



Annual review 2019

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Year 2019

eSett in brief

> Year 2019 highlights

> CEO's review

eSett IN BRIEF

eSett OY WAS
FOUNDED IN 2013,
its imbalance settlement
operations started in May 2017.

JOINTLY OWNED BY THE NORDIC TRANSMISSION
SYSTEM OPERATORS – Energinet (Denmark),
Fingrid (Finland), Statnett (Norway), and Svenska
kraftnät (Sweden) – with equal shares.

CARRIES OUT IMBALANCE SETTLEMENT based on the
harmonized Nordic Imbalance Settlement (NBS)
model and provides equal operational conditions for
Balance Responsible Parties (BRP) within the NBS area.

17 was the
NUMBER OF FULL-TIME
EMPLOYEES
at year-end 2019.

TOTAL SETTLED AMOUNT
in 2019 was
EUR 1 298
million.

TURNOVER
FOR 2019 was
EUR 6.3
million.

SERVES
MORE THAN
1 000
electricity
market
participants.

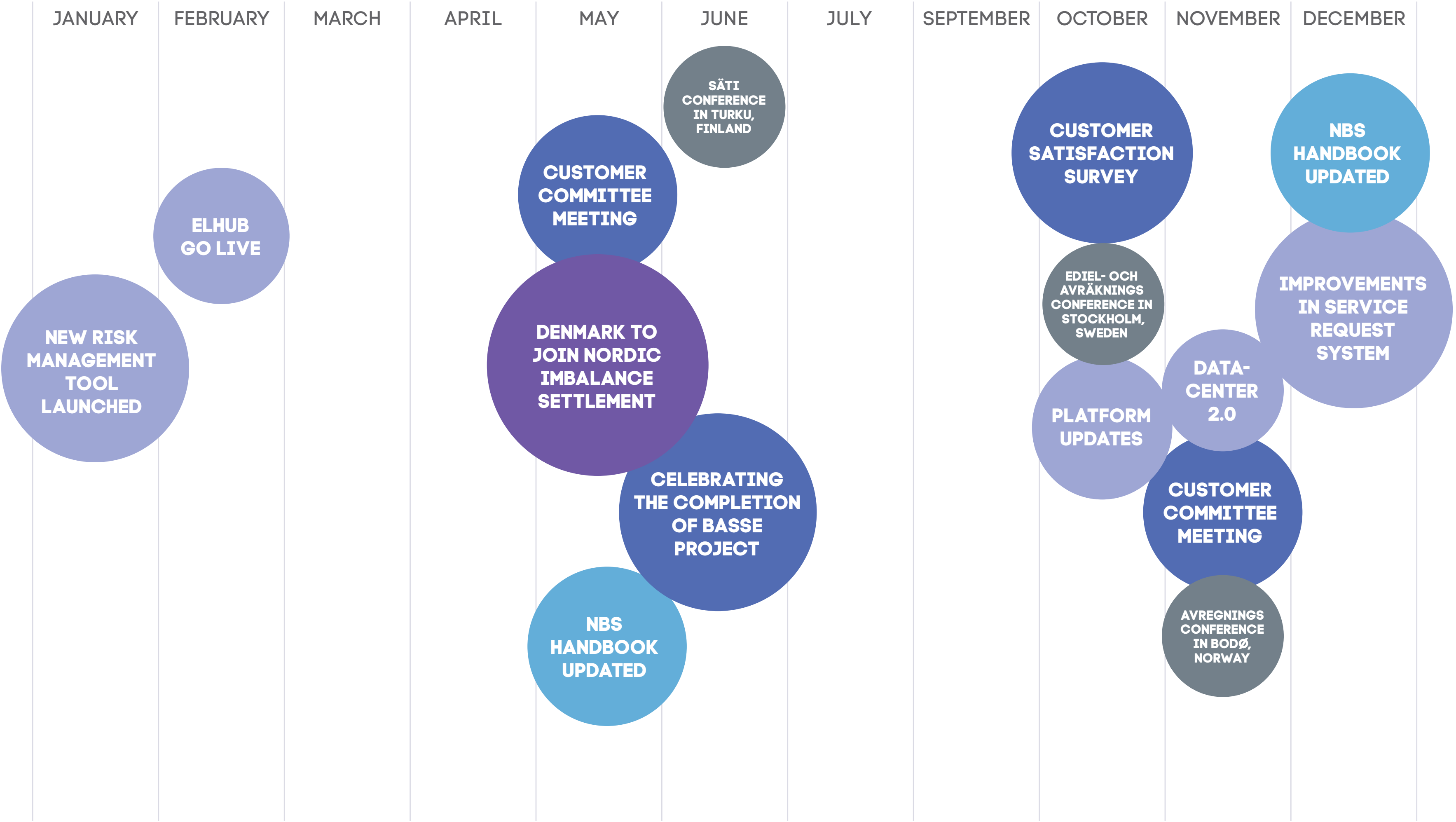
HEADQUARTERED
in Helsinki,
Finland.

RESPONSIBLE FOR IMBALANCE settlement and
invoicing the Balance Responsible Parties in
Finland, Sweden, and Norway. eSett will also serve
the Danish market from the first quarter of 2021.

Year 2019

- > eSett in brief
- Year 2019 highlights
- > CEO's review

YEAR 2019 HIGHLIGHTS



Year 2019

- > eSett in brief
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CEO'S REVIEW



"I hope that the good spirit among our staff can be easily observed."

A significant step towards further integration and development of the Nordic electricity market was taken in May 2019. Energinet, the Danish Transmission System Operator, acquired one-fourth of eSett's shares then. I look forward to a truly Nordic settlement starting in the first quarter of 2021 when eSett will take responsibility for imbalance settlement even in Denmark.

I am very glad and proud of this expansion, and we welcome the Danes to the Nordic imbalance settlement. In 2020, our main focus will be getting everything ready for the Danish market.

Ready for the future

Our daily settlement operations have been stable, reliable, and smooth in 2019. Together with our customers, we further improved the efficiency and transparency of our operations. In 2019, eSett started to publish market monitoring reports, which give the market participants a good understanding of their capabilities to operate on the market and fulfil their responsibilities as Balance Responsible Parties.

We continue our efforts to provide excellent service even in the future. We

are planning to introduce a new program called 'close to customers' that will allow us to support our customers in the coming years when interesting market initiatives will change imbalance settlement significantly.

Datahubs will change how we communicate with the distribution system operators (DSO). When the hubs are operative, they will collect the metered values from DSOs and send them to eSett instead of the DSOs. Elhub, the Norwegian datahub, started its operations in February 2019, and the Finnish and Swedish hubs will follow in the coming years.

Single balance model will change the incentives of operating on the market as well as calculating Balance Responsible parties' position in 2021. Also, new roles, such as Balance Service Providers, will affect the settlement. The timetable for the 15-minute settlement resolution project was deemed too challenging and so postponed to 2023.

We welcome all the new improvements to the market and support the changes from the settlement point of view.

Together with our customers

We have enjoyed meeting our customers in our Customer Committee and in various Nordic electricity market conferences. We appreciate their valuable ideas and advice which we have used to improve our services and NBS model.

I would also like to thank our stakeholders for answering our customer survey actively and for the encouraging feedback we have received. I trust that the appreciation shown for our customer service will motivate our employees to continue the friendly and good service. I hope that the good spirit among our staff can be easily observed when a person enters our office and is also visible in all our actions.

I am very proud of the well-working cooperation in the Nordic settlement. That is the key to success in the years to come, which will be full of changes.

We settle together,
Minnakaisa Ahonen

Our strategy

Vision and values

> Strategy

> Operating environment

VISION AND VALUES

eSett provides timely and reliable settlement services to its customers. Over 1,000 electricity market participants in Finland, Norway, and Sweden are included in the settlement.

To achieve this, we need to understand the process of how balances are created every moment across the electricity market. We offer our customers simplicity, effectiveness, and reliability by covering the task of imbalance settlement with high professionalism. Our strategy guides us towards our vision of being a forerunner and meeting our clients' various needs even in the future.

We also recognize that Nordic settlement requires a lot of knowledge of different market areas and cooperation with various parties.

Our values – accountability, equality, openness, and readiness – drive us to settle energy imbalances transparently and serve our clients with precision and expertise.

Together with our stakeholders, we enable the development of the integrated market.

Our culture supports the daily settlement operations and encourages us to be easily accessible. We aim to create our inspiring culture together.

We are

- relaxed but responsible
- lean and professional
- agile but precise.

We aim to create our inspiring culture together.



Our strategy

- > Vision and values
- Strategy**
- > Operating environment

STRATEGY

Our strategy is based on three success factors: customer orientation, skilled personnel, and efficiency.

Our customer orientation is manifested in our focus on reliable and timely imbalance settlement. We have continuous dialogue with our customers, and we are a trusted and transparent partner to them. We deliver value to all our stakeholders and develop our services for the electricity markets.

To prosper, we need skilled personnel. To attract and retain them, we respect and take care of our personnel, and we provide an interesting and challenging work environment. We ensure that we have the right number of professionals to offer high-quality services to our customers.

We keep the understanding of core processes in-house and strengthen our expertise with external resources who we respect and take care of.

Efficiency is vital to us, so we enhance our operations by using appropriate information systems and modern communication tools. We also facilitate the efficiency of market operations by making data easily and clearly accessible to the market.

Our strategy focuses on building readiness for new market initiatives. We are ready to serve the changing electricity market with the single balance model, Denmark joining the Nordic imbalance settlement, new datahubs, and the 15-minute settlement in the horizon.

Customer orientation

We focus on reliable and timely imbalance settlement. We have continuous dialogue with our customers. We are a trusted and transparent partner.

We deliver value to all our stakeholders and develop our services for the electricity markets.

Skilled personnel

We respect and take care of our personnel. We provide an interesting and challenging work environment.

We ensure that we have the right number of skilled personnel to offer high-quality services.

We strengthen our expertise with external resources but keep the understanding of core processes in-house. We respect and take care of our external partners.

Efficiency

We enhance the efficiency of our operations by using appropriate information systems and modern communication tools.

We facilitate the efficiency of market operations by making data easily and clearly accessible to the market.

Our strategy

- > Vision and values
- > Strategy
- > Operating environment

WE SETTLE, TOGETHER

We provide timely and reliable settlement services. Over 1,000 market participants in Finland, Norway and Sweden participate in the settlement. We understand the process of how balances are created every moment across the energy market. We deliver our customers ease, effectiveness, and reliability by covering the task of imbalance settlement with high professionalism.

VISION

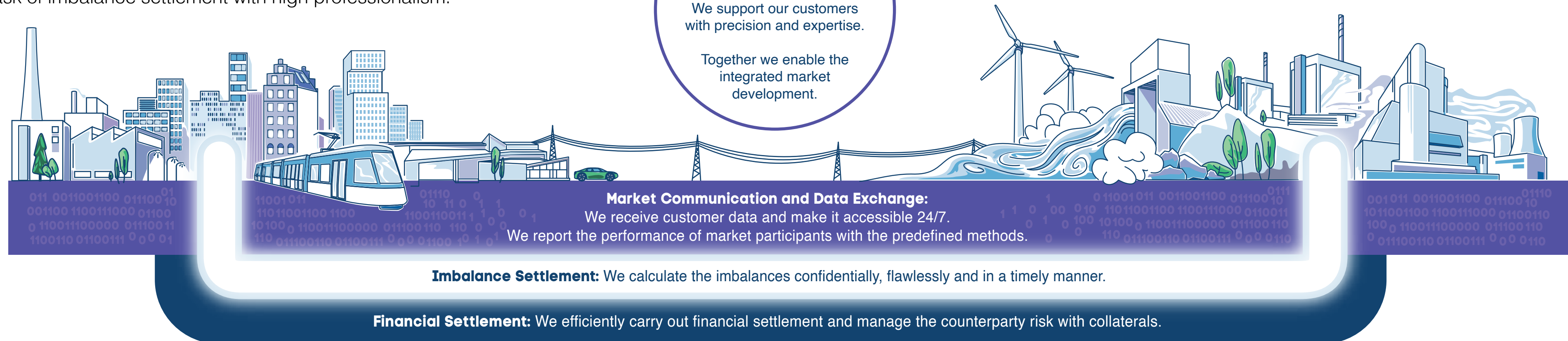
We are a forerunner in providing advanced services for energy market across borders.

MISSION

We settle energy imbalances transparently.

We support our customers with precision and expertise.

Together we enable the integrated market development.

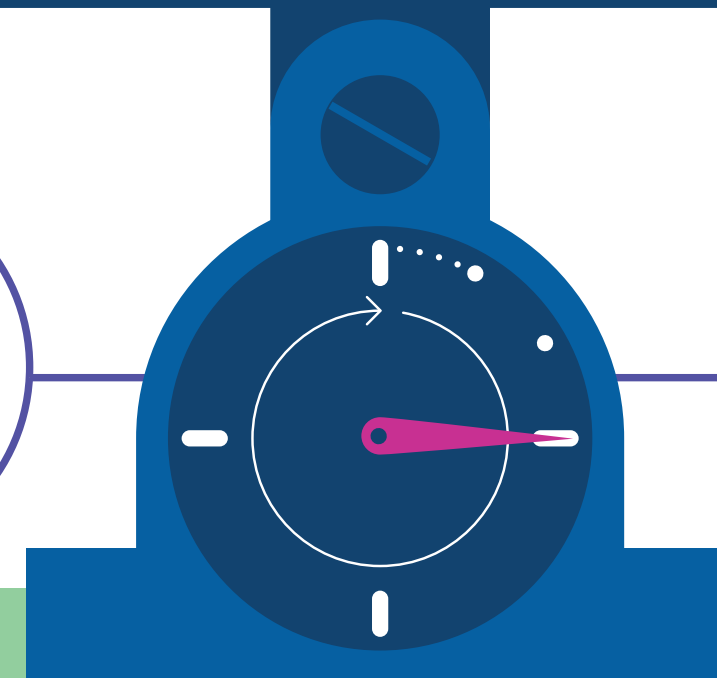


WE DELIVER

our services in a transparent and trusted way.

FIND US IN

- Finland
- Norway
- Sweden



SUCCESS FACTORS

- Customer orientation
- Skilled personnel
- Efficiency

VALUES

- Accountability
- Equality
- Openness
- Readiness



Our strategy

> Vision and values

> Strategy

Operating environment

OPERATING ENVIRONMENT

The operating environment of the energy market is going through major changes. The changes in Network Codes in the EU will shape the energy sector and imbalance settlement in the years to come. In the near future, both a higher time resolution imbalance settlement period and single balance settlement will be introduced to the market.

eSett's role amid these major adjustments is important. The implementation of 15-minute imbalance settlement period and single balance model will be among the changes to the electricity market that eSett will be introducing to the Nordic balance settlement process.

The two changes will make it easier to increase the volumes of variable renewable energy in the system, promote European market integration, and improve balancing market efficiency. At the same time, they help maintain operational security in the most cost-effective manner.

Balancing model and roles to change

To mitigate climate change, the energy sector has to adapt and there will be comprehensive changes in energy production and consumption. The Nordic TSOs are developing a restructuring of the power system operation within the Nordic Balancing Model (NBM) program.

During the update process of the NBM roadmap, the TSOs evaluated two high-level implementation timeline possibilities for the new single balance model and 15-minute imbalance settlement period. As a result of the evaluation, the Nordic TSOs propose to implement the new settlement model by the second quarter of 2021 and 15 min ISP by the second quarter of 2023.

In addition, the introduction of new market roles, such as Balance Service Provider (BSP), will lead to changes in the settlement operations. BSP will be responsible for balancing and offering energy bids for the balance market.

Datahubs will change the way of communicating within the market, DSOs will no longer send metered data directly to eSett. We have been working closely with the Norwegian market to introduce their datahub, Elhub, which started operation on February 18, 2019. Since go-live, it has been the responsibility of Elhub to provide Norwegian aggregated meter values to eSett for settlement purposes.

Fingrid and Svenska kraftnät are in the midst of their own hub projects. Fingrid datahub is scheduled to be in operation in 2022.

Denmark joins the Nordic market

On May 14, 2019 an agreement was signed between the Danish transmission system operator Energinet and eSett's current owners, stating that Denmark will join the Nordic imbalance settlement and Energinet will become eSett's new shareholder.

The agreement is a significant step towards further integration and development of the Nordic electricity market on which eSett has a central role. eSett is very excited about the expansion of operations to Denmark and starting a truly Nordic Imbalance Settlement.

In the following months, integrating Denmark to the Nordic imbalance settlement will continue with agreeing on details, communicating them to the market, and making necessary adjustments to systems and processes as well as testing new practices together with all participants.

Similarly, continuous efforts to digitalize our business and stricter requirements for securing our operations will play an important role in our strategy in the years to come.

Our business

Customer Committee represents the market participants

- > Customer satisfaction in 2019
- > Service requests

CUSTOMER COMMITTEE REPRESENTS THE MARKET PARTICIPANTS

After some successful years in operation, eSett's Customer Committee continued the tradition of hosting meetings for market representatives to promote discussion on timely topics.

The purpose of eSett's Customer Committee is to provide a possibility for dialogue between eSett and its stakeholders. Furthermore, the Committee provides a forum for customers to bring up their viewpoints on developing and improving the Nordic Imbalance Settlement model and eSett's services.

The Committee Members are appointed for a two-year term to represent their market roles, namely distribution system operators, transmission system operators, and balance responsible parties/retailers. In addition, regulators are invited to participate in the meetings.

The Committee meets twice a year. This year, the meetings were held in eSett's office on May 7 and November 6. The second meeting was the first one with newly selected representatives, welcoming our Danish members aboard. Also, a change was introduced in the Norwegian representatives due to Elhub taking on the DSO's

responsibilities towards eSett. There is now one additional BRP member from Norway instead of the previous DSO member.

In the Committee, both eSett and the market participants can address relevant issues in relation to the market roles they represent. Topics discussed regularly in the meetings included recent operational news from eSett, customer satisfaction survey results, and developments related to the market or balance model.

Moreover, there was increasing emphasis on the upcoming national and pan-market changes such as the Balance Service Provider concept, 15-minute settlement period and one balance model that concern the majority of the actors in the field. More attention was also given to the planned commissioning of Nordic Imbalance Settlement in Denmark.

These topics will most likely be reviewed even in the upcoming meetings until the initiatives have been completed.



The Committee's Rules and Procedures, outlining its roles, responsibilities, and functions along with other Committee materials, are available on eSett's website:

<https://www.esett.com/customer-committee/>

Our business

- > Customer Committee represents the market participants
- > Customer satisfaction in 2019
- > Service requests

CUSTOMER SATISFACTION IN 2019

Each year, eSett carries out a customer satisfaction survey to reflect on its performance and find possible improvement areas. The survey's questions remain mostly the same to retain comparability.

The questionnaire was targeted at Online Service users, and it was shared via multiple channels, such as direct email, Online Service portal, eSett's website, and eSett's newsletter. The survey contained questions about

eSett's customer service and how market participants have experienced it, and it included a possibility to write direct feedback.

This year, we had a very welcome surprise as the response rate to the survey was considerably higher than the two previous years, making the results more credible.

Last year, eSett identified service request resolution times as an improvement area. This year's results proved

that the grade is moving in the right direction, slowly climbing towards four.

Overall score for eSett's services is perhaps the most important individual number to evaluate. The overall grade given to eSett's customer service has remained on a good level with the average grade being almost four.

As a summary, it can be concluded that the results were very good, showing eSett has been able to maintain high quality in the services it produces.

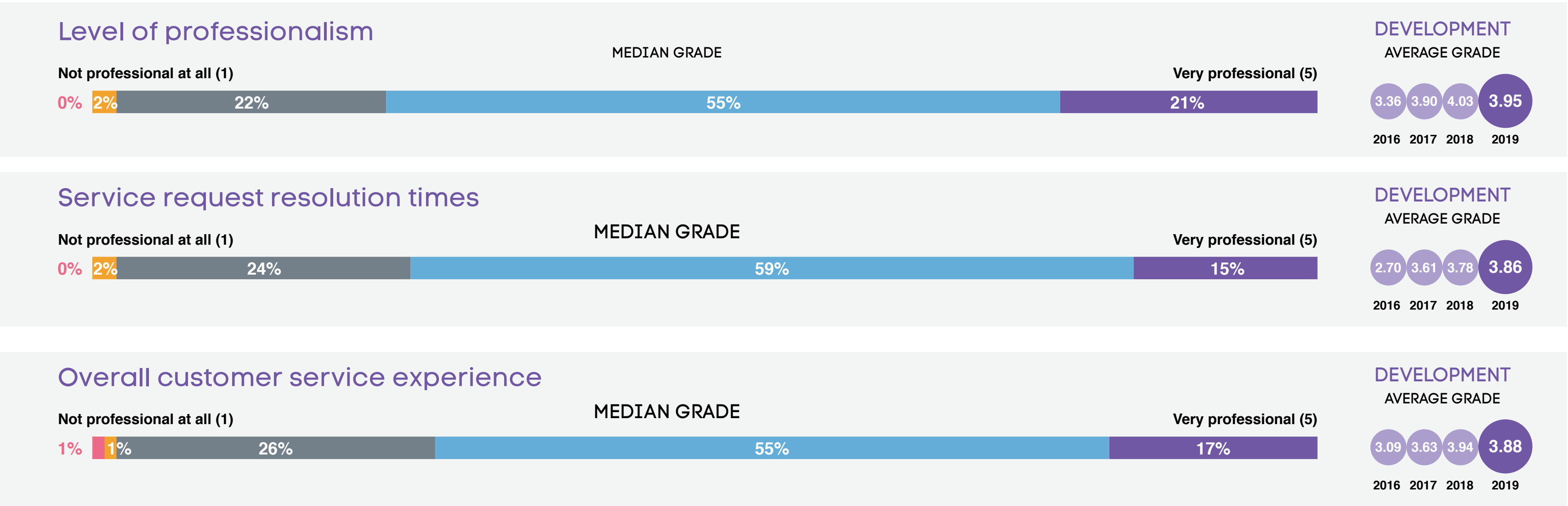
Our main strengths were, as in previous year, perceived professionalism and ability to provide service with the preferred language.

Even though the results were very good, they also present a challenge of how to take the satisfaction of our customers to a new level in the future. And that will keep our daily work fresh and interesting.

One important criterion to evaluate was eSett's professionalism.

On a scale of 1–5 (1 = not professional at all, 5 = very professional), it was clear that eSett is considered a professional company and able to serve its customers with high quality.

Most questionnaire respondents (98%) evaluated eSett's competence with grade 3 or higher.



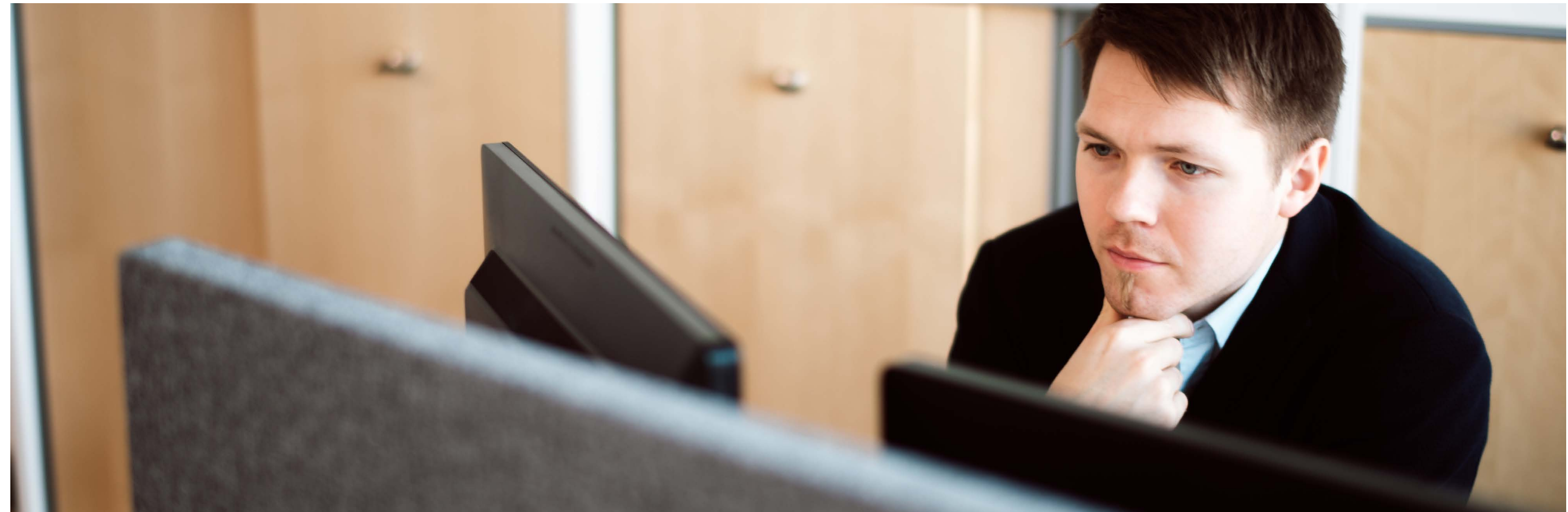
Our business

> Customer Committee represents the market participants

> Customer satisfaction in 2019

Service requests

SERVICE REQUESTS



eSett received a total of 1,979 service requests from market participants in 2019. Compared to the previous years, the number of received requests continued decreasing significantly proving our customers are more and more inclined to use the Online Service portal eSett provides them for managing their imbalance settlement operations.

Using the portal is no longer something new but business as usual. However, fast and professional service is still expected by the market – something they can always rely on.

In 2019, eSett continued to improve the service request resolution times with nearly 60% of the service requests being resolved during the same day.

This is partially due to the lower number of requests, but also shows that eSett's investment in customer service has clearly paid off.

The nature of the service requests has remained quite similar compared to last year. eSett still receives questions related to daily routines, but the number of more complex consultations

grows constantly. Enquiries taking longer to resolve were mostly company registrations where new market participants entered the market or there were changes in companies' organization due to mergers or unbundling operations.

Our employees

New people and organization

> Development and well-being

> Case: My job is a great mix

NEW PEOPLE AND ORGANIZATION

Skilled and engaged people are the key to eSett's success. Our strategy states that 'we aim at being the best imbalance settlers in the world'.

To achieve this goal, we need to have people who are engaged and motivated to develop themselves continuously. As an organization, we need to support this by providing an inspiring and empowering work environment, offering development opportunities, and encouraging people to become true experts.

In 2019, five new permanent employees joined eSett. With the help of our recruitment partners, we have been able to attract very talented people. We have also succeeded in finding people who match our culture.

We are passionate about the work we do, and this is something that can be seen and felt in our operations. The whole organization has been great at welcoming new team members and then helping them onboard.

The induction process and program have been further developed during the year to make joining eSett the best experience for new recruits. Old eSett employees had the opportunity to participate in the induction sessions for new employees.

Due to the growth of our organization, a new organizational structure was developed in 2019. The new structure was designed to make responsibilities clearer and to build teams that can be even more effective platforms for development. In connection with the reorganization, some new roles were created, offering new development opportunities. eSett is now 'ready for the future' with its new structure and new people.

AVERAGE AGE

36

GENDER BREAKDOWN

53%

47%



IN 2019

18

OFFICE PRANKS WERE SUCCESSFULLY EXECUTED

We are passionate about the work we do.

Our employees

- > New people and organization
- Development and well-being
- > Case: My job is a great mix

DEVELOPMENT AND WELL-BEING

The vision of eSett is to be the forerunner of international energy settlement. In terms of our employees and competence, this means that the company needs to maintain high quality in its operations. We demand a lot of our employees, but we also give an opportunity to take responsibility and participate in and influence the development and reforming of imbalance settlement practices and this way support the efficient operation of the Nordic electricity market.

In 2019, our personnel's capabilities and competencies were actively developed in many ways. Interesting new challenges and projects on the energy markets offered our personnel new responsibilities and ways to grow through work activities. Employees were offered training possibilities within the company as well as external trainings and seminars.

We respect and take care of our personnel. Thanks to our very flat hierarchy and open culture, our employees have a possibility to participate in decision-making. We have monthly CEO update meetings, where important information is shared, and employees are welcomed to voice their questions

and ideas. In September, eSettlers participated in a two-day action planning session where e.g. the action plan for 2020 was finalized and risk management plans were made.

The well-being of our employees is very important, and it has been supported in many ways in 2019. eSett's personnel has access to comprehensive occupational healthcare services, and absences due to illness are well below industry averages.

Employees are encouraged to take care of their well-being, and to support this, Firstbeat Lifestyle Assessment was offered to everyone. Feedback from the analysis gave good insights, helping each employee make better choices both at work and leisure to increase

their productivity and optimize their overall well-being.

Office premises were still further developed with small improvements like acoustic curtains and green plants.

We focus on our core business

As defined in our human resource strategy, eSett keeps only the necessary core know-how in-house and buys additional services from knowledgeable and capable service providers. We ensure that we have the right number of skilled employees to offer high-quality services, and we strengthen our expertise with external resources, when needed.

In 2019, we took a big step to improve our HR services and found a new HR services partner. By centralizing HR systems, payroll, and HR support services to one partner, we are able to raise the quality of support as well as make it easier to develop the cooperation.

Our employees are treated with respect and fairness, based on the company's values and in compliance with the principles of equality and non-discrimination.

As a responsible employer, eSett also offers summer jobs for students and young people. In the summer of 2019, eSett offered summer jobs to three university students.

Our employees have a possibility to participate in decision-making.

Our employees

- > New people and organization
- > Development and well-being
- Case: My job is a great mix

CASE: MY JOB IS A GREAT MIX



I have been working for eSett for two and a half years. I started as an Administrative Specialist, but around a year ago, my supervisor and I decided that I needed new challenges and should focus more on financial administration.

Now I am a Financial Controller responsible for financial accounting. My tasks include accounts payable, imbalance settlement invoicing, and collateral management. I am also involved in a few projects to streamline our operations as well as the Danish integration project.

I have a bachelor's degree in tourism geography. As a student I was interested in humanities, so it was a bit of a surprise to me to realize that I could become interested in an entirely different field, like accounting.

My job is a great mix of working on my own and together with others, with both co-workers and customers as well as suppliers. Even though I have my fair share of stress, my work is never boring.

I appreciate being trusted and respected for working hard. For my part, I have tried my best to be flexible.

Of all great places where I have worked, I like working at eSett the most. I think the reason is how helpful everyone is. If something goes wrong, we never blame each other, but make an effort to find a solution together, learning from our mistakes. Managers and employees trust each other here.

In general, eSett is a really fun place to work. I sometimes go to the gym together with my colleagues and have been toying with an idea of arranging a lunchtime running club.



*Pauliina Olsson-Hurt's
job is never boring.*

Governance

Governance

> Board of Directors 2019

GOVERNANCE

The operation of eSett is based on its Articles of Association, the Limited Liability Companies Act, and shareholder agreements as well as corporate values, strategy, and principles of responsible operation.

The eSett management system is based on policies approved by the Board of Directors, providing guidelines for corporate operations. The time horizon of the policies is long-term and strategic. Normally, they are updated every two years, but can be updated more often, if required. All policies are approved by the Board.

The following policies form eSett's management system

- Customer Policy
- Financial Policy
- Governance Policy
- Human Resource Policy
- ICT Policy
- Imbalance Settlement Policy

Board of Directors

eSett's Annual General Meeting elects a Board of Directors for a two-year term. After Denmark becoming an owner of eSett, the Board comprises four (4) members according to the Articles of Association. Each Board Member has an appointed deputy member.

The general meeting elects one Board member to serve as the Chair of the Board. The Chairmanship circulates every two (2) years among eSett's owners.

As a general principle, the Board shall strive to reach unanimity in all important matters. If voting is needed, a qualified majority of 2/3 of the votes will be required to reach a decision. Each Board Member has one (1) vote.

However, a unanimous decision must be reached in the following matters:

- proposals to offer new services to existing and new customers, TSOs, or authorities;
- proposals to discontinue services offered to existing customers, TSOs, or authorities; and
- when appointing a Managing Director for the Company.

Board of Directors 2019

The shareholders meeting elected the following persons as Members and Deputy Members of the Board of Directors: **Lowina Lundström** (Deputy Member: **Anna Jäderström**), **Ole Jacob Høyland** (Deputy Member: **Kristian Bernseter**) and **Asta Sihvonen-Punkka** (Deputy Member: **Kari Suominen**).

On May 1, 2019 the shareholder meeting decided to appoint a fourth member to the Board and elected **Signe Horn Rosted** (Deputy Member: **Johannes Bruun**) to the Board of Directors.

Asta Sihvonen-Punkka serves as the Chair of the Board. **Raisa Mölkänen** serves as the Secretary to the Board of Directors. **PricewaterhouseCoopers Oy** was re-elected as the auditor for eSett. **Minnakaisa Ahonen** serves as CEO of the company.

Governance

> Governance

Board of Directors 2019

BOARD OF DIRECTORS 2019



*eSett Board of Directors
(from the left):
Ole Jacob Høyland,
Asta Sihvonen-Punkka,
Lowina Lundström and
Signe Horn Rosted.*

Governance

> Governance

Board of Directors 2019

Signe Horn Rosted

M.SC. Scient. Soc.
Born 1977
Danish citizen
Member of the Board since 2019

Primary working experience

Energinet, Director, Business and Markets (2019–)
Energinet, Director, Electricity Markets (2017–2019)
Energinet, Head of Retail Market Development (2013–2017)
Energinet, Chief consultant/consultant (2009–2013)
Ministry of the Environment, Head of Section (2004–2009)

Other positions of trust

Member of the Board, Energinet DataHub (2019–)
Member of the Board, Nord Pool EMCO (2018–)
Member of the Board, Gas Storage Denmark (2018–)

Ole Jacob Høyland

M.Sc. Science and Technology
Born 1966
Norwegian citizen
Member of the Board since 2013

Primary working experience

Statnett, Director Market Operations (2014–)
Statnett, Director Market Settlement, Customer Relations and Tariff Strategy (2010–2014)
Statnett, different leading positions (1995–2010)
Norwegian Water Resources and Energy Directorate (1994–1995)
HelgelandsKraft (DSO Company), Project Leader (1991–1994)

Other positions of trust

Member of Board, elhub AS (2015–)
TSO Chair Joint Steering Committee Multi Regional Market Coupling (2017–)
Statnett GA representative Joint Allocation Office, Luxemburg (2016–)

Lowina Lundström

M.sc. BA
Born 1967
Swedish citizen
Member of the Board since 2019

Primary working experience

Affärsverket Svenska Kraftnät, Executive Vice President, Electricity System Operator (2018–)
Ellevio Ab (Dso) (former Fortum Distribution Ab), Senior Vice President, Customers (2011–2018)
Fortum Oyj, Head of Process and Business Efficiency (2009–2011)
Capgemini Sverige Ab (Consulting), Staffing and Resource Manager (1999–2009)

Asta Sihvonen-Punkka

Lic.Sc. (Econ.) and M.Sc. (Forestry)
Born 1962
Finnish citizen
Member of the Board since 2016

Primary working experience

Fingrid Oyj, Executive Vice President (2018–)
Fingrid Oyj, Senior Vice President, Market (2016–2019)
Fingrid Datahub Oy, CEO (2018–)
Finnish Communications Regulatory Authority, Director General (2011–2015)
Energy Market Authority, Director General (2007–2011)
Energy Market Authority, Director (1998–2007)

Other positions of trust

Member of the Board, Gasgrid Finland Oy (2020–)
Member of the Board, Finnish Air Navigation System Oy (2017–)

Report on operations 2019

Report on operations 2019

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[ICT](#)

REPORT ON OPERATIONS 2019

The fiscal year January 1–December 31, 2019 was eSett’s sixth fiscal year. The loss for the fiscal year was EUR 0,079 million. The company’s Board of Directors will propose to the Annual General Meeting of Shareholders that the loss be carried over as unrestricted equity. No dividends will be paid. The income for the fiscal year, EUR 6.321 million, consisted of TSO service fees.

The biggest expenses during the fiscal year comprised imbalance settlement, personnel, and depreciation of capitalized NBS project costs and other investments.

Operating expenses	EUR million
Depreciation	2,33
Personnel	1,43
Imbalance settlement	0,74
IT expenses	0,89
Communication	0,10
Finance and Administration	0,74
Other operating expenses	0,03
Finance expenses	0,12
Total expenses	6,38

Capital expenditures

During its sixth fiscal year, eSett continued to invest into the Imbalance Settlement Model, related ICT infrastructure, and new premises.

eSett’s total non-current assets were EUR 5.75 million as per December 31, 2019. The breakdown of non-current assets is shown below.

Non-current assets	EUR million	Notes
Intangible assets, total	5.53	
Intangible rights	0.34	Licenses and use rights
Other intangible assets	5.19	Software
Tangible assets	0.22	ICT Infrastructure

Financing

Utilized shareholder and capital loan

The shareholders have granted eSett two loans, a shareholder and capital loan, with equal terms.

The shareholder loan of EUR 7.5 million was utilized by the end of 2015.

The loan will be paid back in 10 instalments, divided into two instalments per year (to be transacted on March 15 and September 15).

Share Capital

eSett Oy was originally owned by TSOs Fingrid Oyj in Finland, Affärsverket Svenska kraftnät in Sweden and Statnett SF in Norway. On May 14, 2019, the Danish TSO Energinet signed an agreement with other TSOs, making it one of eSett’s shareholders.

eSett’s share capital had been raised to 15,000 shares at the beginning of May; when Energinet became a shareholder, 3,750 shares were sold to it. Each of the four shareholders has equal shareholdings of 3,750 shares, which have equal rights.

The invested unrestricted equity fund of eSett Oy is EUR 5,998,950. Each owner has invested an equal amount.

Service fees

eSett’s income consists of imbalance settlement service fees collected from the TSOs on a regular basis. The fee covers the costs of eSett’s daily operations, i.e. customer support, imbalance

settlement, collecting payments, and performing other services on behalf of the TSOs. The fee ensures the future operational capability of the company. eSett’s basic service fee is set so as to cover our long-term operational costs and future investments, and to provide a fair profit. The service fee is approved by the Board.

Risk management

At eSett, overall enterprise risk management is comprehensive, aiming to identify, assess, monitor, and protect against or mitigate the wide range of threat factors and risks relating to the company’s operation, environment, personnel, and property. Due to the nature of our primary purpose, the risks are also examined from the perspective of society or electricity market.

Continuity management is an element of comprehensive risk management. The purpose is to improve our organization’s preparedness and ability to respond in an optimal way to the realization of various risks and to ensure operational continuity in special situations.

Our whole personnel is obliged but is also motivated to maintain a

Report on operations 2019

Report on operations 2019

- Capital expenditures
- Financing
- Risk management
- Imbalance Settlement
- ICT

high level of risk and continuity management at all times. Internal policies guide the work with reporting and controlling principles.

Agreements

eSett has an Imbalance settlement agreement and Pledged cash account agreement with each Balance Responsible Party (BRP). Also, eSett had arranged the signing of Balance agreements with the BRPs on behalf of the TSOs.

eSett has signed Banking Service Agreements and a Settlement Bank Agreement with the settlement banks.

In addition, we have numerous agreements with our service providers.

Collaterals

eSett is the financial counterparty in the imbalance settlement towards all BRPs. In practice, this means significant counterparty risk for us. Each BRP must therefore provide collateral to eSett as a security against the risk of the BRP being unable to fulfil its obligations to eSett. The collateral helps to ensure that we can complete imbalance settlement in an orderly

manner at all times. Collateral can be provided in the form of a cash deposit into a pledged bank account or by bank guarantee. The required collateral must be in place before a BRP can start the operations.

The Nordic Imbalance Settlement Model has a dynamic collateral model. The collateral requirements are recalculated daily based on the latest available settlement and pricing data, and BRPs are obligated to keep their collateral on the demanded level at all times.

Hedging

Currency risk in imbalance settlement is hedged with foreign exchange transactions. The weekly settlement result is calculated in euros but the BRPs can choose to be invoiced either in euros or in local currency (NOK or SEK). The

foreign currency items are hedged weekly with foreign exchange forward contracts; these derivative contracts are hedging financial instruments.

Imbalance Settlement

Nordic Imbalance Settlement

The harmonized Nordic Imbalance Settlement model was successfully launched to go live on May 1, 2017 in Finland, Norway, and Sweden. After two first calendar years of stable operations behind, eSett has maintained its position as a trusted key player in the Nordic electricity market.

During the past year, eSett has helped several new market participants to enter the market or expand their operations. It has been evident that the market participants are actively seeking synergies and taking advantage of the lowered barrier for

market entry. It has been noticeable that more and more European market participants are interested in providing services in the Nordics.

eSett manages the invoicing and money transfers in the imbalance settlement. The amounts to be settled include the BRPs' imbalances, fees charged from the BRPs as well as payments for activated reserves between the TSO and BRP.

The TSOs are legally responsible for the imbalance settlement, but eSett carries out the settlement and invoicing on their behalf. Nevertheless, all transfers pass through eSett which guarantees the financial settlement. The net proceeds from the imbalance settlement in each country will be transferred to the respective TSO.

With great pride, we can say the core operations of eSett have been

During the past year, eSett has helped several new market participants to enter the market or expand their operations.

Report on operations 2019

Report on operations 2019

Capital expenditures

Financing

Risk management

Imbalance Settlement

ICT

carried out very reliably and successfully as none of our weekly invoicing processes were delayed during the year. Furthermore, the imbalance settlement was calculated correctly every time with no need to correct the invoicing afterwards.

During the year, eSett has improved its market monitoring to identify market misbehavior. Happily, this year the market survived without any major incidents, and no agreement terminations were needed due to misbehavior. By monitoring the market efficiently, eSett is safeguarding the functioning of the market for all market participants.

In 2019, eSett's imbalance settlement system had two major version updates enabling continuity, improving stability, and adding some new functionalities as well as improving usability of the services. eSett's two main

service channels – Online Service and Messaging Service – both had exceptional availability during the year, 99.63% and 99.91% respectively. Availability stayed on the same level as the previous year.

Nordic Imbalance Settlement Handbook

The Handbook provides market participants with a comprehensive overview of the Nordic Imbalance Settlement Model from the market participant's perspective. The Handbook is updated twice a year or on a per need basis.

The official version of the Handbook is published in English, but eSett also maintains unofficial local language versions in Finnish, Norwegian, and Swedish.

The imbalance settlement was calculated correctly every time

Settlement Statistics

Key figures of the Nordic Imbalance

Settlement at year end 2019:

- Balance Responsible Parties 174
- Distribution System Operators 484
- Retailers 809
- Service Providers 42
- National data hubs 1
- 560,000 market messages received on weekly basis
- EUR 380 million of managed collaterals
- Total debited amount from BRPs (January 1 – December 31, 2019)
 - EUR 296 million
 - NOK 776 million
 - SEK 740 million
- Total credited amount to BRPs (January 1 – December 31, 2019)
 - EUR 210 million
 - NOK 671 million
 - SEK 113 million

ICT

At eSett, ICT is considered a support process that enables us to provide international energy settlement services with the desired operational quality and level of security that is crucial for our vision and strategy.

In 2019, ICT's biggest project was the public procurement process to acquire infrastructure and security services. This process was carried out successfully, according to the original and planned schedule, and the procurement decision was made in October 2019.

As a major improvement to eSett production system, the Imbalance settlement system platform was upgraded to a new version in 2019. We also started the planning and implementation of the new market communication channel (ECP).

Secure and stable infrastructure has a key role in our ability to offer the market a stable Imbalance settlement system. During the year, there were no major incidents in our infrastructure. Minor development work was carried out during the year in several areas. eSett ICT is ready to support eSett in fulfilling its responsibilities in 2020.

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INCOME STATEMENT

EUR	Notes	1 Jan - 31 Dec 2019	1 Jan - 31 Dec 2018
TURNOVER	12	6,321,000.25	10,080,000.00
Other operating income		2,729.54	0.00
Personnel costs	1	−1,334,304.98	−1,170,397.22
Depreciation and write-off	2	−2,329,705.81	−2,171,370.33
Other operating expenses	3, 12	−2,606,177.84	−2,590,413.33
OPERATING PROFIT		53,541.16	4,147,819.12
Finance income and costs	4, 12, 13	−113,081.96	−240,412.00
PROFIT BEFORE PROVISIONS AND TAXES		−59,540.80	3,907,407.12
Income taxes	5	−19,892.01	−255,921.27
PROFIT FOR THE FINANCIAL YEAR		−79,432.81	3,651,485.85

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BALANCE SHEET

ASSETS, EUR	Notes	31 Dec 2019	31 Dec 2018
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	6	333,389.98	369,902.02
Other intangible assets		4,679,743.40	6,130,126.74
Investments in process		514,021.86	0.00
		5,527,155.24	6,500,028.76
Tangible assets			
Machinery and equipment	7	222,523.46	508,241.82
		222,523.46	508,241.82
TOTAL NON-CURRENT ASSETS			
		5,749,678.70	7,008,270.58
CURRENT ASSETS			
Short term			
Other receivables	8	26,774,898.18	39,775,033.25
Deferred assets	9	138,978.18	185,314.88
		26,913,876.36	39,960,348.13
Cash and cash equivalents			
	10	18,127,363.35	7,076,949.61
TOTAL CURRENT ASSETS			
		45,041,239.71	47,037,297.74
TOTAL ASSETS			
		50,790,918.41	54,045,568.32

EQUITY AND LIABILITIES, EUR	Notes	31 Dec 2019	31 Dec 2018
EQUITY			
	11		
Share capital		3,750.00	3,750.00
Paid-up unrestricted equity reserve		5,998,950.00	5,998,950.00
Retained earnings		922,179.21	−2,729,306.64
Profit for the year		−79,432.81	3,651,485.85
TOTAL EQUITY			
		6,845,446.40	6,924,879.21
LIABILITIES			
Non-current liabilities			
	12		
Shareholder loans		3,750,000.00	5,250,000.00
		3,750,000.00	5,250,000.00
Current liabilities			
Trade payables		141,437.14	138,254.38
Other liabilities	13	39,627,247.65	40,941,523.96
Accrued liabilities	14	426,787.22	790,910.77
		40,195,472.01	41,870,689.11
TOTAL LIABILITIES			
		43,945,472.01	47,120,689.11
TOTAL EQUITY AND LIABILITIES			
		50,790,918.41	54,045,568.32

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ACCOUNTING PRINCIPLES

ASSETS, EUR

There must always be a balance between supply and consumption of electricity. To achieve this, the TSOs use balancing power procured in the balancing power market. Imbalances arise from uncertainties in plans and failures in generation, consumption and grid. Imbalance settlement is therefore a necessary function in a commercial based electricity market.

Historically TSOs Fingrid, Svenska kraftnät and Statnett each have been operating their own imbalance settlement. Since May 2017 eSett Oy, owned jointly by the TSOs, is responsible for imbalance settlement and invoicing the balance responsible parties. A harmonized model which offers common business processes for reporting, performing settlement, invoicing and collateral management was introduced in May 2017. eSett invoices the balance responsible parties in its own name on behalf of the TSOs. These invoices are not part of eSett's turnover according to the accounting rules. eSett's turnover consists of service fees invoiced to the TSOs.

eSett's financial statements are prepared according to Finnish Accounting Standards, FAS. Balance sheet items are valued to the original purchase price. Financial statements are prepared according to the small business legislation (PMA chapters 2 and 3) in current and previous fiscal year.

Foreign currency transactions

Transactions and financial items denominated in foreign currency are recognised at the foreign exchange mid-rate quoted by the European Central Bank (ECB) at the transaction date. The exception are the receivables and debts hedged by forward contracts which are valued at forward contract rate. Foreign exchange gains and losses from business are included in exchange gains and losses in Other operating expenses.

Currency derivatives

eSett protects the foreign currency items by hedging them weekly with foreign exchange forward contracts.

The company uses derivatives to protect against currency risk of foreign currency transactions in imbalance settlement. These derivative contracts are hedging financial instruments. The currency risk is fully hedged.

Intangible and tangible assets

Intangible and tangible assets generating revenue during several financial years are valued at the original acquisition cost. Depreciation according to plan is calculated over the useful life of the item using straight-line method. Depreciation on intangible and tangible assets taken into use during the financial year is calculated on an item by item basis from the month of introduction.

The depreciation periods are as follows:

Other intangible assets

Other intangible rights according to useful life,	
at the maximum	5 years
Software	5 years

Machinery and equipment

Computers and servers	3 years
Equipment	5 years

Adjustment made to comparative information in Income statement

Expenses related to financing 40 000 EUR adjusted from Other operating expenses to Finance income and costs.

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NOTES TO FINANCIAL STATEMENTS

1. PERSONNEL COSTS, EUR

	2019	2018
Salaries and bonuses	–1,094,069	–978,744
Pension expenses	–213,925	–169,792
Other personnel expenses	–26,312	–21,861
Total	–1,334,305	–1,170,397

Personnel costs activated to Fixed Assets	65,881	0
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Number of salaried employees in the company during the financial year

Personnel, average	15	13
Personnel, 31 Dec	17	15

2. DEPRECIATION ACCORDING TO PLAN, EUR

	2019	2018
Intangible rights	–121,912	–113,893
Other intangible assets	–1,917,962	–1,797,144
Tangible assets	–289,831	–260,333
Total	–2,329,706	–2,171,370

3. OTHER OPERATING EXPENSES, EUR

	2019	2018
Other personnel related expenses	–104,284	–98,668
IT and telecommunications	–886,719	–622,676
Customer service	–100,109	–78,387
Imbalance settlement and administration	–1,486,602	–1,775,914
Other operating expenses	–28,480	–13,881
Exchange rate differences	16	–888
Total	–2,606,178	–2,590,413

4. FINANCE INCOME AND EXPENSES, EUR

	2019	2018
Interest and other financial income from others	3,968	2,839
Interest and other financial expenses to others	–117,050	–243,251
Total	–113,082	–240,412

5. INCOME TAXES, EUR

	2019	2018
Income taxes for the financial year	–19,892	–255,921
Total	–19,892	–255,921

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6. INTANGIBLE ASSETS, EUR

2019

2018

Intangible rights

Cost at 1 Jan	588,762	561,017
Increases 1 Jan–31 Dec	85,400	27,745
Decreases 1 Jan–31 Dec		

Cost at 31 Dec

674,162

588,762

Accumulated depreciation according to plan at 1 Jan	–218,860	–104,966
Depreciation according to plan 1 Jan–31 Dec	–121,912	–113,893

Carrying amount 31 Dec

333,390

369,902

Other intangible assets

Cost at 1 Jan	9,256,438	8,612,735
Increases 1 Jan–31 Dec	467,579	643,703
Decreases 1 Jan–31 Dec		

Cost at 31 Dec

9,724,018

9,256,438

Accumulated depreciation according to plan at 1 Jan	–3,126,312	–1,329,168
Depreciation according to plan 1 Jan–31 Dec	–1,917,962	–1,797,144

Carrying amount 31 Dec

4,679,744

6,130,127

Investments in process

Cost at 1 Jan	0	0
Increases 1 Jan–31 Dec	514,022	0
Decreases 1 Jan–31 Dec	0	0

Cost at 31 Dec	514,022	0
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Carrying amount 31 Dec

514 022

0

7. TANGIBLE ASSETS, EUR

2019

2018

Cost at 1 Jan	939,596	662,937
Increases 1 Jan–31 Dec	4,112	276,659
Decreases 1 Jan–31 Dec		

Cost at 31 Dec

943,708

939,596

Accumulated depreciation according to plan at 1 Jan	–431,354	–171,021
Depreciation according to plan 1 Jan–31 Dec	–289,831	–260,333

Carrying amount 31 Dec

222,523

508,242

8. OTHER RECEIVABLES, EUR

2019

2018

Imbalance settlement receivables	26,503,212	39,440,524
Tax receivables	271,686	334,509
Total	26,774,898	39,775,033

9. DEFERRED ASSETS, EUR

2019

2018

Accruals of purchases	138,978	185,315
Total	138,978	185,315

10. CASH AND CASH EQUIVALENTS, EUR

2019

2018

Cash and bank receivables	18,127,363	7,076,950
Total	18,127,363	7,076,950

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11. EQUITY, EUR	2019	2018
Share capital at 1 Jan	3,750	3,750
Change		
Share capital at 31 Dec	3,750	3,750
Paid-up unrestricted equity reserve at 1 Jan	5,998,950	5,998,950
Change		
Paid-up unrestricted equity reserve at 31 Dec	5,998,950	5,998,950
Loss from previous financial years	922,179	−2,729,307
Profit for the financial year	−79,433	3,651,486
Retained earnings 31 Dec	842,746	922,179
Equity 31 Dec	6,845,446	6,924,879
Number of shares		
1 Jan 2019	3,750	
Increase in number of shares 3.5.2019	11,250	
31 Dec 2019	15,000	

12. RELATED PARTIES, EUR	2018	2017
Fingrid Oyj		
Affärsverket Svenska Kraftnät		
Statnett SF		
Energinet AS		
Loans from shareholders	5,250,000	6,750,000
Total	5,250,000	6,750,000
Service fees from shareholders (turnover)	6,321,000	10,080,000
Total	6,321,000	10,080,000
Service fees to shareholders (expenses)	114,586	253,008
Loan interest to shareholders	76,973	198,706
Service fees to shareholders related to fixed assets	0	3,900
Total	191,559	455,614

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13. OTHER LIABILITIES, EUR

	2019	2018
Short term		
Imbalance settlement liabilities	36,814,508	39,382,833
Loan installment paid back in year 2020	1,500,000	1,500,000
Other liabilities	1,312,739	58,691
Total	39,627,247	40,941,524

14. ACCRUED LIABILITIES, EUR

	2019	2018
Short term		
Accrued vendor invoices	145,947	264,412
Interest and financing accruals	17,422	26,224
Payroll accruals	263,418	244,354
Accrued income tax liabilities	0	255,921
Total	426,787	790,911

15. GUARANTEES AND LIABILITY COMMITMENTS, EUR

Commitments according to service agreements		
Payments in the coming year (2020)	540,608	504,989
Payments later	199,913	361,002
Total	740,520	865,992

Derivative contracts		
Forward contracts		
Market value, positive	1,661	
Market value, negative	-17,457	-22,510
Value of the asset	4,920,214	2,886,576

Company has open forward contracts at the closing date. The company uses derivatives to protect against currency risk of foreign currency transactions in imbalance settlement. The balance responsible parties can choose to be invoiced also in Swedish or Norwegian crown. Therefore the company can have receivables and debts in foreign currency at the closing date.

Currency risk is fully hedged. Imbalance settlement invoicing takes place weekly and according to this cycle the foreign currency transactions are hedged weekly with foreign exchange forward contracts. These derivative contracts are hedging financial instruments.

The hedging relationships of forward exchange contracts in force at the closing date have been found to be effective.

All forward contracts in force at the closing date mature in January 2020.

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17. ANNUAL REPORT INFORMATION REQUIRED BY LIMITED LIABILITY COMPANIES ACT

eSett Oy is owned by Fingrid Oyj, Affärsverket Svenska Kraftnät, Statnett SF and Energinet AS. It was founded to manage national imbalance settlement. Each shareholder has 3,750 shares and they all have equal power.

Each original owner granted a loan of 1,875,000 euros (7,500,000 euros in total). The whole loan was utilized by the end of 2015. Repayment of loan started 2018. The loan is subordinated to eSett's loans from other institutions. The loan is not secured. Interest according to market rate will be paid on the loan twice a year. The loan is paid back in 8 equal installments, 2 installments per year. The first repayment date was 16 September 2018.

The Board of Directors will propose to the Annual General Meeting of Shareholders that no dividend is paid and that the loss 79,432.81 euros be carried over as unrestricted equity.

Company's distributable funds are

Invested unrestricted equity fund	5,998,950,00
Loss from previous financial years	922,179,21
Profit for the period	-79,432,81
Total	6,841,696,40

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THE BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

The loss for the period is 79,432.81 euros.

The Board of Directors will propose to the Annual General Meeting of Shareholders that the loss will be carried over as unrestricted equity.

In Helsinki, the 18th of March 2020

Asta Sihvonen-Punkka

Chairman

Ole Jacob Høyland

Board member

Lowina Lundström

Board member

Signe Horn Rosted

Board member

Minnakaisa Ahonen

Chief Executive Officer

AUDITOR'S NOTATION

The Auditor's Report was issued today on an audit conducted.

Helsinki, the 18th of March, 2020

PricewaterhouseCoopers Oy
Authorized Public Accountant, APA

Heikki Lassila

Authorized Public Accountant, APA

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