



# Investor Presentation

December 2013



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## Your presenters – Elenia Oy



**Tapani Liuhala**  
**Chief Executive  
Officer**



**Aapo Nikunen**  
**Chief Financial  
Officer**



**Jorma Myllymäki**  
**Head of Operations  
and Network  
Performance**

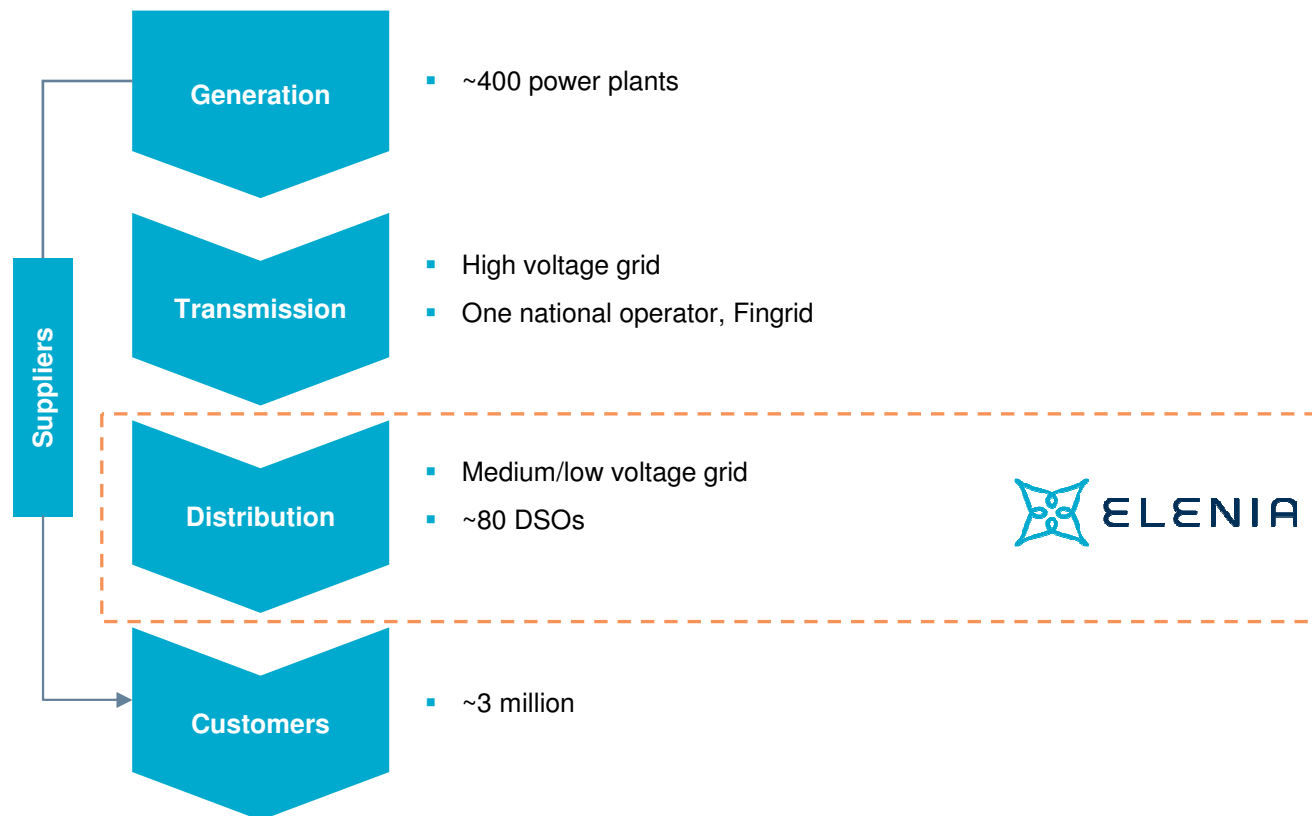
## Key messages

Opportunity to  
invest in core  
infrastructure  
in a AAA rated  
economy

- 1 Leading electricity distribution network in Finland
- 2 Focused strategy to deliver an essential service
  - Efficient investment management to enhance security of supply
  - Ongoing operational excellence through partnerships
  - Track record of innovation to drive industry progress
  - Strong emphasis on customer service
- 3 Supportive and stable regulatory environment
- 4 Experienced and highly regarded management team
- 5 Cash generative district heating business
- 6 Robust and predictable financial profile with FY2012 EBITDA of €157m
- 7 Strong investment grade credit rating with significant creditor protections

## Overview of Finnish electricity sector

- ✧ Distribution system operators (DSOs) are regional monopolies, which are subject to economic regulation
- ✧ DSOs invoice end-users, but are not exposed to volume risk (other than in respect of timing)



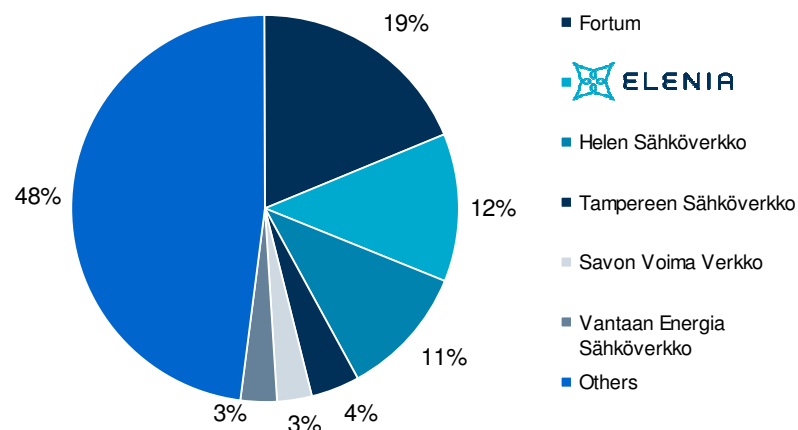
## Leading electricity distribution network in Finland

### ✦ A regulated regional electricity DSO in Finland

#### Key Highlights

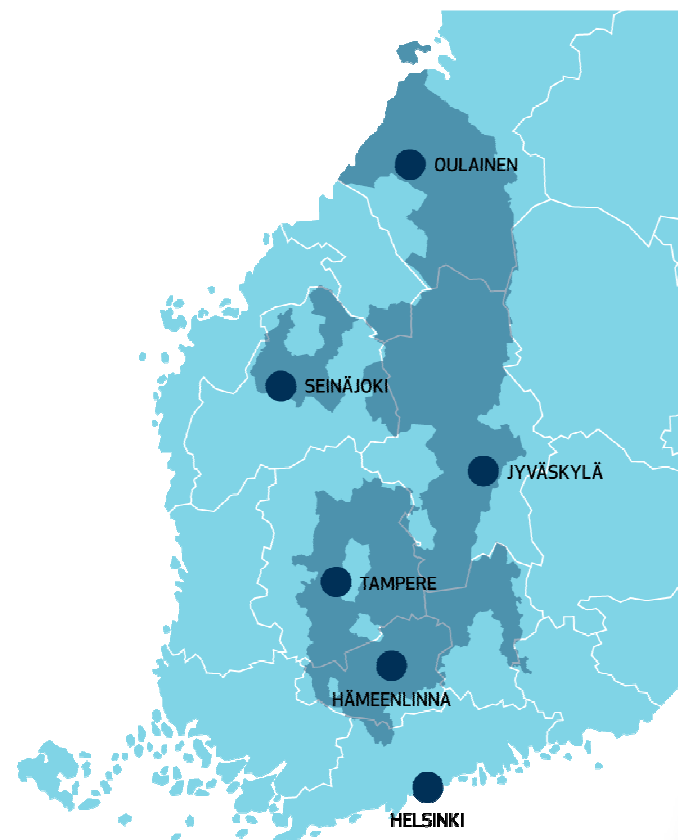
- Second largest DSO in Finland by number of customers
- 2012 revenue: €222m
- 2012 EBITDA: €134m (EBITDA margin of 60%)
- 65,100km network length
- 258 employees
- 410,000 customers

#### Market Share by Customers



Source: Energy Market Authority (EMV), December 2012

#### Map of Operations





## Efficient investment management to enhance security of supply (1/2)

- ✧ Well invested and maintained network
- ✧ Strong focus on ensuring security of supply by increasing use of underground cabling
- ✧ Granular database of network value and asset life, enabling accurate and cost effective capex and opex planning



110 kV lines	1,070 km
45 kV lines	371 km
110/20 kV substations	126 units
45/20 kV substations	15 units



20 kV lines	23,136 km
0.4 kV lines	40,555 km
20/0.4 kV transformers	22,732 units
% of network underground	26.8%
Customer residences	410,000



~160m of network lines per customer

Total lines of ~65,100 km

Cables stretch ~1.5 times around the world

## Efficient investment management to enhance security of supply (2/2)

✦ Elenia Networks has built underground distribution lines since 2009

### ELENIA WEATHERPROOF

- Our underground-cabled electricity network is safe from winds, thunderstorms and snow loads
- We are modernising the network in cooperation with our partner contractors
- **Look at the map** to see where we are improving the reliability of electricity distribution

As we care.



65 100 km

Elenia has 65 100 kilometres of electricity network – 1.5 times around the world – in Häme, Pirkanmaa, Central Finland and South and North Ostrobothnia. One quarter of the network is underground cabled.



**ELENIA  
WEATHERPROOF**

1600 – 2200 km

We modernise the electricity network by underground cabling 1 600–2 200 km per year.

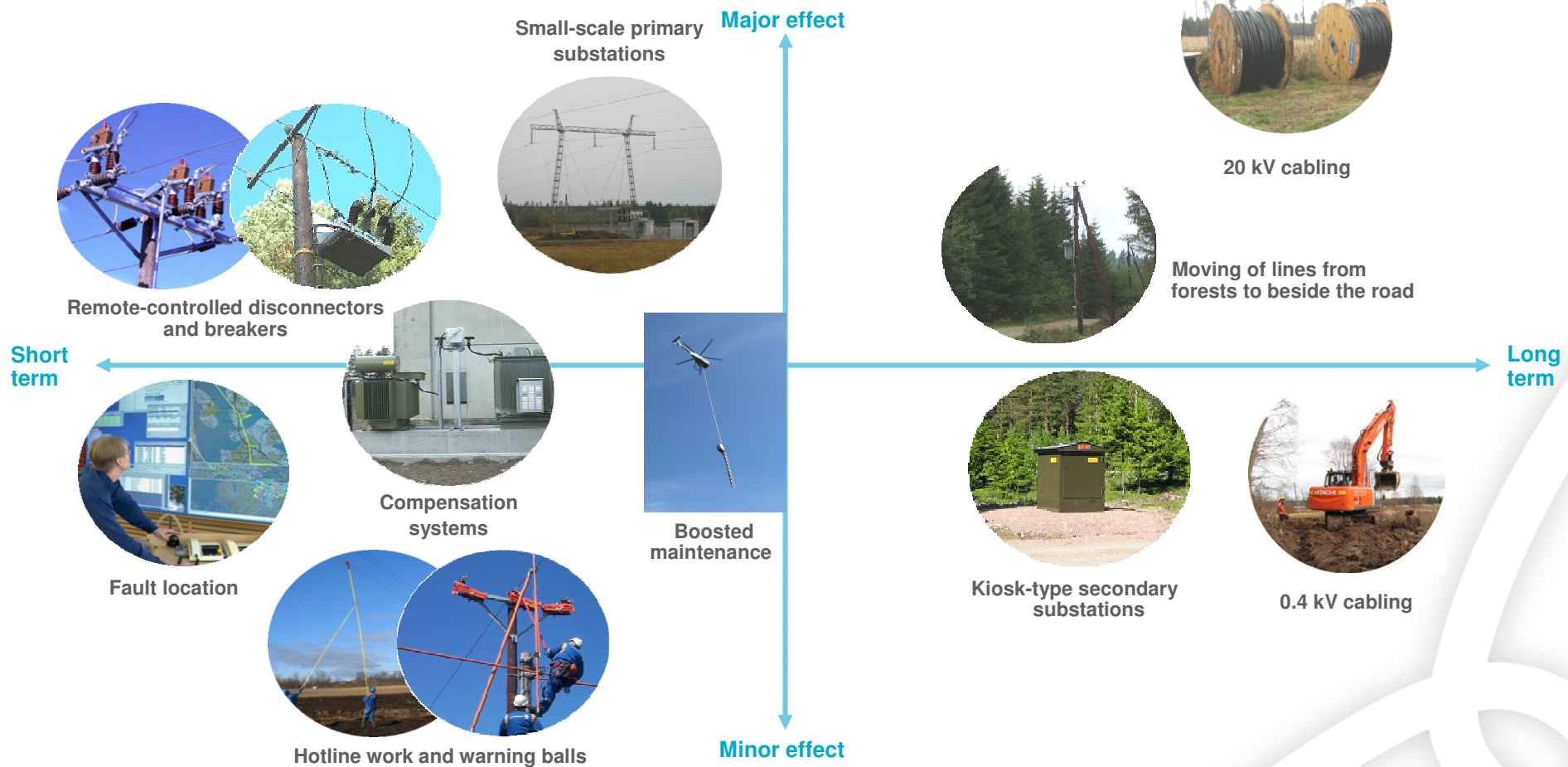
70%

Our goal during the next 15 years is to increase the proportion of underground cabling in our distribution network to 70%. At the same time, we'll bring work to the regions.



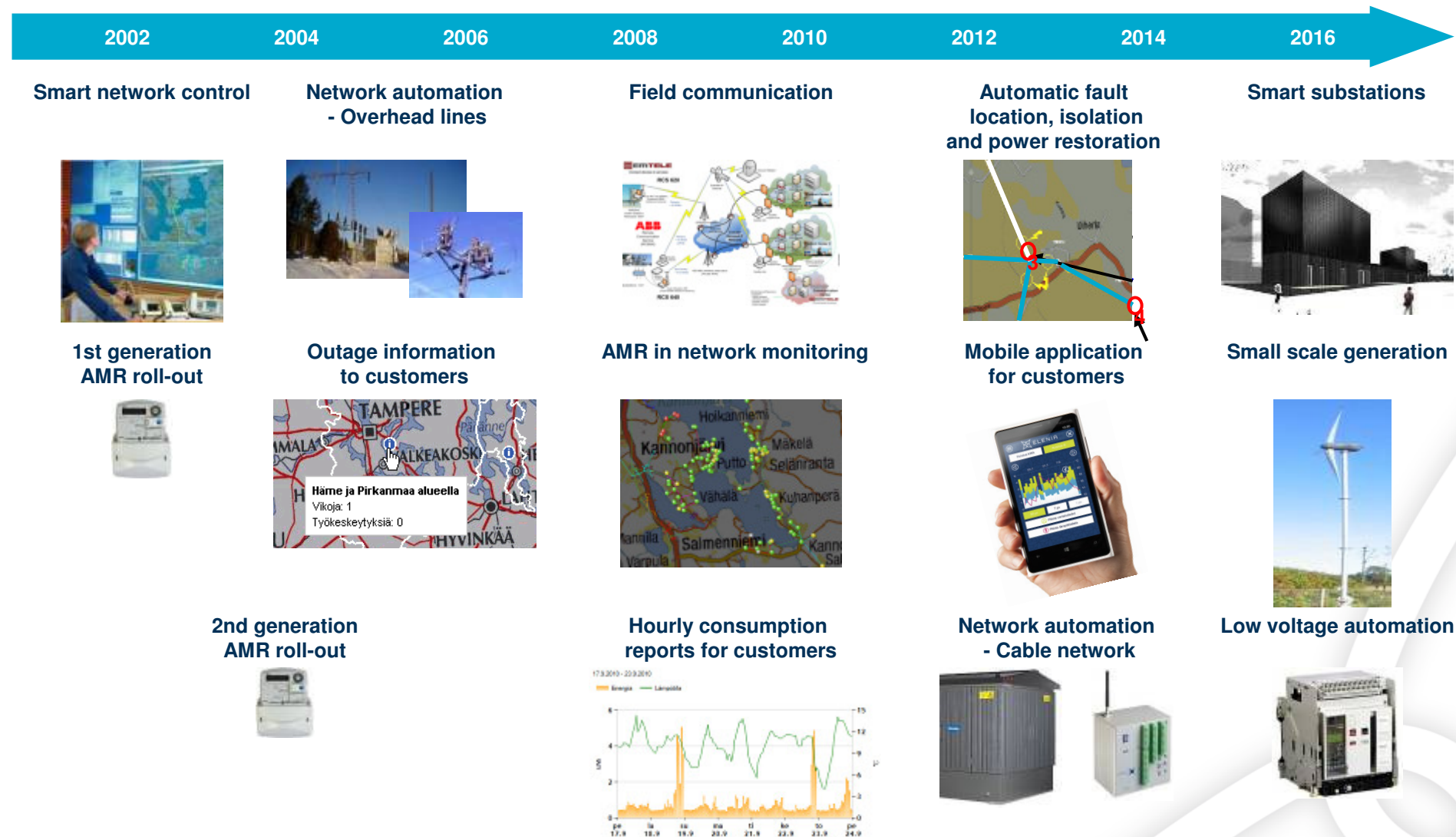
## Ongoing operational excellence through partnerships

- ✧ Excellent asset visibility enabling business efficiencies and better cost management than other DSOs
- ✧ Embedded partnership approach to deliver flexible resourcing, limit supplier concentration and optimise costs


















## Track record of innovation to drive industry progress (1/2)

**🌐 Elenia has been investing in Smart Grid technology since 2002**



## Track record of innovation to drive industry progress (2/2)

✧ Elenia Networks has pre-empted the Energy Market Authority's (EMV) regulatory developments

	2002 — — — — 2007	2008	2009	2010	2011	2012	2013
Automatic Meter Readers (AMRs)	 <b>ELENIA</b> Among the first Nordic DSOs to introduce AMRs			 <b>ELENIA</b> Hourly consumption information available to customers on website		 Investment Incentive and Innovation Incentive for smart meters and R&D costs	
Underground cabling		 <b>ELENIA</b> All future cabling to be underground (only Finnish network to do this in rural areas)				 Security of supply targets fulfilled by end of 2027	
Customer friendly information services	 <b>ELENIA</b> Transparent real-time outage information on web and SMS					 Amended Electricity Market Act	
Customer outage compensation	 Regulatory outage compensation for outages over 12 hours	 <b>ELENIA</b> Voluntary customer compensation for outages over 6 hours				 6 hour outage limits introduced	 Enhanced management of power disruptions
Security of supply	 <b>ELENIA</b> Investments in network automation			 <b>ELENIA</b> Automatic fault location, isolation and power restoration	 <b>ELENIA</b> 'Elenia Weatherproof' launched in April		 'Security of Supply Incentive' expected

## Strong emphasis on customer service

- ✦ Elenia Networks aims to deliver security of supply to help customers function without disruption
- ✦ Stable customer base and growth, with exceptionally low bad debt levels

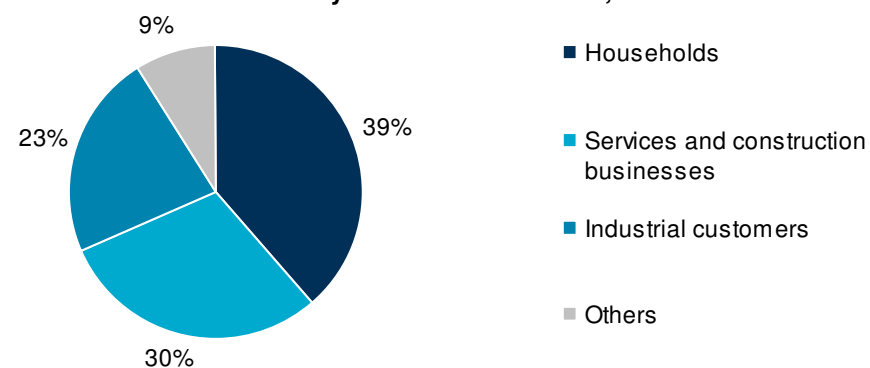
### Focused and Disciplined Customer Strategy

- ✓ Strong customer focus
- ✓ Serve all customers within licensed regions
- ✓ Focus on security of supply
- ✓ Responsible for supply and billing
- ✓ Excellent customer service



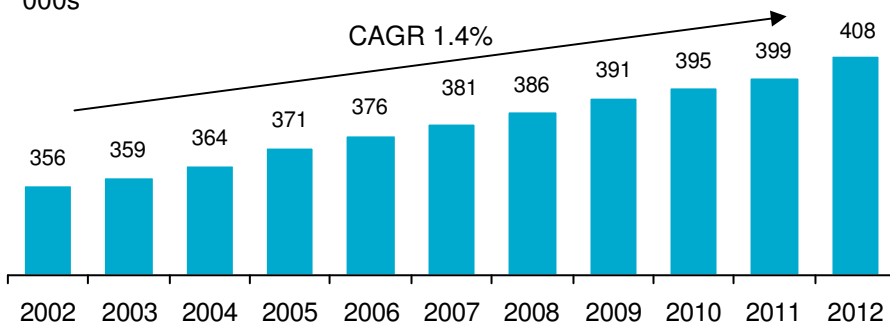
### Diverse Customer Base

Customer breakdown by distributed volumes, 2012



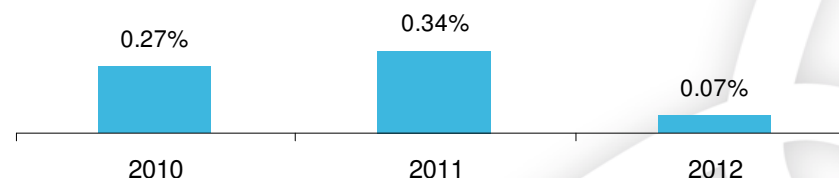
### Stable Customer Base with Steady Growth

Number of customers  
000s



### Exceptionally Low Bad Debt Levels

Bad debt as a proportion of revenue



## Supportive and stable regulatory environment

### ✧ Long-standing regime governed by independent regulator

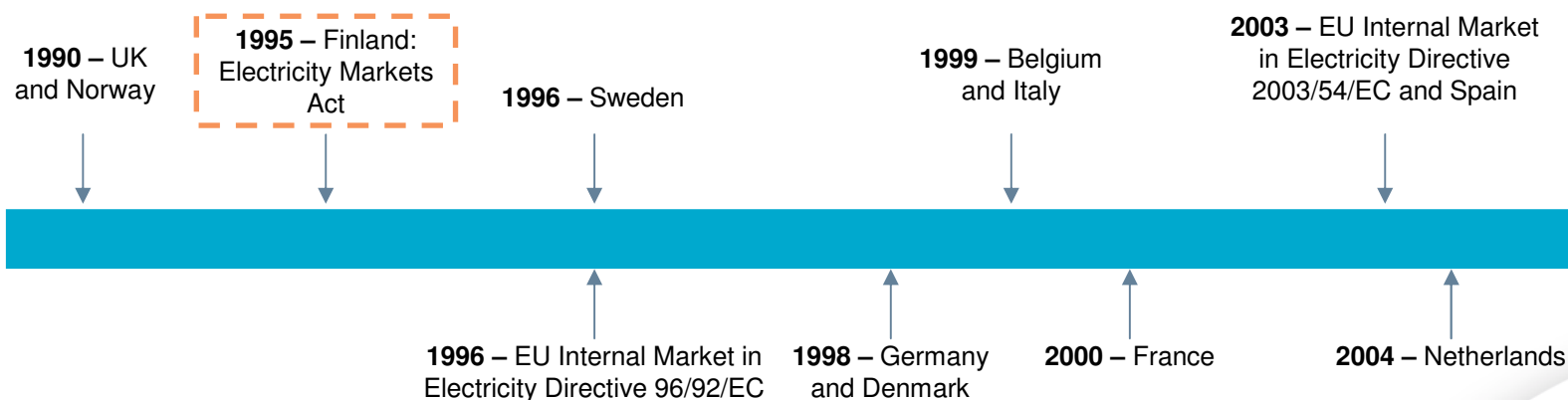
#### Regulatory Approach

- EMV is an entirely independent regulator
- Regulation in place since 1995 (currently in 3<sup>rd</sup> period)
- Non-transferable, perpetual licence
- Broad support for primary focus on 'security of supply'
- DSOs allowed to earn reasonable returns

#### Regulatory Economics

- DSOs set own distribution tariffs within overall regulatory framework
- Regulatory allowed profit =  $(RAB \times WACC) + (\text{incentives and allowances})$
- Clear incentive and allowance framework to encourage security of supply, investment efficiency, operational efficiency and innovation
- WACC is linked to Finnish 10yr government bond rate among other inputs

#### Finland's Regulatory System is Among the Longest Standing in Europe

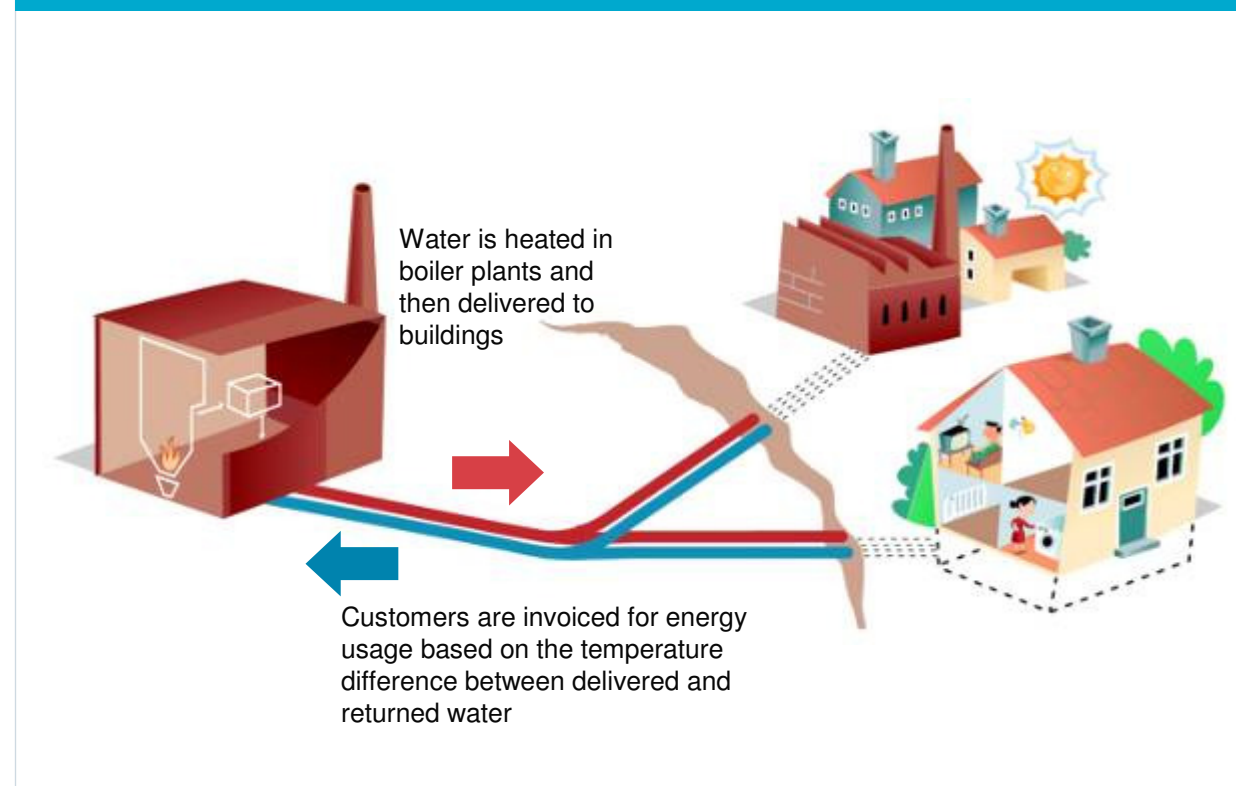




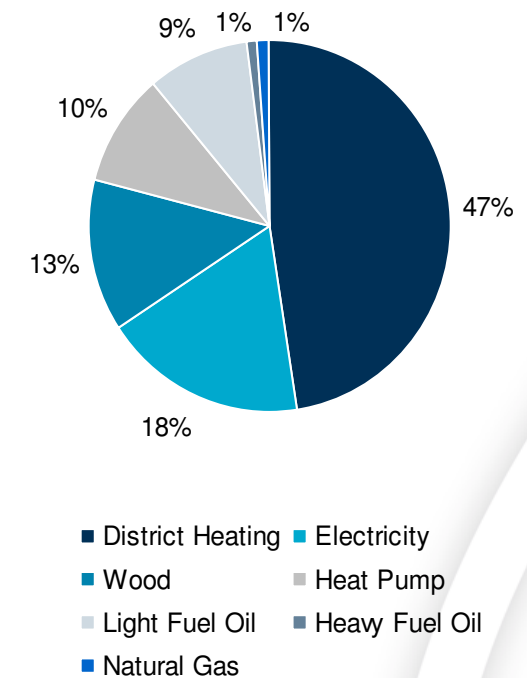
## District heating - industry overview

- ✦ District heating has a 47% market share among heating solutions in Finland (much higher in cities)
- ✦ Reliable, cost efficient and expensive to replace

*District Heating System*



*Heating Sources in Finland*



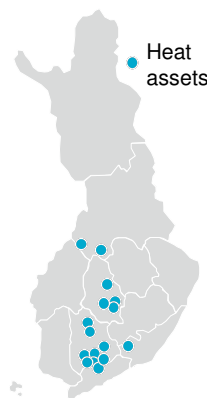
Source: Statistics Finland, 2011

## Cash generative district heating business

- ✦ Elenia also owns Elenia Heat - Finland's second-largest private seller of district heating
- ✦ A stable and diverse customer base, with steady growth, low churn rates and very low bad debts

### Embedded Part of Finnish Heating Market

- Sales volume of 1.16 Twh
- Owns and maintains 16 district heating networks
- ~4,500 customers and 85,000 end users
- 'Fair District Heating Company of the Year' in 2011
- Produces ~70% of own heat primarily from bio-fuels and purchases remainder from third parties

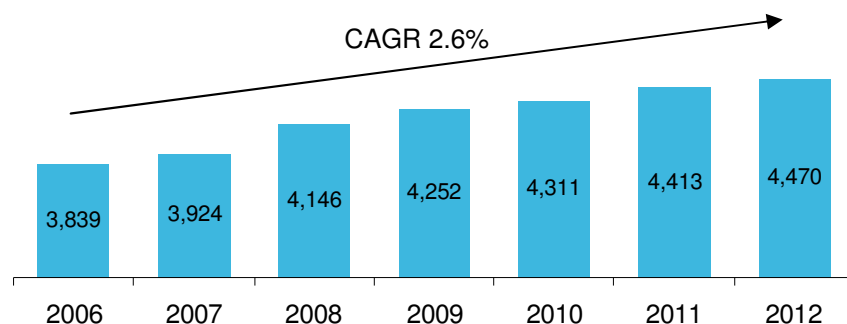


### Strong and Predictable Financial Performance

- Stable, defensive and cash generative subsidiary
- 2012 EBITDA: €21m (EBITDA margin of ~26%)
- 13% of Group EBITDA
- Stronger performance in colder years
- Low customer churn rate

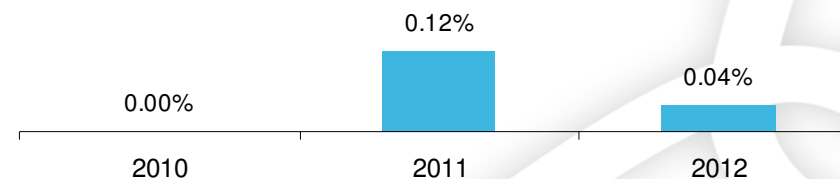
### Stable Customer Base and Steady Growth

#### Number of customers



### Exceptionally Low Bad Debt Levels

#### Bad debt history as proportion of revenue



## Robust and predictable financial profile

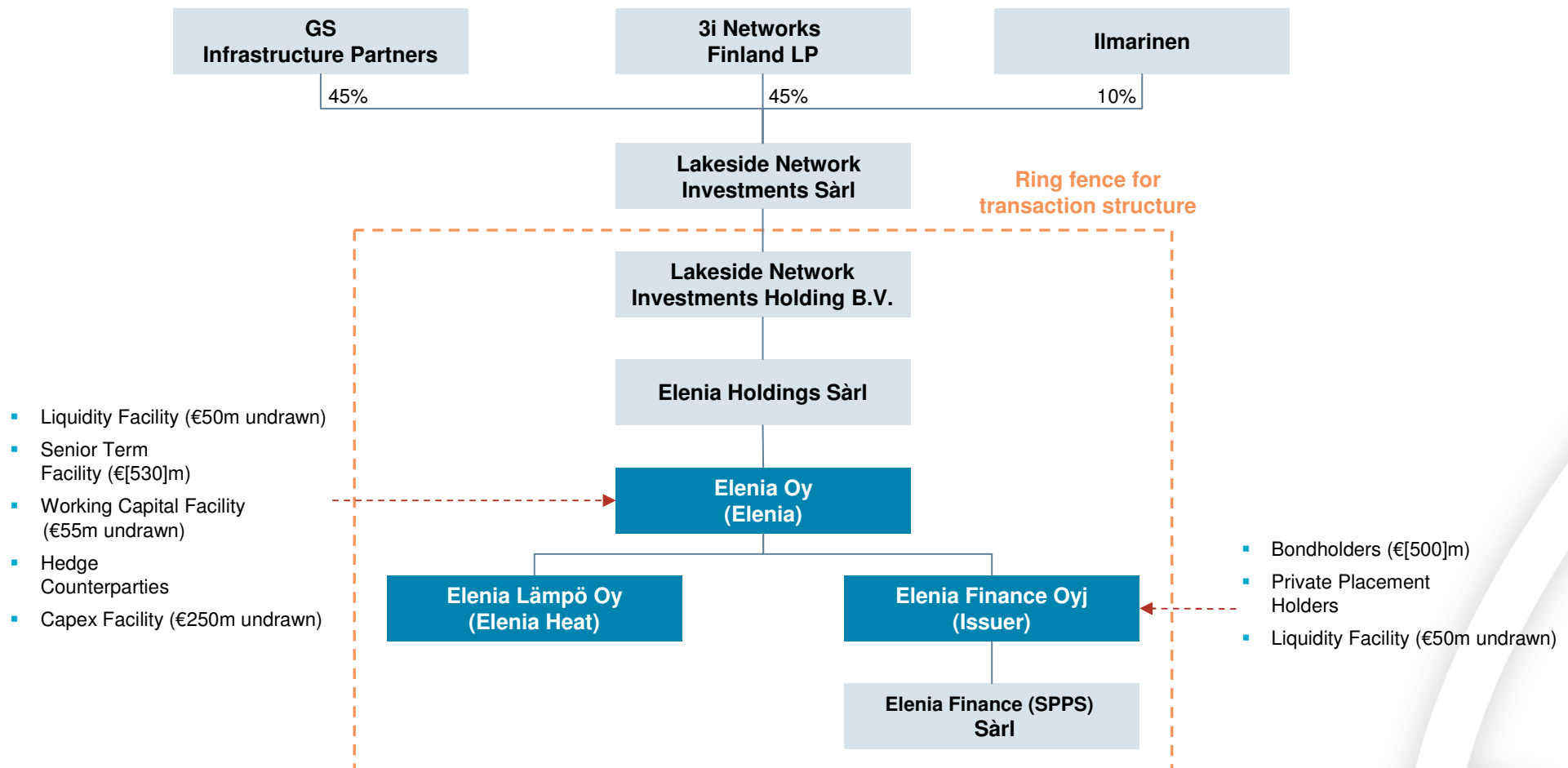
€m	2009	2010	2011	2012	H1 2012	H1 2013
<b>Consolidated Revenues</b>	<b>268</b>	<b>300</b>	<b>277</b>	<b>308</b>	<b>158</b>	<b>162</b>
Networks EBITDA	112	121	114	134	69	71
Heat EBITDA	17	27	20	21	11	11
<b>Consolidated EBITDA (Networks and Heat)</b>	<b>129</b>	<b>148</b>	<b>133</b>	<b>157<sup>1</sup></b>	<b>79</b>	<b>82</b>
<b>Consolidated Capex</b>	<b>85</b>	<b>59</b>	<b>60</b>	<b>72</b>	<b>23</b>	<b>43</b>
<i>Consolidated EBITDA margin</i>	<i>48%</i>	<i>50%</i>	<i>48%</i>	<i>51%</i>	<i>50%</i>	<i>50%</i>

2009, 2010 and 2011 figures are prepared under FAS. H1 2012, 2012 and H1 2013 figures are prepared using IFRS

For full disclosure on the financials of the Elenia Group business please see the Selected Financial Overview in the prospectus

<sup>1</sup> Excluding non-recurring items

## Simplified transaction structure



Note: Indicative day one size in brackets. Senior Term Facility amount to be adjusted depending on bond issuance. Aggregate liquidity facility of €50m which is available to both Elenia Oy and Elenia Finance Oy

## Strong investment grade credit rating with significant creditor protections

✧ Security package compares well to typical UK regulated utility secured structures

	Elenia	Typical UK secured structures
Comprehensive covenant package	✓	✓
Access to liquidity facility	✓	✓
Robust security package (including asset security)	✓	✗ full asset security over regulated utilities not available in the UK save in airport sector
Strong contractual ring fence	✓	✓
Free transferability of regulated business	✓	✗ UK subject to fit and proper owner test
Sufficient creditor controls in the form of a contractual standstill	✓	✓



## Key credit highlights

1	Leading electricity distribution network in Finland	<ul style="list-style-type: none"> <li>Second largest DSO in Finland</li> <li>Regional monopoly, subject to economic regulation</li> </ul>
2	Focused strategy to deliver an essential service	<ul style="list-style-type: none"> <li>Efficient investment management to enhance security of supply</li> <li>Ongoing operational excellence through partnerships</li> <li>Track record of innovation to drive industry progress</li> <li>Strong emphasis on customer service</li> </ul>
3	Supportive and stable regulatory environment	<ul style="list-style-type: none"> <li>Independent and stable regulatory regime, with primary focus on security of supply</li> <li>Clear incentive framework, with DSOs able to set distribution tariffs within overall regulatory framework</li> <li>Good relationship with the regulator</li> </ul>
4	Experienced and highly regarded management team	<ul style="list-style-type: none"> <li>Management team has over 300 years of relevant experience in aggregate</li> <li>Strong representation in several influential industry bodies</li> </ul>
5	Cash generative district heating business	<ul style="list-style-type: none"> <li>Well established and integral part of heating market</li> <li>Stable customer base with very low customer churn and bad debt rates</li> </ul>
6	Robust and predictable financial profile with FY2012 EBITDA of €157m	<ul style="list-style-type: none"> <li>Consistently strong financial results and operational performance</li> <li>Plan for extensive investor engagement: dialogue, investor calls, financial statements and reports</li> </ul>
7	Strong investment grade credit rating with significant creditor protections	<ul style="list-style-type: none"> <li>Very strong underlying business with a number of distinctive credit strengths</li> <li>Security package compares well to typical UK regulated utility secured structures</li> </ul>

## Next steps

### ✧ Public bond issuance in Q4 2013 – indicative terms

<b>Issuer</b>	Elenia Finance Oy	<b>Issuance Size</b>	Benchmark
<b>Guarantors</b>	Elenia Oy Elenia Lämpö Oy Elenia Holdings Sàrl Elenia Finance (SPPS) Sàrl Lakeside Network Investments Holding BV	<b>Coupon Type</b>	Conventional Fixed
<b>Currency</b>	Euro	<b>Maturity Profile</b>	Bullet
<b>Tenor</b>	Intermediate	<b>Ranking</b>	Senior Secured
<b>Ratings</b>	[BBB] (S&P)	<b>Listing</b>	London
<b>Minimum Denominations</b>	€100,000	<b>Use of Proceeds</b>	Refinancing of Acquisition Facilities and General Corporate Purposes

#### Future investor engagement

- Investor website: <http://www.elenia.com/en/financialinformation>
- Regular dialogue with investors
  - Annual investor update conference call
- Commitment to provide investor reporting on a semi-annual basis including annual audited financial statements via website

# Q & A

<http://www.elenia.com/en/company>

# Appendix

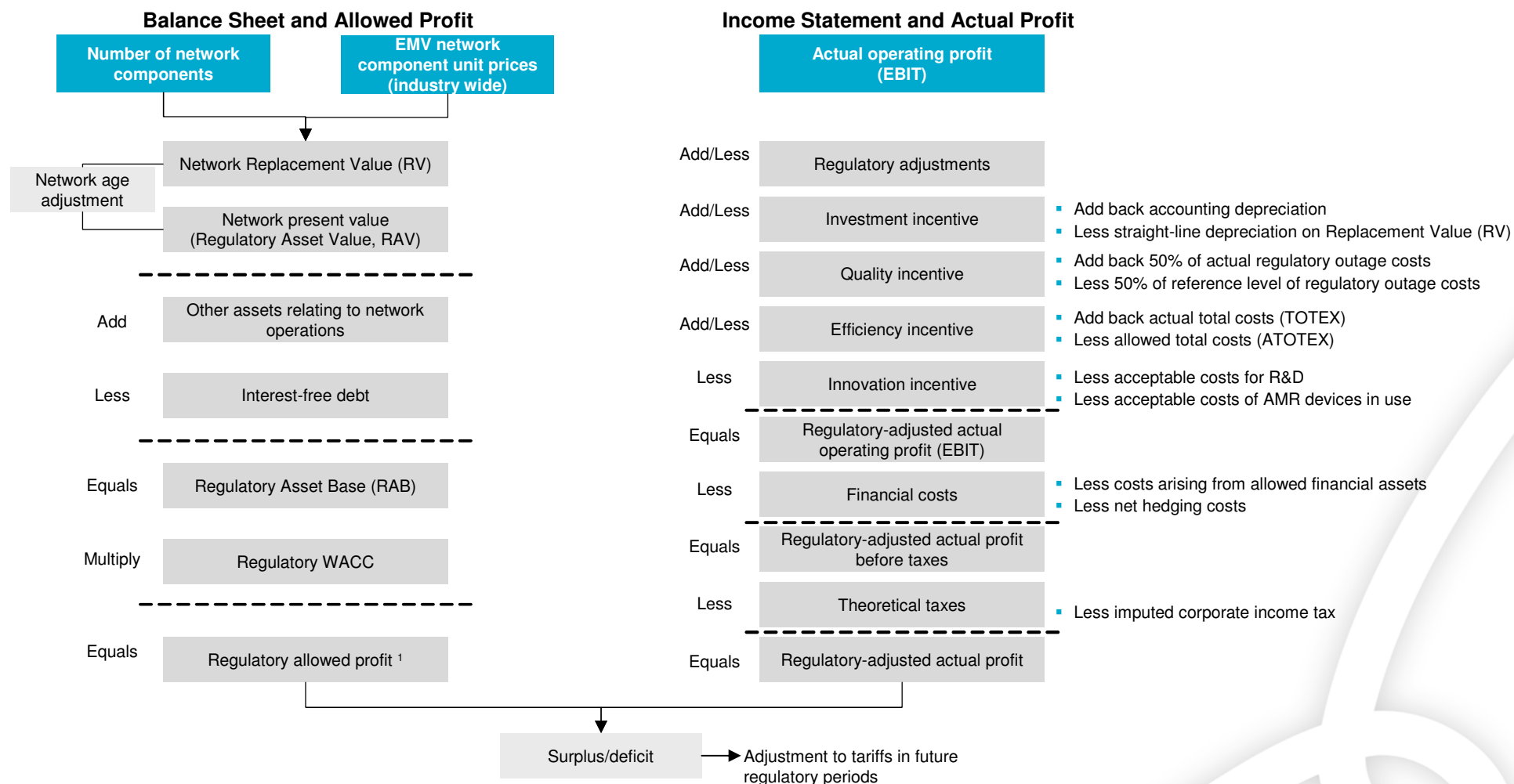
## Key terms and conditions

<b>Credit Rating</b>	<ul style="list-style-type: none"> <li>▪ [BBB] (S&amp;P)</li> </ul>
<b>Intercreditor Arrangements</b>	<ul style="list-style-type: none"> <li>▪ Governed by, inter alia, a Common Terms Agreement and a Security Trust and Intercreditor Deed (STID)</li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>▪ Bond, private placement debt and bank debt to rank <i>pari passu</i> (with the exception of super senior liquidity facility)</li> <li>▪ Hedging to be either <i>pari passu</i> or super-senior</li> <li>▪ Comprehensive security package</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>▪ Elenia Oy, Lakeside Network Investments Holding B.V., Elenia Holdings Sàrl and Elenia Finance (SPPS) Sàrl will grant a full security package including, inter alia, security over all of their assets, undertakings and property, including the shares they own in their Subsidiaries</li> <li>▪ Elenia Oy and any Material Subsidiaries will grant a business mortgage, a pledge of bank accounts and a pledge will be given over their shares and a mortgage will be given over certain of their real property</li> <li>▪ The Issuer will grant first ranking security and negative pledge over its assets, undertakings and property</li> </ul>
<b>Standstill</b>	<ul style="list-style-type: none"> <li>▪ Contractual standstill of 18 months (can be ended earlier if majority of Participating Qualifying Secured Creditors vote to terminate the Standstill Period)</li> </ul>
<b>Selected Business Restrictions</b>	<ul style="list-style-type: none"> <li>▪ Restrictions on Permitted Business, Permitted Acquisitions and Permitted Disposals</li> </ul>
<b>Cash Management</b>	<ul style="list-style-type: none"> <li>▪ Pre and Post enforcement priority of payments</li> </ul>

<b>Selected Trigger Events</b>	<ul style="list-style-type: none"> <li>▪ Financial Ratio breach: <ul style="list-style-type: none"> <li>▪ Interest Coverage Ratio: 1.70x EBITDA</li> <li>▪ Leverage Ratio: 9.50x EBITDA</li> </ul> </li> <li>▪ Loss of investment grade rating</li> </ul>
<b>Selected Trigger Event Consequences</b>	<ul style="list-style-type: none"> <li>▪ No Restricted Payment may be made by any Obligor</li> <li>▪ After 12 months: <ul style="list-style-type: none"> <li>▪ Information provision and remedial plan</li> <li>▪ Consultation on communication with regulator</li> </ul> </li> </ul>
<b>Financial Events of Default</b>	<ul style="list-style-type: none"> <li>▪ Failure to pay by an Obligor</li> <li>▪ Financial Ratio breach (subject to equity cure right) <ul style="list-style-type: none"> <li>▪ Interest Coverage Ratio: 1.20x EBITDA</li> <li>▪ Leverage Ratio: 10.5x EBITDA</li> </ul> </li> </ul>
<b>Liquidity</b>	<ul style="list-style-type: none"> <li>▪ Liquidity facility covering 12 months debt service</li> </ul>
<b>Hedging</b>	<ul style="list-style-type: none"> <li>▪ Fixed or Index-Linked Hedging for Relevant Debt</li> <li>▪ Minimum counterparty rating at inception</li> <li>▪ Foreign exchange hedging of 100%</li> <li>▪ Interest rate risk governed by hedging policy which includes minimum and maximum levels for fixed rate debt</li> </ul>
<b>Board Governance</b>	<ul style="list-style-type: none"> <li>▪ Independent director at each of the Lakeside Network Investments Holding BV, Elenia Oy and the Issuer</li> </ul>



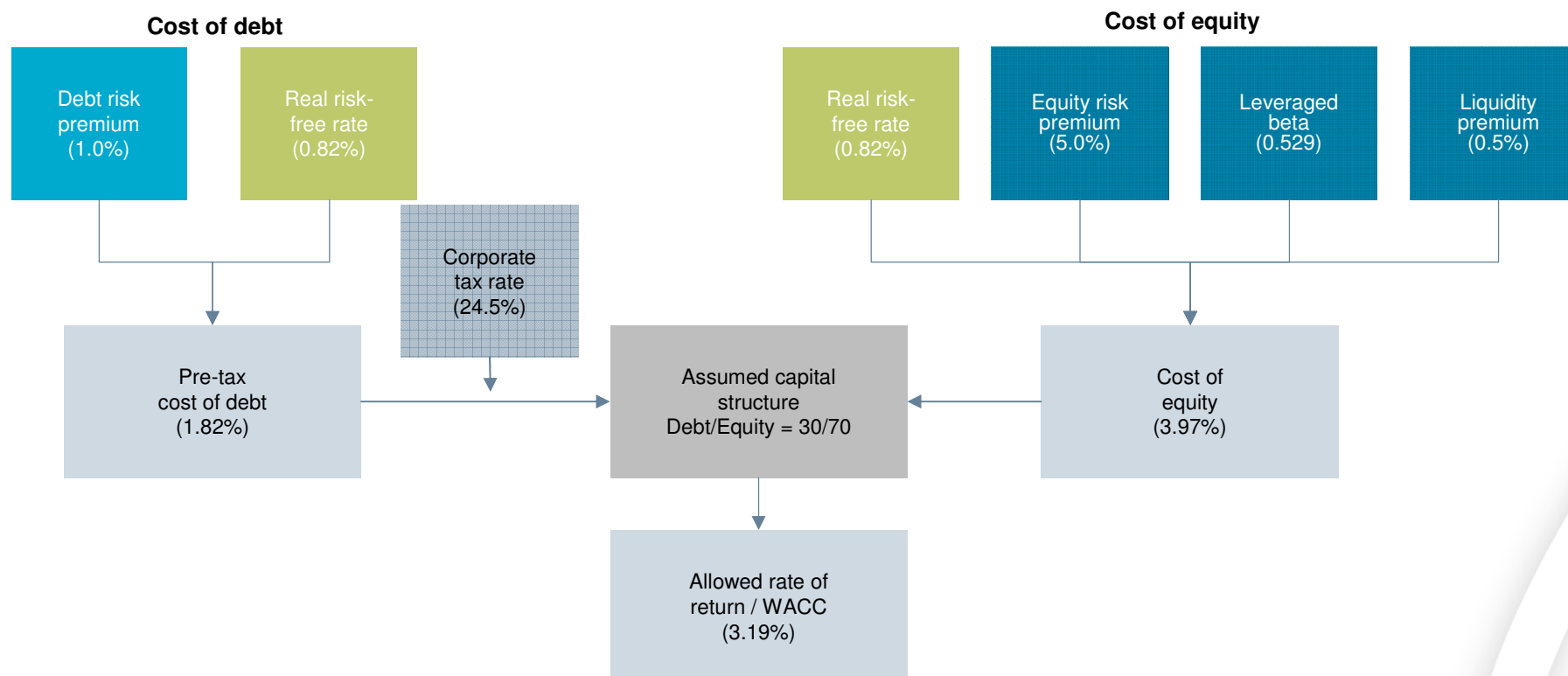
## Finnish regulation: A transparent regulatory building block approach



(1) Also known as 'Reasonable return'

## WACC building blocks

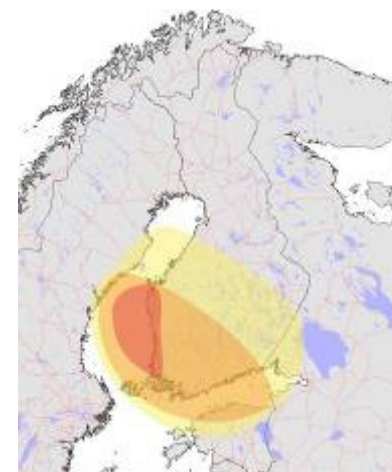
### WACC for 2013 (Third Regulatory Period)



- Full details of the regulatory mechanics are included in the 'Selected Aspects of Finnish Regulation' section of the prospectus
- The numbers above are based on the May 2012 level of the prevailing 10yr Finnish government bond
- Assumed inflation of 1% is subtracted from the 10yr Finnish government bond yield to determine real risk free rate (as per the regulatory framework)

## Case study: Storm experience

	Snow loads in 2011	Tapani and Hannu storms in 2011
<b>Description</b>	Heavy snow loads in Northern Pirkanmaa, Eastern Häme and Central Finland on 24 – 31 January 2011	Two strong storms in Häme, Pirkanmaa, Middle Finland and Northern Ostrobothnia on 26-27 December 2011
<b>Maximum number of customers without electricity simultaneously</b>	25,000	102,000
<b>MV / LV faults</b>	500 MV / 160 LV faults	690 MV / 1060 LV faults
<b>SAIDI impact*</b>	113 minutes	455 min
<b>Fault repair costs</b>	€ 1.8 million	€ 4.5 million
<b>Customer outage compensation</b>	€ 1.2 million	€ 6.1 million
<b>Total costs</b>	€ 3.0 million	€ 10.6 million



\*SAIDI: System Average Interruption Duration Index – a measure of the average outage duration for each customer served