ANNUAL REVIEW
2023

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 440,000 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 76,700 kilometres of electricity network.

Elenia's owners are Valtion Eläkerahasto (VER), Allianz Capital Partners (ACP)* as well as Macquarie Infrastructure and Real Assets (MAM).

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

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REGULATORY VOLATILITY OVERSHADOWS THE DEVELOPMENT OF SECURITY OF SUPPLY AND ELECTRICITY NETWORK SERVICES

In 2023, the operations, investment planning and service development of Finland's 77 distribution system operators ("DSO") were overshadowed by uncertainty about the future business environment.

As late as spring 2023, the Energy Authority submitted for comments its guidelines for regulatory methods in 2024–2027 and 2028–2031 that guided to the same direction to which DSOs had based their 2022 statutory network development plan that extends until 2036. In October, a completely unpredictable change occurred as the Energy Authority sent out for comments a draft of completely new regulatory methods.

Despite strong opposition from DSOs and several stakeholders, regulatory methods that seriously undermine the development prospects of the sector entered into force on 1 January 2024. For Elenia, it will mean reduction of millions of euros from the electricity network development plan, increase inequality among customers and slow down Finland's clean transition.

Contrary to good governance, the Energy Authority violated the predictability and continuity of regulatory development. Finland's climate strategy, for example, has been ignored in a way that is completely at odds with Finland's clean transition goals. At the same time, trust, which has been Finland's asset with regard to international investors and financial markets, has been broken. This trust was already damaged earlier by the 2022–2023 regulatory change in the middle of the regulatory period.

The slowing down of network investments makes both strengthening Finland's security of supply and promoting the clean transition more difficult. Due to the regulatory method, everyone loses: customers, society and DSOs.

Households to join demand response in electricity consumption

Securing the stability of the electricity system also involves households in demand response in electricity consumption. Elenia's work on the development of demand response progressed in 2023, albeit at a slower pace due by the regulatory changes in 2022–2023. More than 200,000 of our customers have the next-generation smart electricity meters. Based on this, we offer our customers the free EleniaLab pilot service that enables near real-time and accurate electricity consumption monitoring, as well as the control of electrical loads. We have received positive feedback about the service.

Alongside the development of electricity network services, Elenia has been for more than a decade the only DSO to pay customers its own voluntary compensation for outages lasting more than six hours. However, customers expect an even better quality of electricity distribution. Our target is to reduce the power outages to three hours in built-up areas and six hours elsewhere. Due to the regulatory change, this goal is becoming impossible, although the electrification of society and way of life, as well as rapidly advancing digitalisation, require increasingly secure electricity distribution.

Concerns about the sufficiency of electricity continued

While the winter months of 2022 were substantially warmer than 2021, the turn of the year 2023–2024 with very low temperatures was exceptionally cold. Concerns about the sufficiency of energy and especially high prices of electrical energy continued. In 2024, an increasing number of Elenia's customers will be covered by our electricity consumption measurement reform, which will promote the demand response possibilities of households and promote the management of the electricity market.

The total electricity distributed in 2023 was 6,037 GWh, which is low compared to previous years. The first months of the year were warm, and distribution volumes were also reduced by the electricity saving efforts of households. However, the cold of

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the last months of the year increased electricity consumption so that consumption exceeded 6,000 GWh.

Elenia's electricity network service prices increased by an average of 5.8 per cent in late spring 2023. This price increase was 0.41 cents/kWh at its highest for the customer. The pricing of Elenia's electricity network services has been stable and moderate. The distribution tariff of the most commonly used general electricity distribution product has increased by only 1.62 cents/kWh over 12 years.

The service business exited the fibre business

Both the satisfaction of our own network customers and the service offered to other energy companies developed in line with our targets in 2023. The high electricity prices at the turn of the year were reflected in the number of customer contacts.

At the end of 2023, Elenia sold its optical fibre business to Elisa. We started building optical fibre networks in 2019 to promote the supply of fast and reliable telecommunications connections in Finland. Elenia-built fibre optic can be found in about 8,000 households and small businesses in Akaa, Hämeenlinna, Jyväskylä, Kalajoki, Kangasala, Laukaa, Lempää, Nokia, Orivesi and Viitasaari. Elisa will be responsible for their maintenance and development going forward.

We will continue our development efforts

We have been the forerunner in the reform of DSO services and the efficiency improvements in our industry. In just over a decade, the share of the weatherproof network has increased to over 60 per cent in our 76,000 kilometres of electricity network. At the same time, we have maintained stable and moderate price development. This development has been our strategic goal.

In our own and our partners' occupational safety, we have taken clear steps in the right direction with our TEKO – Returning home in good health programme. This is indicated by the decrease in the accident frequency indicator LTIF to 2.4. Our programme will continue in 2024 with the aim of zero accidents.

We consider that Finland's self-sufficiency in energy must be strengthened, and the security of supply must be maintained by all available means. Besides investments, this requires digital solutions that emphasise cybersecurity requirements. It is our responsibility to ensure that we meet the needs of the energy system in terms of the security of supply, safety and environmental considerations.

Climate targets in line with SBTi

Elenia has set its long-term climate targets according to the Science Based Targets initiative, SBTi. Our target is to reduce greenhouse gas emissions in terms of our own emissions and those of the energy we procure by 42% by 2030. We are part of the Net Zero target, which means an emissions reduction of about 90% by 2050 throughout our value chain. Our targets and measures to promote sustainable development are discussed in our sustainability reports.

On 4 April 2023, Finland became a full member of NATO. A permanent change has taken place in the geopolitical security environment of Finland and Europe as a result of Russia's war of aggression against Ukraine. The energy sector has to assess in a new way the risks in both its physical operating environment and in its cybersecurity. As a DSO, Elenia understand its responsibility in preparing for these risks and threats.

Despite the regulatory instability, we will continue our determined development efforts as a forerunner in our industry. By increasing operational efficiency and improving services, we want to strengthen our customers' and stakeholders' trust in Elenia.

At the beginning of April 2024, Elenia Verkko Oyj's Deputy CEO, M.Sc. (Eng.) Jorma Myllymäki will start as the new CEO of Elenia Oy and Elenia Verkko Oyj. I have been nominated as the Chairman of the Board of Directors of Elenia Oy, as the current Chairman of the Board, Timo Rajala, resigns. In Jorma Myllymäki, Elenia will have a confident CEO who will promote Elenia as a forerunner. I wish him every success in his work!

I want to take this opportunity to thank our customers, employees and owners for their strong cooperation in 2023.

Tapani Liuhala
CEO

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UPDATED REGULATORY METHODS POSE CHALLENGES FOR DEVELOPING THE ELECTRICITY NETWORK IN LINE WITH SECURITY OF SUPPLY TARGETS AND NEEDS DRIVEN BY THE GREEN TRANSITION

The regulatory methods, which determine the allowed revenue and return of all Finnish network operators, are governed by the Energy Authority (the "EA"). The 5th regulatory period ended on 31 December 2023 and the EA has updated the regulatory methods to be in effect for the 6th (2024-2027) and 7th (2028-2031) regulatory periods. The EA officially commenced the process to update the regulatory methods in January 2022 in order to allow sufficient time for external experts to conduct supporting studies, consultation of stakeholders, and preparation of comprehensive impact assessments. Following extensive discussions with industry experts and stakeholders, the EA published the first draft regulatory methods for consultation in March 2023.

The first draft methods included negative changes to the finance ability of investments across the board, however, retrospectively the impact of the changes was fairly benign and to some degree in line with the EA's prior communication. In October, the EA published (i) an external report on how the regulatory asset base could theoretically be determined when regulatory methods are implemented for the first time, and (ii) the second draft regulatory methods including changes suggested by the report. The change to the asset base which has far reaching implications, is against the logical foundation of the regulatory model since inception. It is also against all earlier communication by the EA, and lacks any meaningful justifications, led to an unheard number of critical opinion statements from the industry and other stakeholders. As a result, the EA published a few weeks later an impromptu update to the regulatory methods, and did further changes to the final regulatory decisions published in the nick of time before the commencement of the regulatory period. However, the subsequent changes did little to solve the underlying problem of the drastic change to the fundamental logic of the regulatory model.

The final regulatory confirmation decisions published on 29 December 2023, include the following key changes compared to the previous regulatory methods:

- The unit prices for determining the regulatory asset base, which determines the recouping of deployed capex as well as funding costs, as per 31 December 2023 are frozen based on the average industry costs prevailing in 2022. Previously, the unit prices underlying the entire asset base were updated regularly based on the prevailing constructions costs in order to reflect the current value of network assets.
- Investments in upcoming years will be valued based on the then prevailing industry average construction costs surveyed once per regulatory period and published at the end of the regulatory period.
- The unit prices will be inflation-adjusted to reflect the construction costs in each year, and frozen without being updated for inflation in subsequent years. Previously, the unit prices were published prior to the commencement of the regulatory period and were not inflation adjusted within the regulatory period, but instead updated in subsequent years in line with prevailing unit prices.
- The investment incentive, which determines the recouping of deployed capex, has been introduced with a profit-sharing element. Accordingly, 15% of any annual outperformance compared to industry average construction costs, is deducted from the revenue allowance in the year of investment.
- Construction costs relating to the removal of replaced network in connection with deploying new components, are not to be included in the asset base calculation, but instead remunerated through operating expenses. The change is retroactive also to expenses relating to historically deployed capex.

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- Utilization of depreciation difference, which is a typical Finnish tax planning instrument as determined as an incentive to deploy capex in the tax legislation, is cumulatively deducted from the regulatory asset base. The change is retroactive impacting the tax incentives utilised for historically deployed capex.
- The components underlying the pre-tax nominal reasonable rate of return are maintained, however, the methods for determining the components have been updated to better reflect prevailing market conditions. The EA has confirmed the reasonable rate of return for 2024 at 7.37%, the corresponding pro-forma rate of return with the previous regulatory methods is 7.59%.
- A new incentive has been introduced to promote the development of demand flexibility solutions.

The combined impact of the changes to the regulatory methods reduce the financeability of capex. Additionally, especially the freezing of the asset base, in combination with the other changes, decreases the inflation protection, with an impact that will only accumulate over the years. As a result, the incentives and capabilities to replace and develop the electricity network deteriorates throughout the industry. This is a very surprising positioning by the EA and in clear contradiction with the requirements of the society. In stark contrast, the industry has a need to increase capex in the next decade driven by the security of supply requirements in 2036 as determined in the Electricity Market Act, as well as the need for capex to support ongoing electrification of the society and the national net zero emission targets in 2035. Elenia, as well as the majority of the industry, has accordingly appealed the regulatory confirmation decisions.

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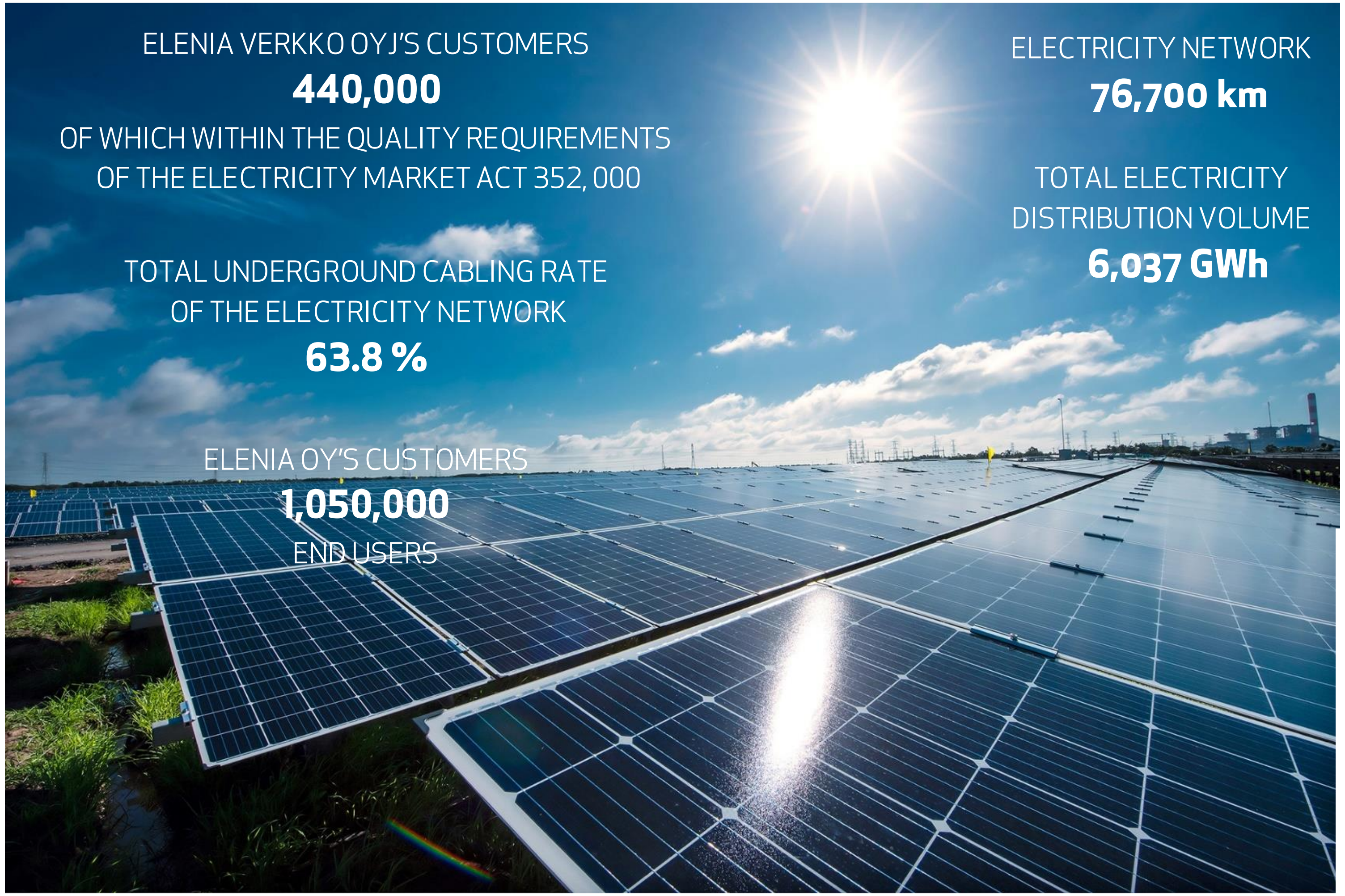
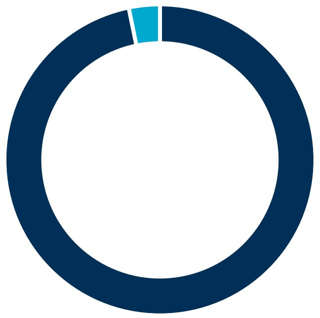
GROUP KEY FIGURES 2023



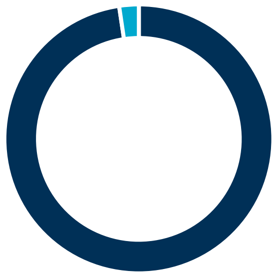
REVENUE BREAKDOWN, MEUR



■ Elenia Verkko Oyj 316.4 (308.5)

■ Elenia Oy 10.5 (8.9)

ELENIA GROUP'S INVESTMENTS, MEUR



■ Elenia Verkko Oyj 140.5 (175.8)

■ Elenia Oy 3.4 (4.2)

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ELENIA'S STRATEGY

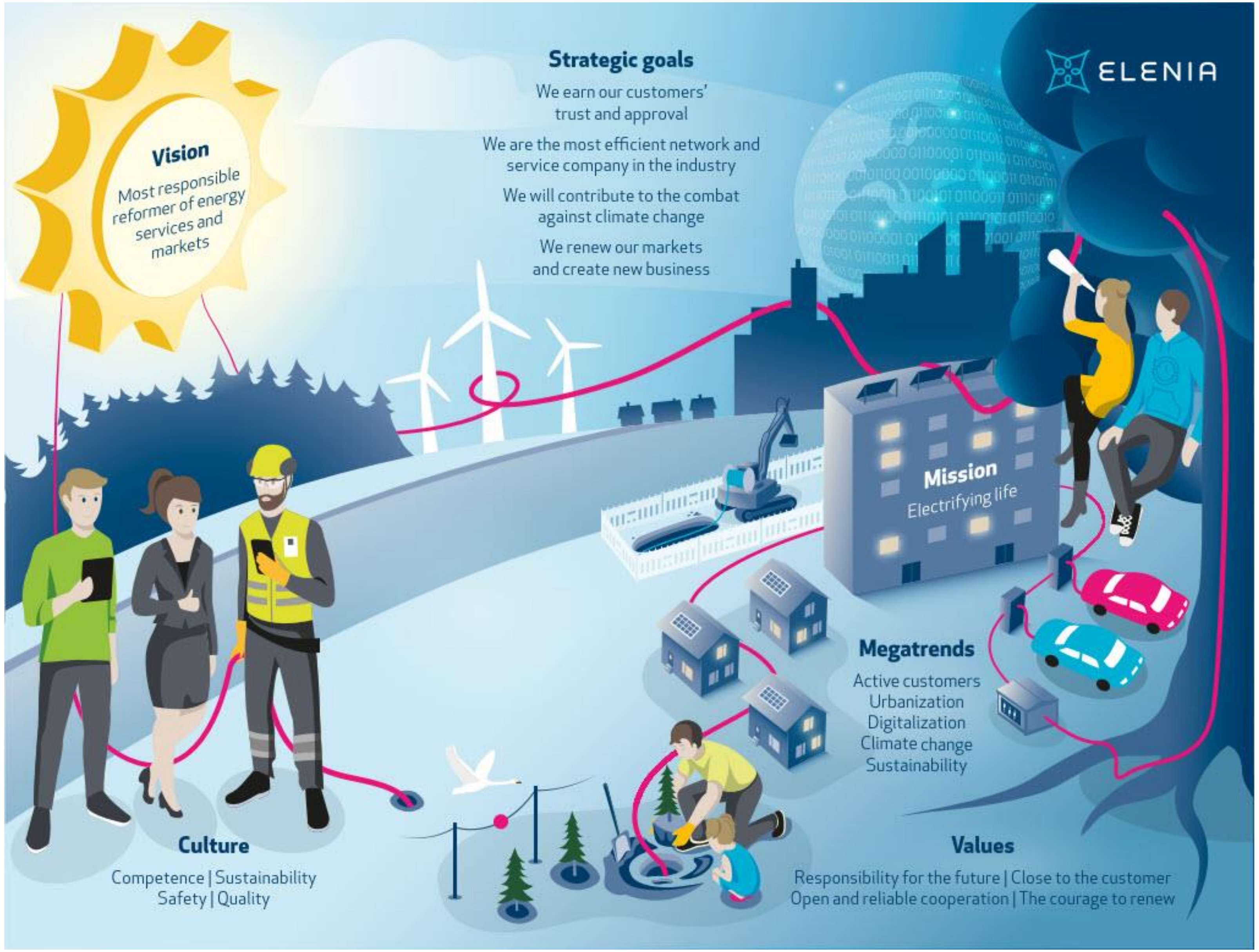
SUCCESS FACTORS

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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STAKEHOLDERS ADVISORY COMMITTEE

Committee to boost Elenia's stakeholder cooperation

The tightening of the European security environment has highlighted the importance of maintaining Finland's self-sufficiency in energy and ensuring the security of supply of the energy system. The development of Elenia's smart grid services implements Finland's national targets in the energy market. Open and constructive continuous interaction with our stakeholders is very important.

Elenia's Stakeholder Advisory Committee, established in 2022, meets 2–3 times a year to discuss topical themes. We provide the Stakeholder Advisory Committee with information about our sustainability and development work, discuss the development of the electricity market and hear the views of the Committee members on how we can further improve our services, taking into account the needs and expectations of both customers and society.

The Stakeholder Advisory Committee does not make decisions concerning the company, and it has no business responsibilities or official status in the organisation.

It works in an advisory role with the company's senior management. The company does not pay salary or remuneration to the Committee members, but reimburses the travel and accommodation expenses incurred by their participation in the Committee work.

Elenia's Stakeholder Advisory Committee members

- Anneli Jäätteenmäki, former Prime Minister and Member of Parliament, Centre Party
- Johannes Koskinen, Member of Parliament, Social Democratic Party
- Marju Silander, Executive Director, Finnish Home Owners' Association
- Pekka Verho, Professor of Electrical Power Engineering, Tampere University
- Petri Pylsy, Leading Specialist, Finnish Real Estate Federation
- Sofia Vikman, Member of Parliament, National Coalition Party
- Petri Malinen, Economist, Suomen Yrittäjät

Elenia's representatives:

- Tapani Liuhala, CEO
- Jorma Myllymäki, Deputy CEO

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REPORT OF THE BOARD OF DIRECTORS

ELENIA GROUP'S BUSINESS OPERATIONS

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

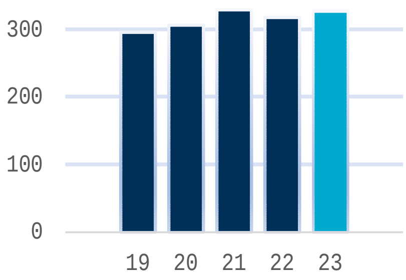
Elenia Group is engaged in four businesses, of which electricity distribution is the Group's core business and constitutes the majority of Group's revenue. In the Group structure, Elenia Verkko Oyj ("network business") owns and operates an electricity distribution network. Additionally, Elenia Oy engages in the customer service business ("customer service business") and procurement, construction and project management business ("construction business") (collectively referred to as "service business"). During 2023 Elenia sold a business that built and operated a passive fibre-to-the-home network ("fibre business"), the transaction was closed 31 December 2023.

FINANCIAL PERFORMANCE

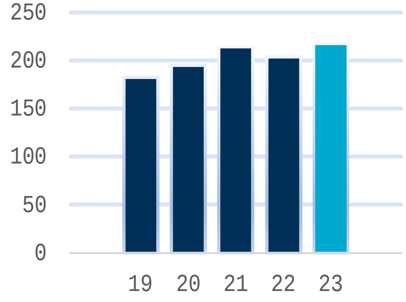
Elenia Group's revenue in 2023 was EUR 326.9 million (EUR 317.4 million in 2022). Revenue increased by EUR 9.5 million (3.0%). The main reason behind the higher revenues was the approximately 5.8% post-tax tariff increase that Elenia made from beginning of May 2023. In 2023, the electricity consumption declined due to energy saving measures by our customers, which started as a response to the exceptionally high electricity prices during latter half of 2022 and continued for most of 2023 even though the electricity prices declined to more moderate levels already in January 2023.

EBITDA was EUR 217.6 million for the financial year (EUR 204.2 million in 2022). EBITDA increased by EUR 13.4 million (6.6%). The main drivers for the EBITDA improvement were the grid cost rebated that the TSO Fingrid gave to the DSOs and the aforementioned tariff increase. EBITDA excluding items affecting comparability was EUR 216.5 million for the financial year (EUR 205.7 million in 2022). The items affecting comparability mainly consisted of exceptionally high electricity price[2], TSO rebates[3], and a lesser degree gain on sale of the fibre business.

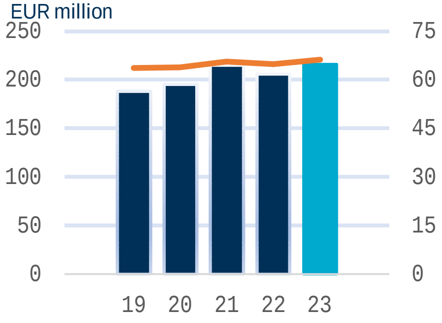
REVENUE
EUR million



EBITDA
EUR million



EBITDA* AND EBITDA MARGIN*
EUR million



* excluding items affecting comparability

MEUR	2023	2022	Change %
Revenue	326.9	317.4	3.0
EBITDA	217.6	204.2	6.6
EBITDA excluding items affecting comparability	216.5	205.7	5.2
EBITDA margin (excluding items affecting comparability)	66.2 %	64.8 %	1.4

Note: 2023 EBITDA excluding items affecting comparability has been updated 19 April 2024.

[1] In addition, Elenia Verkko Oyj has a wholly-owned subsidiary Elenia Innovations Oy, which had no business operations in 2023.

[2] During H1 2022 Elenia made the decision to treat average monthly electricity prices above 60€/MWh as exceptional item for covenant calculation purposes. This is higher than any monthly average price in Finland for the previous ten years, which evidences well the exceptionally high electricity prices during 2022. Elenia needs to cover its distribution losses (which are 3-4% of the distribution volumes) by buying electricity, making Elenia a sizeable electricity purchaser. Elenia has hedging policy in place for electricity purchases, which partially mitigates the impact of the high electricity prices. For 2024 Elenia will treat electricity average monthly prices above 85€/MWh as exceptional items for covenant calculation purposes.

[3] In October in 2022 and May in 2023, Fingrid announced that it will not charge grid fees from the DSO in 2023 in January, February, June, July, November and December, respectively.

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BUSINESS REVIEW – NETWORK BUSINESS

Elenia Verkko Oyj is Finland's second-largest electricity distribution system operator (DSO) with a 18 % market share in terms of total length of the network and 12% market share in terms of the 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.

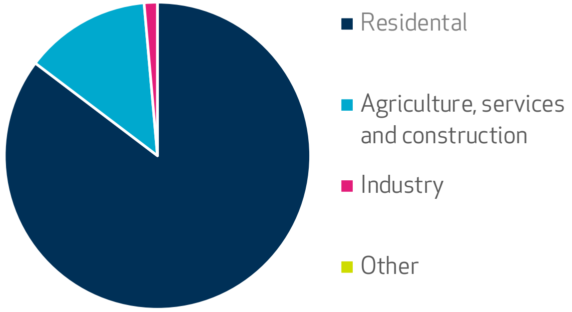
With an electricity network of approximately 76,600 kilometres, Elenia Verkko Oyj supplies electricity to 440,000 end users. In addition to residential customers, key customer segments include industrial, service, construction and public sectors. The company has operations in more than 100 cities and 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 6,037 GWh of electricity, compared to 6,260 GWh in the previous year. The distribution volume declined by 223 GWh (3.6%). The decline is mostly attributable to the energy saving measures undertaking by Elenia's customers originally in response to the exceptionally high electricity prices and national concern over electricity shortage. Elenia was well prepared for the electricity shortage and did extensive stakeholder and media cooperation, guiding its customers to prepare and save electricity. With warm and windy beginning for 2023 along with the customers' energy saving measures, the electricity shortage did not materialize. While the volumes partially recovered during Q4/2023, the impact was not significant enough to offset the volume decline during Q1-Q3/2023.

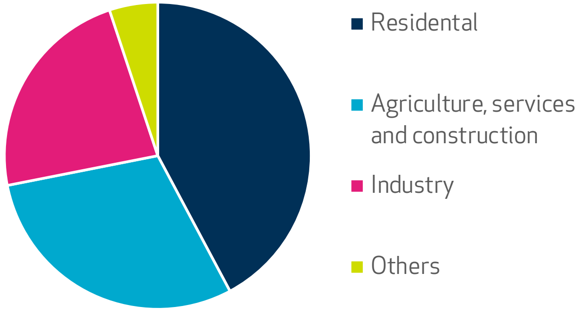
Revenue from the network business was EUR 317.9 million (EUR 310.8 million in 2022). Revenue increased by EUR 7.1 million (1.9%). The EBITDA of the network business was EUR 213.2 million (EUR 203.1 million in 2022). EBITDA increased by EUR 10.1 million (5.0%). The positive revenue and EBITDA development was driven by the said tariff increase. Additionally, the TSO rebates contributed to the positive EBITDA performance. Furthermore, the weather was characterised as benign with no major power disruptions i.e. snow loads or storms (class 3 or 4).

CUSTOMER SEGMENTS AND DISTRIBUTION, ELENIA VERKKO OYJ

CUSTOMER SEGMENTS



ENERGY BY CUSTOMER SEGMENT



The first half of the year was calm but in the latter half of the year, four major low-pressure storms occurred, Sylvia in August, Varpu in September, and Pirjo and Otso in October (all class 2 storms). The largest number of customers without electricity at the same time was during the Otso storm, a total of approximately 19,000. The longest outages lasted almost two days in the Varpu and Pirjo storms due to difficult weather conditions that prevented fault repairing for a considerable time. However, electricity was restored to most of customers within a few hours. Depending on the storm, the number of fault repair tasks varied between 320 and 550 single tasks.

Elenia raised its preparedness nine times during in 2023. Six times the preparation was at the yellow level (the lowest level of preparedness of the whole major power disruption organization) and once at the orange level (the second highest level). The costs caused by the storms was approximately EUR 3.3 million during 2023. Of these, almost EUR 2.8 million was caused by the four storms mentioned above.

The SAIDI (System Average Interruption Duration Index) was 95 minutes due to the storms (70 minutes in 2022). Excluding the influence of these storms, the result was 44 minutes, which can be considered excellent. System Average Interruption Frequency Index SAIFI was the at all-time low with 2.5 interruptions per customer. The number of short interruptions (less than 3 minutes) per customer was also the at the lowest recorded level at 3.4.

The Electricity Market Act ("EMA") states that 100% of customers must be within the scope of the quality requirements by the end of 2036[4]. Elenia has sought to achieve this target by increasing the underground cabling rate to 90 % by the end of 2036. 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, 63.8 % of Elenia's network was underground, compared to 61.7 % at the end of 2022.

At the end of the year, 82 % of the customers of Elenia's network business were within the scope of the quality requirements stipulated by the EMA. The corresponding figure at the end of 2022 was 80%. While the main focus in the development of the security of supply is on underground cabling, Elenia also seeks 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. Elenia is investing into two additional battery packs, one of which was partially commissioned in 2023.

Elenia invested EUR 140.5 million in developing electricity networks during the financial year. In 2022, the corresponding investments amounted to EUR 175.8 million. Elenia Verkko Oyj

[4] Pursuant to the EMA, 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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cut its investments significantly in 2023 as the result of the sudden mid-period change to the regulatory methods by the EA.

In June 2024 Elenia will submit to the EA its statutory network development plan. In the previous plan published in June 2022, Elenia's capex requirements to replace aging overhead lines and improve the security of supply exceeded EUR 1,500 million by 2036. Additionally, green transition related capex including e.g. deployment of smart meters and increasing network capacity to enable connection of wind power, was expected to amount to approximately EUR 500 million by 2036. Given the changes into the regulatory methods, Elenia will need to revise its network development plan.

Elenia has cut its investments for next years, in 2024 by approximately EUR 40 million, compared to the network development plan submitted to the EA in June 2022. At the same time, the investment need is the highest in Elenia's history driven by continuing security of supply investments along with investments to broaden and strengthen the network to enable green transition.

As part of the 2022 network development plan, Elenia was required for the first time to organise a public hearing for its customers and stakeholders on the network development plan. One of the findings of the hearing was that 85% of the customers think that 12 hours is the maximum acceptable outage length, which is significantly shorter than the 36-hour limit set in EMA for 2036.

In 2023, 300 MW of new wind power capacity (254.8 MW in 2022) and 4,865 new small-scale solar panel installations (4,457 in 2022) were connected to Elenia's distribution grid. There is a clear increase among our corporate customers in industrial electrification solutions and interest in battery solutions. For the consumer customers there is a clear increase in the solar panel installations and electric vehicle charging, and the interest towards real-time electricity consumption data, our online services and Elenia Aina application. For corporate customers the interest is driven by the green transition and the need to move away from fossil-fuel based solutions (such as natural gas) and for consumer customers the interest is driven additionally by the very high electricity prices.

Elenia Verkko Oyj continued to develop its asset management system according to the international standard ISO 55001:2014. The requirements 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 2022 by LRQA and the first surveillance visit was in 2023.

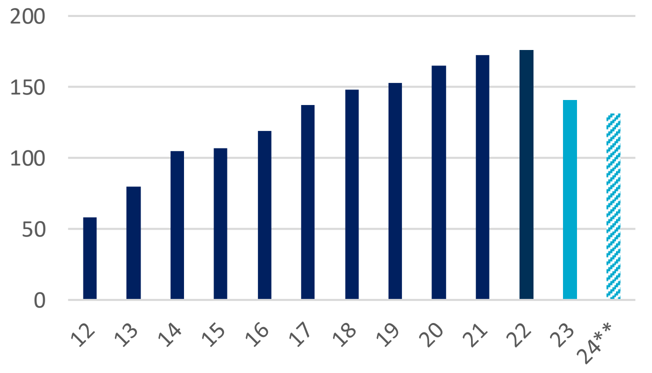
The EA oversees the operations of Finnish distribution system operators. The regulation is based on four-year regulatory periods. The past year was the fourth year of the fifth regulatory period (2020–2023) and second year with the regulatory methods that were suddenly amended mid-period for 2022–2023.

Elenia received a new regulatory decision on 29 December 2023 regarding the regulatory methods that are in force for two consecutive regulatory periods: sixth regulatory period from 1 January 2024 until 31 December 2027 and seventh regulatory period from 1 January 2028 until 31 December 2031.

There are numerous changes in the new regulatory methods compared to the previously applied methods. The key changes to the previous methods include freezing of the asset base to 2022 construction costs and the calculation of industry wide unit prices. The changes compared to the previous methods were significant and in Elenia's view unnecessary, sudden and unjustified.

In 2023 the reasonable rate of return increased from 3.97% in 2022 to 6.08% mainly due the sharp rise in the interest rates in 2022. For 2024, the EA has confirmed that the reasonable rate of return is 7.37%. The WACC increased due to higher interest rates in 2023 compared to 2022.

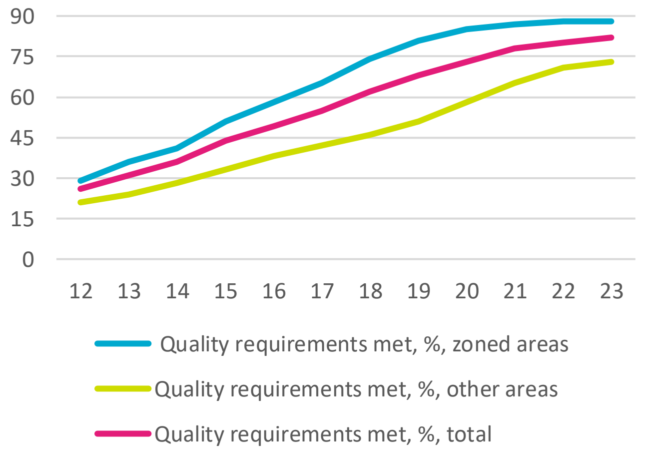
TOTAL INVESTEMENTS IN ELECTRICITY NETWORK 2012-2023, EUR MILLION*



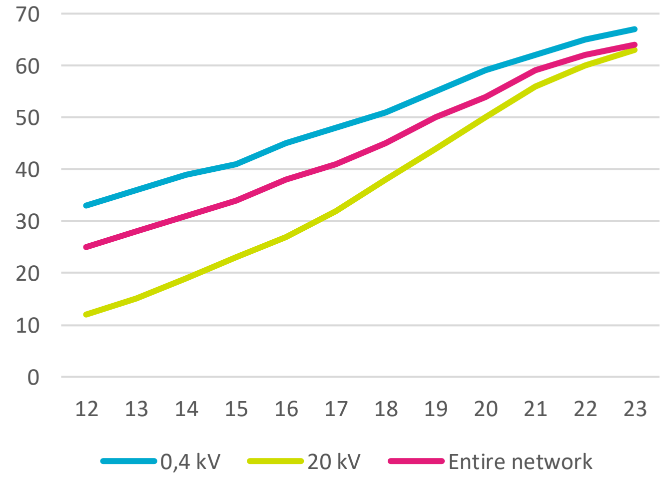
* excludes ICT system investments and the street lighting network

** estimate

CUSTOMERS COVERED BY THE QUALITY REQUIREMENTS 2012-2023, %



UNDERGROUND CABLING RATE 2012-2023, %



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BUSINESS REVIEW – SERVICE BUSINESS

The year 2023 was a successful for Elenia's service business. The previous year turbulence in electricity retail market in Finland calmed down in the first quarter of 2023 and the exceptionally high customer contact inflow returned on normal level during the H1. The quality of operational services met cumulatively all SLA targets and Elenia's service business customers' satisfaction to Elenia's services were all time high. The new contact centre system, CC-Suite, was taken in use in the end of year and there were some challenges to meet SLA targets in December due to the new system. Overall customer service business has developed in line with expectations. Elenia's target is to continue the growth also through introduction of new customers.

The construction business also progressed according to plan, but the volumes were lower than the previous year. In 2023, the Energy Authority continued to prepare the new regulatory methods for the two next regulatory periods. The upcoming change in the regulatory methods led to significant uncertainty regarding Elenia's business and investment conditions. This uncertainty was also reflected in all contracting procurements and Elenia's contracting partners' business during 2023.

Matters related to sustainability have played an important role also in Elenia's partnership management and the development of Elenia's supply chain. Elenia and an increasing number of its partner companies are committed to the international Science Based Targets (SBTi). In 2023, over 30% of Elenia's annual spend was purchased from companies who were committed to the SBTi.

Elenia initiated various energy transition-related multi-year high voltage network projects in 2023. Clean energy projects and a national security of energy supply require significant investments in the development of electricity distribution networks. Elenia's large substation and high voltage network investments will be critically important in all of this in the coming years.

Although the fibre business has developed favourably, and Elenia expanded its fibre network during the year under review, Elenia decided in 2023 to divest its fibre business to Elisa. Elisa is one of the three largest teleoperators in Finland, and Elenia has previously cooperated with Elisa in fibre business. Elenia will continue joint construction with all teleoperators. The divestment was completed just prior to the year-end and Elenia will book a small gain on sale at EBITDA level. The impact of the sale will be excluded from EBITDA that excludes items affecting comparability.

Revenue from the service business came to EUR 146.3 million (EUR 168.7 million in 2022). The decline in revenue was attributable to the lower capex in 2023 driven by from the sudden mid-period change into the regulatory methods. The EBITDA of the service business was EUR 23.7 million (EUR 29.5 million in 2022).

The most significant development project in the service business is project ARMI, the installation of next-generation remote-readable electricity meters. The new meters will replace most of Elenia's existing electricity meters, totaling over 440,000, during the period 2021–2026. 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 utilising the smart grid. At the end of 2023 approximately 215,000 new meters have been installed.

FINANCING

Elenia Group's financing activities are centralised into Elenia Verkko Oyj. In 2023, Elenia Verkko Oyj did not issue any new bonds (no new bonds were issued in 2022). The Group's solvency and liquidity remain very strong after the bond issue carried out in 2020 and due to the lower than expected capex in 2022 and 2023. At the end of the financial year, cash and cash equivalents amounted to EUR 60 million (EUR 51 million at the end of 2022).

The Group's credit facilities consist of a EUR 250 million Capex Facility, a EUR 50 million Working Capital Facility and a EUR 70 million Liquidity Facility that were renewed in 2023. The first two mature in May 2028 and they both have two one-year extension options. These facilities also for the first time have a sustainability linkage. Elenia's performance on LTIF, SAIDI and $CO2$ emissions will in the future determine the margin that Elenia pays on these facilities. The five-year Liquidity Facility matures in May 2028 and it is renewed annually. All of the credit facilities were entirely undrawn at year end (as was the case at the end of 2022). During the year Elenia drew in its entirety the EUR 100 million European Investment Bank facility.

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"[5]), 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 2023, the ICR and LR were 4.53 and 8.73, respectively. At end of 2022, the corresponding levels were 5.21 and 8.69. 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 decreased moderately in 2023.

	31 Dec 2023 FTE	31 Dec 2022 FTE
Elenia Group[6]	297	300

At the year-end, the total FTE of Elenia Group was 297 (300 in 2022). However, the total employment impact of the Group and its external subcontractor's network is approximately 1,000 people. In 2023, we continued the safety TUISKU project, which was launched in 2022 to promote and improve the safety culture in cooperation with our partners. At the end of the year, we launched the Safety Academy, which aims to further strengthen and deepen the safety behaviour and activities of our people and partners.

We continued to systematically develop our people's competencies and training as the ongoing energy transition changes in job demands. At the end of the year, we launched the second Expert Academy training programme with Aalto University. The first Expert Academy took place in 2022 and it was developed from the Leader Academy organised in 2020. In addition, we have produced topical Elenia Academy webinars for our people on topics such as equality, resilience, recovery cybersecurity. For several weeks in the autumn, we focused on sustaining our own wellbeing and health through a diverse programme. In our recruitment, we are taking diversity into account. In our collaboration with educational institutions, we emphasize utilisation of

[5] 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.

[6] Comprises all of the employees of Elenia Oy, Elenia Verkko Oyj and Elenia Group Oy.

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the latest technology in our business. We offer internships and thesis opportunities to students throughout the year. We renovated our premises to reflect the current hybrid working model with better facilities for external meetings from the perspective of data security and privacy.

For more information on Elenia's personnel, please see our sustainability report at www.elenia.com.

ACQUISITIONS AND DIVESTMENTS

In December 2023 Elenia divested its fibre business and consequently booked a small gain on sale that is excluded from EBITDA excluding items affecting comparability. There were no acquisitions during the financial year.

CORPORATE GOVERNANCE

Elenia Oy's Board of Directors has eight members: Timo Rajala (Chairman), Sirpa Ojala, Mark Braithwaite, Miguel Antoñanzas (until 21 June 2023), Philip Swift (from 21 June 2023), Michael Pfennig, Eduard Fidler, Tapani Liuhala and Jorma Myllymäki. There were no other changes to the board during the fiscal year. The Board of Directors met seven 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 was chaired by Miguel Antoñanzas until 26 June 2023 and Philip Swift thereafter, 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 (Executive Vice President in charge of the network business and Deputy CEO of Elenia Verkko Oyj), Ville Sihvola (Vice President in charge of the service business and Deputy CEO of Elenia Oy), Jarkko Kohtala (Chief Procurement and Construction Officer), Heini Kuusela-Opas (Chief Communications Officer), Jenni Sironen Mäkinen (Chief People Officer, replacing 1 September 2023 Marianne Kihlman, who retired from Elenia at the end of 2023), Harri Happonen (CIO) and Tommi Valento (CFO).

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.

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Please see Elenia's sustainability report at www.elenia.com.

RISK MANAGEMENT

Please see Elenia's sustainability report at www.elenia.com.

CYBER SECURITY AND IT

In 2023, geopolitical situation in the Europe highlighted the importance of preparedness against cyber threats within critical infrastructure. Elenia was active both in internal cyber security development and in national forums and events such as the Nordic Pine, a joint exercise with NATO dedicated to deeper understanding of the energy-hybrid threats and infrastructural resilience.

From the operational development viewpoint, preparedness for reliable demand flexibility was one of the key themes in Elenia's digital development. Elenia was the first Finnish DSO to launch an easy-to-use digital service to enable customers to optimize their electricity consumption based on electricity market price. This development was based on Elenia's renewal of Automatic Meter Reading technology, providing fast bi-directional connectivity and near real-time communication.

EVENTS AFTER THE BALANCE SHEET DATE

The bonds issued by Elenia Verkko Oyj are rated by S&P Global Ratings ("S&P"). S&P downgraded the rating to BBB (stable) at the end of January 2022 as a result of the changes in the regulatory methods in the middle of the regulatory period. After the new methods became effective from 1 January 2024, S&P placed Elenia on a negative credit watch on 10 January 2024. The outcome of S&P's assessment of Elenia is still uncertain at the time of this report.

In January, Elenia appealed to the Market Court to repeal the decision of the Energy Authority with regard to the key aspects of the regulatory methods for 2024-2027 and 2028-2031. The outcome of the appeal is expected in the next 2-4 years. Concurrently, Elenia has also the previous Market Court appeal in process with regards to sudden mid-period regulatory changes for 2022 and 2023, and the ruling is expected to be received within the next 12-18 months.

Jorma Myllymäki has been nominated as CEO of Elenia Oy, effective from 1 April 2024. Tapani Liuhala has been elected as the Chairman of the Board of Elenia Oy, effective from 1 April 2024. Tommi Valento has been nominated as member of the Board of Elenia Oy, effective from 1 April 2024.

OUTLOOK

The electricity prices in Finland surged during 2022 as a result of the Russian war in Ukraine. Elenia is a major electricity purchaser due to the distribution losses (which are 3-4% of the distribution volumes) that Elenia needs to cover, which makes Elenia susceptible to the electricity price changes despite the company's four-year hedging policy and program. The prices have declined significantly in 2023, but are still higher than historically, and the market is still experiencing significant volatility, as evidenced by the record high prices on 5 January 2024. The volatility is expected to continue in 2024 and have an impact on Elenia's financial performance.

TSO Fingrid has informed DSOs that it will not charge transmission grid fees from DSOs for six months in 2024 as its congestion income has soared due to the very high local electricity prices in 2022-2023. The fees will not be charged for 6 months in 2024, i.e. January, February and June and additional three months that have not yet been identified. In 2023, the fees were not charged for January, February, June, July, November and December. Elenia estimates that the net cost savings from transmission grid fees to be EUR 19.2 million, which will entirely be treated as exceptional for covenant calculation purposes.

The high electricity prices and TSO rebates partially offset each other. The high electricity price is, however, affecting Elenia also otherwise. Electricity consumption, which has increased steadily over the last few years driven by electrification, declined as customers saved electricity in response to the surging electricity prices. The 2023 figures from January to September illustrate that customers (especially consumer customers) can reduce their electricity consumption by 10-15%, depending on the outside temperature. However, during October to December

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2023, the volumes partially recovered. Hence in 2024, if the winter is warm, the volumes can decline compared to winter of 2023. However, the full-year impact of the approximately 5.8% post-tax tariff increase in May 2023 will be reflected in 2024 figures.

From the regulatory perspective, both distribution losses as well as the grid costs are considered as pass-through items and Elenia can recoup them in the coming years. Additionally, the regulation is also volume neutral, which offers protection against declining volumes.

Investments in the electricity network will continue in 2024, but Elenia will invest significantly less than previously planned. The significant reduction in investments is due to changes in regulatory methods implemented by the EA, especially the significant changes in the calculation of the of industry wide unit prices and the definition of the regulatory asset base for which the reasonable return is based on. Elenia is still analysing the impact of the new regulatory methods on its business and operations, and the potential actions it will take to mitigate the impact and protect the credit rating.

THE BOARD OF DIRECTORS' PROPOSAL CONCERNING DISTRIBUTION OF PROFITS

The Board of Directors proposes that no dividend be distributed.

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CONSOLIDATED FINANCIAL STATEMENTS 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2023

EUR 1,000	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Revenue	2.1.1	**326 948**	**317 437**
Other operating income	2.2.1	4 800	4 131
Materials and services		-73 412	-81 873
Employee benefit expenses	2.3.3	-17 037	-16 110
Depreciation, amortisation and impairment	3	-93 448	-90 335
Other operating expenses	2.3.1	-23 701	-19 373
Operating profit		**124 150**	**113 877**
Finance income		2 331	253
Finance costs		-48 532	-40 007
Finance income and costs	4.1	**-46 201**	**-39 755**
Profit before tax		**77 949**	**74 122**
Income tax	6.1.1	-14 819	-13 627
Profit for the year		**63 130**	**60 495**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Profit for the year	**63 130**	**60 495**
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent years:		
Re-measurement gains on defined benefit plans	-14	202
Income tax effect	3	-40
Other comprehensive income / (loss) for the year after tax	-12	162
Total comprehensive profit for the year	**63 119**	**60 657**

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at **31** December **2023**

EUR 1,000	Note	31 Dec 2023	31 Dec 2022
Assets			
Non-current assets			
Property, plant and equipment	3.1	1 613 872	1 593 831
Goodwill	3.2	417 823	417 823
Intangible assets	3.2	30 498	30 900
Right-of-use assets	3.1, 3.3	2 385	1 895
Other non-current financial assets		194	194
Other non-current receivables		1 877	0
Deferred tax assets	6.1.2	26 170	20 973
Total non-current assets		2 092 819	2 065 617
Current assets			
Trade receivables	2.1.4	20 391	18 855
Other current receivables	2.1.4	45 059	40 286
Cash and cash equivalents		60 161	51 154
Total current assets		125 610	110 294
Total assets		2 218 430	2 175 911

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

EUR 1,000	Note	31 Dec 2023	31 Dec 2022
Equity and liabilities			
Equity			
Share capital	4.4	3	3
Unrestricted equity	4.4	-548 274	-548 274
Retained earnings	4.4	457 874	399 755
Total equity		-90 397	-148 516
Non-current liabilities			
Loans from financial institutions	4.2	250 000	150 000
Bonds and notes	4.2	1 684 021	1 683 025
Lease liabilities	3.3	2 081	988
Employee benefit liability	6.2	198	249
Provisions	2.3.4	6 521	6 119
Liabilities related to contracts with customers	2.1.3	47 663	39 989
Other long-term liabilities	2.3.3	1 365	1 224
Deferred tax liabilities	6.1.2	175 005	157 495
Total non-current liabilities		2 166 854	2 039 089
Current liabilities			
Lease liabilities	3.3	356	1 099
Trade payables	2.3.2	12 961	13 678
Liabilities related to contracts with customers	2.1.3	1 825	1 549
Other current liabilities	2.3.2	126 833	269 012
Total current liabilities		141 973	285 339
Total equity and liabilities		2 218 430	2 175 911

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

1 000 EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Operating activities		
Profit for the year	63 130	60 495
Adjustments to reconcile profit to net cash flows		
Depreciation, amortisation and impairment	93 448	90 335
Finance income	-2 331	-253
Finance costs	48 532	40 007
Taxes	14 819	13 627
Other adjustments	0	-398
Other short-term and low value rental expenses	49	49
Working capital adjustments		
Increase (+) / decrease (-) in trade and other current liabilities	8 691	-6 827
Increase (-) / decrease (+) in trade and other current receivables	-8 874	13 215
Increase (+) / decrease (-) in provisions	351	-1 546
Interests received	2 319	252
Interest and financial expenses paid	-46 439	-38 662
Interest paid on lease liabilities	-47	-387
Taxes paid	347	-5 354
Net cash flows from operating activities	**173 994**	**164 554**

1 000 EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Investing activities		
Capital expenditure	-122 865	-153 715
Changes in investments	7	4 242
Proceeds from sale of business	13 000	0
Net cash flows used in investing activities	**-109 858**	**-149 474**
Owners' equity investment		
Proceeds from long-term borrowings	100 000	0
Equity repayment	-149 120	-14 215
Repayment of lease liabilities	-1 008	-2 168
Group contributions received/paid	-5 000	-19 385
Net cash flows from financing activities	**-55 128**	**-35 768**
Net increase in cash and cash equivalents	9 008	-20 688
Cash and cash equivalents at 1 January	51 154	71 841
Change in cash and cash equivalents	9 008	-20 688
Cash and cash equivalents at 31 December	**60 161**	**51 154**

Cash and cash equivalents comprise of cash balance at bank accounts.

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

Loans granted and repayments of loan receivables are presented in financing cash flow instead of cash flow from investing activities.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

EUR 1,000	Share capital	Unrestricted equity: Reserve for invested unrestricted equity	Unrestricted equity: Common control reserve	Retained earnings	Total equity
Equity at 1 January 2023	**3**	**1 659 400**	**-2 207 674**	**399 755**	**-148 516**
Profit for the year				63 130	63 130
Other components of comprehensive income (adjusted by tax effect)					
Change in defined benefit plans				-12	-12
Total comprehensive income for the year				**63 119**	**63 119**
Transactions with shareholders					
Group contributions				-5 000	-5 000
Total transactions with shareholders				**-5 000**	**-5 000**
Equity at 31 December 2023	**3**	**1 659 400**	**-2 207 674**	**457 874**	**-90 397**

for the year ended 31 December 2022

EUR 1,000	Share capital	Unrestricted equity: Reserve for invested unrestricted equity	Unrestricted equity: Common control reserve	Retained earnings	Total equity
Equity at 1 January 2022	**3**	**1 659 400**	**-2 207 674**	**344 098**	**-204 173**
Profit for the year				60 495	60 495
Other components of comprehensive income (adjusted by tax effect)					
Change in defined benefit plans				162	162
Total comprehensive income for the year				**60 657**	**60 657**
Transactions with shareholders					
Group contributions				-5 000	-5 000
Total transactions with shareholders				**-5 000**	**-5 000**
Equity at 31 December 2022	**3**	**1 659 400**	**-2 207 674**	**399 755**	**-148 516**

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 have been described in the relevant note and can be recognized from character

Significant judgements, estimates and assumptions made by the Group management have been presented in the relevant note and can be recognized from character

Risk management principles have been described in the relevant note and can be recog-nized 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').

The Board of Directors approved the consolidated financial statements on 5th March 2024. 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 2022 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 2022. 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 2023 of EUR 63,130 thousands and has a net equity of EUR -90,937 thousands as at 31 December 2023.

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 2023, 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 370 million from a syndicate of international banks (as fully described in Note 4.2.9).

CLIMATE CHANGE

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Elenia's management has assessed the financial risks and opportunities related to climate change to Elenia's business. The main risks are related to extreme weather events and the opportunities are related to the green transition. The impact of extreme weather events on Elenia's business is mitigated by Elenia's significant investment in a weatherproof underground network between 2012 and 2023. These investments will continue until at least 2036, for example increasing the level of underground cabling to around 90%, which will further reduce the impact of extreme weather events. In addition, the electricity network regulation mitigates the economic impact of both risks and opportunities for Elenia. For these reasons, the impact of climate change risks on Elenia's financial statements is not material.

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.

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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	2023	2022
Distribution of electricity	313 117	305 754
Customer service operations	9 303	8 818
Connection fees	2 879	1 372
Other revenues	1 650	1 492
Total	**326 948**	**317 437**

TIMING OF REVENUE RECOGNISION

EUR 1,000	2023	2022
Transferrred at a point in time	324 070	316 065
Transferred over time	2 879	1 372
Total	**326 948**	**317 437**

2.1.3 Liabilities related to contracts with customers

EUR 1,000	2023	2022
Non-current liabilities related to contracts with customers	47 663	39 989
Current liabilities related to contracts with customers	1 825	1 549
Total	**49 488**	**41 538**

Liabilities related to contracts with customers include the unrecognised part of new connection revenue for the electricity network. Revenue will be recognised over a period of next 30 years for the electricity network connections. 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 transaction price. 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 RECEIVABLES

The Group's trade receivables at the end of 2023 were EUR 20.4 million (2022: EUR 18.9 million). EUR 0,0 million collateral securities were received for trade receivables (2022: EUR 0.0 million).

TRADE AND OTHER CURRENT RECEIVABLES

EUR 1,000	2023	2022
Trade receivables	20 391	18 855
Accrued income and prepaid expenses	44 813	37 181
Other current receivables	245	3 105
Total trade and other receivables	**65 449**	**59 141**

BREAK-DOWN OF ACCRUED INCOME AND PREPAID EXPENSES

EUR 1,000	2023	2022
Sales accruals	42 476	35 553
Accrued financial items (prepayments)	564	0
Other accrued income and receivables	1 773	1 629
Accrued financial items in total	**44 813**	**37 181**

FINANCIAL RISK MANAGEMENT

CREDIT RISK

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.

DISTRIBUTION VOLUME AND PRICE RISKS

Electricity distribution operations do not involve volume or price risks in the medium term due to being subject to reasonable return under electricity distribution license. In the short term changes in distribution volumes and electricity prices has an impact on revenues and operating expenses respectively.

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 relative proportion of credit losses calculated from historically realized levels. 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 a monthly basis based on customers' credit rating level and payment history.

Change in expected credit losses

EUR 1,000	2023	2022
Expected credit loss 1 Jan	662	437
Additions	766	1 055
Realized credit losses	-773	-830
Expected credit loss 31 Dec	**655**	**662**

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BREAKDOWN AND IMPAIRMENT OF TRADE RECEIVABLES BY AGE (IFRS)

31 Dec 2023	Trade receivables				
EUR 1,000	Undue	1-90 days	91-180 days	Over 180 days	Total
Trade receivables by age	15 645	4 272	401	727	21 046
Expected credit loss rate, private customers	0,1 %	6,5 %	34,4 %	51,8 %	
Expected credit loss, private customers	-13	-177	-109	-126	-424
Expected credit loss rate, company customers	0,1 %	2,4 %	23,2 %	35,3 %	
Expected credit loss, company customers	-3	-37	-20	-171	-231
Total expected credit losses	**-16**	**-214**	**-129**	**-297**	**-655**
Total trade receivables	**15 629**	**4 058**	**272**	**430**	**20 391**

31 Dec 2022	Trade receivables				
EUR 1,000	Undue	1-90 days	91-180 days	Over 180 days	Total
Trade receivables by age	15 497	3 175	245	599	19 517
Expected credit loss rate, private customers	0,2 %	10,3 %	52,8 %	78,9 %	
Expected credit loss, private customers	-17	-204	-114	-142	-476
Expected credit loss rate, company customers	0,1 %	1,6 %	32,0 %	37,5 %	
Expected credit loss, company customers	-3	-18	-9	-155	-186
Total expected credit losses	**-21**	**-222**	**-123**	**-297**	**-662**
Total trade receivables	**15 477**	**2 953**	**122**	**303**	**18 855**

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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.

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	2023	2022
Rental income	64	30
Indemnities	464	852
Income from the trade receivables collection	946	1 044
Income from the sales of obsolete materials and used fixed assets	1 244	1 435
Gains on sales of fixed assets	0	381
Other operating income	2 082	388
Total	**4 800**	**4 131**

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	2023	2022
Lease expenses	-502	-397
External services	-4 028	-4 248
IT and communication expenses	-11 173	-10 658
Research and development costs	-911	-348
Marketing and communications	-747	-777
Insurances	-356	-328
Mailing expenses	-1 188	-557
Other personnel expenses	-976	-898
Travelling expenses	-485	-354
Outage compensation costs	-726	-225
Other expenses	-2 610	-583
Total	**-23 701**	**-19 373**

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	2023	2022
Auditing fees	-235	-226
Fees for tax services	-10	-14
Fees for other services	-15	-15
Total	**-260**	**-254**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2024 reporting period.

AUDITING FEES

Auditing fees include fees for auditing the consolidated financial statements 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	2023	2022
Short-term financial lease liabilities	356	1 099
Trade payables	12 961	13 678
Accrued expenses		
Employee benefits expenses	6 260	6 013
Interest expenses	16 694	13 359
Other accrued expenses	8 164	6 707
Liabilities related to contracts with customers	1 825	1 549
Other liabilities		
VAT liability	20 132	15 301
Energy taxes	19 069	16 321
Prepayments received	5 449	8 887
Equity repayment liability	41 112	190 232
Other liabilities	9 953	12 192
Total	**141 973**	**285 339**

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.

2.3.3 Employee benefit expenses

EMPLOYEE BENEFIT EXPENSES

EUR 1,000	2023	2022
Salaries and remuneration	-13 533	-12 799
Pensions		
Defined contribution plans	-2 988	-2 806
Defined benefit plans	0	5
Social security costs	-516	-510
Total	**-17 037**	**-16 110**

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

EUR 1,000	2023	2022
Salaries and remuneration paid to CEO		
Salaries and other short-term employee benefits	-370	-318
Other long-term employee benefits	-93	-126
Pension expenses related to salaries and employee benefits	-83	-80
Total	**-546**	**-525**
Salaries and remuneration paid to other key members of the management*		
Salaries and other short-term employee benefits	-1 106	-1 083
Other long-term employee benefits	-116	-190
Pension expenses related to salaries and employee benefits	-188	-229

* 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.

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LONG-TERM INCENTIVE LIABILITY

EUR 1,000	2023	2022
Other long-term liabilities	1 365	1 224
Other short-term liabilities	283	434
Total	**1 648**	**1 658**

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 2023, the remunerations related to the 2018-2020, 2019-2021 and 2020-2022 programmes were paid. During 2023 there were three programmes on-going: 2021-2023, 2022-2024 and 2023-2025.

During 2023 EUR 347 thousand (2022: 520 thousand) were recognized as an expense and EUR 358 thousand (2022 EUR 342 thousand) were paid out related to the long-term incentive plan. During 2023 EUR 1.6 million (2022: EUR 1.7 million) was 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. 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.

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
2023

EUR 1,000	Provision for refundable connection fees
Provisions at 1 January	6 119
Increase	994
Use of provisions	-592
Provisions at 31 December	**6 521**

PROVISIONS
2022

EUR 1,000	Provision for refundable connection fees
Provisions at 1 January	7 665
Decrease	-1 243
Use of provisions	-302
Provisions at 31 December	**6 119**

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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 2023	2 145	9 466	2 643 375	173 703	56	21 793	2 850 540
Additions	33	-7	102 676	16 780	0	-663	118 818
Additions due to revaluations	0	996	0	0	0	0	996
Disposals	0	7	-15 507	-50	0	-87	-15 638
Transfers between balance sheet items	-3	0	0	0	0	-410	-412
Cost at 31 December 2023	**2 175**	**10 462**	**2 730 543**	**190 433**	**56**	**20 633**	**2 954 304**
Accumulated depreciation, amortisation and impairment at 1 January 2023	-1	-7 617	-1 095 652	-151 488	-55	0	-1 254 814
Depreciation and amortisation for the year	0	-647	-80 902	-4 856	-1	0	-86 404
Accumulated depreciation and amortisation on disposals	0	0	5 519	0	0	0	5 519
Impairment for the year*	0	0	-2 350	0	0	0	-2 350
Accumulated depreciation, amortisation and impairment at 31 December 2023	**-1**	**-8 263**	**-1 173 383**	**-156 343**	**-56**	**0**	**-1 338 047**
Book value at 31 December 2023	**2 174**	**2 199**	**1 557 160**	**34 090**	**0**	**20 633**	**1 616 257**
Book value at 31 December 2022	**2 144**	**1 850**	**1 547 723**	**22 216**	**1**	**21 793**	**1 595 726**

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

EUR 1,000	Land and water areas	Buildings	Networks	Machinery and equipment	Other tangible assets	Prepayments	**Total**
Cost at 1 January 2022	2 105	8 505	2 515 730	162 799	56	25 337	2 714 532
Additions	11	0	135 549	10 952	0	423	146 934
Additions due to revaluations	0	1 671	0	0	0	0	1 671
Disposals	-1	-709	-11 286	-47	0	0	-12 042
Transfers between balance sheet items	30	0	3 381	0	0	-3 967	-555
Cost at 31 December 2022	**2 145**	**9 466**	**2 643 375**	**173 704**	**56**	**21 793**	**2 850 539**
Accumulated depreciation, amortisation and impairment at 1 January 2022	0	-6 905	-1 023 263	-146 825	-55	0	-1 177 048
Depreciation and amortisation for the year	0	-711	-77 326	-4 666	-1	0	-82 704
Accumulated depreciation and amortisation on disposals	0	0	8 045	4	0	0	8 049
Impairment for the year*	-1	0	-3 109	0	0	0	-3 110
Accumulated depreciation, amortisation and impairment at 31 December 2022	**-1**	**-7 617**	**-1 095 652**	**-151 488**	**-55**	**0**	**-1 254 814**
Book value at 31 December 2022	**2 144**	**1 850**	**1 547 723**	**22 216**	**1**	**21 793**	**1 595 726**
Book value at 31 December 2021	**2 105**	**1 599**	**1 492 467**	**15 974**	**1**	**25 337**	**1 537 484**

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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.

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.

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 capitalized. Until December 31, 2018 land use rights for underground cables have been capitalized in intangible assets for other long-term expenditure, but as of January 1, 2019 those rights have been capitalized in property, plant and equipment as networks. 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 licenses	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 assets 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 2023	417 823	22 583	56 879	497 285
Additions	0	131	4 533	4 664
Disposals	0	-5	-366	-371
Cost at 31 December 2023	**417 823**	**22 709**	**61 046**	**501 578**
Accumulated depreciation, amortisation and impairment at 1 January 2023	0	-14 801	-33 760	-48 561
Depreciation and amortisation for the year	0	-538	-4 156	-4 694
Accumulated depreciation, amortisation and impairment at 31 December 2023	**0**	**-15 341**	**-37 916**	**-53 257**
Book value at 31 December 2023	**417 823**	**7 368**	**23 129**	**448 321**
Book value at 31 December 2022	**417 823**	**7 782**	**23 119**	**448 723**

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	Total
Cost at 1 January 2022	417 823	22 568	51 744	492 135
Additions	0	15	4 580	4 595
Transfer between balance sheet items	0	0	555	555
Cost at 31 December 2022	**417 823**	**22 583**	**56 879**	**497 285**
Accumulated depreciation, amortisation and impairment at 1 January 2022	0	-14 244	-29 797	-44 041
Depreciation and amortisation for the year	0	-557	-3 963	-4 521
Accumulated depreciation, amortisation and impairment at 31 December 2022	**0**	**-14 801**	**-33 760**	**-48 561**
Book value at 31 December 2022	**417 823**	**7 782**	**23 119**	**448 723**
Book value at 31 December 2021	**417 823**	**8 324**	**21 947**	**448 094**

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.

The company performed its annual impairment test in January 2024. 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 2024-2055 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 6.0% (pre-tax), calculated based on relevant studies and the Energy Authority's communication regarding the required rate of return in the distribution business (in 2022 the applied discount rate was 5.9%). Long term capital expenditure plans have been prepared to meet the security of supply requirements in line with the Electricity Market Act as well as the expected requirements of electrification as per the government's national net zero emission commitment of 2035.

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The projected cash flows reflect the regulatory methods confirmed by the Energy Authority for the period 2024-2031, but based on the current understanding of the company senior management and the Board of Directors as well as public communication by other system operators and stakeholders, the current regulatory methods do not enable the execution of the investments required by the electrification of the society, nor the security of supply investments required by the Electricity Market Act (588/2013) within the required period by the end of 2036. Therefore, Elenia and other DSOs have appealed the confirmed regulatory methods to the market court. As a result, the impairment test calculation has been performed using scenarios taking into account the impacts of the alternative outcomes of the court process on the company's business plan. One scenario assumes a ruling in favor of the industry with regards to the definition of the asset base, and the other scenario, a ruling against the industry resulting in cash flow projections based on the regulatory methods confirmed by the Energy Authority on December 29, 2023 with no changes. The value in use has been calculated based on these outcomes, weighting them equally (50%/50%). This reflects the view of the senior management and the Board of Directors on the company's recoverable value.

Based on the analysis in January 2024 there is a headroom of 1 879 million euros.

SENSITIVITY TO CHANGES IN ASSUMPTIONS IN DISCOUNT RATE

Discount rate of the projected cashflows is based on the actual risk-free interest rates of the valuation timing and the parameters based on the Energy Authority's communication regarding the required rate of return in the distribution business. The discount rate (pre-tax) increasing by 4.4% (437 bps) would cause the recoverable value of the assets to be equal to its book value.

3.3 LEASE COMMITMENTS

ACCOUNTING POLICY

3.3.1LEASES (ACCOUNTING POLICY)

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 (ACCOUNTING POLICY)

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 (ACCOUNTING POLICY)

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 2023 was approximately EUR 49 thousand (2022: EUR 49 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 2023 was approximately EUR 354 thousand (2022:EUR 269 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 recognizes 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 recognized, 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).

Lease liabilities
At the commencement date of the lease, the Group recognizes 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.

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

LEASE LIABILITIES

EUR 1,000	**2023**	**2022**
As at 1 January	2 087	3 066
Additions	1 405	1 164
Payments	-1 008	-2 119
Interest expenses	-47	-24
As at 31 December	**2 437**	**2 087**
Non-current	**2 081**	**988**
Current	**356**	**1 099**

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

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

EUR 1,000	Buildings	Machinery and equip-ment	Total
As at 1 January 2023	1 590	305	1 895
Additions	0	406	406
Revaluations	996	0	996
Disposals	0	-50	-50
Depreciations	-635	-226	-862
As at 31 December 2023	**1 951**	**434**	**2 385**

EUR 1,000	Buildings	Machinery and equip-ment	**Total**
As at 1 January 2022	1 329	1 274	2 603
Additions	0	222	222
Revaluations	1 671	0	1 671
Disposals	-709	-43	-752
Depreciations	-700	-1 148	-1 848
As at 31 December 2022	**1 590**	**305**	**1 895**

During 2023 the Group had total cash outflows for leases of EUR 1,314 thousand (2022: EUR 2,555 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 changed from a valid untill further notice to a two year fixed term contract in March 2023. The lease contract has been revaluated based on this change and the resulting addition to lease liabilities in 2023 is 996 thousand euros.

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

Amounts recognised in profit or loss

EUR 1,000	**2023**	**2022**
Depreciation expense of right-of-use assets	-862	-1 848
Interest expense on lease liabilities	-47	-24
Expense related to short-term leases (incl. in other operating expenses)	-49	-49
Total amount recognised in profit or loss	**-958**	**-1921**

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4 CAPITAL STRUCTURE AND FINANCIAL ITEMS

4.1 FINANCE INCOME AND COSTS

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.

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 on 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 sport 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	2023	2022
Interest expenses		
Loans from financial institutions	-8 674	-729
Bonds and notes	-36 836	-36 050
Interest expenses related to lease liabilities	-47	-24
Other interest expenses	-13	-241
Total interest	**-45 570**	**-37 044**
Other finance costs	-2 961	-2 963
Exchange rate losses		
Loans and receivables	-1	0
Total finance costs	**-48 532**	**-40 007**
Interest income		
Other interest income	2 331	252
Exchange rate gains		
Other finance income	1	1
Total finance income	**2 331**	**253**
Finance costs (net)	**-46 201**	**-39 755**

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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 amortized 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 recognized through other comprehensive income will no longer be recognized 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.

The impairment requirements 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 realized 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 amortized 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 recognized 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 recognized 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. The group does not have any financial assets measured at fair value in 2022. 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 assets 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 as-sets 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. The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income.

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Any ineffective portion is recognized 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 derecognized 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 reward s of the asset, but has transferred control of the asset.

4.2.3 Impairment of financial assets

The Group recognizes 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 recognized 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 recognizes 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 amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization 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 recognized in the consolidated statement of profit or loss.

Derecognition of Financial liabilities

A financial liability is derecognized 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 recognized 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 recognized 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 2023

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	20 391	20 391	20 391
Cash and cash equivalents		60 161	60 161	60 161
Total Current assets		**80 552**	**80 552**	**80 552**
Carrying amount by category		**80 552**	**80 552**	**80 552**
Non-current financial liabilities				
Bonds and notes	4.2.8-9	-1 684 021	-1 684 021	-1 585 123
Loans from financial institutions	4.2.8-9	-250 000	-250 000	-250 000
Interest-bearing non-current liabilities				
- Leases	3.3	-2 081	-2 081	-2 081
Total interest-bearing non-current liabili-ties		**-1 936 102**	**-1 936 102**	**-1 837 204**
Bonds and notes				
Other current interest-bearing liabilities				
- Leases	3.3	-356	-356	-356
Trade payables	2.3.2	-12 961	-12 961	-12 961
Total current financial liabilities		**-13 316**	**-13 316**	**-13 316**
Carrying amount by category		**-1 949 418**	**-1 949 418**	**-1 850 520**

VALUES at 31 DECEMBER 2022

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	18 855	18 855	18 855
Cash and cash equivalents		51 154	51 154	51 154
Total Current assets		**70 008**	**70 008**	**70 008**
Carrying amount by category		**70 008**	**70 008**	**70 008**
Non-current financial liabilities				
Bonds and notes	4.2.8-9	-1 683 025	-1 683 025	-1 480 588
Loans from financial institutions	4.2.8-9	-150 000	-150 000	-150 000
Interest-bearing non-current liabilities				
- Leases	3.3	-988	-988	-988
Total interest-bearing non-current liabili-ties		**-1 834 013**	**-1 834 013**	**-1 631 576**
Bonds and notes				
Other current interest-bearing liabilities				
- Leases	3.3	-1 099	-1 099	-1 099
Trade payables	2.3.2	-13 678	-13 678	-13 678
Total current financial liabilities		**-14 777**	**-14 777**	**-14 777**
Carrying amount by category		**-1 848 790**	**-1 848 790**	**-1 646 353**

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 2023 and 2022.

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CASH AT BANKS AND ON HAND

Elenia had short-term bank deposits amounting to EUR 60.2 million (2022: EUR 51.1 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 increased by EUR 101.5 million (2022: EUR 0 million) during the year and interest-bearing liabilities at the balance sheet date totalled EUR 1,936.5 million (2022: EUR 1,835.1 million).

The fair value of short-term trade receivables and payables, other non-interest-bearing receivables, finance leases and cash and cash equivalents correspond essentially the carrying amount.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual payments.

31 December 2023

		Maturity			
EUR 1,000	Effective interest rate %	Within 1 year	1-5 years	Over 5 years	Total
Loans from financial institutions	4,84%	0	50 000	200 000	250 000
Bonds	1,98%	0	640 000	531 000	1 171 000
Notes	2,71%	0	79 000	439 500	518 500
Lease liabilities			2 081		2 081
Total interest-bearing non-current liabilities		**0**	**771 081**	**1 170 500**	**1 941 581**
Bonds					
Lease liabilities		356	0	0	356
Total current interest-bearing liabilities		**356**	**0**	**0**	**356**
Trade payables		12 961	0	0	12 961
Total current financial liabilities		**12 961**	**0**	**0**	**12 961**
Total		**13 316**	**771 081**	**1 170 500**	**1 954 897**

31 December 2022

		Maturity			
EUR 1,000	Effective interest rate %	Within 1 year	1-5 years	Over 5 years	Total
Loans from financial institutions	1,93%	0	0	150 000	150 000
Bonds	1,91%	0	640 000	531 000	1 171 000
Notes	2,71%	0	0	518 500	518 500
Lease liabilities			988		988
Total interest-bearing non-current liabilities		**0**	**640 988**	**1 199 500**	**1 840 488**
Lease liabilities		1 099	0	0	1 099
Total current interest-bearing liabilities		**1 099**	**0**	**0**	**1 099**
Trade payables		13 678	0	0	13 678
Total current financial liabilities		**13 678**	**0**	**0**	**13 678**
Total		**14 777**	**1 281 976**	**2 399 000**	**1 855 265**

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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 2023	Cash flows	New leases IFRS 16	Other changes	**31 December 2023**
Current obligations under lease liabilities	1 099	-1 008	0	265	**356**
Non-current interest-bearing loans and borrowings (excl. items listed below)	1 833 025	100 000	0	995	**1 934 021**
Non-current obligations under lease liabilities	988	0	406	687	**2 081**

EUR 1,000	1 January 2022	Cash flows	New leases IFRS 16	Other changes	**31 December 2022**
Current obligations under lease liabilities	2 108	-2 168	74	1 085	**1 099**
Non-current interest-bearing loans and borrowings (excl. items listed below)	1 832 046	0	0	979	**1 833 025**
Non-current obligations under lease liabilities	957	0	148	-117	**988**

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 market prices or dealer price quotations, without any deduction for transaction costs.

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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

As at 31 December 2023, 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	2023	2022	2023	2022	2023	2022	2023	2022
Financial instruments, non-current liabilities								
Bonds and notes	0	0	-1 585 123	-1 480 588	0	0	-1 585 123	-1 480 588
Loans from financial institutions	-250 000	-150 000	0	0	0	0	-250 000	-150 000
Total non-current financial liabilities	**-250 000**	**-150 000**	**-1 585 123**	**-1 480 588**	**0**	**0**	**-1 835 123**	**-1 630 588**
Total financial liabilities	**-250 000**	**-150 000**	**-1 585 123**	**-1 480 588**	**0**	**0**	**-1 835 123**	**-1 630 588**

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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 Management team . Currency risks that have an impact on profit or loss are primarily hedged operationally through contractual currency rate clauses.

Operating profit or finance costs does not include material exchange rate differences in 2023. At the end of 2023 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.

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES
31 December 2023

EUR 1,000	Facility amount	In use	Available amount	Maturity
Capex facility	250 000	0	250 000	1-5 years
Working Capital facility	50 000	0	50 000	1-5 years
Overdraft facility	20 000	0	20 000	1-5 years
Liquidity facility	70 000	0	70 000	1-5 years
EIB credit facility	250 000	250 000	0	Over 5 years
Cash and cash equivalents			60 161	
Total	**640 000**	**250 000**	**450 161**	

The Group has financial covenants relating to interest cover and leverage. The covenants are typical in. such arrangements. There were no covenant breaches in 2023. 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 balance sheet date, the company had no draw downs on the Capex credit limit (2022: no drawings) nor the working capital limit (2022: no drawings) granted by international banks. At the balance sheet date, Elenia Verkko Oyj had a EUR 250 million credit limit from the European Investment Bank (EIB). The loans mature between 2028 and 2033.

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 primarily by entering into loans with fixed interest. At the balance sheet date 86% (2022: 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 +/-2.7 million (2022: 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 Group has a hedging policy covering electricity purchases for at least the following 2-3 years to mitigate the impact of short-term price fluctuations. The majority of electricity purchases are hedged for the following year, with a declining hedging profile for the subsequent years. The regulatory methods governing electricity distribution operations provide protection against changes in commodity prices over the medium term. Changes in raw material prices such as oil, aluminum and copper affecting purchases of network components, causes fluctuations primarily in capital expenditure.

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 consist solely of short-term bank deposits.

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4.3 OTHER COMMITMENTS AND CONTINGENCIES

OTHER COMMITMENTS

EUR 1,000	2023	2022
Registered floating charges: Provided on behalf of own and Group liabilities	13 500 000	13 500 000
Mortgages	202 000	202 000
Refundable connection fees	284 437	283 337

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

4.4 EQUITY

Share capital

The shares 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 41.1 million euros.

Equity investment and common control reserve

In 2022 or 2023 there were no restructurings.

EUR 1,000	2023	2022
Unrestricted equity 1 Jan	-548 274	-548 274
Unrestricted equity 31 Dec	**-548 274**	**-548 274**

Retained earnings

Decrease in retained earnings of 5 000 thousand euros in 2023 is due to group contribution given to Elenia Group Oy. Also decrease in retained earnings of 5 000 thousand euros in 2022 is due to group contribution given to Elenia Group Oy .

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:

EUR	2023	2022
Profit attributable to equity holders of the parent, EUR	63 118 775	60 656 719
Average number of shares, pcs	250	250
Earnings/share, EUR - basic = diluted	**252 475**	**242 627**

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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 2023, 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

Elenia made a contract with Elisa Oyj on December 28, 2023, regarding the sale of its Fibrec business and completed the sale of the Fibre business on December 31, 2023. The sales profit (before taxes) was recorded in other operating income. Taking into account transaction costs and other one-time items related to the transaction, the transaction had a positive impact of 2.8 million euros on Elenia's operating profit in 2023.The fibre optic network built by Elenia is available to approx-imately 8,000 households and small businesses in its operating area.

The revenue from the Fiber Optic business was 0.2 million euros in 2023 and 0.4 million euros in 2022. There was no transfer of personnel as part of the transaction. The assets removed from Elenia's balance sheet in connection with the transaction consisted of the fibre optic network, unfinished fibre optic network projects, and land use rights. The value of these assets totaled 10.0 million euros. The transaction had a positive cash flow impact of 13.0 million euros on Elenia's investment cash flow.

There were no business sales during the fiscal year 2022.

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 2023. 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:

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AMENDMENTS TO IFRS 4 INSURANCE CONTRACTS - DEFERRAL OF IFRS 9

The amended standard has been effective for annual periods beginning on or after 1 January 2023, early application was 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 amendments do not have an impact on the consolidated financial statements.

IFRS 17 INSURANCE CONTRACTS

The amended standard has been effective for annual periods beginning on or after 1 January 2023, early application was permitted.

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 does not have an impact on the consolidated financial statements.

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 has been effective for annual periods beginning on or after 1 January 2023, early application was permitted.

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 impact on the consolidated financial statements.

AMENDMENTS TO IAS 8 DEFINITION OF ACCOUNTING ESTIMATES

The amended standard has been effective for annual periods beginning on or after 1 January 2023, early application was permitted.

The amendments clarify the definitions of accounting estimates. After implementing the changes the standard more clearly distinguish between accounting estimates, changes in accounting policies and correction of errors.

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

AMENDMENTS ON IAS 1 DISCLOSURE OF ACCOUNTING POLICIES

The amended standard has been effective for annual periods beginning on or after 1 January 2023, early application was permitted.

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

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

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

The amended standard has been effective for annual periods beginning on or after 1 January 2023, early application was 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.

The amendments do not have a material impact 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 ON IFRS 16: LEASE LIABILITY IN SALEA AND LEASEBACK

The amended standards will be effective for annual periods beginning on or after 1 January 2024 with early adoption permitted.

The changes affect how the seller-lessee handles the variable rental payments arising in a sale and leaseback transaction. With the changes, a new variable payment accounting model will be introduced, which requires that seller-lessees reevaluate and possibly correct sales and leaseback transactions made since 2019.

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

AMENDMENTS ON IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT LIABLITIES WITH COVENANTS

The amended standards will be effective for annual periods beginning on or after 1 January 2024 with early adoption permitted.

The amendments clarify the financial statement information that entities provide in a situation where the right to postpone the payment of the debt requires fulfilling the covenant conditions during the twelve months following the reporting date. Entities must present information that enables the user of the financial statements to understand the risk that the debt may be settled within twelve months from the end of the reporting period.

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

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 Income tax

ACCOUNTING POLICY

INCOME TAXES

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

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 2023 and 2022 are:

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

EUR 1,000	2023	2022
Current income tax charge	-2 504	-2 501
Adjustments in respect of current income tax of previous periods	1	-3
Deferred taxes	-12 315	-11 123
Income tax expense reported in the consolidated statement of profit or loss	**-14 819**	**-13 627**

CONSOLIDATED STATEMENT OF OCI

EUR 1,000	2023	2022
Deferred tax related to items recognised in OCI during the year:		
Remeasurement gains (losses) on defined benefit plans	3	-40
Deferred tax charged to OCI	**3**	-40

INCOME TAX RATE

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

EUR 1,000	2023	2022
Profit before tax	**-77 949**	**-74 122**
Theoretical income tax using the nominal tax rate of 20.0% (2022: 20.0%)	-15 590	-14 824
- tax-free income items	-199	-60
- expenses that are non-deductible in taxation	-46	251
-Deductible expenses not recorded in profit and loss	1 015	1 010
- adjustment of taxes based on previous periods	1	-3
Income tax in the income statement	**-14 819**	**-13 627**

Effective tax rate was 19% (2022: 18%)

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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 JUDGEMENTS

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 2023

Deferred tax assets EUR 1,000	Balance sheet 1 Jan 2023	Recognised in the statement of profit or loss	Recognised in other comprehensive income	Balance sheet 31 Dec 2023
Elimination of internal margin in non-current assets	12 012	3 479	0	15 491
Measurement of assets at fair value in acquisition	304	-49	0	255
Defined benefit plans	50	-10	0	40
Liabilities related to contracts with customers	8 307	1 590	0	9 897
Finance leases	55	-38	0	17
Cloud computing arrangements	245	225	0	470
Total	**20 973**	**5 197**	**0**	**26 170**
Deferred tax assets	**20 973**	**5 197**	**0**	**26 170**

Deferred tax liabilities EUR 1,000	Balance sheet 1 Jan 2023	Recognised in the statement of profit or loss	Recognised in other comprehensive income	Balance sheet 31 Dec 2023
Depreciation differences	1 101	-152	0	949
Measurement of assets at fair value in acquisition	102 318	21 975	0	124 293
Elimination of internal margin in non-current assets	54 076	-4 314	0	49 762
Total	**157 495**	**17 510**	**0**	**175 005**
Deferred tax liabilities	**157 495**	**17 510**	**0**	**175 005**

CHANGE IN DEFERRED TAX ASSETS AND LIABILITITES IN 2022

Deferred tax assets EUR 1,000	Balance sheet 1 Jan 2022	Recognised in the statement of profit or loss	Recognised in other comprehensive income	Balance sheet 31 Dec2022
Measurement of assets at fair value in acquisition	6 667	5 346	0	12 012
Deferred tax asset for the confirmed losses	352	-49	0	303
Defined benefit plans	93	-3	-40	50
Liabilities related to contracts with customers	6 385	1 922	0	8 307
Finance leases	182	-127	0	55
Cloud computing arrangements	64	181	0	244
Total	**13 743**	**7 270**	**-40**	**20 973**
Deferred tax assets	**13 743**	**7 270**	**-40**	**20 973**

Deferred tax liabilities EUR 1,000	Balance sheet 1 Jan 2022	Recognised in the statement of profit or loss	Recognised in other comprehensive income	Balance sheet 31 Dec2022
Depreciation differences	1 306	-205	0	1 101
Measurement of assets at fair value in acquisition	79 421	22 897	0	102 318
Elimination of internal margin in non-current assets	58 375	-4 299	0	54 076
Total	**139 102**	**18 394**	**0**	**157 495**
Deferred tax liabilities	**139 102**	**18 394**	**0**	**157 495**

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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	2023	2022
Items recognised on the consolidated statement of financial position at 31 December		
Current value of funded obligations	1 576	1 643
Fair value of assets	-1 378	-1 394
Deficit	198	249
Value of the obligation on the consolidated statement of financial position	**198**	**249**

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

EUR 1,000	2023	2022
Obligation at the beginning of the year	1 643	2 702
Interest expenses	60	18
Actuarial losses	49	-622
Settlements	0	-270
Benefits paid	-176	-185
Obligation at the end of the year	**1 576**	**1 643**

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

EUR 1,000	2023	2022
Fair value of plan assets at the beginning of the year	1 394	2236
Expected income from assets	50	15
Actuarial gains	36	-420
Settlements	0	-264
Payments by the employer	74	13
Benefits paid	-176	-185
Fair value of plan assets at the end of the year	**1 379**	**1 394**

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

EUR 1,000	2023	2022
Obligation at the beginning of the year	249	466
Net cost recognised in the statement of profit or loss	9	-2
Payments by the employer	-75	-13
Profits and losses recognised in other comprehensive income	14	-202
Value of the obligation at year end	**198**	**249**

Items recognised in the consolidated statement of profit or loss

EUR 1,000	2023	2022
Expenses based on service in the reporting year	0	-5
Interest income	-51	-15
Interest expenses	60	18
Total	**9**	**-2**

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

EUR 1,000	2023	2022
Actuarial gains/(losses) on assets	-36	420
Actuarial gains/(losses) on obligations	49	-622
Total	**13**	**-202**

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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 2024 are estimated to be EUR 79 thousand.

The weighted average duration of defined benefit obligation is 10-13 years.

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

EUR 1,000	2023	2022
Under 1 year	186	197
1-10 years	968	1 005
10-20 years	708	697
20-30 years	420	421
Over 30 years	238	249
Total	**2 521**	**2 569**

ACTURIAL ASSUMPTIONS USED IN CALCULATIONS

%	2023	2022
Discount rate	4,1 %	3,9 %
Estimate of salary increases	2,7 %	2,6 %
Inflation	2,5 %	2,4 %

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.

2023

Assumption EUR 1,000	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
Discount rate 4,1 %	1 576	1 378	198	0	7
0.5% increase	1 506	1 323	183	1	7
0.5% decrease	1 653	1 439	215	2	6

2022

Assumption EUR 1,000	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
Discount rate 3,9 %	1 643	1 394	249	0	9
0.5% increase	1 570	1 339	231	0	10
0.5% decrease	1 724	1 454	270	0	9

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6.3 RELATED PARTY DISCLOSURES

In accordance with IAS 24, related parties include the Board of Directors, CEO and other members of the Elenia Oy group's management team, the head of the Elenia Oy group's procurement and development unit, their close family members, and entities in which the above-mentioned persons directly or indirectly exercise control. In addition, related parties include Elenia's significant shareholders who own more than 20 percent of the company's shares or the combined number of votes of all shares.

The company maintains lists of related parties. The company has guidelines for identifying related party transactions of entities identified in the related party register, and they are obliged to notify the company in advance of their planned contracts and legal actions with companies belonging to the group, if the value of the transaction exceeds EUR 5,000.00. In addition, they are asked annually to confirm the related party activities that have been carried out. Related party transactions that are not part of the company's normal business or are made outside of the usual commercial terms are handled in the company in accordance with the applicable related party administration guidelines.

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 CapMan 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.

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.

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.

During the fiscal year 2023, the group did not have any long-term loans with related parties.

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. During financial year 2023 the payment period was extended until end of 2025.

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 equity repayments from 2021 to 2023.

EUR 1,000	Unrestricted equity repayment liability 1 Jan 2021	Decrease by 31 Dec 2023	Unrestricted equity repayment liability 31 Dec 2023
Elenia Investments S.à r.l.	550 000	508 888	41 112
Total			

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6.4 EVENTS AFTER THE REPORTING PERIOD

The bonds issued by Elenia Verkko Oyj are rated by S&P Global Ratings ("S&P"). S&P downgraded the rating to BBB (stable) at the end of January 2022 as a result of the changes in the regulatory methods in the middle of the regulatory period. After the new methods became effective from 1 January 2024, S&P placed Elenia on a negative credit watch on 10 January 2024. The outcome of S&P's assessment of Elenia is still uncertain at the time of this report.

In January, Elenia appealed to the Market Court to repeal the decision of the Energy Authority with regard to the key aspects of the regulatory methods for 2024-2027 and 2028-2031. The outcome of the appeal is expected in the next 2-4 years. Concurrently, Elenia has also the previous Market Court appeal in process with regards to sudden mid-period regulatory changes for 2022 and 2023, and the ruling is expected to be received within the next 12-18 months.

Jorma Myllymäki has been nominated as CEO of Elenia Oy, effective from 1 April 2024. Tapani Liuhala has been elected as the Chairman of the Board of Elenia Oy, effective from 1 April 2024. Tommi Valento has been nominated as member of the Board of Elenia Oy, effective from 1 April 2024.

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6.5 CONSOLIDATED STATEMENT OF PROFIT OR LOSS (ADJUSTED FOR COMPARABILITY)

ACCOUNTING POLICY
LAADINTAPERIAATTEET

COMPARABILITY WITH PREVIOUS YEAR FIGURES

Items affecting comparability include items whose adjustment substantially improves the comparability of figures from different years. Typically, they are exceptional either due to their size or nature, one-off or otherwise items that do not relate to the actual operative business of the Group. Such items may arise for example from unusually strong storms, legal costs, corporate and structural arrangements or financial arrangements. These items have been specified in the notes of the consolidated financial statements.

EUR 1,000	Note	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Revenue	2.1.1	326 948	317 437
Items affecting comparability included in revenue		-2 157	-626
Other operating income	2.2.1	4 800	4 131
Items affecting comparability included in other operating income		1 704	347
Materials and services		-73 412	-81 873
Employee benefit expenses	2.3.3	-17 037	-16 110
Other operating expenses	2.3.1	-23 701	-19 373
Operating expenses Total		**-114 150**	**-117 355**
Items affecting comparability included in operating expenses		1 587	-1 206
EBITDA		**217 599**	**204 212**
EBITDA before Items affecting comparability		**216 465**	**205 696**
Depreciation and amortisation	3	-93 448	-90 335
Operating profit		**124 150**	**113 877**
Operating profit before Items affecting comparability		**123 017**	**115 362**

The purpose of the table is to illustrate the underlying profitability of the business without any items affecting comparability (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 2023 in total EUR 1 134 thousand was recognised as items affecting comparability. This amount consists of exceptional network losses of EUR 17 328 thousand, costs that relate to legal actions due to regulatory changes of EUR 225 thousand, temporary rebate to customers of EUR 19 431 thousand, temporary network upstream cost rebate of EUR 3 295 thousand, increased costs of electricity used in substations EUR 292 thousand and sale of business totaling to EUR 2 842 thousand income.

The maximum monthly average electricity price in Finland during the previous 10-year period was 57 €/MWh as per June 2021. On this basis, costs from network losses exceeding 60 €/MWh on a monthly basis are treated as exceptional. Finland’s transmission system operator, Fingrid did not invoice grid service fees from distribution system operators from December 2022. Based on the company’s announcement in October 2022, the rebate, which will be granted also for 3-6 months in 2023, is the result of significantly higher than expected congestion income caused by electricity price differences at Finland’s borders. Rebate was granted for six months in 2023. Elenia’s distribution revenue decreased correspondingly by the proportion of grid service fees invoiced directly from customers connected to Elenia’s high voltage network.

In 2022 in total EUR 1 485 thousand was recognised as items affecting comparability. This amount consists of exceptional network losses of EUR 7 005 thousand, costs that relate to legal actions due to regulatory changes of EUR 229 thousand, temporary rebate to customers of EUR 626 thousand, temporary network upstream cost rebate of EUR 4 482 thousand, compensation related to a bankruptcy of EUR 347 thousand and decrease in connection fee related provision due do increase in market rates of EUR 1 546 thousand.

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PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	Notes	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Revenue	1.1	**146 303 486,72**	**168 908 680,85**
Other operating income	1.2	3 296 609,21	1 802 132,66
Materials and services	1.3	-94 307 184,87	-111 035 464,20
Personnel expenses	1.4	-16 623 029,74	-16 323 725,85
Depreciation, amortisation and impairment	1.5	-3 259 743,95	-3 058 870,67
Other operating expenses	1.6	-14 565 274,79	-13 326 223,00
Operating profit		**20 844 862,58**	**26 966 529,79**
Finance income and expenses	1.7	-2 352,62	-6 483,47
Profit / loss before appropriations and taxes		**20 842 509,96**	**26 960 046,32**
Appropriations	1.8		
Change in accelerated depreciations		1 485 687,16	-1 340 247,12
Group contributions		-22 336 000,00	-25 703 500,00
Income taxes	1.9	-81,89	-48,03
Profit / loss for the year		**-7 884,77**	**-83 748,83**

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PARENT COMPANY BALANCE SHEET

EUR	Notes	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	2.1		
Intangible rights		0,00	17 499,59
Goodwill		1 272 683,68	1 516 315,24
Other capitalized long term expenditure		3 129 152,10	4 252 537,86
		4 401 835,78	5 786 352,69
Tangible assets	2.2		
Network		0,00	8 691 761,02
Machinery and equipments		899 309,87	748 340,85
Advance payments and construction in progress		3 628 705,52	2 868 088,93
		4 528 015,39	12 308 190,80
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		**1 666 409 851,17**	**1 675 574 543,49**

EUR	Notes	31 Dec 2023	31 Dec 2022
Current assets			
Short-term receivables	2.4		
Trade receivables		1 060 581,16	868 175,23
Receivables from group companies		79 575 498,84	226 558 894,55
Other receivables		13 380,00	16 404,00
Prepayments and accrued income		1 725 404,86	1 531 076,74
		82 374 864,86	228 974 550,52
Total current assets		**82 374 864,86**	**228 974 550,52**
TOTAL ASSETS		**1 748 784 716,03**	**1 904 549 094,01**

CONTENTS

PARENT COMPANY BALANCE SHEET

EUR	Notes	31 Dec 2023	31 Dec 2022
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		-250 556,08	-166 807,25
Profit / Loss for the financial year		-7 884,77	-83 748,83
		1 657 713 643,85	1 657 721 528,62
Cumulative accelerated depreciations	3.2	**1 548 607,48**	**3 034 294,64**
Liabilities	3.3		
Non-current liabilities			
Other non-current liabilities		1 365 059,00	1 223 864,00
		1 365 059,00	1 223 864,00
Current liabilities			
Trade payables		8 580 654,65	8 038 432,19
Liabilities to group companies		50 461,35	191 641,51
Group contribution liability		22 336 000,00	25 703 500,00
Other short-term liabilities		48 806 700,96	201 133 420,86
Accruals and deferred income		8 383 588,74	7 502 412,19
		88 157 405,70	242 569 406,75
Total liabilities		**89 522 464,70**	**243 793 270,75**
TOTAL EQUITY AND LIABILITIES		**1 748 784 716,03**	**1 904 549 094,01**

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PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flow fron operating activities		
Profit / Loss before appropriations and taxes	20 842 509,96	26 960 046,32
Adjustments		
Depreciation, amortisation and impairment	3 259 743,95	3 058 870,67
Finance income and expenses	2 352,62	6 483,47
Other adjustments	0,00	-21 000,00
Cash flow before change in working capital	**24 104 606,53**	**30 004 400,46**
Change in working capital:		
Increase (-) / decrease (+) in non-interest bearing receivables	133 949 328,59	25 958 473,35
Increase (+) / decrease (-) in non-interest bearing liabilities	-4 190 987,02	2 136 561,93
Operating cash flow before financial items and taxes	**153 862 948,10**	**58 099 435,74**
Interest payments	-2 608,21	-6 582,91
Interests received	255,59	99,44
Taxes paid	-48,03	-201,33
Cash flow from operating activities	**153 860 547,45**	**58 092 750,94**

EUR	1 Jan - 31 Dec 2023	1 Jan - 31 Dec 2022
Cash flow from investing activities		
Capital expenditures	-4 687 404,52	-4 922 544,52
Proceeds from disposals of investments	0,00	21 000,00
Proceeds from disposal of business	13 000 000,00	0,00
Cash flow from investing activities	**8 312 595,48**	**-4 901 544,52**
Cash flow from financing activities		
Equity repayment	-149 120 000,00	-14 215 000,00
Group contributions received and paid	-25 703 500,00	-19 385 000,00
Cash flow from financing activities	**-174 823 500,00**	**-33 600 000,00**
Change in cash and cash equivalents	**-12 650 357,07**	19 591 206,42
Cash and cash equivalents 1 Jan	45 853 658,46	26 262 452,04
Cash and cash equivalents 31 Dec	**33 203 301,39**	**45 853 658,46**

In the balance sheet, the group bank account is presented as receivables from companies within the same group and as cash and cash equivalents on the cash flow statement.

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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.

Intangible and tangible assets

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 equipment	3–10 years

1 NOTES TO INCOME STATEMENT

1.1 Revenue

EUR 1,000	2023	2022
Contracting income	119 756	144 652
Connection fee income	105	261
Other sales income	26 442	23 995
Total	**146 303**	**168 909**

1.2 Other operating income

EUR 1,000	2023	2022
Revenue from collection of trade receivables	3	3
Gains on the sale of scrap and used fixed assets	1 244	1 456
Other operating income	2 050	343
Total	**3 297**	**1 802**

1.3 Materials and services

EUR 1,000	2023	2022
External services	-50 144	-55 554
Materials	-44 163	-55 481
Total	**-94 307**	**-111 035**

1.4 Personnel expenses

EUR 1,000	2023	2022
Salaries	-13 834	-13 597
Pension expenses	-2 363	-2 290
Other employee expenses	-426	-437
Total	-16 623	**-16 324**
Average number of personnel during the financial year	229	230

SALARIES AND REMUNERATION PAID TO CEO

EUR 1,000	2023	2022
Salaries and other short-term employee benefits	-370	-318
Other long-term employee benefits	-93	-126
Pension expenses related to salaries and employee benefits	-83	-80
Total	**-546**	**-525**

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1.5 Depreciations according to the plan

EUR 1,000	2023	2022
Intangible fixed assets	-1	-1
Goodwill	-244	-244
Other capitalized long term expenditure	-1 668	-1 850
Network	-669	-458
Machinery and equipments	-678	-506
Total	**-3 260**	**-3 059**

1.6 Other operating expenses

EUR 1,000	2023	2022
Lease expenses	-935	-824
Other external services	-9 589	-8 925
Other operating expenses	-4 041	-3 577
Total	**-14 565**	**-13 326**

AUDIT CHARGES

EUR 1,000	2023	2022
Auditing fees	-75	-125
Fees for tax services	-4	-7
Fees for other services	0	-9
Total	**-79**	**-140**

1.7 Financial income and expenses

EUR 1,000	2023	2022
Interest and other financial expenses		
Interest expenses	-3	-1
Internal interest expenses	0	-6
Total	**-3**	**-7**
Total financial income and expenses	**-2**	**-6**

1.8 Appropriations

EUR 1,000	2023	2022
Change in accelerated depreciations	1 486	-1 340
Group contributions given	-22 336	-25 704
Total	**-20 850**	**-27 044**

2 NOTES TO THE BALANCE SHEET ASSETS

2.1 Intangible assets

INTANGIBLE RIGHTS

EUR 1,000	2023	2022
Cost 1 Jan	19	7
Investments	7	12
Businesses acquired and sold	-23	0
Cost 31 Dec	3	19
Accumulated depreciation 1 Jan	-1	0
Depreciation according to the plan	-1	-1
Book value 31 Dec	**0**	**17**

GOODWILL

EUR 1,000	2023	2022
Cost 1 Jan	2 436	2 436
Cost 31 Dec	2 436	2 436
Accumulated depreciation 1 Jan	-920	-676
Depreciation according to the plan	-244	-244
Book value 31 Dec	**1 273**	**1 516**

OTHER CAPITALIZED LONG-TERM EXPENDTURE

EUR 1,000	2023	2022
Cost 1 Jan	14 098	12 837
Investments	545	1 261
Cost 31 Dec	14 642	14 098
Accumulated depreciation 1 Jan	-9 845	-7 995
Depreciation according to the plan	-1 668	-1 850
Book value 31 Dec	**3 129**	**4 253**

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2.2 Tangible assets

NETWORK

EUR 1,000	2023	2022
Cost 1 Jan	9 356	4 537
Investments	1 946	4 819
Businesses acquired and sold	-9 969	0
Cost 31 Dec	1 333	9 356
Accumulated depreciation 1 Jan	-665	-207
Depreciation according to the plan	-669	-458
Book value 31 Dec	**0**	**8 692**

MACHINERY AND EQUIPMENT

EUR 1,000	2023	2022
Cost 1 Jan	2 572	2 314
Investments	829	262
Disposals	0	-4
Cost 31 Dec	3 401	2 572
Accumulated depreciation 1 Jan	-1 824	-1 322
Disposals	0	4
Depreciation according to the plan	-678	-506
Book value 31 Dec	**899**	**748**

ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

EUR 1,000	2023	2022
Cost 1 Jan	2 868	4 234
Increase	848	878
Decrease	0	-2 244
Businesses acquired and sold	-87	0
Book value 31 Dec	**3 629**	**2 868**

2.3 Investments

HOLDINGS IN GROUP COMPANIES

EUR 1,000	2023	2022
Cost 1 Jan	1 657 480	1 657 480
Cost 31 Dec	1 657 480	1 657 480
Book value 31 Dec	**1 657 480**	**1 657 480**

2.4 Receivables

SHORT-TERM RECEIVABLES

Receivables from group companies

EUR 1,000	2023	2022
Accrued income	2 925	3 258
Equity repayment receivables	43 447	177 447
Group bank account	33 203	45 854
Receivables from group companies total	**79 575**	**226 559**

External receivables

EUR 1,000	2023	2022
Trade receivables	1 061	868
Other short-term receivables	13	16
Accrued income	1 725	1 531
External receivables total	**2 799**	**2 416**

External accrued income

EUR 1,000	2023	2022
Sales accruals	2	14
Other accrued income and receivables	1 723	1 517
External accrued income total	**1 725**	**1 531**
Short term receivables total	**82 375**	**228 975**
Total receivables	**82 375**	**228 975**

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3 NOTES TO THE BALANCE SHEETS EQUITY AND LIABILITIES

3.1 Capital and reserves

EUR 1,000	2023	2022
Subscribed capital	3	3
Non restricted equity 1 Jan	1 657 970	1 657 970
Non restricted equity 31 Dec	1 657 970	1 657 970
Retained earnings 1 Jan	-251	-167
Prifit / Loss for the the financial year	-8	-84
Total capital and reserves	**1 657 714**	**1 657 722**
Distributable equity	1 657 711	1 657 719

3.2 Cumulative accelerated depreciations

EUR 1,000	2023	2022
Cumulative accelerated depreciations	1 549	3 034

Accelerated depreciations include deferred tax liability of 309,721 euros.

3.3 Liabilities

NON-CURRENT LIABILITIES

EUR 1,000	2023	2022
Other non-current liabilities	1 365	1 224
Total non-current liabilities	**1 365**	**1 224**

CURRENT LIABILITIES

EUR 1,000	2023	2022
Trade payables	8 581	8 038
Other short-term liabilities	7 695	10 901
Equity repayment liability	41 112	190 232
Accrued expenses		
Salaries and social expenses	4 572	4 444
Other accrued expenses	3 812	3 059
Total	**8 384**	**7 502**
Liabilities to group companies		
Accrued expenses	49	192
Group contribution payables	22 336	25 704
Total	**22 386**	**25 895**
Total current liabilities	**88 157**	**242 569**
Total liabilities	**89 522**	**243 793**

3.4 Liabilities and quarantees for debts

EUR 1,000	2023	2022
Guarantees	1 689 500	1 689 500
Floating charges	4 500 000	4 500 000
Leasing agreements		
Within one year	892	110
After one year but not more than five years	1 732	114
Total	2 624	224

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Shares and Holdings

Subsidiary	Domicile	Share	Vote share	Share of ownership	Nominal value EUR 1,000	Book value EUR 1,000
Elenia Verkko Oyj	Tampere	100%	100%	100%	1 657 480	1 657 480

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SIGNATURES TO THE FINANCIAL STATEMENTS

Tampere, 5 March 2024

Timo Rajala
Chairman of the Board of Directors

Mark Braithwaite

Eduard Fidler

Michael Pfennig

Philip Swift

Jorma Myllymäki

Sirpa Ojala

Tapani Liuhala
CEO

AUDITORS NOTE

A report on the audit carried out has been issued today.
Tampere, 7 March 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Miikka Hietala
KHT

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AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

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, 2023. 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 material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- The consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- The financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with 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.
- 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

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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 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 March 7th, 2024

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 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 CEO and Manager of Customer Relations. Tapani holds a Bachelor of Science in Electrical Engineering.

Jorma Myllymäki

Executive Vice President, Elenia Verkko Oyj

Jorma joined the company in 2007 and is the Executive Vice President and 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

Investment Committee Member, Macquarie Asset Management EMEA

Mark recently retired from Macquarie where he was the Head of Portfolio and Coverage for MAM Real Assets, 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 remains a Non-Executive Director of a number of MAM's portfolio infrastructure companies in Europe. Mark is 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

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), Mintly Oy 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.

Philip Swift

Operating Partner, Macquarie Asset Management

Philip also sits on the Boards of Roadchef (UK) and Southern Water (UK) where he has additional Board Committee responsibilities across both organisations. He was the President of National Grid Electricity Distribution (2021-2023) and CEO of Western Power Distribution (WPD) from 2018-2021. He led the WPD Executive Management team as part of PPL's sale of WPD to National Grid that was completed in 2021. He has previously held a role in the successful acquisition and integration of EON's Central Networks business into WPD. Prior to that he worked in Aerospace where he completed his engineering apprenticeship. Philip has an engineering degree BSc (Hons) from Portsmouth.

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. 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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