



ELENIA

ANNUAL REPORT

2015

**INVESTMENTS
FOR THE BENEFIT OF
CUSTOMERS AND SOCIETY**



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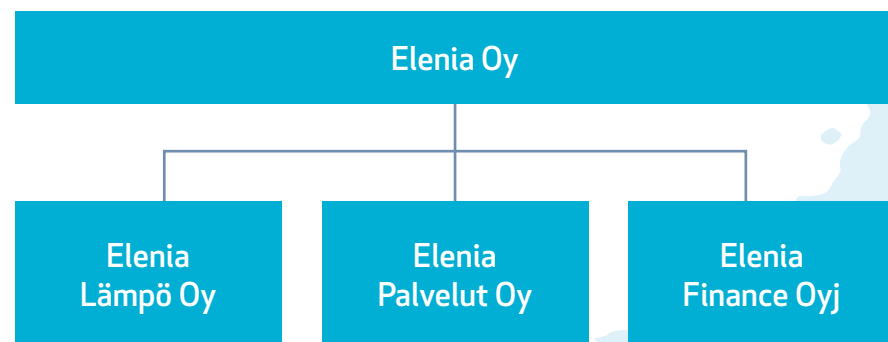


The Elenia Group's financial statements
www.elenia.com/en/investors/financial-reports

Elenia at your service

Reliable Electricity Distribution and District Heating Services

Elenia Group consists of the electricity distribution company Elenia Oy and its wholly-owned subsidiaries Elenia Lämpö Oy, Elenia Palvelut Oy and Elenia Finance Oyj.



Elenia Oy distributes electricity for a total of 417,000 household, corporate and community customers in approximately one hundred municipalities in the regions of Kanta-Häme, Päijät-Häme, Pirkanmaa, Central Finland, Southern and Northern Ostrobothnia. The company is responsible for the construction, maintenance and operation of its electricity distribution networks in cooperation with external contractors, as well as connecting new customers to the network, measuring its customers' electricity consumption and submitting consumption data to electricity suppliers. Elenia is the second largest among the roughly 80 electricity distribution companies in Finland. The company has 67,600 kilometres of electricity networks.

Elenia Lämpö Oy generates, distributes and sells district heating in approximately ten municipalities in the regions of Häme, Central Finland, Northern Ostrobothnia and Heinola. In addition, Elenia Lämpö Oy sells and distributes natural gas as well as generates electricity through its combined heat and power plant to be sold on the wholesale electricity market. Elenia Lämpö Oy has nearly 5,000 direct customers and some 85,000 end users. Elenia Lämpö Oy is Finland's second largest private seller of district heating.

Elenia Oy's areas of operation are marked in navy blue on the map. Elenia Oy is headquartered in Tampere. Elenia Lämpö Oy's areas of operation are indicated by the blue points on the map. Elenia Lämpö Oy is headquartered in Hämeenlinna.





KEY FIGURES 2015

ELENIA OY'S CUSTOMERS

417,000

TOTAL UNDERGROUND CABLING RATE OF THE ELECTRICITY NETWORK

34%

ELECTRICITY NETWORK

67,600 KM

TOTAL ELECTRICITY DISTRIBUTION VOLUME

5,994 GWH

ELENIA LÄMPÖ OY'S CUSTOMERS

5,000
DIRECT CUSTOMERS

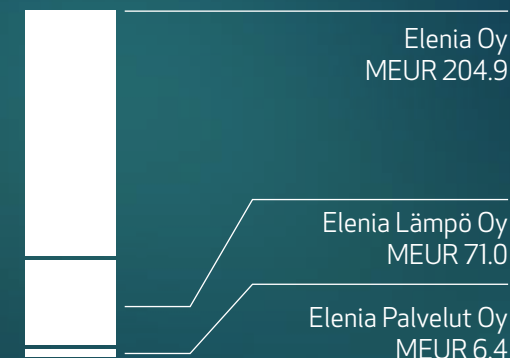
85,000
END USERS

SALES

(Includes heating, electricity and gas sales)

1.0 TWH

REVENUE BREAKDOWN, MEUR



ELENIA GROUP'S INVESTMENTS, MEUR



Year of Exceptional Weather and Continued Efficient Investment in the Network

2015 was an exceptionally warm year characterised by numerous severe storms and heavy snow loads. The weather conditions posed many challenges: they reduced electricity distribution and district heating volumes as well as incurred significant fault repair costs related to outages.

Due to the weak general economic situation, construction activity remained subdued, which was reflected in the low number of new connections both in the electricity distribution and the district heating businesses.

SUCCESSFUL INVESTMENTS IN ELENIA WEATHERPROOF AND OPERATIONAL DEVELOPMENTS

After a year of storms and snow loads, we can again note that our strategic decision, made in 2009, to build only a weatherproof, underground electricity distribution network has proven right. Investments in the weatherproof electricity network in 2015 exceeded EUR 100 million and, at the end of the year, the underground cabling rate of our entire electricity network rose to 34%, as planned.

Our successful long-term development efforts were highlighted by the past year's challenging weather conditions. Despite the high number of outages and extensive network damages, fault repair was carried out effectively. Our customer service also operated extremely well and our customers received status updates about the outages and related repair work through our customer service as well as our online services.

Elenia Lämpö Oy's investments in 2015 focused on the renewal of the automation systems in some of our plants to increase production efficiency. We further increased the use of domestic renewable fuels, raising their share in our district heating production to 68%. This development reduces environmental consequences and mitigates the impact of unfavourable price development of imported fuels on our operations.

CUSTOMER SERVICE EXPERTISE

Positive development of our customer service continued, and in 2015 we outperformed the industry with regards to service satisfaction. One of the main endeavours of the year was the project to implement the new customer information system, which provides a solid foundation for further development of our customer service.

The digital services for monitoring electricity and heat consumption, Elenia Aina and Elenia Mukana continued gaining new users throughout the year.

Elenia Lämpöluotsi was launched in late 2014 and it was well received by the customers. Lämpöluotsi offers our heating customers consumption monitoring, tips related to heating and versatile heating-related information. Lämpöluotsi also serves as the common communications and marketing concept for our heating services.

According to the fixed-term transitional services agreement, Vattenfall's customer relationship with Elenia ended at the beginning of 2016. As a result, we have been adapting our operations to the decrease in customer service volumes and we centralised our customer service operations to Tampere in early 2016.

CONTINUING INVESTMENTS FOR THE BENEFIT OF CUSTOMERS

In late 2015, the Energy Authority published new regulation methods for the next two regulatory periods 2016–2019 and 2020–2023. The new regulatory framework incentivises security of supply of electricity in line with the requirements of the Electricity Market Act. In the coming years, we will continue to build Elenia Weatherproof as planned and to respond to our customers' increasing requirements for security of supply.

At the beginning of 2016, we reorganised Elenia Lämpö Oy's operational structure in order to increase efficiency and to develop customer services. We believe that the reorganisation will bring positive results for us and our customers from 2016 onwards.

I hope that in 2016, weather conditions will be less demanding than in the previous year. Despite the very hectic pace of work at times, our personnel and partners kept up the good spirit and achieved excellent results throughout the entire year, for which I would like to thank them very much. I would also like to thank our customers, the board of directors and shareholders for the pleasant and constructive cooperation!

Tapani Liuhala

CEO

Elenia Oy



Group's Business Review

Elenia Group ("Group") consists of an electricity distribution business (Elenia Oy, "Elenia Networks") and a district heating business (Elenia Lämpö Oy, "Elenia Heat"). In addition, Elenia Group includes Elenia Palvelut Oy ("Elenia Services"), a company providing customer services. These businesses are supported by the finance company Elenia Finance Oy ("Elenia Finance").

A FRONTRUNNER IN WEATHERPROOF ELECTRICITY DISTRIBUTION AND HIGH QUALITY SERVICES

Elenia Networks provides electricity for a total of 417,000 household, corporate and community customers in more than one hundred municipalities in the regions of Kanta-Häme, Päijät-Häme, Pirkanmaa, Central Finland, Southern and Northern Ostrobothnia. Elenia is

responsible for the operation, maintenance and development of its electricity network as well as the measurement of customers' electricity consumption and the delivery of energy consumption data to electricity suppliers. Development of the existing network and new connections is done in cooperation with Elenia's construction partners.

With a market share of approximately 12%, Elenia Networks is the second largest among the roughly 80 electricity distribution companies in Finland. In addition to cities and built-up areas, the company also serves forest-covered and sparsely populated areas.

As the frontrunner in the construction of weatherproof electricity network, Elenia Networks has only invested in building underground cables since 2009. In 2015, the company's most significant

investments, totalling more than EUR 100 million, were directed towards weatherproofing the network. At the end of 2015, the underground cabling rate of Elenia's electricity network increased to 34%. Elenia is ahead of schedule in meeting the targets for the security of supply as stipulated by the Electricity Market Act.

Another important goal for Elenia Networks has been to combine information systems and electricity networks into a smart grid, which is a smart electricity network providing and utilising real-time information. In this respect, Elenia is a leader both nationally and internationally.

Elenia's goal is to be the frontrunner also in developing services in the energy sector. Elenia's customers can use a digital service to access information on their hourly, daily and monthly electricity

We enable and enrich
everyday life.



Group's Business Review

consumption with invoicing based on actual consumption. In addition to telephone and web-based services, Elenia serves its customers via mobile applications. The Elenia Mukana mobile application enables customers to monitor their electricity consumption and invoicing, to check whether they have the electricity turned on and to report faults.

In case of outages, Elenia's electricity network automatically determines fault locations and directs electricity distribution to the unaffected parts of the network. Customers are served with real-time information via text messages, email, online map services and telephone.

As a sign of our commitment to improve the security of supply, Elenia Networks has paid voluntary compensation to customers for all outages lasting longer than six hours since 2009.

In 2015, Elenia's total electricity distribution volume was 5,994 GWh and its total revenue was EUR 208.3 million. Elenia Oy and Elenia Finance Oyj had 179 employees (FTEs) in 2015.

ENVIRONMENTALLY FRIENDLY AND RELIABLE DISTRICT HEATING PRODUCED LOCALLY

Elenia Heat's business activities consist of the production, sales and distribution of district heating as well as the maintenance and renewal of the heating network. In addition, a small portion of Elenia Heat's business includes the sale and distribution of natural gas as well as opportunistic generation and sales of electricity in certain market conditions through its combined heat and power plant in Vanaja. Elenia Heat operates in more than ten municipalities in the Häme, Central Finland, Northern Ostrobothnia and Heinola regions.

Elenia Heat has approximately 5,000 direct customers and around 85,000 end-users. In 2015, its total sales were 1.0 TWh, and its total revenue was EUR 72.5 million. Elenia Heat had 86 employees (FTEs) in 2015. Finland has around 200 district heating companies, most of which are owned by municipalities. Elenia Heat is the second largest private seller of district heating in Finland.

Elenia Heat primarily produces heat from wood, peat, natural gas and oil. In 2015, biofuels accounted for 68% of the fuel usage,

and over 90% of the fuel used was of domestic origin. The company purchased approximately 30% of distributed heat from third parties, including energy companies and local industry.

EXCELLENT CUSTOMER SERVICE AS A STRATEGIC TARGET

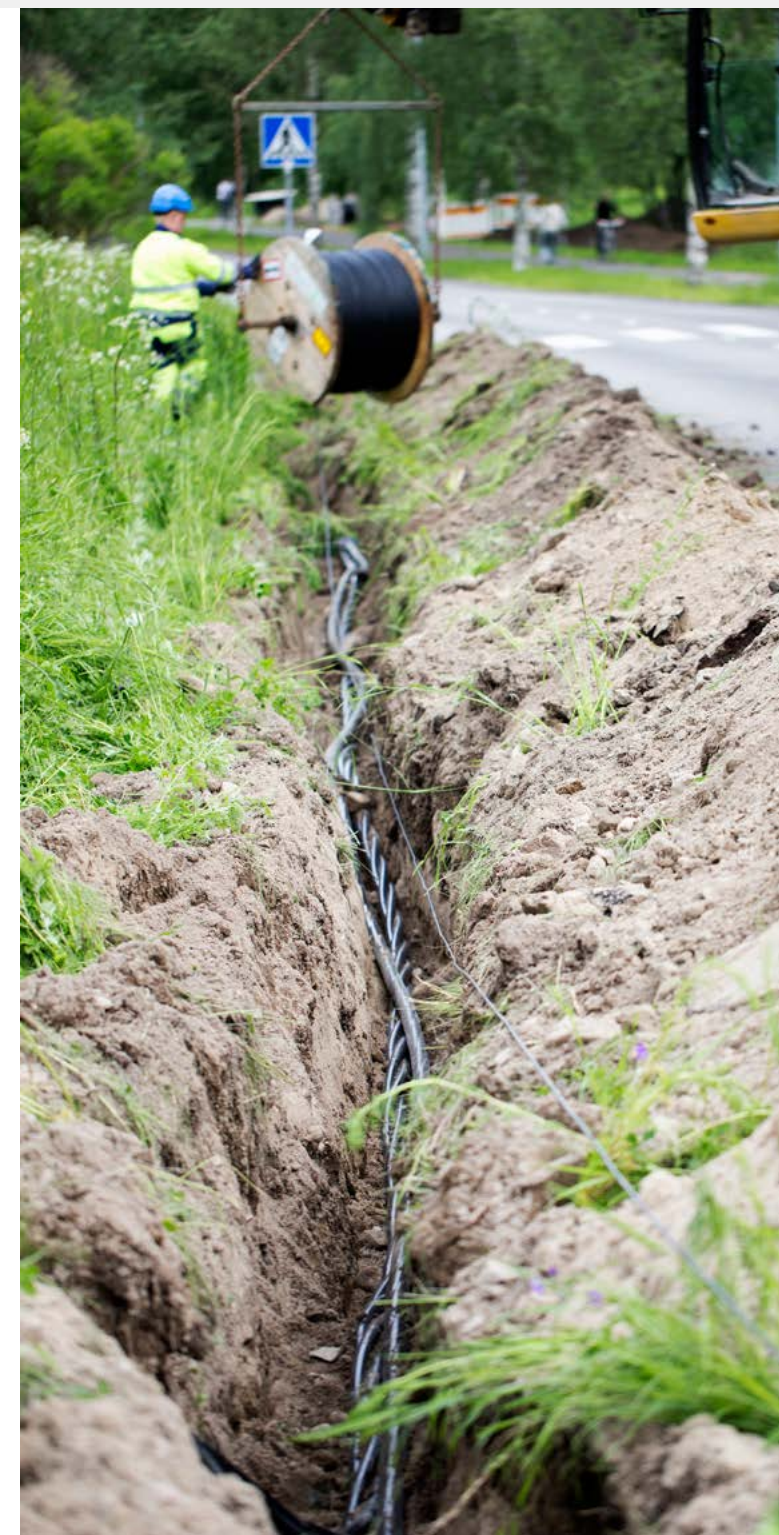
On 1 January 2015, Elenia Networks incorporated its customer service operations into Elenia Services. This enables the further development of the customer service operations, the acquisition of new customers and the improvement of cost efficiency.

Elenia Services provides customer service and related services such as invoicing, collection, connection sales, trouble call service and electricity market information exchange services for Elenia Networks, Elenia Heat and to Vattenfall under a transitional services agreement that ended in January 2016.

Improvement in the quality of customer service and processes is a long-term commitment that requires investments. In 2015, Elenia invested in developing a new customer information system and the production of the new digital Elenia Aina service. Elenia Services's total revenue in 2015 was EUR 14.0 million, with services provided to external customers accounting for EUR 6.4 million. Elenia Services had 118 employees (FTEs) in 2015.

ACCESS TO INTERNATIONAL CAPITAL MARKETS ENABLES INVESTMENTS

Elenia Group's business operations are supported by the wholly-owned finance company Elenia Finance. The strong credit rating (BBB) from Standard & Poor's provides the Group access to the international capital markets, which together with fully committed banking facilities enable the financing of the extensive investments in the coming years. EUR 878 million of bonds have been issued and listed on the London Stock Exchange under Elenia Finance's EUR 3 billion bond programme to date. In addition, Elenia Finance has issued EUR 230 million of unlisted notes mainly to US institutional investors.



Social Responsibility and **Courage to Renew**

Our Code of Conduct shapes the guidelines for the way we want people at Elenia to operate. At the core of our good business practice are our objectives of being an employer encouraging new initiatives and the continuous professional development of our personnel, a good and trustworthy partner for our stakeholders and a socially responsible company. Elenia's personnel, the board of directors and partners undertake to comply with Elenia's Code of Conduct in their work.

SHARED VALUES AS CORNERSTONE OF OPERATIONS

Shared values form the foundation of our work and describe the way people at Elenia operate. The values guide our behaviour with customers, partners and the surrounding society.

Our Code of Conduct determines the business principles based on Elenia's shared values.



CLOSE TO THE CUSTOMER

Customers fire our working community with enthusiasm to seek new ways of providing a service and developing our operations with a bold approach and a focus on results.
We keep our promises.



ACCOUNTABLE PARTNER

We demand high levels of responsibility of ourselves and our partners. We actively care about our own and our shared well-being and safety at work.



ACHIEVING TOGETHER

We forge lasting relationships with local communities, resulting in trust and acceptance of our operations. We share our professional expertise with the working community at large.



COURAGE TO RENEW

The courage to embrace change is what leads to progress. This demands the right attitude in which our knowledge, skills and experience see us forging ahead in terms of our own development and that of our entire sector.

Elenia Oy's Vision, Mission and Strategy

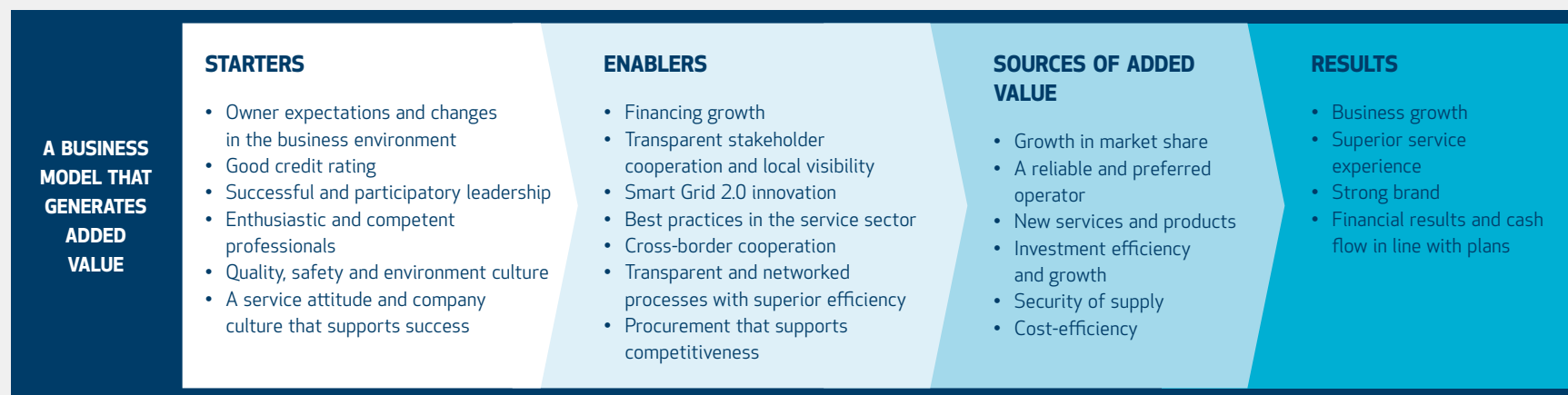
THE STRATEGIC OBJECTIVES OF THE NETWORK BUSINESS

VISION

Service and weatherproof network frontrunner in the electricity distribution business

MISSION

We enable and enrich everyday life by delivering high quality electricity and providing pleasant service experiences

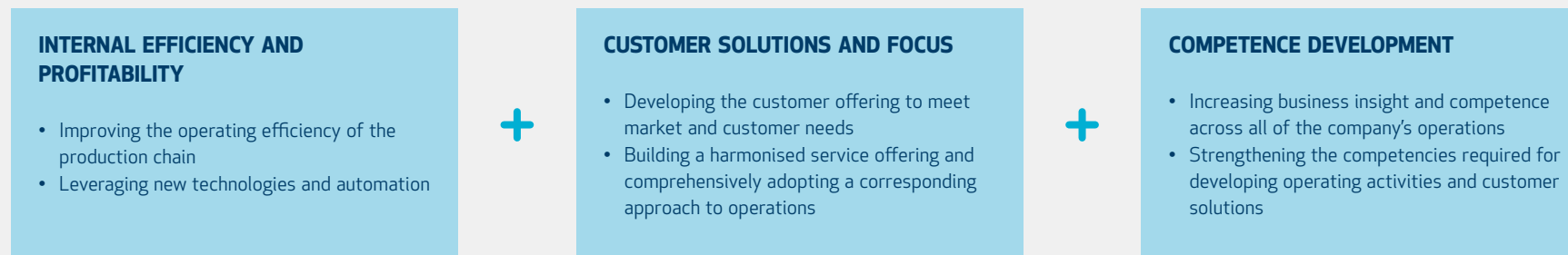


Elenia Lämpö Oy's Vision and Strategy

STRATEGIC OBJECTIVES OF THE HEATING BUSINESS

VISION

Elenia Lämpö is a frontrunner in providing sustainable, energy-efficient and customer-friendly heating solutions in its area of operation



Elenia Oy's management system

OWNER AND CUSTOMER

TARGETS

DELIVERY OF ELECTRICITY PROCESS

OUTAGE SERVICE PROCESS

NETWORK MANAGEMENT PROCESS

CONNECTION PROCESS

RESULTS

Finance

HR

IT

Communi-
cations

Legal affairs
and risk
management

Systematic management and operations control in order to achieve the targets



Asset Management Systems ISO 55001 and PAS 55
Occupational Health and Safety Management System OHSAS 18001
Environmental Management System ISO 14001



CUSTOMER

Elenia's electricity network and customers 31 December 2015.

Region	Network/km	Customers
Kanta-Häme	10,780	85,200
Päijät-Häme	6,590	36,600
Pirkanmaa	16,840	117,400
Central Finland	17,330	91,850
South Ostrobothnia	5,560	34,100
North Ostrobothnia	10,500	51,850
Total	67,600	417,000

Changes in Customer Service

For Elenia's customer service, 2015 was a year of significant changes. In January 2015, Elenia Networks incorporated its customer service operations into Elenia Palvelut Oy. The fixed-term transitional services agreement with Vattenfall expired at the beginning of 2016. As a result, it was decided that customer service operations would be centralised to Tampere in the first half of 2016. At the same time, Elenia upgraded to a new customer information system which enables agile development and digitisation of service processes.

IMPROVED CUSTOMER EXPERIENCE

Elenia aspires to lead the development of the customer experience in the energy sector. In 2015, we learnt more about the best practices of customer experience leadership by networking and benchmarking our operations with several companies that provide excellent customer service.

Our desire to expand our understanding of customer service led to a project involving the entire organisation, which led to an improvement in our customer experience scores of more than 20 per cent. At Elenia we strongly believe that the employer image and the employee experience are directly linked to customer service and the customer experience.

Elenia measures customers' opinions on its services within customer contacts and through different channels. The significance of the customer experience in digital channels is clearly increasing. Working together with a partner, we utilised user testing and service design when developing our digital Elenia Aina service. Changes will be implemented during 2016.

We aim to listen to the customers in order to develop our services. As a result, customer service opening hours were extended to evenings and Saturdays at the turn of the year.

We again improved our ranking in the industry-wide customer satisfaction survey commissioned by the Finnish Energy. We rose to second position among electricity distribution companies.



With regard to customer satisfaction, Elenia rose to second position among electricity distribution companies.

Warm Weather Affected Energy Consumption

At the end of 2015, Elenia Networks had 417,000 customers, an increase of approximately 0.7% compared to the previous year. Due to the weak general state of the economy, construction activity remained subdued, which decreased the number of new electricity connections and kept the growth in the number of customers at the same level as in 2014.

In 2015, electricity distribution volumes of 5,994 GWh were approximately 2% less than in 2014. Factors contributing to the decrease in the electricity distribution volume include the exceptionally warm weather conditions during winter months and the general state of the economy, which was reflected in the production volumes of the industrial customers.

Residential customers form the largest customer segment for Elenia Networks, representing 85% of all customers and 40% of total distributed energy. The second largest customer segment is agriculture, services and construction, constituting 14% of all customers and 30% of total distributed energy. Industrial customers represent 1% of all customers but 22% of total distributed energy.

Elenia Heat has around 5,000 direct customers, some 2,000 of which are household customers. Elenia Heat has approximately 85,000 end-users living in the area of 16 distribution networks.

Elenia Heat's largest customer segment is the residential properties, which represent 41% of the total sales of heat energy. Corporate customers represent roughly 29% and municipal and state properties approximately 26% of the total sales of heat energy. In addition to district heating operations, Elenia Heat distributes natural gas in six urban areas where industrial customers constitute the largest segment.

In 2015, general construction activity remained at a low level due to the challenging economic climate. Elenia Heat succeeded in acquiring new customers and achieved the related targets set for the year. Many customers opted for district heating, which reflects the competitiveness of district heating compared to other options as well as our ability to meet customers' needs and our limited environmental impact.

CUSTOMER SEGMENTS AND DISTRIBUTION VOLUMES, ELENIA OY

CUSTOMER SEGMENTS

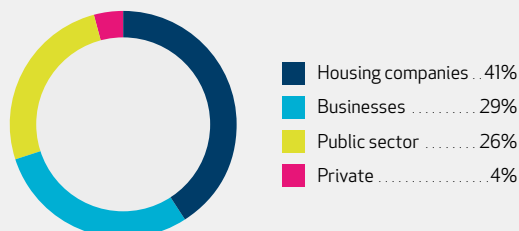


ENERGY BY CUSTOMER SEGMENT

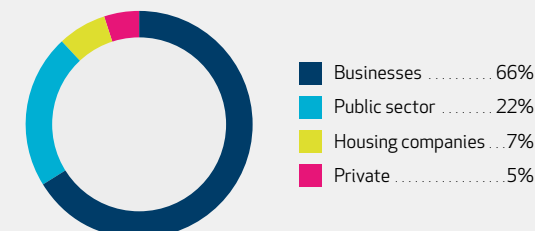


SALES BY CUSTOMER SEGMENT, ELENIA LÄMPÖ OY

DISTRICT HEATING



NATURAL GAS



Development of Digital Customer Services

Elenia's digital services underwent a complete renewal as we launched the new Elenia Aina service at the beginning of 2015, to complement the existing Elenia Mukana mobile application. Elenia Aina provides customers with a comprehensive overview of the customer relationship and energy consumption. It replaced the My Page service.

A successful customer experience is one of our main goals that also guides the development of our digital services. Before the launch of the Elenia Aina service, a group of our customers tested the service and provided feedback and development ideas. To ensure a positive customer experience, we have continued service usability testing after the launch.

Alongside the Elenia Aina service, we further developed the Elenia Mukana mobile application during 2015 among other things by improving user interface usability and visual appearance as well as by extending it to include Elenia Heat's services.

A new dimension introduced in the Elenia Aina service was energy efficiency tips, aimed at increasing our customers' awareness of the impact of their everyday choices on electricity consumption. Elenia Aina and Elenia Mukana have been well-received by our customers. Approximately 10% of customers have registered for the service, which is used most actively during the winter months.

Digital services are constantly being developed in cooperation with our customers. Customers expect to be provided with easy and convenient digital services that make everyday life easier.

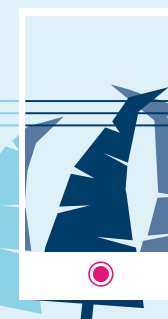
Elenia Aina and Elenia Mukana, the best wintertime friends for those interested in energy consumption.



MONITOR YOUR CONSUMPTION
See how much electricity is consumed, even hour by hour.



INVOICES SORTED
Monitor your invoices.



FAULT NOTIFICATION
Submit a fault notification or send a photo of a potential hazard.



IS MY ELECTRICITY ON?
Check whether the electricity is on at your home or cottage.

Development of Digital Customer Services

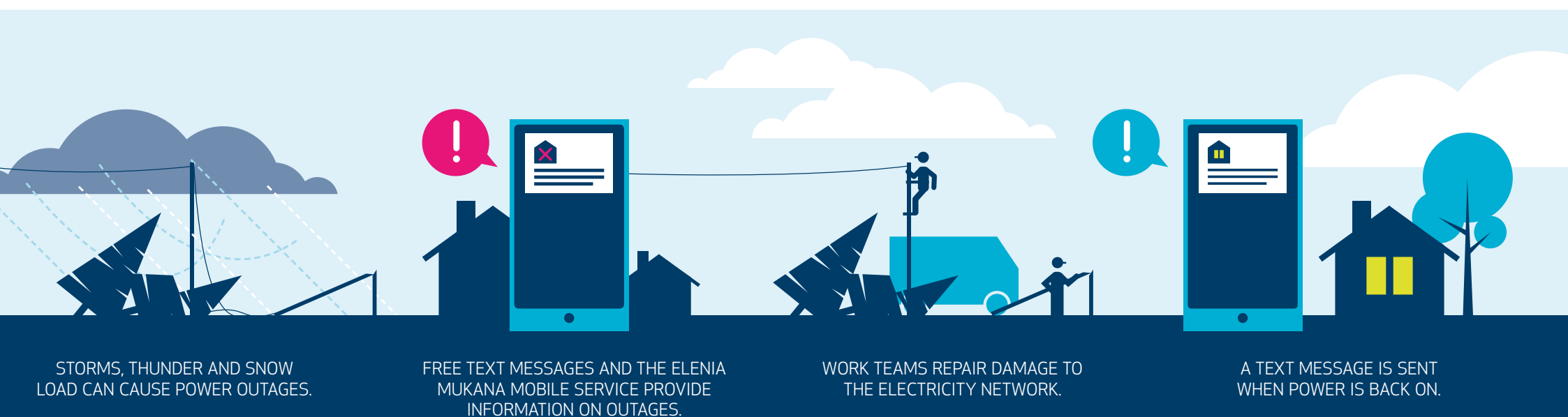
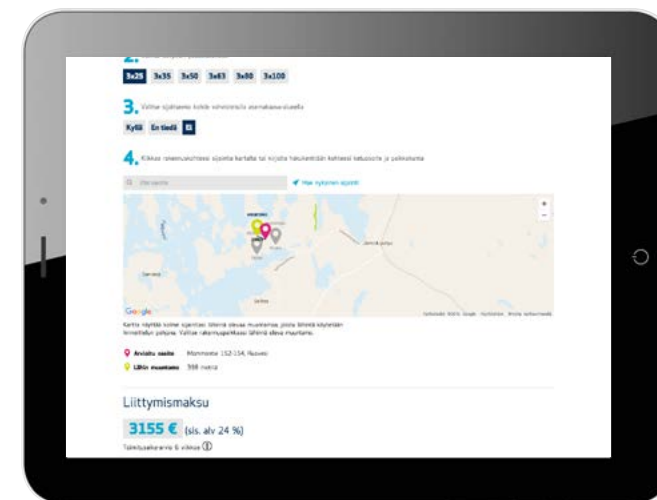
EXTENDING THE REACH OF INFORMATION ON OUTAGES

Elenia Networks communicates status updates about outages via the outage map on the Internet, customer-specific text messages, email and the automatic trouble call service. The outage map shows the outages in the high-voltage network as well as all low-voltage network outages known to Elenia.

Customers are informed of outages by text message on their mobile phone or by email. In 2015, we extended the outage text message service to more than 150,000 new customers. Following the extension, the service scope now encompasses more than 230,000 customers.

NEW CONNECTION PRICE CALCULATOR FOR CUSTOMERS

In September, we offered customers the opportunity to use a connection price calculator on our website. With the calculator, customers can find out the price for a new connection and for turning an existing connection into a three-phase connection. For locations outside zoned areas, Elenia's connection sales team determines the price on a case-by-case basis. We commit to the connection charge computed by the calculator, provided that the connection and location details given by the customer are accurate.

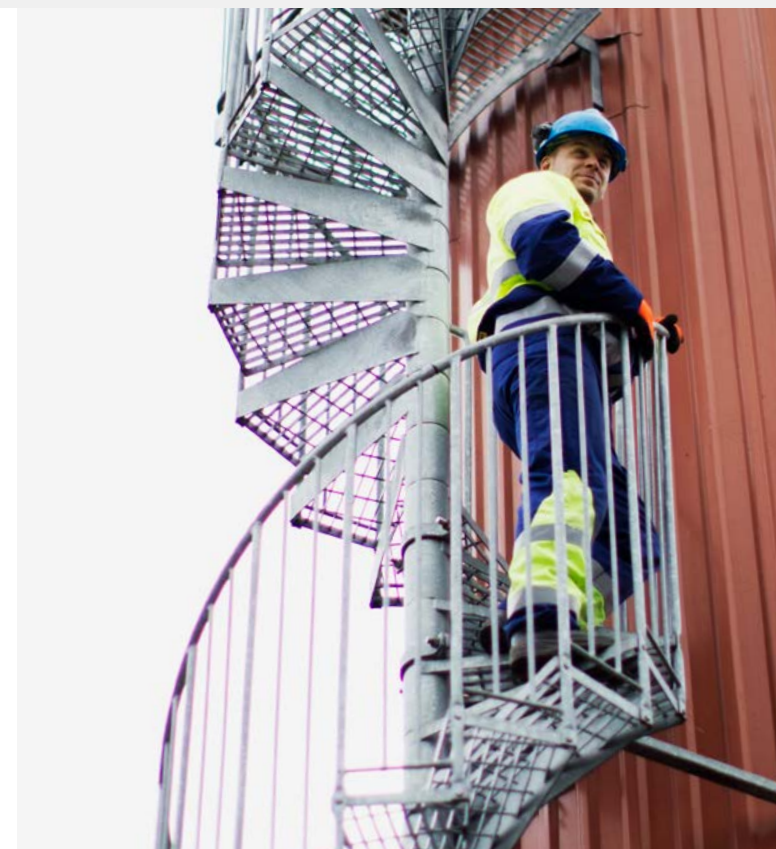


Lämpöluotsi and New Products take us Closer to the Customer

In 2015, Elenia Heat increased its customer focus significantly. Familiarising our customers with the Elenia Lämpöluotsi customer service concept, launched towards the end of 2014, was one of the main projects of the year and succeeded well. Thanks to the diverse Lämpöluotsi activities, we also managed to increase customer awareness about our company and strengthen our presence in our area of operations.

We further developed our digital energy consumption services to provide our heat customers with even more comprehensive and useful solutions. The changes were well received by our customers, boosted customer interaction and increased our market understanding.

In December 2015, we introduced new heating products to our customers. In addition to the existing pricing model, we made two new options available. Flex Heat, in Finnish Joustolämpö, offers the customer a pricing model in which the fixed fee for district heating is lower and the consumption based fee rate higher. Consequently, the invoice amount follows the monthly energy consumption more closely. In Even Heat, in Finnish Tasalämpö, the customer receives invoices in equal monthly instalments, which makes costs easier to anticipate. The default heating product is now called Basic Heat, in Finnish Kantalämpö, and it is also available as a carbon-neutral heating product under the name Eco Heat, in Finnish Kanta Eko.



More freedom of choice
with new heating
products.

BUSINESS ENVIRONMENT

Requirements stipulated by the Electricity Market Act concerning the reliability of electricity distribution.

Power outages caused by storms or snow loads shall not exceed **6 hours** in zoned areas and **36 hours** in other areas, as follows

50%
of customers by the end of **2019**



75%
of customers by the end of **2023**



100%
of customers by the end of **2028**



New Regulation Methods in 2016

In November 2015, the Energy Authority released the electricity distribution network regulation methods to be applied in the fourth (2016–2019) and fifth (2020–2023) regulatory period. For the first time, the regulation methods have been set for two consecutive periods. The fourth regulatory period began on 1 January 2016.

As a whole, the basic structure of the regulation methods is similar to the principles of the third regulatory period, although there were further specifications to encourage development of the business in line with the objectives of the Electricity Market Act.

Under the new regulatory framework, companies are encouraged to improve the operational efficiency, develop new innovative operating models and improve the security of supply in electricity

distribution. Regulation supports and steers companies to invest in improving the security of supply to customers in line with the objectives of the Electricity Market Act. Elenia's long-term targets are well aligned with this goal.

SECURITY OF SUPPLY IS IN CUSTOMERS' THE BEST INTERESTS

One of the key provisions of the Electricity Market Act is that, in the future, distribution networks must be designed, built and maintained in a manner that prevents outages caused by storms or snow loads from lasting for more than six hours in zoned areas and more than 36 hours in other areas. In the archipelago, the security of supply can be

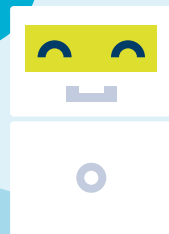
adjusted to local conditions. Electricity distribution companies must meet these requirements by the end of 2028.

Thanks to the attention and investments we have already devoted to the development of the security of supply and our constant commitment to do so, we are on the track to meet the requirements of the Electricity Market Act. We see this as positive for the electricity network business, customers and the entire society.

DISTRIBUTION NETWORK DEVELOPMENT PLAN

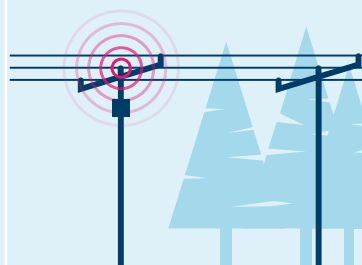
Elenia Networks submitted its distribution network development plan to the Energy Authority in June 2014 pursuant to the Electricity Market Act. The plan specifies measures that will produce systematic

ELENIA'S SMART GRID DEVELOPMENT



THE FIRST SMART
ELECTRICITY METERS.

2004



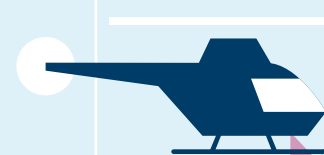
OVERHEAD LINE NETWORK
AUTOMATION.

2005



INFORMATION ON POWER
OUTAGES VIA MAP SERVICE
AS WELL AS TEXT AND EMAIL
MESSAGES.

2007–2008



3D AND LASER PHOTOGRAPHY
OF THE ELECTRICITY
NETWORK FOR TREE
CLEARING.

2008



SATELLITE AND
BROADBAND CONTROL
OF SUBSTATIONS.

2008

New Regulation Methods in 2016

improvements to the reliability and security of Elenia's distribution network, the implementation of which will ensure that Elenia will fulfil the requirements of the Electricity Market Act regarding quality and security of supply by the end of 2028. The security of Elenia's electricity distribution has been improving in line with the network development plan. An updated plan will be submitted in 2016.

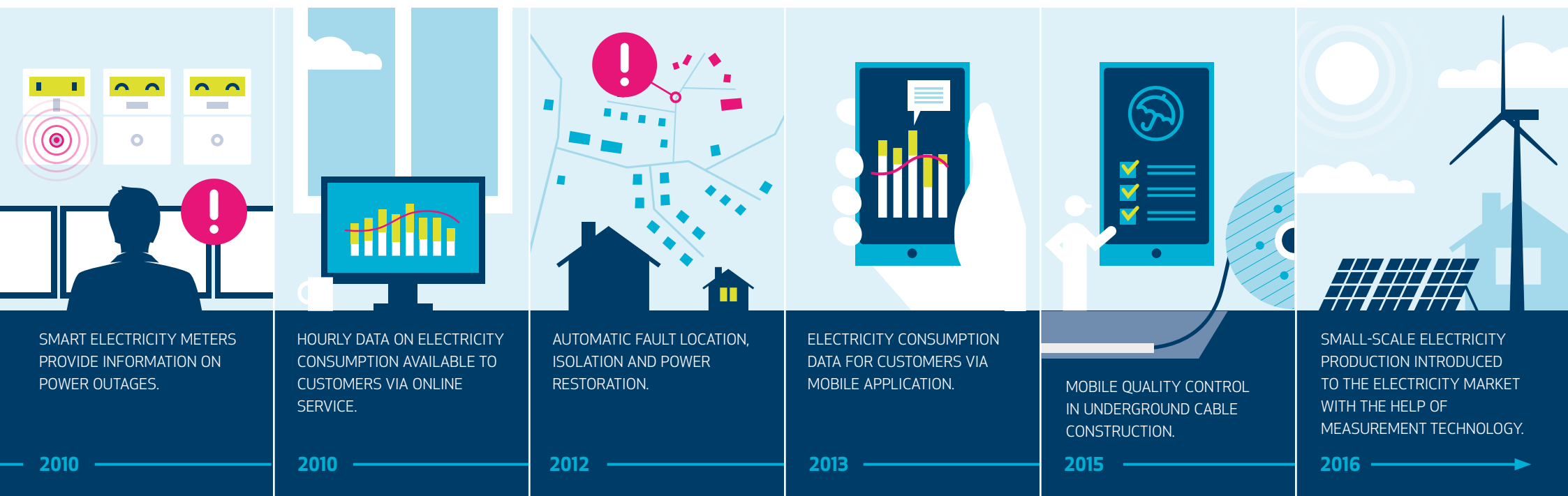
ALERT AND PREPARED FOR OUTAGES

Pursuant to the Electricity Market Act, an electricity network operator must engage in appropriate planning to prepare for ordinary disruptions in electricity distribution as well as for extraordinary events as referred to in the Emergency Powers Act. Network

operators must prepare a contingency plan and participate to the necessary in contingency planning that ensures continuity of supply in an emergency. The Act requires that the contingency plan is updated at least every two years and whenever there are significant changes in the circumstances. We submit the contingency plan and any changes made to it to the National Emergency Supply Agency.

Elenia Networks has had a contingency plan in place since 2001 and the plan is updated regularly. The contingency plan provides the foundation for the operations of Elenia and its partners during major power disruptions and other situations that pose a threat to electricity distribution. We submitted our contingency plan to the National Emergency Supply Agency in June 2014 and

actively participated in developing Finland's emergency supply in collaboration with several national bodies. Elenia will next update its contingency plan in 2016.



Elenia's Role in Nordic Market Development

The objective of the harmonisation of the Nordic electricity markets is to make cross-border trading of electricity possible also in the retail markets. The harmonisation of the Nordic electricity markets is gradually proceeding. The first concrete changes in Finland's, Sweden's and Norway's national electricity market processes start from 2016, when the joint Nordic Balance Settlement (NBS) model, will be implemented.

The new balance settlement model will harmonise the calculation and reporting of electricity balances in Finland, Sweden and Norway. From Elenia's point of view, the main changes related to the new model apply to the reporting of balance information and electricity losses. At Elenia, the model is ready for implementation.

Fingrid Oyj started to build a national datahub as soon as the Ministry of Employment and the Economy gave it the mandate to

proceed with the process. Elenia has been strongly involved in the specification and development of the datahub processes, together with other energy sector operators.

The purpose of the national datahub is to make the operation of the Finnish electricity market more uniform and efficient by clarifying the roles and business processes among parties operating in the market. At the same time, the datahub will promote non-discrimination and equality in the electricity market. The datahub will also contribute to the harmonisation of the electricity retail markets in the Nordic countries. Similar projects are underway in the other Nordic countries. The aim is to start the operations of Finland's datahub in 2019.

The national data hub brings efficiency to the electricity market.



More Domestic and Carbon-Neutral Heat

According to preliminary information regarding 2015, the share of carbon-neutral district heating production in Finland increased to nearly 36%. As a result of the extensive investment programme carried out by Elenia Heat, we significantly increased the amount of domestic fuels in heat production in 2015. Domestic fuels accounted for more than 90% of the total fuel usage and carbon-neutral fuels accounted for 68%.

In December 2015, a new climate agreement was signed in Paris, aimed at reducing carbon dioxide emissions radically. Elenia Heat

has already invested significantly in carbon-neutral production and is well-positioned to meet future legislative requirements

The year 2015 was much warmer compared to previous years. For consumers, the warm year meant savings in heating costs: an average person living in a block of flats saved approximately EUR 90 during the year and one living in a detached house roughly EUR 170.





SECURITY OF SUPPLY

NETWORK INVESTMENTS IN 2015

MEUR 103.2

NEW UNDERGROUND CABLE
NETWORK

2,412 km

20 kV MEDIUM-VOLTAGE
NETWORK

1,074 km

0.4 kV LOW-VOLTAGE
NETWORK

1,338 km

NEW SECONDARY
SUBSTATIONS

1,057

UNDERGROUND CABLING RATE OF THE NETWORK AS A WHOLE

34.1%



UNDERGROUND CABLING RATE OF THE MEDIUM-VOLTAGE NETWORK

23.4%



UNDERGROUND CABLING RATE OF THE LOW-VOLTAGE NETWORK

41.4%



RATE OF RENEWABLE FUELS USED IN DISTRICT HEATING PRODUCTION

68%



Investments in Elenia Weatherproof Continued in 2015

In 2015, Elenia Networks continued its electricity network replacement investments and the underground cabling of the distribution network under the Elenia Weatherproof concept in accordance with its long-term electricity network development plan.

In our operations, we have committed to the quality requirements stipulated by the Electricity Market Act, according to which, after the transition period until the end of 2028, outages may not last more than six hours in zoned areas and more than 36 hours in other areas. Our goal is to increase the underground cabling rate of our electricity network to 70 per cent by the end of 2028 to meet these requirements.

In 2015, Elenia Oy invested a total of EUR 103.2 million in the construction of its electricity network. Electricity network renovation work employs several hundreds of energy sector professionals

in Häme, Pirkanmaa, Central Finland and Southern and Northern Ostrobothnia.

The company built a total of 2,412 km of underground cable network in 2015, of which 1,074 km was 20 kV medium-voltage network and 1,338 km was 0.4 kV low-voltage network. At the same time, Elenia built 1,057 park transformers to replace the old pole transformers of the overhead line network.

At the end of 2015, the average underground cabling rate of Elenia's entire network increased to 34%, as planned. The underground cabling rate of the 20 kV medium-voltage network was 23% and that of the 0.4 kV low-voltage network 41% at the end of 2015.

According to the milestones of the Electricity Market Act, 50% of customers must be within the scope of the quality requirements

by the end of 2019 and 75% by the end of 2023 and 100% by the end of 2028. At the end of 2015, up to 44% of Elenia's customers were within the scope of the quality requirements stipulated by the Electricity Market Act. In built-up areas, 51% of customers were within the scope of the 6-hour quality requirement. In sparsely populated areas, 33% of customers were within the scope of the 36-hour quality requirement at the end of 2015.

At the same time, Elenia continued to invest in IT development to support the implementation and monitoring of the investment plan. We have also continued work with our stakeholders related to Elenia Weatherproof, including customer communication through various channels and close cooperation with local media.

67,600 KM

Elenia has 67,000 kilometres of electricity network – 1.5 times around the world – in Häme, Pirkanmaa, Central Finland, and South and North Ostrobothnia. 34% of the network is underground cabled.



**ELENIA
WEATHERPROOF**

2,500 km

We construct 2,500 km of underground cables per year.

70%

Our goal is to increase the proportion of underground cabling in our distribution network to 70% by 2028. At the same time, we'll bring work to the regions where we operate.

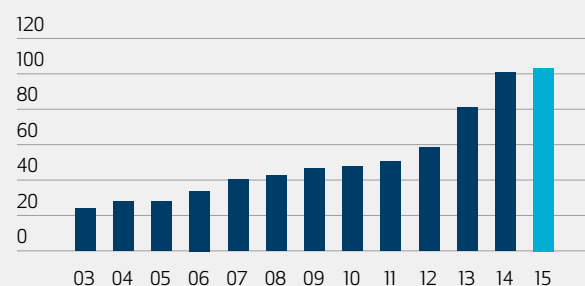
A Transmission Line Transaction Enables the Distribution of Wind Power in the Kalajoki and Raahe Region

In July 2015, Elenia Networks and the transmission system operator Fingrid Oyj signed a sale and purchase agreement with which Fingrid sold Elenia an approximately 60-kilometre 110 kV transmission line between Jylkkä and Siikajoki. At the same time, agreements on Elenia's connection to the Jylkkä and Siikajoki primary substations were signed.

As a result of the transaction, Elenia can connect up to 400 MW of wind power to its electricity network in the Kalajoki and Raahe region. Three of Elenia's substations have already been connected to the transmission line. Fingrid's national grid needs are met by the new 400 and 110 kV closed circuits being constructed between the Jylkkä and Siikajoki substations.

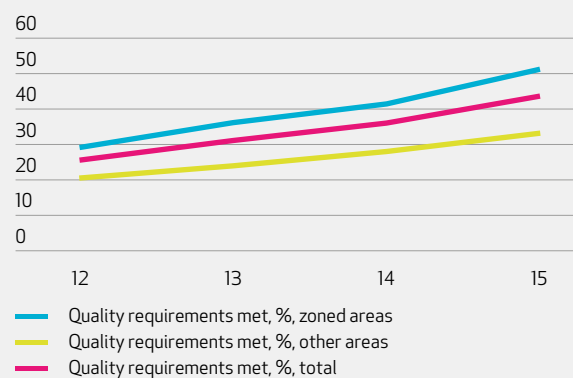


ELENIA OY'S TOTAL INVESTMENTS IN ITS ELECTRICITY NETWORK 2003-2015, EUR MILLION*



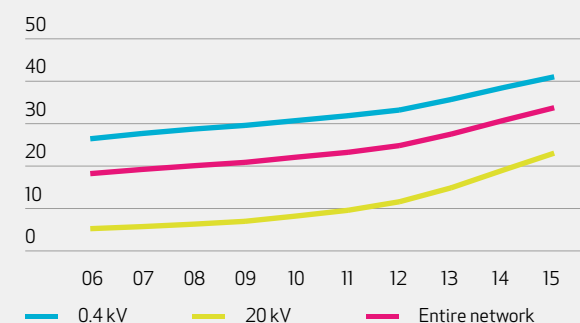
* excludes ICT system investments and the street lighting network

ELENIA OY'S CUSTOMERS COVERED BY THE QUALITY REQUIREMENTS 2012-2015, %



Pursuant to the Electricity Market Act, quality requirements will apply to 50% of customers by the end of 2019, 75% of customers by the end of 2023 and 100% of customers by the end of 2028.

ELENIA OY'S UNDERGROUND CABLING RATE 2006-2015, %



Continuous Development of Preparedness for Disruptions

Elenia's determined efforts to develop its preparedness for major power disruptions continued in 2015. We successfully trained more Elenia employees for electricity network usage monitoring tasks at the network control centre. We extended the new repair contractor cooperation model to cover Elenia's regional contractors operating under annual agreements, which expedites the early-stage fault location and the start of repair activities especially when a storm occurs over a wide geographic area.

A YEAR OF SNOW AND STORMS

2015 began with more than two weeks of challenging snow loads in January. Unusually for the season, there were also several storms during the spring. Trees that fell during the Suoma and Yrjänä storms in April and the Lyyli storm in May caused outages. At the beginning of October, the Valio storm caused extensive outages in different

parts of Elenia's network area, leaving up to 65,000 customers without electricity. In late November, exceptionally high amounts of heavy snow building up on trees and structures caused a major disruption in electricity distribution in the middle of Elenia's network area. As a result, the number of customers without electricity peaked at 63,000.

Elenia is constantly prepared for managing weather-induced outages effectively. In all major power disruptions, we operate according to Elenia's contingency plan, which is continuously developed.

SYSTEMATIC AERIAL INSPECTION AND CLEARANCE OF ELECTRICITY NETWORKS

With efficient maintenance in cooperation with its partner network, Elenia Networks proactively ensures the functionality of the



Round-the-clock
preparedness
for power outages
in any weather.

Continuous Development of Preparedness for Disruptions

electricity networks. We have a maintenance programme in place, which sets out the electricity network inspection, clearance and maintenance activities.

Each year, we clear nearly 5,000 kilometres of line corridors in order to secure electricity distribution in our overhead lines. Medium-voltage network clearance is carried out as needed on the basis of aerial photography and among other things utilising laser data based clearance analyses. In the low-voltage network, clearance is carried out with an eight-year rotation. We maintain the high-voltage distribution network clear of trees. For this, we utilise image and laser material from aerial photography. Our electricity network clearance activities can be followed on our website.

SPECIAL EMPHASIS ON THE MANAGEMENT OF FORESTS ADJACENT TO DISTRIBUTION LINES

In recent years, Elenia has developed, together with its partners, an operating model for managing forests adjacent to distribution lines by clearing threatening trees outside the line corridors. We have tested the methods in both 110 kV and 20 kV electricity networks.

In case of a medium-voltage network, an adjacent forest refers to trees outside the approximately 10-metre-wide line corridor. Storms or heavy snow loads may result in trees outside the line corridors falling or bending on the power lines thus causing outages. During 2016, we will be expanding the tree clearance activities outside the

line corridors. Extensive management of adjacent forests will also continue in the coming years.

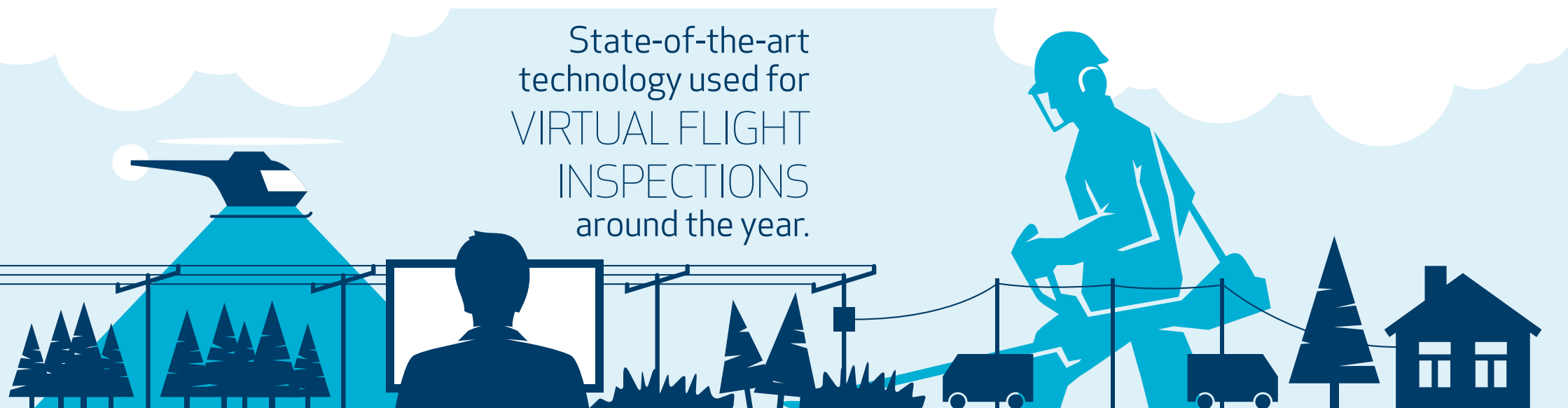
RESPONSIBLE INSPECTION

Early in the year, electricity network inspections are carried out in the field with low-voltage network and underground cable network component inspections. Helicopter inspections take place during the spring and early summer. In 2015, no helicopter inspections were conducted as our entire medium-voltage network underwent aerial photography during the past three years. We will continue helicopter inspections in 2017, covering the entire network with a four-year rotation.

State-of-the-art technology used for VIRTUAL FLIGHT INSPECTIONS around the year.

3D AERIAL PHOTOGRAPHY PROVIDES precise data on network conditions.

PROFESSIONAL FOREST WORKERS straight to the right place.



Successful Network Asset Management Follow-up Audits

Elenia Networks' asset management system (AMS) has been certified in accordance with the international ISO 55001 standard and the British PAS55 standard. These certificates represent international recognition of the quality of Elenia's electricity network development, construction, maintenance, operation and repairs as well as the quality of Elenia's information systems. This ensures that Elenia Networks operates, maintains and upgrades its electricity network in order to respond increasingly better to its customers' and society's needs. The certificates also require that Elenia's suppliers and service providers commit to high-quality, responsible operations in accordance with Elenia's operating methods.

A Surveillance Visit, i.e. an external follow-up audit, pursuant to the ISO 55001 and PAS 55 standards was conducted for the asset management system in June 2015. In this round of auditing, Lloyd's

Register's auditors focused on Elenia Weatherproof underground cabling projects and substation projects. In addition to audit sessions at the office, the audit included comprehensive field visits to worksites. Elenia Networks also introduced to Lloyd's Register its quality assurance operations, utilisation of the NordSafety mobile application and Smart Grid solutions.

In their summary, Lloyd's Register's auditors especially highlighted the commitment of Elenia's personnel and partners to continuous development of operations. In the next follow-up audit in early summer 2016, the main emphasis will be on the operational activities and outage management, maintenance, service work, cyber security and competence development. The asset management system will be recertified pursuant to the ISO 55001 and PAS 55 standards in autumn 2016.



Lloyd's Register audited
Elenia Weatherproof.



Heating Investments Focused on the Renewal of the Heating Plants

After the extensive new investments made in previous years, Elenia Heat's investments in 2015 focused on the renewal of its heating plants. In Uurainen and Parolannummi, we renewed the heating plant automation systems, which enabled the locally operated plants to be included in the remote control system. This improved their usability and operational reliability and consequently the reliability of district heating distribution.

At the Oulainen heating plant, the electric filter was replaced with a new one, which further decreased the plant's emissions to the environment. The new pellet boiler of the Käräsämäki heating plant replaced the heavy oil boilers that had been in use as reserve capacity

and further increased the share of domestic fuels in production. In addition, we continued to develop our maintenance systems.

INCREASED USE OF RENEWABLE FUELS IN HEAT PRODUCTION

Elenia Heat is a frontrunner in the use of renewable fuels, raising their share in district heating production to 68%. This development reduces the environmental impact of heat production and mitigates the potentially volatile price effects of imported fuels.

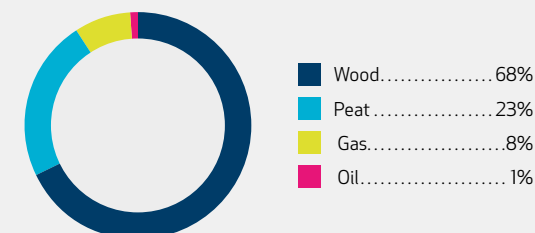
The solid fuel sampling development project, launched in late 2014, was completed in 2015. We also completed the training programme related to the new operating model, encompassing

approximately 200 drivers and chipper operators. As a result, the quality of fuel and the efficiency of plants improved, which also contributed to the improved security of supply of district heating.

Warm and cold weather conditions often pose challenges of transporting fuel from the forest to heating plants. These challenges can be mitigated with the use of fuel terminals. In 2015, we were able to start using a new terminal in Turenki for storing wood-based fuels. Its central location ensures the smooth flow of fuel deliveries in the Häme region.



ELENIA LÄMPÖ OY'S FUEL CONSUMPTION 2015





PARTNERSHIPS

Elenia provides work for
more than 1,000
professionals through
its partners

...

Quality and safety through
cooperation

...

Continuous renewal through
diversified procurement

...

Effective interaction
in local construction

Achievements Jointly with Our Partners

Elenia's operations and service are based on a diverse partner and cooperation network that comprises domestic and international manufacturers and suppliers of materials as well as contractors of varying sizes and a large group of stakeholders. With regards to construction, our goal is to meet customer expectations through appropriate and safe services. This means that projects are carried out accurately and in line with our customer promises and safety targets in both everyday work as well as in exceptional situations.

In 2015, we adopted new construction quality operating models and mobile solutions that support Elenia's and the partner network's shared goal of zero-accident and error-free operations. As in the previous year, occupational safety was at a very good level in 2015.

Elenia is involved in regular cooperation in line with its partner programme, pursuing true partnership in both strategic and operational cooperation. Scorecards indicated that the performance and quality of the partner network had improved.

CLOSE AND WIDE-RANGING INTERACTION

In 2015, we arranged numerous cooperation meetings and extensively introduced our construction projects to the representatives of cities, municipalities, telecommunications companies and other stakeholders. Our objective is to combine the construction of the electricity network with other construction projects and to get municipal engineering construction as well as water and telecommunications network construction companies more closely involved in joint construction activities.

In 2015, Elenia Networks continued its active efforts to promote smoother cable placement and permitting processes. More than 8,000 agreements were signed or permits received related to the land use and construction during the year. The landowners' satisfaction with the land use in construction projects was at a very good level and the signing of the right of use agreements was considered to be effortless.



Despite storms
and snow loads,
Elenia Weatherproof
proceeded on schedule.

Achievements Jointly with Our Partners

Although the storms and snow loads of 2015 affected project execution and scheduling, we carried out the Elenia Weatherproof construction projects and the maintenance programme successfully according to efficiency and quality targets.

Our diverse procurement portfolio and progressive renewal of operating models guarantee competitive service and material procurement also in the future. Elenia develops contracting practices and seeks new solutions in both domestic and global markets. We also continued to develop material solutions in 2015.

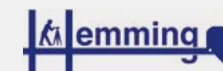
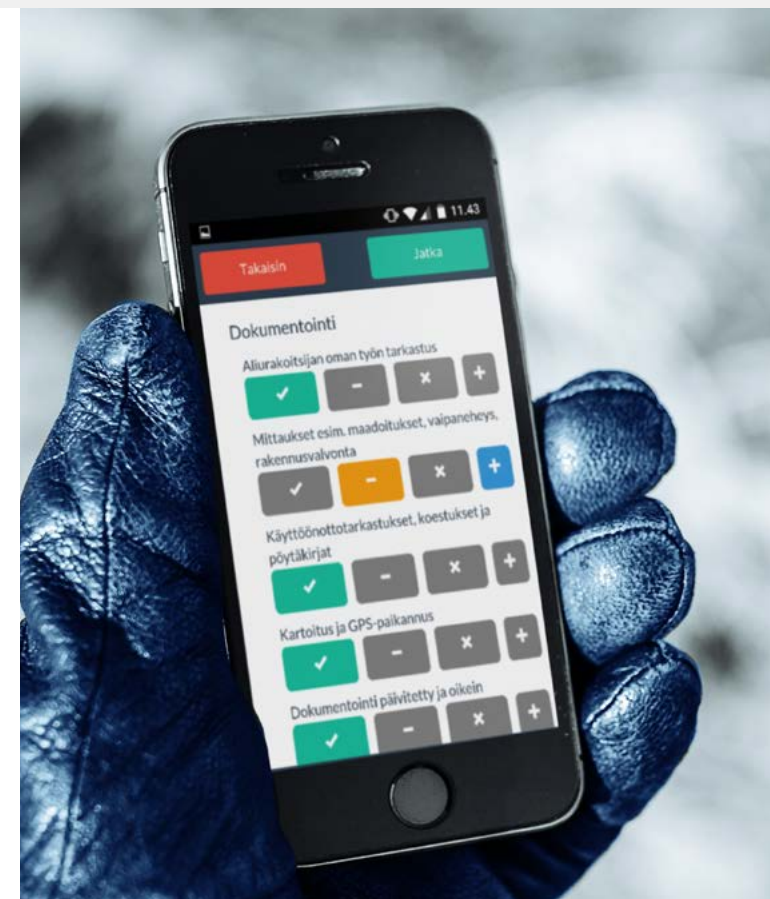
MOBILE QUALITY IN PARTNERSHIPS

Environmental, safety and quality monitoring became a more deeply embedded part of daily work as the NordSafety mobile application was adopted by our contractors and own personnel alike. NordSafety

enables the easy real-time monitoring and measurement of construction processes and sites with regard to quality, environment and safety issues. Close monitoring further develops our quality and safety culture towards the strategic targets of zero accidents and error-free site handovers.

The mobile solution was well received. Elenia made the tool fully available to personnel, contractors and subcontractors and the number of users soon exceeded 400. Thousands of quality, environment and safety inspections were conducted throughout the year.

The NordSafety system demonstrated the strengths of mobile and user-friendly systems. Development of more extensive mobile solutions continues. Our goal is the continuous improvement of field work efficiency.





Sustainable Heat through Partnerships

Elenia Heat has a systematic way of working with its stakeholders. In 2015, we arranged a number of cooperation meetings with cities, municipalities, corporate customers and other stakeholders. We cooperated closely with several other parties in construction projects. Partners actively take part in tasks related to the construction and maintenance of Elenia Heat's district heating network.

Elenia Heat purchases most of its wood fuel through long-term framework agreements and peat through annual agreements. It purchases approximately one third of the heat sold from other heat producers, mainly local industrial companies that sell heat created

in their processes. In late 2015, the company signed a significant agreement with Stora Enso Oyj on continuing the long-term cooperation in purchasing heat in Heinola.

The opportunity to use a diverse range of fuels ensures reliable generation of district heating. Fuel procurement partnerships involve continuous monitoring and evaluation through open cooperation in order to ensure cost-efficient, profitable and sustainable operations. The parties involved in the production and procurement of domestic fuel have a significant positive impact on employment in Elenia Heat's areas of operation.



New long-term
agreement
with Stora Enso
in Heinola.



RESPONSIBILITY

Company culture and
responsibility are rooted in

Shared
well-being at work

...

High-quality
occupational health
and safety

...

Continuous
environmental efforts

...

Effective
risk management



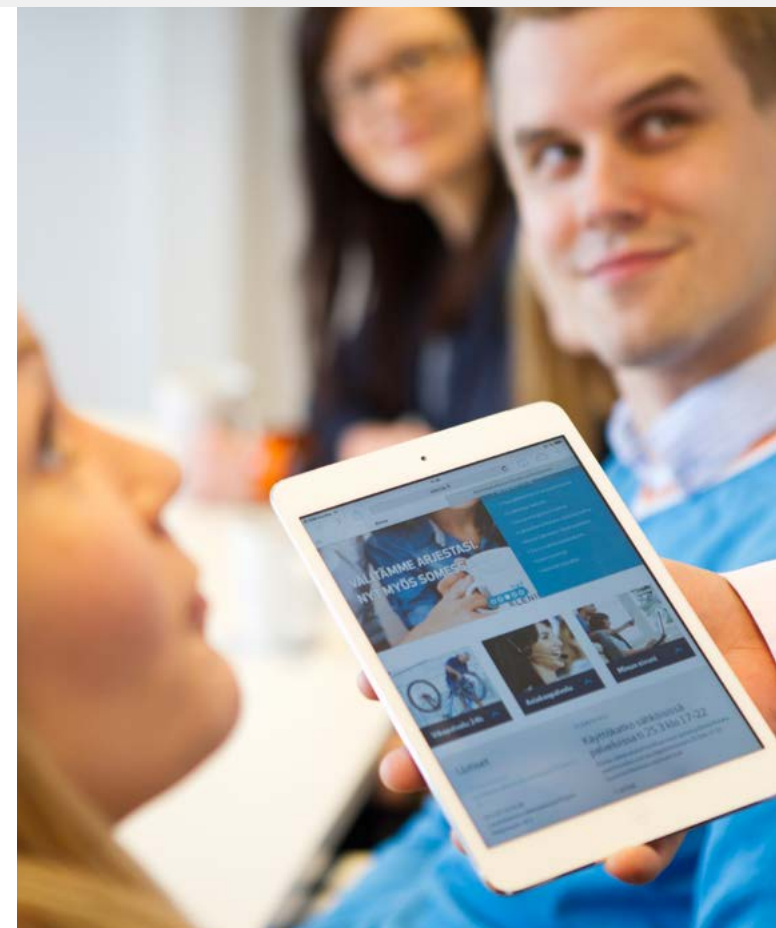
Everyday Energy at Work

Elenia's position as the industry frontrunner is based on the personnel's competence, commitment and high-quality leadership. The guidelines for working and decision-making are the jointly built foundation of core values as well as targets that motivate the personnel. We join forces with our partners to work for the benefit of our customers and consequently we place special emphasis on smooth cooperation with partners.

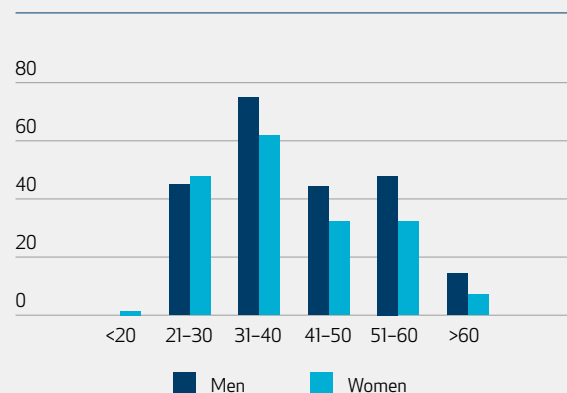
THE NUMBER OF PERSONNEL ADAPTED TO THE BUSINESS NEEDS

In 2015, Elenia's resource needs were stable despite the major upgrade of the customer information system. The expiration of the

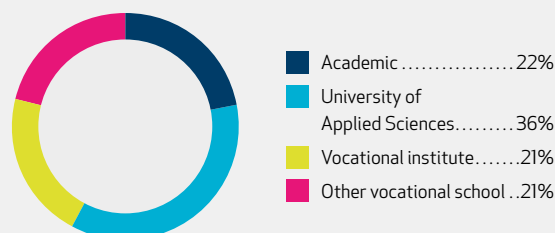
fixed-term transitional services agreement between Elenia and Vattenfall at the beginning of 2016 caused a significant change in workload. Elenia Services adapted for the change and held statutory cooperation negotiations with its personnel in late 2015 to adjust its operations. As a result, Elenia Services closed the Helsinki office in early 2016 and centralised its services to the Tampere office.



AGE DISTRIBUTION
OF ELENIA GROUP 2015



EDUCATIONAL QUALIFICATIONS
OF ELENIA GROUP 2015



PERSONNEL

383

SALARIED EMPLOYEES

89%

AVERAGE AGE

40.7

SUMMER TRAINEES

40

PARTNERS AT WORK

800-1,000 PEOPLE

High Employee Satisfaction and Well-being at Work



Elenia Tahto
yhdessä töissä

The group continued its extensive project for well-being at work, originally launched in 2013. The goal is to combine perspectives, actions and measures related to well-being at work into an interactive comprehensive concept. Its focus areas include health, appreciation, a healthy working community, inspiration and competence.

Our employee survey focused on the personnel's satisfaction with competence development, work environment and motivation. The personnel considered the work atmosphere survey to be an important channel of work community development.

The results of the employee survey clearly exceed the national average and positioned us in the top 10%. Results indicate that our personnel are motivated and strongly committed to their work and they work well as a unified work community. Based on the survey results, teams have proposed concrete actions to be carried out in the work community. In 2015, we also conducted a leadership survey in which supervisors received feedback on their leadership skills.

An extension to the concept of well-being at work is the energy test, which offers everyone the chance to review the relation of exercise, sleep and nutrition as sources of energy in their lives. In addition, recreational activities organised at various Elenia locations included sports and cultural activities.

We continued to utilise the shared flexible working time models and established remote work, piloted from 2014, as part of the normal flexible work culture. We created a flexible working time model for senior salaried employees to improve work-life balance.

COMPETENCE STRENGTHENS OUR POSITION AS A FRONTRUNNER

Elenia engages in systematic long-term competence development in line with its strategy. With competence analyses, we ensure the right kind of competence required in services and work processes is also available in the long-run. Each Elenia employee has personal targets based on team and company objectives. Also in 2015, performance was evaluated in follow-up discussions, which addressed competence development over the short and long-term. Each Elenia employee is responsible for the development of their own competence.

We also renewed competence through systematic recruitment and cooperation with educational institutions, where emphasis was placed on theses and practical projects carried out for Elenia, traineeships and participation in company and student organisation events.

SUMMER TRAINEESHIP OPENS DOORS TO WORKING LIFE

In 2015, Elenia had forty summer trainees. They were students from many fields, such as electrical engineering and economic sciences. We also participated in the Responsible Summer Job 2015 campaign. Each year, we conduct a feedback survey among summer trainees, gathering their views on orientation training and work atmosphere, among other things. According to the feedback, work at Elenia is inspiring.



Safety above All



The electricity network and heating service tasks carried out on sites and among traffic by the professionals of Elenia's contractor and partner network require strong safety competence. We are responsible for ensuring that the safety of our employees and in particular customers and other external parties is always guaranteed. The main emphasis is on preventive measures and everyone's awareness of shared responsibility. Safety aspects must always be taken into account.

In 2015, we implemented measures related to well-being at work and occupational health in Elenia Group's companies as planned. At Elenia, occupational health and safety are at a high level. This is guaranteed by the Occupational Health and Safety Management

System OHSAS 18001. No significant deviations were detected in internal and external OHS management system audits.

FREQUENT INSPECTIONS AT ELECTRICITY NETWORK SITES

At Elenia, we organised safety training and orientation equivalent of approximately 400 working days to maintain the personnel's competence and qualifications. All in all, 263 incident reports were received from Elenia's own personnel and external contractors, nearly double the number from the previous year. It has been noted that in the long-run, an increase in the number of reports reduces the risks of injuries and accidents as lessons are continuously learnt from observations.

Elenia has a dedicated safety guide for professionals working with electricity networks. The lost time injury frequency (LTIF, occupational accidents per million hours worked) was at a good level.

The safety walk inspections at electricity network sites continued as in the previous years. An external service provider and the Safety Manager conducted safety walks at over 100 sites. In addition, field personnel made nearly 1,000 site inspection visits.

In 2015, Elenia participated in safety cooperation and was a member of Headpower's peer group and the Zero Accident Forum. Other cooperation partners included the Finnish Energy and other electricity distribution companies.

No accident is
acceptable.



More Safety Inspections in Heating Plants

At Elenia Heat, the systematic reporting of safety observations made by the personnel was continued in 2015. We organised more safety walk inspections in heating plants than in the previous years. We arranged more than 50 inspections in different locations and the company's top management participated actively in these inspections. The goal was to ensure the implementation of an occupational safety culture in daily work.

Elenia Heat organised internal management safety events in various operating locations. In addition to the normal interaction, cooperation with the authorities included, among other things, a power plant evacuation drill and occupational health and safety, fire and contractor's obligation inspections in different locations.

The personnel participated actively in EHS (Environmental, Health and Safety) training sessions on topical themes related to the environment, energy efficiency and occupational safety. Furthermore, we organised safety training events on the basis of the needs of different employee groups throughout the year.

We promoted the personnel's well-being at work for example by increasing the number of electric adjustable desks at offices in order to prevent musculoskeletal disorders and by renewing work clothing based on user experiences.



Preparations for the Environmental Standard Reform



Elenia's environmental work is efficiently and systematically guided by the ISO 14001 environmental management system that is supported by our partners' environmental systems. In 2015, the system was audited both externally and internally at Elenia Networks and Elenia Heat. Pursuant to the continuous improvement principle, we carried out development work in preparation for the reform of the environmental standard ISO 14001:2015. The goal is that Elenia Networks migrates to this new certification during 2016 and Elenia Lämpö in 2017.

ENCOURAGING RESULTS IN ENVIRONMENTAL WORK

For Elenia, it is important to encourage its customers to improve their energy efficiency. The aim is for customers to have easy access to information about their own energy consumption so they can use this information in changing their consumption habits towards efficient use of energy.

Elenia's customers can monitor the consumption of both electricity and heating more closely through e-services and service channels. Our new digital service, Elenia Aina, was launched in March 2015. From there, the customer can see their recent electricity and heating consumption, a summary of annual consumption and the

latest invoices. The same details are available in the Elenia Mukana mobile application.

During 2015, we campaigned actively to promote the use of the environmentally friendly e-invoice and the number of e-invoicing users increased further. In connection and land use agreements, electronic signatures became more popular.

Elenia's energy efficiency was improved by the substation renovations carried out during the year and decline in the energy consumption of electrical equipment and different premises. During the year, we also conducted energy inspections in our own properties pursuant to the Energy Efficiency Act.

ECOLOGICAL WEATHERPROOF ELECTRICITY DISTRIBUTION NETWORK

In 2015, we completed more than 2,400 kilometres of underground cabling and built more than 1,000 park transformers to replace pole transformers. In cable network planning, the environmental values of the location are studied carefully and the best possible suitability for the surroundings is determined. An environmental plan is prepared for each project. The plan assesses the environmental impact on air,

water and soil and takes into account groundwater areas, historical sites and nature reserves.

An underground cable network with park transformers has a smaller environmental impact than overhead lines. In connection with cabling, we removed a significant amount of overhead line network and more than 20,000 poles. A total of 117 pole transformers were removed from groundwater areas. We are replacing old pole transformers with park transformers equipped with oil collector trays for any transformer breakdowns. In the cable network, the only over ground structures are link boxes and park transformers, with their colouring matched as closely with their surroundings as possible.

The Luoto Island project in Nokia promotes the diversity in agricultural nature and landscape management. We signed a project agreement extension on cooperation with the transmission system operator Fingrid and the city of Nokia until 2020. In the project, sheep graze in the power line corridor, keeping it free of excessive vegetation. Cooperation with BirdLife Finland also continued. We installed coloured spheres in nearly a hundred pole intervals in the electricity network in various locations that were considered to pose a risk to swans. The protection of the national bird of Finland, the

Certified quality in
environmental protection.



Preparations for the Environmental Standard Reform

whooper swan, has already been part of our environmental work for a decade.

In 2016, we will improve our personnel's familiarisation with Elenia's environmental work. The environmental awareness of contractors is improved with training. In addition, we develop the process to address environmental damage pursuant to the Environmental Protection Act by deploying a new management method.

HEAT FROM RENEWABLE FUELS

Elenia has a clear approach to reducing environmental impact and improving the energy efficiency of production. At Elenia Heat, the share of biofuels in production grew to 68% in 2015. The use of domestic fuels has been gradually increased and their share exceeded 90% in 2015. A new pellet boiler was acquired to Käsämäki to replace oil as reserve and peak fuel. In addition, new customers that have decided to abandon oil have connected to the district heating network. The carbon dioxide emissions from the entire heat production decreased by 11% when compared 2014, thanks to the increase in the use of biofuels.

An energy inspection was carried out to review energy efficiency in all of Elenia Heat's operations. Another investment in energy

efficiency was the energy inspections in the Laukaa and Lammi heating plants that provided more information for improving energy efficiency. Energy efficiency played a significant role in the heating plant renewal investments made in 2015.

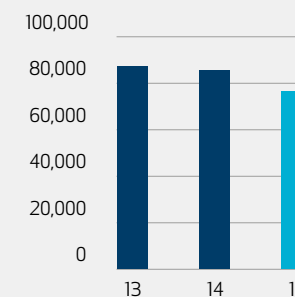
We improved our employees' and external stakeholders' environmental awareness by providing environmental and safety training and by communicating environmental issues. We are systematically increasing electronic communications.

RECYCLING GENERATES SAVINGS

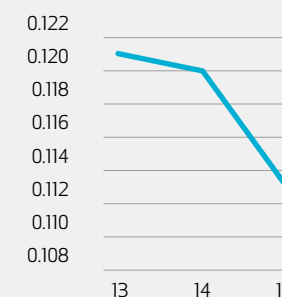
As the old overhead lines are demolished, a significant amount of materials is removed from the network each year, including separating switches, crossarms, cables, poles and transformers. We recycle the material actively with our partners who reuse the materials.

Some of the removed material is reused in the electricity network, e.g. in overhead line network repairs. We are constantly improving the recycling system and material management. We developed a new recycling system management method to be deployed in 2016. Ash generated in heat production is recycled as forest fertiliser or landfill structure material replacing virgin raw materials. Efficient recycling generates savings for Elenia and promotes environmental protection.

CO₂ EMISSIONS FROM ELENIA LÄMPÖ'S OWN PRODUCTION, 2013–2015, tonnes



CO₂ EMISSION FACTOR FOR ELENIA LÄMPÖ'S OWN PRODUCTION, 2013–2015, tonnes/MWh*



*tonnes of carbon dioxide per megawatt-hour produced, heat and electricity production combined.



Elenia Group's Risk Management

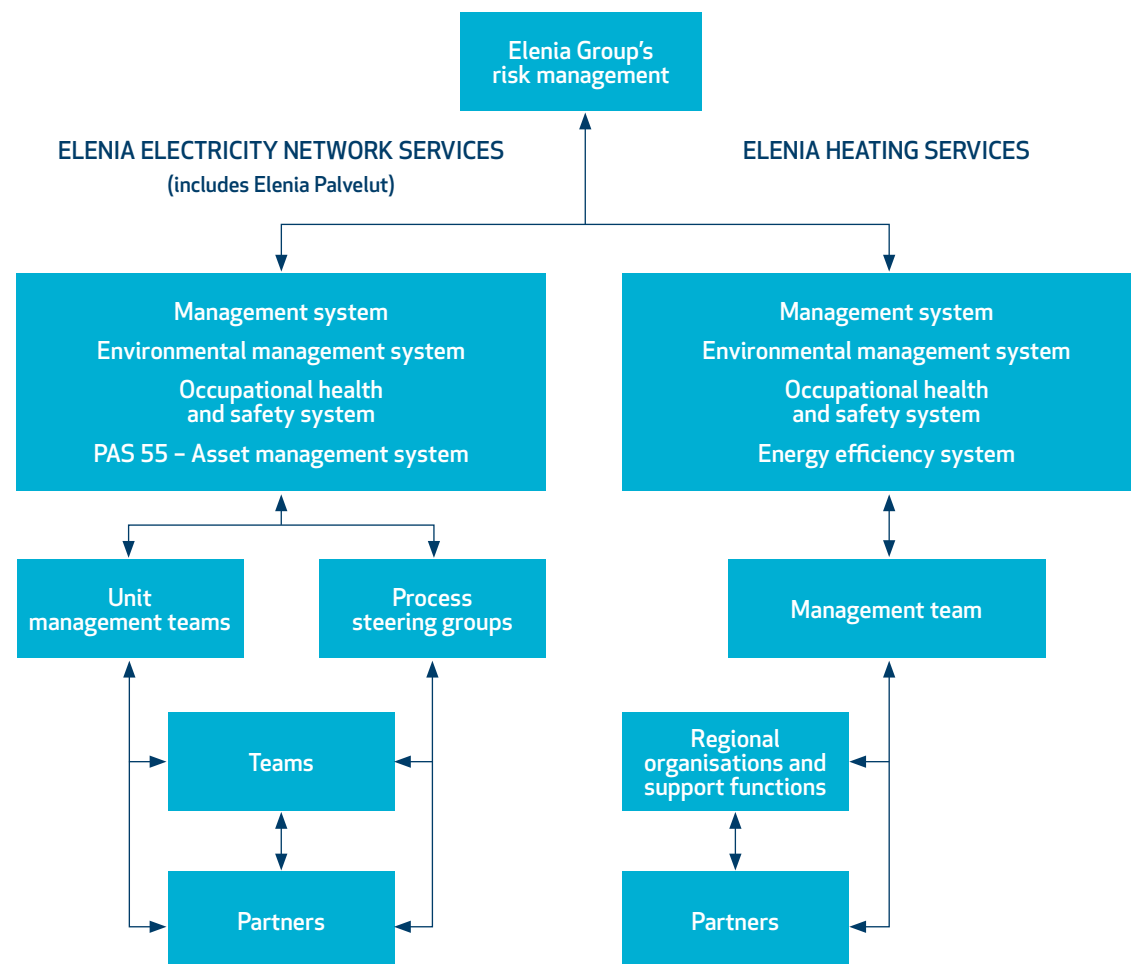
The goal of risk management is the comprehensive management of risks, including risk identification, assessment, processing and reporting. For this purpose, Elenia has a clear risk management policy and transparent operating procedures.

Elenia Group's most significant risks have been identified and the measures to manage these risks have been determined. In practical risk management, Elenia Group's risk register is a very important tool. Elenia Group's risk register includes descriptions of the most significant risks and their impact, probability and magnitude, as well as the measures taken to manage them.

During 2015, the risk management organisation and responsibilities have become more established. Risk management leadership has become stronger as part of the operations of the Legal Affairs and Risk Management unit. In addition, risk management processes have been updated and the features and usability of the risk register have been improved. As a result, Elenia's business processes, certified management systems and risk management support each other even better than before.

Comprehensive risk management is part of all management and daily operations at Elenia Group. The risk register is updated regularly and the risks are assessed in collaboration with the management teams and key employees of the group companies.

The management of group companies is responsible for embedding the risk management into strategic and operative management and business processes. The Legal Affairs and Risk Management unit has overall responsibility for risk management including its coordination and development. Business units and processes are responsible for risk identification and assessment as well as the planning, implementation and monitoring of risk management measures.



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