ANNUAL REVIEW

2020

ELENIA

GROUP STRUCTURE, OPERATIONS AND OPERATING AREA

ELENIA AT YOUR SERVICE

RELIABLE ELECTRICITY DISTRIBUTION SERVICES

Elenia Group consists of Elenia Oy, a provider of diverse services in the energy sector, and its wholly-owned distribution system operator Elenia Verkko Oyj.*

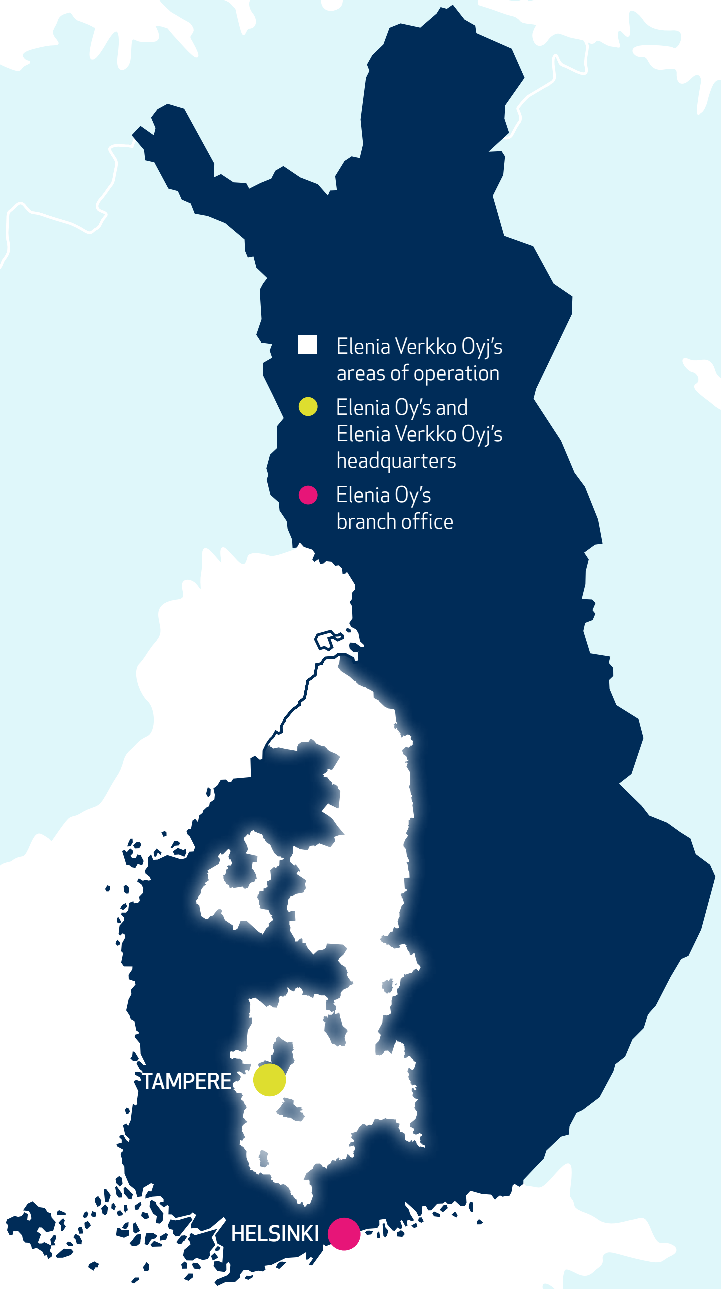
Elenia Oy

Elenia Verkko Oyj

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

Elenia Verkko Oyj distributes electricity to a total of circa 432,000 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 75,500 kilometres of electricity networks.

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



* During 2020, the Elenia Group's group structure changed significantly. Following the changes, the Group will consist of Elenia Oy (the current parent company, formerly Elenia Palvelut Oy) and its wholly-owned distribution system operator Elenia Verkko Oyj. The former Elenia Oy was the group's parent that merged into Elenia Verkko Oyj in July 2020. More information on changes in the Group structure can be found in the Board of Directors' Report and Financial Statements.

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

CONTENTS

THE SIGNIFICANCE OF HIGHLY FUNCTIONAL ELECTRICITY DISTRIBUTION WAS EMPHASISED DURING AN EXCEPTIONAL YEAR

Our operating environment in 2020 was characterised by three phenomena: the COVID-19 pandemic, the exceptionally warm and stormy weather as well as broad discussion in society regarding transmission prices.

The COVID-19 pandemic did not pose major problems for us and our partners. The transition to remote work and other precautionary measures went surprisingly smoothly. Like many other organisations, we had to take a quick leap forward in terms of adopting digital working methods. The switch to remote work created a new paradigm across the world, and I expect this will continue to influence our operations going forward.

UNFAVOURABLE WEATHER CONDITIONS WITH REGARD TO FINANCIAL PERFORMANCE

The past year in Finland was historically warm and stormy. The weather affected our financial performance in two ways. The large geographic coverage of our operations meant that Elenia and our customers were affected by nearly all of the storms seen in Finland during the year, which led to power outages for our customers and significant repair costs for us. The warm weather caused a substantial year-on-year decrease in electricity distribution volumes.

BROAD DISCUSSION ABOUT THE DEVELOPMENT OF DISTRIBUTION PRICES

There was broad discussion in Finnish society in 2020 about electricity distribution tariffs and the factors influencing their development. In my opinion, the discussion included certain misconceptions, and certain important perspectives were ignored.

The development of distribution tariffs should not be examined over a period of one or two years, as has been the case. The construction of new electricity networks takes decades, and the network serves customers for as long as 50 years, so the issue needs to be viewed through this lens. During the previous regulatory period, which ran from 2016 to 2019, the reasonable rate of return – which is a key factor in distribution tariffs – was increased to enable the

→

CONTENTS

funding of investments through increases in distribution tariffs. The increases were moderate for the most part and addressed an acute need. Without the increase in returns enabled by the price increases, the distribution system operators would not have been able to raise sufficient debt to carry out the investments necessary to satisfy the security of supply requirement. During the current regulatory period, the reasonable rate of return under the regulatory model is at a historic low, at 5.2% on average, and it is on a downward trend.

Some have suggested that the increases in tariffs result from network businesses having been sold to foreign investors. This is also a misconception as the owner or the price paid for a company has no impact on the reasonable rate of return stipulated by the regulatory model that governs the operations of network companies. Elenia's ownership has changed hands twice during the past 10 years. On these occasions, the company's expected returns have not been high enough for potential Finnish buyers.

GROWING QUALITY REQUIREMENTS FOR ELECTRICITY NETWORKS

The requirements concerning the resilience and functionality of electricity infrastructure will grow in the years to come for two reasons, both of which are related to global warming. Severe storms and blizzards have increased, leading to more damage to overhead lines. At the same time, the fight against climate change involves the growing generation of emission-free wind and solar power, the production volumes of which vary depending on the weather. As the quantity of electricity produced must always match the amount consumed, there is a need for new solutions to balance production and consumption. For these reasons, replacing old overhead lines with weatherproof networks and introducing new smart grid solutions will continue to be key priorities in our efforts to develop the electricity system.

During the past decade, Elenia has invested over one billion euros in the construction of a weatherproof network. Well over half of our network is now weatherproof. During the next few years, our network investments will continue approximately at the level of previous years.

Going forward, the focus of our development investments will shift towards smart grid construction, and we have several projects under way in that area. We partnered with Fortum in a pilot project in 2020 to deploy a battery bank that stores electricity to maintain balance in the electricity system and help prepare for outages. Under normal circumstances, the battery bank works together with the hot water boilers of thousands of households as part of Fortum's virtual battery, whose capacity serves as balancing power for the transmission grid. During power outages, it provides electricity for our customers and thereby improves the reliability of our electricity distribution.

Another one of our key development projects involves next-generation automatic electricity meters. They provide more real-time data on electricity consumption and enable the remote control of household electricity consumption as well as making balancing power available to the electricity markets. Test installations of the new meters began in the winter 2021. More information on this project and its significance is provided in the theme article on page 5.

A SUCCESSFUL YEAR IN THE SERVICE BUSINESS

The development of our energy industry service business is progressing according to plan. In 2020, we focused particularly on improving customer service quality and the customer experience. Consequently, Elenia's network business achieved its highest-ever score in our customer experience survey, for example. The projects to integrate customers into Elenia's customer information system environment progressed according to plan and the production roll-out of Lahti Energia's services was successfully achieved on schedule in September.

The industry currently faces a major shared challenge in the form of the Fingrid Datahub Oy national datahub deployment project. This represents a significant effort for the entire industry and the deployment is scheduled for February 2022.

We also continued our development efforts related to Elenia's fibre-optic business in 2020. The sales of fibre-optic connections developed according to plan and grew in line with our targets.

CONTINUED DEVELOPMENT OF OUR SUSTAINABILITY PROGRAMME

In our long-term sustainability efforts, our focus in 2020 was on the specification of the targets of our sustainability programme. Our short-term and long-term targets are largely related to occupational safety, customer satisfaction, the climate impacts of our operations and our customers' operations as well as the transition to a carbon-neutral society.

We received a full five stars for the third consecutive year in the Global Real Estate Sustainability Benchmark (GRESB), an assessment of sustainability in the infrastructure industry. Our score improved further compared to the previous year. A total of 406 infrastructure companies took part in the assessment around the world and we placed ninth. This result speaks to our excellent development in the area of sustainability.

ELECTRICITY DISTRIBUTION PLAYS A KEY ROLE IN THE DEVELOPMENT OF SOCIETY

The significance of the security of electricity supply and smart grid solutions is growing further as the digital transformation and automation of all areas of society continues and climate-related requirements call for the increasing use of renewable energy. We need secure and high-quality electricity along with technology solutions that enable the full use of solar and wind power in the energy market. Characterised by the COVID-19 pandemic and extreme weather phenomena, the year 2020 underscored the significance of undisrupted and weatherproof electricity distribution for the functioning of society as a whole.

At Elenia, we will continue our determined efforts to responsibly renew energy services and markets as well maintain the functionality of society and ensure smooth day-to-day living for its members. To conclude, I want to thank our customers, employees, partners and owners for their constructive cooperation during what was a highly exceptional year.

Tapani Liuhala
CEO

CONTENTS

ELENIA'S ELECTRICITY CONSUMPTION MEASUREMENT REFORM HARNESSES THE SMART GRID FOR CLIMATE ACTION

The energy sector is undergoing a major transformation globally. The fight against climate change involves an accelerating shift from fossil fuels to renewable energy, such as solar and wind power. At the same time, electricity consumption is growing in all areas of society.

The energy transition is comprehensively changing the entire energy system. There is a need for new solutions for energy generation and storage as well as demand control to correspond to the fluctuations in supply involved with seasonal and weather-dependent renewable energy. This transition is also influencing electricity network services, whose significance in enabling new solutions for energy production, storage and consumption is growing.

A balance must be maintained between the production and consumption of electricity at all times in the electricity network. The increase in weather-dependent generation comes with the need to maintain that balance by controlling consumption. Shifting electricity consumption away from the periods of peak consumption is incentivised by economic benefits, as the market price of electricity is always determined by the last and most expensive power plant that needs to be started during times of peak consumption.

Previously, the flexibility in electricity consumption has been provided only by large industrial enterprises that adjust their production volumes in exchange for compensation. In the future, small customers can also be included in the balancing market. Achieving the necessary flexibility in consumption automatically without disrupting daily life requires a smart grid as part of the electricity system.

For a couple of decades now, Elenia has developed its electricity network to create a smart platform for the electrification of society and incorporate decentralised production and demand response solutions into the network. Elenia's smart grid already represents the leading edge of international development.

NEW ELECTRICITY METERS ENABLE THE REAL-TIME CONTROL OF ELECTRICITY CONSUMPTION

Elenia's largest project related to smart grid development in the next few years is upgrading electricity meters to create a platform for new energy services. Elenia will install new smart meters for its customers to enable the real-time control of electricity consumption to achieve demand response without compromising on convenience in daily life.

The project began in 2019 with a pilot in which Elenia worked with partners to assess opportunities to use the electrical heating systems and hot water boilers of detached homes together with smart meters to balance electricity consumption. The project showed that the remote control of consumption can be achieved without compromising on living comfort.

In the spring of 2021, Elenia installs next-generation meters for approximately 3,000 customers in Orivesi. This test project will confirm the effectiveness of real-time electricity metering with a large group of customers. The goal is for all Elenia customers to have next-generation smart electricity metering in use by 2024.

The new meters provide even more accurate data on electricity consumption, which enables demand response to an increasing number of customers. By having their electrical devices turn on when the market price of electricity is at its lowest, customers receive clear financial benefits. From the perspective of the electricity market as a whole, households represent significant demand response potential. The smart grid working group of the Ministry of Economic Affairs and Employment, which operated from 2016 to 2018, estimated that the over one million households in Finland present a demand response potential of 1800 MW, which corresponds in scale to the new Olkiluoto 3 reactor.

ELENIA IS AN ENABLER OF THE ENERGY TRANSITION

As an distribution system operator, Elenia will not participate in the load control of its customers directly. Instead, Elenia will provide a future smart grid platform to enable the market participants to create services that increase energy efficiency and bring as many customers as possible into the demand response programs. In practice, customers agree on consumption control services with their electricity retailer or other market operator.

Over the next few years, solutions and services provided by market participants will be created on the platforms provided by Elenia and distribution system operators. These solutions and services will improve the energy efficiency of the electricity market and promote the use of renewable energy while allowing customers to continue to use electricity as before. Elenia assesses market development with a time horizon of several years and creates the conditions for the digital transformation of society as well as the transition of the electricity production structure towards carbon-neutral solutions. By doing this, Elenia participates in the fight against climate change and contributes to the energy transition towards a zero-carbon society.

CONTENTS

GROUP KEY FIGURES 2020

ELENIA VERKKO OYJ´S CUSTOMERS

432,000

OF WHICH WITHIN THE QUALITY REQUIREMENTS OF THE ELECTRICITY MARKET ACT 317,000

SÄHKÖVERKKOA

75,500 km

TOTAL UNDERGROUND CABLING RATE OF THE ELECTRICITY NETWORK

54.4%

TOTAL ELECTRICITY DISTRIBUTION VOLUME

6,032 GWh

ELENIA OY'S CUSTOMERS

1,050,000

END USERS

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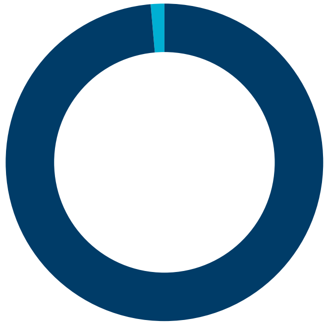
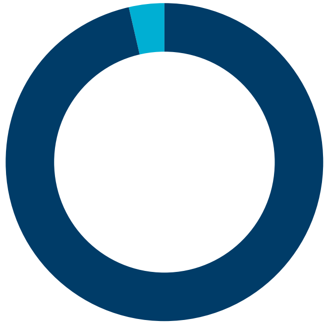
In the key figures, Elenia Verkko Oyj's revenue and investments include the revenue and investments of Elenia Oy for the first half of the year and Elenia Verkko Oyj for the second half of the year.

REVENUE BREAKDOWN, MEUR



ELENIA GROUP'S INVESTMENTS*, MEUR



CONTENTS

ELENIA'S STRATEGY

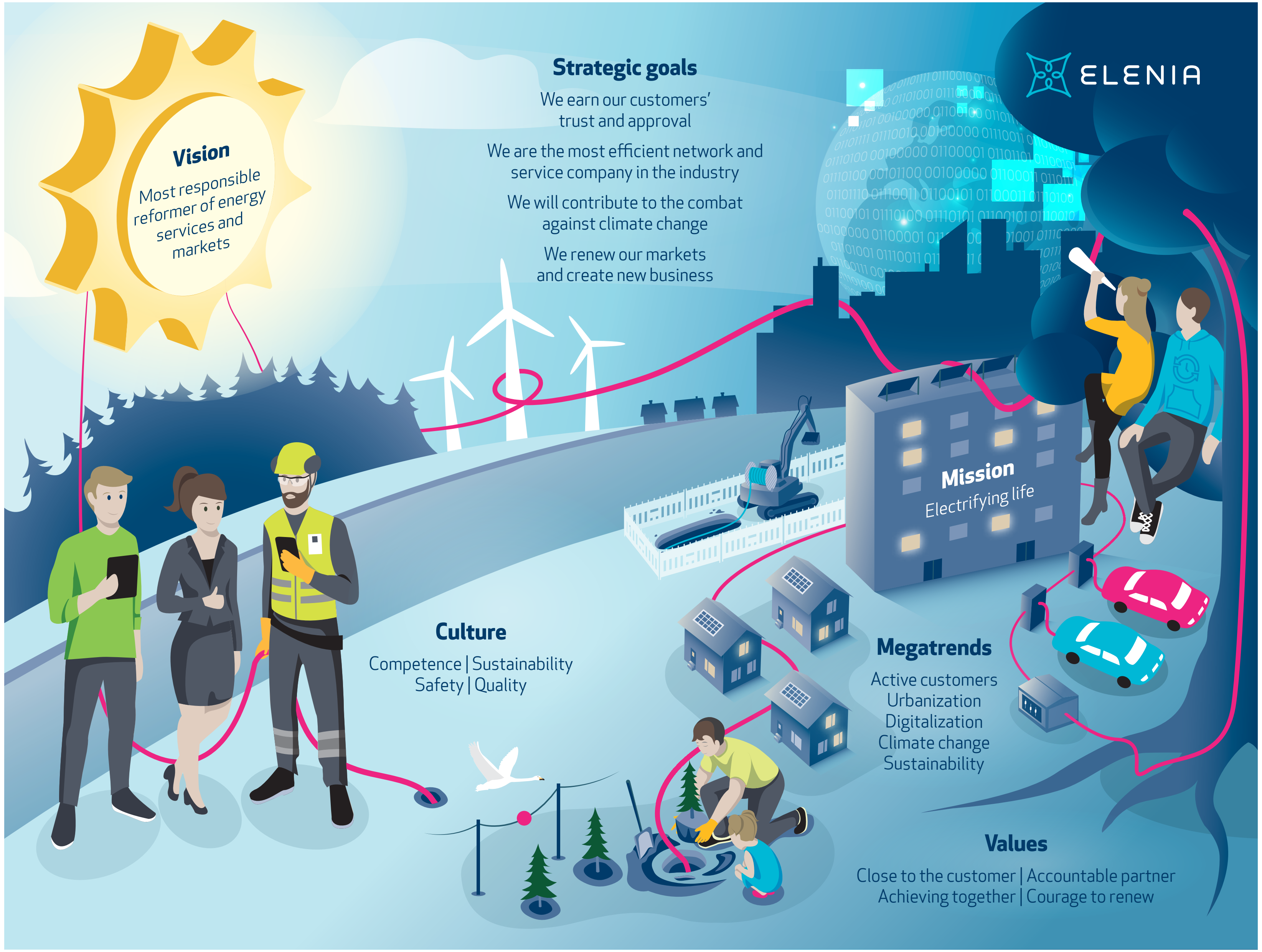
SUCCESS FACTORS

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



CONTENTS

REPORT OF THE BOARD OF DIRECTORS 2020

Elenia Group's Business Operations

Elenia Group's ("Elenia") group structure changed significantly in 2020. On 31 December 2020, the Group consisted of Elenia Oy (the parent company, previously named Elenia Palvelut Oy) and its fully-owned subsidiary Elenia Verkko Oyj[1] .

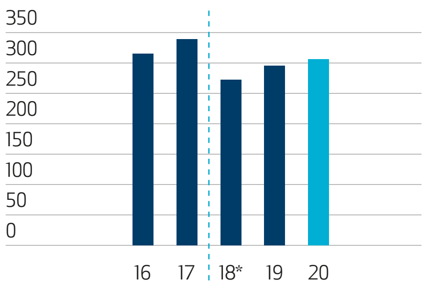
Elenia Group has four business lines:

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

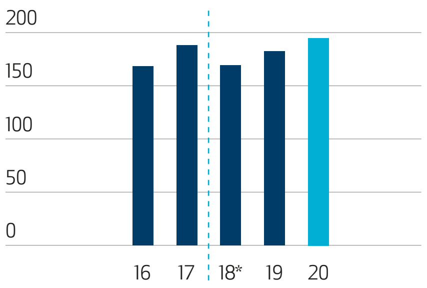
In 2019, the former Elenia Oy was the Group's parent company. The former Elenia Oy previously owned a district heating company (Elenia Lämpö Oy), which was divested to a consortium of infrastructure investors in July 2019. On 2 January 2020, Elenia Oy sold its shares in the wholly-owned subsidiary Elenia Palvelut Oy (the current Elenia Oy) to Elenia Investments S.à r.l., a new company established in 2019. Subsequently, on 2 January 2020, share transfers were carried out between the Elenia Group companies with the outcome that, effective from 2 January 2020, Elenia Group's operational parent company has been Elenia Oy (then named Elenia Palvelut Oy). In July, a series of mergers were carried out to merge the former Elenia Oy, Elenia Finance Oyj, Elenia Holdings S.à r.l. and Lakeside Network Investments Holding B.V. into Elenia Network Oyj.

1 In addition, Elenia Innovations Oy was established in 2020 as a wholly-owned subsidiary of Elenia Verkko Oyj. Elenia Innovations Oy had no business operations in 2020.

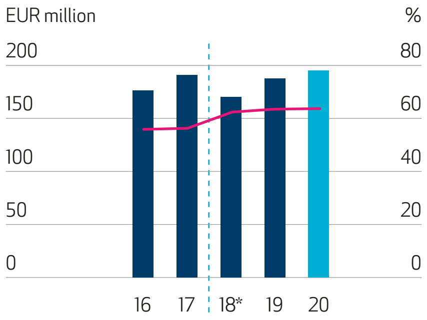
REVENUE



EBITDA



EBITDA** AND EBITDA MARGIN**



** excluding non-recurring and exceptional items

*) 2018–2020 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. 2016–2017 figures have not been restated.

ELENIA GROUP

(EUR million)	2020	2019	Change %
Revenue	306.3	295.6	3.6
EBITDA	195.1	182.6	6.9
EBITDA excluding exceptional and non-recurring items	195.5	187.9	4.1
EBITDA margin (excluding exceptional and non-recurring items)	63.8%	63.6%	

CONTENTS

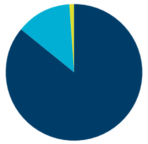
Financial Performance

Elenia Group's revenue in 2020 was EUR 306.3 million. The comparable revenue of the previous Elenia Group was EUR 295.6 million for the full year 2019. Revenue grew by EUR 10.8 million (3.6%). The positive development of revenue was mainly attributable to a tariff increase of approximately 9% implemented in September 2019. The actual increase for customers after taxes was approximately 6%.

EBITDA was EUR 195.1 million for the financial year. The comparable EBITDA of the previous Elenia Group was EUR 182.6 million in 2019. EBITDA increased by EUR 12.5 million (6.9%). EBITDA excluding non-recurring items was EUR 195.5 million for the financial year (EUR 187.9 million in 2019). The non-recurring items mainly consisted of expenses associated with the change in the group structure and compensation related to the bankruptcy estate of a contractor.

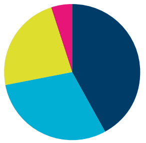
CUSTOMER SEGMENTS AND DISTRIBUTION VOLUMES, ELENIA OY

CUSTOMER SEGMENTS



- Residential 85%
- Agriculture, services and construction.... 13%
- Industry 1%
- Other.. 0%

ENERGY BY CUSTOMER SEGMENT



- Residential 42%
- Agriculture, services and constr.......... 30%
- Industry 23%
- Other.. 5%

Business Review – Network Business

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

With an electricity network of approximately 75,500 kilometres, Elenia Verkko Oyj supplies electricity to approximately 432,000 end users. In addition to residential customers, key customer segments include industrial, agriculture, service, construction and public sectors. The company has operations in more than 100 cities and municipalities spanning a geographical area of nearly 600 km in length across central Finland, from Southern Häme to Northern Ostrobothnia.

During the financial year, Elenia's network business distributed 6,032 GWh of electricity, compared to 6,362 GWh in the previous year. The decrease of 5.2% is mainly attributable to the exceptionally warm start to the year.

The revenue of the network business amounted to EUR 301.5 million (2019: EUR 294.3 million). Revenue grew by EUR 7.1 million (2.4%). The increase in revenue is attributable to the tariff increase implemented in September 2019, the full impact of which is reflected in revenue for 2020. Revenue growth was slowed by the exceptionally warm start to the year, which was reflected in lower distribution volumes. The impact of COVID-19 cannot be reliably determined, although the best estimate is that its effect is less than one per cent of revenue. The exceptionally warm weather in the early part of the year had a much more significant impact.

The EBITDA of the network business was EUR 197.1 million (2019: EUR 183.4 million). EBITDA increased by EUR 13.7 million (7.5%). The positive development of EBITDA was due to the increased revenue.

At the same time, profitability was negatively affected by several storms in 2020. The costs of Class 2–4 storms came to EUR 9.7 million (2019: EUR 12.4 million), consisting mainly of fault repair costs (EUR 5.8 million), mandatory compensations (EUR 3.3 million) and the voluntary outage compensation paid by Elenia (EUR 0.6 million).

There was an exceptionally large number of significant storm days in 2020 and Elenia prepared for storms a total of 12 times during the year. In early June, storm Suvi and the weather phenomenon named Otus by the Finnish Meteorological Institute caused power outages which, at one point, left more than 15,000 customer without electricity. The connections were restored within 48 hours. In September, storm Aila caused widespread damage in Elenia's network area. According to the Finnish Meteorological Institute, Aila was the third-most intense storm of the millennium after Janika (2001) and Tapani (2011). At its worst, nearly 34,000 customers were without electricity and restoring the connections took just over two days. In early November, nearly 13,000 customers were without electricity at one point during storm Topi. The connections were restored within 30 hours. Later in November, storm Liisa left more than 25,000 customers without electricity at its worst. The connections were restored within 70 hours.

SAIDI (System Average Interruption Duration Index), a measure of the duration of outages, was 217 minutes during the year (254 minutes in 2019). SAIDI excluding the impact of Class 3 and 4 storms was 70 minutes (87 minutes in 2019). 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 Verkko Oyj continued to invest in the electricity network in accordance with its network development plan during the financial year. The investment plan of Elenia's network business is designed to improve the security of supply through underground cabling. Since 2009, Elenia has built only weatherproof distribution networks. At the end of the year, 54.4% of Elenia's network was underground, compared to 49.6% at the end of 2019.

CONTENTS

The Electricity Market Act states that 100% of customers must be within the scope of the quality requirements by the end of 2028[2]. Elenia Verkko Oyj intends to achieve this target by increasing the underground cabling rate to 75% by the end of 2028. At the end of the year, 73% of the customers of Elenia's network business were within the scope of the quality requirements stipulated by the Electricity Market Act. The corresponding figure at the end of 2019 was 68%. While the main focus in the development of the security of supply is on underground cabling, Elenia is also exploring other means to improve the security of supply. During the past few years, Elenia has, for example, developed an efficient model for tree clearance outside line corridors, and in 2020, a battery pack was successfully deployed in the Kuru area to provide electricity to local households in case of an outage.

Elenia invested EUR 165.0 million in developing electricity networks during the financial year. In 2019, the corresponding investments were EUR 152.7 million. Investments in the electricity network will continue in 2021, with Elenia set to invest approximately EUR 160 million in constructing more than 3,000 kilometres of underground cables.

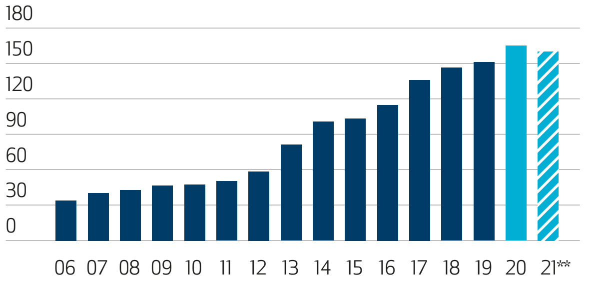
Elenia Verkko Oyj continued to further develop its asset management system according to the PAS 55-1:2008 standard and the international standard ISO 55001:2014. The requirements of both PAS 55 and ISO 55001 guide the construction, operation, maintenance and repairs of Elenia's electricity network. This 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 the suppliers and service providers commit to responsible, high-quality operations. The asset management system of Elenia's network business was recertified in November 2019 and, due to COVID-19, Lloyd's Register conducted the first part of the 2020 audit virtually in spring 2020, with the second part set to take place in late spring 2021.

The Energy Authority oversees the operations of Finnish distribution system operators. The regulation is based on four-year regulatory periods. The past year was the first year of the fifth regulatory period (2020–2023). The reasonable rate of return declined from 6.20% in 2019 to 5.73% in 2020 due to a change in the risk-free rate. For 2021, the Energy Authority has confirmed that the reasonable rate of return is 5.35%.

At the end of 2020, the Energy Authority issued a regulatory decision concerning the fourth regulatory period (2016–2019). In connection with issuing the decision, the Energy Authority published selected key indicators for all Finnish DSOs for 2019, including the Regulatory Asset Base (RAB) and the annual deficit/surplus. Elenia Network Oyj's RAB was EUR 1,793.3 million and its deficit was EUR 24.0 million. The cumulative regulatory deficit, which takes into account the surplus transferred over from the third regulatory period, amounted to EUR 75.6 million at the end of 2019.

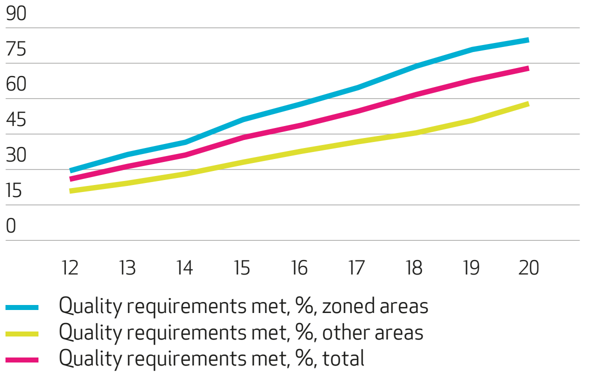
2 Pursuant to the Electricity Market Act, by the end of 2028, all customers (100%) must be connected to a secure network where outages cannot last more than 6 hours in zoned areas and not more than 36 hours in other areas. By the end of 2019, 50% customers must be connected to a secure network, 75% by the end of 2023 and 100% by the end of 2028. The Finnish Government is preparing amendments to the Electricity Market Act that, if enacted, would extend the transition period until the end of 2036.

TOTAL INVESTMENTS IN ELECTRICITY NETWORK 2006–2020, EUR MILLION*



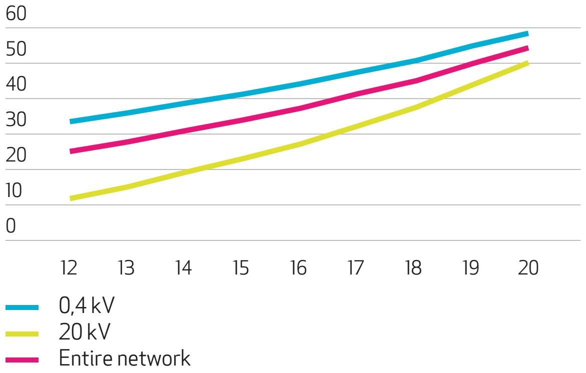
* excludes ICT system investments and the street lighting network
** estimate

CUSTOMERS COVERED BY THE QUALITY REQUIREMENTS 2012–2020, %



Pursuant to the Electricity Market Act, quality requirements will apply to 50% of customers by the end of 2020, 75% of customers by the end of 2023 and 100% of customers by the end of 2028.

UNDERGROUND CABLING RATE 2012–2020, %



CONTENTS

Business Review – Service Business

The year under review was a successful period for Elenia's service business. The customer service business has developed in line with expectations for the most part. No new customer relationships were acquired during the year due to the national Datahub project. In spite of this, revenue is on a clear growth path through increasing sales to existing customers. The integration of Lahti Energia Oy's Customer Information System was carried out in September 2020. Corresponding integration processes were carried out in January 2021 with Suur-Savon Sähkö Oy, Järvi-Suomen Energia Oy, Etelä-Savon Energia Oy and ESE-Verkko Oy.

The construction business also progressed according to plan. The bankruptcy of one contractor in 2019 created operational challenges, but the agreed-upon contracts were managed by making alternative arrangements. Contracting prices have remained stable. Elenia Oy has also continued its joint construction projects with municipalities and telecom companies.

The fibre business has developed favourably, and Elenia expanded its fibre network during the year under review. Implementation of 2020 fibre projects progressed well. Processes and information systems related to the fibre business have been developed and deployed.

Revenue from the service business was EUR 151.8 million (2019: EUR 24.5 million). The change in revenue is attributable to the transfer of the construction business to a separate company (the current Elenia Oy) at the beginning of 2019. The Group's external revenue totalled EUR 6.9 million (2019: EUR 4.0 million). Revenue growth was driven by the customer service business and customer relationships, where the full-year impact is reflected in 2020 figures for the first time.

The EBITDA of the service business was EUR 11.9 million (2019: EUR 2.4 million). The favourable development of EBITDA is attributable to the aforementioned internal business transfer.

The most significant development project in the service business concerns next-generation smart meters, which Elenia has developed in cooperation with several partners under a new innovation partnership model. The new meters will replace a fair amount of Elenia's over 430,000 existing meters during the period 2021–2024. The next-generation electricity meters provide market participants with access to more real-time data on electricity consumption as well as the opportunity to control demand response through electricity meters. A competitive tendering process has been carried out regarding the installation of the meters and the partner has been selected. Extensive Proof-of-Concept (POC) testing for the new meters began in January 2021.

Another highly significant project is the Datahub project led by Fingrid Oyj. The purpose of the project is to provide and develop a centralised data exchange service for the electricity market along with related services for the electricity market participants as well as manage the registered data required by the electricity market. The project is moving ahead, but there are timetable related challenges. There are also significant differences of opinion regarding the allocation of Datahub's development and maintenance costs between the market participants. Right from the start, Elenia has emphasised that the project's benefits to DSOs are extremely limited and emphasised the advantages of a market-based solution relative to the project being implemented.

Elenia Verkko Oyj uses a battery bank in Kuru that is owned and operated by Fortum. The battery pack enables the distribution of electricity in a limited area during power outages, thereby improving the security of supply of electricity from the customers' perspective at the same time giving Elenia and our partners time to restore power. Public procurement related to a larger scale purchase of battery packs began during the financial year.

Financing

Elenia Group's financing activities are centralised into Elenia Verkko Oyj. Prior to the corporate reorganisation, financing activities were centralised into Elenia Finance Oyj.

In February 2000, Elenia Finance Oyj issued EUR 500 million secured bonds with a maturity of seven years. The bonds carry a coupon rate of 0.375%, which is the lowest in Elenia's history. The new bond issue increased the weighted average maturity of Elenia's liabilities and reduced interest expenses. The funds were used for the Group's general business purposes, including approximately EUR 89 million for the repayment of the remaining portion of a EUR 500 million bond that matured in December 2020 as well as the repayment of drawdowns under the Group's existing credit facilities. Following the changes in group structure implemented in July, Elenia Verkko Oyj is now the borrower for all of the previously issued securities.

The Group's credit facilities consist of a EUR 350 million Capex Facility, a EUR 60 million Working Capital Facility and a EUR 60 million Liquidity Facility. The first two mature in June 2024 and the seven-year Liquidity Facility matures in June 2027.

Elenia Group's liquidity position developed favourably during the financial year. At the end of the year, cash and cash equivalents totalled at EUR 114 million (2019: EUR 29 million) and the credit facilities were entirely undrawn (EUR 320 million drawn at the end of 2019). The positive development of was attributable to the aforementioned bond issue.

During the financial year, Elenia also drew EUR 100 million from the EUR 150 million facility from the European Investment Bank, signed in December 2018. That facility has now been drawn in full. During the financial year, Elenia also agreed with the European Investment Bank on a new facility of EUR 100 million, which was entirely undrawn at the end of the year.

The bonds issued by Elenia Verkko Oyj are rated by Standard & Poor's ("S&P"). 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 announced the sale of the district heating business. The Group's corporate reorganisation had no impact on the credit rating. 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.

Elenia sold its district heating business in 2019 and, as a consequence, Elenia Oy is returning EUR 550 million of equity to its parent company during 2020–2023. Elenia Oy sold the shares of Elenia Lämpö Oy to a group of investors in 2019. The return of equity is not related to Elenia's network business. The meeting of Elenia Oy's shareholders decided the equity repayment to Elenia Oy's owner based on the interim financial statements as of September 30, 2020. The equity repayment was done from Unrestricted equity and was transferred to short-term payables in December 2020.

Elenia Group has two financial covenants in its financing agreements: Interest Coverage Ratio (ICR) and Leverage Ratio (LR). For each relevant period until 31 December 2027 ("the First Ratio Adjustment period"[3]), the

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

CONTENTS

trigger event ratio levels are 1.46x for ICR and 10.18x for LR and the default ratios are 0.96x for ICR and 11.33x for LR. At the end of 2020, the ICR and LR were 4.68[4] and 8.84 respectively. At the end of 2019, the corresponding levels were 3.55x and 8.65x. The improved ICR is attributable to the replacement of the previous EUR 500 million bond issued in 2013 with a higher coupon with a new bond of corresponding size, issued in February 2020.

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 2019, Elenia launched a process to simplify its group structure. As part of this process, on 2 January 2020, the previous Elenia Oy sold its shares in the wholly-owned subsidiary Elenia Palvelut Oy to Elenia Investments S.à r.l., a new company established in 2019. The final stages of the reorganisation were completed in July 2020.

The sole shareholder of Elenia Oy (then Elenia Palvelut Oy) Elenia Investments S.à r.l. has on 20 December, 2019 decided on a directed share issue with 50 shares to be issued. The subscription price according to the share issue decision was a total of EUR 2,207,400,000.00, which had to be paid in kind by transferring 1,800,000 shares in Lakeside Network Investments Holding B.V., ie the entire share capital of the company in question. The share subscription period took place on January 2, 2020. The subscription price of the shares is based on the valuation of the shares to be transferred in kind using the generally used valuation methods. The subscription price of EUR 2,207,400,000.00 was posted in full in Elenia Oy's invested unrestricted equity fund.

The current structure of Elenia Group consists of two operating companies in Finland: Elenia Oy and Elenia Verkko Oyj[5]. Elenia Verkko Oyj is the surviving entity from several mergers, including the mergers of Elenia Oy and Elenia Finance Oyj. Elenia Verkko Oyj is therefore the network licence holder, owner and operator of the electricity distribution network and owns all of the network assets that previously resided in Elenia Oy. Following the completion of the reorganisation, Elenia Verkko Oyj also acts as the borrower under the secured debt arrangements, including all of the bank facilities as well as bonds and private placements that previously resided in Elenia Oy and Elenia Finance Oyj. The new Elenia Oy is the parent company of the operating group. The credit rating agency S&P confirmed before the reorganisation that the reorganisation will not have an adverse impact on Elenia's credit rating.

Employees

Elenia has continued to streamline its organisation and the new organisation became operational on 1 January 2020. While several smaller changes were made to the organisation, the most significant change was the transfer of support functions and the related employees from the old Elenia Oy to the new Elenia Oy (which was named Elenia Palvelut Oy at the time). The transfer impacted 38 employees. In addition, two employees were transferred from Elenia Finance Oyj to Elenia Palvelut Oy (currently Elenia Oy).

	Dec 31, 2020		Dec 31, 2019	
	Headcount	FTE	Headcount	FTE
Elenia Group[6]	315	293	311	289

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

Acquisitions and Divestments

On 2 January 2020, the old Elenia Oy sold the share capital of the current Elenia Oy (named Elenia Palvelut Oy at the time) to Elenia Investment S.à r.l., which is part of the same Group.

Corporate Governance

There were changes in Elenia Oy's Board of Directors on 1 July 2020 as part of the change in group structure. The Board of Directors has eight members: Timo Rajala (Chairman), Sirpa Ojala, Mark Braithwaite, Thomas Metzger, Michael Pfennig, Eduard Fidler, Tapani Liuhala and Jorma Myllymäki. The composition of the new Board of Directors is the same as that of the previous Elenia Oy's Board of Directors. The new Board of Directors had convened four times by the end of December.

The company's previous Board of Directors until 1 July 2020 consisted of Tapani Liuhala (Chairman), Jorma Myllymäki, Ville Sihvola and Jarkko Kohtala. The old Board of Directors convened twice during the first half of the year and made two decisions in writing without convening.

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

The Group's management team consists of Tapani Liuhala (CEO), Jorma Myllymäki (Deputy CEO of Elenia Verkko Oyj), Ville Sihvola (Deputy CEO of Elenia Oy), Jarkko Kohtala (Director, Head of Procurement and Construction), Heini Kuusela-Opas (Head of Communications), Marianne Kihlman (Head of HR), Jenni Heinisuo (CIO) and Tommi Valento (CFO). General Counsel Teemu Hovi left the company during the financial year to pursue other opportunities. There were no other changes in the management team during the financial year.

Auditor

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

4 The Report of the Board of Directors as included in the consolidated financial statements of Elenia Oy and Elenia Verkko Oyj for the financial year 2020, states that the Interest Cover Ratio per 31 December 2020 as 4.67. Following a specification to the financials of one of the holding companies within the ring-fence, the ICR has been revised to 4.68.

5 Elenia Palvelut Oy changed its name to Elenia Oy on 1 July 2020 when the name Elenia Oy became available after the previous Elenia Oy merged with Elenia Network Oyj on 1 July 2020 and Elenia NewCo Oyj changed its name during the financial year to Elenia Network Oyj. In addition, Elenia Innovations Oy was established in autumn 2020 as a new subsidiary of Elenia Network Oyj. It has been included in the consolidated figures although it has no operational activities at present.

6 Comprises all of the employees of Elenia Oy, Elenia Network Oyj and Elenia Group Oy.

CONTENTS

Shares

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

Corporate Responsibility

Elenia's sustainability programme 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 (SDG 17)

For each of the six goals, the management has set specific goals and the related KPIs are monitored and reported on a monthly basis. In 2020, Elenia continued the development of its sustainability programme. Reporting is based on the GRI (Global Reporting Initiative) standards. The third sustainability report in the Group's history will be published in early 2021.

In 2020, Elenia participated for the third 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 performed in the three areas.

In 2020, a total of 406 infrastructure companies took part in the GRESB Infrastructure Assessment around the world. Elenia was ranked ninth in the overall results. Elenia scored a full five stars in the assessment and was awarded a total score of 96 (2019: 89), which is well above the average of the infrastructure companies that took part in the assessment.

Elenia utilises the GRESB Assessment results in developing and executing its own ESG development programme as well as in following the development of the industry.

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

Elenia updated its working ability management model in 2020. In March 2020, Elenia's employees switched extensively to remote work and the Group's efforts to promote overall well-being were consequently focused on resilience, ergonomics, the use of digital channels to ensure interaction and participation and, based on measurements, maintaining and developing psychosocial well-being. Elenia's well-being at work project in partnership with the occupational health service provider will continue in 2021.

Elenia 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 competence. Supervisors and employees working on sites are required to successfully complete Occupational Safety Card training and ensure that their statutory qualifications are up to date. Compliance with regulations is monitored on a regular basis. 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. The system was recertified in 2020.

Elenia operates in accordance with the principle of continuous improvement with the aim of being a leader 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. At the end of 2020, the lost time injury frequency[7] of Elenia and its partners was 10.0[8] (5.9 at the end of 2019). The target for 2021 is 3.0. Elenia has had a strong focus on occupational safety during the past few years. The actions taken have increased safety awareness among employees and partners, but they are not yet reflected in the LTIF. Elenia is determined to continue the development of new safety improvement initiatives and concepts until the target is achieved.

Environment

Elenia has a certified environmental management system. The Group's various companies have had ISO 14001 certification since 2008. Elenia's environmental management system was recertified in 2016 in accordance with the ISO 14001:2015 standard. In addition, external subcontractors are required to have environmental management systems that support their environmental work and are in line with the ISO 14001 standard. The external recertification audit of the system was organised in 2020.

The most significant environmental aspects of Elenia Group's operations are land use, the protection of soil and water areas, waste handling, the preservation of biodiversity, the control of greenhouse 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 an integral part of Elenia Group's corporate culture, and its operations are based on continuous improvement. The goal is to reduce the environmental impact of all operations and take a leading role in the industry with regard to environmental management.

Elenia has monitored the direct (Scope 1) and indirect (Scope 2) climate impacts of its operations in accordance with the GHG Protocol. Last year, the carbon footprint calculation was expanded by determining the other indirect emissions (Scope 3) of the Goup's operations for 2019. Elenia aims to identify and effectively manage the climate impacts of the organisation, products and services. In 2019, Elenia's fossil carbon footprint was 190,457 tCO_2e. Elenia's direct emissions amounted to 576 tCO_2e and represented only 0.3% of the total carbon footprint. Of the carbon footprint, 45% arises from Scope 3 fixed assets, including materials associated with electricity network investments, fibre network investments, earthworks and other investments. Purchased electricity with Scope 2 accounts for 36% of the carbon footprint. A further 13% consists of Scope 3 purchased products and services, including tariffs related transmission and regional networks, maintenance and other purchasing.

7 Lost Time Injury Frequency (LTIF), the number of lost time injuries occurring in all Elenia's activities per one million internal and external hours worked. Lost time injuries include all on-the-job injuries that lead to a person being absent from work for more than one day. Total LTIF = (ΣLTI*1,000,000 h) / (cumulative internal and external hours).

8 The Report of the Board of Directors as included in the consolidated financial statements of Elenia Oy and Elenia Verkko Oyj for the financial year 2020, states that the LTIF per 31 December 2020 as 9.5. Following a late report of an accident that took place in 2020 by one of Elenia's contractors, the LTIF has been revised to 10.0.

CONTENTS

Risk Management

The Finance, Treasury and Legal Affairs 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 support functions. In 2019, Elenia Group conducted a maturity study based on enterprise risk management (ERM) and is currently developing its risk management according tobest practices in line with the roadmap drawn up in 2019.

Cyber Security

Elenia has continued to reinforce cyber security awareness as a crucial part of the business internally and in cooperation with partners. During the financial year, Elenia completed an ISO 27001 Information Security Management System certification project that consisted of improvements in processes, documentation, technology and awareness. The certification was awarded in early 2020.

Events after the Balance Sheet Date

In late January 2021, the Finnish Government's proposal on amendments to the Electricity Market Act was submitted to the parliament. The first version of the proposal was circulated for comment in early 2020 and the final proposal changed to some extent during the one-year legislative drafting process. The key proposed amendments relative to the current Electricity Market Act are as follows:

- DSOs – such as Elenia Verkko Oyj – whose underground cabling rate of the medium-voltage network is 60% or lower (at the end of 2018) would have until 2036 to comply with the full quality requirements (as opposed to the end of 2028 as stipulated under the existing EMA).
- DSOs would be allowed to increase their electricity distribution tariffs by up to an aggregate 8% (on tariffs after taxes) over any rolling 12-month period. The current cap is 15%.
- The offsetting period of a DSO's cumulative regulatory deficit would be extended from four to eight years, i.e., two consecutive regulatory periods, if the aforementioned cap on tariff increases has led to a deficit.
- The network development plan would be reviewed more extensively by the Energy Authority to make sure that the DSOs invest efficiently and also consider other alternatives to investments. A DSO would need to consult its appropriate customers regarding the network development plan, and the network development plan would need to be published together with the results of said hearings.
- The level of mandatory compensations payable on outages that last for more than 12 hours would be increased in cases where the outage lasts for more than 48 hours.

The Energy Authority is presumed to omit make changes to the existing confirmed regulatory methods when the legislative amendments have entered into force. The changes expected include an update to the unit prices, a reduction in the reasonable rate of return (WACC) to approximately 4 per cent, and the removal of the security of supply incentive from the regulatory methods. Based on the information presented at the time of the publication of the legislative proposal, the amendments would enter into force already during the current fifth regulatory period and potentially as early as the beginning of 2022.

Outlook

Anticipating the impact of changes in Elenia's operating environment is exceptionally difficult at present. The regulated electricity network business is characterised by a high degree of predictability, which is highlighted by the fact that regulatory methods are confirmed in advance for an eight-year period. The public debate on electricity distribution tariffs that has been going on for several years has had a significant impact on the amendment to the Electricity Market Act. Furthermore, the legislative amendment is pushing the Energy Authority to change previously confirmed regulatory methods in the middle of the fifth regulatory period. This is highly unorthodox and would damage Finland's reputation as a stable investment environment. Pressure from policy-makers towards the Energy Authority may also substantially weaken the Energy Authority's credibility as an independent regulator.

The extent of the changes and their impact on Elenia's operations are very difficult to forecast at this time. However, it is clear that all of the proposed changes to the regulatory methods would have a negative effect on Elenia's operations. Nevertheless, Elenia intends to continue the implementation of its significant investment programme as planned, even if amendments to the Electricity Market Act were to enable the postponement of investments by as much as eight years. A weatherproof electricity network and undisrupted electricity distribution are in the best interest of Elenia's customers and society as a whole. The increase in extreme weather phenomena proves that the decision made in 2009 to exclusively build weatherproof networks was the correct one. Naturally, we are also developing other methods to improve the security of supply alongside underground cabling. One of the cornerstones of Elenia's operations is stability and a long-term horizon, which is reflected in our effort to maintain price stability to our customers and even out the impact of regulatory changes over time.

There is demand for the customer service-related services that Elenia offers to other energy companies but, at the same time, there is intense competition for new customer relationships. Elenia's advantages include an in-depth understanding of the customer's business and the ability to solve problems during a single instance of contact. Elenia will also continue the development of the fibre business, which is a long-term effort that requires significant investment.

While the global COVID-19 pandemic had a significant impact on the general business environment in 2020, its effect on Elenia Group's operations has been nominal. Electricity consumption has not changed significantly during the pandemic. The slightly higher consumption among private customers has partially compensated for the slight decrease in the volumes of corporate customers. The most significant impact of the pandemic has involved Elenia Oy's employees in the form of an exponential increase in remote work. Elenia Oy began operating entirely remotely in March 2020 and employees subsequently returned to offices in the summer. The second wave of the pandemic led to another increase in remote work as well as restrictions on face-to-face meetings and, for example, the permitted capacity of conference rooms was reduced to maintain safe distances. The transition to the remote work was successful and the feedback from Elenia's employees has been positive with regard to the support provided by the Group and its management during the pandemic. The pandemic was also anticipated to have an effect on material purchasing, with difficulties expected with regard to the availability of certain network components. Nevertheless, the Group has coped well with the challenging circumstances. Elenia continues to monitor the situation closely and will react to changes as necessary. There are no indications that the pandemic would cause significant challenges to Elenia in 2021 either.

The Board of Directors' Dividend Proposal

The Board of Directors proposes that no dividend be distributed.

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

EUR 1,000	Note	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Continuing operations			
Revenue	2.1.1	**306,340**	**295,558**
Other operating income	2.2.1	3,558	3,016
Materials and services		-75,273	-76,291
Employee benefit expenses	2.3.3	-14,983	-14,241
Depreciation, amortisation and impairment	3	-83,478	-83,908
Other operating expenses	2.3.1	-24,510	-25,424
Operating profit		**111,654**	**98,711**
Finance income		3,140	873
Finance costs		-44,895	-85,051
Finance income and costs	4.1	**-41,755**	**-84,178**
Profit before tax from continuing operations		**69,899**	**14,533**
Income tax	6.1.1	-13,380	-2,568
Profit for the year from continuing operations		**56,519**	**11,965**
Discontinued operations	5.4		
Sales profit of discontinued operations		-	335,911
Profit after tax for the year from discontinued operations		-	8,250
Profit for the year		**56,519**	**356,126**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

EUR 1,000	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Profit for the year	**56,519**	**356,126**
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	131	-27
Income tax effect	-26	5
Other comprehensive income / (loss) for the year after tax	105	-22
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
Income tax effect	-	-1
Other comprehensive income / (loss) for the year after tax	-	537
Total comprehensive profit for the year	**56,624**	**356,641**

CONTENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
Assets			
Non-current assets			
Property, plant and equipment	3.1	1,473,166	1,391,762
Goodwill	3.2	417,823	417,823
Intangible assets	3.2	22,343	19,657
Right-of-use assets	3.1, 3.3	4,662	9,015
Other non-current financial assets		194	196
Other interest bearing receivables	6.3	274,695	159,576
Deferred tax assets	6.1.2	8,120	4,421
Total non-current assets		**2,201,003**	**2,002,450**
Current assets			
Trade receivables	2.1.4	22,601	20,148
Other current receivables	2.1.4	40,081	39,925
Cash and cash equivalents		113,780	29,178
Total current assets		**176,462**	**89,251**
Total assets		**2,377,464**	**2,091,701**

EUR 1,000	Note	31 Dec 2020	31 Dec 2019
Equity and liabilities			
Equity			
Share capital	4.4	3	3
Unrestricted equity	4.4	-548,274	2,000
Retained earnings	4.4	288,501	217,648
Total equity		**-259,771**	**219,651**
Non-current liabilities			
Loans from financial institutions	4.2	150,000	370,000
Bonds and notes	4.2	1,681,082	1,183,897
Lease liabilities	3.3	1,433	5,800
Employee benefit liability	6.2	336	473
Provisions	2.3.4	8,168	7,907
Liabilities related to contracts with customers	2.1.3	22,601	15,899
Other long-term liabilities		976	946
Deferred tax liabilities	6.1.2	127,468	115,720
Total non-current liabilities		**1,992,064**	**1,700,642**
Current liabilities			
Bonds and notes	4.2	-	88,920
Lease liabilities	2.3.2, 3.3	4,460	4,428
Trade payables	2.3.2	14,980	10,519
Liabilities related to contracts with customers	2.1.3	842	568
Other current liabilities	2.3.2	624,889	66,974
Total current liabilities		**645,170**	**171,408**
Total equity and liabilities		**2,377,464**	**2,091,701**

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

CONTENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

EUR 1,000	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Operating activities		
Profit for the year	56,519	356,126
Adjustments to reconcile profit to net cash flows		
Depreciation, amortisation and impairment	83,478	89,730
Gains and losses on the disposal of non-current assets	-	-335,892
Finance income	-3,140	-878
Finance costs	44,895	85,051
Taxes	13,380	2,160
Other adjustments	14	35
Other short-term and low value rental expenses	59	232
Working capital adjustments		
Increase (-) / decrease (+) in inventories	-	352
Increase (+) / decrease (-) in trade and other current liabilities	19,714	12,609
Increase (-) / decrease (+) in trade and other current receivables	-3,194	2,497
Increase (+) / decrease (-) in provisions	261	388
Dividends received	-	48
Interests received	119	199
Interest and financial expenses paid	-40,690	-65,181
Interest paid on other long-term loans	-	-15,747
Interest paid on lease liabilities	-1,052	-1,082
Taxes paid	-5,352	-11,623
Net cash flows from operating activities	**165,011**	**119,025**

EUR 1,000	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Investing activities		
Subsidiary shares sold	-	245,608
Proceeds from discontinued operations	-	335,914
Cash of acquired subisidaries	174	-
Capital expenditure	-164,434	-166,098
Changes in investments	41	25
Net cash flows used in investing activities	**-164,218**	**415,449**
Financing activities		
Owners' equity investment	14,800	-
Proceeds from short-term borrowings	-	-
Repayment of short-term borrowings	-89,024	-40,000
Proceeds from long-term borrowings	600,000	495,000
Repayment of long-term borrowings	-320,000	-806,161
Payment of debt arrangement costs	-4,515	-489
Repayment of lease liabilities	-4,452	-4,836
Loans granted	-113,000	-158,420
Net cash flows from financing activities	**83,809**	**-514,907**
Net increase in cash and cash equivalents	**84,602**	**19,567**
Cash and cash equivalents at 1 January	29,178	17,383
Change in cash and cash equivalents	84,602	11,795
Cash and cash equivalents at 31 December	**113,780**	**29,178**
Cash and cash equivalents, Discontinued operations (Note 5.4)		**7,772**

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

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

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

CONTENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

EUR 1,000	Share capital	Unrestricted equity: 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	-	-	541	541
Total comprehensive income for the year	**-**	**-**	**356,645**	**356,645**
Equity at 31 December 2019	**3**	**2,000**	**217,648**	**219,651**

for the year ended 31 December 2020

EUR 1,000	Share capital	Unrestricted equity: Reserve for invested unrestricted equity	Unrestricted equity: Common control reserve	Retained earnings	Total equity
Equity at 1 January 2020	**3**	**2,000**	**-**	**217,648**	**219,651**
Profit for the year, continuing operations	-	-	-	56,519	56,519
Other components of comprehensive income (adjusted by tax effect)					
Change in defined benefit plans, continuing operations	-	-	-	105	105
Total comprehensive income for the year	**-**	**-**	**-**	**56,624**	**56,624**
Transactions with shareholders					
Equity investment	-	2,207,400	-	14,228	2,221,628
Restructurings changes	-	-	-2,207,674	-	-2,207,674
Return of equity	-	-550,000	-	-	-550,000
Total transactions with shareholders	**-**	**1,657,400**	**-2,207,674**	**14,228**	**-536,046**
Equity at 31 December 2020	**3**	**1,659,400**	**-2,207,674**	**288,500**	**-259,771**

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

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

CONTENTS

1 GROUP ACCOUNTING POLICIES

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

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

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

1.1 GENERAL INFORMATION

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

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

Elenia Group is the owner and operator of an electricity distribution network (Elenia Verkko Oyj, 'Elenia Networks') and it also has a customer service business, construction business and intercompany services (Elenia Oy, 'Elenia Services'). There have been done reorganisations in legal structure which are explained in more details in Notes 1.4.1 and 1.4.3.

The Board of Directors approved the consolidated financial statements on 3 March 2021. 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 2020 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 2020. 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.

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.

CONTENTS

GOING CONCERN

The consolidated financial statements are prepared on a going concern basis. The Board of Directors has noted that the Group made a profit before tax for 2020 of EUR 69,899 thousands and has a net equity of EUR -259,771 thousands as at 31 December 2020.

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

The Group has issued bonds under the EUR 3 billion EMTN programme. In February 2020 Elenia Verkko Oyj (Elenia Finance Oyj) issued a new EUR 500.0 million benchmark bond maturing in 2027. As at 31 December 2020, the Group has utilized 1,171 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 570 million from a syndicate of international banks and European Investment Bank (as fully described in Note 4.2).

In July 2019 former parent company Elenia Oy (business ID 2445423-4), 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 was to i) simplify the existing structure, ii) cure the negative equity of Network business company (former Elenia Oy and current Elenia Verkko Oyj business ID 3001882-6) and iii) ensure the operating assets of the regulated network business are within the same entity as interest costs. This was a common control reorganization (i.e. ultimate ownership of the Group didn't change) and the operations of the Group remain same. More about restructurings under common control in Note 1.4.3.

As part of the reorganization, the following steps were taken in 2019 and in 2020:

- During 2019, Elenia Palvelut Oy (current parent company, renamed as Elenia Oy subsequently, business ID 2658611-8) incorporated Elenia Newco Oyj (renamed as Elenia Verkko Oyj subsequently) as its direct subsidiary
- During 2019 also in upper group 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 former parent of the operational Group, business ID 2445423-4) 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. first to parent entity Elenia Oy and forward ta the same day to to Elenia Verkko Oyj. Equity investment of EUR 2,207 million to the invested unrestricted equity fund were posted to Elenia Oy. The addition is presented in Note 4.4.
- These steps in January 2020 caused that the parent company of operational Group changed from Elenia Oy (business ID 2445423-4) to Elenia Palvelut Oy (renamed as Elenia Oy subsequently, business ID 2658611-8) and new Elenia Verkko-subgroup formed.
- In July 2020, Elenia Oy (the former parent of the operational Group, business ID 2445423-4) merged upstream into Elenia Verkko Oyj, with Elenia Verkko Oyj is the surviving company.
- In July 2020, Elenia Finance Oyj (business ID 2584057-5) merged into Elenia Verkko Oyj, with Elenia Verkko Oyj is the surviving company.
- In July 2020, Elenia Finance (SPPS) S.à r.l. (business ID B181775) merged into Elenia Holdings S.à r.l. (business ID B181773) with Elenia Holdings S.à r.l. is the surviving company.
- In July 2020, Elenia Holdings S.à r.l. and Lakeside Network Investments Holding B.V. (business ID 53150309) merged into Elenia Verkko Oyj, with Elenia Verkko Oyj is the surviving company.
- After all the above mergers Elenia Palvelut Oy (current parent company, business ID 2658611-8) was renamed as Elenia Oy.
- In December 2020 new holding entity Elenia Innovations Oy was established as subsidiary of Elenia Verkko Oyj. As at 31 December 2020 Elenia Verkko- subgroup consists of Elenia Verkko Oyj (business ID 3001882-6) and Elenia Innovations Oy (business ID 3173274-8) and operational Elenia Group consists of parent company Elenia Oy (business ID 2658611-8) and Verkko- subgroup.

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

Considering the reorganization steps that was taken in 2020, former parent Elenia Oy was merged into Elenia Verkko Oyj and assets and liabilities were therefore transferred to Elenia Verkko Oyj. Given that the Secured Creditors 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 were 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.

1.4.3 Restructurings under common control

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

Currently, there is no specific guidance on accounting for common control transactions under IFRSs. The IASB has a project on this topic with a view to examing the definition of common control and the methods of accounting for business combinations under common control in the acquirer's consolidated and separate financial statements. At the time of preparation of these consolidated financial statements, this project is still under study by the IASB. They published a Discussion paper in November 2020 to where comments should be received by 1 September 2021.

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

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

CONTENTS

2 OPERATING PROFIT

2.1 REVENUE AND TRADE AND OTHER CURRENT RECEIVABLES

2.1.1 Contracts with customers: revenue recognition and payment terms

ACCOUNTING POLICY

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

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

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

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

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

2.1.2 Disaggregation of revenue

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

REVENUE BY TYPE OF SERVICE

EUR 1,000	2020	2019
Distribution of electricity	297,185	287,708
Customer service operations	6,881	3,992
Connection fees	707	422
Other revenues	1,568	3,436
Total, continuing operations	**306,340**	**295,558**

TIMING OF REVENUE RECOGNITION

EUR 1,000	2020	2019
Transferrred at a point in time	305,634	295,137
Transferred over time	707	422
Total, continuing operations	**306,340**	**295,558**

2.1.3 Liabilities related to contracts with customers

EUR 1,000	2020	2019
Non-current liabilities related to contracts with customers	22,601	15,899
Current liabilities related to contracts with customers	842	568
Total	**23,443**	**16,467**

Liabilities related to contracts with customers include the unrecognised part of new connection revenue for the electricity 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.

CONTENTS

2.1.4 Trade and other current receivables

ACCOUNTING POLICY

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	2020	2019
Trade receivables	22,601	20,148
Accrued income and prepaid expenses	39,812	39,630
Other current receivables	269	295
Total trade and other receivables	**62,682**	**60,073**

BREAK-DOWN OF ACCRUED INCOME AND PREPAID EXPENSES

EUR 1,000	2020	2019
Sales accruals	36,552	36,203
Accrued financial items (prepayments)	858	1,437
Other accrued income and receivables	2,402	1,990
Total accrued income and prepaid expenses	**39,812**	**39,630**

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.

The global Covid-19 pandemic had a significant impact on the business environment during 2020, but its impact on Elenia Group's credit risk has been very small.

TRADE RECEIVABLES

The Group's trade receivables at the end of 2020 were EUR 22.6 million (2019: EUR 20.1 million). EUR 0.0 million collateral securities were received for trade receivables (2019: EUR 0.1 million).

CONTENTS

IMPAIRMENT OF TRADE RECEIVABLES

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

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

The calculation of the amount of credit loss reserve is based on the 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 these customer groups in the calculation.

CHANGE IN EXPECTED CREDIT LOSSES

EUR 1,000	2020	2019
Expected credit loss 1 Jan	611	655
Additions	764	595
Credit losses	-706	-639
Expected credit loss 31 Dec	**669**	**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 2020	Trade receivables				
EUR 1,000	Undue	1–90 days	91–180 days	Over 180 days	Total
Trade receivables by age	18,688	3,411	282	889	23,270
Expected credit loss rate, private customers	0.1%	4.0%	35.9%	11.1%	
Expected credit loss, private customers	-16	-135	-101	-99	-351
Expected credit loss rate, company customers	0.0%	0.5%	2.5%	32.5%	
Expected credit loss, company customers	-4	-17	-7	-289	-318
Total expected credit losses	**-20**	**-153**	**-108**	**-388**	**-669**
Total trade receivables	**18,668**	**3,259**	**174**	**501**	**22,601**

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**

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.

CONTENTS

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	2020	2019
Rental income	18	28
Indemnities	1,096	210
Income from the trade receivables collection	1,097	1,084
Income from the sales of obsolete materials and used fixed assets	917	889
Other operating income	420	805
Total, continuing operations	**3,549**	**3,016**

2.3 OTHER OPERATING EXPENSES AND RELATED LIABILITIES

ACCOUNTING POLICY

2.3.1 Other operating expenses

Outage compensations

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

Research and development costs

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

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

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

OTHER OPERATING EXPENSES

EUR 1,000	2020	2019
Lease expenses	-293	-554
External services	-7,173	-7,034
IT and communication expenses	-8,106	-5,965
Research and development costs	-1,806	-1,646
Marketing and communications	-888	-821
Insurances	-299	-296
Mailing expenses	-293	-259
Other personnel expenses	-744	-918
Travelling expenses	-243	-493
Outage compensation costs	-3,470	-4,101
Other expenses	-1,196	-3,338
Total, continuing operations	**-24,510**	**-25,424**

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

CONTENTS

AUDIT FEES

EUR 1,000	2020	2019
Auditing fees	-413	-290
Fees for tax services	-50	-64
Fees for other services	-88	-5
Total, continuing operations	**-550**	**-358**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2021 reporting period.

AUDITING FEES

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

2.3.2 Trade and other current payables

TRADE AND OTHER CURRENT PAYABLES

EUR 1,000	2020	2019
Short-term financial lease liabilities	4,460	4,428
Trade payables	14,980	10,519
Accrued expenses		
Employee benefits expenses	5,165	4,823
Interest expenses	14,153	13,282
Other accrued expenses	15,449	17,079
Liabilities related to contracts with customers	842	571
Other liabilities		
VAT liability	15,706	15,146
Energy taxes	8,955	9,742
Tax liability for the period	1	1
Prepayments received	7,656	1,229
Equity repayment liability	550,000	-
Other liabilities	7,803	5,669
Total	**645,170**	**82,489**

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.

CONTENTS

2.3.3 Employee benefits expenses

EUR 1,000	2020	2019
Salaries and remuneration	-12,230	-11,521
Pensions		
Defined contribution plans	-2,373	-2,484
Defined benefit plans	-	-3
Social security costs	-380	-233
Total, continuing operations	**-14,983**	**-14,241**

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

EUR 1,000	2020	2019
Salaries and remuneration paid to CEO, continuing operations		
Salaries and other short-term employee benefits	-334	-296
Other long-term employee benefits	-164	-174
Pension expenses related to salaries and employee benefits	-90	-85
Salaries and remuneration paid to other key members of the management, continuing operations *		
Salaries and other short-term employee benefits	-1,277	-1,177
Other long-term employee benefits	-253	-242
Pension expenses related to salaries and employee benefits	-258	-238

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

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

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

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

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

Key management includes management team and Board members of Elenia Oy. In 2020, the remunerations related to the 2015–2017, 2016–2018 and 2017–2019 programmes were paid. During 2020 there were three programmes on-going: 2018–2020, 2019–2021 and 2020–2022.

During 2020 EUR 620 thousand (2019: 595 thousand) were recognized as an expense and EUR 416 thousand (2019: EUR 416 thousand) were paid out related to the long-term incentive plan. During 2020 EUR 1.5 million (2019: EUR 1.4 million) were booked as a liability related to the long-term incentive plan.

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

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

CONTENTS

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 (discontinued operation in 2019) 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
2020

EUR 1,000	Provision for refunds of connection fees	**Total**
Provisions at 1 January 2020	7,907	7,907
Increase	659	659
Use of provisions	-398	-398
Provisions at 31 December 2020	**8,168**	**8,168**

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
Use of provisions	-	-337	-337
Provisions at 31 December 2019	**0**	**7,907**	**7,907**

CONTENTS

3 INVESTMENTS AND LEASE COMMITMENTS

3.1 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

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

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

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

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

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

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

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

Buildings and structures	15–50 years
Electricity transmission network	25–40 years
Electricity distribution network	10–30 years
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.

CONTENTS

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 2020	2,081	7,300	2,254,168	157,044	56	22,434	2,443,083
Additions	25	24	150,217	2,506	-	5,073	157,846
Disposals	-	-	-14,640	-2,457	-	-	-17,097
Transfers between balance sheet items	-	-	-	52	-	-52	-
Cost at 31 December	**2,105**	**7,325**	**2,389,745**	**157,146**	**56**	**27,455**	**2,583,832**
Accumulated depreciation, amortisation and impairment at 1 January 2020	-	-5,534	-899,924	-136,794	-54	-	-1,042,305
Depreciation and amortisation for the year	-	-675	-66,780	-6,864	-1	-	-74,320
Accumulated depreciation and amortisation on disposals	-	-	14,640	1,889	-	-	16,529
Impairment for the year*	-	-	-5,908	-	-	-	-5,908
Accumulated depreciation, amortisation and impairment at 31 December 2020	**-**	**-6,209**	**-957,972**	**-141,769**	**-54**	**-**	**-1,106,004**
Book value at 31 December 2020	**2,105**	**1,116**	**1,431,773**	**15,377**	**2**	**27,455**	**1,477,828**
Book value at 31 December 2019	**2,081**	**1,766**	**1,354,244**	**20,250**	**3**	**22,434**	**1,400,778**

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
Adjustment of cost at 1 January 2019, Right-of-use assets additions	-	-	-	-	-	-	-
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	-	-	-353	-	-	-	-353
Accumulated depreciation and amortisation on disposals	-	-	12,138	60	-	-	12,198
Impairment for the year*	-	-	-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**

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

CONTENTS

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. According to the estimate of the Group's management, they are not treated as lease contracts under IFRS 16.

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

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

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

Amortisation periods for intangible assets

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

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

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

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

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

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

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

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). .

CONTENTS

INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	Other intangible assets	**Total**
Cost at 1 January 2020	417,823	21,598	35,329	-	474,750
Additions	-	265	5,725	-	5,990
Disposals	-	-	-122	-	-122
Cost at 31 December 2020	**417,823**	**21,863**	**40,932**	**-**	**480,617**
Accumulated depreciation, amortisation and impairment at 1 January 2020	-	-13,184	-24,087	-	-37,271
Depreciation and amortisation for the year	-	-513	-2,737	-	-3,250
Accumulated depreciation and amortisation on transfers	-	-	68	-	68
Accumulated depreciation, amortisation and impairment at 31 December 2020	**-**	**-13,697**	**-26,755**	**-**	**-40,452**
Book value at 31 December 2020	**417,823**	**8,165**	**14,177**	**-**	**440,165**
Book value at 31 December 2019	**417,823**	**8,414**	**11,243**	**-**	**437,479**

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**	**-**	**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**	**-**	**-37,271**
Book value at 31 December 2019	**417,823**	**8,414**	**11,243**	**-**	**437,479**
Book value at 31 December 2018	**515,606**	**13,755**	**10,737**	**63,504**	**603,602**

Other intangible assets mainly consisted 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..

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. The calculations are based on the current business and regulatory environment, and the potential effects of the Government proposal of the amendment of the Energy Market Act (HE 265/2020) and its implications in the regulatory methods have not been included in the management estimates in the impairment testing calculations. Long term capital expenditure plans have been prepared in order to meet the security of supply requirements 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 4.8% based on the prevailing return and risk assumptions in the business (the applied pre-tax discount rate in 2019 was 5.2%).

CONTENTS

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

	2020	2019
Change in discount rate, %-points	6.5	5.7

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

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 2020 was approximately EUR 59 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 2020 was approximately EUR 246 thousand.

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

CONTENTS

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.

CONTENTS

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 2020	1,473	7,543	9,015
Additions	24	37	61
Disposals	-	-32	-32
Depreciations	-664	-3,719	-4,382
As at 31 December 2020	**833**	**3,829**	**4,662**

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:

LEASE LIABILITIES

EUR 1,000	2020	2019
As at 1 January	10,228	12,380
Additions	354	2,913
Payments	-4,393	-4,604
Interest expenses	-297	-461
As at 31 December	**5,893**	**10,228**
Non-current	1,433	5,800
Current	4,460	4,428

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

Amounts recognised in profit or loss.

EUR 1,000	2020	2019
Depreciation expense of right-of-use assets	-4,382	-4,578
Interest expense on lease liabilities	-297	-461
Expense related to short-term leases (incl. in other operating expenses)	-59	-232
Total amount recognised in profit or loss	**-4,738**	**-5,270**

During 2020 the Group had total cash outflows for leases of EUR 5,445 thousand (2019: EUR 5,919 thousand).

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

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. The extension option has not been included in the lease liabilities.

CONTENTS

4 CAPITAL STRUCTURE AND FINANCIAL ITEMS

RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

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

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

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

CAPITAL MANAGEMENT

As the electricity distribution and heating businesses (discontinued operation in 2019) 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	2020	2019
Interest expenses		
Loans from financial institutions	-867	-417
Bonds and notes	-38,233	-47,640
Other long-term loans	-	-15,747
Interest expenses related to lease liabilities	-297	-458
Other interest expenses	-1,188	-365
Total interest	**-40,584**	**-64,628**
Other finance costs	-4,302	-3,623
Exchange rate losses		
Loans and receivables	-9	-
Total finance costs	**-44,895**	**-68,250**
Interest income		
Other interest income	3,136	870
Exchange rate gains		
Loans and receivables	3	3
Other finance income	1	1
Total finance income	**3,140**	**873**
Finance costs (net)	**-41,755**	**-67,377**

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 (2019: EUR 0.5 million).

CONTENTS

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 requirements of the new standard were initially applied on 1 January 2018.

CONTENTS

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

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

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

Financial assets at fair value through profit or loss

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

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

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

Financial assets at fair value through other comprehensive income (OCI)

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

Derivatives eligible for hedge accounting are classified as financial assets at fair value through other comprehensive income. The effective portion of the gain or loss on the hedging instrument is

CONTENTS

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.

CONTENTS

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 2020

Balance sheet item, EUR 1,000	Note	Amortised cost	Carrying value of balance sheet items	Fair value
Current financial assets				
Trade receivables and other non-interest-bearing receivables	2.1.4	22,601	22,601	22,601
Cash and cash equivalents		113,780	113,780	113,780
Total Current assets		**136,381**	**136,381**	**136,381**
Carrying amount by category		**136,381**	**136,381**	**136,381**
Non-current financial liabilities				
Bonds and notes	4.2.8–9	-1,681,082	-1,681,082	-1,962,038
Loans from financial institutions	4.2.8–9	-150,000	-150,000	-150,000
Interest-bearing non-current liabilities				
- Leases	3.3	-1,433	-1,433	-1,433
Total interest-bearing non-current liabilities		**-1,832,515**	**-1,832,515**	**-2,113,470**
Current financial liabilities				
Bonds and notes	4.2.8–9	-	-	-
Other current interest-bearing liabilities				
- Leases	3.3	-4,460	-4,460	-4,460
Trade payables	2.3.2	-14,980	-14,980	-14,980
Total current financial liabilities		**-19,440**	**-19,440**	**-19,440**
Carrying amount by category		**-1,851,955**	**-1,851,955**	**-2,132,910**

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

VALUES AT 31 DECEMBER 2019

Balance sheet item, EUR 1,000	Note	Amortised cost	Carrying value of balance sheet items	Fair value
Current financial assets				
Trade receivables and other non-interest-bearing receivables	2.1.4	20,148	20,148	20,148
Cash and cash equivalents		29,178	29,178	29,178
Total Current assets		**49,326**	**49,326**	**49,326**
Carrying amount by category		**49,326**	**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
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
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**

The valuation of financial assets and liabilities at fair value has not had an effect on the income statement or the statement of comprehensive income in 2019 and 2020.

CONTENTS

CASH AT BANKS AND ON HAND

Elenia had short-term bank deposits amounting to EUR 113.8 million (2019: EUR 29.2 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 increased by EUR 183.9 million (2019: EUR -351.8 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,837.0 million (2019: EUR 1,653.0 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.

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

31 DECEMBER 2020

EUR 1,000	Effective interest rate %	Maturity Within 1 year	1–5 years	Over 5 years	Total
Loans from financial institutions	0.39%	-	-	150,000	150,000
Bonds	1.87%	-	-	1,171,000	1,171,000
Notes	2.71%	-	-	518,500	518,500
Lease liabilities		-	1,433	-	1,433
Total interest-bearing non-current liabilities					**1,840,933**
Bonds		-	-	-	0
Lease liabilities		4,460	-	-	4,460
Total current interest-bearing liabilities					**4,460**
Trade payables		14,980	-	-	14,980
Total current financial liabilities					14,980
Total		**19,440**	**1,433**	**1,839,500**	**1,860,373**

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%	-	320,000	50,000	370,000
Bonds	2.98%	-	-	671,000	671,000
Notes	2.71%	-	-	518,500	518,500
Lease liabilities		-	5,800	-	5,800
Total interest-bearing non-current liabilities					**1,565,300**
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**	**325,800**	**1,239,500**	**1,669,270**

CONTENTS

4.2.7 Changes in financial liabilities arising from financing activities

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

EUR 1,000	1 January 2020	Cash flows	New leases IFRS 16	Other changes	**31 December 2020**
Current interest-bearing loans and borrowings (excl. items listed below)	88,920	-89,024	-	104	**0**
Current obligations under lease liabilities	4,428	-4,393	-	4,426	**4,460**
Non-current interest-bearing loans and borrowings (excl. items listed below)	1,553,897	280,000	-	-2,814	**1,831,082**
Non-current obligations under lease liabilities	5,800	-	-	-4,368	**1,433**

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**

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.

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

CONTENTS

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

In 2019 due to the nature of terms of Elenia Finance Oyj's EMTN Programme no profits were 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 had no value and therefore the book value and the fair value of the investment was determined to be zero. In July 2020 Elenia Holdings S.à r.l. was merged to Elenia Verkko Oyj.

As at 31 December 2020, 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	
1 000 EUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Financial instruments, current assets								
Available-for-sale financial investments	-	-	-	-	-	0	-	0
Total financial assets	**-**	**-**	**-**	**-**	**-**	**0**	**-**	**0**

FINANCIAL LIABILITIES

	Level 1		Level 2		Level 3		Total	
EUR 1,000	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Financial instruments, current liabilities								
Bonds and notes	-	-	-	-91,667	-	-	-	-91,667
Total current financial liabilities	**-**	**-**	**-**	**-91,667**	**-**	**-**	**-**	**-91,667**
Financial instruments, non-current liabilities								
Bonds and notes	-	-	-1,962,038	-1,376,431	-	-	-1,962,038	-1,376,431
Loans from financial institutions	-150,000	-370,000	-	-	-	-	-150,000	-370,000
Total non-current financial liabilities	**-150,000**	**-370,000**	**-1,962,038**	**-1,376,431**	**-**	**-**	**-2,112,038**	**-1,746,431**
Total financial liabilities	**-150,000**	**-370,000**	**-1,962,038**	**-1,468,098**	**-**	**-**	**-2,112,038**	**-1,838,098**

CONTENTS

4.2.9 Risk management

FINANCIAL RISK MANAGEMENT

LIQUIDITY RISK

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

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

The global Covid-19 pandemic had a significant impact on the business environment during 2020, but its impact on Elenia Group's liquidity risk has been very small.

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 0.8 thousand exchange rate differences (2019: EUR 11.2 thousand). Finance costs include EUR -6.1 thousand exchange rate differences (2019: EUR 2.3 thousand). At the end of 2020 there were total amount of EUR 16.3 thousand liabilities in Swedish Krona and US Dollars and no receivables in other currencies than in EUR.

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES

31 DECEMBER 2020

EUR 1,000	Facility amount	In use	Available amount	Maturity
Capex facility	350,000	-	350,000	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	250,000	150,000	100,000	Over 5 years
Cash and cash equivalents			113,780	
Total	**720,000**	**150,000**	**683,780**	

During 2020 EUR 14.7 million has been drawn out from the Working Capital facility for bank account overdraft facilities.

REFINANCING RISK

Elenia Verkko 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 2020 Group had no borrowings from the Capex Facility (2019: EUR 320.0 million) nor from the Working Capital Facility (2019: EUR 0.0 million). In December 2018 Elenia Verkko Oyj agreed on EUR 150.0 million credit with European Investment Bank. A the end of 2020 the loan was fully drawn (2019: 50,0 million); EUR 50 million maturing in 2028 and EUR 100 million maturing in 2030. In April 2020 Elenia Verkko Oy agreed on a new EUR 100.0 million credit facility 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 2020 there were no drawdowns from the credit facility.

In February 2020 Elenia Verkko Oyj (Elenia Finance Oyj) issued a new EUR 500.0 million benchmark bond maturing in 2027. Elenia Verkko Oyj used the proceeds of the bonds to repay the remaining portion of the Bond maturing in December 2020, repayment of loans drawn from current bank facilities and for the general corporate purposes. In November 2019 Elenia Verkko Oyj (Elenia Finance Oyj) 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. Elenia Verkko Oyj repaid the remaining EUR 89.0 million in December 2020.

The bonds are listed on London Stock Exchange. At the end of 2019 former parent company Elenia Oy had given EUR 1,278.5 million joint guarantees relating to the loans from financial institutions, bonds and notes, but guarantees were reversed while former Elenia Oy and Elenia Finance Oyj were merged into Elenia Verkko Oyj in July 2020. 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 2020. Elenia Verkko Oyj monitors the financial markets in order to carry out loan refinancing at an appropriate time, ahead of the due date of the current loans.

CONTENTS

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 91% (2019: 76%) of the loans were fixed rate loans.

A parallel shift of +/- 1.0 percentage points in the interest rate curve at the balance sheet date would have EUR +/- 1.7 million (2019: EUR +/-4.0 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.

4.3 OTHER COMMITMENTS AND CONTINGENCIES

OTHER COMMITMENTS

EUR 1,000	2020	2019
Registered floating charges:		
Provided on behalf of own and Group liabilities	18,000,000	13,500,000
Mortgages	206,600	206,600
Refundable connection fees	**282,789**	**283,050**
Loan commitment to Lakeside Network Investment Holding B.V.	-	302
Loan commitment to Elenia Group Oy	151,305	267,322

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

4.4 EQUITY

Share capital

There have been done reorganisations in legal structure which are explained in more details in Notes 1.4.1 and 1.4.3. After the changes the parent company of Group changed from Elenia Oy (business ID 2445423-4) to Elenia Palvelut Oy (renamed as Elenia Oy subsequently, business ID 2658611-8).

The share are issued and fully paid.

Reserve for invested unrestricted equity

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

Equity repayment

The meeting of Elenia Oy's shareholders decided on 13.11.2020 the equity repayment of €550.0m based on the interim financial statements as of September 30, 2020 to its sole shareholder Elenia Investment S.à r.l. during 2020–2023. The equity repayment was done from Unrestricted equity and was transferred to short-term payables in December 2020.

Equity investment and common control reserve

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. first to parent entity Elenia Oy and forward ta the same day (2.1.2020) to to Elenia Verkko Oyj. Equity investment of EUR 2,207.4 million to the invested unrestricted equity fund were posted to Elenia Oy. The increase is presented in Note 4.4. Equity investment and other items related to restructurings total of 2,207.7 million is eliminated in Elenia Group. More about restructurings in Notes 1.4.1 and 1.4.3.

Retained earnings

Increase of EUR 14,228 thousand in retained earnings comprises of the sale of shares of Elenia Palvelut Oy (renamed to Elenia Oy). More about sale of shares in Note 1.4.3.

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:

	2020	2019 Restated	2019 Discontinued operations, restated
Profit attributable to equity holders of the parent, EUR	56,624,197	356,125,692	8,250,081
Average number of shares, pcs	250	250	250
Earnings/share, EUR - basic = diluted	**226,497**	**1,424,503**	**33,000**

CONTENTS

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 2020, 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 2020 there were no business disposals.

In July 2019 the former 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 2020 and 2019 there were no acquisitions to be accounted for as business combinations.

There have been changes in the Group legal structure as a result of the Group's internal corporate reorganisations during 2020. Structural changes and their accounting treatment are opened in sections 1.4.1 and 1.4.4.

CONTENTS

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 former 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
Revenue from contracts with customers	41,830
Expenses	-33,992
Sales profit of Heat business less costs to sell	335,911
Operating profit	**343,748**
Finance income and costs	4
Profit before tax from discontinued operations	**343,753**
Tax benefit / (expense):	
Profit recognised on the remeasurement to fair value less costs to sell	408
Profit / (loss) for the year from discontinued operations	**344,161**
Profit / (loss) for the year from discontinued operations without sales profit	**8,250**

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		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	913
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**

CONTENTS

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

EUR 1,000	2019
Operating activities	29,647
Investing activities	-8,517
Financing activities	-13,358
Net cash flow	**7,772**

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
Acquisition cost at 1 January	774
Dividends received	-48
Disposal	-726
Acquisition cost at 31 December	**-**

In July 2019 the former 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.

CONTENTS

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 2020. 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 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 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 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.

AMENDMENT TO IFRS 16 LEASES COVID-19 RELATED RENT CONCESSIONS

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

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

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

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 2023, early application is permitted. The EU has not endorsed the standard.

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

The new standard is not applicable to the Group.

AMENDMENTS TO IFRS 4 INSURANCE CONTRACTS - DEFERRAL OF IFRS 9

The amended standard is effective for annual periods beginning on or after 1 January 2021, early application is permitted. The EU has not endorsed the standard.

Currently, under IFRS 4 Insurance Contracts, the effective date to apply IFRS 9, for the temporary exemption from IFRS 9, is 1 January 2021.

The purpose is to extend the temporary exemption from IFRS 9 by one year. Subsequently, based on the IASB's re-deliberations, the effective date of IFRS 9 has been extended further to 1 January 2023 in order to align with the effective date of IFRS 17 Insurance Contracts.

The amendment is not applicable to the Group.

CONTENTS

AMENDMENTS TO IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16: INTEREST RATE BENCHMARK REFORM - PHASE 2

The amended standards will be effective for annual periods beginning on or after 1 January 2021 with early adoption permitted. The EU has not endorsed the amendments.

The amendments in this final phase relate to:

- changes to contractual cash flows: a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting: a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures: a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTENTS

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 2020 and 2019 are:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS, CONTINUING OPERATIONS

EUR 1,000	2020	2019
Current income tax charge	-5,357	-5,605
Adjustments in respect of current income tax of previous periods	-	-4
Deferred taxes	-8,023	3,042
Income tax expense reported in the consolidated statement of profit or loss	**-13,380**	**-2,568**

CONSOLIDATED STATEMENT OF OCI, CONTINUING OPERATIONS

EUR 1,000	2020	2019
Deferred tax related to items recognised in OCI during the year:		
Remeasurement gains (losses) on defined benefit plans	-26	5
Deferred tax charged to OCI	**-26**	**5**

INCOME TAX RATE

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

EUR 1,000	2020	2019
Profit before tax, continuing operations	**69,899**	**14,533**
Theoretical income tax using the nominal tax rate of 20.0% (2019: 20.0%)	-13,980	-2,907
tax-free income items	-80	-67
expenses that are non-deductible in taxation	725	429
previous years' losses used	56	-
adjustment of taxes based on previous periods	-	-4
unrecognized deferred tax assets from taxation losses	-102	-18
Income tax in the income statement, continuing operations	**-13,380**	**-2,568**

Effective tax rate was 19% (2019: 18%).

CONTENTS

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.

CONTENTS

CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES IN 2020

DEFERRED TAX ASSETS EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Recognised in other compre-hensive income	**Balance sheet 31 Dec**
Elimination of internal margin in non-current assets	67	2,419	-	2,485
Measurement of assets at fair value in acquisition	340	60	-	401
Defined benefit plans	-4	97	-26	67
Liabilities related to contracts with customers	3,393	1,296	-	4,689
Finance leases	625	-147	-	478
Total	**4,421**	**3,725**	**-26**	**8,120**
Deferred tax assets	**4,421**			**8,120**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Recognised in other compre-hensive income	**Balance sheet 31 Dec**
Interest-bearing liabilities	1,304	263	-	1,567
Depreciation differences	47,028	16,171	-	63,198
Measurement of assets at fair value in acquisition	67,388	-4,686	-	62,703
Total	**115,720**	**11,748**	**-**	**127,468**
Deferred tax liabilities	**115,720**			**127,468**

CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES IN 2019

DEFERRED TAX ASSETS EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Discon-tinued operations (Note 5.4)	Recognised in other compre-hensive income	**Balance sheet 31 Dec**
Elimination of internal margin in non-current assets	-	67	-	-	67
Measurement of assets at fair value in acquisition	-	340	-	-	340
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**
Deferred tax assets	**2,913**				**4,421**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 1 Jan	Recognised in the statement of profit or loss	Discon-tinued operations (Note 5.4)	Recognised in other compre-hensive income	**Balance sheet 31 Dec**
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**	**-**	**115,720**
Deferred tax liabilities	**142,924**				**115,720**

CONTENTS

6.2 PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

ACCOUNTING POLICY

PENSION OBLIGATIONS

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

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

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

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

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

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

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

EUR 1,000	2020	2019
Current value of funded obligations	3,108	3,564
Fair value of assets	-2,772	-3,092
Deficit	336	473
Value of the obligation on the consolidated statement of financial position	**336**	**473**

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

EUR 1,000	2020	2019
Obligation at the beginning of the year	3,564	5,550
Business combinations	-	-2,186
Current service costs	-	30
Interest expenses	14	71
Actuarial losses	-259	344
Benefits paid	-211	-245
Obligation at the end of the year	**3,108**	**3,564**

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

EUR 1,000	2020	2019
Fair value of plan assets at the beginning of the year	3,092	4,445
Business combinations	-	-1,553
Expected income from assets	12	58
Actuarial gains	-128	320
Payments by the employer	8	66
Benefits paid	-211	-245
Fair value of plan assets at the end of the year	**2,772**	**3,092**

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

EUR 1,000	2020	2019
Obligation at the beginning of the year	473	1,105
Business combinations	-	-633
Net cost recognised in the statement of profit or loss	2	43
Payments by the employer	-8	-66
Profits and losses recognised in other comprehensive income	-131	24
Value of the obligation at year end	**336**	**473**

Items recognised in the consolidated statement of profit or loss:

EUR 1,000	2020	2019
Expenses based on service in the reporting year	-	3
Interest income	-12	-44
Interest expenses	14	51
Total	**2**	**10**

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

EUR 1,000	2020	2019
Actuarial gains/(losses) on assets	128	-219
Actuarial gains/(losses) on obligations	-259	247
Total	**-131**	**27**

CONTENTS

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.

2020

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 0.5%		3,108	2,772	336	-	2
Discount rate 1.1%	+0.50%	2,928	3,625	302	-	3
Discount rate 0.0%	-0.50%	3,309	2,935	374	-	0

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	-	2
Discount rate 0.9–1.1%	+0.50%	3,348	2,923	425	-	4
Discount rate -0.1–0.1%	-0.50%	3,806	3,278	528	-	-1

CONTENTS

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 2021 are estimated to be EUR 8 thousand.

The weighted average duration of defined benefit obligation is 12–19 years.

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

EUR 1,000	2020	2019
Under 1 year	212	225
1–10 years	1,381	1,611
10–20 years	941	1,072
20–30 years	519	621
Over 30 years	255	318
Total	**3,308**	**3,847**

ACTUARIAL ASSUMPTIONS USED IN CALCULATIONS

%	2020	2019
Discount rate	0.5%	0.4–0.7%
Estimate of salary increases	2.0%	2.1–2.3%
Inflation	1.0%	1.1–1.3%

6.3 RELATED PARTY DISCLOSURES

Shareholders

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

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

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

SUBSIDIARIES AND ASSOCIATES

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

Former Elenia Oy (former parent company before merger into Elenia Verkko Oyj in July 2020) owned shares in Elenia Lämpö Oy, which had 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 Group has not had any business transactions with persons included in its senior management and Elenia Group has not granted loans to these persons.

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

MANAGEMENT TEAM

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

BUSINESS TRANSACTIONS

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

Group companies have intercompany transactions which are related to internal services and construction Elenia Oy provides to Elenia Verkko Oyj. Besides Elenia Finance Oyj provided treasury services to the Group companies before merger. These are eliminated upon consolidation.

As at 31 December 2020, other long-term receivables with an aggregate carrying value of EUR 274.7 million (2019: EUR 159.6 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.

CONTENTS

EUR 1,000	Loan amount 31 Dec 2019	Interest expenses 1 Jan - 31 Dec 2019	Loan amount 31 Dec 2020	Interest expenses 1 Jan - 31 Dec 2020
Elenia Group Oy	158,678	678	274,695	3,017
Elenia Holdings S.à r.l.	200	2	-	-
Lakeside Network Investments Holding B.V.	698	10	-	-
Total	**159,576**	**689**	**274,695**	**3,017**

Other long-term loans were repaid during the financial year 2019 amounted to EUR 0.0 million as at 31 December 2020 (2019: EUR 0.0 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 related interests.

EUR 1,000	Loan amount 31 Dec 2019	Interest expenses 1 Jan - 31 Dec 2019	Loan amount 31 Dec 2020	Interest expenses 1 Jan - 31 Dec 2020
Tampere Finance B.V.	-	7,085	-	-
Kimi Finance B.V.	-	7,087	-	-
Pispala Finance B.V.	-	1,575	-	-
Total	**-**	**15,747**	**-**	**-**

The meeting of Elenia Oy's shareholders decided on 13.11.2020 the equity repayment of €550.0m based on the interim financial statements as of September 30, 2020 to its sole shareholder Elenia Investment S.à r.l. during 2020–2023. The equity repayment was done from Unrestricted equity and was transferred to short-term payables in December 2020. The following table includes the specification of other short-term payables.

EUR 1,000	Unrestricted equity repayment liability 31 Dec 2020
Elenia Investments S.à r.l.	550,000
Total	**550,000**

6.4 EVENTS AFTER THE REPORTING PERIOD

At the end of January 2021, a government proposal to amend the Electricity Market Act was submitted to Parliament. The main amendments to the current Electricity Market Act are as follows:

- Electricity network companies, such as Elenia Verkko Oyj, which have a ground cabling rate of up to 60% for the medium-voltage network (at the end of 2018), would have until 2036 to meet the security of electricity supply requirements (under the current Electricity Market Act, there is time until the end of 2028).
- Electricity network companies could increase their distribution tariffs by up to 8% (on after-tax tariffs) for each 12-month period. The current tariff increase cap is 15%.
- The cumulative deficit compensation period would be extended from four to eight years, i.e. to the next two regulatory periods, if the proposed tariff increase cap has led to a deficit.
- The Energy Authority would monitor the distribution network development plan more extensively to ensure that DSOs make cost-effective investments and also consider other options. DSOs should consult customers on the network development plan, and the views of the customers must also be published in connection with the development plan.
- The mandatory compensation for power outages lasting more than 12 hours would be increased in situations where the power outage lasts more than 48 hours.

The Energy Authority is expected to change the confirmed regulatory methods after the legislative amendment enters into force. Identified possible changes include updating unit prices, lowering the reasonable rate of return (WACC) to around 4 per cent and removing the security of supply incentive from regulatory methods. The changes could enter into force as early as in the current fifth regulatory period, possibly even at the beginning of 2022.

The global Covid-19 pandemic has had a significant impact on the business environment during 2020, but Elenia Group's business operations have had very little impact. Electricity use has not changed substantially, but the slightly higher consumption volumes of retail customers have partly compensated for the small decrease in the volumes of corporate customers.

The biggest impacts of the pandemic have been through the exponential growth of Elenia's own personnel through remote working. In March 2020, Elenia moved to operate completely remotely and the return to the office took place during the summer season. With the second wave of the pandemic, the share of remote working has increased again, restrictions on physical meetings have been imposed and, for example, the number of people allowed in the conference rooms have been reduced to maintain the necessary safety distances. Remote working has worked well and the staff has given positive feedback on the group's and management's support during the pandemic. The pandemic was also expected to affect material procurement, where difficulties were anticipated with the availability of some network components. However, the challenging situation has been managed well. Elenia will continue to monitor the situation closely and react to changes if necessary. It is not expected that the pandemic poses significant challenges for Elenia in 2021 either.

CONTENTS

6.5 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 EUR 1,000	Note	1 Jan - 31 Dec 2020	1 Jan - 31 Dec 2019
Revenue	2.1.1	306,340	295,558
Exceptional items included in revenue		-	177
Other operating income	2.2.1	3,558	3,016
Non-recurring items included in other operating income		763	207
Materials and services		-75,273	-76,291
Employee benefit expenses	2.3.3	-14,983	-14,241
Other operating expenses	2.3.1	-24,510	-25,424
Operating expenses Total		-114,766	-115,955
Exceptional items included in operating expenses		-	-4,363
Non-recurring items included in operating expenses		-1,168	-1,292
EBITDA		**195,131**	**182,619**
EBITDA before exceptional and non-recurring items		**195,536**	**187,890**
Depreciation and amortisation	3	-83,478	-83,908
Operating profit		**111,654**	**98,711**
Operating profit before exceptional and non-recurring items		**112,059**	**103,982**

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 2020 there were no operational expenses classified as 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 2020, EUR 405 thousand is recognized as non-recurring items. This amount consists of compensation from the bankruptcy estate of EUR 763 thousand recognized in other operating income and EUR 1,168 thousand of group restructuring costs recognized in operating expenses.

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.

CONTENTS

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Revenue	1.1	**152,215,402.91**	**24,539,043.65**
Other operating income	1.2	1,267,155.58	-
Materials and services	1.3	-113,181,303.07	-5,459,918.98
Personnel expenses	1.4	-15,073,846.32	-9,483,130.51
Depreciation, amortisation and impairment	1.5	-2,541,099.80	-1,263,594.91
Other operating expenses	1.6	-13,407,856.82	-7,384,815.10
Operating profit		**9,278,452.48**	**947,584.15**
Finance income and expenses	1.7	-28,798.05	-62,162.85
Profit / loss before appropriations and taxes		**9,249,654.43**	**885,421.30**
Appropriations	1.8		
Change in accelerated depreciations		-216,279.16	-617,446.04
Group contributions		-9,070,500.00	-431,000.00
Income taxes	1.9	-33.72	-248.51
Profit / loss for the year		**-37,158.45**	**-163,273.25**

CONTENTS

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	2.1		
Intangible rights		4,884.11	178.53
Goodwill		2,003,578.36	1,701,945.88
Other capitalized long term expenditure		4,115,144.02	4,037,803.48
		6,123,606.49	5,739,927.89
Tangible assets	2.2		
Network		1,474,420.30	500,989.95
Machinery and equipments		743,868.95	355,963.97
Advance payments and construction in progress		4,363,884.23	2,136,296.42
		6,582,173.48	2,993,250.34
Investments	2.3		
Holdings in group companies		1,657,480,000.00	80,000.00
		1,657,480,000.00	80,000.00
Total non current assets		**1,670,185,779.97**	**8,813,178.23**

EUR	Note	31 Dec 2020	31 Dec 2019
Current assets			
Short-term receivables	2.4		
Trade receivables		984,981.93	624,378.01
Receivables from group companies		570,368,606.71	4,698,253.98
Other receivables		34,459.00	24,459.00
Prepayments and accrued income		1,850,842.45	785,667.94
		573,238,890.09	6,132,758.93
Cash and cash equivalents	2.4	-	-
Total current assets		**573,238,890.09**	**6,132,758.93**
TOTAL ASSETS		**2,243,424,670.06**	**14,945,937.16**

CONTENTS

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Capital and reserves	3.1		
Subscribed capital		2,500.00	2,500.00
Non restricted equity		1,657,969,584.70	569,584.70
Retained earnings		-133,361.73	29,911.52
Loss for the financial year		-37,158.45	-163,273.25
		1,657,801,564.52	438,722.97
Cumulative accelerated depreciations	3.2	**980,837.40**	**764,558.24**
Liabilities	3.3		
Non-current liabilitites			
Other non-current liabilities		976,497.00	-
Other non-current liabilities to group companies		-	4,000,000.00
		976,497.00	4,000,000.00
Current liabilities			
Trade payables		7,735,996.64	1,760,287.23
Liabilities to group companies		3,110,443.05	2,333,479.03
Group contribution liability		9,070,500.00	431,000.00
Other short-term liabilities		557,435,905.84	2,253,976.59
Accruals and deferred income		6,312,925.61	2,963,913.10
		583,665,771.14	9,742,655.95
Total liabilities		**584,642,268.14**	**13,742,655.95**
TOTAL EQUITY AND LIABILITIES		**2,243,424,670.06**	**14,945,937.16**

CONTENTS

PARENT COMPANY CASH FLOW STATEMENT

EUR	1.1.–31.12.2020	1.1.–31.12.2019
Cash flow fron operating activities		
Loss before appropriations and taxes	9,249,654.43	885,421.30
Adjustments		
Depreciation, amortisation and impairment	2,541,099.80	1,263,594.91
Finance income and expenses	28,798.05	62,162.85
Other adjustments	976,497.00	11,585.28
Cash flow before change in working capital	**12,796,049.28**	**2,222,764.34**
Change in working capital		
Increase (-) / decrease (+) in non-interest bearing receivables	-1,625,194.54	-2,234,812.97
Increase (+) / decrease (-) in non-interest bearing liabilities	14,998,667.27	7,020,702.23
Operating cash flow before financial items and taxes	**26,169,522.01**	**7,008,653.60**
Interest payments	-47,800.52	-43,284.45
Interests received	70.52	86.20
Payments for other finance items	-32.65	-
Taxes paid	-248.51	-78.39
Cash flow from operating activities	**26,121,510.85**	**6,965,376.96**

EUR	1.1.–31.12.2020	1.1.–31.12.2019
Cash flow from investing activities		
Capital expenditures	-6,209,574.23	-5,192,605.03
Investments in group companies' shares	-	-80,000.00
Cash flow from investing activities	**-6,209,574.23**	**-5,272,605.03**
Cash flow from financing activities		
Proceeds from long-term borrowings	-	1,000,000.00
Re-payment of long-term borrowings	-4,000,000.00	-
Group contributions received and paid	-431,000.00	-841,000.00
Cash flow from financing activities	**-4,431,000.00**	**159,000.00**
Change in cash and cash equivalents	**15,480,936.62**	**1,851,771.93**
Cash and cash equivalents 1 Jan	2,484,646.42	632,874.49
Cash and cash equivalents 1 Jan + change	17,965,583.04	2,484,646.42
Cash and cash equivalents 31 Dec	**17,965,583.04**	**2,484,646.42**

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

CONTENTS

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

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

Transactions denominated in foreign currencies and derivative agreements

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

Presentation of liquid assets

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

For tangible and intangible assets have been used direct acquisition prices which have been deducted with planned depreciations.

Depreciations according to the plan are linear and are based on the following assets economical lifetimes:

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

The comparability of the comparative data for the financial year is affected by the reorganisation implemented during 2019, in which the construction and project management business was sold in an intra-group transaction from the then Elenia Oy to Elenia Palvelut Oy (now Elenia Oy).

1 NOTES TO INCOME STATEMENT

1.1 Revenue

EUR 1,000	2020	2019
Contracting income	129,330	5,303
Connection fee income	427	47
Other sales income	22,458	19,189
Total	**152,215**	**24,539**

1.2 Other operating income

EUR 1,000	2020	2019
Gains on the sale of scrap and used fixed assets	917	-
Other operating income	350	-
Total	**1,267**	**-**

1.3 Materials and services

EUR 1,000	2020	2019
External services	-55,045	-3,427
Materials	-58,136	-2,033
Total	**-113,181**	**-5,460**

1.4 Personnel expenses

EUR 1,000	2020	2019
Average number of personnel during the financial year	227	179
Salaries	-12,775	-7,981
Pension expenses	-1,853	-1,421
Other employee expenses	-445	-81
Total	**-15,074**	**-9,483**

SALARIES AND REMUNERATION PAID TO CEO

EUR 1,000	2020	2019
Salaries and other short-term employee benefits	-334	-127
Other long-term employee benefits	-164	-43
Pension expenses related to salaries and employee benefits	-90	-31
Total	**-588**	**-200**

CONTENTS

1.5 Depreciations according to the plan

EUR 1,000	2020	2019
Intangible fixed assets	0	0
Goodwill	-244	-189
Other capitalized long term expenditure	-1,652	-952
Network	-41	-4
Machinery and equipments	-605	-119
Total	**-2,541**	**-1,264**

1.6 Other operating expenses

EUR 1,000	2020	2019
Other external services	-9,712	-5,587
Other operating expenses	-3,696	-1,798
Total	**-13,408**	**-7,385**
Audit charges EUR 1,000		
Auditing fees	-117	-10
Fees for tax services	-17	-40
Fees for other services	-39	-
Total	**-172**	**-50**

1.7 Financial income and expenses

EUR 1,000	2020	2019
Interest and other financial income		
Other financial income	0	0
Total	**0**	**0**
Interest and other financial expenses		
Other interest expenses	-2	-1
Internal interest expenses	-27	-61
Total	**-29**	**-62**
Total financial income and expenses	**-29**	**-62**

1.8 Appropriations

EUR 1,000	2020	2019
Change in accelerated depreciations	-216	-617
Group contributions given	-9,071	-431
Total	**-9,287**	**-1,048**

1.9 Income taxes

EUR 1,000	2020	2019
Income taxes for the financial period	0	0
Total	**0**	**0**

2 NOTES TO THE BALANCE SHEETS ASSETS

2.1 Intangible fixed assets

INTANGIBLE RIGHTS

EUR 1,000	2020	2019
Cost 1 Jan	0	-
Investments	5	0
Cost 31 Dec	5	0
Accumulated depreciation 1 Jan	0	-
Depreciation according to the plan	0	0
Book value 31 Dec	**5**	**0**

GOODWILL

EUR 1,000	2020	2019
Acquisition cost 1.1.	1,891	-
Investments	545	1,891
Acquisition cost 31.12.	2,436	1,891
Accumulated depreciation 1.1.	-189	-
Depreciation according to the plan	-244	-189
Book value 31.12.	**2,004**	**1,702**

OTHER CAPITALIZED LONG-TERM EXPENDITURE

EUR 1,000	2020	2019
Cost 1 Jan	8,677	5,591
Investments	1,729	3,085
Cost 31 Dec	10,406	8,677
Accumulated depreciation 1 Jan	-4,639	-3,687
Depreciation according to the plan	-1,652	-952
Book value 31 Dec	**4,115**	**4,038**

CONTENTS

2.2 Tangible fixed assets

NETWORK

EUR 1,000	2020	2019
Cost 1 Jan	505	-
Investments	1,014	505
Cost 31 Dec	1,519	505
Accumulated depreciation 1 Jan	-4	-
Depreciation according to the plan	-41	-4
Book value 31 Dec	**1,474**	**501**

MACHINERY AND EQUIPMENTS

EUR 1,000	2020	2019
Cost 1 Jan	686	535
Investments	991	176
Disposals	-10	-25
Cost 31 Dec	1,667	686
Accumulated depreciation 1 Jan	-330	-219
Disposals	-	8
Depreciation according to the plan	-593	-119
Book value 31 Dec	**744**	**356**

ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

EUR 1,000	2020	2019
Cost 1 Jan	2,136	2,206
Increase	5,402	3,593
Decrease	-3,175	-3,663
Book value 31 Dec	**4,364**	**2,136**

2.3 Investments

HOLDINGS IN GROUP COMPANIES

EUR 1,000	2020	2019
Cost 1 Jan	80	-
Investments	2,207,400	80
Disposals	-550,000	-
Cost 31 Dec	1,657,480	80
Book value 31 Dec	**1,657,480**	**80**

2.4 Short term receivables

SHORT TERM RECEIVABLES

Receivables from group companies

EUR 1,000	2020	2019
Accrued income	2,403	2,214
Equity repayment receivable	550,000	-
Group account	17,966	2,485
Receivables from group companies total	570,369	4,698

External receivables

EUR 1,000	2020	2019
Trade receivables	985	624
Other short-term receivables	34	24
Accrued income	1,851	786
External receivables total	2,870	1,435
Short term receivables total	**573,239**	**6,133**
Total receivables	**573,239**	**6,133**
Cash and cash equivalents	**-**	**-**

CONTENTS

3 NOTES TO THE BALANCE SHEETS EQUITY AND LIABILITIES

3.1 Capital and reserves

EUR 1,000	2020	2019
Subscribed capital	3	3
Non restricted equity 1 Jan	570	570
Addition	2,207,400	-
Equity repayment	-550,000	-
Non restricted equity 31 Dec	1,657,970	570
Retained earnings (loss) 1 Jan	-133	30
Loss for the the financial year	-37	-163
Total capital and reserves	**1,657,802**	**439**
Distributable equity	1,657,799	436

3.2 Cumulative accelerated depreciations

EUR 1,000	2020	2019
Cumulative accelerated depreciations	981	765

Accelerated depreciations include deferred tax liability of 196,167 euros.

3.3 Liabilities

NON-CURRENT LIABILITIES

EUR 1,000	2020	2019
Other non-current liabilities	-	4,000
Other non-current liabilities to group companies	976	-
Total non-current liabilities	**976**	**4,000**

CURRENT LIABILITIES

EUR 1,000	2020	2019
Trade payables	7,736	1,760
Other short term liabilities	8,858	2,551
Equity repayment liability	550,000	-
Accrued expenses		
Salaries and social expenses	3,698	2,274
Other accrued expenses	1,193	392
Total	4,891	2,666
Liabilities to group companies		
Accrued expenses	0	339
Other short term liabilities	3,110	1,994
Group contribution payables	9,071	431
Total	12,181	2,765
Total current liabilities	**583,666**	**9,743**
Total liabilities	**584,642**	**13,743**

3.4 Liabilities and quarantees for debts

EUR 1,000	2020	2019
Provided on behalf of own and group liabilities		
Guarantees	1,689,524	1,278,524
Floating charges	9,000,000	4,500,000

An application is pending in the Pirkanmaa District Court for the amortization of a corporate mortgage bond with a capital of EUR 4,500,000 thousand. A decision on the application is expected during the beginning of 2021.

	2020	2019
Leasing agreements		
Within one year	63	63
After one year but not more than five years	103	160
Total	**166**	**223**
Other lease liabilitites		
Within one year	734	753
After one year but not more than five years	172	872
Total	**906**	**1,625**

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

CONTENTS

Shares

The company has 250 outstanding shares. Each share entitles the holder to one vote at the Annual General Meeting and carries equal rights to dividends.

Shares and Holdings

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

CONTENTS

SIGNATURES TO THE FINANCIAL STATEMENTS

Tampere, 3 March 2021

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.

Tampere, 3 March 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant

CONTENTS

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 2658611-8) for the year ended 31 December, 2020. 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.

CONTENTS

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

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

OTHER REPORTING REQUIREMENTS

Other information

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

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

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

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

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

Tampere 3.3.2021

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant

CONTENTS

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.

Tapani Liuhala
CEO, Elenia Oy

Tapani joined the company in 1990 and is the CEO of Elenia Verkko Oyj, Elenia Oy and Elenia Group Oy. He is also the Chairman of the Board of Elenia Verkko Oyj, Elenia Innovations Oy, Manco Investment Oy, Kiinteistö Oy Forssan Aleksi 6 and Piceasoft Oy. He is also a member of the Board of Elenia Oy, Energy Industry 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.

Jorma Myllymäki
Senior Vice president, Elenia Verkko Oyj

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

Michael Pfennig
Co-Head of Infrastructure , Allianz Capital Partners

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

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.

Sirpa Ojala
Executive Advisor

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 and NatWest Nordisk Renting AB. She holds a M.Sc. (Eng.) in Industrial Economics from the Lappeenranta University of Technology

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's in finance from the Lancaster Management School in England. He has also studied in Denmark and Spain.

Eduard Fidler
Director, Allianz Capital Partners

Eduard leads asset management activities for a number of Allianz's direct infrastructure investments and currently holds board positions at Cadent Gas Limited in the UK, and Delgaz Grid SA in Romania. Eduard has over 15 years' experience in energy and infrastructure investment and asset management. Prior to joining Allianz, Eduard was a senior member of Blackrock's Global Energy & Power team (formerly part of First Reserve), and before this investing and managing utility investments at Macquarie Infrastructure and Real Assets. 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.

CONTENTS