



Elenia Group INVESTOR REPORT H1 2014



ELENIA

INVESTOR REPORT

For the six months ended 30 June 2014

Elenia Group

This investor report provides information on the Elenia Group's business in the first half of 2014, including regulatory and business developments, Elenia's financial performance and other information in accordance with the requirements of the Common Terms Agreement dated 10 December 2013.

1. Overview

In accordance with its strategy, Elenia continued operations in the first half of 2014 with a special focus on providing progressive electricity network services to its customers, thereby helping society to function without disruption to daily life.

In this period, Elenia continued the roll-out of its long term investment plan which is designed to improve the security of supply. Elenia Oy's investments were €54.5 million and the underground cabling rate increased as planned.

Elenia continued to further develop its asset management system according to new international standard ISO 55001:2014. This system was already certified according to the British PAS 55 standard¹ at the end of 2013.

In the first half of 2014 both revenue and EBITDA were higher than the prior year. New electricity network connections drove higher sales, helping to increase revenue by 0.7%. This was partially offset by the impact of relatively warm weather, which reduced distributed volumes of electricity and heat. EBITDA was 4.1% higher than the same period last year due to lower material and services costs, which was primarily driven by fewer storms in 2014.

The key financial performance indicators for the first half of 2014 (excluding the impact of exceptional items) are shown in the table below. (Further information is available at: www.elenia.com/en/financialinformation)

Key Financial Performance indicators (€M)	H1 2014	H1 2013	change %
Revenue	160.7	159.6	0.7%
EBITDA *	84.8	81.5	4.1%

* Excluding exceptional and non-recurring items

2. Regulatory and Business Update

a. Storms

There were no major power disruptions during the first half of 2014.

In May, a small storm caused outages in areas of the electricity distribution network served by overhead lines. Elenia was prepared for the storm and worked to mitigate the impact on customers. The maximum number of customers simultaneously without electricity was 17,000. All connections were restored within 2 days, with most customers reconnected much sooner.

¹ PAS 55-1:2008 Publicly Available Specification for the optimised management of physical assets

b. Regulation

Network Development and Preparedness Plans

In accordance with the Electricity Market Act, the Energy Authority has requested DSOs to prepare and submit a network development plan. The aim of the plan is to indicate the investments and maintenance actions that DSOs plan to carry out to fulfil the regulatory security of supply targets. Elenia's development plan was delivered to the Energy Authority in June 2014 and is fully in line with Elenia's long-term investment plan and maintenance strategy.

The draft regulatory guidelines for the 4th and 5th regulatory period are expected to be released by the Energy Authority in May 2015.

Elenia delivered its preparedness plan for major power disruptions to the National Emergency Supply Agency in June 2014. This is also a requirement of the Electricity Market Act. Elenia has utilised its internal preparedness plans successfully, which are built upon many years of experience in various storm situations.

c. Investment Programme and Underground Cabling

Elenia's long-term investment programme aims to improve the security of supply by replacing overhead lines with underground cables. The investment programme is designed to decrease the number of faults in the distribution network, reduce fault repair costs and fulfil the security of supply targets set by the Electricity Market Act.

In first half of 2014, Elenia accelerated investments according to the long-term investment plan. Due to favourable winter conditions and careful project and contractor management, underground cabling projects progressed well.

The total capital expenditure for Elenia Networks in the first half of 2014 was €54.5 million.

d. IT Projects

The main IT focus throughout the first half of 2014 has been on developing existing systems in co-operation with partner service providers.

In this period, Elenia started to invest in its new Customer Information System (CIS). The implementation of this project will take 18 months and the new CIS is expected to be in use in early 2016.

e. Health, Safety and Environment

Elenia's personnel did not sustain any recorded accidents in the first half of 2014. There were also no recorded severe accidents for Elenia's contractor personnel in the same period. Elenia's employees continued to receive regular safety training and the company continued to carry out Safety Walks (safety reviews) at its construction sites. 54 Safety Walks were completed in the first half of 2014.

There were no recorded severe environmental incidents at Elenia in first half of 2014.

f. Elenia Heat

As in 2013, Elenia Heat continued to provide a highly reliable source of heating. There were no major interruptions in heat or gas delivery, and the reliability of supply to customers was above the industry average.

Elenia Heat was able to continue to increase the share of renewable fuels in its fuel mix. Carbon dioxide emissions per unit of generated heat fell by 7%, primarily reflecting the reduced proportion of fossil fuels used, particularly natural gas.

Elenia Heat invested €4.0 million in improving its network and heat generation assets during the first half of 2014. The largest current investment project is a 10 MW biofuel boiler in Turenki, which will be fully operational during the second half of 2014. The new boiler will further enable Elenia Heat to replace natural gas with renewable fuel in the generation of heat.

Elenia Heat continued its focus on environmental, health and safety matters. No environmental damage occurred in the first half of 2014 and Elenia Heat was in full compliance with the environmental permit requirements for its heat generation operations. External and internal audits and inspections were successfully carried out, with no major recommended changes to operations. In the first half of 2014 there were no serious accidents..

Due to the warm weather in the period, heat sales decreased by 4% compared to the first half of 2013. Electricity production, which is related to the volume of heat, also decreased due to unfavourable spark spreads. Despite these prevailing market conditions, Elenia Heat was able to mitigate the impact on EBITDA, which increased by 4% compared to the first half of 2013. This was primarily due to increased production efficiency of heat and electricity generation assets.

3. Changes to the Board of Directors:

There were no changes to the composition of Elenia Oy's Board of Directors in the first half of 2014. There were also no changes to Elenia Heat's Board of Directors in the same period.

4. Financing and Hedging Position

As at 30 June 2014, the Elenia Group has drawn €17.0 million of the Capex Facility.

As at 30 June 2014, the Hedging Ratio was 100.3% and Elenia Group was in compliance with the Hedging Policy.

5. Acquisitions or Disposals

There have not been any material acquisitions or disposals since the last Investor Report.

6. Restricted Payment

The amount of any Restricted Payment made since the date of the Initial Issue Date is €60.4 million.

7. Ratios

In respect of this investor report dated 26 September 2014 covering the 6 month period ending 30 June 2014, by reference to the most recent Financial Statements delivered to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Security Group Covenants) of the Common Terms Agreement:

The Interest Coverage Ratio (FFO/ Net Finance Charge) in respect of the Relevant Periods are:

30 June 2014	€155.5 M / €35.1 M = 4.4
30 June 2015	€144.8 M / €36.3 M = 4.0

The Leverage Ratio (Total Net Debt / EBITDA) in respect of the Relevant Periods are:

30 June 2014 €1 070.7 M / €155.7 M = 6.9

30 June 2015 €1 083.7 M / €144.9 M = 7.5

(together the Ratios).

Each of the above Ratios has been calculated in respect of the Relevant Period(s) or as at the Calculation Dates for which it is required to be calculated under the Common Terms Agreement.

8. Confirmations

We confirm that as at 30 June 2014:

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

Yours faithfully,



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Aapo Nikunen

Chief Financial Officer

Signing without personal liability, for and on behalf of

Elenia as Security Group Agent