ANNUAL REVIEW

2021

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 subsidiary Elenia Verkko Oyj providing electricity network services.*

Elenia Oy*

Elenia Verkko Oyj

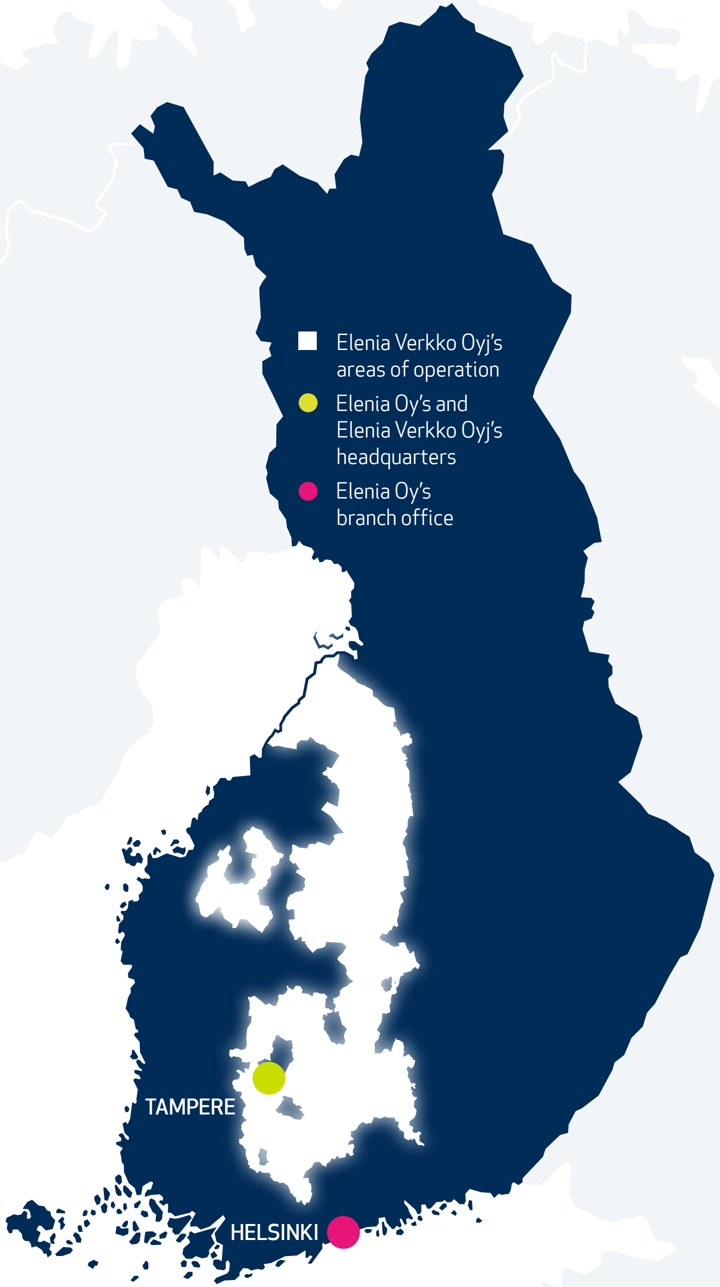
Elenia Oy is a multi-skilled service provider in the energy sector. It provides customer service for electricity distribution, district heating, natural gas and electricity sales businesses. The operations are guided by the service and business objectives of its customers. In cooperation with its customers, 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 435,000 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 network 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 approximately 76,000 kilometres of electricity network.

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 new parent company, formerly Elenia Palvelut Oy) and its wholly owned electricity distribution services provider Elenia Verkko Oyj. The former Elenia Oy, the Group's parent company before changes, and Elenia Finance Oyj, a finance company, were merged with Elenia Verkko Oyj in July 2020. More information on changes in the Group structure can be found in the Financial Statements.

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



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CONFIDENCE IN THE PREDICTABILITY OF REGULATION MUST BE RESTORED

Unlike the warm winter months of the previous year, Finland experienced very cold winter weather in January, November and December 2021. At Elenia, this led to a significantly higher than expected electricity distribution volumes: up to a 10% increase to the previous year.

The exceptionally cold weather for the latter part of the year created a turbulent situation in the electricity markets, where high consumption pushed electricity prices, which were already high during the summer months, to record levels. We were also directly affected by the increase in the electricity prices, as we are a significant buyer of electricity through network losses. As a result of the year-end consumption spike, we had to buy more electricity to cover the network losses than we had anticipated, which caused us additional costs.

EXCEPTIONAL REGULATORY CHANGE HIT OUR INDUSTRY AND STAKEHOLDERS HARD

Following the amendment to the Electricity Market Act that entered into force on 1 August, the Energy Authority changed its regulation methods in the middle of the regulatory period. The regulation methods were confirmed in 2015 and were valid until end of 2023. This change was detrimental to the development of our business. The Energy Authority normally monitors the reasonable return of network companies in periods of four years and establishes regulation methods in advance for an eight-year period. The change in the regulation methods in the middle of the regulatory period is an absolutely exceptional measure, which erodes the confidence of electricity distribution system operators ("DSOs") and their stakeholders, such as the financial sector, in the authority and the continuity of regulation.

We believe that the main reason for this change was the extensive negative publicity concerning electricity distribution prices, which has lasted for several years. In the discussion, the quality requirements imposed on electricity distribution companies by the Electricity Market Act were ignored, and the need for the development of the electricity network, which is important for the functioning of society, was forgotten. This created a significant political pressure to change the regulatory methods. These changes would not have been required by the amended Electricity

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Market Act. The construction of a new electricity networks takes decades, and the network serves customers for as long as 60 years, so the development of distribution prices must also be considered in the long term. The Energy Authority should implement the Electricity Market Act as an independent entity, but now it has yielded to political guidance.

The changes made in the unit prices of network components and the decrease in the WACC rate could have been implemented in the regulatory methods in the following regulatory periods without causing this shock, which is detrimental to DSOs, as well as their partners, customers, and society as a whole.

THE REGULATORY CHANGES ARE INCONSISTENT WITH THE OBJECTIVES OF THE DISTRIBUTION NETWORK OPERATIONS AND LEGAL PRINCIPLES

We have been the forerunner in the reform of DSO services and the efficiency improvements in our industry. We have invested more than one billion euros in modernising the ageing electricity network. In just over a decade, the share of the weatherproof network has increased from less than 20 per cent to around 60 per cent in our 76,000 kilometres of electricity network. We have also maintained stable and moderate price development. It has been more than two years since our last price increase of around 6%, and none of our price increases have been larger than this.

The changes made in the middle of the regulatory period interrupted our long-term work and forced us to make changes to our plans. We had to cut our investments planned for 2022 by more than EUR 40 million, which will reduce the work of our contracting partners, as well as the orders of Finnish cable and equipment manufacturers. We were deprived of the possibility of determined and long-term improvement in the efficiency of work. Improving electricity distribution and reducing power outages, especially in rural areas, are slowing down considerably at the moment, when the remote working has become the norm.

In addition to the regulatory changes slowing down our investments and development projects, and those of other DSOs, we consider them to be inconsistent with the legal principles of administration. The changes affect the companies and their customers in different ways, which means that the DSOs have not been treated equally. For these reasons, like other DSOs, we appealed to the Market Court in January 2022 against the changes in regulatory methods made by the Energy Authority.

BY DEVELOPING A SMART GRID, WE ARE PROMOTING THE GREEN TRANSITION

We have developed our electricity network for a long time to create a smart platform for the electrification of society and to incorporate solutions increasing energy efficiency and the use of renewable energy in the network. Although this work will also be slowed down by the unexpected change in regulation, we will continue our significant investments to enable the green transition of the energy system.

After a successful POC project in the autumn of 2021, we launched the mass installments of the next-generation electricity meters, which can be used to control electricity consumption almost in real time in the future in order to create demand response. Once the whole reform is completed in the next few years, electrical devices will automatically turn on when the market price of electricity is at its lowest. This will create financial benefits for the customers. From the perspective of electricity market balancing, households represent significant demand response potential. Our partner in the development of the new metering system is Aidon Oy, and in the meter installations it is Voimatel Oy.

Another of our significant smart grid projects relates to the electricity storage. In 2020, we launched a pilot project on the use of an electricity storage battery pack in cooperation with Fortum. In 2021, we continued our innovation development with Fortum and with our new partner Mersus Power, a company specialising in power quality solutions. Fortum utilises the capacity of the battery pack in regulating power market and, in the case of faults in our electricity network, the capacity of the battery pack is used to supply electricity for our customers. In the coming years, we are planning to build dozens of electricity storage units, especially in areas where underground cabling is not yet scheduled.

SERVICE AND FIBRE-OPTIC BUSINESSES DEVELOPED AS PLANNED

Both the service and the customer satisfaction of our own customers, and our service business, offered to other energy companies, developed in line with our targets in 2021. We renewed our customer promises related to the quality of our services, to take the customer needs better into account. We also proceeded as planned in the fibre-optic business.

WE ARE COMMITTED TO AMBITIOUS ENVIRONMENTAL TARGETS

We are committed to the climate targets and we have been approved as a member of the Science Based Targets initiative (SBTi). We are committed to reduce greenhouse gas emissions by 42% by 2030 in our own emissions and those of the energy we procure. We are also part of the Net Zero target, which means an emissions reduction of about 90% by 2050 throughout our value chain. In our Sustainability Report, to be published in spring 2022, we will explain our goals and measures to promote sustainable development in more detail.

Despite the exceptional events of the past year, we are determined to look ahead. It is essential for us that the previous regulatory method longevity will be readopted during the next regulatory period starting at the beginning of 2024. Our stakeholders' confidence in the legislation and continuity of regulation in our industry, as well as our customers' acceptance and trust in Elenia, can only be restored by a determined improvements in operational efficiency and service quality.

Tapani Liuhala
CEO

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CHANGING REGULATION

The amendments to the Electricity Market Act ("EMA") became effective on 1 August 2021. While the bill itself changed somewhat over the couple of years it took from the first draft to the final approved version, the substantive content remained for the most part unchanged. The core amendments to the EMA were:

- DSOs – such as Elenia Verkko Oyj – whose underground cabling rate of the medium-voltage network is 60% or lower (at the end of 2018) have until 2036 to comply with the full quality requirements (as opposed to the end of 2028 as stipulated previously).
- DSOs are allowed to increase their electricity distribution tariffs by up to an aggregate of 8% (on tariffs after taxes) over any rolling 12-month period. Previously the cap was 15%.
- The network development plan is reviewed more extensively by the Energy Authority to ensure DSOs invest efficiently and also consider other alternatives to investments. A DSO needs to consult its stakeholders regarding the network development plan, which also shall be published together with the results of the said consultations or hearings.
- The level of mandatory compensations payable on outages that last for more than 12 hours was increased in cases where the outage lasts for more than 48 hours.

In November 2020 the EA informed that should the EMA amendments be passed, they would change the regulatory methods – that govern the allowed revenue and allowed return of all DSOs – in the middle of the current fifth (2020-2023) regulatory period. The EA confirms these regulatory methods for DSOs in advance for two consecutive regulatory periods covering eight years, making it highly uncommon to change them mid-period.

All DSOs, including Elenia, received a new regulatory decision in December 2021, which stated the changes that became effective on 1 January 2022 and are in effect for only two years, 2022 and 2023. The changes to the regulatory methods were in line with what the EA had previously outlined and included updated unit prices, changes to the calculation methodology of the reasonable rate of return ("WACC"), and the removal of the security of supply incentive.

The change in the unit prices led to a sizeable decline in Elenia's Regulatory Asset Base ("RAB"). According to the EA, the change was between 7% and 22%, with a weighted average of 17%. The change was most significant for underground cables and hence the impact on Elenia was one of the most severe. In practical terms it meant that Elenia's RAB declined to a level where it was during 2018.

The calculation of the risk-free rate component as part of the determination of the WACC is based on the Finnish government 10-year bond yield. Previously it was based on a methodology where the higher of either the current (based on the previous year) or the historic 10-year average rate was selected. The latter calculation approach was removed from the methodology from the beginning of 2022, resulting in a WACC of 4% for 2022, which is approximately 1%-point lower than it would have been without the change in the calculation methodology.

The security of supply incentive compensated DSOs for network assets that were prematurely replaced in order to comply with the quality requirements set in the EMA. It was introduced in the middle of a regulatory period in 2014, following a change to the EMA introducing the quality requirements. Hence, removing the incentive also mid-period after the deadline for quality requirements was postponed from 2028 to 2036 was logical. The security of supply incentive also included compensation for other measures improving security of supply, such as tree clearance outside of line corridors. The simultaneous removal of this element from the regulatory methods is very unfortunate as the amended EMA calls for alternative solutions to improve security of supply beyond investments.

S&P Global Ratings ("S&P") responded to the regulatory changes by placing Elenia on a negative credit watch and called for a plan to improve Elenia's financial ratios, which have remained – and are expected to remain – unchanged. Elenia revised its capex plan by cutting EUR 40 million from the investment program in order to improve credit metrics. The adjustment was not deemed sufficient and subsequently S&P lowered the rating of Elenia's bonds and notes from BBB+ (negative) to BBB (stable) in January 2022. Elenia, along with numerous other Finnish DSOs, is seeking repeal from the Market Court against the decisions of the EA.

During December 2021, the EA started a process to develop the regulatory methods for the upcoming sixth (2024-2027) and seventh (2028-2031) regulatory periods. Elenia will actively participate in the process. The EA has indicated that the new regulatory methods will continue the same path as previous methods and any potential upcoming changes are expected to be reasonably limited. The unit prices are expected to be updated again for the sixth regulatory period, which is expected to have a positive impact given the recent surge in the raw material prices also reflected in prices for network components.

Elenia firmly believes that the regulatory methods will remain supportive to the DSOs and compensate for the long-term investments into security of supply also in the upcoming sixth and seventh regulatory periods.

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GROUP KEY FIGURES 2021

ELENIA VERKKO OYJ´S CUSTOMERS

435,000

OF WHICH WITHIN THE QUALITY REQUIREMENTS OF THE ELECTRICITY MARKET ACT 339,600

ELECTRICITY NETWORK

76,000 km

TOTAL UNDERGROUND CABLING RATE OF THE ELECTRICITY NETWORK

58.5 %

TOTAL ELECTRICITY DISTRIBUTION VOLUME

6,643 GWh

ELENIA OY'S CUSTOMERS

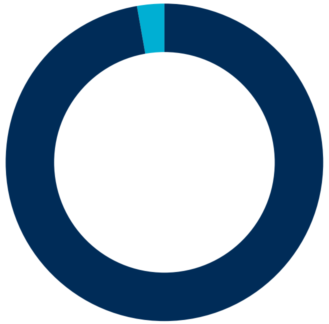
1,050,000

END USERS

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

In the key figures, Elenia Verkko Oyj's revenue and investments for 2020 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.

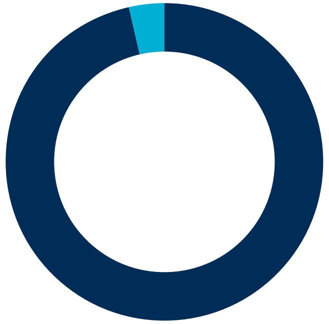
REVENUE BREAKDOWN, MEUR



Elenia Verkko Oyj*
320.2 (299.4)

Elenia Oy
8.5 (6.9)

ELENIA GROUP'S INVESTMENTS*, MEUR



Elenia Verkko Oyj*
172.2 (165.0)

Elenia Oy
6.1 (5.4)

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ELENIA'S STRATEGY

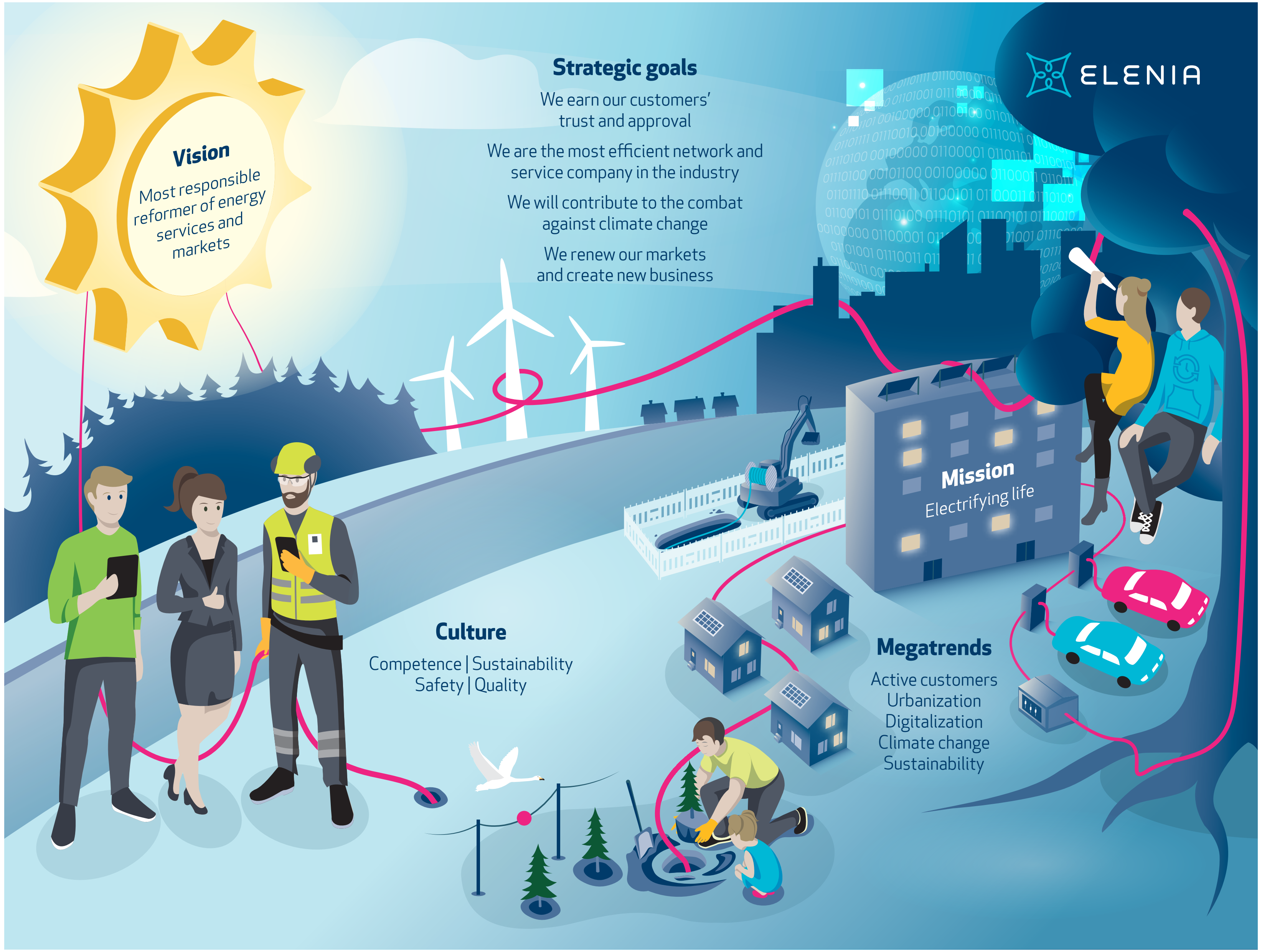
SUCCESS FACTORS

NETWORK BUSINESS

- We utilize digitalization in our operational processes efficiently and innovatively
- We improve our security of supply taking into account customer needs
- We strive to influental and customer-minded stakeholder collaboration
- We provide a Smart Grid for our customers and electricity market participants
- We renew the services and practices of the industry together with our partners

SERVICE BUSINESS

- We provide the best service experience
- We are the most efficient and high quality network builder
- We are active operator in fiber network markets
- We promote market digitalisation and create new services



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REPORT OF THE BOARD OF DIRECTORS 2021

Elenia Group's Business Operations

Elenia Group ("Elenia") consisted of Elenia Oy (the parent company) and its fully-owned subsidiary Elenia Verkko Oyj[1].

Elenia Group is engaged in four businesses, of which electricity distribution is the Group's core business and constitutes the majority of the Group's revenue. In the Group structure, Elenia Verkko Oyj ("network business") owns and operates an electricity distribution network. Additionally, 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").

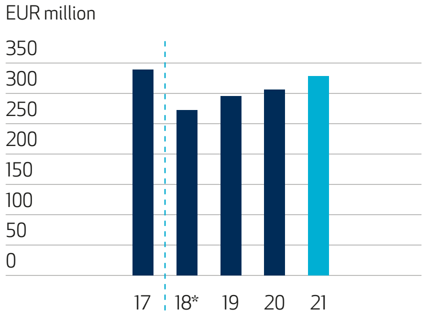
Financial Performance

Elenia Group's revenue in 2021 was EUR 328.6 million (EUR 306.3 million in 2020). Revenue grew by EUR 22.3 million (7.3%). The positive revenue development was driven by increased distribution volumes.

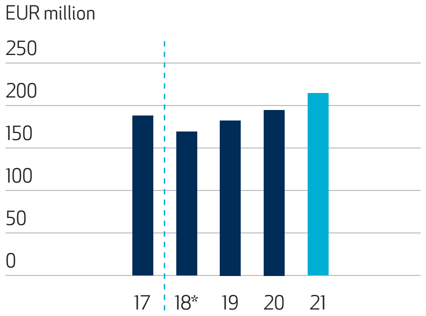
EBITDA was EUR 214.8 million for the financial year (EUR 195.1 million in 2020). EBITDA increased by EUR 19.7 million (10.1%). EBITDA excluding non-recurring items was EUR 215.1 million for the financial year (EUR 195.5 million in 2020). The non-recurring items mainly consisted of compensation for damages concerning a single customer and non-recurring legal expenses.

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 during 2020 or 2021.

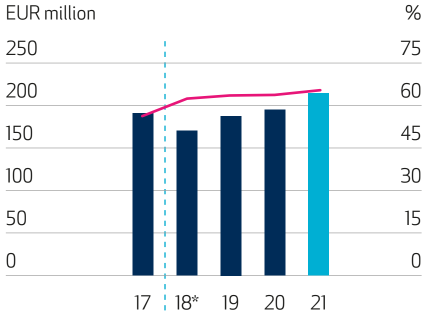
REVENUE



EBITDA



EBITDA** AND EBITDA MARGIN**



** excluding non-recurring and exceptional items

*) 2018–2021 figures in the graphs include the revenue and EBITDA without the discontinued operations. The district heating business divestment was completed on 22 July 2020 and 2018 figures are restated for comparability. 2017 figures have not been restated.

ELENIA GROUP

(EUR million)	2021	2020	Change %
Revenue	328.6	306.3	7.3
EBITDA	214.8	195.1	10.1
EBITDA excluding exceptional and non-recurring items	215.1	195.5	10.0
EBITDA margin (excluding exceptional and non-recurring items)	65.5%	63.8%	

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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 (EA). 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 76,000 kilometres, Elenia Verkko Oyj supplies electricity to over 435,000 end users. In addition to residential customers, key customer segments include industrial, service, construction and public sectors. The company has operations in more than 100 cities and municipalities spanning a geographical area of nearly 600 km in length across central Finland, from Southern Häme to Northern Ostrobothnia.

During the financial year, Elenia's network business distributed 6,643 GWh of electricity, compared to 6,032 GWh in the previous year. The distribution volume in 2021 was the highest in Elenia's history. The total volume increased by 10.1% year-on-year. Revenue from the network business came to EUR 322.1 million (2020: EUR 301.5 million). Revenue grew by EUR 20.7 million (6.9%). The growth in revenue was driven by the cold weather at the start of the year and the end of the year, which was reflected in higher distribution volumes, but also the exceptionally warm weather in the comparison year 2020. Additional factors behind the growth in volume included the passing of the temporary drop in volume caused by COVID-19, the substantial increase in the number of connections and the general electrification of society, which was reflected in a higher distribution volume per customer.

The EBITDA of the network business was EUR 213.9 million (2020: EUR 197.1 million). EBITDA increased by EUR 16.7 million (8.5%). The positive development of EBITDA was mainly due to revenue growth. In addition, the numbers of storms was low in 2021, which was reflected in lower fault repair costs, lower mandatory and voluntary outage compensations, especially compared to 2020, when the number of storm days was exceptionally high.

There were two Class 3 storms during the year: Vieno on 15 June 2021 and the Midsummer week storm front during the period 21–25 June 2021. During Vieno, the number of customers without electricity peaked at 26,700, with the longest outage lasting 30 hours. The total number of fault repair assignments was 460. During the week of thunderstorms, the number of customers without electricity peaked at 15,400, with electricity restored for customers within two days. The total number of fault repair assignments was 544. Elenia prepared for storms a total of 7 times during the year (12 times in 2020).

The costs of Class 2–4 storms[2] came to EUR 3.5 million (2020: EUR 9.7 million), consisting mainly of fault repair costs (2021: EUR 2.7 million, 2020: EUR 5.8 million), mandatory compensation (2021: EUR 0.5 million, 2020: EUR 3.3 million) and voluntary outage compensation paid by Elenia (2021: EUR 0.3 million, 2020: EUR 0.6 million).

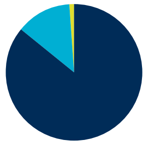
SAIDI (System Average Interruption Duration Index), a measure of the duration of outages, was 111 minutes during the year (217 minutes in 2020). SAIDI excluding the impact of Class 3 and 4 storms was 67 minutes (70 minutes in 2019). The SAIDI figures show the positive underlying trend in outages driven 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 development plan during the financial year. The investment plan of Elenia's network business is designed to improve the security of supply via underground cabling. Since 2009, Elenia has built only weatherproof distribution lines. At the end of the year, 58.5% of Elenia's network was underground, compared to 54.4% at the end of 2020.

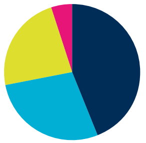
The Electricity Market Act states that 100% of customers must be within the scope of the quality requirements by the end of 2036[3]. Elenia has sought to achieve this target by increasing the underground cabling rate to 75% by the end of 2028. At the end of the year, 78% of the customers of Elenia's network business were within the scope of the quality requirements stipulated by the Electricity Market Act. The corresponding figure at the end of 2020 was 73%. While the main focus in the development of the security of supply is on underground cabling, Elenia also seeks

CUSTOMER SEGMENTS AND DISTRIBUTION VOLUMES, ELENIA VERKKO OYJ

CUSTOMER SEGMENTS



ENERGY BY CUSTOMER SEGMENT



2 Also includes costs of preparing for storms that did not ultimately materialise to the expected extent.

3 Pursuant to the Electricity Market Act, which was amended in 2021, by the end of 2036, 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. For Elenia, 75% of customers must be connected to a secure network by the end of 2023, and 100% by the end of 2036. The previous deadline for the quality requirements was the end of 2028, which still applies to some network companies (whose underground cabling rate was over 60% at the end of 2018).

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to improve the security of supply by other means. In 2020, a battery pack was successfully deployed in the Kuru area to provide electricity to local households in case of an outage. The battery pack was used in 2021.

Elenia invested EUR 172.2 million in developing electricity networks during the financial year. In 2020, the corresponding investments amounted to EUR 165.0 million. Investments in the electricity network will continue in 2022, but Elenia will invest EUR 40 million less than previously planned. The significant reduction in investments is due to changes in regulatory methods implemented by the Energy Authority, especially the significant reduction in the reasonable rate of return, which presents challenges to the financing of the investments.

Elenia Verkko Oyj continued to 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 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 2020 audit virtually, with the first part taking place in spring 2020 and the second part in May 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 second year of the fifth regulatory period (2020–2023). The reasonable rate of return declined from 5.73% in 2020 to 5.35% in 2021 due to a change in the risk-free rate. For 2022, the Energy Authority has confirmed that the reasonable rate of return is 3.97%. The substantial reduction is due to a change in the calculation of the reasonable rate of return effective from the beginning of 2022.

Business Review – Service Business

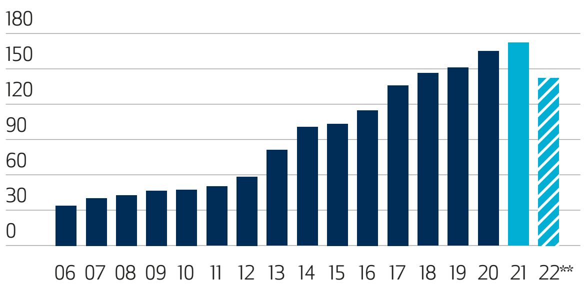
The year under review was a successful period for Elenia's service business. The customer service business has developed in line with expectations for the most part. No new customer relationships were acquired during the year due to the national Datahub project. In spite of this, revenue is on a clear growth path through increasing sales to existing customers. The integration of Lahti Energia Oy's Customer Information System was carried out in September 2020. Similar 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. Elenia Oy has 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. Good progress was made in project implementation in 2021. Processes and information systems related to the fibre business have been developed and deployed.

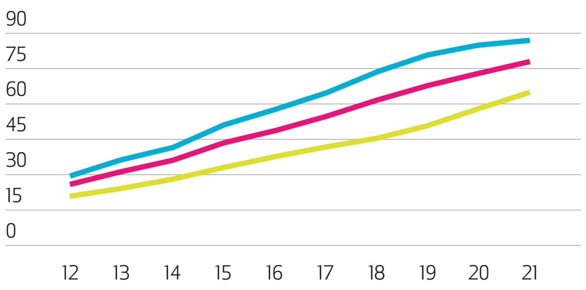
Revenue from the service business came to EUR 166.8 million (2020: EUR 151.8 million). The Group's external revenue totalled EUR 8.5 million (2020: EUR 6.9 million). The growth of revenue was attributable to the customer service business. The EBITDA of the service business was EUR 22.7 million (2020: EUR 11.9 million).

TOTAL INVESTMENTS IN ELECTRICITY NETWORK 2006–2021, EUR MILLION*



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

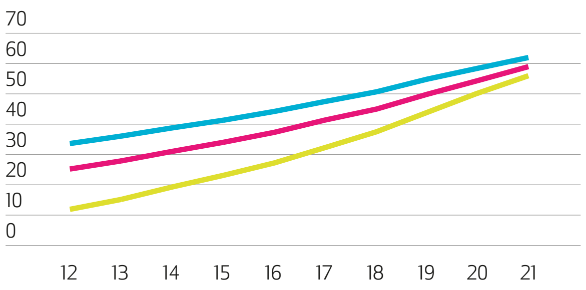
CUSTOMERS COVERED BY THE QUALITY REQUIREMENTS 2012–2021, %



- Quality requirements met, %, zoned areas
- Quality requirements met, %, other areas
- Quality requirements met, %, total

Pursuant to the Electricity Market Act, quality requirements will apply to 50% of customers by the end of 2021, 75% of customers by the end of 2023 and 100% of customers by the end of 2028.

UNDERGROUND CABLING RATE 2012–2021, %



- 0,4 kV
- 20 kV
- Entire network

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The most significant development project in the service business relates to the next-generation remote-readable electricity meters, which Elenia has developed in cooperation with several partners under new innovation partnership model. The new meters will replace most of Elenia's existing electricity meters, totaling over 430,000, during the period 2021–2025. The next-generation electricity meters provide market participants with access to more real-time data on electricity consumption and enable the implementation of demand response services that take advantage of the smart grid. Extensive Proof-of-Concept (POC) testing of the new meters began in January 2021 and large-scale installation started in September 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 first phase of the project was completed in February 2022.

Financing

Elenia Group's financing activities are centralised into Elenia Verkko Oyj. In 2021, Elenia Verkko Oyj did not issue any new bonds (EUR 500 million issued in 2020). The Group's solvency and liquidity remain very strong after the bond issue carried out in 2020. At the end of the financial year, cash and cash equivalents amounted to EUR 72 million (EUR 114 million at the end of 2020).

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 2028. All of the credit facilities were entirely undrawn (as was the case at the end of 2020). In addition, the facility of EUR 100 million agreed upon with the European Investment Bank was entirely undrawn at the end of the year.

The bonds issued by Elenia Verkko Oyj are rated by S&P Global Ratings ("S&P"). In October 2021, S&P placed the credit rating on CreditWatch negative after the Energy Authority announced changes to the financial regulation of DSOs in the middle of the current fifth regulatory period. S&P downgraded the credit rating to BBB at the end of January.

Elenia sold its district heating business in 2019. In relation to this, EUR 70 million in equity repayment was paid in 2021.

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"[4]), the 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 2021, the ICR and LR were 5.52 and 8.22 respectively. At end of 2020, the corresponding levels were 4.68 and 8.84.

Elenia Group is in compliance with the financial covenants. Elenia retains adequate headroom to both financial covenants on a historical and forward-looking basis.

Employees

Elenia's number of employees grew moderately in 2021.

	31 Dec 2021 FTE	31 Dec 2020 FTE
Elenia Group[5]	303	293

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.

Elenia has coped well with the COVID-19 pandemic by investing in well-being at work. The employees have largely worked remotely for the past two years, to the extent that their duties allow it. The transition to remote work was successful, and employees will also be offered extensive and flexible remote work opportunities going forward, taking job-specific differences into account. The employees' coping with remote work has been assessed by means of the usual workplace atmosphere surveys and also by psychosocial stress surveys conducted at the end of 2020 and 2021 in cooperation with the occupational health service provider. An extensive well-being at work project was carried out in the first half of 2021. The project included lectures and consultations with an occupational psychologist. The project was well received by the employees.

Acquisitions and Divestments

There were no acquisitions or divestments during the financial year.

Corporate Governance

Elenia Oy's Board of Directors has eight members: Timo Rajala (Chairman), Sirpa Ojala, Mark Braithwaite, Miguel Antoñanzas, Michael Pfennig, Eduard Fidler, Tapani Liuhala and Jorma Myllymäki. The only change in the composition of the Board of Directors took place when Miguel Antoñanzas replaced Thomas Metzger on 8 April 2021. The Board of Directors met 8 times during the financial year.

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 Miguel Antoñanzas (from 8 April 2021, when he replaced Thomas Metzger) and its other members are Sirpa Ojala, Jorma Myllymäki and Eduard Fidler.

During the financial year, the Group's management team consisted 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). There were no changes in the management team during the financial year.

4 Elenia's financing is based on three core financial documents and all financiers 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.

5 Comprises all of the employees of Elenia Oy, Elenia Verkko Oyj and Elenia Group Oy.

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Auditor

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

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.

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. Elenia continued the development of its sustainability programme in 2021. Reporting is based on the GRI (Global Reporting Initiative) standards and, going forward, also the SASB (Sustainability Accounting Standards Board) standards. The Group's fourth sustainability report, which is also the most comprehensive the Group has ever published, will be released in early 2021.

In 2021, Elenia participated for the fourth time in the Global Real Estate Sustainability Benchmark ("GRESB") Infrastructure Assessment. GRESB is a sustainability-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 2021, a total of 549 infrastructure companies took part in the GRESB Infrastructure Assessment around the world (2020: 406 companies). Elenia ranked 34th in the overall results and third among DSOs. Elenia scored a full five stars in the assessment and was awarded a total score of 95 (2020: 96), 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 conducted a sustainability audit of two strategic suppliers of materials in 2021. The sustainability audits focused on five areas: human rights, labour rights, health and safety, the environment and governance. Approximately 10% of the supplier's workforce was interviewed during the audits. Elenia's Code of Conduct and Partner Code of Conduct were updated as part of the preparation for the sustainability audits. Elenia's Partner Code of Conduct is incorporated into all significant agreements. Sustainability audits of the partner network will continue in 2022.

Elenia has monitored the direct (Scope 1) and indirect (Scope 2 and Scope 3) climate impacts of its operations in accordance with the GHG Protocol. Elenia aims to identify and effectively manage the climate impacts of the organisation, products and services. In 2020, Elenia's fossil carbon footprint was 189,364 tCO2e (2019: 190,457 tCO2e). Elenia's direct emissions amounted to 351 tCO2e (2019: 576 tCO2e) and represented 0.0% of the total carbon footprint. Of the carbon footprint, 47% (2019: 45%) arose from Scope 3 fixed assets, including materials associated with electricity network investments, fibre network investments, earthworks and other investments. Of the carbon footprint, 36% (2019: 36%) arose from Scope 2 purchased electricity related to network losses. The measurement and verification of the carbon footprint for 2021 is still ongoing.

In 2021, Elenia set targets for reducing the greenhouse gas emissions of its own operations in accordance with the Paris Climate Agreement, and the Science Based Targets initiative has accepted Elenia's commitment. Acceptance of the commitment will require Elenia to reduce its greenhouse gas emissions by 42% by 2030, including Elenia's own emissions and those of the energy it procures (Scope 1 and 2). The target set by Elenia itself is even more ambitious in this respect, namely a 75% reduction in emissions compared to 2020.

In addition, Elenia is committed to setting Net Zero targets that cover not only the emissions from Elenia's own operations, but also the emissions from the entire value chain (Scope 1, 2 and 3). The Net Zero targets must be met by 2050 and overall this means a reduction of around 90% in emissions for the entire value chain of the company.

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

Remote work, which began in March 2020, continued to a significant extent in 2021. Consequently, the efforts to promote overall well-being were 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 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. An external audit of the system was conducted in spring 2021.

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 2021, the lost time injury frequency[6] of Elenia and its partners was 9.5 (10.0 at the end of 2020). The target for 2022 is 3.0. Elenia has had a

6 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).

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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 will continue its determined development of new safety improvement initiatives and concepts until the target is achieved.

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. An external audit was conducted in 2021. In addition, Scope 1 and Scope 2 greenhouse gas emissions were verified by an independent party. Elenia also holds a WWF Green Office certificate.

Elenia Group's activities involve the following five identified environmental aspects:

1. energy consumption and climate change,
2. environmental deviations,
3. efficient use of materials and the circular economy,
4. sustainable procurement and supply chains, and
5. sustainable construction and land use

In line with its strategy, Elenia Group takes safety and the environment into consideration in all decision-making through the development and use of its environmental policy for sustainable development. Environmental matters are integral to Elenia Group's corporate culture, and its operations are based on continuous improvement of the quality of environmental protection. The goal is to reduce the environmental impacts of all operations and take a leading role in the industry with regard to environmental management.

Risk Management

The comprehensive management of risks and opportunities is an integral part of all of Elenia's overall management and daily operations. The foundation for identifying, influencing and managing risks and opportunities is laid down by Elenia's risk management policy, risk management procedures, risk register, regular measures determined by the annual risk management plan and management systems.

Elenia's management is responsible for incorporating risk management into strategic and operative management and business processes. The Legal and Risk Management team is responsible for comprehensive risk management, reporting and monitoring related to the planned measures. Business units and processes are responsible for risk identification and assessment as well as for planning, implementing and monitoring risk management measures. At the Board of Directors level, the Audit Committee, in particular, focuses on Elenia's risks and their management.

Elenia's risk management is based on a risk register that covers all identified risks and opportunities. For each risk, the risk register includes a description of the risk and its impacts, the probability of the risk and its impact should the risk materialise and, as a combination of these, a risk score. The risk register also includes information on the risk owner and the responsible persons as well as the measures planned for managing the risk, including schedules and responsible persons. All of the Group's risks are reviewed twice a year in workshops of varying scope. The workshop participants include business area management and key personnel, risk managers and, and twice a year, the management team. A report describing the Group's main risks is prepared based on the above-mentioned activities and the report is reviewed by the Audit Committee of the Board of Directors. In 2021, climate risks were integrated into Elenia's enterprise risk management. Going forward, they will be identified, assessed, managed and monitored in the same manner as all other risks.

Elenia Group conducted a maturity study based on enterprise risk management (ERM) in 2019. The Group is currently developing its risk management according to best practices in line with the roadmap drawn up in 2019. The risk register was migrated to a new system in 2021 and mandatory online training on risk management was introduced for all employees.

Cyber Security

Elenia has continued to reinforce cyber security awareness as a crucial part of the business internally and in cooperation with partners. Elenia's information security management system has been ISO 27001 certified since 2020. The next external audit will be conducted in 2022. One of the focus areas in 2021 was to increase information security awareness in Elenia. In 2021, all of the Group's employees participated in information security roadshow events that focused on themes related to information security and data protection.

Events after the Balance Sheet Date

Like other DSOs, Elenia received a new regulatory decision in December 2021 regarding changes in regulatory methods that entered into effect on 1 January 2022 and will remain in effect for only two years, namely 2022 and 2023. The changes were in line with the previous information communicated by the Energy Authority. They included updated unit prices, changes to WACC calculation methods and eliminating the security of supply incentive from the regulatory methods.

The change in unit prices led to a considerable decline in Elenia's Regulatory Asset Base (RAB). According to the Energy Authority, the change was 7–22 per cent and the weighted average was 17 per cent. The change was the most drastic with regard to underground cables, which meant that its impact on Elenia was among the most significant. In practice, it meant that Elenia's RAB fell to the level it was at in 2018.

The calculation of the risk-free interest rate component as part of the determination of the WACC is based on the yield on a 10-year Finnish government bond. It was previously based on a method where the higher of the current interest rate (based on the previous year) and the historical 10-year average interest rate was applied. The latter calculation method was eliminated from the regulatory method effective from the beginning of 2022. Consequently, the WACC for 2022 is 3.97%, which is approximately one percentage point lower than it would have been without the change in the calculation method (4.96%).

Like several other Finnish DSOs, Elenia has appealed to the Market Court to repeal the decision of the Energy Authority with regard to the key aspects of the decision.

On 28 January 2022, S&P downgraded the credit rating of Elenia Verkko Oyj's senior secured debt from BBB+ to BBB. In connection with this, S&P changed Elenia's credit rating outlook to stable. The rating action stemmed from the changes in regulatory methods implemented by the Energy Authority. Elenia's key credit ratios figures have not changed and they are not expected to change going forward. Elenia's significant reduction in investments for 2022 to strengthen cash flow was not, in S&P's view, sufficient to maintain the previous credit rating.

There was a change in Elenia's management team in February 2022, when Harri Happonen replaced Jenni Heinisuo as Elenia's Chief Information Officer.

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Outlook

While the global COVID-19 pandemic again had a significant impact on the business environment in 2021, its effect on Elenia Group's operations has been minimal. The most significant impact of the pandemic has involved Elenia Oy's employees in the form of a transition to remote work that began in March 2020. Customers' electricity consumption has not changed substantially during the pandemic. The slightly higher consumption among private customers has partially compensated for the slight decrease in the volumes of corporate customers. Distribution volumes returned to a moderate growth trend in 2021, driven by the electrification of society. The electrification of transport and industry, in particular, will increase electricity consumption in the coming years. We do not expect the pandemic to have a significant impact on Elenia's operations in 2022.

In December 2021, the Energy Authority started a process to develop regulatory methods for the upcoming sixth (2024–2027) and seventh (2028–2031) regulatory periods. Elenia is actively involved in the process. The Energy Authority has stated that the new regulatory methods will be a continuation of the current methods, and any future changes are expected to be relatively minor. Unit prices are expected to be updated again for the sixth regulatory period, which is expected to have a positive impact in view of the recent increase in raw material prices, which is also reflected in the prices of network components. Elenia strongly believes that regulatory methods will continue to support DSOs and compensate for long-term investments in the security of supply in the upcoming sixth and seventh regulatory periods.

The Board of Directors' Dividend Proposal

The Board of Directors proposes that no dividend be distributed.

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CONSOLIDATED FINANCIAL STATEMENTS 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

EUR 1,000	Note	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Revenue	2.1.1	**328,636**	**306,340**
Other operating income	2.2.1	3,675	3,558
Materials and services		-83,483	-75,273
Employee benefit expenses	2.3.3	-15,288	-14,983
Depreciation, amortisation and impairment	3	-88,668	-83,478
Other operating expenses	2.3.1	-18,733	-24,510
Operating profit		**126,140**	**111,654**
Finance income		938	3,140
Finance costs		-40,592	-44,895
Finance income and costs	4.1	**-39,653**	**-41,755**
Profit before tax		**86,487**	**69,899**
Income tax	6.1.1	-11,390	-13,380
Profit for the year		**75,097**	**56,519**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

EUR 1,000	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Profit for the year	**75,097**	**56,519**
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent years:		
Re-measurement gains on defined benefit plans	-143	131
Income tax effect	29	-26
Other comprehensive income / (loss) for the year after tax	-114	105
Total comprehensive profit for the year	**74,983**	**56,624**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

EUR 1,000	Note	31 Dec 2021	31 Dec 2020
Assets			
Non-current assets			
Property, plant and equipment	3.1	1,534,881	1,473,166
Goodwill	3.2	417,823	417,823
Intangible assets	3.2	30,271	22,343
Right-of-use assets	3.1, 3.3	2,603	4,662
Other non-current financial assets		194	194
Other interest bearing receivables	6.3	0	274,695
Deferred tax assets	6.1.2	13,743	8,120
Total non-current assets		**1,999,515**	**2,201,003**
Current assets			
Trade receivables	2.1.4	24,359	22,601
Other current receivables	2.1.4	46,048	40,081
Cash and cash equivalents		71,841	113,780
Total current assets		**142,248**	**176,462**
Total assets		**2,141,763**	**2,377,464**

EUR 1,000	Note	31 Dec 2021	31 Dec 2020
Equity and liabilities			
Equity			
Share capital	4.4	3	3
Unrestricted equity	4.4	-548,274	-548,274
Retained earnings	4.4	344,098	288,501
Total equity		**-204,173**	**-259,771**
Non-current liabilities			
Loans from financial institutions	4.2	150,000	150,000
Bonds and notes	4.2	1,682,046	1,681,082
Lease liabilities	3.3	957	1,433
Employee benefit liability	6.2	466	336
Provisions	2.3.4	7,665	8,168
Liabilities related to contracts with customers	2.1.3	30,751	22,601
Other long-term liabilities		1,036	976
Deferred tax liabilities	6.1.2	139,101	127,468
Total non-current liabilities		**2,012,023**	**1,992,064**
Current liabilities			
Lease liabilities	2.3.2, 3.3	2,108	4,460
Trade payables	2.3.2	22,160	14,980
Liabilities related to contracts with customers	2.1.3	1,174	842
Other current liabilities	2.3.2	308,470	624,889
Total current liabilities		**333,913**	**645,170**
Total equity and liabilities		**2,141,763**	**2,377,464**

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

EUR 1,000	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Operating activities		
Profit for the year	75,097	56,519
Adjustments to reconcile profit to net cash flows		
Depreciation, amortisation and impairment	88,668	83,478
Finance income	-938	-3,140
Finance costs	40,592	44,895
Taxes	11,390	13,380
Other adjustments	-18	14
Other short-term and low value rental expenses	53	59
Working capital adjustments		
Increase (+) / decrease (-) in trade and other current liabilities	26,772	19,714
Increase (-) / decrease (+) in trade and other current receivables	-7,682	-3,194
Increase (+) / decrease (-) in provisions	-504	261
Interests received	79	119
Interest and financial expenses paid	-38,676	-40,690
Interest paid on lease liabilities	-811	-1,052
Taxes paid	-5,351	-5,352
Net cash flows from operating activities	**188,670**	**165,011**

EUR 1,000	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Investing activities		
Cash of acquired subisidaries	-	174
Capital expenditure	-157,206	-164,434
Changes in investments	267	41
Net cash flows used in investing activities	**-156,939**	**-164,218**
Financing activities		
Owners' equity investment	-	14,800
Repayment of short-term borrowings	-	-89,024
Proceeds from long-term borrowings	-	600,000
Repayment of long-term borrowings	-	-320,000
Equity repayment	-70,000	-
Payment of debt arrangement costs	-	-4,515
Repayment of lease liabilities	-3,669	-4,452
Loans granted	-	-113,000
Net cash flows from financing activities	**-73,669**	**83,809**
Net increase in cash and cash equivalents	**-41,938**	**84,602**
Cash and cash equivalents at 1 January	113,780	29,178
Change in cash and cash equivalents	-41,938	84,602
Cash and cash equivalents at 31 December	**71,841**	**113,780**

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.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

		Unrestricted equity			
EUR 1,000	Share capital	Reserve for invested 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	-	-	-	56,519	56,519
Other components of comprehensive income (adjusted by tax effect)					
Change in defined benefit plans	-	-	-	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**

for the year ended 31 December 2021

		Unrestricted equity			
EUR 1,000	Share capital	Reserve for invested unrestricted equity	Common control reserve	Retained earnings	Total equity
Equity at 1 January 2021	**3**	**1,659,400**	**-2,207,674**	**288,500**	**-259,771**
Profit for the year	-	-	-	75,097	75,097
Other components of comprehensive income (adjusted by tax effect)					
Change in defined benefit plans	-	-	-	-114	-114
Total comprehensive income for the year	**-**	**-**	**-**	**74,983**	**74,983**
Transactions with shareholders					
Deductions	-	-	-	-19,385	-19,385
Total transactions with shareholders	**-**	**-**	**-**	**-19,385**	**-19,385**
Equity at 31 December 2021	**3**	**1,659,400**	**-2,207,674**	**344,098**	**-204,173**

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.

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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'). Reorganisations were done in legal structure during 2020 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 9 March 2022. 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.

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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 2021 of EUR 86 487 thousands and has a net equity of EUR -204 173 thousands as at 31 December 2021.

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. As at 31 December 2021, the Group has utilized 1 171 million out of this programme. In February 2020 Elenia Verkko Oyj (Elenia Finance Oyj) issued a new EUR 500.0 million benchmark bond maturing in 2027 which was oversubscribed several times, reflecting strong investor demand for the securities issued by Elenia.This programme is supported by strong credit rating of BBB with 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 4.2.9).

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 has been renamed in 2021 as Elenia Holdings 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. Comments on the puplished discussion paper were received by 1 September 2021 and IASB is currently reviewing them.

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 or fibre 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	2021	2020
Distribution of electricity	317,343	297,185
Customer service operations	8,448	6,881
Connection fees	1,002	707
Other revenues	1,843	1,568
Total	**328,636**	**306,340**

TIMING OF REVENUE RECOGNITION

EUR 1,000	2021	2020
Transferrred at a point in time	327,634	305,634
Transferred over time	1,002	707
Total	**328,636**	**306,340**

2.1.3 Liabilities related to contracts with customers

EUR 1,000	2021	2020
Non-current liabilities related to contracts with customers	30,751	22,601
Current liabilities related to contracts with customers	1,174	842
Total	**31,926**	**23,443**

Liabilities related to contracts with customers include the unrecognised part of new connection revenue for the electricity network and fibre network connections. Revenue will be recognised over a period of next 30 years. The amount reported as current liabilities will be recognized during the next 12 months.

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2.1.4 Trade and other current receivables

ACCOUNTING POLICY

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	2021	2020
Trade receivables	24,359	22,601
Accrued income and prepaid expenses	45,790	39,812
Other current receivables	258	269
Total trade and other receivables	**70,407**	**62,682**

BREAK-DOWN OF ACCRUED INCOME AND PREPAID EXPENSES

EUR 1,000	2021	2020
Sales accruals	43,411	36,552
Accrued financial items (prepayments)	280	858
Other accrued income and receivables	2,098	2,402
Total accrued income and prepaid expenses	**45,790**	**39,812**

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 and 2021, but its impact on Elenia Group's credit risk has been very small.

TRADE RECEIVABLES

The Group's trade receivables at the end of 2021 were EUR 24,4 million (2020: EUR 22.6 million). EUR 0,0 million collateral securities were received for trade receivables (2020: EUR 0.0 million).

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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. Generally, trade receivables are written-off on monthly basis based on customers' credit rating level and payment history.

CHANGE IN EXPECTED CREDIT LOSSES

EUR 1,000	2021	2020
Expected credit loss 1 Jan	669	611
Additions	293	764
Credit losses	-525	-706
Expected credit loss 31 Dec	**437**	**669**

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 2021	Trade receivables				
EUR 1,000	Undue	1–90 days	91–180 days	Over 180 days	Total
Trade receivables by age	19,813	4,317	247	419	24,796
Expected credit loss rate, private customers	0.1%	3.7%	29.4%	16.2%	
Expected credit loss, private customers	-15	-161	-73	-68	-317
Expected credit loss rate, company customers	0.0%	0.9%	1.0%	18.0%	
Expected credit loss, company customers	-4	-38	-3	-75	-120
Total expected credit losses	**-19**	**-199**	**-75**	**-143**	**-437**
Total trade receivables	**19,794**	**4,118**	**172**	**275**	**24,359**

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**

All trade receivables are denominated in .

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2.2 OTHER OPERATING INCOME

ACCOUNTING POLICY

2.2.1 Other operating income

Other operating income includes income from non-operating activities, such as income from trade receivables collection and from sales of used fixed assets, insurance compensation and rental income. Also possible gains from the sales of emission rights are included in other operating income.

Government grants relating to the other purpose than the purchase of property, plant and equipment are recognised as other income in the consolidated statement of profit or loss for the period in which the expenses relating to the grant are incurred and in which the decision on the grant is received.

OTHER OPERATING INCOME

EUR 1,000	2021	2020
Rental income	19	18
Indemnities	830	1,096
Income from the trade receivables collection	1,062	1,097
Income from the sales of obsolete materials and used fixed assets	1,264	917
Other operating income	500	420
Total	**3,675**	**3,549**

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	2021	2020
Lease expenses	-301	-293
External services	-4,836	-7,173
IT and communication expenses	-8,713	-8,106
Research and development costs	-548	-538
Marketing and communications	-689	-888
Insurances	-311	-299
Mailing expenses	-574	-293
Other personnel expenses	-711	-744
Travelling expenses	-241	-243
Outage compensation costs	-594	-3,470
Other expenses	-1,215	-2,464
Total	**-18,733**	**-24,510**

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

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AUDIT FEES

EUR 1,000	2021	2020
Auditing fees	-186	-413
Fees for tax services	-13	-50
Fees for other services	-69	-88
Total	**-268**	**-550**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2022 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	2021	2020
Short-term financial lease liabilities	2,108	4,460
Trade payables	22,160	14,980
Accrued expenses		
Employee benefits expenses	5,711	5,165
Interest expenses	13,364	14,153
Other accrued expenses	17,327	15,449
Liabilities related to contracts with customers	1,174	842
Other liabilities		
VAT liability	16,687	15,706
Energy taxes	9,569	8,955
Tax liability for the period	0	1
Prepayments received	10,990	7,656
Equity repayment liability	204,447	550,000
Other liabilities	30,376	7,803
Total	**333,913**	**645,170**

According to the management's estimate, the fair value of trade and other payables does not materially deviate from the balance sheet value.

Trade payables are non-interest bearing and are normally settled on 14-30 days terms.

Other accrued expenses comprise mainly of deferred material and service purchases as well as deferred financing items.

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2.3.3 Employee benefits expenses

EUR 1,000	2021	2020
Salaries and remuneration	-12,315	-12,230
Pensions		
Defined contribution plans	-2,520	-2,373
Defined benefit plans	10	0
Social security costs	-463	-380
Total	**-15,288**	**-14,983**

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

EUR 1,000	2021	2020
Salaries and remuneration paid to CEO		
Salaries and other short-term employee benefits	-301	-334
Other long-term employee benefits	-153	-164
Pension expenses related to salaries and employee benefits	-82	-90
Salaries and remuneration paid to other key members of the management*		
Salaries and other short-term employee benefits	-1,021	-1,277
Other long-term employee benefits	-237	-253
Pension expenses related to salaries and employee benefits	-226	-258

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

The long-term incentive plan is measured over a three year period and potential remunerations are paid during the following three years after the earnings period. The payment is made only if the goals have been achieved also during the year preceding the payment. In 2021, the remunerations related to the 2016-2018, 2017-2019 and 2018-2020 programmes were paid. During 2021 there were three programmes on-going: 2019-2021, 2020-2022 and 2021-2023.

During 2021 EUR 534 thousand (2020: 620 thousand) were recognized as an expense and EUR 410 thousand (2020: EUR 416 thousand) were paid out related to the long-term incentive plan. During 2020 EUR 1.6 million (2020: EUR 1.5 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.

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2.3.4 Provisions

ACCOUNTING POLICY

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events to a third party, provided that it is probable that the obligation will be realised and the amount can be reliably estimated.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

PROVISIONS

Electricity network connection fees, which have been paid by the customers prior to 2008, must be refunded net of demolition costs, if the customer wants to terminate the electricity connection.

A provision for refundable connection fees for electricity network 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
2021

EUR 1,000	Provision for refunds of connection fees	**Total**
Provisions at 1 January	8,168	8,168
Increase	-232	-232
Use of provisions	-271	-271
Provisions at 31 December	**7,665**	**7,665**

PROVISIONS
2020

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

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3 INVESTMENTS AND LEASE COMMITMENTS

3.1 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

Property, plant and equipment comprise mainly electricity and heat distribution networks (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
Machinery and equipment	3-30 years

Right-of-use assets are depreciated on a straight-line basis over the lease term between the commencement date of the lease and the end of the lease term or using the estimated useful life of the asset. Leases of buildings and vehicles generally have lease terms between 3 and 5 years and electricity meters 10 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the sales of property, plant and equipment are recorded as the difference between the selling price and carrying value and recognised in the consolidated statement of profit or loss under other operating income or expenses.

Government grants

Government grants relating to the purchase of property, plant and equipment are recognised by reducing the book value of the asset they relate to when the decision on the grant has been received. The grants are thus reflected in the form of lower depreciation over the useful life of the asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land and water areas	Buildings	Networks	Machinery and equipment	Other tangible assets	Prepayments	**Total**
Cost at 1 January 2021	2,105	7,324	2,389,745	157,146	56	27,455	2,583,832
Additions	-	63	140,318	6,228	-	370	146,980
Additions due to revaluations	-	1,391	-	-	-	-	1,391
Disposals	-	-274	-14,609	-575	-	-	-15,459
Transfers between balance sheet items	-	-	276	-	-	-2,488	-2,213
Cost at 31 December 2021	**2,105**	**8,505**	**2,515,730**	**162,799**	**56**	**25,337**	**2,714,532**
Accumulated depreciation, amortisation and impairment at 1 January 2021	-	-6,209	-957,972	-141,769	-54	-	-1,106,004
Depreciation and amortisation for the year	-	-696	-73,628	-5,056	-1	-	-79,381
Accumulated depreciation and amortisation on disposals	-	-	13,726	-	-	-	13,726
Impairment for the year*	-	-	-5,389	-	-	-	-5,389
Accumulated depreciation, amortisation and impairment at 31 December 2021	**-**	**-6,905**	**-1,023,263**	**-146,825**	**-55**	**-**	**-1,177,048**
Book value at 31 December 2021	**2,105**	**1,599**	**1,492,467**	**15,974**	**1**	**25,337**	**1,537,484**
Book value at 31 December 2020	**2,105**	**1,115**	**1,431,773**	**15,377**	**2**	**27,455**	**1,477,828**

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 2020	**2,105**	**7,324**	**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	**0**	**-6,209**	**-957,972**	**-141,769**	**-54**	**-**	**-1,106,004**
Book value at 31 December 2020	**2,105**	**1,115**	**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**

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

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3.2 INTANGIBLE ASSETS

ACCOUNTING POLICY

Intangible assets, except goodwill and intangible assets with indefinite life, are stated at original acquisition cost less accumulated amortisation and impairment losses if applicable and amortised on a straight-line method over their expected useful lives.

Computer software and licences

Acquired computer software licences are capitalised based on the costs incurred from the acquisition and implementation of the software. These costs are amortised over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

IFRS interpretations committee issued an agenda decion in April 2021 on configuration and customazation costs in a cloud computing arrangement. In the agenda decision the comittee considered whether an intangible asset according to IAS 38 can be recognised related to configuration and customization costs of a cloud based software and if not, how these costs should be accounted for.

Licenses concerning cloud based software can only be capitalized if the group has the right and ability to take possession of the software and run it on own servers. Otherwise the license is consideer to be a service contract and costs are expensed when incurred. Concerning the implementation costs of a cloud based software only customization related costs can be capitalized if they create and asset that is distinct, controlled by the group and it creates economic benefits that flow to the group. The part of the implementation costs that is not capitalized is expensed when incurred.

Agenda decision has an impact on how implementation costs in Elenia's ongoing ERP-project are accounted for. According to FAS accounting these costs incurred in 2021 are capitalised as intangible assets but in the Group consolidated IFRS financial statements they are expensed.

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.

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INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	**Total**
Cost at 1 January 2021	417,823	21,863	40,932	480,617
Additions	-	64	9,549	9,614
Disposals	-	-	-309	-309
Transfer between balance sheet items	-	641	1,572	2,213
Cost at 31 December 2021	**417,823**	**22,568**	**51,744**	**492,135**
Accumulated depreciation, amortisation and impairment at 1 January 2021	-	-13,697	-26,755	-40,452
Depreciation and amortisation for the year	-	-547	-3,176	-3,723
Accumulated depreciation and amortisation on transfers	-	-	309	309
Impairment for the year	-	-	-175	-175
Accumulated depreciation, amortisation and impairment at 31 December 2021	**-**	**-14,244**	**-29,797**	**-44,041**
Book value at 31 December 2021	**417,823**	**8,324**	**21,947**	**448,094**
Book value at 31 December 2020	**417,823**	**8,165**	**14,177**	**440,165**

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	**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**

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. At the end of 2021 the value of Goodwill is 417,8 million euros, since 97,8 million euros was allocated to heating business which was sold in 2019.

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.

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

Elenia performed its annual impairment test in December 2021. Due to the regulated and stable nature of the electricity distribution business, the basis for cash flow projections is the long-term business plan covering the period 2022-2055 which has been approved by the Board of Directors. A volume growth of approximately 0.5% p.a. has been incorporated for the forecast period. The discount rate applied is 4.9% based on the prevailing return and risk assumptions of the business (the applied pre-tax discount rate in 2020 was 4.8%).

In 2021, the Electricity Market Act was amended by the Act 730/2021 that came into force on August 1, 2021. Based on the updates in the legislation, the Finnish Energy Authority updated the regulatory methods, which govern electricity distribution tariffs, for the remainder of the current regulatory period (years 2022-2023). The changes, which have the most significant impact on Elenia's projected cash flows include updating of the unit prices underlying the regulatory asset base, updating of the

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reasonable rate of return (regulatory WACC), and removal of the security of supply incentive. The changes in the regulatory methods had also other, indirect impacts in Elenia's business drivers.

Long term capital expenditure plans have been prepared to meet the security of supply requirements in line with the Electricity Market Act (588/2013) and have not been updated for potential implications of the amendments to the Electricity Market Act, including prolongation of the deadline to comply with the security of supply requirements from 2028 to 2036.

The projected cash flows reflect the amendments to the regulatory methods in effect for 2022-2023 with the expectation of the regulatory framework remaining relatively stable subsequently. The most significant regulatory changes listed above had a negative impact on the estimated market value of Elenia. Despite the negative impact on the fair value, there is significant headroom for the book value.

SENSITIVITY TO CHANGES IN ASSUMPTIONS IN DISCOUNT RATE

Discount rate of the projected cash flow is based on Elenia's view of the WACC parameters. The discount rate (pre-tax) increasing by 5.6%-points would cause the recoverable value of the assets to be equal to its book value.

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 impact of these costs on the income statement in 2021 was approximately EUR 53 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 2021 was approximately EUR 255 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.

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Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term between the commencement date of the lease and the end of the lease term or using the estimated useful life of the asset. Leases of buildings and vehicles generally have lease terms between 3 and 5 years and electricity meters 10 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculate using the estimated useful life of the asset. The right-of-use assets are also subject to impairment (see accounting policies in Notes 3.1 and 3.2).

At the transition date the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised because the Group has adopted the IFRS 16 standard by using the modified retrospective method.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses as interest rate an estimated average medium-term financing cost at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in non-current and current financial liabilities.

At the transition date lease liabilities were recognised based on the present value of the remaining lease payments, discounted using as interest rate an estimated average medium-term financing cost at the date of initial application because the Group has chosen to adopt the IFRS 16 standard by using the modified retrospective method.

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Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period::

EUR 1,000	Buildings	Machinery and equipment	**Total**
As at 1 January 2021	833	3,829	4,662
Additions	63	185	248
Revaluations	1,391	-	1,391
Disposals	-274	-575	-849
Depreciations	-685	-2,164	-2,849
As at 31 December 2021	**1,329**	**1,274**	**2,603**

EUR 1,000	Buildings	Machinery and equipment	**Total**
As at 1 January 2020	1,473	7,543	9,015
Additions	24	37	61
Disposals	0	-32	-32
Depreciations	-664	-3,719	-4,382
As at 31 December 2020	**833**	**3,829**	**4,662**

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

LEASE LIABILITIES

EUR 1,000	**2021**	**2020**
As at 1 January	5,893	10,228
Additions	333	354
Payments	-3,626	-4,393
Other changes	566	-
Interest expenses	-100	-297
As at 31 December	**3,066**	**5,893**
Non-current	957	1,433
Current	2,108	4,460

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

Amounts recognised in profit or loss.

EUR 1,000	**2021**	**2020**
Depreciation expense of right-of-use assets	-2,849	-4,382
Interest expense on lease liabilities	-100	-297
Expense related to short-term leases (incl. in other operating expenses)	-53	-59
Total amount recognised in profit or loss	**-3,002**	**-4,738**

During 2021 the Group had total cash outflows for leases of EUR 4 481 thousand (2020: EUR 5,445 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).

The lease contract concerning the main premises of the group will change from a fixed term to valid untill further notice on 31.3.2022. Management has assessed in December 2021 that the coming lease period will be at least 2 years. The lease contract has been revaluated based on this assesment and the resulting addition to lease liabilities is 1 391 thousand euros.

According to management's assumption, the Group estimates that it will not use termination options of car's and electricity meters' leases.

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4 CAPITAL STRUCTURE AND FINANCIAL ITEMS

RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

FINANCIAL RISK MANAGEMENT

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

The Group's Treasury policy, approved by the Board of Directors, defines financial risk management governance, responsibilities and processes for reporting risks and risk management. Treasury Policy defines principles covering currency, liquidity, interest rate and counterparty risks. Also the Group's existing loan arrangements include guidelines and restrictions pertaining to financial risk management. Elenia 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 business is a 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	2021	2020
Interest expenses		
Loans from financial institutions	-446	-867
Bonds and notes	-35,925	-38,233
Interest expenses related to lease liabilities	-100	-297
Other interest expenses	-420	-1,188
Total interest	**-36,892**	**-40,584**
Other finance costs	-3,699	-4,302
Exchange rate losses		
Loans and receivables	-1	-9
Total finance costs	**-40,592**	**-44,895**
Interest income		
Other interest income	937	3,136
Exchange rate gains		
Loans and receivables	0	3
Other finance income	1	1
Total finance income	**938**	**3,140**
Finance costs (net)	**-39,653**	**-41,755**

Finance income and costs

Interest expenses include interest expenses on interest-bearing loans. Other interest expenses mainly consist of deposit fees amounting to EUR 0.4 million.

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4.2 FINANCIAL ASSETS AND LIABILITIES

IFRS 9 FINANCIAL INSTRUMENTS

The initial measurement of financial instruments is made at fair value for all financial assets. Financial assets that are debt instruments and to which the fair value option is not applied are measured following initial recognition either at amortised cost or fair value, depending on the company's business model for the management of financial assets and contractual cash flows of the financial assets.

As a rule, all equity instruments are measured at fair value following the initial measurement, either through consolidated statement of profit or loss or through consolidated statement of other comprehensive income. All equity instruments held for trading are to be measured at fair value through profit or loss. Items that are recognised through other comprehensive income will no longer be recognised in the consolidated statement of profit or loss if the entity has elected to measure it at fair value through consolidated statement of other comprehensive income.

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

The impairment requirements introduced in IFRS 9 are based on an expected credit loss model. In addition, IFRS 9 standard comprises a new hegde accounting model in which the criteria for applying the hedge accounting are relieved and more designations of groups of items as the hedged items are possible. The new hedge accounting model aims to enable companies to better reflect their risk management strategy and objectives in the financial statements.

The Group has adapted the 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.

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ACCOUNTING POLICY

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

Classification of current and non-current assets and liabilities
An asset or a liability is classified as current when it is expected to be realised within twelve months after the financial year end or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

All other assets and liabilities are classified as non-current assets and liabilities.

4.2.1 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

4.2.2 Financial assets

Initial recognition and measurement
Financial assets within the scope of IFRS 9 are classified as financial assets carried at amoritsed cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income (OCI), as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets are recognised on the trade date.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow 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.

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The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income. Any ineffective portion is recognised immediately in the consolidated statement of profit or loss as financial income or costs. The group had no derivatives at the balance sheet date.

Derecognition of financial assets

Financial assets are derecognised when:

- The rights to receive cash flows have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

4.2.3 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECL' are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default evets that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4.2.4 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of FRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Derecognition of Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

4.2.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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4.2.6 Carrying amounts by category and maturity profile of financial assets and liabilities

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

VALUES AT 31 DECEMBER 2021

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	24,359	24,359	24,359
Cash and cash equivalents		71,841	71,841	71,841
Total Current assets		**96,200**	**96,200**	**96,200**
Carrying amount by category		**96,200**	**96,200**	**96,200**
Non-current financial liabilities				
Bonds and notes	4.2.8–9	-1,682,046	-1,682,046	-1,895,066
Loans from financial institutions	4.2.8–9	-150,000	-150,000	-150,000
Interest-bearing non-current liabilities				
- Leases	3.3	-957	-957	-957
Total interest-bearing non-current liabilities		**-1,833,003**	**-1,833,003**	**-2,046,023**
Current financial liabilities				
Bonds and notes				
- Leases	3.3	-2,108	-2,108	-2,108
Trade payables	2.3.2	-22,160	-22,160	-22,160
Total current financial liabilities		**-24,269**	**-24,269**	**-24,269**
Carrying amount by category		**-1,857,272**	**-1,857,272**	**-2,070,292**

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 2020 and 2021.

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	4.2.8	-	0	0
Total Current assets		113,780	113,780	113,780
Carrying amount by category		**136,381**	**136,381**	**136,381**
Kirjanpitoarvo arvostusryhmittäin		**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**
Loans from financial institutions				
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**

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CASH AT BANKS AND ON HAND

Elenia had short-term bank deposits amounting to EUR 71.8 million (2020: EUR 113.8 million). All bank deposits were denominated in euros.

BONDS AND NOTES

The fair value of the bonds have been calculated based on the required rate of return estimated using the EUR-denominated swap rate yield curve and the estimated risk premium calculated based on the market quotes of Elenia Verkko Oyj's bonds at the balance sheet date.

FINANCIAL LIABILITIES

Interest-bearing liabilities decreased by EUR 1.9 million (2020: EUR 183,9 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,835.1 million (2020: EUR 1,837.0 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 2021

EUR 1,000	Effective interest rate %	Maturity Within 1 year	1–5 years	Over 5 years	Total
Loans from financial institutions	0.28%	0	0	150,000	150,000
Bonds	1.89%	0	140,000	1,031,000	1,171,000
Notes	2.71%	0	0	518,500	518,500
Lease liabilities		0	957	0	957
Total interest-bearing non-current liabilities					**1,840,457**
Lease liabilities		2,108	0	0	2,108
Total current interest-bearing liabilities					**2,108**
Trade payables		22,160	0	0	22,160
Total current financial liabilities					**22,160**
Total		**24,269**	**140,957**	**1,699,500**	**1,864,726**

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%	0	0	150,000	150,000
Bonds	1.87%	0	0	1,171,000	1,171,000
Notes	2.71%	0	0	518,500	518,500
Lease liabilities		0	1,433	0	1,433
Total interest-bearing non-current liabilities					**1,840,933**
Lease liabilities		4,460	0	0	4,460
Total current interest-bearing liabilities					**4,460**
Trade payables		14,980	0	0	14,980
Total current financial liabilities					**14,980**
Total		**19,440**	**1,433**	**1,839,500**	**1,860,373**

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4.2.7 Changes in financial liabilities arising from financing activities

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

EUR 1,000	1 January 2021	Cash flows	New leases IFRS 16	Other changes	**31 December 2021**
Current obligations under lease liabilities	4,460	-3,669	62	1,256	**2,108**
Non-current interest-bearing loans and borrowings (excl. items listed below)	1,831,082	0	-	964	**1,832,046**
Non-current obligations under lease liabilities	1,433	-	123	-598	**957**

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**

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.

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

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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 2021, the Group held the following financial instruments carried at amortised cost in the consolidated statement of financial position:

FINANCIAL ASSETS AND LIABILITIES

	Level 1		Level 2		Level 3		Total	
EUR 1,000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Financial instruments, non-current liabilities								
Bonds and notes	0	0	-1,895,066	-1,962,038	0	0	-1,895,066	-1,962,038
Loans from financial institutions	-150,000	-150,000	0	0	0	0	-150,000	-150,000
Total non-current financial liabilities	**-150,000**	**-150,000**	**-1,895,066**	**-1,962,038**	**0**	**0**	**-2,045,066**	**-2,112,038**
Total financial liabilities	**-150,000**	**-150,000**	**-1,895,066**	**-1,962,038**	**0**	**0**	**-2,045,066**	**-2,112,038**

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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.

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 3,0 thousand exchange rate differences (2020: EUR 0.8 thousand). Finance costs include EUR 1,0 thousand exchange rate differences (2020: EUR 6,1 thousand). At the end of 2021 there were no outstanding receivables or payables in foreign currencies.

REFINANCING RISK

Elenia Verkko Oyj issues bonds and notes. Bonds are issued under the EMTN programme and listed at the London Stock Exchange. Notes are unlisted private placements targeted mostly to the North American investors through private placements. The Group has financial covenants relating to interest cover and leverage. The covenants are typical in such arrangements. There were no covenant breaches in 2021. 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

At the end of 2021 Group had no borrowings from the Capex Facility nor from the Working Capital Facility. A the end of 2021 Elenia Verkko Oyj had a drawn loan facility with the European Investment Bank (EIB) EUR 50 million maturing in 2028 and EUR 100 million maturing in 2030. Elenia Verkko Oyj has agreed another EUR 100.0 million credit facility with the At the end of 2021 there were no drawdowns from the credit facility.

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES

31 DECEMBER 2021

EUR 1,000	Facility amount	In use	Available amount	Maturity
Capex facility	350,000	0	350,000	1-5 years
Working Capital facility	60,000	0	60,000	1-5 years
Liquidity facility	60,000	0	60,000	Over 5 years
EIB credit facility	250,000	150,000	100,000	Over 5 years
Cash and cash equivalents			71,841	
Total	**720,000**	**150,000**	**641,841**	

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 90% (2020: 91%) 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 (2020: EUR +/-1.7 million) effect on the interests relating to floating rate loans.

COMMODITY PRICE RISK

Changes in commodity prices affect mainly electricity purchases used for distribution losses and purchases of electricity network components. The majority of electricity purchases are hedged to mitigate the impact of short term price fluctuations. The regulatory methods governing electricity distribution operations provide protection against changes in commodity prices over the medium term.

COUNTERPARTY AND CREDIT RISK

Accepted financial counterparties are counterparties approved in existing financing agreements and other counterparties separately approved by the Board of Directors. Cash and cash equivalents consit solely of short-term bank deposits.

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4.3 OTHER COMMITMENTS AND CONTINGENCIES

OTHER COMMITMENTS

EUR 1,000	2021	2020
Registered floating charges:		
Provided on behalf of own and Group liabilities	13,500,000	18,000,000
Mortgages	206,600	206,600
Refundable connection fees	**283,293**	**282,789**
Loan commitment to Elenia Group Oy	0	151,305

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

4.4 EQUITY

Share capital

Reorganisations were done in legal structure during 2020 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). There were no changes in the group sturcture during 2021.

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 November 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. At the balance sheet date the outstanding balance related to this equity repayment is 204,4 million euros.

Equity investment and common control reserve

In 2021 there were no restructurings.

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.

EUR 1,000	2021	2020
Unrestricted equity 1 Jan	-548,274	2,000
Equity investment	-	2,207,400
Common control reserve	-	-2,207,674
Equity repayment	-	-550,000
Unrestricted equity 31 Dec	**-548,274**	**-548,274**

Retained earnings

Decrease in retained earnings of 19 385 thousand euros in 2021 is due to group contribution given to Elenia Group Oy . Increase of EUR 14,228 thousand in retained earnings in 2020 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:

	2021	2020
Profit attributable to equity holders of the parent, EUR	74,982,730	56,624,197
Average number of shares, pcs	250	250
Earnings/share, EUR - basic = diluted	**299,931**	**226,497**

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5 CONSOLIDATION

5.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company Elenia Oy and its subsidiaries which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The consolidated financial statements also include, as associated companies, any companies over which the Group has significant influence. Significant influence generally involves a shareholding of over 20% of the voting rights or when the Group has the power to participate in the financial and operating policy decisions of the investee but has not control or joint control over those policies.

Subsidiaries are included in the consolidated financial statements using the acquisition cost method. The acquisition cost is measured as the aggregate of the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Costs related to acquisitions are recorded on the consolidated statement of profit or loss as other operating expenses. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, receivables and debts are eliminated in the consolidated financial statements.

Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group.

As at 31 December 2021, 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 2021 or 2020 there were no business disposals.

In 2021 and 2020 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 described in sections 1.4.1 and 1.4.4.

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

5.4.1 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 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.

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.

5.4.2 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:

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 the temporary exemption from applying IFRS 9 included in IFRS 4 Insurance Contracts, is further extended to 1 January 2023. This is to align with the effective date of IFRS 17 Insurance Contracts which will replace IFRS 4.

The amendment is not applicable to the Group.

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 3 BUSINESS COMBINATION, IAS 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.

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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.

AMENDMENTS TO IAS 8 DEFINITION OF ACCOUNTING ESTIMATES

The amended standards 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 the definitions of accounting estimates. After implementing the changes the standard more cleary distiguish between accounting estimates, changes in accounting policies and correction of errors.

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

AMENDMENTS ON IAS 12 DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION

The amended standards will be effective for annual periods beginning on or after 1 January 2023 with early adoption permitted.

The amendments clarify the recognition of deferred tax when an entity accounts for transactions, such as leases or decommissioning obligations, by recognizing both an asset and a liability.

Group is evaluating the impact of these changes on deferred tax postings and notes on deferred taxes.

AMENDMENTS ON IAS 1 DISCLOSURE OF ACCOUNTING POLICIES

The amended standards will be effective for annual periods beginning on or after 1 January 2023 with early adoption permitted.

The amendments include a requirement for entities to disclose their material accounting policies rather that their significant accouting policies. Also guidance and examples have been added to support the recognistion of material accounting policies.

Group is evaluating the impacts of the changes to the accounting policies disclosed.

REGULATORY ASSETS AND REGULATORY LIABILITIES: POSSIBLE NEW STANDARD

The International Accounting Standards Board published in January 2021 an exposure draft on Regulatory Assets and Regulatory Liabilities. The Exposure Draft sets out the IASB's proposals for a model to account for regulatory assets and regulatory liabilities. If issued as a new IFRS Standard, the proposals would replace IFRS 14 Regulatory Deferral Accounts. The IASB discussed feedback on the Exposure Draft during October and November 2021 and will begin redeliberating the proposals in the Exposure Draft at a future meeting.

Group is following closely the development of this initiative and evaluating impacts.

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6 OTHER NOTES

6.1 TAXES

6.1.1 Current income tax

ACCOUNTING POLICY

CURRENT INCOME TAX

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

CURRENT INCOME TAXES

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to the tax estimation.

The Group companies establish provisions based on reasonable estimates. In the case that the final taxes are different than the amounts initially recognized, these differences will affect income tax and provisions for deferred tax during the year when the determination of tax differences took place. Management estimates that the estimated tax shown in the consolidated financial statement represent a reasonable estimate of the Group's tax position.

The major components of income tax expense for the years ended 31 December 2021 and 2020 are:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EUR 1,000	2021	2020
Current income tax charge	-5,344	-5,357
Adjustments in respect of current income tax of previous periods	-6	0
Deferred taxes	-6,039	-8,023
Income tax expense reported in the consolidated statement of profit or loss	**-11,390**	**-13,380**

CONSOLIDATED STATEMENT OF OCI

EUR 1,000	2021	2020
Deferred tax related to items recognised in OCI during the year:		
Remeasurement gains (losses) on defined benefit plans	29	-26
Deferred tax charged to OCI	**29**	**-26**

INCOME TAX RATE

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

EUR 1,000	2021	2020
Profit before tax	**86,487**	**69,899**
Theoretical income tax using the nominal tax rate of 20.0% (2019: 20.0%)	-17,297	-13,980
tax-free income items	-54	-80
expenses that are non-deductible in taxation	68	725
non-deductible interests from previous years	2,024	-
deductible expenses not recorded in profit and loss	3,877	-
previous years' losses used	0	56
adjustment of taxes based on previous periods	-6	-
unrecognized deferred tax assets from taxation losses	-	-102
Income tax in the income statement	**-11,390**	**-13,380**

Effective tax rate was 13% (2020: 19%).

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6.1.2 Deferred tax

ACCOUNTING POLICY

DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

ACCOUNTING ESTIMATES

DEFERRED TAX

The Group recognizes deferred tax assets by taking into account their recoverability, based on the existence of deferred tax liabilities with similar maturities for netting and the possibility of generation of sufficient future taxable profits. The management assessed the deferred tax booked in the financial statements to be recoverable.

The estimations and the actual flows of taxes paid or received could differ from the estimates made by the Group as a result of unforeseen future legal changes in estimates.

ACCOUNTING ESTIMATES

DEFERRED TAX

The Group has deferred tax assets and liabilities which are expected to be realised through the consolidated statement of profit or loss over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis.

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CHANGE IN DEFERRED TAX ASSETS AND LIABILITIES IN 2021

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	2,485	4,181	-	6,667
Measurement of assets at fair value in acquisition	401	-49	-	352
Defined benefit plans	67	-2	29	93
Liabilities related to contracts with customers	4,689	1,697	-	6,385
Finance leases	478	-296	-	182
ERP investment	-	64		64
Total	**8,120**	**5,594**	**29**	**13,743**
Deferred tax assets	**8,120**			**13,743**

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	1,567	-261	-	1,306
Depreciation differences	63,198	16,222	-	79,421
Measurement of assets at fair value in acquisition	62,703	-4,328	-	58,375
Total	**127,468**	**11,633**	**-**	**139,101**
Deferred tax liabilities	**127,468**			**139,101**

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**

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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	2021	2020
Current value of funded obligations	2,702	3,108
Fair value of assets	-2,236	-2,772
Deficit	466	336
Value of the obligation on the consolidated statement of financial position	**466**	**336**

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

EUR 1,000	2021	2020
Obligation at the beginning of the year	3,108	3,564
Business combinations	0	0
Current service costs	0	0
Interest expenses	15	14
Actuarial losses	-159	-259
Settlements	-61	-
Benefits paid	-202	-211
Obligation at the end of the year	**2,702**	**3,108**

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

EUR 1,000	2021	2020
Fair value of plan assets at the beginning of the year	2,772	3,092
Business combinations	0	0
Expected income from assets	13	12
Actuarial gains	-301	-128
Settlements	-50	-
Payments by the employer	3	8
Benefits paid	-202	-211
Fair value of plan assets at the end of the year	**2,236**	**2,772**

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

EUR 1,000	2021	2020
Obligation at the beginning of the year	336	473
Business combinations	0	0
Net cost recognised in the statement of profit or loss	-9	2
Payments by the employer	-3	-8
Profits and losses recognised in other comprehensive income	143	-131
Value of the obligation at year end	**466**	**336**

Items recognised in the consolidated statement of profit or loss:

EUR 1,000	2021	2020
Expenses based on service in the reporting year	-10	0
Interest income	-13	-12
Interest expenses	15	14
Total	**-9**	**2**

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

EUR 1,000	2021	2020
Actuarial gains/(losses) on assets	301	128
Actuarial gains/(losses) on obligations	-159	-259
Total	**143**	**-131**

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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.

2021

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 0.7%		2,702	2,236	466	0	3
Discount rate 1.3%	+0.50%	2,542	2,121	421	0	5
Discount rate 0.2%	-0.50%	2,881	2,362	518	0	1

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	0	2
Discount rate 1.0%	+0.50%	2,928	3,625	302	0	3
Discount rate 0.0%	-0.50%	3,309	2,935	374	0	0

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As the defined benefit plans are managed by an external insurance company, it is not possible to present a division of the fair values of the plan assets.

Expected contributions for 2022 are estimated to be EUR 3 thousand.

The weighted average duration of defined benefit obligation is 13-18 years.

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

EUR 1,000	2021	2020
Under 1 year	206	212
1-10 years	1,179	1,381
10-20 years	836	941
20-30 years	492	519
Over 30 years	256	255
Total	**2,968**	**3,308**

ACTUARIAL ASSUMPTIONS USED IN CALCULATIONS

%	2021	2020
Discount rate	0.7%	0.5%
Estimate of salary increases	2.9%	2.0%
Inflation	1.9%	1.0%

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 key management persons.

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 B.V.

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. These are eliminated upon consolidation.

Open other long-term receivables (2020: EUR 274.7 million) from the company's ultimate owners through intermediary holding entities were netted against the open payable related to equity repayment during 2021. The following table includes the specification of other long-term receivables and related accrued interests.

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EUR 1,000	Loan amount 31 Dec 2020	Interest expenses 1 Jan–31 Dec 2020	Loan amount 31 Dec 2021	Interest expenses 1 Jan–31 Dec 2021
Elenia Group Oy	274,695	3,017	0	858
Elenia Holdings S.à r.l.	0	0	0	0
Lakeside Network Investments Holding B.V.	0	0	0	0
Total	**274,695**	**3,017**	**0**	**858**

The group had no outstanding long-term loans with related parties during 2020 or 2021.

The meeting of Elenia Oy's shareholders decided on 13 November 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	Decrease during 2021	Unrestricted equity repayment liability 31 Dec 2021
Elenia Investments S.à r.l.	550,000	345,553	204,447
Total	**550,000**	**345,553**	**204,447**

6.4 EVENTS AFTER THE REPORTING PERIOD

Like other DSOs, Elenia received a new regulatory decision in December 2021 regarding changes in regulatory methods that entered into effect on 1 January 2022 and will remain in effect for only two years, namely 2022 and 2023. The changes were in line with the previous information communicated by the Energy Authority. They included updated unit prices, changes to WACC calculation methods and eliminating the security of supply incentive from the regulatory methods.

The change in unit prices led to a considerable decline in Elenia's Regulatory Asset Base (RAB). According to the Energy Authority, the change was 7–22 per cent and the weighted average was 17 per cent. The change was the most drastic with regard to underground cables, which meant that its impact on Elenia was among the most significant. In practice, it meant that Elenia's RAB fell to the level it was at in 2018.

The calculation of the risk-free interest rate component as part of the determination of the WACC is based on the yield on a 10-year Finnish government bond. It was previously based on a method where the higher of the current interest rate (based on the previous year) and the historical 10-year average interest rate was applied. The latter calculation method was eliminated from the regulatory method effective from the beginning of 2022. Consequently, the WACC for 2022 is 3.97%, which is approximately one percentage point lower than it would have been without the change in the calculation method (4.96%).

Like several other Finnish DSOs, Elenia has appealed to the Market Court to repeal the decision of the Energy Authority with regard to the key aspects of the decision.

On 28 January 2022, S&P downgraded the credit rating of Elenia Verkko Oyj's senior secured debt from BBB+ to BBB. In connection with this, S&P changed Elenia's credit rating outlook to stable. The rating action stemmed from the changes in regulatory methods implemented by the Energy Authority. Elenia's key financial figures have not changed and they are not expected to change going forward. Elenia's significant reduction in investments for 2022 to strengthen cash flow was not, in S&P's view, sufficient to maintain the previous credit rating.

There was a change in Elenia's management team in February 2022, when Harri Happonen replaced Jenni Heinisuo as Elenia's Chief Information Officer.

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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 2021	1 Jan - 31 Dec 2020
Revenue	2.1.1	328,636	306,340
Other operating income	2.2.1	3,675	3,558
Non-recurring items included in other operating income		0	763
Materials and services		-83,483	-75,273
Employee benefit expenses	2.3.3	-15,288	-14,983
Other operating expenses	2.3.1	-18,733	-24,510
Operating expenses Total		-117,503	-114,766
Exceptional items included in operating expenses		-330	0
Non-recurring items included in operating expenses		0	-1,168
EBITDA		**214,808**	**195,131**
EBITDA before exceptional and non-recurring items		**215,138**	**195,536**
Depreciation and amortisation	3	-88,668	-83,478
Operating profit		**126,140**	**111,654**
Operating profit before exceptional and non-recurring items		**126,470**	**112,059**

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 2021 in total EUR 330 thousand was recognised as an exceptional item. This amount relates to damage compensation of EUR 200 thousand paid to a single customer due to a metering error during previous years and consultancy fees of EUR 130 thousand that relate to legal actions taken due to regulatory changes.

In 2020 there were no operational expenses classified as exceptional items.

In 2020 in total EUR 405 thousand was recognized as non-recurring items. This amount consisted 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 2021 there were no operational expenses classified as exceptional items.

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PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Revenue	1.1	**167,212,784.67**	**152,215,402.91**
Other operating income	1.2	1,678,432.12	1,267,155.58
Materials and services	1.3	-117,550,887.61	-113,181,303.07
Personnel expenses	1.4	-15,143,187.40	-15,073,846.32
Depreciation, amortisation and impairment	1.5	-2,817,821.42	-2,541,099.80
Other operating expenses	1.6	-13,275,026.53	-13,407,856.82
Operating profit		**20,104,293.83**	**9,278,452.48**
Finance income and expenses	1.7	-2,332.91	-28,798.05
Profit / loss before appropriations and taxes		**20,101,960.92**	**9,249,654.43**
Appropriations	1.8		
Change in accelerated depreciations		-713,210.12	-216,279.16
Group contributions		-19,385,000.00	-9,070,500.00
Income taxes	1.9	-37.87	-33.72
Profit / loss for the year		**3,712.93**	**-37,158.45**

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PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets	2.1		
Intangible rights		6,498.00	4,884.11
Goodwill		1,759,946.80	2,003,578.36
Other capitalized long term expenditure		4,842,052.81	4,115,144.02
		6,608,497.61	6,123,606.49
Tangible assets	2.2		
Network		4,330,427.56	1,474,420.30
Machinery and equipments		992,366.57	743,868.95
Advance payments and construction in progress		4,234,281.17	4,363,884.23
		9,557,075.30	6,582,173.48
Investments	2.3		
Holdings in group companies		1,657,480,000.00	1,657,480,000.00
		1,657,480,000.00	1,657,480,000.00
Total non current assets		**1,673,645,572.91**	**1,670,185,779.97**

EUR	Note	31 Dec 2021	31 Dec 2020
Current assets			
Short-term receivables	2.4		
Trade receivables		812,978.30	984,981.93
Receivables from group companies		232,610,268.55	570,368,606.71
Other receivables		16,380.36	34,459.00
Prepayments and accrued income		1,902,190.24	1,850,842.45
		235,341,817.46	573,238,890.09
Cash and cash equivalents	2.4	0.00	0.00
Total current assets		**235,341,817.46**	**573,238,890.09**
TOTAL ASSETS		**1,908,987,390.37**	**2,243,424,670.06**

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PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Capital and reserves	3.1		
Subscribed capital		2,500.00	2,500.00
Non restricted equity		1,657,969,584.70	1,657,969,584.70
Retained earnings		-170,520.18	-133,361.73
Loss for the financial year		3,712.93	-37,158.45
		1,657,805,277.45	1,657,801,564.52
Cumulative accelerated depreciations	3.2	**1,694,047.52**	**980,837.40**
Liabilities	3.3		
Non-current liabilitites			
Other non-current liabilities		1,035,709.00	976,497.00
		1,035,709.00	976,497.00
Current liabilities			
Trade payables		5,700,104.79	7,735,996.64
Liabilities to group companies		0.00	3,110,443.05
Group contribution liability		19,385,000.00	9,070,500.00
Other short-term liabilities		216,255,231.39	557,435,905.84
Accruals and deferred income		7,112,020.22	6,312,925.61
		248,452,356.40	583,665,771.14
Total liabilities		**249,488,065.40**	**584,642,268.14**
TOTAL EQUITY AND LIABILITIES		**1,908,987,390.37**	**2,243,424,670.06**

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PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flow fron operating activities		
Loss before appropriations and taxes	20,101,960.92	9,249,654.43
Adjustments		
Depreciation, amortisation and impairment	2,817,821.42	2,541,099.80
Finance income and expenses	2,332.91	28,798.05
Other adjustments	0.00	976,497.00
Cash flow before change in working capital	**22,922,115.25**	**12,796,049.28**
Change in working capital		
Increase (-) / decrease (+) in non-interest bearing receivables	70,640,939.39	-1,625,194.54
Increase (+) / decrease (-) in non-interest bearing liabilities	127,072.86	14,998,667.27
Operating cash flow before financial items and taxes	**93,690,127.50**	**26,169,522.01**
Interest payments	-1,279.52	-47,800.52
Interests received	18.48	70.52
Payments for other finance items	-1,071.87	-32.65
Taxes paid	129.74	-248.51
Cash flow from operating activities	**93,687,924.33**	**26,121,510.85**

EUR	1 Jan - 31 Dec 2021	1 Jan - 31 Dec 2020
Cash flow from investing activities		
Capital expenditures	-6,320,555.33	-6,209,574.23
Cash flow from investing activities	**-6,320,555.33**	**-6,209,574.23**
Cash flow from financing activities		
Re-payment of long-term borrowings	-	-4,000,000.00
Equity repayment	-70,000,000.00	-
Group contributions received and paid	-9,070,500.00	-431,000.00
Cash flow from financing activities	**-79,070,500.00**	**-4,431,000.00**
Change in cash and cash equivalents	**8,296,869.00**	**15,480,936.62**
Cash and cash equivalents 1 Jan	17,965,583.04	2,484,646.42
Cash and cash equivalents 1 Jan + change	26,262,452.04	17,965,583.04
Cash and cash equivalents 31 Dec	**26,262,452.04**	**17,965,583.04**

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.

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

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

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

1 NOTES TO INCOME STATEMENT

1.1 Revenue

EUR 1,000	2021	2020
Contracting income	143,832	129,330
Connection fee income	493	427
Other sales income	22,888	22,458
Total	**167,213**	**152,215**

1.2 Other operating income

EUR 1,000	2021	2020
Gains on the sale of scrap and used fixed assets	1,260	917
Other operating income	418	350
Total	**1,678**	**1,267**

1.3 Materials and services

EUR 1,000	2021	2020
External services	-59,870	-55,045
Materials	-57,681	-58,136
Total	**-117,551**	**-113,181**

1.4 Personnel expenses

EUR 1,000	2021	2020
Average number of personnel during the financial year	223	227
Salaries	-12,717	-12,775
Pension expenses	-2,037	-1,853
Other employee expenses	-389	-445
Total	**-15,143**	**-15,074**

SALARIES AND REMUNERATION PAID TO CEO

EUR 1,000	2021	2020
Salaries and other short-term employee benefits	-301	-334
Other long-term employee benefits	-153	-164
Pension expenses related to salaries and employee benefits	-82	-90
Total	**-536**	**-588**

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1.5 Depreciations according to the plan

EUR 1,000	2021	2020
Impairment	-175	-
Intangible fixed assets	0	0
Goodwill	-244	-244
Other capitalized long term expenditure	-1,838	-1,652
Network	-162	-41
Machinery and equipments	-399	-605
Total	**-2,818**	**-2,541**

1.6 Other operating expenses

EUR 1,000	2021	2020
Other external services	-9,493	-9,712
Other operating expenses	-3,782	-3,696
Total	**-13,275**	**-13,408**
Audit charges EUR 1,000		
Auditing fees	-138	-117
Fees for tax services	-2	-17
Fees for other services	-	-39
Total	**-140**	**-172**

1.7 Financial income and expenses

EUR 1,000	2021	2020
Interest and other financial income		
Other financial income	0	0
Total	**0**	**0**
Interest and other financial expenses		
Other interest expenses	-1	-2
Internal interest expenses	-	-27
Other financial expenses	-1	-
Total	**-2**	**-29**
Total financial income and expenses	**-2**	**-29**

1.8 Appropriations

EUR 1,000	2021	2020
Change in accelerated depreciations	-713	-216
Group contributions given	-19,385	-9,071
Total	**-20,098**	**-9,287**

1.9 Income taxes

EUR 1,000	2021	2020
Income taxes for the financial period	0	0
Adjustment in income taxes for the previous periods	0	0
Total	**0**	**0**

2 NOTES TO THE BALANCE SHEETS ASSETS

2.1 Intangible fixed assets

INTANGIBLE RIGHTS

EUR 1,000	2021	2020
Cost 1 Jan	5	0
Investments	2	5
Cost 31 Dec	7	5
Accumulated depreciation 1 Jan	0	0
Depreciation according to the plan	0	0
Book value 31 Dec	**6**	**5**

GOODWILL

EUR 1,000	2021	2020
Acquisition cost 1.1.	2,436	1,891
Investments	-	545
Acquisition cost 31.12.	2,436	2,436
Accumulated depreciation 1.1.	-433	-189
Depreciation according to the plan	-244	-244
Book value 31.12.	**1,760**	**2,004**

OTHER CAPITALIZED LONG-TERM EXPENDITURE

EUR 1,000	2021	2020
Cost 1 Jan	10,406	8,677
Investments	2,740	1,729
Disposals	-309	-
Cost 31 Dec	12,837	10,406
Accumulated depreciation 1 Jan	-6,290	-4,639
Merger	309	-
Disposals	-175	-
Depreciation according to the plan	-1,838	-1,652
Book value 31 Dec	**4,842**	**4,115**

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2.2 Tangible fixed assets

NETWORK

EUR 1,000	2021	2020
Cost 1 Jan	1,519	505
Investments	3,018	1,014
Cost 31 Dec	4,537	1,519
Accumulated depreciation 1 Jan	-44	-4
Depreciation according to the plan	-162	-41
Book value 31 Dec	**4,330**	**1,474**

MACHINERY AND EQUIPMENTS

EUR 1,000	2021	2020
Cost 1 Jan	1,667	686
Investments	647	991
Disposals	-	-10
Cost 31 Dec	2,314	1,667
Accumulated depreciation 1 Jan	-923	-330
Depreciation according to the plan	-399	-593
Book value 31 Dec	**992**	**744**

ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

EUR 1,000	2021	2020
Cost 1 Jan	4,364	2,136
Increase	604	5,402
Decrease	-733	-3,175
Book value 31 Dec	**4,234**	**4,364**

2.3 Investments

HOLDINGS IN GROUP COMPANIES

EUR 1,000	2021	2020
Cost 1 Jan	1,657,480	80
Investments	-	2,207,400
Disposals	-	-550,000
Cost 31 Dec	1,657,480	1,657,480
Book value 31 Dec	**1,657,480**	**1,657,480**

2.4 Short term receivables

SHORT TERM RECEIVABLES

Receivables from group companies

EUR 1,000	2021	2020
Accrued income	1,901	2,403
Equity repayment receivable	204,447	550,000
Group account	26,262	17,966
Receivables from group companies total	232,610	570,369

External receivables

EUR 1,000	2021	2020
Trade receivables	813	985
Other short-term receivables	16	34
Accrued income	1,902	1,851
External receivables total	2,732	2,870
Short term receivables total	**235,342**	**573,239**
Total receivables	**235,342**	**573,239**
Cash and cash equivalents	**0**	**0**

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3 NOTES TO THE BALANCE SHEETS EQUITY AND LIABILITIES

3.1 Capital and reserves

EUR 1,000	2021	2020
Subscribed capital	3	3
Non restricted equity 1 Jan	1,657,970	570
Addition	-	2,207,400
Equity repayment	-	-550,000
Non restricted equity 31 Dec	1,657,970	1,657,970
Retained earnings (loss) 1 Jan	-171	-133
Loss for the the financial year	4	-37
Total capital and reserves	**1,657,805**	**1,657,802**
Distributable equity	1,657,803	1,657,799

3.2 Cumulative accelerated depreciations

EUR 1,000	2021	2020
Cumulative accelerated depreciations	1,694	981

Accelerated depreciations include deferred tax liability of 338 809,50 euros.

3.3 Liabilities

NON-CURRENT LIABILITIES

EUR 1,000	2021	2020
Other non-current liabilities to group companies	1,036	976
Total non-current liabilities	**1,036**	**976**

CURRENT LIABILITIES

EUR 1,000	2021	2020
Trade payables	5,700	7,736
Other short term liabilities	11,808	7,436
Equity repayment liability	204,447	550,000
Accrued expenses		
Salaries and social expenses	4,086	3,698
Other accrued expenses	3,026	2,615
Total	7,112	6,313
Liabilities to group companies		
Accrued expenses	-	0
Other short term liabilities	-	3,110
Group contribution payables	19,385	9,071
Total	19,385	12,181
Total current liabilities	**248,452**	**583,666**
Total liabilities	**249,488**	**584,642**

3.4 Liabilities and quarantees for debts

EUR 1,000	2021	2020
Provided on behalf of own and group liabilities		
Guarantees	1,689,500	1,689,500
Floating charges	4,500,000	9,000,000
Leasing agreements		
Within one year	103	63
After one year but not more than five years	114	103
Total	**218**	**166**
Other lease liabilitites		
Within one year	586	734
After one year but not more than five years	8	172
Total	**594**	**906**

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

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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

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SIGNATURES TO THE FINANCIAL STATEMENTS

Tampere, 9 March 2022

Timo Rajala
Chairman of the Board of Directors

Mark Braithwaite

Eduard Fidler

Tapani Liuhala

Miguel Antoñanzas

Jorma Myllymäki

Sirpa Ojala

Michael Pfennig

AUDITOR'S NOTE

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

Tampere, 9 March 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant

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AUDITOR'S REPORT (TRANSLATION)

To the Annual General Meeting of Elenia Oy

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Elenia Oy (business identity code 2658611-8) for the year ended 31 December, 2021. 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.

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- 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, 9 March 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
Authorized Public Accountant

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ELENIA OY BOARD OF DIRECTORS

Timo Rajala
Chairman of the Board

Timo joined the company in 2012 and is the Chairman of the Board. He is also the Chairman of Remuneration and Nomination Committee of Elenia Oy's board. Timo is the CEO of Rajalimes Oy, the Chairman of the Board of FinNuclear Oy, and also the Chairman of the Board of the companies Flexens Oy Ab, Rautu Corporation Oy, Sanitation5 Oy and EPSE Oy. He is also 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 and Kiinteistö Oy Forssan Aleksi 6. He is also a member of the Board of Elenia Oy, Energy Industry, Piceasoft Oy 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, Manco Investment Oy, 358 Exploration Oy and EU DSO Entity. He is also a member of the Safety, Health, Environment and Security committee of Elenia Oy's board. 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 Managing Director and Co-Head of Infrastructure at 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. He is a member of the Remuneration and Nomination committee of Elenia Oy's board.

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 MAM's investment committee in Europe. Mark joined MAM 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, 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. He is the Chairman of the Audit and Risk committee and member of the Remuneration and Nomination committee of Elenia Oy's board.

Sirpa Ojala
CEO, Delete Group Oyj

Sirpa is the CEO of Delete Group Oyj. She 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) and NatWest Nordisk Renting AB. She is also a senior advisor for Valor Oy. She holds a M.Sc. (Eng.) in Industrial Economics from the Lappeenranta University of Technology. She is a member of the Audit & Risk committee, Remuneration and Nomination committee and Safety, Health, Environment and Security committee of Elenia Oy's board.

Miguel Antoñanzas
Operating Partner, Macquarie Asset Management

Miguel is a Non-Executive Director of EDP Redes España, Exolum and Hydro Dolomiti Energia and was the CEO of Viesgo Infraestructuras Energéticas, S.L until 2020. He has held executive positions in Europe and Latin America in the Iberdrola, ENEL and E.ON Energy Groups, having also had international assignments with the global engineering group Bechtel. He has been Chairman and/or member of the Board of Directors of listed and private companies in many countries in the telecoms, engineering, media, water, gas and electricity sectors. Miguel is a member of the Board of Trustees of the International University Menéndez Pelayo and the Reina Sofia School of Music. He is a Civil Engineer specialized in hydraulics and energy. Miguel is the Chairman of Safety, Health, Environment and Security committee of Elenia Oy's board.

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. He is a member of Audit and Risk committee and Safety, Health, Environment and Security committee of Elenia Oy's board.

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