



Elenia Group
INVESTOR REPORT
H1 2015



ELENIA

INVESTOR REPORT

For the six months ended 30 June 2015

Elenia Group

This investor report provides information on the Elenia Group's business in the first half of 2015, including regulatory and business developments, Elenia's financial performance and other information in accordance with the requirements of the Common Terms Agreement dated 10 December 2013.

1. Overview

In accordance with its strategy, Elenia continued operations in the first half of 2015 with a special focus on providing progressive electricity network services to its customers, thereby helping society to function without disruption to daily life.

During the period, Elenia continued the roll-out of its long term investment plan which is designed to improve the security of supply. Elenia Oy's network investments were €44.3 million in the first half of 2015 and the underground cabling rate increased as planned to 32.0%.

Elenia continued to further develop its asset management system according to the PAS 55-1:2008 standard and the international standard ISO 55001:2014. Lloyd's Register conducted a surveillance visit to assess Elenia Oy's asset management system in June 2015. During the assessment, Elenia Oy demonstrated that it has in place asset management processes, systems and plans which have been implemented throughout the organization and continue to be in line with the relevant standards.

In the first half of 2015, Elenia Oy's revenue declined by 4.4% compared to the first half of 2014. The key drivers for the fall in revenue were lower distributed volumes of electricity, lower connection charges and higher network outage compensation.

During the first six months of the year, the weather in Finland was generally warmer than the previous year, resulting in fewer distributed volumes of electricity. Overall construction volumes decreased in Finland during the first half of 2015 resulting in fewer new network connection fees. As a reminder, Elenia Oy is protected from volume and new connection fee volatility under the electricity distribution regulatory framework. Finally, increased outage compensation is the result of network outages caused by more weather-related interruptions compared to the same period in 2014.

In addition to the decline in revenue, Elenia Oy's EBITDA was impacted by higher fault repair costs associated with the network outages in January, April and May. Strong financial performance at Elenia Heat and tight control of non-weather related operating costs at Elenia Networks partly mitigated the overall impact on group EBITDA.

The key financial performance indicators for the first half of 2015 are shown in the table below. Further information is available at www.elenia.com/en/financialinformation.

Key Financial Performance indicators (€M)	H1 2012	H1 2013	H1 2014	H1 2015
Revenue	158.0	161.6	160.7	153.7
EBITDA *	79.1	81.5	84.8	77.1
EBITDA* Margin	50.1%	50.4%	52.8%	50.1%

* Excluding exceptional and non-recurring items

2. Regulatory and Business Update

a. Storms

There were three major power disruptions in Elenia Oy's operating area during the first half of 2015. Heavy snow loads throughout early January and the storms "Suoma" on 8 April and "Lyyli" on 23 May caused outages in some areas of the electricity distribution network served by overhead lines. In addition, there were also some smaller storms as a result of a windy spring and several low pressure systems.

The maximum number of customers simultaneously without electricity during the first half of 2015 was approximately 35,000 during the Lyyli storm. Elenia was prepared for the snow loads and storms and worked to mitigate the impact on customers according to Elenia's preparedness plan. During the Lyyli storm, approximately 98% of affected customers were reconnected within 24 hours.

b. Regulation

The Energy Authority has continued the preparation of its regulatory guidelines for the next two regulatory periods; 2016–2019 and 2020–2023. These guidelines are important for the future development of the electricity distribution industry. Relevant parties, including DSOs, have the opportunity to provide comments on the draft guidelines after which the Energy Authority is expected to make a final decision by the end of 2015.

c. Investment Programme and Underground Cabling

Elenia Networks' investment plan, which extends to 2028, emphasises the importance of building underground electricity networks and replacing overhead lines to secure uninterrupted availability of electricity. The investment programme is designed to decrease the number of faults in the distribution network, reduce fault repair costs and fulfil the security of supply targets set by the Electricity Market Act.

Elenia's target is to increase the underground cabling rate of the electricity distribution network to 70% by 2028. In addition to the construction of a weather-tolerant electricity network, future investments will also be focused on business growth in line with the company's strategic objectives.

In the first half of 2015, Elenia has continued to make network investments according to its long-term investment plan. Due to favourable winter conditions and careful project and contractor management, underground cabling projects for 2015 are expected to be completed on time and on budget. The total expenditure on network investments at Elenia Networks during the first six months of 2015 was €44.3 million.

d. IT Projects

Elenia's main IT focus area for the first half of 2015 has been the renewal of the Customer Information System (CIS). The new CIS is expected to be in use in early 2016.

Elenia has continued to develop its other IT systems in co-operation with partner service providers.

e. Health, Safety and Environment

Elenia Network's personnel did not sustain any recorded accidents in the first half of 2015. There was one recorded accident at Elenia Heat. There were four recorded work related accidents for Elenia Networks' external contractor personnel in the same period. None of these accidents were severe and all have been handled in accordance with Elenia's safety procedures in order to prevent similar future accidents.

Elenia's employees and contractors continued to receive regular safety training and the company continued to carry out Safety Walks (safety reviews) at its construction sites, completing 52 during the first six months of the year.

There were no recorded material environmental incidents at Elenia Group in the first half of 2015. Elenia Heat was in full compliance with the environmental permit requirements for its heat generation operations.

f. Elenia Heat

Elenia Heat continued to provide a highly reliable source of heating in the first six months of 2015. There were no major interruptions in heat or gas delivery and the reliability of supply to customers was above the industry average.

Due to the relatively warm weather and the corresponding impact on heat volumes sold, Elenia Heat's revenue declined by 1.7% compared to the first half of 2014.

Despite this decline in revenue, Elenia Heat's EBITDA increased by 9.3%. This was primarily due to a favourable fuel mix, driven by lower peak production demand and availability of base load generation capacity, and lower operating costs.

Elenia Heat's use of fossil fuels further reduced in the first half of 2015 and the use of domestic fuels continues to increase. The percentage of biofuels in Elenia Heat's production of heat exceeded 60% and the share of domestic fuels (biofuel and peat) exceeded 90%. Elenia Heat's carbon dioxide emissions are approximately 60-70 % of the average Finnish district heating company.

Elenia Heat invested €1.9 million in maintaining its network and heat generation assets during the first half of 2015.

g. Elenia Services

Elenia Palvelut Oy (Elenia Services) was incorporated on 1 January 2015 as a wholly owned subsidiary of Elenia Oy.

The incorporation of Elenia Services supports Elenia Oy's business plan and enables Elenia to increase the efficiency of its service activity by offering customer and other services to other distribution companies and electricity market participants. This is expected to result in increased efficiency, lower costs and higher profitability.

Since its incorporation, Elenia Services has provided customer service operations to the Elenia Group and Vattenfall Oy. Elenia Services is focused on the quality of its customer service and process efficiency and has met key operational targets during the first half of 2015.

During the first half of 2015, Elenia Services has also focused on the implementation of the new CIS (due to be operational in early 2016) and the separation of customer service operations from Vattenfall Oy (due to take place in early 2016).

3. Changes to the Board of Directors

Tommi Valento took over as Chief Financial Officer of Elenia Oy at the beginning of August 2015. Prior to his role at Elenia Oy, Tommi was Group Treasurer at Pohjolan Voima Oy. Prior to that, Tommi was Head of Debt Advisory for KPMG Oy Ab and has held various roles within the investment banking industry, most recently at Kaupthing Bank and Pohjola Bank. Tommi holds an M.Sc (Econ) from Aalto University (Helsinki) and an LL.M. from Helsinki University.

During the first six months of the year, there were certain changes to the Boards of Directors within the Elenia Group. Jorma Myllymäki, Chief Operating Officer of Elenia Oy, replaced Aapo Nikunen on the Board of Directors of Elenia Oy, Tommi Valento, Chief Financial Officer of Elenia Oy, replaced Aapo Nikunen on the Board of Directors of Elenia Finance Oyj and Aapo Nikunen ceased to be director of Elenia Palvelut Oy. Yvanna Essomba replaced Dominique Le Gal as a manager of Elenia Holdings S.à r.l. and Elenia Finance (SPPS) S.à r.l.

There were no changes to the Board of Directors of Lakeside Network Investments Holding B.V. or Elenia Lämpö Oy during the same period.

4. Financing and Hedging Position

As at 30 June 2015, there has not been any major change in the financing position of Elenia Group since the previous investor report. The outstanding balance on Facility A was €62 million. The Capex Facility had €211 million of undrawn commitments. The €55 million RCF remained undrawn.

On 19 August 2015, Elenia Finance Oyj issued and sold €75 million of guaranteed senior secured notes through a private placement to an institutional investor in the US. The proceeds were used to prepay the outstanding balance on Facility A of €62 million and to fund capital expenditure.

The Hedging Ratio was 101.4% as at 30 June 2015 and Elenia Group was in compliance with the Hedging Policy.

5. Acquisitions or Disposals

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

6. Restricted Payment

No Restricted Payment has been made since the date of the previous Investor Report.

7. Ratios

In respect of this investor report dated 22 September 2015 covering the 6 month period ending 30 June 2015, by reference to the most recent Financial Statements delivered to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Security Group Covenants) of the Common Terms Agreement:

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

30 June 2015 €148.1M / €35.9 M = 4.1

30 June 2016 €155.8 M / €37.4 M = 4.2

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

30 June 2015 €1 075.8 M / €148.2 M = 7.3

30 June 2016 €1 203.3 M / €155.8 M = 7.7

(together the Ratios).

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

8. Confirmations

We confirm that as at 30 June 2015:

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

Yours faithfully,



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Tommi Valento

Chief Financial Officer

Signing without personal liability, for and on behalf of

Elenia as Security Group Agent