



SALASSAPIDETTÄVÄ DOKUMENTTI

Project HQ

INVESTMENT OVERVIEW

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Confidential copy – provided on the 12th of April, 2023

Etelä-Savon Energia in brief

Etelä-Savon Energia in numbers (2022)



Revenue: **€67.9 million**
EBITDA: **€26.2 million (38.5%)**



Number of connections (2022)

Electricity distribution: **~25,000**
District heat: **~2,500**



Personnel (2023): 86



Network length

Electricity distribution: **~1,000 km**
Heating: **~210 km**



Delivered heat/electricity

Electricity delivered: **~340 GWh**
District heat sold: **~360 GWh**
Electricity production: **217 GWh**

Business areas (2022)



Parent company¹



DSO



Construction & maintenance



Other operations²

Revenue:	€56.0 m	€9.2 m	€2.1 m	€0.5 m
EBITDA:	€19.7 m	€7.0 m	-€0.4 m	-€0.1 m



Other assets



- Etelä-Savon Energia Oy (“ESE” or “the Company”) is a regional energy company with a central and long-standing role in the city of Mikkeli.
- The Company’s history stretches back to the beginning of the 20th Century where the company was the 4th company to start the production of district heat in Finland in 1958.
- ESE is a forward-looking energy business which has initiated its transformation accordingly with the sector demand. The Company’s assets are generally in good condition and renewed. ESE’s personnel is trained and motivated.

- The Company produces and distributes heat in Mikkeli region. District heat is produced at Pursiala’s combined heat and power plant where the heat is generated in electricity production process and then it is fed into the district heating network.
- ESE distributes electricity in the city of Mikkeli through ESE-Verkko Oy which is a group company of Etelä-Savon Energia Oy. The distribution network has largely been renewed after 2006 and almost the whole medium-voltage network in the urban area is cabled.
- Electricity production is an important part of the Company’s business. The Company has access to several other energy sources such as hydro, nuclear, wind, solar and condensate power through other assets.

About Mikkeli



- Mikkeli is a city located in Eastern Finland and it is a provincial center of Etelä-Savo region.
- The city has a growing population, with a steady increase in the number of residents in recent years. This presents a growing market for utility services and provides a solid base for future growth.
- Mikkeli is a home to several large companies and industries, including forest industry and high-tech companies in the fields of automation and robotics.

Note: 1) Includes energy business and production; 2) Other operations include divested operations OOOESE and Biohauki, discontinued Huippuenergia and ongoing Haukivuoren Lämpö (district heat production and distribution in Haukivuori).
Source: Company

Business areas



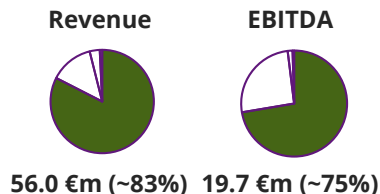
Energy business

- The Company's energy business consist of district heating and district cooling and supporting energy production units in the network area
- The Company's district heating network covers the Mikkeli region and two remote networks in Haukivuori and in Ristiina

Operating key figures, 2022

- Total network length ~210 km
- No. of customers ~2,500
- Distributed heat ~370 GWh

Financials, 2022



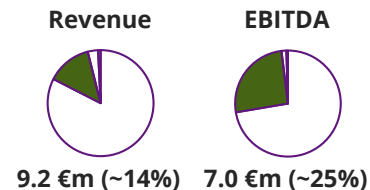
Energy production

- The Company produce energy in the Pursiala power plant which produces roughly 100 GWh of electricity, 400 GWh of district heating, and 20 GWh of industrial steam
- Primary source of energy is renewable wood material (80% of the fuel used)

Operating key figures, 2022

- Electricity sold **153 GWh**
- DH sold **423 GWh**
- Maximum production capacity ~800 MWh¹
- Share of biomass fuel used in energy production ~80%

Financials, 2022



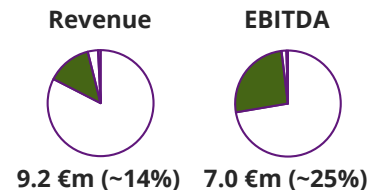
DSO

- ESE-Verkko Oy is a subsidiary of Etelä-Savon Energia Oy and is responsible for distributing electricity in its own licensed electricity network area

Operating key figures, 2022

- Total network length ~1,000 km
- No. of customers ~25,300
- Distributed electricity ~340 GWh
- RAV **€56.9 m**

Financials, 2022



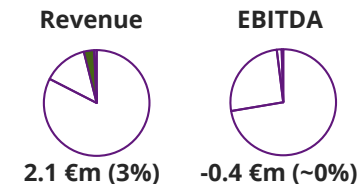
Maintenance

- ESE-Tekniikka Oy supports other business unit operations, especially district heating and electricity network
- Main source of revenue is construction of network

Operating key figures, 2022

- Number of employees **16**
- External sales **€0.5m**

Financials, 2022



Source: Company Note 1) Includes Pursiala power plant and other assets

Other assets

- The Company has access to a wide range of other energy sources through shareholdings including hydro, nuclear, wind, solar and steam. In the future, the Company also has an opportunity to enter the hydrogen market through Nordic Ren-Gas hydrogen investment in Mikkeli.

Koskienergia Oy

Ownership (%): 45%
Sales, 2021 (€m): €7.1

- Koskienergia Oy is a hydropower company owned by three local energy companies, Etelä-Savon Energia Oy, Äänekosken Energia Oy and Kuoreveden Sähkö Oy. Koskienergia Oy operates 30¹ hydropower plants around Finland. Annually ESE receives 70 GWh of electricity from Koskienergia Oy.

BIOSAIRILA

Ownership (%): 39.29%
Sales, 2021 (€m): €0.7

- BioSairila Oy is a biorefinery company which produces biomethane into transportation sector and fertilizer and soil improvement products. In the beginning of 2023 E-Gas station chain and Biohauki biorefinery owned by ESE transferred to BioSairila Oy.

FINNWIND

Ownership (%): 25%
Sales, 2021 (€m): €1.8

- Finnwind Oy is a Finnish technology and expertise company founded in 1993 that manufactures, markets and installs solar power systems, small wind turbines and hybrid systems to replace grid connection.

KS Energiavälitys Oy

Ownership (%): 20%
Sales, 2021 (€m): €1.0

- The company owns shares of Jyväskylän Voima Oy's condensate electricity power plant.

SUOMEN VOIMA

Ownership (%): 1.91%²
Sales, 2021 (€m): €170

- Suomen Voima Oy is a Mankala-model consortium of 17 energy companies, whose task is to produce electricity (wind, nuclear, hydro, solar) for their owners. ESE is in Suomen Voima's electricity balance and the balance settlement service is provided by Enerim.

MISAWA

Ownership (%): 2.1%
Sales, 2021 (€m): €25.9

- Misawa is active in the sawing of wood. ESE provides heating for drying of wood.

Note: 1) Koskienergia currently operates 30 hydro power plants, which of two have been sold ; 2) ESE's ownership in Suomen Voima changed recently due to arrangements in Fennovoima. Previously the ownership was 1.25%
Source: Company

Investment highlights



Essential infrastructure in Finland

DSO

District heating

Energy production & other assets

Management & personnel

Financials

- **Finland as a market environment** is a secure, Euro-denominated investment destination with a predictable economic and political climate. For more than a century, Etelä-Savon Energia has managed critical infrastructure assets in the Mikkeli region and it was the fourth company in Finland to start the production of district heating.
- **Core infrastructure assets with** consistent and inflation-linked regulation, in combination with a stable customer base and volume, ensures predictable cash flows. The distribution network is largely renewed with high rate of underground cabling and further expansion potential. The Company has also been able to gain benefits from DSO CAPEX compared to regulatory prices.
- **Long-term stable customer base** of DH in Mikkeli allows pricing slightly below national average. Distribution network is covering major part of the Mikkeli region with two remote networks and low distribution losses. Possible collaborations and other development projects is an excellent future opportunity for CO2 free district heating with lower production costs.
- **Energy production facilities and other supporting assets** produces energy mostly from renewable wood materials. ESE also has an access to significant amount of hydro and small amount of wind, nuclear and condensate power capacity through other assets.
- **Dedicated Business unit leaders** of 6 individuals with extensive industry experience. Highly educated and motivated personnel with diverse skill sets and experience are working flexibly across the Company's business units.
- **Strong financial performance** is a result of market changes and excellent management. ESE has increased EBITDA from 2020 to 2022 by roughly 160%. In the future the Company has a possibility to strengthen its cost efficiency e.g. through collaboration with Ren-Gas.



Communication

- All communication or enquiries relating to the Company or the Sale Process should be directed to the KPMG's contact persons shown below. Under no circumstance should you, or any party connected with or related to you, approach the Company, the management or employees of the Company, or any of its associated companies, customers, suppliers or competitors, in connection (directly or indirectly) with the Sale Process unless specific written permission is obtained in advance from KPMG. Failure to comply with this may result in disqualification from the Sale Process. All enquiries and communication relating to this sale process should be addressed to the following contact persons at KPMG:



KPMG Oy Ab, Corporate Finance

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SALASSAPIDETTÄVÄ DOKUMENTTI



Project HQ

INFORMATION MEMORANDUM

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Confidential copy provided on the 6th of April, 2023 to: [BIDDER]

Important notice

- KPMG Oy Ab, Corporate Finance (“KPMG”) has assisted City of Mikkeli (“Mikkeli” or the “Owner”) in the preparations of this confidential information memorandum (the “Memorandum”) for use by a limited number of selected prospective acquirers (each the “Prospective Acquirer” and jointly the “Prospective Acquirers”) for the sole purpose of assisting the Prospective Acquirers in determining their potential interest in pursuing a potential investment into Etelä-Savon Energia Oy (the “Company” or “ESE”) (the “Sale Process”).
- KPMG has been retained exclusively by the Owner to act as their financial adviser in connection with the Sale Process. The information and opinions contained in the Memorandum are based on information from public sources and/or on information supplied by the Company and have not been independently verified by the KPMG or any other party.
- While the information herein is believed to be accurate, neither the Company, the Owner, KPMG nor any person named or referred to in the Memorandum make any representations or give any warranties or indemnities or undertakings, express or implied, with respect to the truthfulness, accuracy or completeness of the contents of the Memorandum or any other documents and written or oral information supplied at any time in connection with the Sale Process. Neither the Company, the Owner nor KPMG accept any responsibility for the information, statements and opinions made or expressed in the Memorandum or for any omissions therefrom nor shall they be liable for any loss or damage relating in any way to or arising from the Memorandum. The Memorandum does not purport to be all-inclusive nor does it contain all information that a Prospective Acquirer may desire in determining whether to complete the Sale Process.
- Any description of the relevant markets or any statement regarding market share, if any, as presented in this Memorandum, may not necessarily correspond to definitions of relevant markets or market shares as used by the competition authorities.
- No person has been authorized by the Company, the Owner or KPMG to give any information or to make any statement not contained in this Memorandum or any supplement hereto and, if given or made, such information or statement must not be relied upon as having been authorized.
- Unless otherwise indicated, the Memorandum speaks as of the date hereof and the delivery of this Memorandum shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company after the date hereof. Any forward-looking statements contained herein are made as of the date of the Memorandum, and the Company, the Owner or the KPMG assume no obligation to update such forward-looking statements or to update the reasons why actual results may differ from those anticipated in such forward-looking statements.
- Any additional information or representations given or made by the Company in connection with the Sale Process, whether verbal or written are qualified in their entirety by the information set forth in this Memorandum. Neither this Memorandum nor any other written or verbal information will form the basis of any contract, and only those particular representations or warranties that may be contained in a definite acquisition agreement, as and when executed, shall have any legal effect.
- The Memorandum has been prepared and is supplied for the purpose of information only and it is distributed to the recipient subject to the terms of (and the prior execution by each Prospective Acquirer) a confidentiality undertaking (the “CU”) acceptable to the Owner and on the condition that it is not to be used for any other purpose than to assist the recipient in deciding whether or not to conduct its own independent investigation into the matters discussed in the Memorandum. Each Prospective Acquirer must rely on his or her own examination of the Company and the terms of the Sale Process, including the merits and risks involved in making an investment decision, and the matters contained in the Memorandum. The Prospective Acquirers are not to construe the contents of the Memorandum as legal, financial, economic, tax or investment advice or any form of recommendation. Each Prospective Acquirer should consult his or her personal legal adviser, accountant or other adviser(s) as to legal, financial, economic, tax and related aspects of the investment described herein and its suitability for such Prospective Acquirer.

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Glossary of terms and abbreviations

Term	Definition
€m	Million euros
€k	Thousand euros
BCI	Building Cost Index
bps	Basis points
CAGR	Compound Annual Growth Rate
CHP	Combined Heat and Power
CAPEX	Capital expenditure
The Company	Etelä-Savon Energia Oy
CPI	Consumer price Index
DH	District Heating
DSO	Distribution System Operator
20XYE	Estimate for year 20XY
EA	Energy Authority
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EU	European Union
GDP	Gross Domestic Product
GW	Giga Watt
GWh	Giga Watt hour
ESE	Etelä-Savon Energia Oy
Km	Kilometers
Kv	Kilovolt
LTM	Last Twelve Months
LPG	Liquefied Petroleum Gas
LV	Low Voltage
MW	Mega Watt
MWh	Mega Watt hour
MV	Medium Voltage
NWC	Net Working Capital

Term	Definition
OH	Overhead
OTC	Over-The-Counter
RAV	Regulatory Asset Value
RC	Regulatory Capital
RV	Replacement Value
TSO	Transmission System Operator
UG	Underground
V	Voltage
WACC	Weighted Average Cost of Capital

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1.1 Etelä-Savon Energia in brief

Etelä-Savon Energia in numbers (2022)



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Business areas (2022)¹



Parent company²



DSO



Construction & maintenance



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Note: 1) The figures are based on management accounts and eliminations according to the Group P&L of 2022. 2) Includes energy business and production; 3) Other operations include divested operations OOOESE and Biohauki, discontinued Huippuenergia and ongoing Haukivuoren Lämpö (district heat production and distribution in Haukivuori).

Source: Company

1.2 Business areas



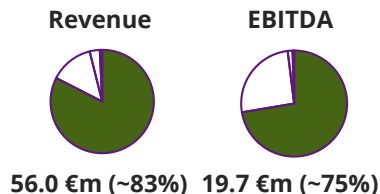
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Financials, 2022



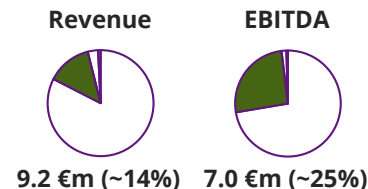
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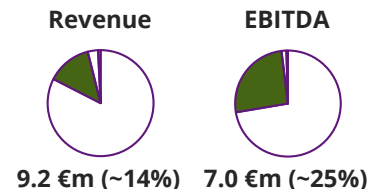
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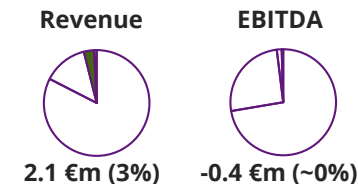
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Operating key figures, 2022

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- External sales €0.5m

Financials, 2022



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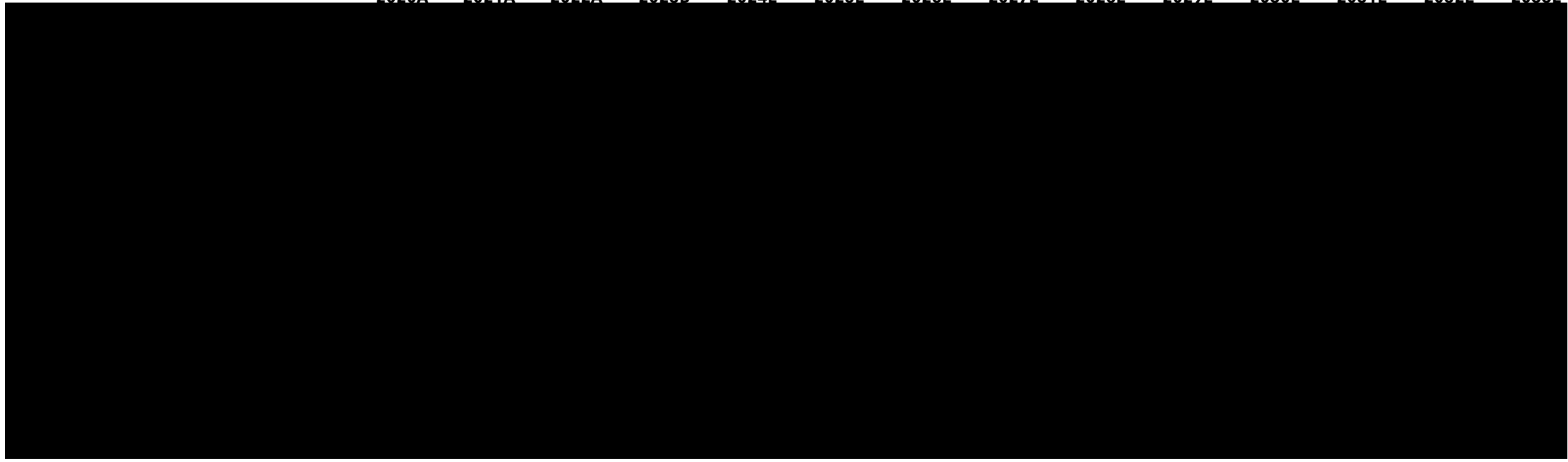
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Source: Company

Key operating and financial figures

2020A 2021A 2022A 2023B 2024E 2025E 2026E 2027E 2028E 2029E 2030E 2031E 2032E 2033E



A summary of management estimates



1.5 Investment highlights



Essential infrastructure in Finland

DSO

District heating

Energy production & other assets

Management & personnel

Financials

- **Finland as a market environment** is a secure, Euro-denominated investment destination with a predictable economic and political climate. For more than a century, Etelä-Savon Energia has managed critical infrastructure assets in the Mikkeli region and it was the fourth company in Finland to start the production of district heating.
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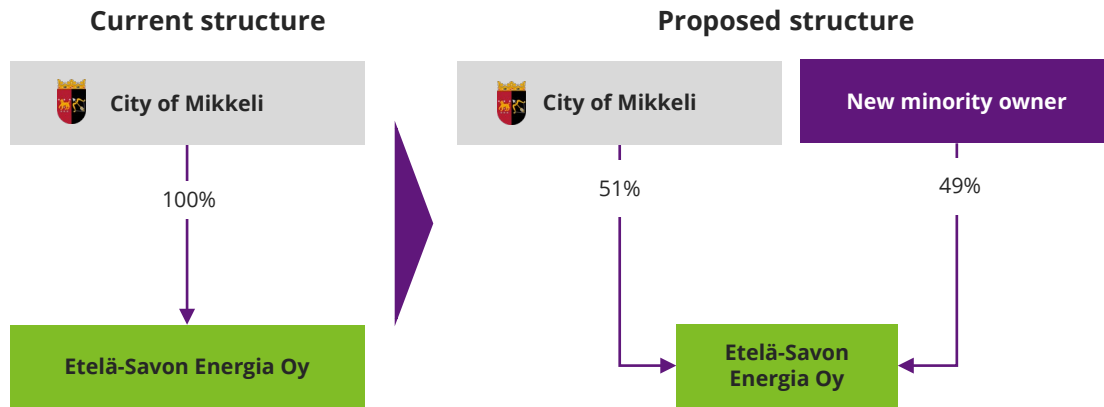


1.6 Overview of the opportunity

Background of the opportunity

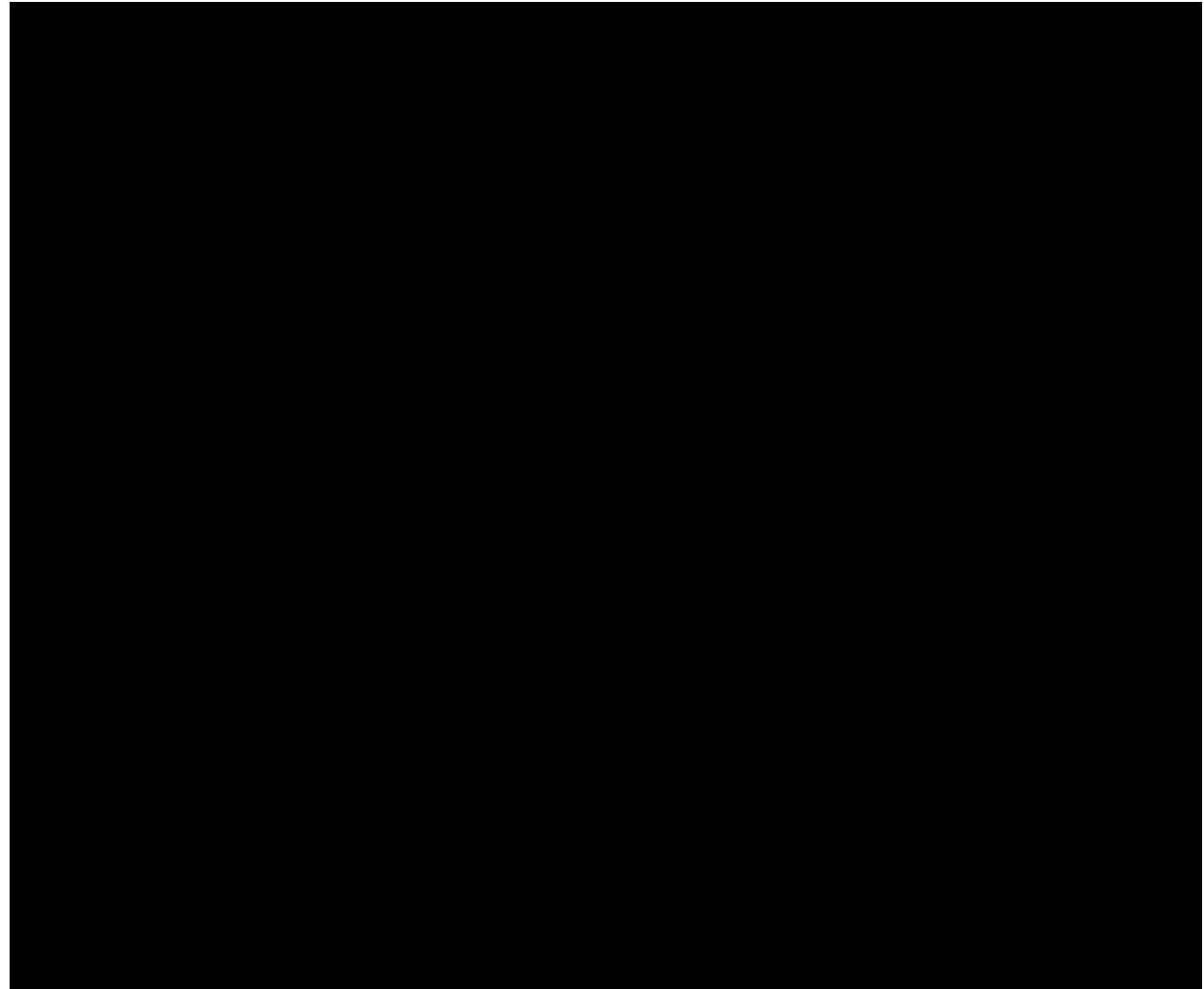
- The shares of ESE are currently fully owned by the City of Mikkeli.
- During 2022, the City of Mikkeli decided to consider their strategic options regarding ESE. The City decided to pursue seeking a minority owner for the Company to find a long-term partner.
- The potential minority ownership stake would consist of 49% shareholding stake in the shares of ESE.
- The objective of ESE is to divest the holding on terms that reflect highest possible cash value and otherwise acceptable terms.
- ESE is also seeking an active minority owner and a long-term partner with experience and knowledge to contribute to the development and value of the Company as well as other possible development opportunities in the region.

The opportunity



Source: Company, Mikkeli

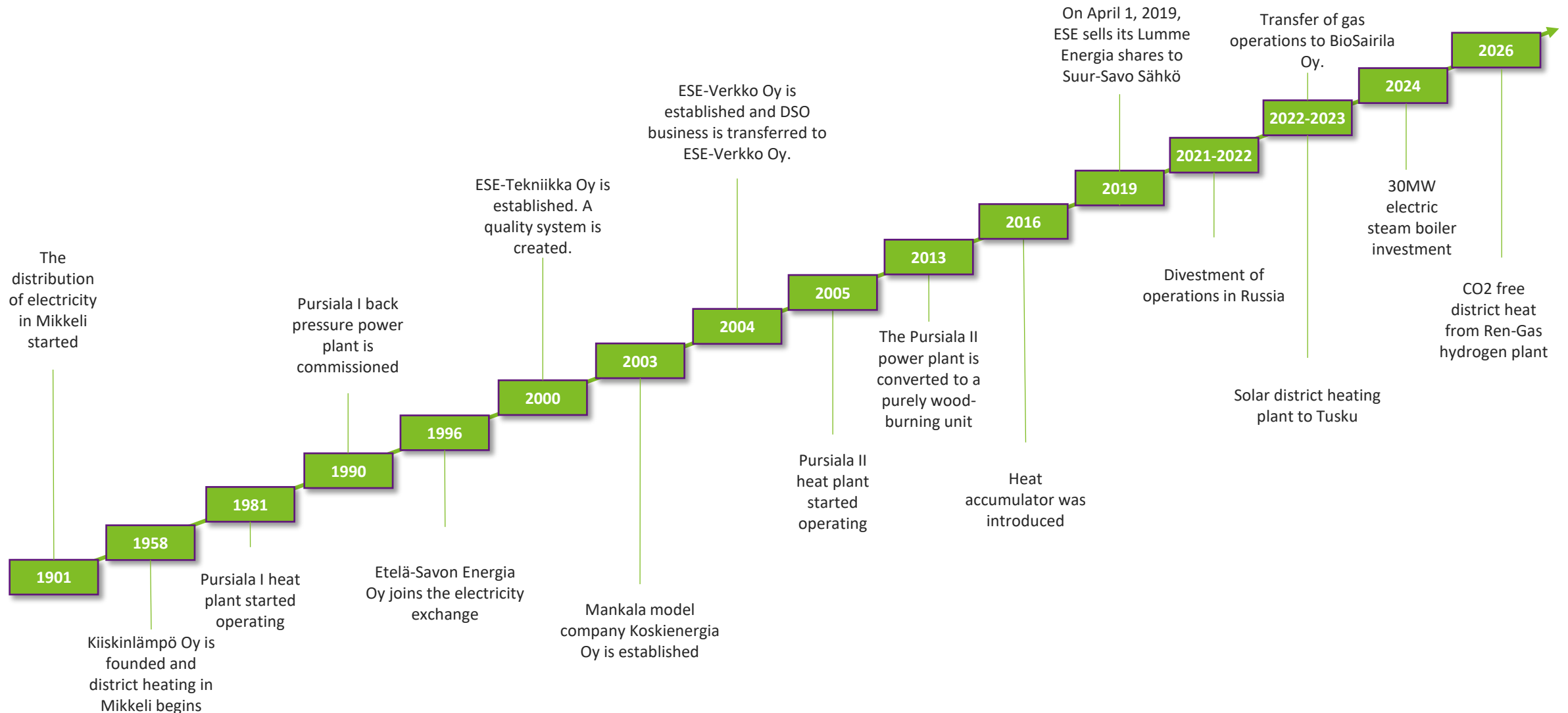
Overview of the shareholders' agreement



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2.1 Key historical milestones



Source: Company

Business areas



Energy business



Energy production



Electricity distribution



Construction and maintenance



Other assets

Description and key figures

Services and distribution related to district heating in Mikkeli

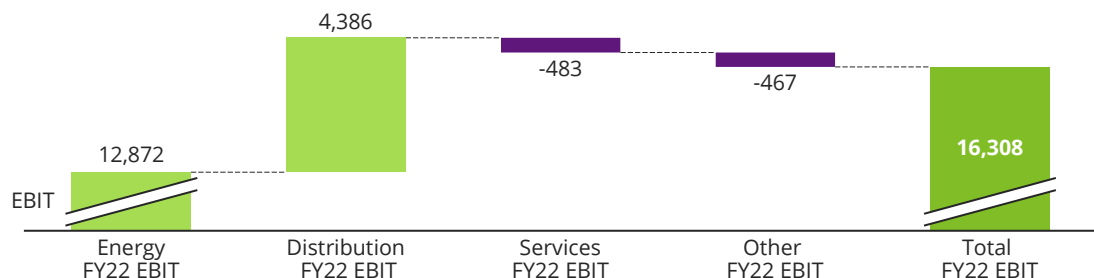
Pursiala power plant operation and maintenance

Electricity distribution in Mikkeli area (regulated business)

Supports with electricity network construction and maintenance services

Owns energy production assets and strategic ownership in companies.

FY22 EBIT Bridge (€k)¹

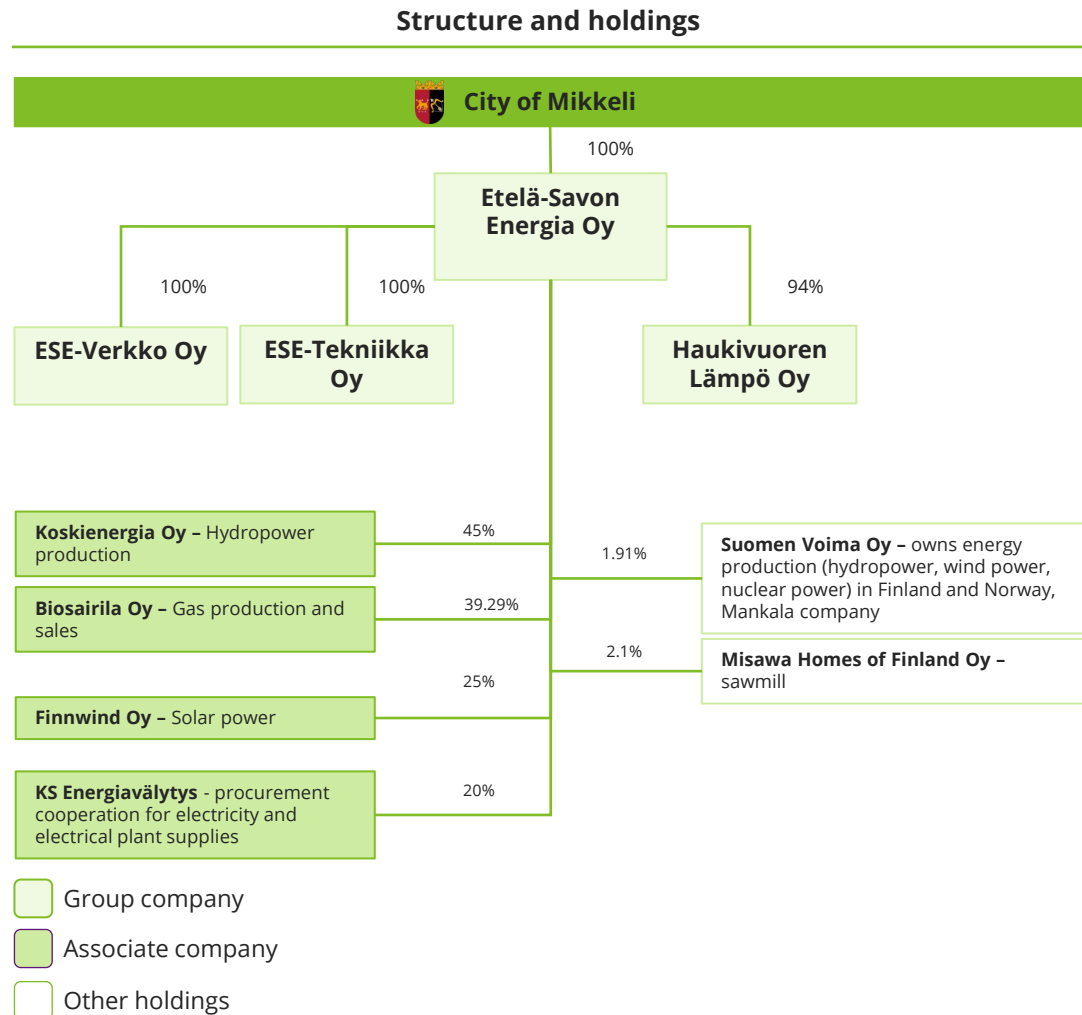


Source: Company; Note: 1) The figures are based on management accounts and eliminations according to the Group P&L of 2022

Brief description of ESE

- ESE was founded in 1900 and street lighting in the city of Mikkeli was provided through the company on 23. October in 1901.
 - District heating operations started on 1 October 1958.
 - The first thermal center in Pursiala started operating in 1981.
- Today, ESE is a pioneer of the circular economy and a producer of future energy services and operates mainly in 3 business segments:
 - Energy and power business.
 - Electricity Distribution business
 - Construction and maintenance of networks, transformers, traffic and street lights, and sports venue lighting, both on an as-needed basis and through long-term contracts.
- In 2022, the Company generated net sales of €67.9 million and EBIT of €16.3 million (24%). At the end of 2022, total balance sheet of Etelä-Savon Energia was ~€166.0 million. Tangible assets totaled €114 million as at Dec-22.

2.3 Structure and holdings



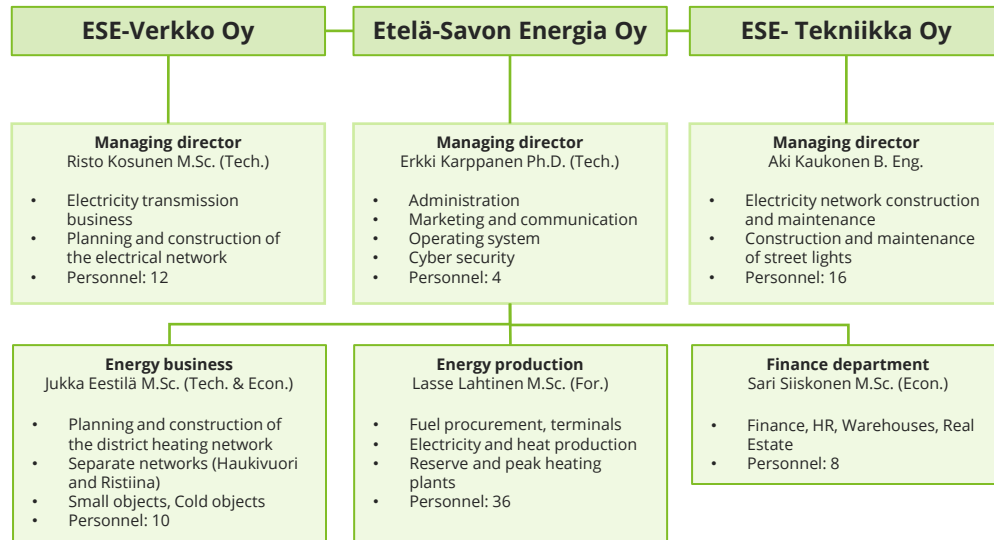
Source: Company

Comments

- Etelä-Savon Energia Oy (ESE) is a company wholly owned by the city of Mikkeli, which sells energy and energy sector services to its customers mainly in the Mikkeli area.
- ESE has four fivebusiness units (energy business, energy production, electricity distribution and construction & maintenance). Energy business and energy production are in the parent company except Haukivuoren Lämpö Oy, which is part of the energy business. It operates district heating network in Haukivuori area. Electricity distribution and construction & maintenance are operated through subsidiaries.
- ESE has minority holdings in Koskienergia Oy, Biosairila Oy, Finnwind Oy and KS Energiävälitys Oy as well as in Suomen Voima Oy and Misawa Homes of Finland Oy.
- Koskienergia Oy is a hydropower company owned by three local energy companies.

Organization and management

Overview of the organization



Board of directors



Erkki Karppanen
Managing director



Sari Siiskonen
CFO



Aki Kaukonen
CEO, ESE-Tekniikka Oy



Risto Kosunen– CEO
ESE-Verkko Oy



Jukka Eestilä
Business director (Energy business)



Mervi Pajunen
Contact Manager



Lasse Lahtinen
Business director (Energy production)



Jarno Marttinen
Development manager

Source: Company

Management team/business unit leaders



Erkki Karppanen - Managing Director (12 years in current role)

- Erkki has held various other positions throughout his career, including Department Manager, Head of School of Engineering, Senior Lecturer, Project Engineer, and Automation Engineer.
- Prior to current position, Erkki was the CEO of Lahti Regional Development Company for two years.



Sari Siiskonen – Chief Financial Officer (18 years in current role)

- MBA
- Sari has a long and extensive experience in the current position. Prior to current position Sari was a head of a clothing factory.



Jukka Eestilä - Business Director (Energy business) (11 years in current role)

- Jukka has over 11 years of experience in various leadership roles and as a board member in companies related to energy and sustainability, including Haukivuoren Lämpö Oy, BioSairila Oy, and Energiategollisuus ry, among others.



Lasse Lahtinen – Business Director (Energy production) (8 years in current role)

- Lasse has been chairman of the board in ESE's Russian companies before their divestment. Also onwards as a board member in Misawa Homes of Finland. Prior to current position Lasse has worked mainly in forest industry and forest technology companies.



Risto Kosunen - Director of ESE-Verkko Oy (12 years in current role)

- CEO of ESE-Verkko Oy, and also served as ESE-Verkko Oy's Managing Director, responsible for the overall management and operations of the company.



Aki Kaukonen- Director of ESE-Tekniikka Oy (2 years in current role)

- CEO of ESE-Tekniikka Oy.
- Prior to current position Aki has held various positions in the ESE Group. Before stepping up as CEO of ESE-Tekniikka Oy, Aki was a project engineer in electricity network operations.

ESE's goals and purpose

- ESE's purpose is to supply its customers with energy competitively, sustainably and reliably.
- ESE's goals & strategic choices:
 - Create positive regional economic effects
 - Improve society's security of supply
 - Promote the fight against climate change by implementing carbon-neutral energy production by 2026.
 - Making district heating competitive.
 - Following a reasonable pricing in the electricity grid business.
 - Developing the competitiveness of ESE technology.

















ESE's values



Source: Company

Outsourced services and partner network

- The Company has a wide network of service providers and external partners.

Energy business	Energy production	DSO	Construction and maintenance
<p>Network construction</p> 	<p>Wood</p> 	<p>Customer relationship management</p> 	<p>Network construction, design and consulting</p> 
<p>Network planning and consulting</p> 	<p>Electricity hedging counterparties</p> 	<p>Energy metering</p> 	<p>Logistics</p> 
<p>Heat pumps</p> 	<p>Fuel peat and oil</p> 	<p>Network management</p> 	<p>Earthworks</p> 
	<p>Construction, design and projects</p> 	<p>Network construction and maintenance</p> 	
	<p>Maintenance and operation</p> 	<p>Converters</p> 	

Source: Company

2.7 Certificate recognitions

High quality activities with certificate recognitions

- ISO 9001 is defined as the international standard that specifies requirements for a quality management system. The Company has the ability to consistently meet customer and regulatory requirements in all of its business areas.
- The Company's environmental system and environmental issue control development are based on the international ISO 14001 standard in accordance to which all business activities and functions work.
- ISO45001 is defined as the world's international standard for occupational health and safety. The Company's activities comply with this standard.



Source: Company


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3.1 Business area overview

Overview



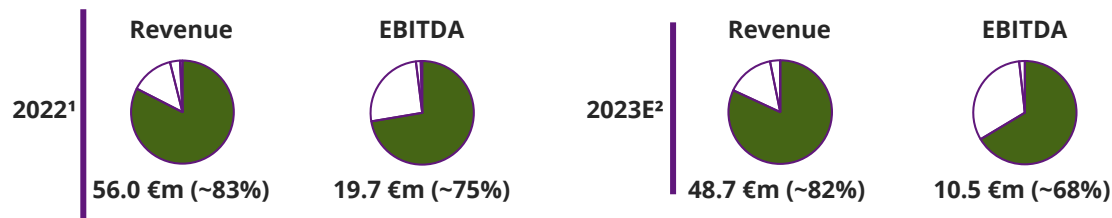






Energy business

- Owns and operates district heating and cooling network in Mikkeli region
- Supporting energy production units in the network area
- Heat pump solutions
- Two remote DH networks and operations, in Haukivuori and in Ristiina

Revenue	EBITDA
56.0 €m (~83%)	19.7 €m (~75%)

Share of the Company's financials







Note: 1) The figures are based on management accounts and eliminations according to the Group P&L of 2022. 2) The figures are based on budgeted figures for 2023. Haukivuoren Lämpö's figures are included in ESE's parent company figures for 2023. Source: Company

Commentary

- Customers are divided into three different categories: households, industrial customers and other customers (public sector). The main customer category is households covering ~85% of the total customer base. Household client covers also a large part of the total distributed heat, roughly 55%.
- District heating network covers major part of the city area and ESE has also two remote networks: in Haukivuori and in Ristiina. In Haukivuori Haukivuoren Lämpö Oy operates as a separate entity and is a subsidiary of ESE (94% ownership). The operations in Ristiina are included in the parent company.
- The DH has a stable customer base, which includes mainly small individual and corporate customers but also some larger industrial customers.
- The Company has invested roughly €25 million into energy business during 2010-2022. Roughly €11 million has been invested to overall construction of the heat distribution network. In addition to network construction the Company has invested into several heat production centers around Mikkeli region. In the future the Company will invest roughly €700 thousand annually into district heat network, €7-10 million into EcoSairila connection and roughly €2 million into heat production centers.
- In the future the production costs of district heating are expected to decrease as new production sources are harnessed for use, such as waste heat from the Ren-Gas hydrogen plant.

Key facts

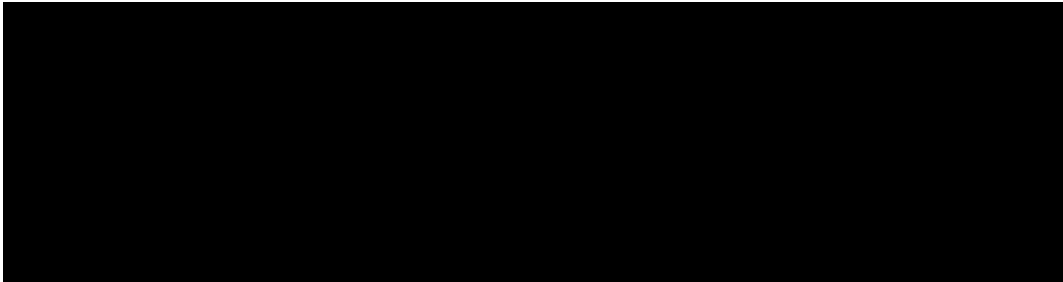
 Total network length ~210 km	 No. of customers 2,500
 Share of biomass fuel used in heat production ~80%	 Distributed heat ~370 GWh



3.2 Network and other key data (1/2)

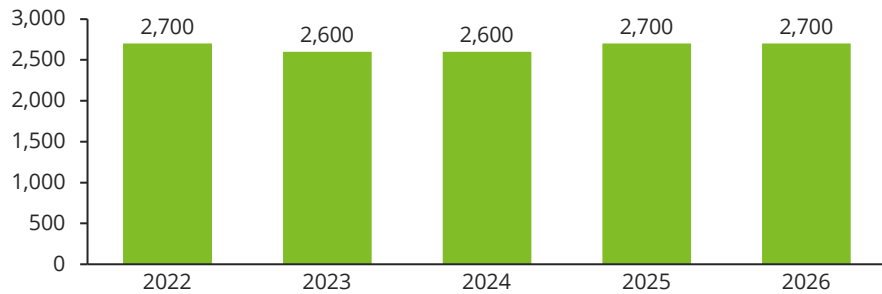
Commentary

- Etelä-Savon Energia's ~210km long district heating network covers a major part of City of Mikkeli's urban area.
- The distribution area has good customer density and heating density. The network is also in a good shape, while the Company has invested in constructing and maintaining the quality of the network.



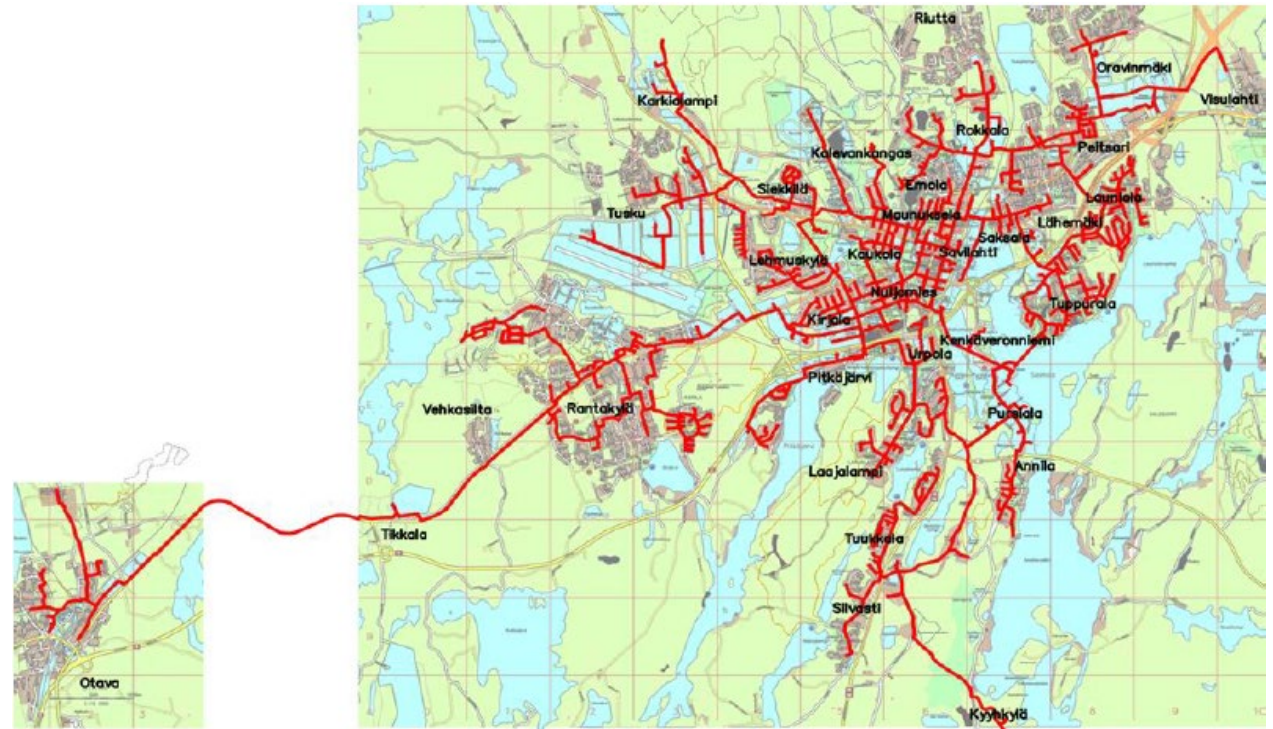
- While the network covers a major part of the regional area, it allows multiple options to develop the network and production assets in the future.

Energy business investment forecast €'000



Source: Company

District heating network area - Mikkeli



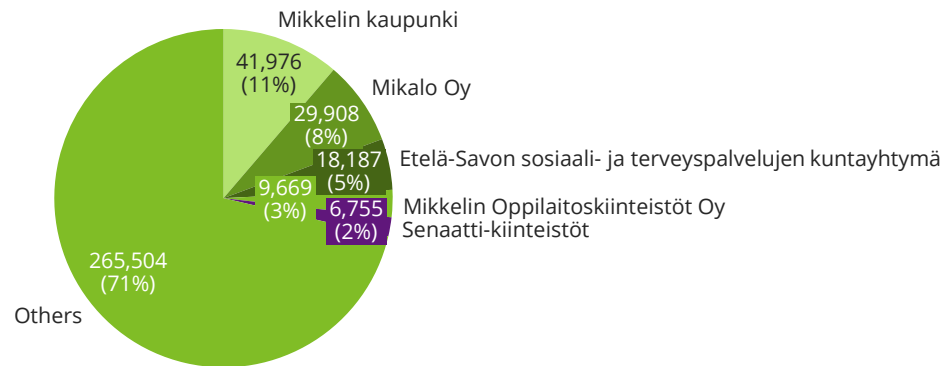


3.2 Network and other key data (2/2)

Commentary

- ESE's energy operations consist of district heating and district cooling. The construction and maintenance of district heating networks and peak and backup heating centers, as well as the sale and distribution of heat in the center of Mikkeli and in the isolated areas, are the Company's most important tasks. In addition to building separate pump solutions and refrigeration solutions, the Company provides advice and technical customer service.
- Largest single heat distribution customer of the Company is the City of Mikkeli with 11% share of the total distributed heat.
- New network connections are being planned such as industrial sites and district cooling connections in the city center area.
- To support the main production unit, the company has three regional district heating centers. The capacity of these centers is around 1 MWh each.

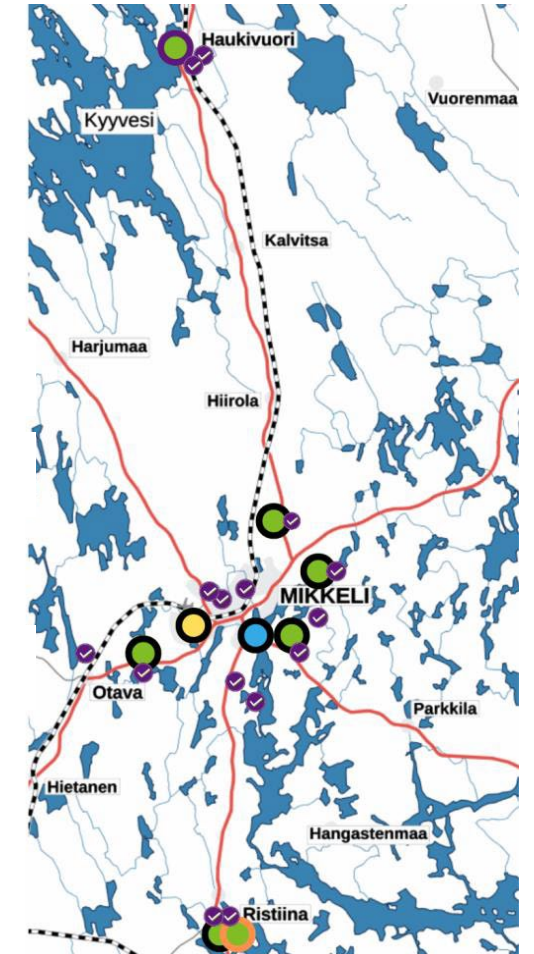
Largest heat distribution customers, MWh (2022)



Source: Company

District heating network area - Mikkeli

- Pursiala power plant
- Wood chip-powered thermal unit
- Wood chip- and solar-powered thermal unit
- Wood chip- and biogas-powered thermal unit
- Solar-powered thermal unit
- Oil-powered peak and reserve thermal unit





3.3 Business area projections – DH

Key financials and key operational data - District heating

€'000	2020A	2021A	2022A	2023B	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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[Redacted table content]

Commentary of estimates

- The district heating network is well maintained, although there is still multiple element types, while the history is reaching until 1958. The company expects only minor investments into the network and approximately €1 million annual investments into other possible targets.

[Redacted commentary content]

Source: Company



3.3 Business area projections – ESE (parent company figures)

Key financials - Etelä-Savon Energia (parent company)

€'000	2020A	2021A	2022A	2023B	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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Commentary of estimates

- Parent company figures include the following operations: district heating (network), energy production, biogas (divested in 2022), financial management and administration and other production assets.
- District heating and energy production operates under the parent company and energy production unit sells most of it's output to DH business. Therefore these operations are presented together.
- Energy business benefits from fluctuating electricity prices and ESE's own energy production unit and other production assets have generated major growth in revenue and EBITDA for the last two years.
- The amount of district cooling have been excluded from the estimates. The share from the overall revenue is marginal and estimated to be 0.08 m€ in 2023.

Source: Company



3.4 Business area projections – Haukivuoren Lämpö & other assets

Key financials and key operational data - Haukivuoren Lämpö & other assets

€'000	2020A	2021A	2022A	2023B	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
[Redacted data]														

Commentary of estimates

[Redacted commentary text]

- Historical figures (2020-2022) includes also other assets, namely OOOESE, OOORL and Biohauki, which have been divested during 2021-2022.
- In 2022, Haukivuoren Lämpö's revenue were ~€0.44 million and EBITDA ~€0.14 million.

Source: Company

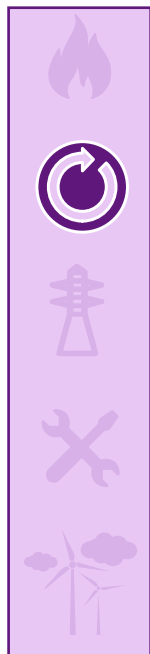
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4.1 Business area overview

Overview



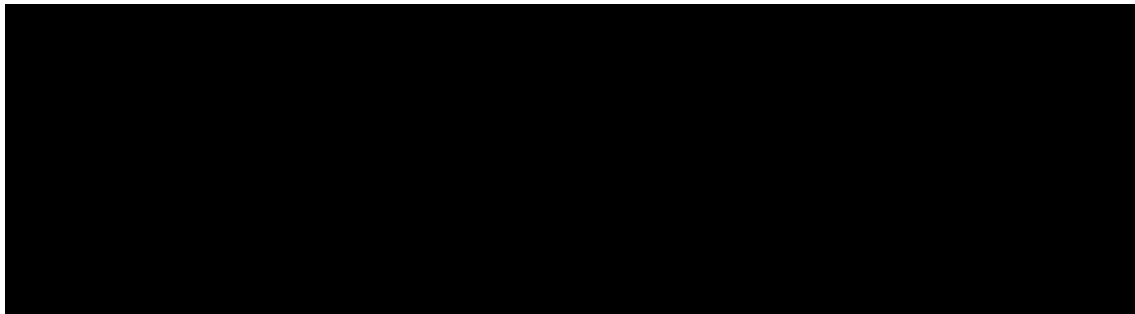
Energy production

- Energy production (district heating, electricity, industrial heat and steam) and support of other business units
- Two major production plants (Pursiala I and II)
- Reserve district heating capacity

Commentary

- Energy production business line's responsibilities include the procurement and handling of fuel, maintenance and management of its operating conditions, and optimization of its efficiency and availability.
- The power business cooperates with industrial companies in the region in the procurement of fuels and in the delivery of industrial heat and steam.

Largest customers include:



- The energy production business has invested roughly €34 million during 2013-2022 with the largest investments into Pursiala2's wood fire conversion (~8.5 €m) and fuel reception (~14.5 €m).

Key facts



District heating sales
~423 GWh



Electricity sold
~153 GWh



Total production capacity
800 MW



Share of biomass fuel used in heat production
~80%

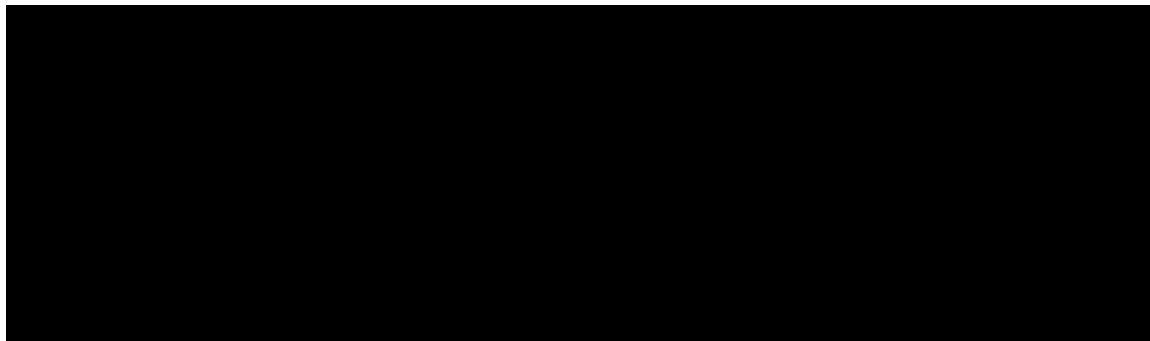
Source: Company, Etelä-Savon Energia introduction video 2022/Youtube



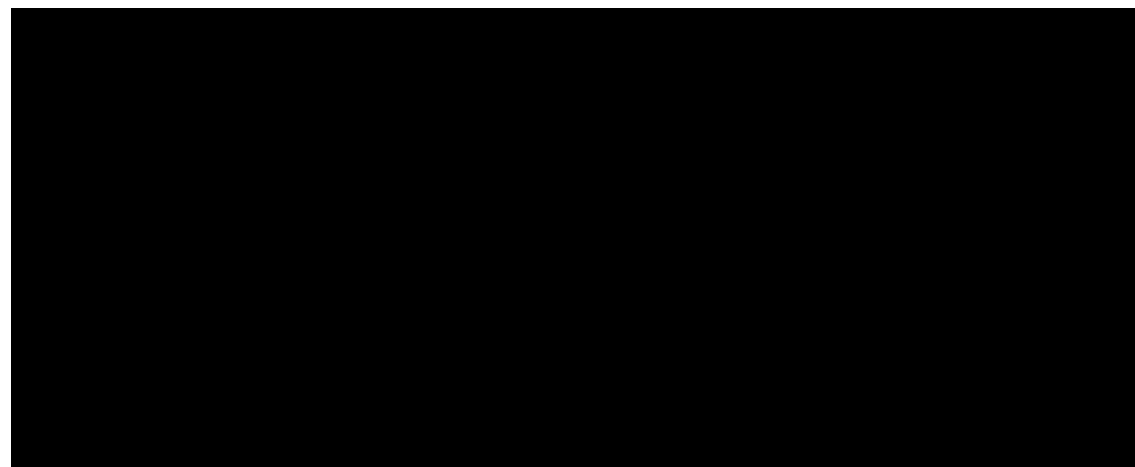
4.1 Business area overview

Energy production (GWh)¹

■ District heat production (GWh) ■ Electricity production (GWh)



Fuel use by type



Note: 1) Chart presents gross production (Production for own use and production for customers) figures
Source: Company, Etelä-Savon Energia introduction video 2022/YouTube

District heating and electricity from CHP plant

- In 2022 a feeding system for sulphur was built for Pursiala 1 to enable fully fossil-free fuels in process.
- The plants produce around 160 GWh of electricity, around 420 GWh of district heat and around 25 GWh on industrial steam. A part of the electricity, roughly 14%, is consumed in ESE's own processes.
- ESE's hedging counterparties are significant and reliable operators. The counterparties include Vattenfall and Fortum among others.

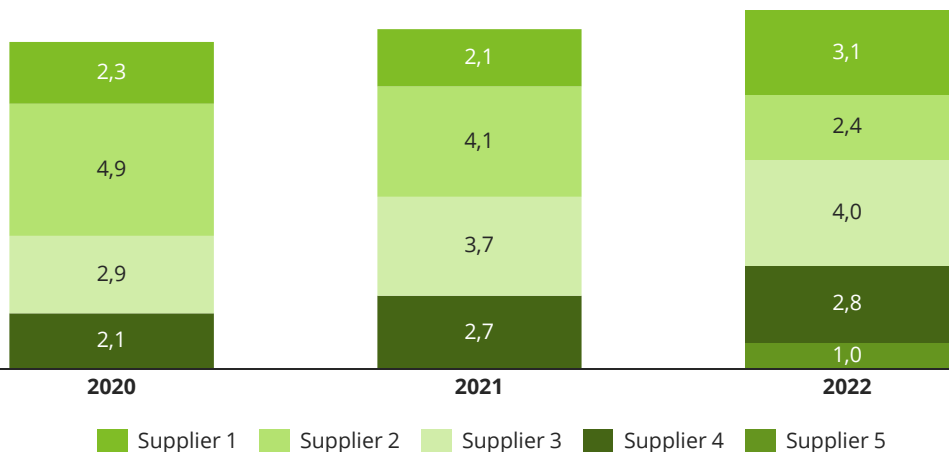
Efficient bioenergy from renewable materials

- The power generation business obtains fuels directly delivered to their production facilities, and primarily stores wood chips as a backup fuel at fuel terminals.
- Peat and light heating oil are also stored as backup fuels. The majority of the fuels are supplied by forestry and peat industry service providers to the site.
- A significant portion of the power generation business's solid fuel procurement comes from wood residues supplied by industrial actors in the area.
- The proportion of fuel obtained from the Group's subsidiary OOO ESE was approximately 5% of the power generation business's total fuel procurement in FY21.
- Energy wood accounted for 74.7% of the power generation business's fuel, peat 24.6%, and light heating oil 0.7%. The power generation business had to use more peat than in previous years due to the unusually cold winter months.
- Pursiala's power plants can use 100% wood as fuel.



4.1 Business area overview

Purchases (€) from top wood material suppliers



Good access to feedstock

- Traditionally the coldest months of the year in Finland are between November and March, with January being the coldest and therefore offering the most heating demand. Therefore, heating plants have usually maintenance periods during the summer.
- The winter of 2020 was significantly warmer compared to normal average, therefore showing also a decrease in the heating plants energy production.
- Mikkeli is located in Eastern Finland with good availability for wood materials and wood fuel suppliers.
- ESE has had a long-lasting, good relationship with the main suppliers.



Fuel receiving terminal was updated in 2017.



Source: Company



4.2 Pursiala heating plant I & II

Overview




Commentary

- The Company has two heating plants in Pursiala, Pursiala I and Pursiala II and they produce electricity and district heating to Mikkeli area. Primary source of energy is renewable wood materials as 80% of the fuel used is wood. The fuel consists mainly of forest energy wood, industrial wood waste and fuel peat. Most of the fuel comes from Etelä-Savo region and from transport distance of less than 100 km.
- The plants are combined heat and power (CHP) plants and the electricity is produced in counter-pressure turbines. The generated heat is fed into the district heating network and electricity is sold in NordPool.
- The Pursiala I and II heating plants are operating on a high effectiveness level without any unexpected interruptions with the Pursiala I operating with a median effectiveness level of 98.8% from 2019-2021 and Pursiala II operating with a 98.9% median effectiveness level during the same period.
- Plant is in good shape with only minor planned energy efficiency related investments to be done in the short-term. In addition, the management is examining the investment possibility e.g. in electricity boiler and heat pumps.

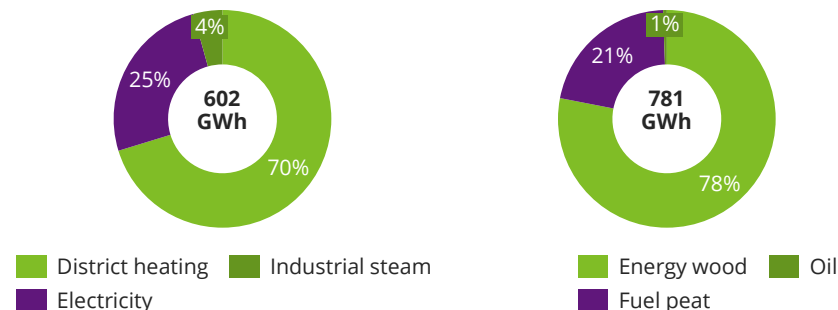
Key facts

 Plant type
Counter-pressure turbine

 Heat capacity
84 MW & 101 MW

 Inauguration
1991 & 2005

Pursiala production and fuel breakdown 2022



Source: Company, Etelä-Savon Energia introduction video 2022/YouTube



4.3 FLK II / Heat accumulator

Overview



Key facts



Plant type
Steam boiler



Inauguration
1984



Heat capacity
27 MW

Source: Company, Etelä-Savon Energia introduction video 2022/Youtube

Commentary

- FLK 2 Boiler is a steam boiler completed in 1984 with a fuel output of 30 MW. It can produce district heating with an output of 27 MW.
- FLK 2 Boiler uses only wood as a fuel.
- The reserve and peak boiler FLK 2 is started in emergency situations and during the winter season at the same time as the peak boilers elsewhere in the company.
- When the demand for district heating was low in the summer, the FLK2 energy production unit produced the necessary thermal power in order to avoid the auxiliary cooler production of the Pursiala I energy production unit.



Heat accumulator carries 7,000 m³ of water and is utilized in production optimization. The capacity of the accumulator is 350 MWh.



4.4 Plants and equipment

Supporting district heating plants

- The production of district heating is heavily dependent on Pursiala heating plants I and II.
- To support the main production plant there are a number of reserve plants with capacities ranging from 1 MW to 41 MW.



Rokkala reserve heating plant has a capacity of 40 MW.

Reserve plants

Rokkala, 40 MW capacity			Siekkilä, 41 MW capacity		
Equipment	Capacity	Fuel	Equipment	Capacity	Fuel
Warm water boiler	20MW	Light fuel oil	Warm water boiler	8MW	Light fuel oil
Warm water boiler	10MW	Light fuel oil	Warm water boiler	8MW	Light fuel oil
Warm water boiler	10MW	Light fuel oil	Warm water boiler	25MW	Light fuel oil

SLK2, 6 MW capacity			Tuukkala, 8 MW capacity		
Equipment	Capacity	Fuel	Equipment	Capacity	Fuel
Warm water boiler	6MW	Light fuel oil	Warm water boiler	8MW	Light fuel oil

Kyyhkylä, 1 MW capacity			Otava, 2 MW capacity		
Equipment	Capacity	Fuel	Equipment	Capacity	Fuel
Warm water boiler	1MW	Light fuel oil	Warm water boiler	2MW	Light fuel oil

Tikkala, 9+6 MW capacity		
Equipment	Capacity	Fuel
Warm water boiler	9MW	Light fuel oil
Warm water boiler	3MW	Light fuel oil
Warm water boiler	3MW	Wood chips

Source: Company, Etelä-Savon Energia introduction video 2022/YouTube



4.5 Business area projections

Key financials and key operational data - Production

€'000	2020A	2021A	2022A	2023B	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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[Redacted table content]

Commentary of estimates

- Production assets are well maintained and ESE has done major investments in e.g. feedstock handling in the past 10 years and therefore expects only minor maintenance investments in the forecasted period.
 - One larger investment in 2023 will be made into the electricity boiler, which will enable a better efficiency in energy production especially during the maintenance periods in the main production unit Pursiala.
- [Redacted]
- Energy production unit produces district heat, electricity and industrial steam, which of district heat is sold internally to district heat network.

Source: Company

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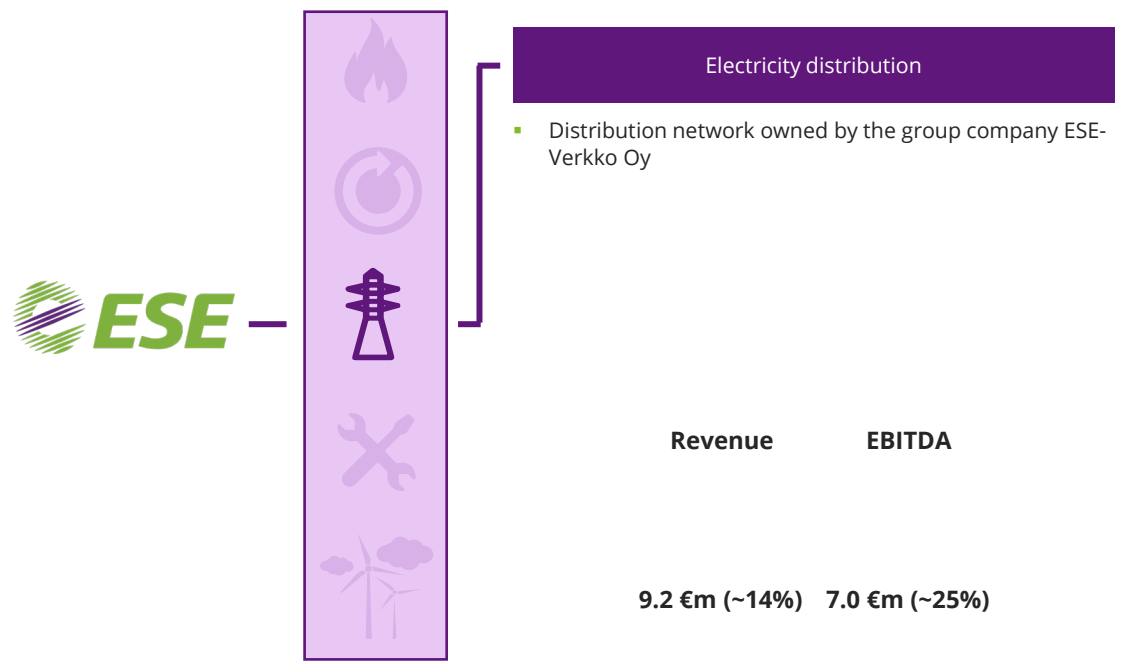
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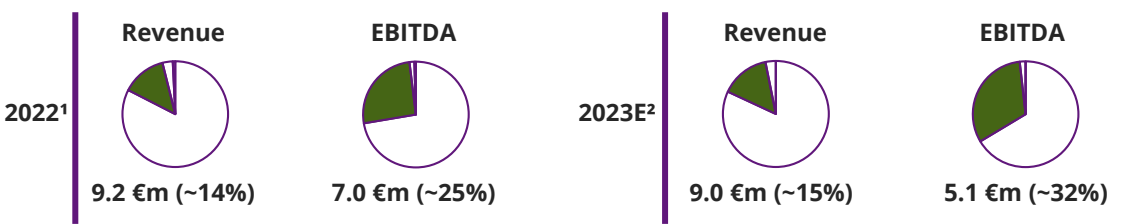


5.1 Business area overview

Overview



Share of the Company's financials



Note: 1) The figures are based on management accounts and eliminations according to the Group P&L of 2022. 2) The figures are based on budgeted figures for 2023. Source: Company

Commentary

- The business unit distributes electricity throughout network area and operates under Energy Agency regulation. The regulation sets operating conditions, such as reasonable return and maximal raise limit for the distribution price.
- The distribution business is operated through ESE-Verkko Oy which is a group company of Etelä-Savon Energia Oy. The distribution network area is dense and from almost 26 thousand access points only roughly 500 are in rural areas.
- The distribution network has largely been renewed after 2006. Now almost the whole medium-voltage network in the urban area is cabled.
- Electricity distribution has remained at 330-340 GWh level since 2007. The distribution of the coldest year was 353 GWh and the minimum for a warm year was 306 GWh. The distributed electricity is expected to grow as industrial use will grow and electric cars are becoming more common.
- In the distribution area, several new major 110 Kv connections to the network have been prepared, both for consumption and production.

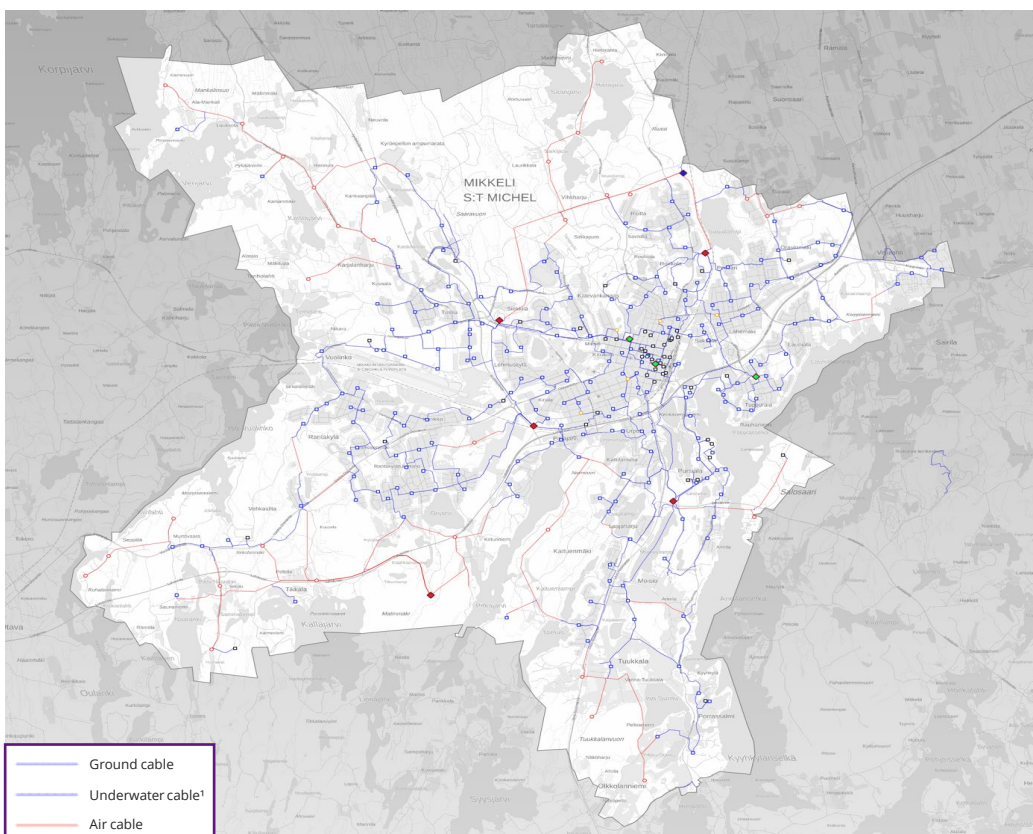
Key facts

- Total network length ~1,000 km
- RAV €56.9 m
- No. of customers 25,329
- Distributed electricity ~340 GWh
- RV €99.6 m



5.2 Distribution network and key data (1/4)

Reach of the network



Note 1) Normal underground cable which has been pulled through a lake
Source: Company

High quality network with further expansion opportunities

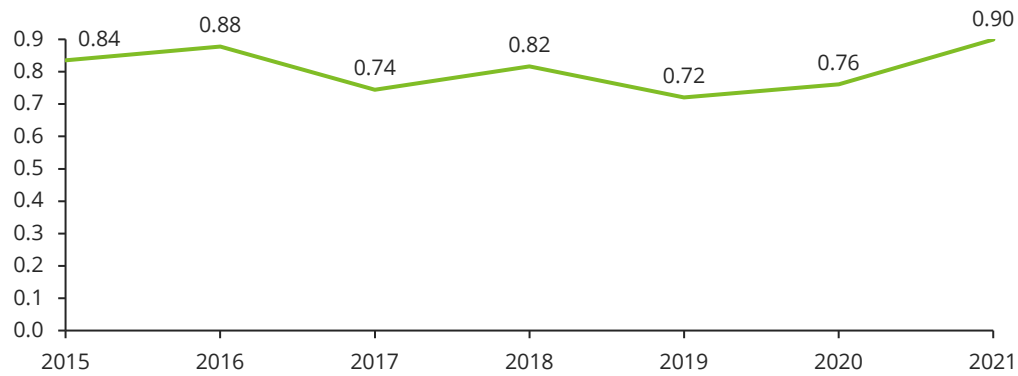
- The distribution network covers majority of the Mikkeli area. Majority of the network is underground cabled. Short part of the network is installed in a lake.
- As the operator of the network, ESE-Verkko Oy offers the following services:
 - Electricity distribution in its own distribution network
 - Construction, operating and maintenance of the distribution network





5.2 Distribution network and key data (2/4)

Ratio of actual investments to regulatory CAPEX



Good CAPEX efficiency and vastly renewed network

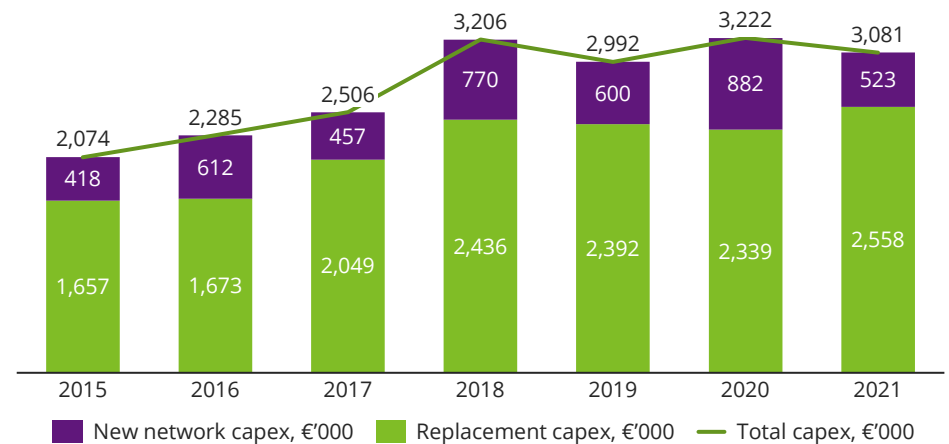
- Historically, the network CAPEX efficiency has been at good level and the Company has been able to gain benefits compared to regulatory prices (ratio of actual investment costs to regulatory CAPEX has been 0.81 on average between 2015-2021).
- The distribution network has been vastly renewed after 2006. During the recent years the replacement CAPEX has been around €2.5 million. New network CAPEX is expected to increase in the coming years as new major connections are planned. However, these new connections are not taken into account in forecasted CAPEX.



Construction and maintenance of the network is mostly executed by ESE-Tekniikka Oy.

Source: Company

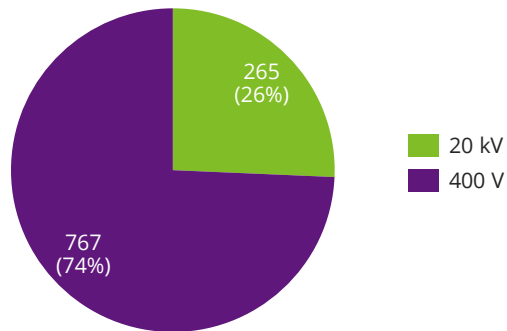
Historical actual investment costs





5.2 Distribution network and key data (3/4)

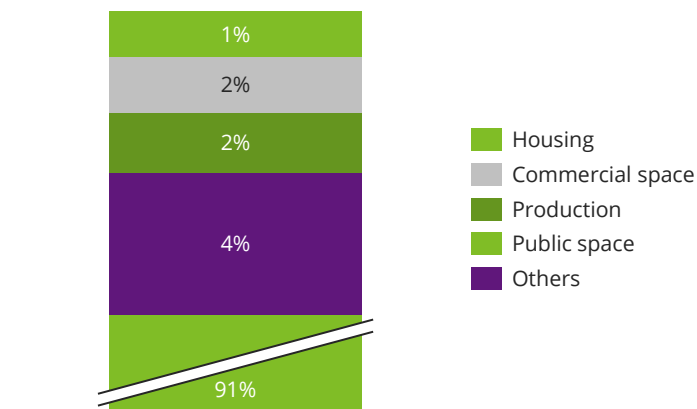
Network by cable type, km (2022)



Commentary

- Major share of customer connection points are housing related such as apartment blocks, detached houses, row houses etc. Up to 91% of connection points are related to housing.
- [REDACTED]
- Total length of ESE-Verkko Oy's electricity distribution network is roughly 1,000 kilometers, which of 26% is 20 kV and 74% 400 V network.
- Underground cabling rate of low voltage network (400 V) was roughly 86% and of medium voltage network roughly 76% in the end of 2022.

Network by customer type



Largest distribution customers, MWh (2022)

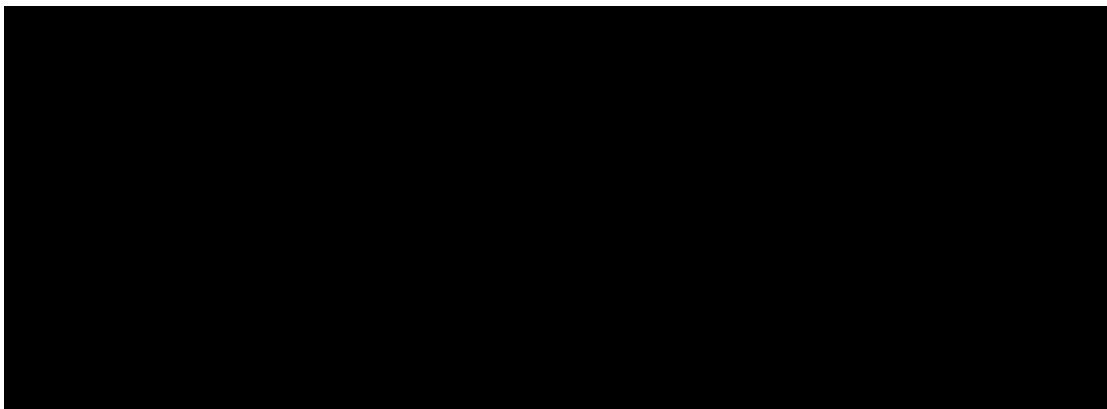


Source: Company

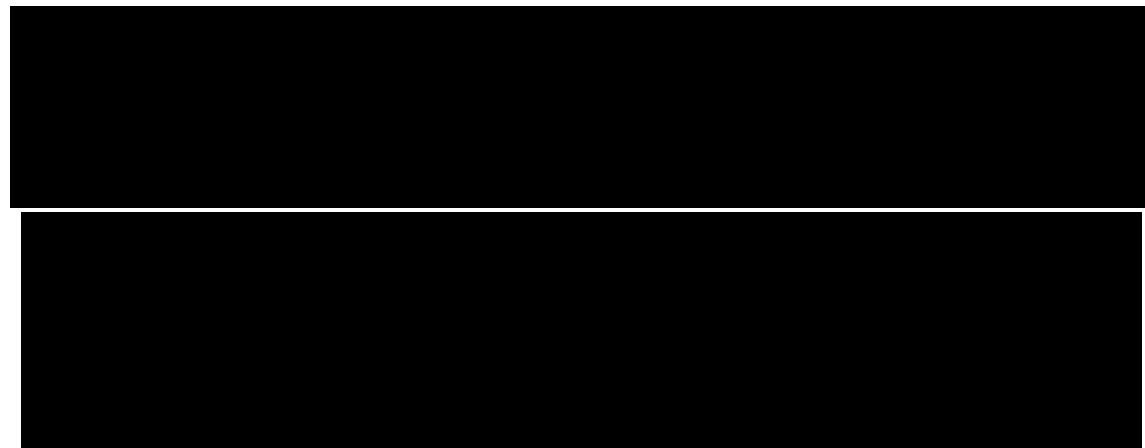


5.2 Distribution network and key data (4/4)

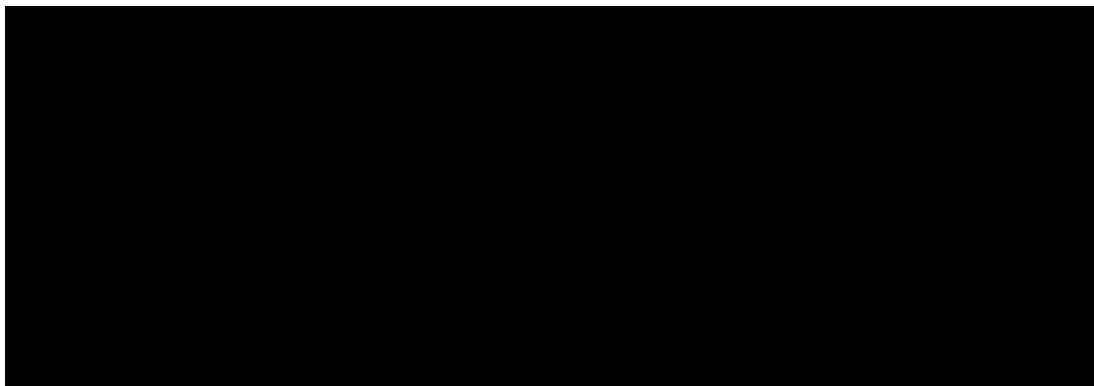
Distribution network investment forecast €'000



Commentary



No. of customers and annual distributed electricity (GWh)



- The Company's DSO forecast does not include Ren-Gas investments or related possible increase in the amount of distributed electricity.

Source: Company



5.3 Business area projections

Key financials and key operational data - DSO

€'000	2020A	2021A	2022A	2023B	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

[Redacted Content]														
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Commentary of estimates

- The network is well maintained and the underground cabling rate is on a good level (between 75% to 85%), while most of the network is in the city area. The company has done major investment into the technical side of the network after 2006, therefore no major investments are expected in the near future (expect possible larger industrial projects).
- [Redacted Content]
- Company's investment estimates were presented until 2026.

Source: Company

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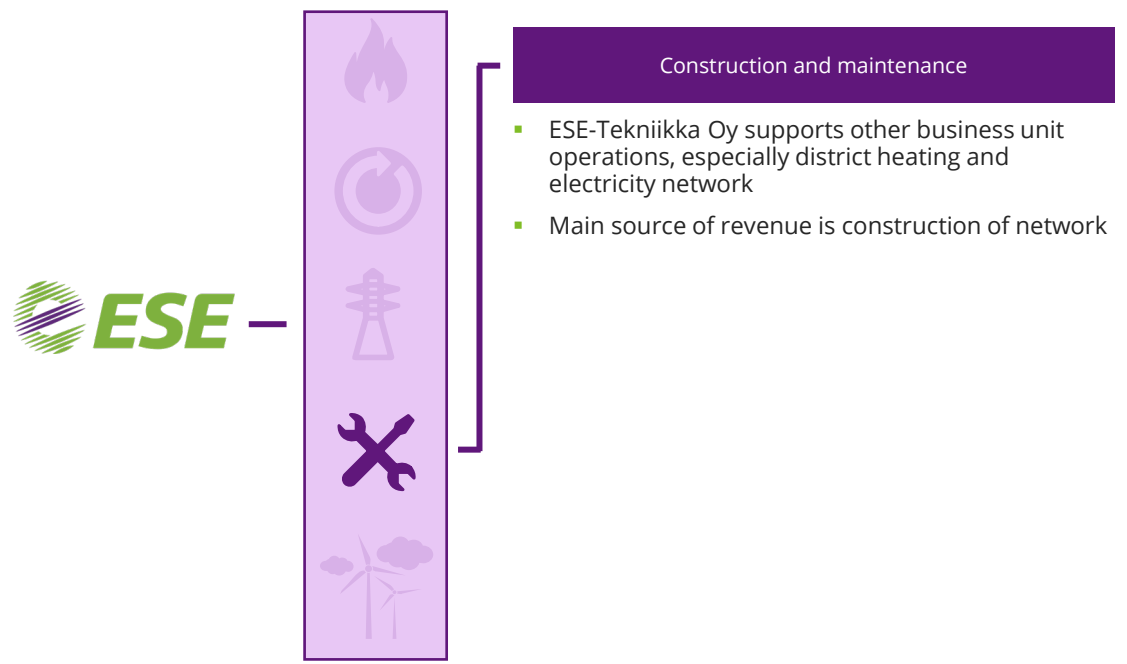
Business area overview 43

Business area projections 45



6.1 Business area overview

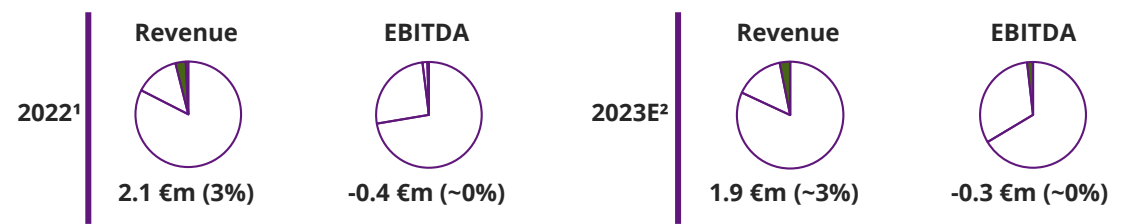
Overview



Commentary

- ESE-Tekniikka Oy is a subsidiary of ESE and it was founded in 2001 to support other business unit operations.
- ESE-Tekniikka Oy has three business area, which of the most important is the construction services. The construction services carries out electricity network construction not only in the distribution network area of ESE-Verkko Oy but also in the distribution network area of Järvi-Suomen Energia Oy.
- Other major business area is the maintenance services. The maintenance services aim to ensure the operation and safety of the lighting and regional electricity networks of the city of Mikkeli.
- Third business area is service sales, which aims to meet the strategic objective of acquiring new business outside the traditional business areas of the parent company.

Share of the Company's financials



Key facts

Number of employees
16

External sales
€0.5m

Note: 1) The figures are based on management accounts and eliminations according to the Group P&L of 2022. 2) The figures are based on budgeted figures for 2023.
Source: Company

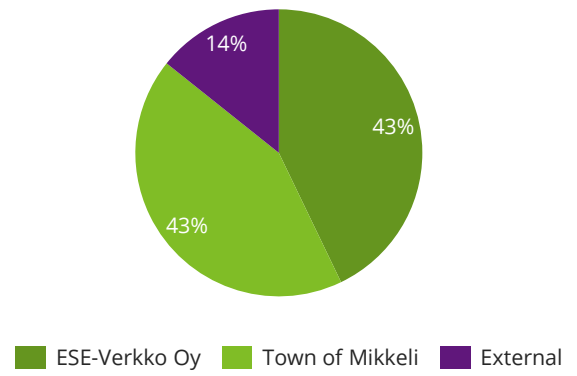


Vast industry know-how



ESE-Tekniikka has competent employees, who help other Group companies with larger construction projects and consumers with smaller daily problems with electrical issues.

Customer breakdown 2022

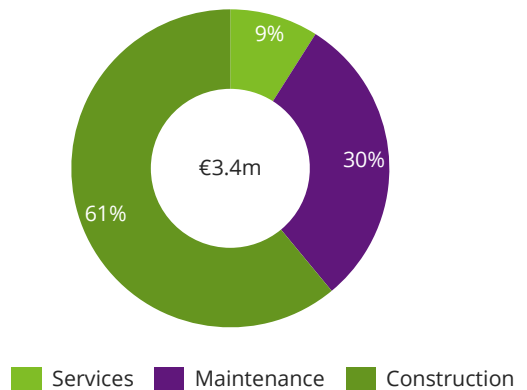


Source: Company

Commentary

- ESE-Tekniikka Oy's main customers are internal ones as ESE-Verkko Oy accounts for 43% and the city of Mikkeli 43% as well of the total revenue. External customers accounts for 14% of the revenue.
- In 2022 ESE-Tekniikka Oy's revenue amounted to €3.4m and which of 61% was construction services such as construction of new electricity network and new connection points. Maintenance services accounted for 30% an other services 9% of the total revenue.
- ESE-Tekniikka Oy is a small and flexible company with a customer-oriented mindset and employs around 16 people.

Revenue breakdown 2022





6.2 Business area projections

Key financials and key operational data - ESE-Tekniikka

€'000	2020A	2021A	2022A	2023B	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
[Redacted data]														

Commentary of estimates

- [Redacted text]
- Historical figures (2020-2022) include Group adjustments and eliminations, which occurs as increasing revenue for 2023.

Source: Company

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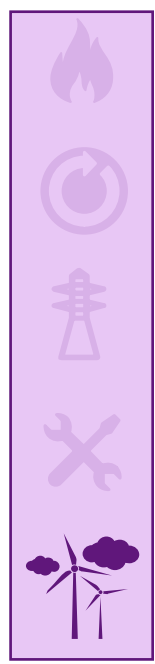
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7.1 Business area overview

Overview



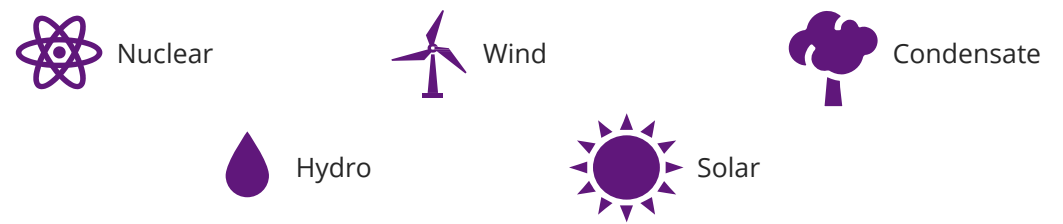
Other assets

- Support of other business units with ownership in several energy production assets
- Significant amount of hydro power capacity around Finland
- Minor shares in nuclear and wind power

Commentary

- To support other business units ESE has ownership in several energy production assets and one strategic ownership in a sawmill company and one in solar and wind technology company.
- Through Koskienergia Oy, Suomen Voima Oy and KS Energiavälitys Oy ESE has access to significant amount of hydropower capacity and access to small amount of wind, nuclear and condensate power capacity.
 - Koskienergia Oy is a Mankala (i.e. cost-price model) company and operates 30 hydropower plants around Finland. ESE has 45% ownership in Koskienergia Oy.
 - Suomen Voima Oy has a significant portfolio of wind power and wind power development projects as well as nuclear and hydro power plants. Suomen Voima Oy is also a Mankala (i.e. cost-price model) company. Through Suomen Voima Oy ESE has access to SV's new wind power development projects.
 - KS Energiavälitys Oy is a holding company for owning shares in Jyväskylän Voima's condensate electricity power plant.
- Nordic Ren-Gas is preparing a hydrogen investment in Mikkeli. Th [REDACTED]

Energy sources through other assets

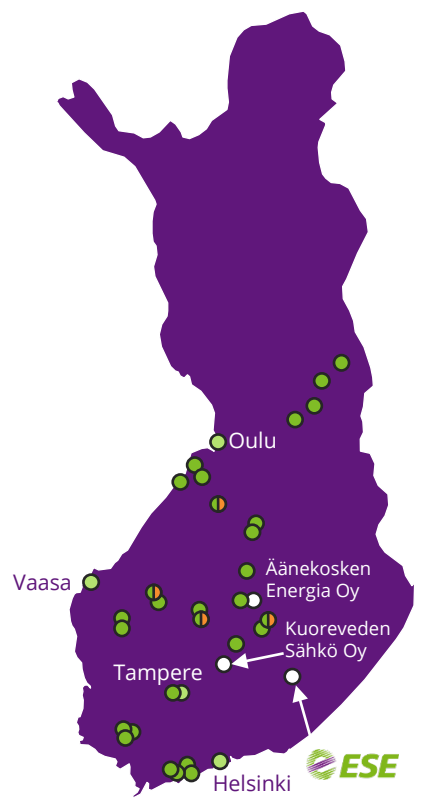


Source: Company



7.2 Koskienergia Oy in more detail

Operating hydro power plants



● Largest power plant investments

Plant	Capacity	Annual production
Haapakoski, Haapavesi		
<i>Investment: 2.3 €m</i>		
— Current	170 kW	800 MWh
— New	570 kW	2 500 MWh
Ryötönkoski, Ähtäri		
<i>Investment 3.1 €m</i>		
— Current	460 kW	2 000 MWh
— New	950 kW	4 460 MWh
Hourunkoski, Pyhäjoki		
<i>Investment 2.7 €m</i>		
— Current	n.a. kW	2 000 MWh
— New	740 kW	3 700 MWh
Kuhankoski, Laukaa		
<i>Investment: 23 €m</i>		
— Current	3,36 MW	24,4 GWh
— New	5,0 MW	35,0 GWh

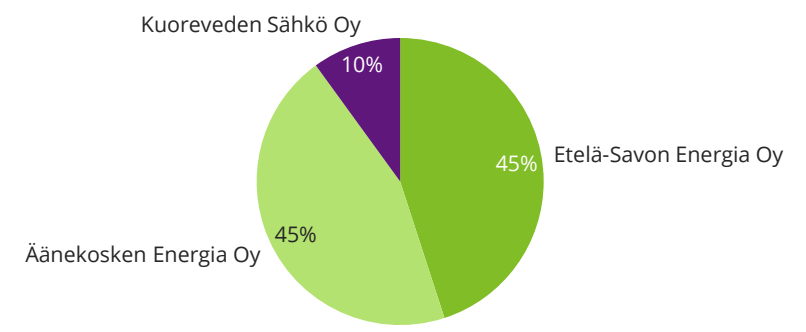
- Shareholders
- Hydro power plants - ~30 plants

Commentary

- Koskienergia Oy is a Mankala-model company, which is focusing on hydro power.
- The company currently owns ~30¹ hydro power plants, which are mainly located to south from Oulu. Headquarters are located in Äänekoski, while the home city is Mikkeli.
 - Kuhankoski includes two hydro power plants.
- The hydro power plants are largely located in a river. The annual production varies approximately 25% depending on e.g. precipitation. In a normal year the production is around 160 GWh.



Ownership structure of Koskienergia Oy



Note: 1) Two hydro power plants have been sold (Myllykoski and Puuppola). The Myllykoski will be operating until 9/2023 and the Puuppola until 2027.
Source: Company



7.3 Associated companies and holdings

Company	Description	Ownership (%)	Sales, 2021 (€m)
Koskienergia Oy	<ul style="list-style-type: none"> Koskienergia Oy is a Mankala company owned by three local energy companies, Etelä-Savon Energia Oy, Äänekosken Energia Oy and Kuoreveden Sähkö Oy. Koskienergia Oy operates 30 hydropower plants around Finland. 	45%	€7.1m
BioSairila Oy	<ul style="list-style-type: none"> BioSairila Oy is a biorefinery company which produces biomethane into transport fuel and fertilizer and soil improvement products. In addition to gas production, the company also operates in gas and LNG/LBG distribution. In the beginning of 2023 E-Kaasuasemat chain and Biohauki biorefinery owned by ESE transferred to BioSairila Oy. 	39.29%	€0.7m
Finnwind Oy	<ul style="list-style-type: none"> Finnwind Oy is a Finnish technology and expertise company founded in 1993 that manufactures, markets and installs solar power systems, small wind turbines and hybrid systems to replace grid connection. 	25%	€1.8m
KS Energiavälitys Oy	<ul style="list-style-type: none"> KS Energiavälitys Oy is a Mankala company which owns shares of Jyväskylän Voima Oy's condensate electricity power plant. 	20%	€1.0m
Misawa Homes of Finland Oy	<ul style="list-style-type: none"> Misawa is active in the sawing. 	2.1%	€25.9m
Suomen Voima Oy	<ul style="list-style-type: none"> Suomen Voima Oy is a Mankala-model consortium of 17 energy companies, whose task is to produce electricity (wind, nuclear, hydro, solar) for their owners. 	1.91%	€170.1m

Source: Company

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Overview of Finland and City of Mikkeli



8.1 Finnish economy overview

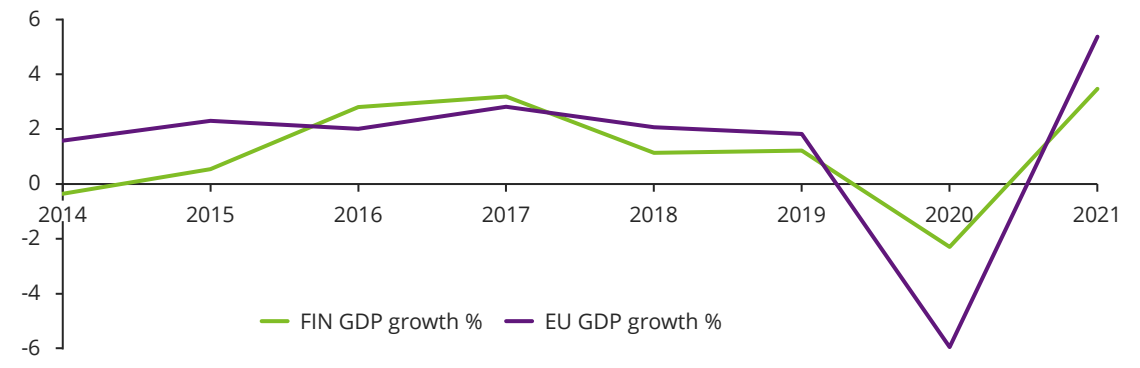
Key facts

Eu membership 1995	Eurozone member 1999
Population 5.5 million	Credit rating AA+ (S&P, Fitch)
Nominal GDP per capita €45,365	Nominal GDP €251.4 billion
Total area 338,145 km ²	Urbanisation rate 85.6%

Finland is a stable market economy with high quality of infrastructure

- The considerable features of Finnish economy, compared to Eurozone peers, are foresight on the fiscal economy, social responsibility and friendly environment for businesses.
- Finland is seen as one of the most transparent and firm countries on a global scale based on the government, institutions and business environment. The public services pursue high standards and the country has relatively low levels of inequality and poverty. In addition, the labour force is highly skilled with high proportion of university graduates.
- Finland's exquisite rankings in several competitive metrics such as stability and regulatory quality are driven by excellent quality of public health, primary education and financial market development. Finland has also been successful in educational PISA-test since the establishment of the program in 2000.
- Finland is one of the wealthiest countries in the EU and, as of 2016, had seventh highest GDP per capita in the European Union, higher than countries such as Germany and France. Wealth is relatively equally distributed in Finland, contributing to social stability and cohesion.

Historical Finnish GDP growth



Key Indicators

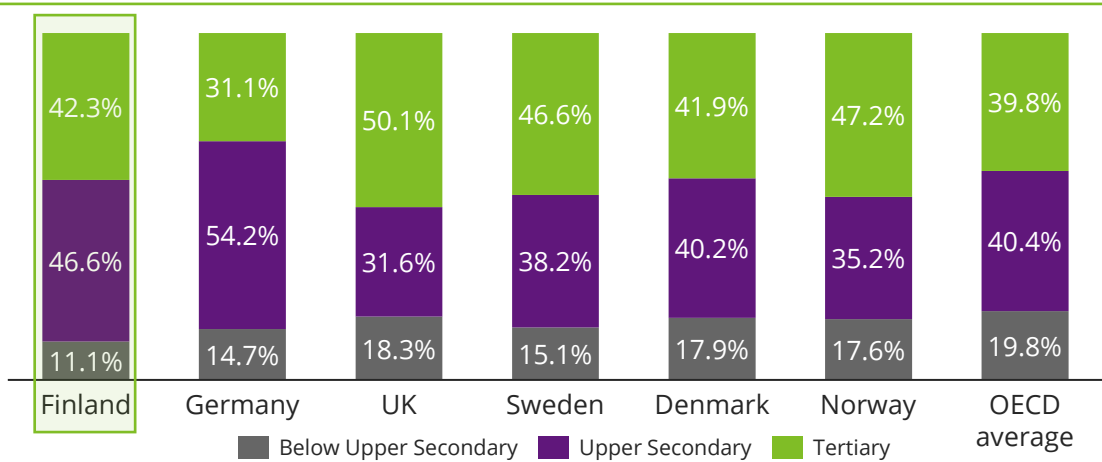
Corruption Index		Regulatory quality		Stability Index	
Country	Rank	Countries	Rank	Countries	Rank
Denmark	1	Singapore	1	Finland	1
Finland	2	Luxembourg	2	Norway	2
New Zealand	3	Finland	3	Iceland	3
Norway	4	Australia	4	New Zealand	4
Singapore	5	Denmark	5	Denmark	5
Sweden	6	New Zealand	6	Switzerland	6
Switzerland	7	Macao	7	Luxembourg	7
Netherlands	8	Netherlands	8	Canada	8
Germany	9	Sweden	9	Ireland	9
Ireland	10	Switzerland	10	Sweden	10

Source: Statistics Finland, World Bank, Transparency International, OECD, CIA, Fund for Peace

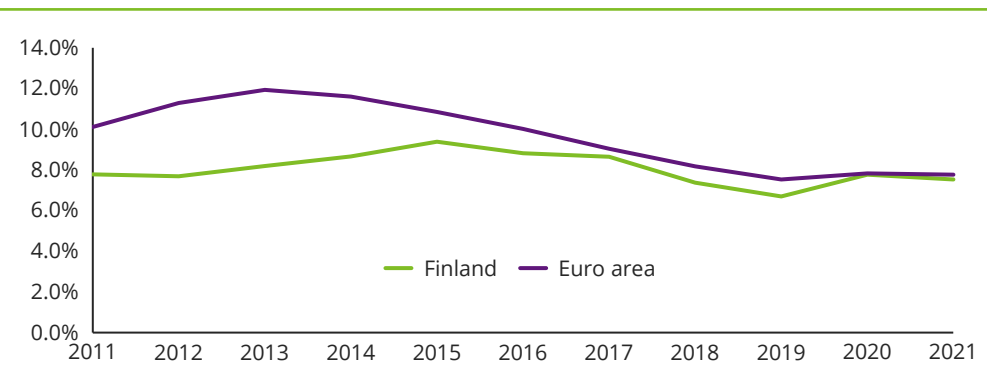


8.1 Finnish economy overview

Finland has a very high level of education, 2021 (a)



Unemployment rate



Notes: (a) Highest educational level attained for people aged 25-64. Below Upper Secondary level of education corresponds to nine years of education and certificates from primary school, middle schools and comprehensive schools. Upper secondary level of education includes a further two to three years of education in addition to the Below Upper Secondary level. Tertiary level of education corresponds to a university or polytechnic degree.
 Source: Statistics Finland, World Bank, OECD, Bank of Finland, Finnish National Agency for Education, IMF, Eurostat

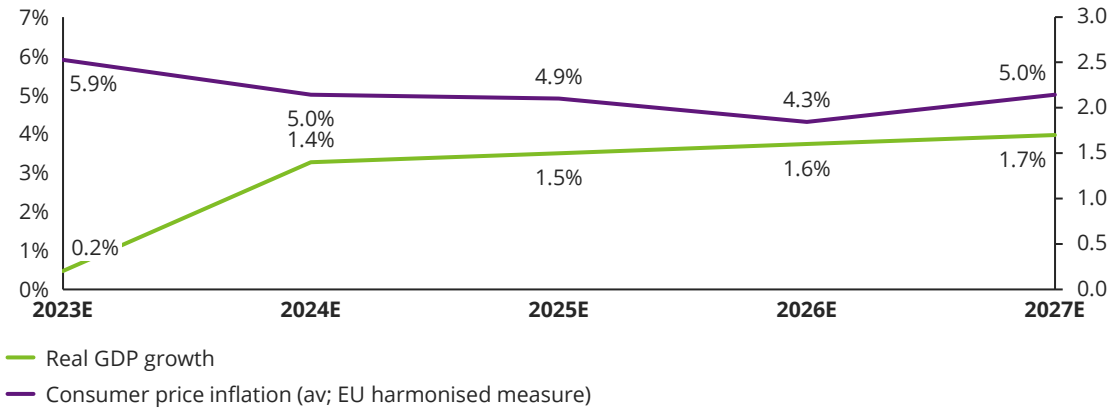
Highly educated people and decreasing unemployment

- The basic principle of the Finnish education system is to allow all people an equal access to high-quality education. Education is also free at all levels from pre-primary to higher educational levels. Finland has a well-developed system of study grants and loans guaranteed by Finnish state to ensure the equal opportunities for everyone and to encourage for higher level education.
- The main objectives of adults educational policy are to ensure the availability and competence of the labour force, to provide educational opportunities for the entire adult population and to strengthen social cohesion and equity. These objectives are targeted to support efforts to extend working life and to raise the employment rate.
- During the last year employment strengthened and the tensions in the labour market eased as the number of job vacancies per unemployed jobseeker has decreased. The increase in employment was largely due to rise in the participation rates.
 - According to Eurostat, in the end of 2022 the unemployment rate in Finland was ~6.8%, while the peer group figure in whole EU was 6.1%.
- According to Bank of Finland the private consumption will fall in 2023 due to weak development in purchasing power. However, the nominal disposable income will develop favorably as employment is expected to be stable and earnings to rise. Purchasing power and hence private consumption will gradually start to recover as inflation is expected to slow down from next year onwards.

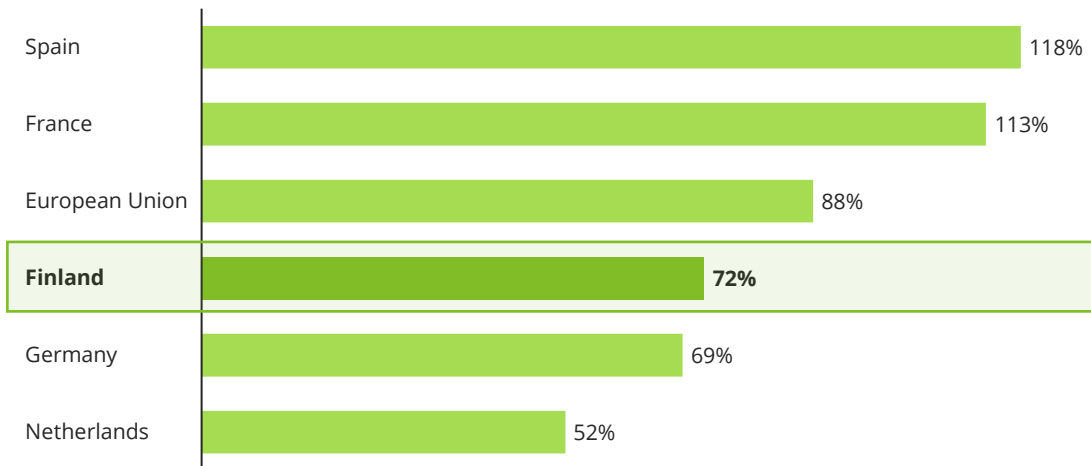


8.2 Finnish economic growth forecast

Nominal GDP growth rate and inflation rate, %



National debt to GDP ratio, 2022



Source: CountryEconomy, Eurostat, Ministry of Finance, Statista, Bank of Finland, Business Finland

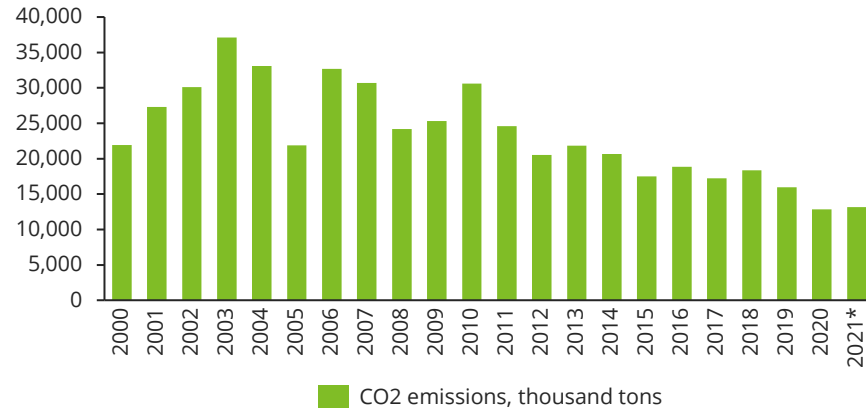
Overview of Finnish economy

- Finland has a well-developed and stable economy, which has helped Finland to perform well through recent years. The Finnish economy is based on a strong industrial sector, with a particular emphasis on technology and innovation. The country is also known for its solid export sector, which contributes significantly to the overall economic performance.
- In terms of economic forecasts, the Finnish economy is expected to continue to grow from 2023-2024 onwards and recover from current economical situation quickly. The growth will be driven by several key factors, including:
 - Unemployment rate will remain good, which is expected to increase consumer spending while the inflation is expected to slow down in near term. Households also have savings, which increased during Covid-period.
 - Growing tourism industry: Finland is a popular tourist destination, and the tourism industry is expected to continue to grow in the coming years, providing a boost to the economy. E.g. Lapland achieved a new record month in overnight stays from people abroad in December 2022.
 - Growing renewable energy sector: Finland is also a leader in the renewable energy sector, and increasing opportunities in wind power and e.g. solar power sector is expected to create new opportunities for utilities and investors.
 - Finland is forerunner in circular economy on a global level: as a first country in the world, Finland published a national roadmap for circular economy in 2016. It is expected to create new business opportunities and accumulate new investment on a fast pace in the upcoming years.
- Finnish national debt pre-COVID-19 was on sustainable levels, slightly below the euro-area guideline of 60% to GDP. The national debt to GDP ratio is expected to rise due to the effects of the COVID-19, but remain below Eurozone peers.

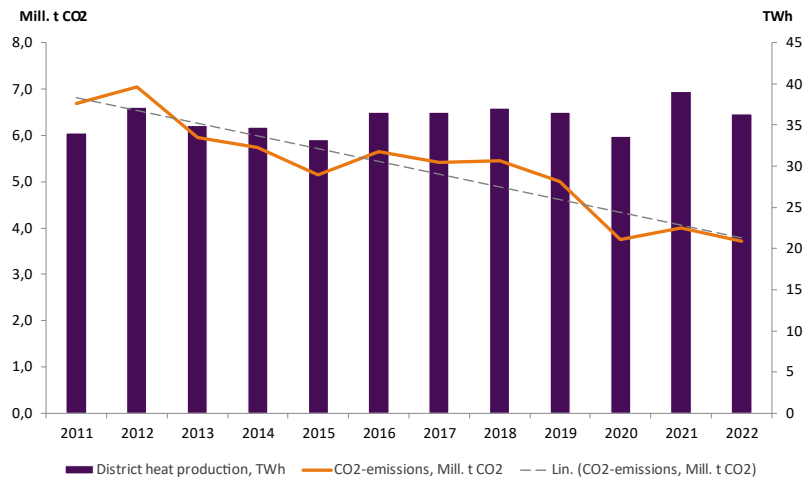


Finnish national climate and energy strategy

Emissions from Finland's combustion based energy production are decreasing



Decreasing trend in emissions from district heat production



Source: Ministry of Economic Affairs and Employment of Finland, Finnish Energy, Statistics Finland

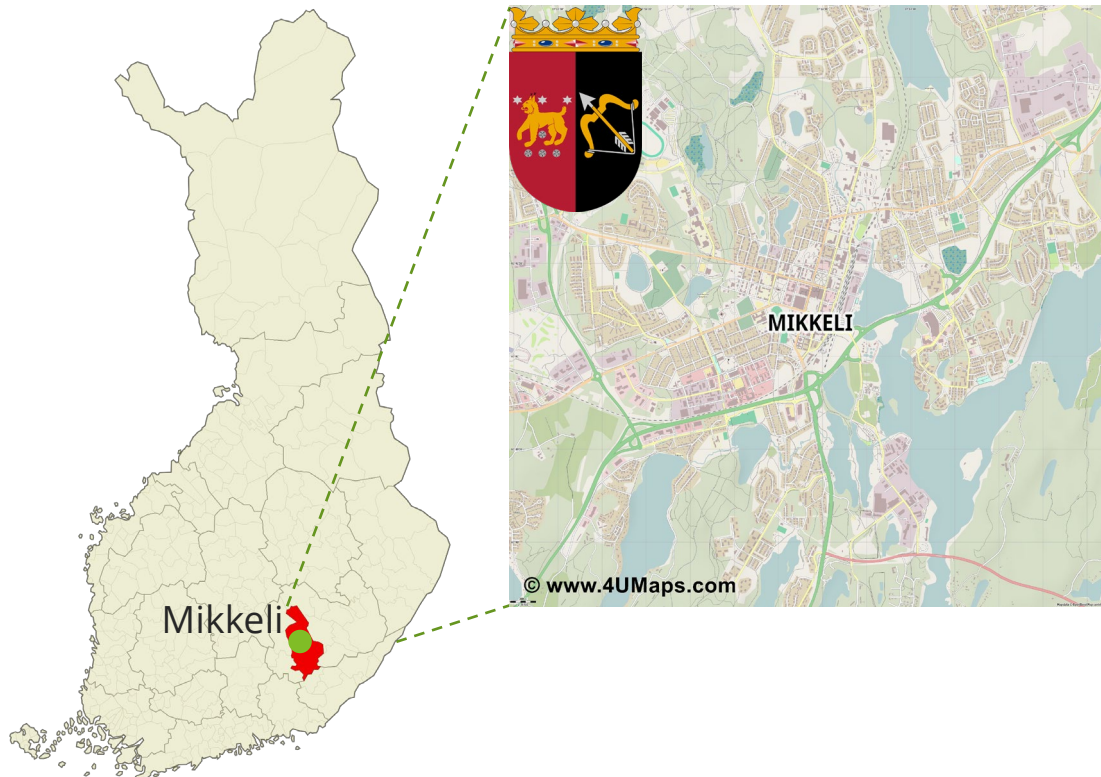
Note: * preliminary

Carbon neutral Finland 2035 - national climate and energy strategy

- Finland has committed to achieve 60% reduction in greenhouse gases by 2030 and a carbon neutrality in 2035.
- Finnish national climate and energy strategy focuses on the green transition and the phase-out of Russian fossil energy. In terms of heat production, the strategy emphasizes non-combustion-based heating.
- The electrification of the energy system and the application of system integration are critical topics, particularly in sectors where reducing emissions is difficult.
- A national hydrogen strategy is included in the strategy to promote hydrogen economy.
- Etelä-Savon Energia stands to capture benefits from the Finnish climate and energy strategy as consumption of electricity and demand for non-combustion-based heating are expected to increase.
- Etelä-Savon Energia is also uniquely positioned to benefit from the promoted hydrogen economy through the Nordic Ren-Gas hydrogen investment in Mikkeli.



Mikkeli location



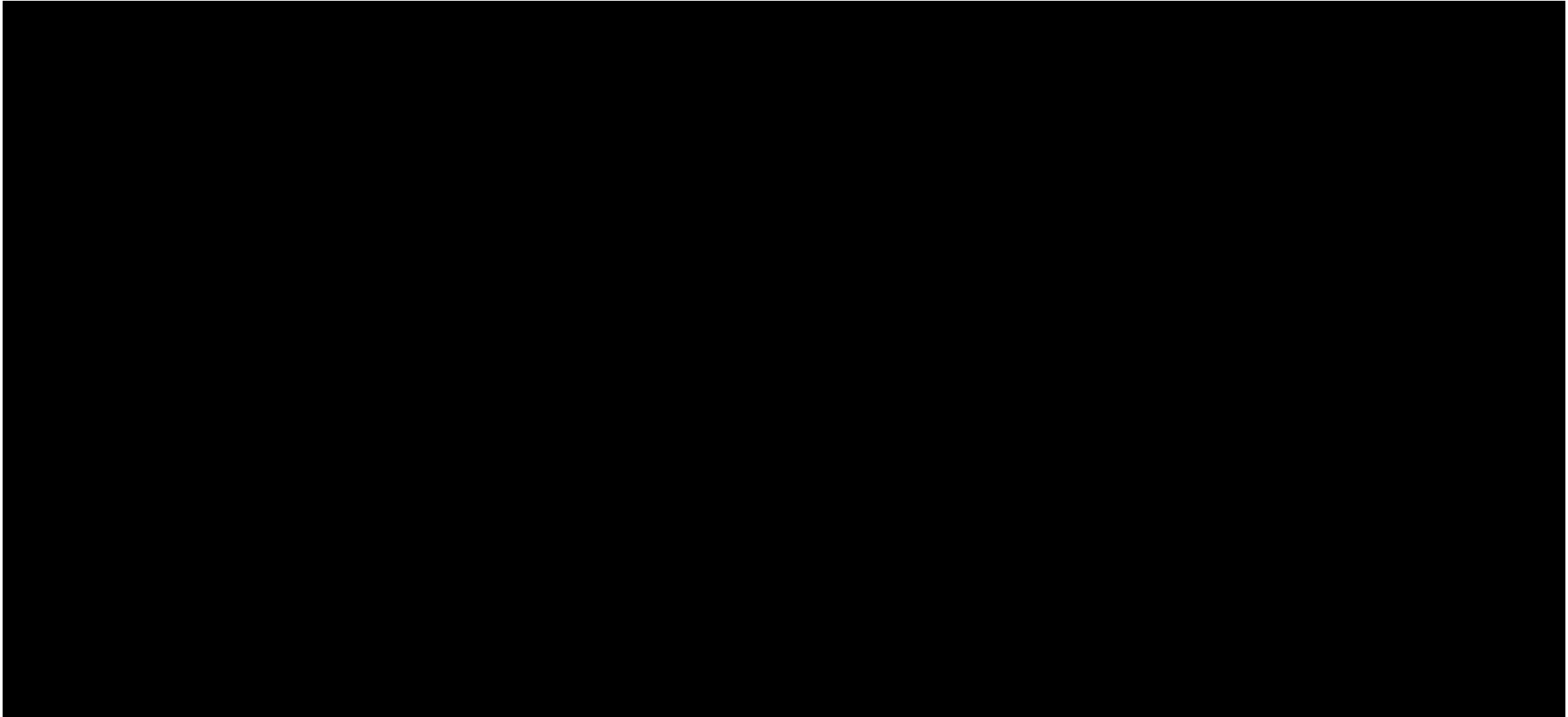
A city with strong industrial and technological background

- Mikkeli is a city located in Eastern Finland, with a population of around 34,000 residents as of 2021. The municipality covers an area of 1,267 square kilometers, of which approximately 15% is water.
- The population of Mikkeli is well-educated, with several educational institutions, including Mikkeli University of Applied Sciences and Mikkeli University Consortium. These institutions offer a wide range of educational opportunities in fields such as technology, tourism, and business.
- Growing population: Mikkeli has a growing population, with a steady increase in the number of residents in recent years. This presents a growing market for utility services and provides a solid base for future growth.
- High standard of living: Mikkeli is known for its high standard of living, with excellent educational institutions, a thriving arts and cultural scene, and a range of recreational opportunities. These factors contribute to the overall quality of life in the city, making it an attractive place for people to live and work.
- Thriving economy: Mikkeli is home to several large companies and industries, including the Finnish forest industry and high-tech companies in the fields of automation and robotics. This creates a stable and growing economy, which is an attractive factor for investors and businesses alike.
- Strong infrastructure: Mikkeli has a well-developed infrastructure, with good road and rail links to the rest of Finland and neighboring countries. This makes it easy for companies to move goods and services in and out of the area, and for employees to commute to work.
- Supportive business environment: The municipality of Mikkeli is committed to supporting businesses and promoting economic growth in the area. This includes providing assistance with start-up and expansion projects, as well as offering incentives for businesses that create jobs and provide services to the community.

Source: Public information, City of Mikkeli



8.5 Nordic Ren-Gas hydrogen investment in Mikkeli



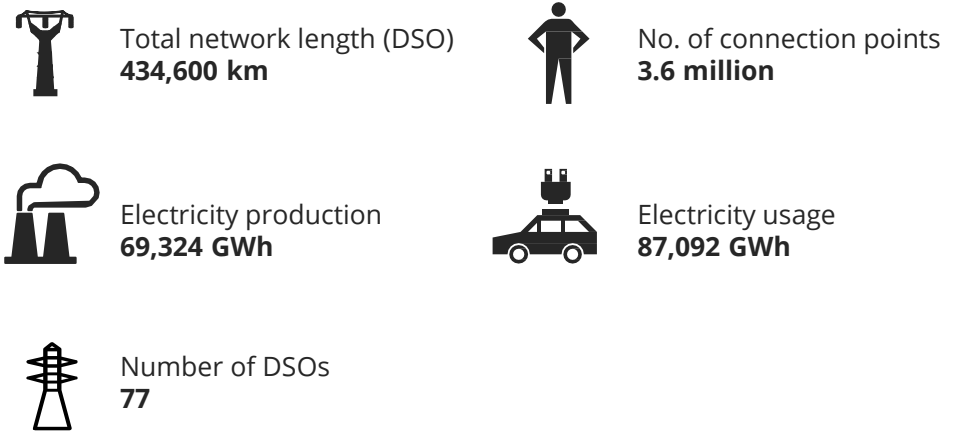


Overview of Finnish energy sector – Electricity



8.6 Finnish electricity market – Overview

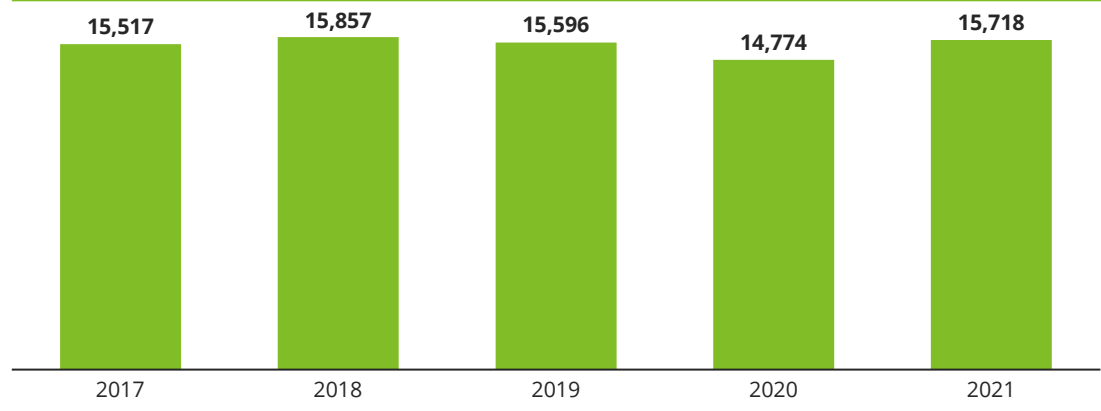
Key figures of the Finnish electricity and electricity distribution market



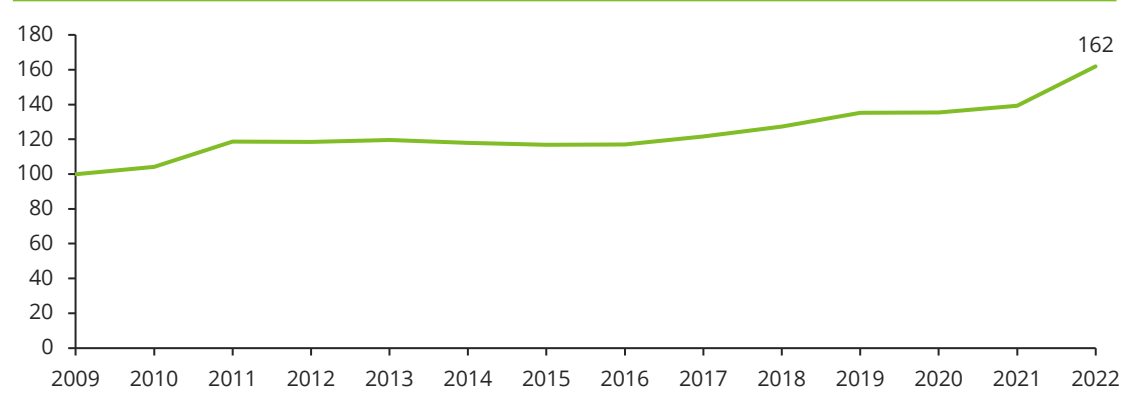
Overview

- The Finnish electricity market consists of electricity retail and electricity distribution. The Finnish electricity market is governed by the Electricity Market Act of 2013. In 2021 amendments into Electricity Market Act came into force, which strives to restrain increase in electricity distribution prices.
- The Finnish electricity market was deregulated in 1995 splitting up electricity retail and electricity distribution. Currently there are 77 DSOs and the incumbent TSO Fingrid, while there are an estimated 58 electricity retailers nationwide, owing to recent market consolidation in the electricity retail segment.
- A majority of the Finnish DSOs are municipality owned, while some of them are owned by investors or operate as co-ops.
- Due to a recent law change requiring network operators to reduce network downtime, the industry has faced heavy investment loads which has resulted in heavy price increases especially in rural areas. Regulation has also changed, limiting price increases in the sector.
- However, Finland has one of Europe's most efficient networks, with losses accounting for only 1.5% of injected energy.

Consumption of electricity in Finland, kWh per person/year



Electricity price index, Finland(1) (2009 = 100)

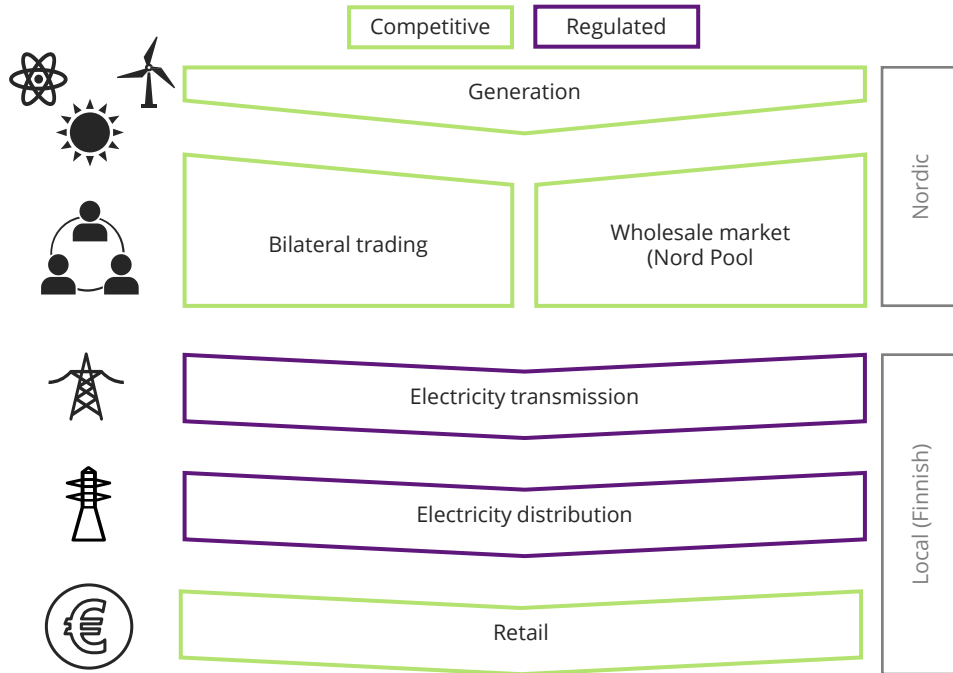


(1) Prices for type K2 (detached house, small sauna, no electric heating), annual prices are averages of monthly prices, prices include energy, distribution and taxation
Source: Statistics Finland, Eurostat, Energy Authority, CEER, Fingrid, KPMG-analysis



8.7 Finnish energy sector – Electricity market overview

Structure of the Nordic electricity value chain



Overview of the Nordic electricity market

- The electricity market in Finland and in the wider Nordic region consists of a number of different activities, which could be divided into two categories: competitive/market based and regulated.
 - Electricity generation, trading and retail are competitive sectors with no price controls.
 - Transmission and distribution are regulated monopolies and subject to regulation.
- The Nordic wholesale market is organized as a single market, the Nord Pool (a). Electricity can be traded either on the Nord Pool or sold directly through bilateral contracts.
- The Nord Pool includes different price areas which are connected to each other through the national transmission systems and through interconnectors. Finland has one price area, as determined by the national Transmission System Operator (“TSO”).
- The regulated transmission and distribution functions in Finland are carried out by the national TSO (Fingrid) and regional/local Distribution System Operators (“DSOs”).
- The supply market in Finland is highly competitive, with retailers buying electricity from Nord Pool or bilaterally and then selling to end-users in their local markets. Because of the competitive situation and highly volatile market prices, we have seen consolidations and transactions in the market in recent years.
- Nord Pool was previously fully owned by the Nordic and Baltic TSOs: Statnett (Norway), Fingrid (Finland), Svenska Kraftnät (Sweden), Energinet (Denmark), Elering (Estonia), Litgrid (Lithuania) and Augstsprieguma (Latvia). At the end of 2019, the current owners decided to sell majority ownership (66%) to Euronext, which is the owner of the Oslo Stock Exchange. The TSOs will own the remaining 34% through an incorporated joint ownership.

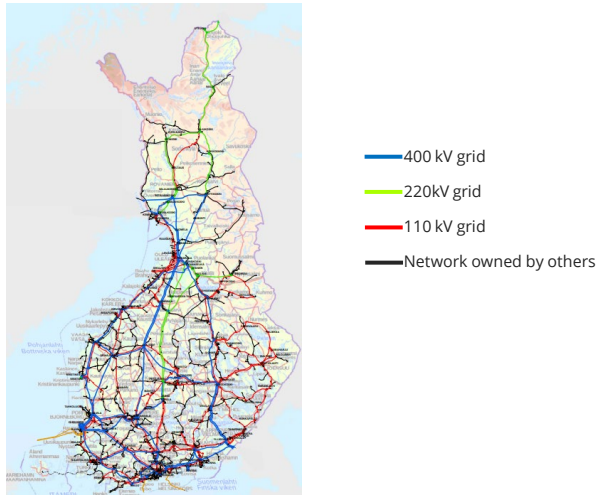
Notes: (a) In addition to the Nordic region, Nord Pool also operates in the Baltic states, the UK, Austria, Belgium, France, Germany, Luxembourg, Netherlands and Poland.

Source: Nord Pool, Energy Authority, Statnett

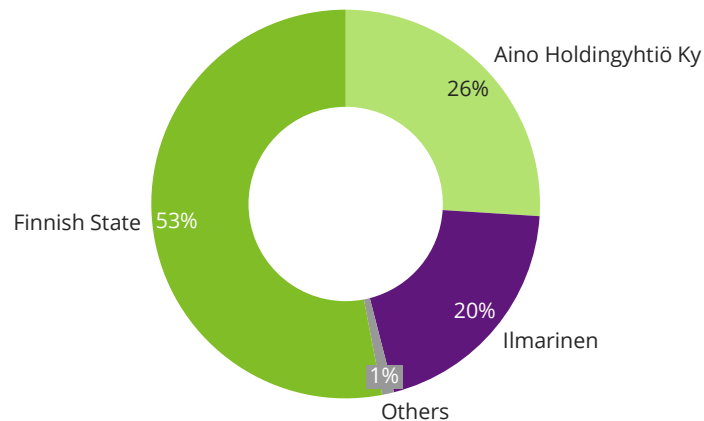


8.8 Finnish energy sector – TSO & DSOs

Fingrid Oyj power transmission network, 1.1.2022



Ownership structure of Fingrid Oyj



Source: Fingrid

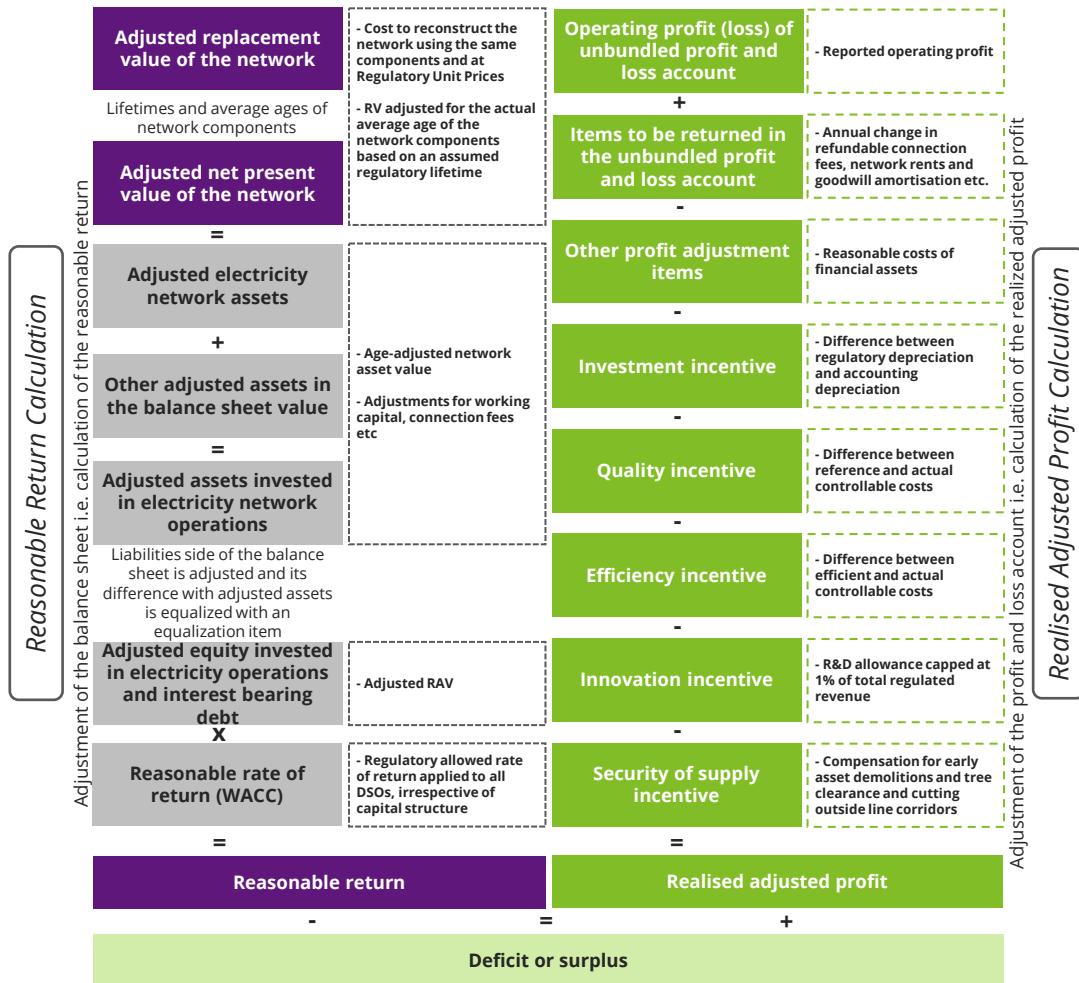
Key facts of the Transmission network

- The transmission network operated by Fingrid is connected to power plants and industrial grids, regional networks and distribution networks as well as other transmission networks in neighboring countries, with a total network length of ~15,000 km.
- In 2021, Fingrid had total revenues of €1,090 million and transmitted 72.9 TWh of electricity, which represents around 77% of total electricity transmitted in Finland. The remainder is generated locally and transmitted through distribution networks.
- Fingrid announced their new investment scenario in 2022, stating that they will invest roughly €3,000 million to maintain the excellent quality of the network, but also to establish and enable new connections, especially in renewable sector. They will also enhance the connections abroad.
- Fingrid’s transmission charges are invoiced from DSOs. Fingrid’s charges are considered a pass-through item for DSOs under the regulatory framework and they are recovered through distribution charges invoiced from the customers.
- In 2021, Fingrid established a new service called Datahub. Datahub is a centralized information exchange system for retail markets, which will store the data from all of Finland’s 3.5 million places of electricity consumption. Around 80 distribution system operators (DSOs) in charge of electricity transmission and 80 electricity suppliers have switched to Datahub.
- Ownership of Fingrid is split between the Finnish state and local financial institutions.
- Aino Holdingyhtiö Ky is a joint ownership company formed by Valtion Eläkerahasto, a state pension fund, Pension Insurance company Elo and OP Group, a major Finnish banking and financial institution.
- The Company has different share classes resulting in the Finnish state having ~71% of the votes, Ilmarinen, a local pension company, ~17% and Aino ~12% of the votes.



8.9 Regulatory environment - DSO regulation

Calculation methods of reasonable return



Source: Energy Authority, Finnish Government

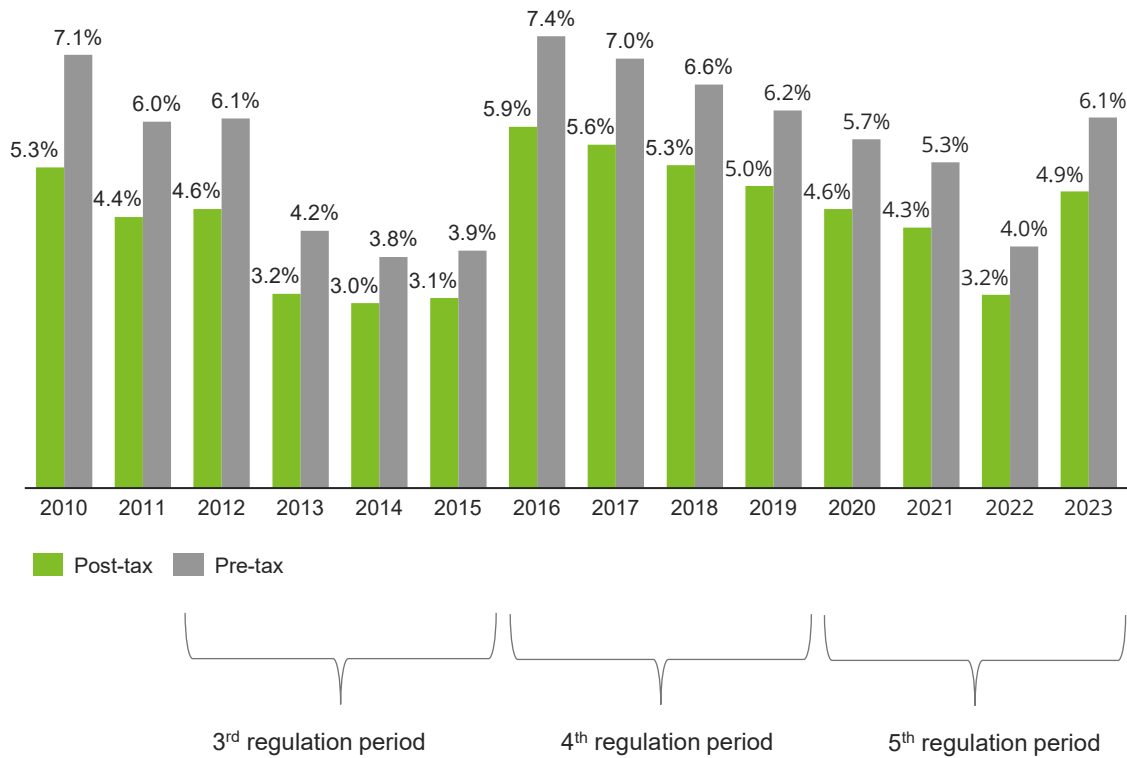
Main characteristics for DSO regulation

- According to electricity market legislation, the main objectives of special regulation of natural monopoly are the reasonableness of pricing and a high quality of network services. Other key targets include equality and network development, as well as sustainability, continuity of development, security of supply and efficiency of business operations.
- The calculation methods represents the methodology used to assess the reasonableness of the pricing of electricity distribution services in the fourth (2016-2019) and fifth (2020-2023) regulatory periods and how it compares to the actual profit after adjustments required by the regulator.
- In the formula, the left side leads to the reasonable return by applying the regulatory WACC on the invested capital of network operations, which is the network replacement value, and which is derived on a component-by-component basis.
- The right side of the figure represents the methodology used by the Energy Authority to adjust the statutory operating profit to the actual regulatory profit for the period. This is then compared to the reasonable return (i.e. the allowed profit for the period shown on the left side) to determine the deficit or surplus return for the network owner in the period.
- The regulatory adjustments for the DSOs P&L are aimed at incentivizing operational behavior that improves the quality, reliability and efficiency of an electricity distributor's operations. These incentives can provide a meaningful boost to profits of companies that are efficient.
- While the market conditions are usually agreed for a 4-year period (or to two back-to-back 4-year periods), an intensive public discussion on the topic resulted in changes in the regulation in the middle of the current 4-year period. The Finnish government decided by law, that it will change the maximum price increases of distribution tariff from 15% to 8%. Simultaneously, Energy Authority changed their calculation methods of reasonable return, which decreased the WACC and component prices from the beginning of 2022.



8.10 Regulatory environment - DSO WACCs

Post- and pre-tax WACCs, %



Main characteristics for electricity network regulation

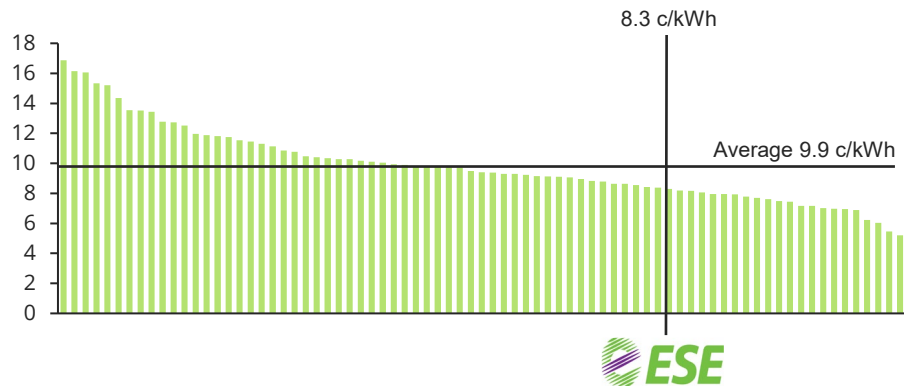
- Energy Authority regulates the reasonable rate of return, wherein one major component is WACC.
- During the last three years of the third regulatory period, the post-tax WACC fell to around 3%. The most significant reason in the decline was the decline in the 10-year interest rate of the Finnish government bond used as a nominal risk-free interest rate. Parameters used for the calculation of WACC were also altered during the transition to the third regulatory cycle, but these effects remained relatively small.
- During the fourth regulatory period, the WACC calculation was changed and the control methods used the Nominal Pre-Tax method in the WACC calculation. As the regulation period changed, the WACC also rose to a higher level than previously due to new methods and investments into supply security.
- 5th regulation period (2020-2023) includes similar objectives to the 4th regulation period because of the simultaneous negotiations of the regulation targets. This improved the continuity and predictability between different regulation periods and is especially important because of the new electricity market act. According to the act the network owners are obliged to invest more on replacing the network.
 - During the 5th regulatory period (2022), the calculation methods were changed. While interest rates have been increasing, Energy Authority decided that the WACC should reflect the current interest rate environment faster and rather than using the average of 10-year interest rate for the last ten years, the risk-free interest rate component in the WACC should be calculated from the average of daily quoted of last year's April-September.

Source: Energy Authority



8.11 Finnish energy sector – DSO pricing

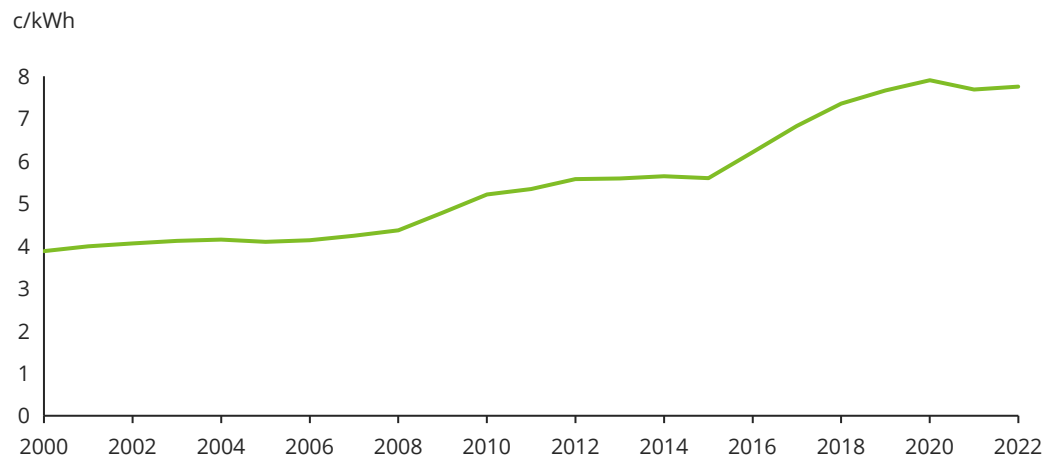
DSO distribution price, Finland, c/kWh, 2022



DSO pricing in Finland highly varied, ESE in the lower half

- The distribution prices of Finnish DSOs vary widely with the most expensive DSO charging 16.9 c/kWh and the cheapest 5.2 c/kWh for an average of 9.9c/kWh. ESEs pricing falls in the lower half, with a price of 8.3c/kWh.
- The large variety in pricing is partially due to the regulatory framework. Companies with high degrees of investment, typically into underground cabling and also into replacement of the network, have higher regulatory asset values per customer and are thus able to charge higher prices than companies with relatively lower regulatory asset values.
- Overall, electricity distribution prices have climbed rapidly over the past two decades and are now about twice as high as in the year 2000. Although, The prices have decreased a bit from 2021 because of the new regulation.

Electricity distribution price history, Finland(1), 2000-2022

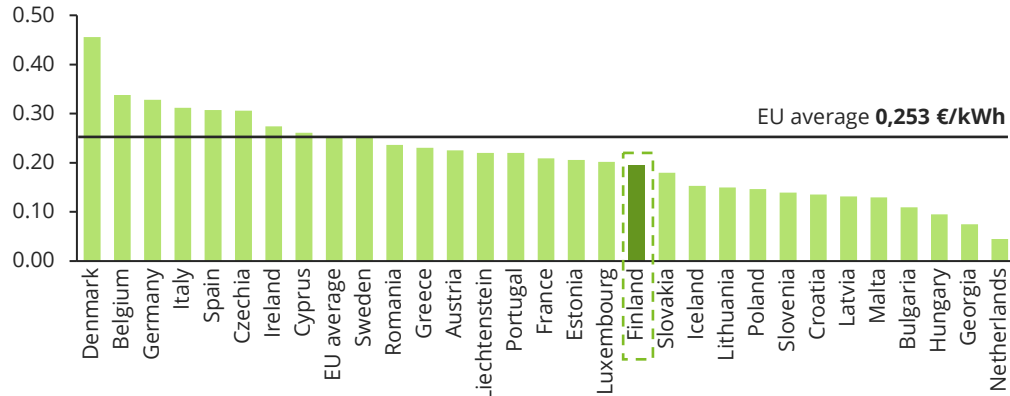


(1) Prices for K2 type house (detached house, small sauna, no electric heating), prices December prices excluding 2019 where November price is used and 2020 where data was not available
Source: Energy Authority, KPMG-analysis



8.12 Finnish energy sector – Electricity sales & retail

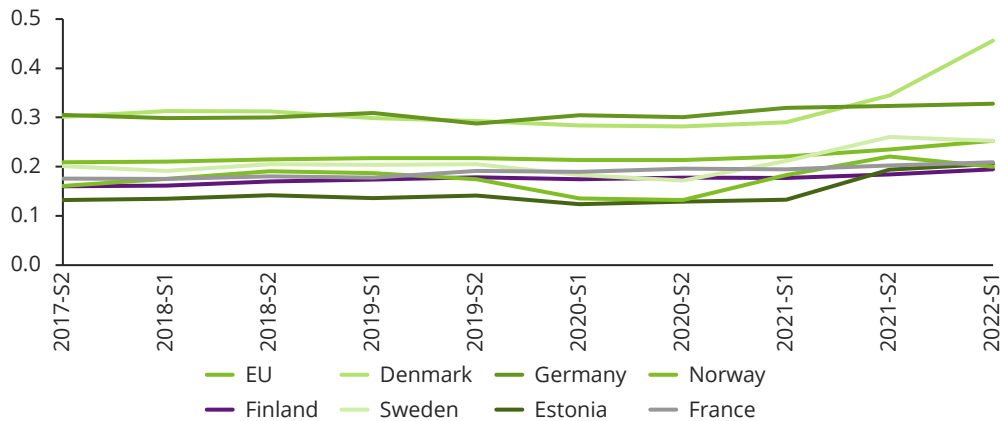
Electricity prices for household consumers, €/kWh, H1/2022 (a)



Consumer price development in Europe

- A well-functioning electricity market benefits everyone. A common regional market and strong transmission connections increase competition and ensure that electricity is produced in the most efficient way in the whole market area. The price of electricity in Finland has been below the European average for a number of years.
- The prices are mainly driven by consumption which fluctuates with economic stability. The production composition is also one key element. In the Nordic markets the primary production source, hydropower, is significantly impacted by rainfall, thus having significant role in the pricing of the Nordic electricity market.
- The market prices in Nordic markets have remained stable for many years, but are expected to become even more volatile based on an increasing share of renewable energy (solar, wind power etc.). This will most likely create demand for new innovations in the energy markets.
- With individual customers becoming more aware of market prices, new applications are coming to market, where one can affect own consumption and prices with load transferring and flexibility on demand.
 - The market prices have been very volatile for the past couple of years (especially during 2022), which has forced the consumers to be even more aware of their electricity pricing and consumption. Increasing prices have also allowed production companies to gain benefit from the situation.

Development of Electricity Prices for Consumers in Europe €/kWh (b)



Notes: (a) The electricity cost refers to a household with annual electricity consumption between 2,500 and 5,000 kWh. (b) S1 and S2 in the table stands for semester 1 and semester 2, as first and second half of the year

Source: Eurostat



Overview of Finnish energy sector – District heating



8.13 Finnish district heating market – Overview

Key figures of the Finnish district heating market

Total network length (Dh)
16,090 km

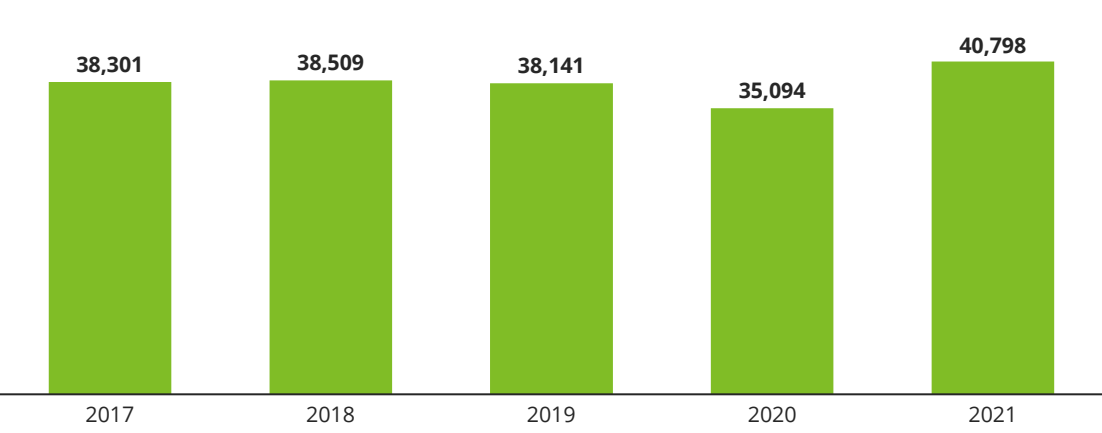
No. of users
3.0 million

DH users in Finland
~55%

Heat sold
35,300 GWh

Number of DH operators
~100

Production of district heating in Finland, GWh

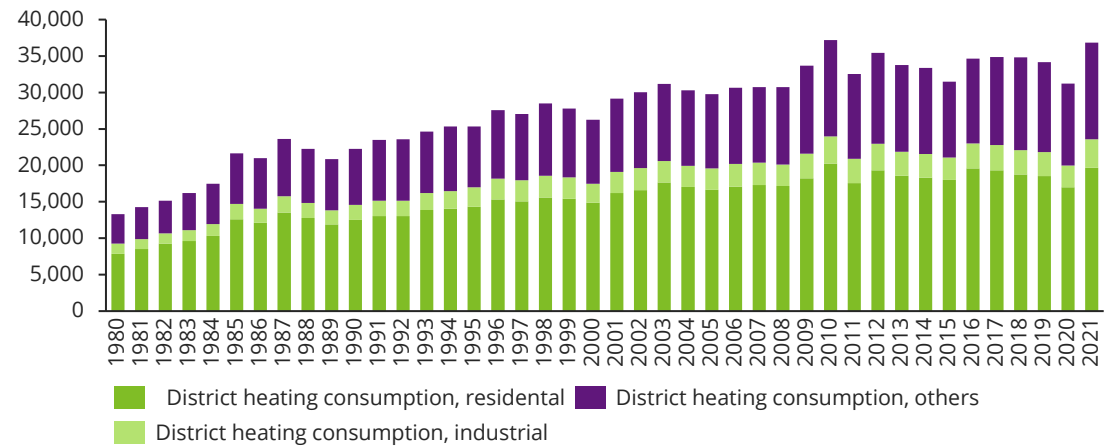


Source: Statistics Finland, Finnish Energy, KPMG-analysis

Overview

- District heating is the most popular form of heating in Finland with 55% of people using district heating to heat their houses. District heating is less used in rural areas, but because of urbanization, we could see an increase in the market share of district heating in the future.
- The district heating market remains unregulated. However, since district heating operators operate natural monopolies, certain pricing restrictions, designed mainly to eliminate excessively high pricing, are in place owing to the Consumer Protection Act. The price increases have also a natural competitor, while there is competitive solutions and applications available.
- A vast majority of the Finnish district heating operators are municipality owned, with the rest being owned by investors or operating as co-ops.
- CHP plants or comparable co-generation heat from gas turbines, gas engines or diesel engines remain the main source of district heating in Finland with 56% share of the total production.

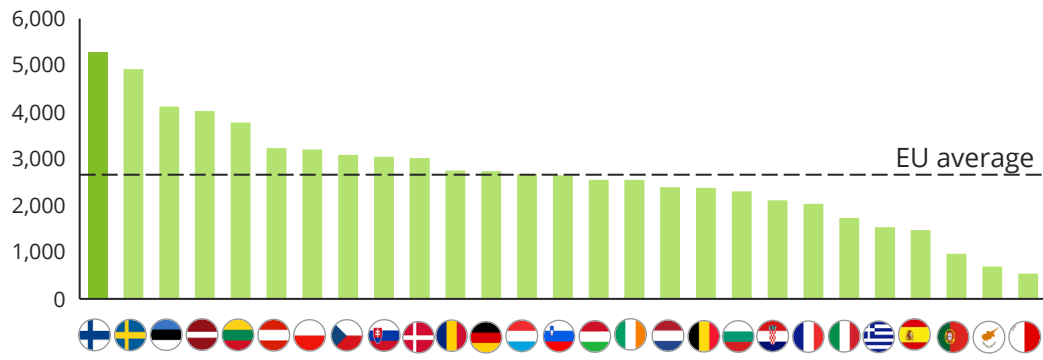
Consumption of district heating per customer segment, Finland, GWh





8.14 Finland and heating demand

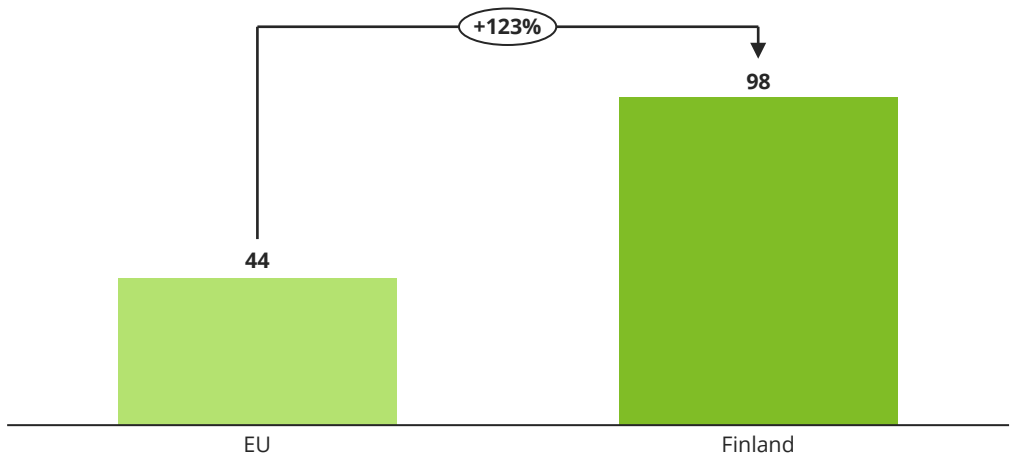
Heating degree days by country, 2022



Finland has high heating needs thanks to the cold climate

- Finland is the coldest country in the European Union as measured by the heating degree days metric, with annual heating degree days reaching 5,276 degree days. Finland is the only country where annual heating degree days exceed 5,000. The European average heating degree days is approx. 2,700.
- Due to the cold climate, the Finnish population spends on average over twice as much annually on heating. According to Euromonitor data, the average citizen spends almost €100 annually while the average EU-citizen spends only €44.
- Etelä-Savon Energia is well positioned to continue to capture benefits from high heating spend due to it's position in both electricity distribution and district heating, two of the most popular heating forms in Finland.

Consumer average spending on heat energy, € / p.a., 2018

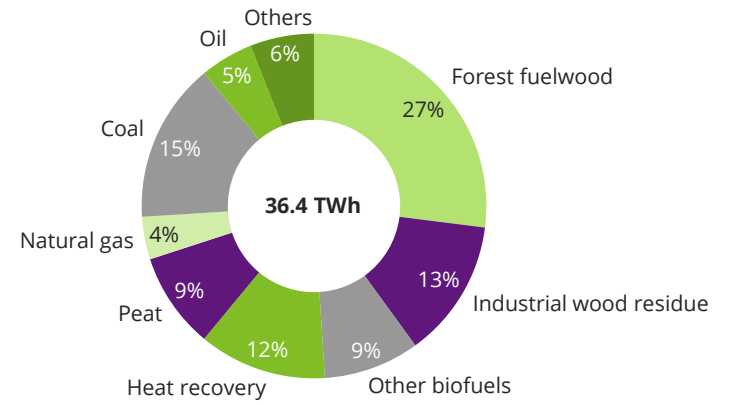


Source: Euromonitor, Eurostat, Statistics Finland



8.15 Finnish energy sector – District heating production

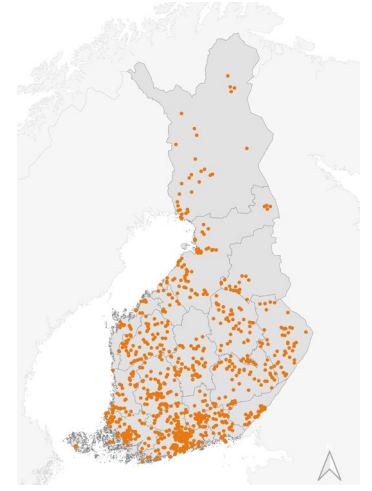
Split of district heating by production source in Finland, %, 2022



District heating production in Finland

- In 2022, Finnish district heating production decreased by 6.9% to a total of 36.4 TWh. Installed capacity currently exceeds 20 GW. The consumption of district heating decreased from the previous year mainly due to warmer heating season. The heating season was 0.4 degrees warmer than normal year and 1.2 degrees warmer than previous year.
- District heating is mainly produced by coal, peat and forest residue, although, due to climate concerns, producers are shifting away from coal and peat as a district heating fuel. District heating is increasingly being produced with bio-based fuels such as forest residue and wood residue. Also, diverse waste heat applications are increasingly being explored by energy companies. The trend in emissions from district heat production is clearly decreasing.
- Finnish district heating facilities are often located close to urban clusters, where the majority of district heating users live.

Location of district heating production facilities, 2019



Source: Finnish Energy, Statistics Finland



8.16 Finnish energy sector – Household heating market overview

Heating source	Market share ⁽¹⁾
District heating	51%
Electricity	21%
Oil and gas	5%
Air source heat pump	5%
Geothermal	9%
Other	9%

(1) Based on 2022 preliminary data
Source: Finnish Energy, Statistics Finland

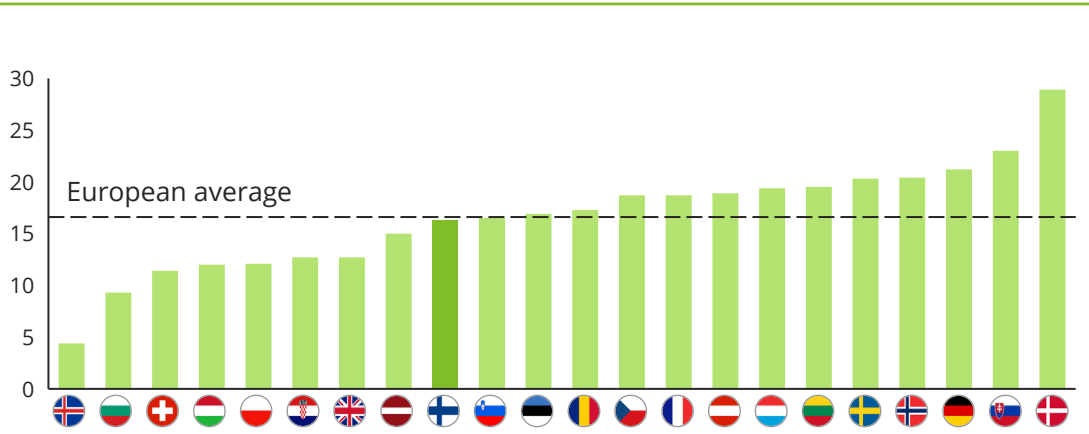
District heating remains dominant heating solution in Finland

- District heating remains the most popular form of heating. District heating is used to heat 51% of the household space heating in Finland.
- Electricity has held its ground as the second most popular form of heating in Finland although it trails geothermal heating in new build installation. Current electricity price environment reflects also to decreasing popularity.
- Fossil fuels have fallen out of favor and their share of new build is negligible. Due to historical reasons oil and gas remain the heating solutions of choice for 7% of Finnish the floor area.
- Etelä-Savon Energia, with its cornerstone markets of district heating and electricity distribution, is uniquely positioned to benefit from both the high market shares of district heating and electrical heating in existing buildings as well as new build.
- Etelä-Savon Energia also stands to capture some benefits from the rise in geothermal heating as electricity is required to power the geothermal pumps, increasing household energy consumption.



8.17 Finnish energy sector – District heating cost

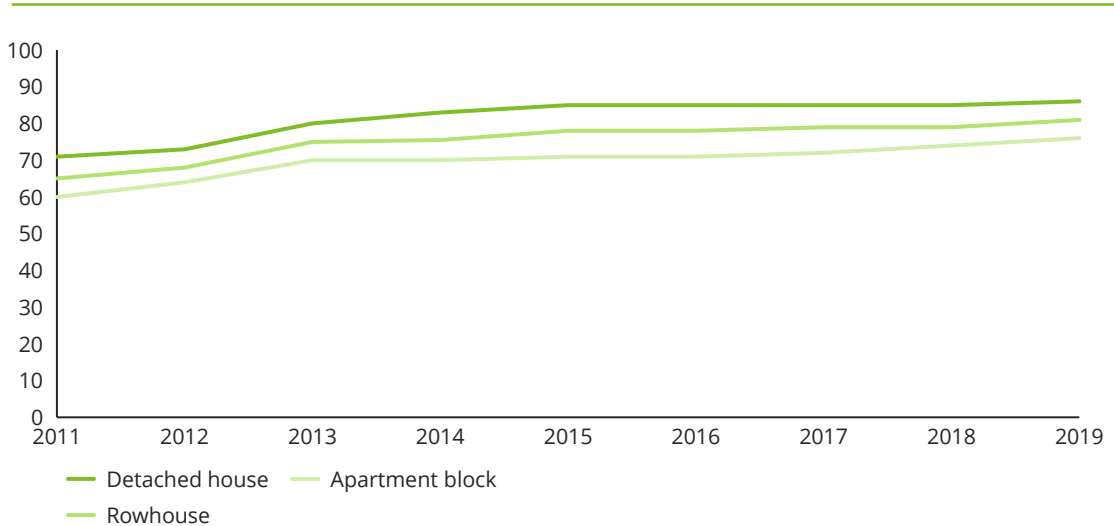
District heating cost in Europe, €/GJ, 2013



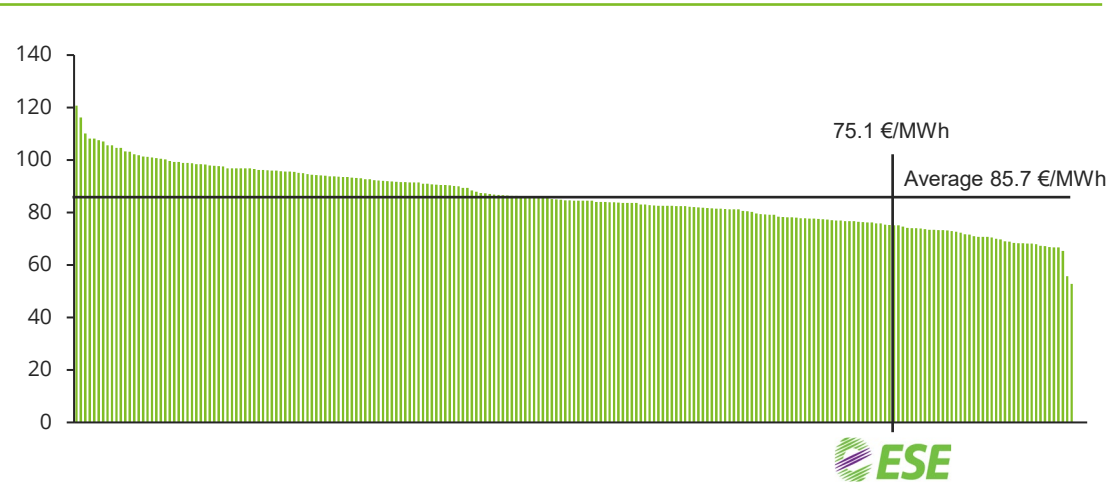
District heating prices near European average, price development flat, Etelä-Savon Energia near the market average in Finland

- District heating prices in Finland have historically remained near the European average. Finnish district heating cost in 2013 was 16.3 €/GJ while the European average was 18.1 €/GJ.
- Historical development of district heating pricing has been subdued. This is due to in-part to the rise of alternative heating methods, such as geothermal, which effectively cap district heating price raises. However, district heating remains the number one heating solution in new build housing in Finland in large part due to its limited capital investment needs.
- Finnish district heating companies have an average total price of 85.7 €/MWh for 2022 for an average 80 flat apartment buildings. Etelä-Savon Energia is a bit below the market average with a price of 75.1 €/MWh for 2022.

District heating price development in Finland incl. tax, €/MWh



District heating prices per company, €/MWh, 2022



Source: Finnish Energy, Energiforsknmedia



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About financial information included in the Memorandum

Historical financials

- Memorandum presents the historical financial information for 2020, 2021 and 2022 financial periods. The presented information is based on financial statements, management accounts and management's commentary. Possible eliminations are not fully considered as a part of the historical financials and some of the figures may therefore differ from the original financial statements.
 - The Company consists of four business segments (DH, Energy production, DSO, Construction & Maintenance). The Company has also six associated companies: Koskienergia Oy (45.0%), Biosairila (39.29%), Finnwind (25.0%), KS Energiavälitys Oy (20.0%), Suomen Voima (1.91%) and Misawa Homes of Finland Ltd (2.1%). Haukivuoren Lämpö (94% ownership) operates in connection to the parent company.
 - DH and Energy production unit are presented as one entity (parent company), which includes certain eliminations and received electricity from associated companies.
 - Business area sections present operational and financial information and estimates on the business area level. The operative and financial information is based on management accounts and management's commentary.
 - Financial figures presented in the slide 74 are based on financial statements, where Group eliminations have been executed. These figures can differ from the projections presented earlier in the memorandum and in slides 76-78 to describe the differences occurring from Group eliminations.

Financial projections

- The management of the Company has made a long-term business plan, which is presented in the following section. Projections are modelled and presented according to the management estimates.
- Main projections are done on a business area level until 2052 and presented in the memorandum until 2033. Main assumptions for the projections are:
 - Company is following regulation on DSO business and invested firmly to maintain current underground cabling rate in medium and low voltage networks. The regulatory deficit in the end of 2021 was approximately €2.6 million and the company has currently a moderate plan to develop the network.
 - WACC is expected to be between 5%-6% in the forecasted years of 2024-2052. RV and RAV are expected to increase because of increasing components prices, while to regulatory period changes in the beginning of 2024.
 - Customer base is expected to remain relatively stable for DSO and DH. The management estimates moderate price increases in both businesses.
 - Estimated inflation or other management estimates is taken into account in both revenues and costs where applicable.

About budgeting and estimation processes of Etelä-Savon Energia

- Budgeted figures are presented for 2023, as available.

9.2 Historical performance – P&L, Etelä-Savon Energia Oy

Income statement - Etelä-Savon Energia Oy

€'000	2020	2021	2022
Net sales	45,776	56,021	67,924
Manufacturing for own use	2,987	3,440	1,767
Other operating income	280	2,485	881
Material purchases	(22,362)	(26,766)	(28,129)
External services	(4,237)	(3,237)	(3,446)
Personnel expenses	(7,639)	(7,880)	(7,883)
Other operating expenses	(4,761)	(5,565)	(4,886)
EBITDA	10,043	18,498	26,227
<i>EBITDA-%</i>	21.9%	33.0%	38.6%
Depreciations and amortisations	(9,234)	(9,969)	(9,919)
EBIT	809	8,528	16,308
<i>EBIT-%</i>	1.8%	15.2%	24.0%
Financial income (expenses)	-1,665	-1,349	-2,496
Decrease in depreciation difference	0	0	0
Taxes	-335	-625	-1,713
Deferred taxes	362	-714	-659
Minority interest	68	-6	-4
Profit (loss)	-761	5,834	11,437
<i>Profit-%</i>	-1.7%	10.4%	16.8%

Commentary

- In 2022, revenue was €67.9 million, which of energy business and production generated roughly 83%, DSO business ~14% and construction and maintenance remaining ~3%. Increase from 2020 to 2022 has been substantial and occurred mainly from higher electricity prices.
- Material purchases include mainly fuels for the energy production unit, which were approximately ~70% of the whole expense line in 2022. This figure includes purchase of emission rights (€3.4 million). Other noteworthy items are purchase of electricity (Mankala-model), which was €2.1 million in 2022 and TSO expenses, which were €1.2 million in 2022.
- Strong EBITDA-% development is due to high and variable electricity prices, while the Pursiala plant is a CHP plant, which produces heat and electricity simultaneously. Shareholding companies have also been able to deliver electricity at competitive prices, which have generated profits while selling it into the market.
- In 2020 the whole year was warmer than normal, which partly decreased the revenues of DH business.
- Pursiala power plant can utilize e.g. wood residues in its production and the share of wood feedstock has been ~80%. The company targets to 99% share by 2026.

9.3 Historical performance – balance sheet, Etelä-Savon Energia Oy

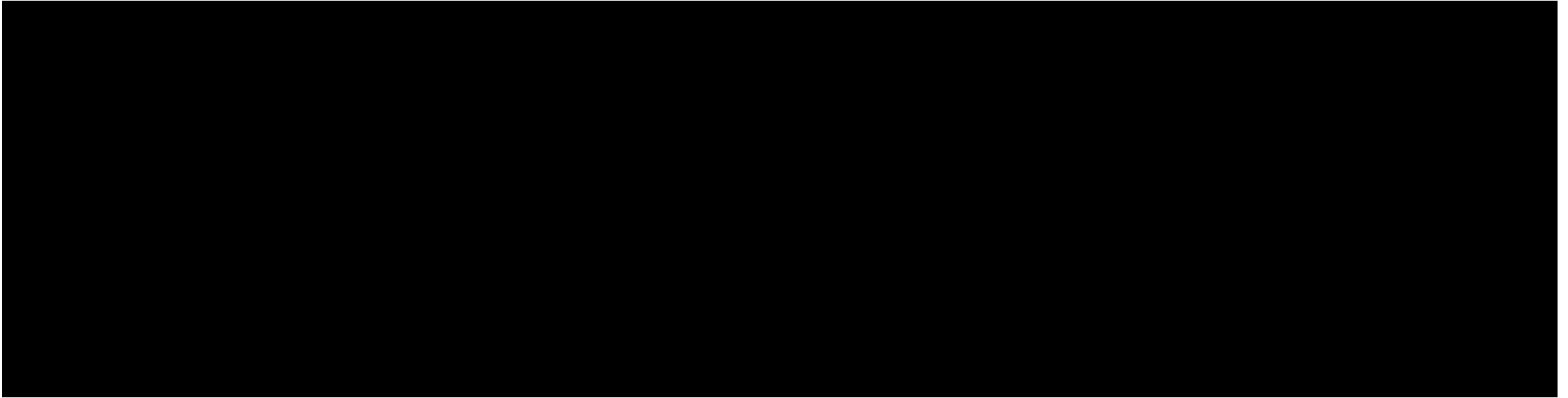
Balancesheet - Etelä-Savon Energia Oy

€'000	Dec-2020	Dec-2021	Dec-2022
ASSETS			
Intangible assets	862	2,088	1,950
Tangible assets	115,312	116,470	113,658
Investments	26,684	12,756	12,062
Total fixed assets	142,858	131,315	127,671
Inventories	3,529	4,463	5,429
Accounts receivables	1,726	1,648	1,506
Other receivables	11,260	10,405	9,928
Cash and equivalents	2,873	11,745	21,919
Total current assets	19,388	28,261	38,781
TOTAL ASSETS	162,246	159,575	166,452
EQUITY AND LIABILITIES			
Equity	26,157	29,542	22,728
Minority interest	(176)	63	61
Group reserve	11	-	-
Change in depreciation difference	-	-	15,396
Statutory provisions			
Connection fees	14,094	14,613	14,826
Long-term loans from financial inst.	86,307	73,008	68,243
Other liabilities	17,436	18,145	18,803
Total long-term liabilities	117,837	105,766	117,268
Short-term loans from financial inst.	9,549	7,990	8,765
Other short-term liabilities	8,869	16,214	17,629
Total short-term liabilities	18,417	24,204	26,394
TOTAL EQUITY AND LIABILITIES	162,246	159,575	166,452

Commentary

- The largest assets in December 2022 were holding in district heating network and related structures, which book value were €35.8 million in total. Heating equipment and buildings, which include energy generation, had a total book value of €42.8 million in December 2022. The book value for DSO network were €30.3 million.
- Inventories include mainly fuel storage for the heating plants (such as oil, wood residues and pellets).
- As at 31 December 2022, The Company had a total of €68.2 million of long term loans from financial institutions and €8.8 millions of short term loans. Other liabilities include a long term loan from Group companies, amounting €14.3 million.
- Investments include mainly holdings in Group and associated companies (e.g. ESE-Verkko Oy, ESE-Tekniikka Oy and Koskienergia Oy.)
- Connection fees consists of DH and DSO network connections. The share of DH in the end of 2022 were ~€10.6 million and the share of DSO ~€4.2 million.

9.4 Estimated development of Etelä-Savon Energia Oy

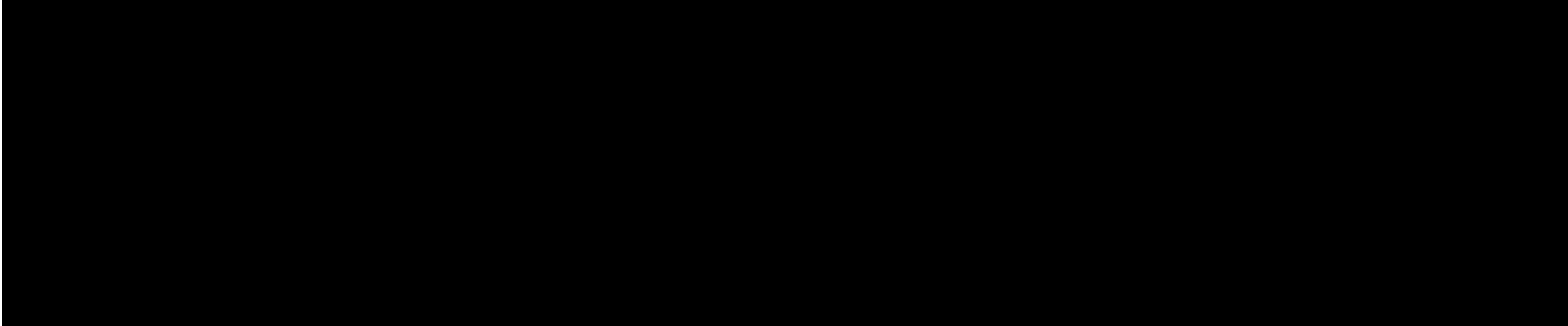


Commentary

- With the current estimates, every business unit is estimated to keep their position stable in the Group composition. Revenue is estimated to increase moderately with strong and stable customer base.
- DSO and DH have a stable market outlook, while especially DH and production businesses have invested in improvements of the business and feedstock handling.
 - As a future option, DSO unit will benefit from Ren-Gas' volumes, if the investment proceeds.
- Electricity price will remain one key component of generating revenue, while the company has significant ownership in e.g. hydropower.

9.5 Estimated development of Etelä-Savon Energia Oy – P&L

Income statement - Etelä-Savon Energia Oy (Group)

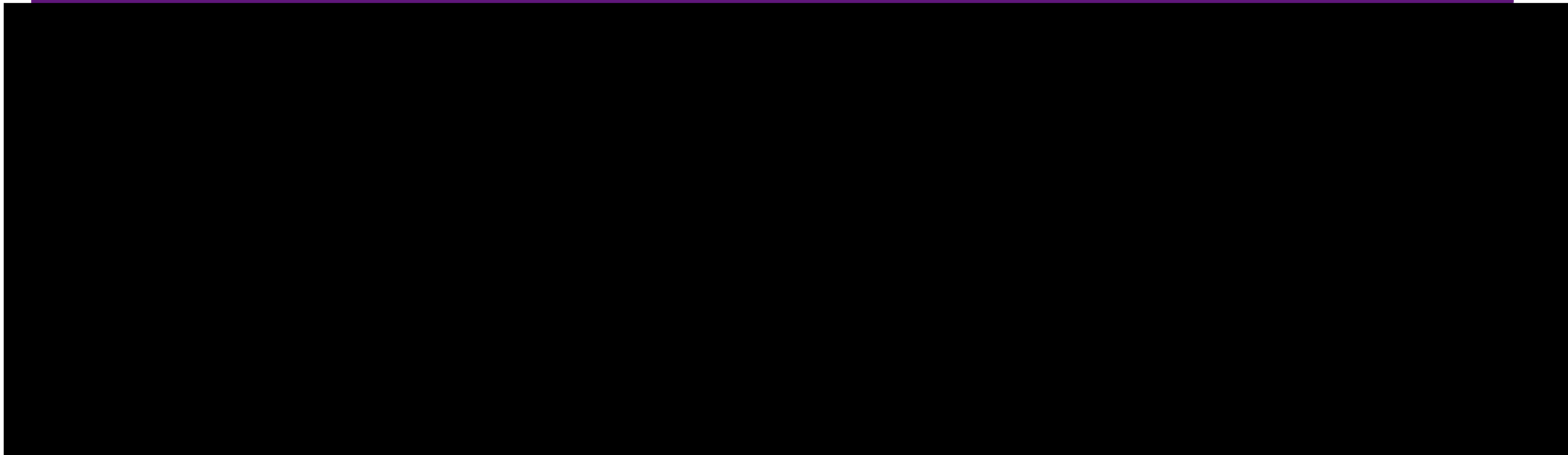


Commentary

- Profitability is expected to continue to be driven by the parent company operations (energy generation and district heating), having estimated share of ~80% of total EBITDA in 2030.
- Energy production and DH are estimated to benefit from waste heat in Ren-Gas operations, which will decrease operating expenses from 2026 onwards.

9.6 Estimated development of Etelä-Savon Energia Oy – cash flow

Forecasted cash flow - Etelä-Savon Energia Oy



Commentary

- Change in net working capital is projected to remain on historical levels in relation to revenue.
- The Company is expected to have a proper situation to reduce their bank loans in the upcoming. Dividend payments have been between €2-€3 million in 2020-2022.
- The estimated balance sheet does not consider a wider refinancing of the Company.

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1.4 Overview of the business plan

Key operating and financial figures

	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E

A summary of management estimates

- DH and energy production businesses are dependent of each other, while the production unit provides the district heat for the DH network. The company expects stable investment scenario for the both units, while the network is in a good condition and ESE has done major improvements for the production in near history. Future possibilities could lower expenses for the DH business, while e.g. collaboration with Ren-Gas could lead to utilization of waste heat from the hydrogen process and provide heat for the DH network.
- DSO business is another major business unit for ESE. The company has invested evenly to strengthen the network and to increase the underground cabling rate.
- Other business units are supported by ESE-Tekniikka (construction and maintenance), which constructs new network for DH and DSO businesses and also takes care of the maintenance.

Source: Company



3.3 Business area projections – ESE (parent company figures)

Key financials - Etelä-Savon Energia (parent company)

€'000	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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Commentary of estimates

- Parent company figures include the following operations: district heating (network), energy production, biogas (divested in 2022), financial management and administration and other production assets.
- District heating and energy production operates under the parent company and energy production unit sells most of it's output to DH business. Therefore these operations are presented together.
- Energy business benefits from fluctuating electricity prices and ESE's own energy production unit and other production assets have generated major growth in revenue and EBITDA for the last two years.
- The amount of district cooling have been excluded from the estimates. The share from the overall revenue is marginal and estimated to be 0.08 m€ in 2023.

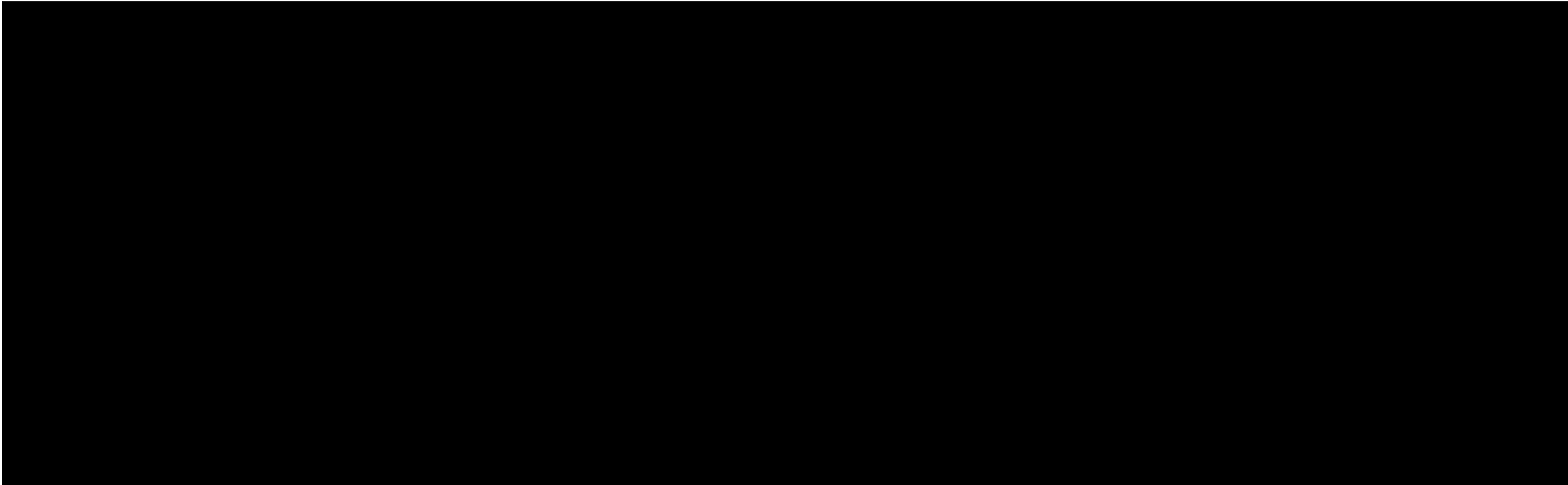
Source: Company



5.3 Business area projections

Key financials and key operational data - DSO

€'000	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
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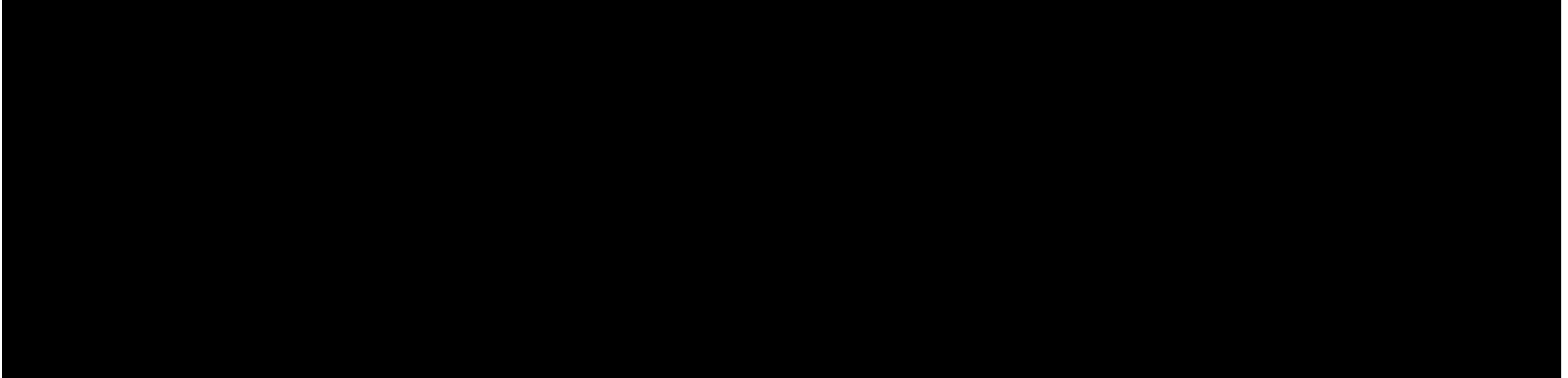


- The network is well maintained and the underground cabling rate is on a good level (between 75% to 85%), while most of the network is in the city area. The company has done major investment into the technical side of the network after 2006, therefore no major investments are expected in the near future (expect possible larger industrial projects).
- Customer base is estimated to remain stable with a possible expansion through larger industrial clients. The volume is estimated to increase roughly 10% during the next ten years. Revenue is expected to fluctuate according to regulatory framework.
- Company's investment estimates were presented until 2026. Other expenses include also group overhead expenses (2022: 0.4 m€; 2023: 0.5 m€) and group interest expenses (2022/2023: 0.1 m€). Overhead expenses are included in the estimates for 2024 onwards.

Source: Company

9.4 Estimated development of Etelä-Savon Energia Oy

Estimated revenue development, €'000

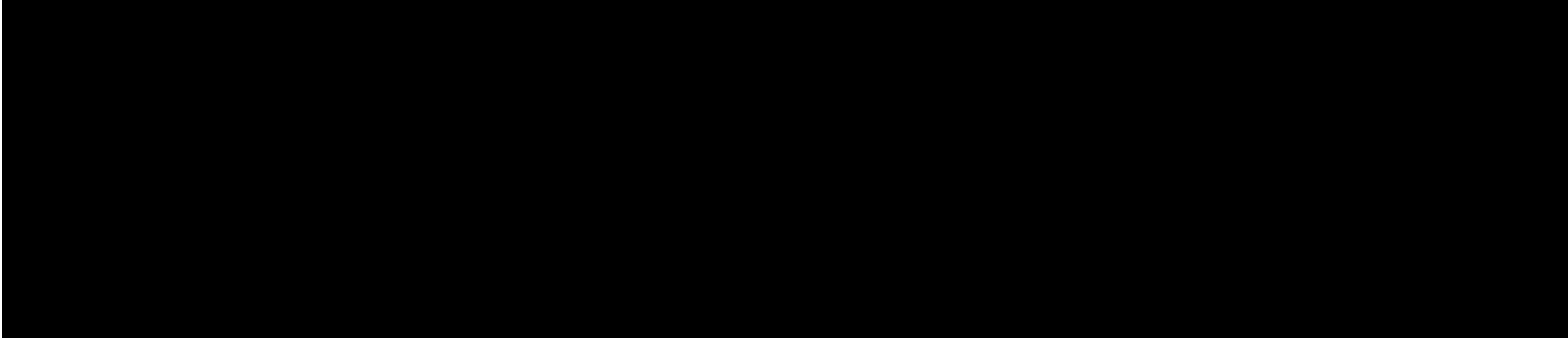


Commentary

- [Redacted]
- DSO and DH have a stable market outlook, while especially DH and production businesses have invested in improvements of the business and feedstock handling.
 - As a future option, DSO unit will benefit from Ren-Gas' volumes, if the investment proceeds.
- Electricity price will remain one key component of generating revenue, while the company has significant ownership in e.g. hydropower.

9.5 Estimated development of Etelä-Savon Energia Oy – P&L

Income statement - Etelä-Savon Energia Oy (Group)

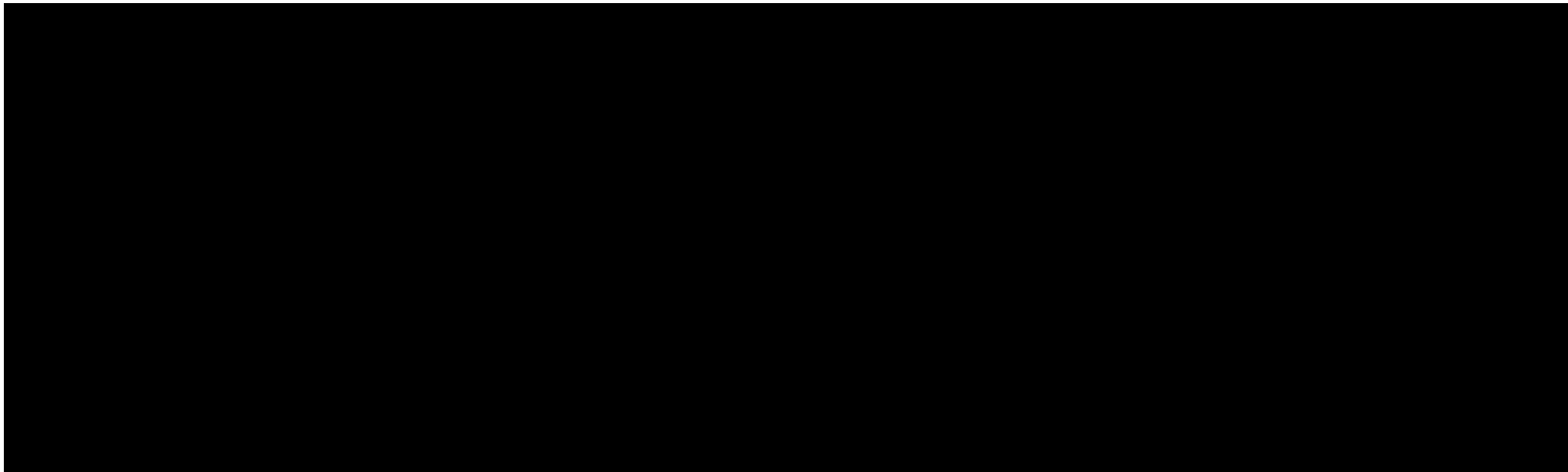


Commentary

- Profitability is expected to continue to be driven by the parent company operations (energy generation and district heating), having estimated share of ~80% of total EBITDA in 2030.
- Energy production and DH are estimated to benefit from waste heat in Ren-Gas operations, which will decrease operating expenses from 2026 onwards.

9.6 Estimated development of Etelä-Savon Energia Oy – cash flow

Forecasted cash flow - Etelä-Savon Energia Oy



Commentary

- Change in net working capital is projected to remain on historical levels in relation to revenue.
- [REDACTED] Dividend payments have been between €2-€3 million in 2020-2022.
- The estimated balance sheet does not consider a wider refinancing of the Company.

Important notice

This document is provided on the basis that it is kept CONFIDENTIAL and its circulation and use are RESTRICTED. It should not be copied or sent to any other person without the express permission of KPMG Oy Ab.

This information memorandum does not constitute an offer or invitation to persons to subscribe for or purchase any shares or other securities in any company or for persons to enter or offer to enter into an investment agreement or to exercise any rights conferred by an investment to acquire, dispose of, underwrite or convert an investment. The information memorandum contains basic information, statements and estimates provided to KPMG Oy Ab by the company and its management. Any person including any proposed acquirer of securities of the Company referred to in this document or any business or assets referred to herein must satisfy himself as to all matters relating to the Company or such business assets including all the information and statements contained herein. The information memorandum contains certain statements, estimates and projections with respect to the anticipated future performance of the Company. Such statements, estimates and projections reflect various assumptions made by the management of the business concerning anticipated results, which assumptions may or may not prove to be correct. No representation is made as to the accuracy of such statements, estimates and projections. KPMG Oy Ab on behalf of itself and all other member firms of KPMG, and all partners, staff and agents thereof, does not accept responsibility for any information contained herein and disclaims all liability to any person or entity arising out of or in connection with such information.



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Telephone +358 20 760 3000
www.kpmg.fi

Private and Confidential

[BIDDER]

Salassapidettävä dokumentti

6th of April, 2023

Project Headquarters – Phase I Process Letter

Thank you for your interest towards Project Headquarters – an opportunity to acquire a significant minority holding in Etelä-Savon Energia Oy (the “**Company**” or “**Etelä-Savon Energia**”). Having received the signed non-disclosure undertaking (the “**NDU**”) from you we are pleased to invite you to participate in the first phase (the “**Phase I**”) of the Sale Process.

City of Mikkeli (“**Mikkeli**”) has decided to seek a new minority owner for the Company while maintaining a majority holding (the “**Sale Process**”). KPMG Oy Ab, Corporate Finance (“**KPMG**”) has been exclusively retained by Mikkeli as financial advisor in connection with the Sale Process. Mikkeli has requested KPMG to approach selected prospective acquirers (each a “**Prospective Acquirer**” and jointly the “**Prospective Acquirers**”) that have an interest in the Sale Process.

1. Overview of Phase I

In addition to this letter you will be provided with confidential information memorandum (the “**Memorandum**”) and financial model (the “**Model**”) (after completing a hold harmless letter) which will enable you to study Etelä-Savon Energia in greater detail. On the basis of the Memorandum and the Model, we invite you to submit an indicative offer (the “**Indication**”) for target minority holding in the Company by **12:00 (CET) on Monday the 8th of May, 2023**. The Indication shall be submitted to the attention of Mr Harri Räsänen (harri.rasanen@kpmg.fi) and Mr. Olli Laine (olli.laine@kpmg.fi) at KPMG.

In selecting the Prospective Acquirers to be invited to the second phase (the “**Phase II**”) of the Sale Process, Mikkeli will evaluate certain factors which are encouraged to be addressed in the Indication.

2. Objectives of the Owners

The Sale Process concerns a minority holding (49.0%) of the shares of Etelä-Savon Energia Oy. The objective of Mikkeli is to divest the holding on terms which reflect highest possible cash value and otherwise acceptable terms.

Mikkeli is also seeking an active and strategically capable minority owner and a long-term partner with experience and knowledge to contribute to the development and value of the Company. Among other things; the possible partner should have long term investment horizon and possibility to commit into the partnership in a long term; to contribute real added value into leadership for example with their experience in the industry and wide contact network and to be prepared to commit into ESG reporting. Additionally, the partner could contribute to other possible infrastructure development opportunities in the region.

The Memorandum and the Model incorporate guidelines of a business plan which has been presented by the management of the Company. Mikkeli intends to complete (including the

mandatory appeal period related to public decision making) the Sale Process by the end of Q3 of 2023.

3. Instruction for the Indication

The Indication should, in addition to other factors you may consider relevant, address the following:

(i) Acquiring entity

- The identity of the proposed acquiring entity including its ultimate shareholders and an outline of the planned transaction structure. An overview of origin and structure of your funds. A confirmation that you are acting on your own behalf, as the principal, and not in conjunction with or on behalf of any other party.
- A description of your experience and capabilities related to energy generation, electricity distribution, district heating and other related sectors.
- A description of your typical or preferred way of working with a city as a majority owner in respective situations.

(ii) Consideration

- The Indication should describe:
 - Cash consideration (in euros) which you are prepared to pay for a minority holding (49.0%) of shares in Etelä-Savon Energia Oy at closing;
 - Estimated proceeds (dividends, interest, etc.) for all the owners of the Company going forward; and
 - Estimated proceeds for all the owners of the Company based on potential refinancing of the Company.
- A detailed description of key assumptions which you have applied in deriving the Indication including:
 - Enterprise value (i.e. debt-and-cash free value) of the Company (100%) and its derivation;
 - A detailed list of items which you have added to or deducted from the enterprise value to calculate full equity value of the Company;
 - Impact of potentially assumed refinancing of the Company to your valuation; and
 - Key factors related to the Company or more generally related to the sector in which the Company operates, that could lead you to change the Indication either upwards or downwards.
- The Indication should include single value for a specified holding. In the event a range is submitted, it will be assumed that the Indication proposed is the lowest value within that range.
- In evaluating the Prospective Acquirers, the Owners will among other matters consider the amount of work performed in preparing the Indication.

(iii) Commentary of the business plan and potential refinancing assumptions

- Commentary of the business plan and details of deviations from or assumptions made regarding the plan presented in the Memorandum and in the Model.
 - Description of contemplated/estimated refinancing assumptions for the Company going forward including:
 - Amount of senior or other debt financing which would be included in the Company;
 - Timing, structure and amortisation profile of facilities;
 - Pricing of facilities;
 - Key covenants related to the presented facilities and structure; and
 - Other key terms/items you consider relevant.
- (iv) Acquisition financing and conditions
- A description of your intended sources of equity and debt financing for the acquisition and the preparatory work you have done to have the necessary financing in place at the time of closing. Further, a description of the consents, approvals or other conditions required for such funding as well as the timetable to secure unconditional funding.
 - Support letters from financing banks should be included in the Indication, should you intend to use external financing.
 - A description of internal and external conditions which any binding offer would be subject to, including (if applicable) an outline of any approvals, consents and authorisations which you require or have already received to consummate a transaction, together with the estimated timing for obtaining such approvals, consents and authorisations.
- (v) Due diligence requirements
- A description of the due diligence requirements in your due diligence review during the Sale Process, prior to submitting a binding offer, including details of any additional information you would require as well as the possible requirements of your financing providers.
- (vi) Targeted timetable
- A confirmation that you will be able to adhere to the timetable of the Sale Process as set out in this letter.
- (vii) Other information
- A list of your possible external adviser(s) for the due diligence review.
 - List of other advisers as well as any adviser/representative with whom KPMG may discuss the Indication.
 - Any other information which you may consider relevant in connection with the Indication which could assist the Owners in evaluating the merits of your Indication.
- (viii) Business plan
- Please be aware, that the business plan, possible information related to pricing increases and other assumptions in the Memorandum and in the Model have been received from the management of the Company. Given information includes projections from detailed information of revenue, EBITDA and depreciations,

among others. Indicative offers should be prepared and based on these management estimates.

4. Overview of the Phase II

Following receipt of the Indications, the selected Prospective Acquirers may be invited to participate in Phase II of the Sale Process. In Phase II, the Prospective Acquirers are provided with the following information:

- Further information on the Sale Process in a process letter;
- An opportunity to meet with the management of Etelä-Savon Energia in a management presentation;
- Financial, commercial, technical, legal and other additional information in a virtual dataroom;
- A financial fact book containing detailed historical financial information;
- A tax fact book containing key historical tax information with respect to Etelä-Savon Energia Oy and main group entities;
- A legal guidance report containing guidance on the key legal issues; and
- A draft of the sale and purchase agreement (the “SPA”) governed by Finnish law specifying the terms upon which the Mikkeli intends to enter into a binding transaction.

Also, each of the selected Prospective Acquirers will be provided with a draft of the shareholder’s agreement (“SHA”) specifying the terms upon which the Mikkeli intends to enter into a binding transaction.

The Phase II of the Sale Process is scheduled to commence during the week beginning 15th of May. The confirmed offers (the “Confirmed Offers”) are due during the week beginning 12th of June, 2023.

Prospective Acquirers not selected to the Phase II of the Sale Process, or who decide not to submit an Indication should return or destroy all copies of the Memorandum and the Model and any other confidential information in accordance with the NDU.

5. Information related to the shareholders’ agreement

In connection with a potential divestment of a minority ownership stake of 49.0% shareholding in the Company, a shareholders’ agreement (“SHA”) will be prepared and signed between Mikkeli as a majority shareholder and the potential new minority shareholder of the Company.

- [REDACTED]



[REDACTED]

Notwithstanding the above, the final terms and conditions to be included in the SHA shall be negotiated in connection with the Sale Process and mutually agreed between the City of Mikkeli and the new minority shareholder.

6. Other matters

Mikkeli and KPMG reserve the right, exercisable at their sole discretion, without giving reasons therefore at any time and in any respect to amend or terminate the Sale Process, to terminate discussions with any or all Prospective Acquirers, to withhold any or all information from any party, to reject any or all proposals received or to negotiate with any party with respect to a transaction involving the Company.

Each Prospective Acquirers will bear all costs of its own investigation and evaluation of the Company including the fees and disbursements of its own advisers. Neither this letter nor the Memorandum or the Model shall constitute an offer to sell shares in the Company. Mikkeli and KPMG expressly disclaim any and all liability for representations, warranties or statements contained in this letter or in any other written material furnished or information orally transmitted to any Prospective Acquirer. This letter and all discussions concerning Project Headquarters are strictly confidential and subject to the terms of the NDU you have entered into.



7. Communication and KPMG's contact persons

All communication or enquiries relating to the Sale Process should be directed to KPMG's contact persons. Under no circumstances should you, or any party connected with or related to you, approach Mikkeli, the Company, its management or employees, or any of their subsidiaries, associated companies, customers, suppliers, competitors in connection (directly or indirectly) with the Sale Process unless specific written permission is obtained in advance from KPMG. Failure to comply with this may result in disqualification from the Sale Process.

KPMG's contact persons in connection with the Sale Process are the following:

Harri Räsänen Tel. +358 20 760 3215
 Mob. +358 40 709 2844
 E-mail: harri.rasanen@kpmg.fi

Olli Laine Tel: +358 20 760 3365
 Mobile: +358 40 837 4048
 E-mail: olli.laine@kpmg.fi

KPMG Oy Ab, Corporate Finance Töölönlahdenkatu 3 A, 00101 Helsinki, Finland

On behalf of Mikkeli, we would like to thank you for your interest in Project Headquarters. Should you have any questions regarding the Sale Process, please do not hesitate to contact us.

Yours sincerely,

Harri Räsänen

Private & confidential

Salassapidettävä dokumentti

[BIDDER]

[BIDDER]

6.4.2023

Dear [BIDDER/PERSON],

Provision of document without responsibility

In this letter, “KPMG” or “we” means the entity issuing this letter and “you” means the addressee or the addressees separately and together.

Introduction

1 In connection with the sale process of Project Headquarters we have been asked by Etelä-Savon Energia (“the Company”) to prepare a Financial Model in respect to Project Headquarters (the “Deliverable”). The financial model is being prepared based on an open-book approach relating to the proposed acquisition of the minority share in the Company. KPMG’s work and the Deliverable were not prepared in contemplation or for the purpose of your interests or needs. KPMG has been asked to provide you with a copy of the Deliverable. KPMG has also been asked at KPMG’s discretion to orally provide information or explanations in relation to the Deliverable.

No updating

2 Significant events may occur since our work was performed or the date of matters to which the Deliverable relates. It is not KPMG’s responsibility to update you on such events.

Terms

3 KPMG does not accept any responsibility to you, for its work, for the Deliverable or for any findings, conclusions, recommendations or opinions that KPMG has made in or connected with the Deliverable.

4 KPMG does not warrant or represent that any facts or matters in the Deliverable, or that any information or explanations provided orally by KPMG in relation to the Deliverable, are suitable for your purposes.

5 The Deliverable and any oral information or explanations provided by KPMG in relation to the Deliverable cannot serve as a substitute for other enquiries and procedures that you would (or should) otherwise undertake and judgements you must make to satisfy yourself regarding matters of interest to you.

6 KPMG is prepared to provide or to permit the provision of the Deliverable to you, and at KPMG's discretion to provide orally information and explanations in relation to the Deliverable, on condition you accept the above paragraphs and agree that:

- (a) "Information" means the Deliverable, including any information and explanations that may be provided orally by KPMG in relation to the Deliverable;
- (b) in respect of the Information (and any part of it) you should obtain verification from other sources and not rely on KPMG;
- (c) to the fullest extent permitted by law, KPMG owes no duty to you, whether in contract or in tort (including in negligence) or under statute or otherwise with respect to or in connection with the Information;
- (d) if you rely upon any of the Information for any purpose, you do so at your own risk;
- (e) you will not bring any actions, proceedings or claims against KPMG where the action, proceeding or claim in any way relates to or concerns or is connected with the Information;
- (f) to the fullest extent permitted by law, KPMG has no liability to you for any loss or damage suffered or costs incurred by you, arising out of or in connection with the Information or its use, however such loss or damage is caused;
- (g) you will not refer to the Information nor allow access to it or any report derived from it to any person or entity (except with any other party who has signed a letter in a similar form to this letter) without KPMG's prior written consent, save (i) where you wish to discuss the Information (or any part of it) with the party which engaged KPMG to prepare the Deliverable; or (ii) where disclosure is required by law (including where requested by your statutory auditors), regulation (including the rules of any stock exchange) or court order, or is required or requested by a competent regulatory, governmental, judicial or supervisory authority with whose requirements you are bound to comply (in which case you shall, unless prohibited by law or regulation, inform us in advance unless it is not reasonably practicable to do so, in which case you shall inform us promptly thereafter) or (iii) as set out in paragraphs 6(h) and (i), below;
- (h) you may disclose the Information for your own internal purposes, which includes distribution amongst your and your affiliates' directors, officers and employees who need to have access to or to discuss the Information in connection with their responsibilities. You may also disclose the Information to your affiliates, for the purposes of assisting you in relation to the Information, provided that a) such affiliates agree not to disclose the Information (save as permitted by paragraph 6(g)(ii)) and agree that KPMG accepts no duty or liability to them and b) you remain responsible to us for any breach of these terms by an affiliate. In this paragraph "affiliate" means any legal entity that, directly, or indirectly, controls, or is controlled by, or is under common control with you; and

- (i) we understand that you may wish to seek support or advice from your legal or other professional advisers in connection with the subject matter of the Deliverable and that those advisers need to see the Deliverable. You must inform such advisers that they receive the Deliverable only to support or advise you, that KPMG accepts no duty or liability to them and the Deliverable is to be treated as confidential.
- (j) the non-disclosure undertaking in respect of Project Headquarters shall apply *mutatis mutandis* to the provision of the Deliverable under this letter.

7 The work resulting in the Deliverable was undertaken by, and the Deliverable was prepared by and is the sole responsibility of, KPMG, that is KPMG Oy Ab. In paragraph 6 of this letter all references to “KPMG” (except for the references in the paragraph 6(g)) shall have an extended meaning so that they include, in addition to KPMG Oy Ab, partners, employees and agents of KPMG Oy Ab and any person or organisation associated with KPMG Oy Ab through membership of the Swiss co-operative of professional service firms to which KPMG Oy Ab belongs and their partners, members, directors, employees and agents. This letter is for the benefit of all of those third parties referred to in the previous sentence and each of them may enforce in their own right all of the terms of this letter.

Entire Agreement

8 This letter sets out the entire agreement between you and KPMG as to the conditions on which the Deliverable is provided to you and upon which any information or explanations in relation to the Deliverable are provided orally by KPMG to you. It replaces any prior agreements or understandings between you and KPMG in that regard.

Governing Law

9 This letter and its terms shall in all respects be governed solely by Finnish law, and any dispute arising out of this letter shall be finally settled in arbitration by one arbitrator in accordance with the arbitration rules of Central Chamber of Commerce of Finland. The arbitration proceedings shall be conducted in Helsinki.

Acceptance

10 Please confirm your agreement to the provisions of this letter by signing, dating and returning a copy of this letter. We will then provide or permit provision of the Deliverable to you.

Yours faithfully,



Harri Räsänen
Partner
KPMG Oy Ab

Company:

Signature:

Name:

Position:

Date:

Private & confidential

Etelä-Savon Energia Oy
c/o KPMG Oy Ab
Attention: Harri Räsänen
P.O. Box 1037
00101 Helsinki
FINLAND

CONFIDENTIALITY UNDERTAKING (THE “UNDERTAKING”) – PROJECT HEADQUARTERS

We acknowledge that in connection with our interest in the contemplated acquisition of the shares in Etelä-Savon Energia Oy, business ID 0940995-3 (the “**Target**”) (the “**Project Headquarters**”) we shall have access to and be entrusted with Confidential Information. In this Undertaking, the phrase “**Confidential Information**” shall mean information (whether of a commercial, technical, scientific, operational, administrative, financial, marketing, business, intellectual property nature or otherwise), whether oral or written, relating to the Target, its subsidiaries, group companies and businesses that is provided to ourselves pursuant to this Undertaking by the Target or KPMG Oy Ab (the “**Advisor**”). The fact that discussions regarding Project Headquarters are taking place as well as any terms, conditions and other facts regarding the same shall also be considered as Confidential Information.

In consideration of the Target or the Advisor making Confidential Information available to us, we agree that:

- (1) We shall treat all Confidential Information as strictly private and confidential and take all steps necessary (including, but not limited to, those required by this Undertaking) to preserve such confidentiality.
- (2) We shall use the Confidential Information solely for our evaluation of Project Headquarters (the “**Permitted Purpose**”) and not for any other purpose.
- (3) We shall not disclose any Confidential Information to any other person or firm, other than as permitted by paragraph (4) below.
- (4) This Undertaking shall not prohibit disclosure of Confidential Information:
 - (a) with the Target’s prior written consent;
 - (b) to the extent that such disclosure is required by law or any rule or requirement of any regulatory authority (also including a stock exchange rule, if applicable) with which we are bound to comply. We shall, if not prohibited by law, provide the Target with a prior written notice of such disclosure and use our best efforts to protect the Confidential Information with a protective order or other appropriate remedy and shall disclose Confidential Information only to such extent as legally required to be disclosed; or

- (c) to our employees, directors, officers, agents or financial, legal or other professional advisors (the “**Representatives**”) who need to know such information for the Permitted Purpose and who agree to be bound by terms which are to the same effect as those contained in this Undertaking. In any event, we shall be responsible for any breach of this Undertaking by any of our Representatives.
- (5) At any time upon a written request of the Target, we shall promptly, and no later than within fourteen (14) days, destroy all Confidential Information in whatever form furnished to us or our Representatives by or on behalf of the Target. Neither we nor our Representatives shall keep any copies, notes or extracts (in any forms) of the Confidential Information, unless we or our Representatives are required to do so by mandatory law, regulation, court order or stock exchange rule with which we or our Representatives are bound to comply or the Confidential Information has been automatically stored in electronic form pursuant to automatic IT back-up procedures. This Undertaking applies to such retained Confidential Information until it is destroyed.
- (6) This Undertaking shall not apply to Confidential Information which we can show that:
 - (a) is in the public domain at the time it is acquired by us or enters the public domain after that otherwise than as a result of unauthorized disclosure by us or our Representatives;
 - (b) was lawfully available to us on a non-confidential basis from a source other than the Target or its representatives (including the Advisor) prior to or after it’s being furnished to us by or on behalf of the Target pursuant hereto; or
 - (c) is independently developed by us without using any Confidential Information.
- (7) We agree that for a period of two (2) years from the date hereof, neither we nor our such affiliated companies or Representatives, which or who are involved in Project Headquarters and have received any Confidential Information, will solicit to employ or employ any of the current directors or officers, key employees or customers of the Target or its subsidiaries or group companies without obtaining a prior written consent of the Target. This prohibition shall not prevent us or our Representatives from running bona fide recruitment advertising campaigns nor from offering employment to any of the Target’s or its subsidiaries’ or group companies’ directors, officers or employees, as the case may be, who may respond to such campaign.
- (8) We understand and acknowledge that the Target or its representatives (including without limitation the Advisor) make no representations or warranties, express or implied, as to the accuracy or completeness of the Confidential Information or any other information supplied or as to the reasonableness of any assumptions on which any of the same is based, and we agree that neither the Target nor any of their representatives nor any of their respective directors, partners, members, employees, advisers, agents or consultants shall have any liability to us or any other persons resulting from the furnishing or use of the Confidential Information or any other information supplied or for any opinions expressed by any of them, or for any errors, omissions or misstatements made by any of them.
- (9) We agree that we shall, and shall ensure that our Representatives shall, contact only the Advisor and shall refrain from contacting the Target and any of their other representatives, agents, directors or employees, save for in the ordinary course of business on matters not connected to Project Headquarters.

- (10) If we breach this Undertaking, we shall pay to the Target by means of liquidated damages EUR 200,000 (two hundred thousand euros). Where the monetary interest of the actual damage suffered by the Target or its subsidiaries as a result of such breach is greater than the amount of liquidated damages, the Target is entitled to receive compensation for the full amount of damage so suffered. Further, we shall be obliged to cease with any actions and omissions giving rise to a breach of the undertakings set out in this Undertaking despite liquidated damages having been paid. We further acknowledge that in the event monetary damages are not a sufficient remedy for our breach of this Undertaking, the Target will be entitled to seek specific performance and injunctive or other equitable relief as remedies for any such breach.
- (11) This Undertaking shall enter into force upon signing. The obligations contained in this Undertaking shall remain in force for a term of two (2) years from the date of signing of this Undertaking, unless otherwise specifically stated herein.
- (12) This Undertaking shall be governed by and construed in accordance with the laws of Finland excluding its choice of law provisions that may lead to the application of the laws of any other jurisdiction. Any dispute, controversy or claim arising out of or relating to this Undertaking, or the breach, termination or validity thereof shall be finally settled by arbitration in accordance with the Arbitration Rules of the Finland Central Chamber of Commerce. The arbitration proceedings shall be conducted in Helsinki and in Finnish language.

I have read and understood the terms and conditions of this Undertaking and I agree to and accept them for and on behalf of the undersigned company, by whom I am duly authorized:

Company:

Signature:

Name:

Position:

Date:

Private & confidential

Etelä-Savon Energia Oy
c/o KPMG Oy Ab
Attention: Harri Räsänen
P.O. Box 1037
00101 Helsinki
FINLAND

CONFIDENTIALITY UNDERTAKING (THE “UNDERTAKING”) – PROJECT HEADQUARTERS

We acknowledge that in connection with our interest in the contemplated acquisition of the shares in Etelä-Savon Energia Oy, business ID 0940995-3 (the “**Target**”) (the “**Project Headquarters**”) we shall have access to and be entrusted with Confidential Information. In this Undertaking, the phrase “**Confidential Information**” shall mean information (whether of a commercial, technical, scientific, operational, administrative, financial, marketing, business, intellectual property nature or otherwise), whether oral or written, relating to the Target, its group companies, any and all of its subsidiaries and its affiliates and their businesses that is provided to ourselves pursuant to this Undertaking by the Target or KPMG Oy Ab (the “**Advisor**”). The fact that discussions regarding Project Headquarters are taking place as well as any terms, conditions and other facts regarding the same shall also be considered as Confidential Information.

In consideration of the Target or the Advisor making Confidential Information available to us, we agree that:

- (1) We shall treat all Confidential Information as strictly private and confidential and take all steps necessary (including, but not limited to, those required by this Undertaking) to preserve such confidentiality.
- (2) We shall use the Confidential Information solely for our evaluation of Project Headquarters (the “**Permitted Purpose**”) and not for any other purpose.
- (3) We shall not disclose any Confidential Information to any other person or firm, other than as permitted by paragraph (4) below.
- (4) This Undertaking shall not prohibit disclosure of Confidential Information:
 - (a) with the Target's prior written consent;
 - (b) to the extent that such disclosure is required by law or any rule or requirement of any regulatory authority (also including a stock exchange rule, if applicable) with which we are bound to comply. We shall, if not prohibited by law, provide the Target with a prior written notice of such disclosure and use our best efforts to protect the Confidential Information with a protective order or other appropriate remedy and shall disclose Confidential Information only to such extent as legally required to be disclosed; or

- (c) to our employees, directors, officers, agents or financial, legal or other professional advisors (the “**Representatives**”) who need to know such information for the Permitted Purpose and who agree to be bound by terms which are to the same effect as those contained in this Undertaking. In any event, we shall be responsible for any breach of this Undertaking by any of our Representatives. However, none of our portfolio companies, subsidiaries or any other of our affiliated entities shall be deemed to have received any Confidential Information solely due to an officer, director or employee of ours being also an officer, director or employee in such portfolio company, subsidiary or affiliate, provided that such person does not disclose any Confidential Information to any other director, officer or employee of such portfolio company, subsidiary or affiliate.
- (5) At any time upon a written request of the Target, we shall promptly, and no later than within fourteen (14) days, destroy all Confidential Information in whatever form furnished to us or our Representatives by or on behalf of the Target. Neither we nor our Representatives shall keep any copies, notes or extracts (in any forms) of the Confidential Information, unless we or our Representatives are required to do so by mandatory law, regulation, court order or stock exchange rule with which we or our Representatives are bound to comply or the Confidential Information has been automatically stored in electronic form pursuant to automatic IT back-up procedures. This Undertaking applies to such retained Confidential Information until it is destroyed.
- (6) This Undertaking shall not apply to Confidential Information which we can show that:
 - (a) is in the public domain at the time it is acquired by us or enters the public domain after that otherwise than as a result of unauthorized disclosure by us or our Representatives;
 - (b) was lawfully available to us on a non-confidential basis from a source other than the Target or its representatives (including the Advisor) prior to or after it's being furnished to us by or on behalf of the Target pursuant hereto; or
 - (c) is independently developed by us without using any Confidential Information.
- (7) We agree that for a period of two (2) years from the date hereof, neither we nor our such affiliated companies or Representatives, which or who have received any Confidential Information, will solicit to employ or employ any of the current directors or officers or key employees of the Target without obtaining a prior written consent of the Target. This prohibition shall not prevent us or our Representatives from running bona fide recruitment advertising campaigns nor from offering employment to any of the Target's directors, officers or employees, as the case may be, who may respond to such campaign.
- (8) We understand and acknowledge that the Target or its representatives (including without limitation the Advisor) make no representations or warranties, express or implied, as to the accuracy or completeness of the Confidential Information or any other information supplied or as to the reasonableness of any assumptions on which any of the same is based, and we agree that neither the Target nor any of their representatives nor any of their respective directors, partners, members, employees, advisers, agents or consultants shall have any liability to us or any other persons resulting from the furnishing or use of the Confidential Information or any other information supplied or for any opinions expressed by any of them, or for any errors, omissions or misstatements made by any of them.

- (9) We agree that we shall, and shall ensure that our Representatives shall, contact only the Advisor and shall refrain from contacting the Target and any of their other representatives, agents, directors or employees, save for in the ordinary course of business on matters not connected to Project Headquarters.
- (10) If we or our Representatives breach this Undertaking, we agree (to the fullest extent permitted by law) to indemnify and hold the Target harmless against all losses, damage and expenses (including reasonable legal expenses) incurred by the Target due to our breach.
- (11) We acknowledge that monetary damages may not be a sufficient remedy for any breach of this Undertaking by us and that the Target will be entitled to seek specific performance and injunctive or other equitable relief as remedies for any such breach.
- (12) This Undertaking shall enter into force upon signing. The obligations contained in this Undertaking shall remain in force for a term of two (2) years from the date of signing of this Undertaking, unless otherwise specifically stated herein.
- (13) This Undertaking shall be governed by and construed in accordance with the laws of Finland excluding its choice of law provisions that may lead to the application of the laws of any other jurisdiction. Any dispute, controversy or claim arising out of or relating to this Undertaking, or the breach, termination or validity thereof shall be finally settled by arbitration in accordance with the Arbitration Rules of the Finland Central Chamber of Commerce. The arbitration proceedings shall be conducted in Helsinki and in Finnish language.

I have read and understood the terms and conditions of this Undertaking and I agree to and accept them for and on behalf of the undersigned company, by whom I am duly authorized:

Company:

Signature:

Name:

Position:

Date: