



Elenia Group
INVESTOR REPORT
H1 2024



ELENIA

INVESTOR REPORT

For the six months ended 30 June 2024

Elenia Group

This investor report provides information on the Elenia Group's ("Elenia") business in the first half of 2024, including regulatory and business developments, Elenia's financial performance and other information in accordance with the requirements of the Common Terms Agreement dated 10 December 2013 as amended and restated from time to time ("CTA").

1. Overview

Elenia continued its operations in the first half of 2024 without interruptions.

During the reporting period, Elenia's electricity distribution business ("Elenia Verkko Oyj") continued the roll-out of its long-term investment plan, which is designed to improve the security of supply, and approximately 82 % of Elenia's customers are within the scope of the quality requirements¹.

In the first half of 2024, Elenia's revenue and EBITDA² increased by 12.8% compared to the first half of 2023. The growth was mainly driven by the rising distribution volumes due to cold winter together with the distribution tariff increase in May 2023.

The key financial performance indicators for the first half of 2024 are shown in the table below. Further information is available at www.elenia.fi/en/investors.

| Key Financial Performance Indicators (€m) | H1 2023 | H1 2024 | Change (%) |
|---|---------|---------|------------|
| Revenue | 160.8 | 181.5 | 12.8% |
| EBITDA ² | 108.6 | 122.5 | 12.8% |
| EBITDA ² Margin | 67.5% | 67.5% | |

2. Business Update

a. Storms and Exceptional Weather Events

There were no major power disruptions or storms during the reporting period.

¹ The Electricity Market Act states that the quality requirements should apply to 100% of customers by the end of 2036 and accordingly power needs to be restored within six hours in zoned areas, and within 36 hours in other areas.

² Excluding exceptional and non-recurring items of approximately €10.8 million that included mainly transmission grid service fee rebates and minor network losses caused by exceptionally high electricity price and expenses related to regulatory changes. Fingrid did not charge transmission grid fees from distribution system operators ("DSOs") in January, February and June. As per the regulatory framework, network losses and transmission grid fees are pass-through items that can be passed on to customers through network tariffs in the long run.

b. Regulation

The Energy Authority (“EA”) supervises the operations of DSOs and regulation is based on four-year periods. The final regulatory confirmation decision for the sixth (2024-2027) and seventh (2028-2031) regulatory periods includes numerous amendments compared to the previously applied methods weakening the DSOs’ operating conditions and investment capabilities. The key changes include freezing of the asset base to values based on construction costs prevailing in 2022 and calculation of industry wide unit prices. Elenia considers the changes to the methods excessive and unjustified as the EA’s decision represents a substantial deviation from the methods and principles of distribution network regulation that has been well functioning and established in Finland. Especially, the amended method of defining the DSOs’ electricity network assets is in contradiction with the applicable electricity market legislation, both in terms of content and impacts. Additional changes include, for example, amendment to the definition of the WACC parameters, introduction of new demand flexibility incentive and a profit-sharing mechanism to the investment incentive.

The EA has published selected regulatory key figures of Finnish DSOs based on the 2022 figures. Elenia Verkko Oyj’s regulatory asset base (“RAB”)³ was €1,695.9 million at the end of 2022. Following the regulatory changes published at the end of 2021, the unit prices used for determining the RAB were updated resulting in the regulatory asset value for Finnish DSOs to decrease on average by 15% at the beginning of 2022.

In January, Elenia appealed to the Market Court to repeal the decision of the EA regarding the key aspects of the regulatory methods for 2024-2027 and 2028-2031. The final outcome of the appeal is expected within the next four years. Elenia has previously appealed to the Market Court to repeal the decision of the EA regarding the amendment to the regulation methods of the previous regulatory period for 2022-2023. The ruling of this case is expected to be received within 12 months.

c. Investments

Elenia was the first DSO in Europe to incorporate hourly electricity consumption monitoring into digital services and is now replacing 435,000 smart electricity meters with next-generation meters. The project is scheduled to last until the end of 2025 and currently more than 250,000 units have been installed. An increasing share of electricity is being produced from wind and solar energy meaning that changes in weather will affect the volume of electricity production. As consumption of electricity as well as the need to balance production and consumption is increasing, new state-of-the-art technology solutions for electricity networks and electricity metering systems are required.

Elenia delivered the network development plan (“NDP”) 2024 to the EA in June. The plan includes long term capex requirements for security of electricity supply and green transition investments and the most significant change in Elenia’s current plan is the needed capex for green transition. The NDP 2022 presented total capex of approximately €2 billion for 2022–2036 consisting mainly of investments to security of electricity supply, health safety and environment (“HSE”) and new connections. Only moderate quantity of green capex was included in the previous plan and it consisted of near future wind and solar power connections and smart meters. In the NDP 2024, the total capex for 2024–2036 is approximately €2.4 billion, despite the forecast period being two years shorter. Security of electricity supply, HSE and new connections related investments are broadly in line with the NDP 2022, but the green capex has increased substantially being more than €500 million between 2024 and 2036. Out of all Finnish DSOs Elenia had by far the largest share of green capex in its NDP.

The network investments in the first half of 2024 were €68.0 million (€145.7 million on a rolling 12-month basis) and the underground cabling rate increased as planned to approximately 65%. Due to significant

³ The figure should be considered preliminary until the final regulatory decision has been given by the EA.

negative changes in the regulatory methods that came into force on 1 January, the capex plan for the current year has been cut by approximately €40 million to preserve Elenia's credit ratios and support the rating.

d. Continuity of Operations

Elenia has an asset management system according to the international ISO 55001:2014 standard in place for the three-year period 2022-2025 subject to continuing surveillance visits. Elenia has demonstrated that it continues to have asset management processes, systems and plans which have been implemented and maintained throughout the organization.

The ISO/IEC 27001 certification for the information security management system was renewed in the beginning of the reporting period as Elenia successfully updated the certificate to the latest ISO27001:2022 version at the same time. The number of cybersecurity threat simulations has been increased this year.

e. Safety, Health and Sustainability

Elenia's sustainability programme and its targets apply to everyone at Elenia. The sustainability program is aligned with the UN's Sustainable Development Goals and there are six selected goals that are linked to Elenia's operations. For each of the goals, the company has set specific targets and the related KPIs are followed monthly. Elenia is also a signatory of the UN's Global compact. During the reporting period Elenia started preparing for the European Corporate Sustainability Reporting Directive (CSRD), for instance, by carrying out an extended double materiality assessment and a gap analysis of the current status of sustainability reporting against the mandatory disclosure requirements effective 1 January 2025.

The sixth Sustainability Report prepared in accordance with the Global Reporting Initiative standards (as well as the relevant GRI Electric Utilities Sector Supplement themes) was published in March 2024. The reporting takes into account the requirements of the Sustainability Accounting Standards Board (SASB) and it also includes a Task Force on Climate-related Financial Disclosures (TCFD) report facilitating the assessment of the impacts of climate-related risks and opportunities on the business, strategy and financial decision-making.

Elenia has been approved for the Science Based Targets initiative climate target. As part of an ambitious future-oriented sustainability vision Elenia focuses on its own operations to reach carbon-neutrality. Elenia is committed to reduce absolute greenhouse gas Scope 1 and 2 emissions 42% by 2030 in accordance with the Paris Climate Agreement. Additionally, Elenia is committed to setting Net Zero targets that cover also the emissions from the entire value chain (Scope 1, 2 and 3). The Net Zero targets must be met by 2050. Currently the number of all Elenia's suppliers committed to the SBTi has reached the level of 30% which will have a significant impact on emissions reduction targets in the future.

The EU taxonomy is a classification system establishing a list of environmentally sustainable activities. Approximately 97 % of Elenia's revenue, 97 % of capex and 77 % of operating expenses are taxonomy eligible and taxonomy aligned. When examining the proportion of Elenia's EU taxonomy eligible activities, it can be noted that Elenia's taxonomy eligible revenue, capex and operating expenses are in line with the criteria set for climate change mitigation. Elenia has also taken into account EU taxonomy alignment requirements for companies to comply with minimum social safeguards regarding human rights, corruption and bribery, taxation and fair competition.

Elenia has in place the Safety Manifesto with its main contractors, indicating that they are jointly committed to safety and that everyone is entitled to return home healthy after work. This is monitored on the highest level and all accidents are reported to the Board. Elenia launched an HSEQ (Health, Safety, Environment and Quality) development project together with partners aiming at preventing accidents and improve safety, sustainability and quality in work performed for Elenia. The project

involves HSEQ coordinators conducting visits to construction sites to observe on-site work and activities, as well as safety attitudes.

During the reporting period Elenia also participated in the GRESB Infrastructure Assessment focusing on environmental, social and governance performance. The 2024 results from the assessment are expected to be released in autumn.

3. Changes to the Board of Directors and the Management Team

Jorma Myllymäki was appointed as the CEO of Elenia on 1 April. Timo Rajala ceased to be a chairman and a member of the board of directors of Elenia Oy on 1 April and was replaced by the previous CEO Tapani Lihuala. Simultaneously, Tapani Lihuala ceased to be a member of the board of directors of Elenia Verkkö Oyj and CFO Tommi Valento became a member of the board of Elenia Oy.

Likewise, Tommi Lähdeaho was appointed as the Chief Operating Officer on 1 April. He belongs to the management team and is operationally responsible for Elenia's networks business.

4. Financing and Hedging Position

Following the EA's regulatory confirmatory decision, S&P Global Ratings ("S&P") placed Elenia Verkkö Oyj's senior secured issue rating on CreditWatch ("CW") negative in January. The reason cited by S&P was that the new regulatory methods could have a significant impact on DSOs in Finland. In April, S&P affirmed the rating at BBB (stable) and removed it from CW.

Elenia has agreed sustainability linked revolving credit facilities with a syndicate of nine banks. The facilities include sustainability KPIs aiming to reduce CO2 emissions, improve security of supply and enhance safety among personnel and service providers. As at 30 June 2024, the Facilities consisting of €250 million Capex Facility, €50 million Working Capital Facility and €70 million Liquidity Facility were undrawn.

Elenia has solicited consent from the secured creditors to make certain amendments to its finance documents in order to, for instance, improve risk management and financing flexibility to reflect changes in market conditions. The amendments included lowering of the hedging ratio requirement, possibility to have dedicated overdraft facilities and issue Euro commercial money market papers and invest excess cash with lower limitations. Approximately 98% of the secured creditors voted in favour of the proposal meaning it was duly passed.

The Hedging Ratio was 85.8% as at 30 June 2024 and Elenia was in compliance with the Hedging Policy.

5. Acquisitions or Disposals

There were no material acquisitions or disposals in the reporting period.

9. Confirmations

We confirm that as at 30 June 2024:

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

Yours faithfully,



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Tommi Valento

Chief Financial Officer

Signing without personal liability, for and on behalf of

Elenia Verkko Oyj as Security Group Agent