€214.8 million in 2021). EBITDA excluding non-recurring items was €205.7 million in 2022 (€215.1 million in 2021). The non-recurring items consisted mainly of exceptionally high electricity price¹ and grid service fees² that Fingrid did not invoice from distribution system operators ("DSOs") in December.

During the period, Elenia's electricity distribution business ("Elenia Verkko Oyj") continued the roll-out of its long-term investment plan which is designed to improve the security of supply. Elenia's network investments were €175.8 million in 2022 and the underground cabling rate increased as planned to 61.7%.

Elenia continued to expand its fiber network in 2022 as implementation of fibre projects proceeded well.

The key financial performance indicators are shown below. Further information is available at www.elenia.fi/en/investors.

Key Financial Performance Indicators (€m)	2020	2021	2022
Revenue	306.3	328.6	317.4
EBITDA*	195.5	215.1	205.7
EBITDA* Margin	63.8%	65.5%	64.8%

*Excluding non-recurring and exceptional items

¹ During H1 2022 Elenia decided to treat electricity prices above 60 €/MWh as exceptional. This is higher than any monthly average price in Finland for the previous ten years, which evidences well the exceptionally high electricity prices during 2022. Elenia needs to cover its distribution losses (3-4% of the distribution volumes) by buying electricity, making Elenia a sizeable electricity purchaser. Elenia has hedging policy in place for electricity purchases partially mitigating the impact of the elevated electricity prices. Elenia estimates that the cost of the distribution losses will total €37.4 million for 2023, of which €18.4 million will be treated as exceptional for covenant calculation purposes.

² Fingrid has informed DSOs that it will not charge transmission grid fees of three to six months in 2023 as its congestion income has soared due to high electricity prices. The fees will not be charged in January, February and June but the remaining optional three months have not been disclosed. The net cost savings from transmission grid fees will be treated as exceptional for covenant calculation purposes.

2. Business Update

a. Storms and Exceptional Weather Events

In March, the Manu storm caused outages in certain areas of Elenia's distribution network served by overhead lines. The maximum number of customers simultaneously without electricity was approximately 9,000 and all connections were restored in less than 26 hours. Additionally, a series of thunderstorms hit Elenia's network area in August causing outages. The maximum number of customers simultaneously without electricity was approximately 10,300 and all connections were restored in just over two days. Both Manu storm and the thunderstorms were classified as a class 2 power disruptions with SAIFI³ impacts of 0.17 and 0.19 respectively.

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

SAIDI⁴ excluding the impact of class 3 and 4 storms was 70 minutes in 2022 (67 minutes in 2021).

b. Regulation

The Energy Authority ("EA") supervises the operations of DSOs and the regulation is based on four-year periods. Following the amendment to the Electricity Market Act ("EMA") in August 2021, the EA published changes to amend the regulation methods of the current regulatory period. The methods are applied for 2022-2023. Elenia has appealed to the Market Court to repeal the decision of the EA regarding the key aspects of the decision. The Market Court has decided to request a preliminary ruling from the EU court postponing the outcome of the appeal most likely to 2024.

One of the most significant changes included amending the calculation of the risk-free rate. Due to removal of the option to calculate the risk-free rate based on the 10-year historical average of the Finnish Government bond, the calculation is now based only on the previous year's average level. Due to the sharp rise in the interest rates in 2022, the reasonable rate of return confirmed by the EA for 2023 is 6.08%.

The EA has continued to develop the regulatory methods for the upcoming sixth (2024–2027) and seventh (2028–2031) regulatory periods. The unit prices are expected to be updated again for the sixth regulatory period. Given the recent increase in raw material prices, which is also reflected in the prices of network components, the update is expected to have a positive impact on Elenia. Based on the drafts published in March 2023 the new regulatory methods are likely to be a continuation of the current methods and changes are expected to be relatively minor.

c. Investments

Elenia was the first DSO in Europe to incorporate hourly electricity consumption monitoring into digital services in the early 2000s. In 2021, Elenia started wide-scale replacement of nearly 435,000 smart electricity meters with next-generation meters. The project is scheduled to last until the end of 2025 and currently more than 100,000 units have been installed. As consumption of electricity as well as the need to balance production and consumption is increasing, new technological solutions for electricity networks and electricity metering systems are required.

³ System Average Interruption Frequency Index describes the number of outages that have occurred in the network during the exceptional weather event in relation to the total number of customers. The most severe class 4 events are classified to have a SAIFI impact of at least 0.50.

⁴ System Average Interruption Duration Index is a measure of the duration of the outages.

The EMA states that the quality requirements should apply to 100% of customers by the end of 2036⁵ and power needs to be restored within six hours in zoned areas, and within 36 hours in other areas. At the end of 2022, approximately 80% of Elenia's customers were within the scope of the requirements.

In June, Elenia submitted its statutory network development plan to the EA. According to the plan Elenia's capex to replace aging overhead lines and improve the security of supply exceeds €1,500 million by 2036. Furthermore, green transition related capex including, for example, the deployment of smart meters and increasing network capacity to enable connection of wind power, are expected to amount approximately €500 million by 2031. The network investments were approximately €175.8 million in 2022 which was higher than previously expected due to inflationary development. However, following the decrease in the reasonable return as a result of the regulatory changes, Elenia will invest in its electricity network in 2023 €60 million less than previously planned.

d. Continuity of Operations

Elenia has the ISO 27001 information security management system certification in place since 2020 and it was externally audited in 2022 and successfully recertified in January 2023. Elenia continues to reinforce and improve cybersecurity awareness both internally and in cooperation with its partners and the National Cyber Security Centre Finland. Due to the geopolitical situation, cyber security in all businesses operating within critical infrastructure is extremely important.

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

e. Safety, Health and Sustainability

Elenia's sustainability program is aligned with the UN's Sustainable Development Goals and there are six selected goals that have strong links to Elenia's operations. For each of the goals, Elenia has set specific targets with the related KPIs.

In 2022, Elenia participated for the fifth time in the GRESB Infrastructure Assessment focusing on environmental, social and governance performance of real estate and infrastructure companies and assets worldwide. Elenia reached 96 points out of 100 and scored full five stars for the fifth consecutive year. The assessment is an important benchmark and research tool for continuous development and proves that the goals of sustainability have been led from a company level to a personnel level internally as well as to Elenia's supply chain.

Elenia has been approved for the Science Based Targets initiative climate target. As part of an ambitious future-oriented sustainability vision Elenia focuses on its own operations to reach carbon-neutrality. Elenia is committed to reduce absolute greenhouse gas Scope 1 and 2 emissions 42% by 2030 in accordance with the Paris Climate Agreement. Additionally, Elenia is committed to setting Net Zero targets that cover also the emissions from the entire value chain (Scope 1, 2 and 3). The Net Zero targets must be met by 2050 indicating a reduction of approximately 90% in emissions for the carbon footprint.

Elenia's personnel did not sustain any recorded accidents during the reporting period but there were altogether 8 recorded work-related accidents and one fatal incident for external contractor personnel in 2022 (19 in 2021). All accidents have been handled in accordance with Elenia's safety procedures in order to

⁵ Following the EMA amendment, the deadline was extended from 2028 to 2036.

prevent similar accidents in the future. Elenia together with its partners had an LTIF⁶ figure of 4.5 in 2022 (9.5 in 2021). The target is to ensure that all employees and partners work in a safe environment. Safety work is based on secure tools, processes and operating models. Elenia has signed the Safety Manifesto with its main contractors, aiming to show that they are jointly committed to safety and that everyone is entitled to return home healthy from work. This is monitored constantly on the highest level and all accidents are reported to the Board.

The EU taxonomy is a classification system establishing a list of environmentally sustainable activities. Approximately 97 % of Elenia's revenue, 97 % of capex and 79 % of operating expenses are taxonomy eligible. When assessing the alignment of Elenia's EU taxonomy eligible activities, the taxonomy eligible revenue, capex and operating expenses are in line with the criteria for climate change mitigation.

3. Changes to the Board of Directors

The following changes have taken place since the date of the previous Investor Report.

Rosa Villalobos has ceased to be a member of the board of directors of Elenia Holdings S.à r.l. and Elenia Investments S.à r.l. and was replaced by Viktor Schuh.

4. Financing and Hedging Position

In January, S&P Global Ratings ("S&P") downgraded the issue rating of Elenia Verkko Oyj from BBB+ to BBB. According to S&P the regulatory environment for DSOs in Finland had weakened as a result of the changes to the framework in the middle of the regulatory period.

There were no issuances during the reporting period.

Elenia continues to have a strong liquidity position. As at 31 December 2022, cash and cash equivalents were €51 million (€72 million in 2021) while the credit facilities consisting of €350 million Capex Facility, €60 million Working Capital Facility and €60 million Liquidity Facility were undrawn. Elenia has also agreed an undrawn loan in the amount of €100 million with the European Investment Bank. The weighted average maturity of Elenia's debt was 7.4 years at the end of 2022 (8.9 years at the end of 2021). The weighted average interest rate was 2.2% in 2022 (2.0% at the end of 2021).

The Hedging Ratio was 90.5% as at 31 December 2022 and Elenia was in compliance with the Hedging Policy.

5. Acquisitions or Disposals

There were no material acquisitions or disposals in the reporting period. However, Elenia acquired several powerlines in December 2022.

⁶ Lost Time Injury Frequency, the number of lost time injuries occurring in all Elenia's 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 one day. Total LTIF = (ΣLTIF*1,000,000 hours) / (Cumulative internal and external hours).

9. Confirmations

We confirm that as at 31 December 2022:

- (a) no Default or Trigger Event has occurred and was continuing
- (b) the Security Group was in compliance with the Hedging Policy; and
- (c) the statements set out in this Investor Report are accurate in all material respects;

Yours faithfully,



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Tommi Valento
Chief Financial Officer
Signing without personal liability, for and on behalf of
Elenia Verkkö Oyj as Security Group Agent