

Annual review 2020

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Year 2020

eSett in brief

> Year 2020 highlights

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eSett IN BRIEF

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

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

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

16 (2 part timers) was the
**NUMBER OF
FULL-TIME EMPLOYEES**
at year-end 2020.

TURNOVER
FOR 2020 was
7,7 EUR
million.

TOTAL SETTLED
AMOUNT FOR
2020 was
689 EUR
million.

HEADQUARTERED
in Helsinki,
Finland.



**SERVES MORE THAN
1,000**
electricity market participants.

**RESPONSIBLE FOR IMBALANCE
SETTLEMENT** and invoicing the Balance
Responsible Parties (BRP) in Finland, Sweden,
and Norway. Provides capacity settlement
services in Denmark since October 2020.
Other settlement services will be provided in
the Danish market in the first quarter of 2021.

Year 2020

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YEAR 2020 HIGHLIGHTS



MARCH

eSett Annual Review

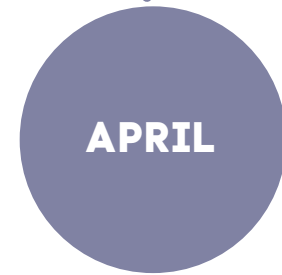
- eSett published its Annual Review for 2019.

Commissioning plan for Denmark's integration published

- The commissioning plan includes e.g. a description of the market practicalities related to the change and a guideline for preparations and parallel settlement.

Remote working

- Due to the COVID-19 pandemic, eSett switched mainly to remote work.

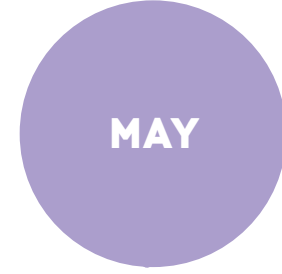


APRIL

NBS Handbook updated

- In preparation of Denmark joining the NBS model, all relevant information about the Danish market has been included in the NBS Handbook.

New Head of ICT Antti Niemi joined the team



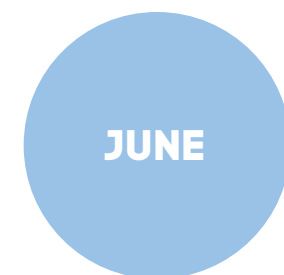
MAY

Customer Committee meeting

- eSett's 7th Customer Committee meeting was held in Teams. The main topics were the single balance model and including Denmark in the Nordic Imbalance Settlement.

First version of the eSett single balance commissioning plan

- The plan describes what will change when the single balance model will be taken into use, e.g. how imbalances are calculated and what are the visible changes for the market participants in the operations between eSett and market participants.



JUNE

Nordic Multi-NEMO Day-Ahead Market Coupling go-live

- Nordic Multi-NEMO Market Coupling project launched the Multi-NEMO Arrangement (MNA) in the Nordic region on June 3, 2020. Single Day-Ahead Coupling is accessible for more than one Nominated Electricity Market Operator (NEMO) per bidding zone in the Nordic region.

New Enterprise architect Rami Ayoub joined the team



SEPTEMBER

Conference in Norway

- This year's settlement conference was digital and arranged as a webinar. eSett gave a presentation about its latest news and plans for upcoming development.

New public data portal

- eSett published a Public Data portal where users can find information e.g. about imbalance settlement data and market participant structures related to Nordic Imbalance Settlement.



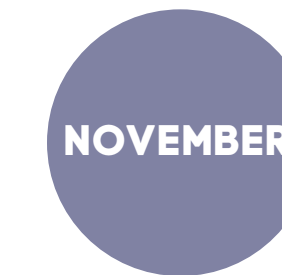
OCTOBER

First phase go-live for Denmark's integration

- The first phase of Denmark's integration project went live according to the original plan on October 1, 2020. In this phase, only Energinet reports to eSett by sending capacity reserve data daily to eSett's settlement system. eSett calculates and invoices the capacity reserves on behalf of Energinet according to the normal invoicing schedule.

Customer Satisfaction Survey

- Our Customer Satisfaction Survey was sent to people with an active Online Service account. 194 responses were received, and this year eSett donated a euro to reforestation for every received answer. Satisfaction was at an all-time high, with an average of 4.1 out of five.



NOVEMBER

Customer Committee meeting

- eSett's 8th Customer Committee meeting covered many interesting topics, such as eSett news and status on upcoming projects, structure improvements and notifications, metered consumption in 15-minute ISP, price components and fees for single price & single balance, and information about how to operate in the market in more than one country.

New home for eSett's digital services

- eSett Imbalance Settlement services were transferred to a new datacenter.

ISAE 3402 Type I audit conducted

- A third-party audit utilizing ISAE 3402 Type I standard was conducted to assess critical process controls and verify risk management practices required to ensure good quality of services.



DECEMBER

NBS Handbook updated

- Two major updates were made in the NBS Handbook. The new chapter 'Energy Storages' describes how the energy storages are handled in the Nordic imbalance settlement. Appendix 2 'Nordic Calendar' has been updated to cover the Nordic holidays for year 2021 with the addition of all Danish holidays.

Year 2020

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CEO'S REVIEW



“Establishing pan-Nordic processes and practices will benefit the whole market.”

In 2020, we have managed to keep our spirits up and make good progress through the year despite the challenges of the COVID-19 pandemic as well as the big changes in the market.

For eSettlers, this year has been a year full of work and interesting challenges to solve. I am proud of my team and what we are accomplishing together, even though we have mostly been working remotely since March 2020.

Denmark joining our ranks

During the year, we were happy to start cooperation with the Danish market participants and Energinet. A truly Nordic settlement started with the introduction of our first service – capacity settlement – to the Danish market. Capacity settlement is a new service for us, and it can be expanded to the other Nordic countries too, if needed. On February 1, 2021, we will expand the services to cover the imbalance settlement in Denmark.

We are excited about these new and important milestones and establishing

pan-Nordic electricity market processes and practices. We expect the harmonization to benefit the whole market and bring cost savings to it. I would like to thank our new customers in Denmark for their good cooperation with us.

Tackling climate change

I am proud that eSett can be a part of the transition towards a cleaner world. Internally, we have been active in reducing our climate impact by digitalizing our customer and settlement service processes as far as possible and relocating our digital services to a carbon neutral datacenter. In cooperation with the Nordic Transmission System Operators, we also develop the imbalance settlement model and processes to support the energy sector's transition to clean energy solutions.

The years to come will also be filled with meaningful and interesting initiatives. Our position in the market will provide us a very good vantage point to the energy market where all parties are joining forces to tackle the climate change together.

Interaction shows the way

I am also grateful for the cooperation with our customers and the active discussions we have had in our daily operations and in Customer Committee meetings. Our customers help us settle the electricity market precisely and punctually, and they give us direction in how to improve our services.

The good feedback that we have received from the customer surveys has helped us to develop our services to optimize our support to customers in their daily operations. We have also focused on improving accountability by developing quality and internal controls to improve our services.

We hope that all these actions will benefit our customers and help them succeed in their operations.

We settle together,
Minnakaisa Ahonen

Strategy

Strategy

- > Vision and values
- > Operating environment

STRATEGY

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.

Our strategic focus areas for 2020–2023 are our personnel, customer service, major changes in settlement, ICT solutions, company development, and operations.

In the area of personnel, we focus on ensuring we have the right core resources to secure the continuity of our operations. ICT concentrates on reliable, secure, and modern services for our customers. These are required to address the changes taking place in the settlement market.

The company operations are developed to prepare for COSO Enterprise Risk Management and ISAE Type II audit.

All in all, the goal is to achieve stable core settlement.

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. To prosper, we need skilled personnel. Efficiency is vital to us, so we enhance our operations by using appropriate information systems and modern communication tools.

Our three success factors

Customer orientation

- We focus on reliable and timely imbalance settlement. We have continuous dialog 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.

Strategy

- > Strategy
- Vision and values
- > Operating environment

VISION AND VALUES

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

eSett’s vision ‘we are a forerunner in providing settlement services for energy market across borders’ is perfectly aligned with the vision of the Nordic Council of Ministers ‘The Nordic region will become the most sustainable and integrated region in the world in 2030’.

Our vision steers us towards a better tomorrow and aims for the same goals as the Nordic Council of Ministers:

- A green Nordic Region – together with the market, the settlement model is developed so it will support the

move towards carbon neutrality by, for example, building readiness for the single balance model and 15-minute settlement support.

- A competitive Nordic Region – together, we will promote efficient and harmonized settlement practices and digital services across the Nordic region.
- A socially sustainable Nordic Region – we settle together and promote an equal and interconnected market with the same opportunities, shared responsibilities and services, thus increasing welfare of the Nordics.

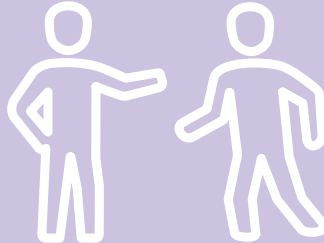
Our values drive us to settle energy imbalances transparently and serve our customers with precision and expertise.




Accountability

We take care of the tasks and responsibilities set for eSett by the owners and customers, taking responsibility over our own work, efficiency, quality, achievements, and understanding the significance of our own work to the customer and society.

We ensure that we fulfil our promises to our stakeholders in all situations and deal with confidential matters responsibly so that privacy and confidentiality are guaranteed.



Equality

We are committed to promoting equality in our activities. Equality requires us to value each employee and their work, be proactive in ensuring the occupational well-being of our personnel, behave so that each employee can put their trust in eSett as an employer. On the other hand, equality means that we respect our stakeholders and treat them all in a similar manner. The guiding principle is that every customer has the same high-quality service to help them succeed in the market.



Openness

We rely on openness. It is achieved by sharing information and communicating in an understandable and timely manner, operating as a team and helping and supporting colleagues and customers, encouraging cooperation, the free exchange of opinions, and genuine listening, allowing different kinds of opinions as well as giving and receiving feedback in a constructive manner.



Readiness

We are ready for the future. Current operations are on a solid basis when we support a well-functioning electricity market, bring efficiency to society today and tomorrow, are bold and open to new ideas, question things, and bring about new solutions. We are ready for the change and renewal, and we develop the expertise of our personnel in a systematic way and offer them appropriate tools and resources.

Strategy

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

WE SETTLE, TOGETHER

We provide timely and reliable settlement services. Over 1,000 market participants in Denmark, 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

- Denmark
- Finland
- Norway
- Sweden

SUCCESS FACTORS

- Customer orientation
- Skilled personnel
- Efficiency

VALUES

- Accountability
- Equality
- Openness
- Readiness



Strategy

- > Strategy
- > Vision and values
- Operating environment

OPERATING ENVIRONMENT

The electricity market and power system is currently going through a major transformation. The Nordic electricity market is moving towards a green, harmonized, and integrated European market. In the coming years, there will be the introduction of the single balance and higher time resolution settlement models. These 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.

The single balance model brings several changes to the imbalance settlement scheme. Currently, imbalances are settled by using separate positions for production and consumption. In the single balance model, there will be only one position for the whole portfolio and the same imbalance price regardless of the direction of the balance responsible party's (BRP) imbalance relative to the total imbalance of the power system. Nordic transmission system operators (TSOs) propose to introduce the single balance and single price model in the last quarter of 2021.

In the higher time resolution settlement model, imbalances will be settled every fifteen minutes, instead of the current hourly settlement. Implementation of the higher time resolution settlement model is proposed to take place in the second quarter of 2023.

In addition to these changes, we are developing the settlement model continuously to better meet future energy market requirements. The introduction of new market roles, such as Balance Service Provider (BSP) and new datahubs, 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, as distribution system operators (DSOs) will no longer send metered data directly to eSett. Datahubs are already in use in Denmark and Norway; Fingrid and Svenska kraftnät are in the midst of their own hub projects. Fingrid datahub is scheduled to be in operation in 2022.

In 2020, eSett focused on getting everything ready for the Danish market joining the Nordic imbalance settlement. During the year, necessary



adjustments to the systems and processes were finalized, and communication and testing of new practices is now in progress with the stakeholders.

eSett will start to settle Danish market imbalances on February 1, 2021. The settlement of capacity reserves was already started successfully in October 2020.

Business

Customer Committee represents the market participants

- > Customer satisfaction in 2020
- > Case: Step towards harmonized Nordic market

CUSTOMER COMMITTEE REPRESENTS THE MARKET PARTICIPANTS

The purpose of eSett's Customer Committee is to provide a possibility for dialog 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.

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.

CASE: NORDIC FORUM FOR DISCUSSION AND FEEDBACK

To make sure the Nordic imbalance settlement model is continuously improved and developed further, eSett has a Customer Committee, which provides a forum for dialog between eSett's experts and balance responsible parties and transmission and distribution system operators.

Jesper Vestergaard, Senior Portfolio Manager from Danske Commodities, is a member of the Committee, representing Danish BRPs.

"I think the Customer Committee is a very useful function to have, bringing together the different market players. It is a good forum for us to discuss the big questions but also get down to details," Vestergaard says.

Discussion topics can range from the future of the electricity market to how to improve the functioning of the eSett portal for market participants, down to the location of a button on the website.

The Committee also gives the members a chance to discuss their issues with other experts and get an outsider's point of view, which may help in finding a solution. The same solution may be relevant in more than one country.

For the Danes, this possibility to discuss all aspects of the business has been particularly important in their working towards joining the Nordic imbalance settlement. They have been able to check, for

instance, if they are progressing in the right way, being efficient, and how eSett owners in other countries have set up their operations.

Jesper Vestergaard has found the Committee an excellent place to give feedback to eSett. The focus is always on keeping the business running smoothly as well as continuous improvement.

"I appreciate the way eSett listens to our feedback carefully and always gets back to us in the following meeting. They may have prioritized an improvement or even implemented one, or they may just let us know that the topic was discussed and what the outcome was. This kind of follow-up is of great value to us."



Business

> Customer Committee represents the market participants

Customer satisfaction in 2020

> Case: Step towards harmonized Nordic market

CUSTOMER SATISFACTION IN 2020

High customer satisfaction has always been one of eSett's key targets in daily operations as well as development work. We exist for our customers, so we have sent out a customer satisfaction survey each fall, providing customers with an opportunity to give us direct feedback and indicate how we have succeeded.

As in previous years, the survey contained questions about eSett's customer service and how market participants have experienced it.

The three most important results in the survey were the overall grade for eSett's customer service, professionalism of eSett's customer service, and satisfaction with service request resolution times. These three items have been a part of the survey from the beginning, making it possible to identify changes and trends. Luckily, the number of respondents was also roughly on the same level as on previous year, which improves comparability.

The year 2020 was special in many ways, even in terms of customer

feedback. The overall grade for our customer service, on a scale of one to five, rose for the first time above four. Similarly, the professionalism of our customer service and satisfaction with service request resolution times got higher grades. In fact, all three factors improved steadily and received their all-time highest grades.

Once again, we also received great proposals for consideration on how to further improve our service experience.

We are as satisfied as our customers are. The excellent results are a

great achievement and prove that we have been able to improve our services under the difficult circumstances during these busy times.

However, with all the major market changes ahead of us, we need to keep running to maintain this level. We hope to see similar improvements again next year.

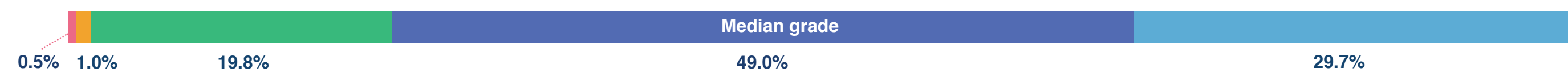
One important criterion to evaluate was eSett's professionalism.

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.

Not professional at all **1** **2** **3** **4** **5** Very professional

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

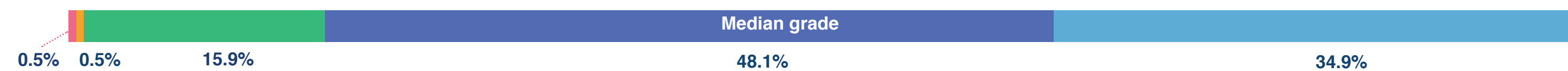
Level of professionalism



DEVELOPMENT AVERAGE GRADE



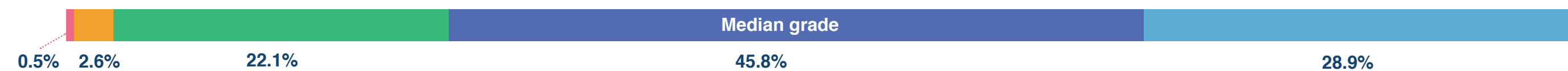
Service request resolution times



DEVELOPMENT AVERAGE GRADE



Overall customer service experience



DEVELOPMENT AVERAGE GRADE



Business

- > Customer Committee represents the market participants
- > Customer satisfaction in 2020
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CASE: STEP TOWARDS HARMONIZED NORDIC MARKET

When eSett was founded in 2013, Denmark opted to stay outside the Nordic imbalance settlement.

“We were developing our datahub at that time, and we realized that we did not have the resources to implement both the datahub and the Nordic imbalance settlement at the same time,” says Karsten Feddersen, Chief Consultant at Energinet.

Since the datahub was a legal requirement, it had to be prioritized over other projects.

Even so, Energinet was interested in Nordic cooperation in imbalance settlement, and in May 2019, the agreement was signed over this. Denmark’s integration into the system was finalized on February 1, 2021.

In practical terms, Energinet’s joining the other eSett owners releases resources from imbalance settlement to special settlements and development

of new settlement methods. Looking at the big picture, joining forces with the other Nordic countries was a question of harmonizing the market.

“Now we are closer to having the Nordic area as one market. The bigger the market, the more market participants and so more competition. Eventually, we hope that this will mean lower electricity prices for consumers in the future,” Feddersen points out.

Nordic cooperation will also give the Transmission System Operators a chance to exchange experiences and ideas and to develop the market further together.

eSett plays an important role in this, as it provides a forum for Nordic discussion.

“There is a real sense of us all wanting this common Nordic approach and wanting to get things done. We can also talk about our issues and



how we can solve them, as an issue for one TSO can crop up in another country, too.”

Denmark’s integration in the Nordic imbalance settlement community went without any major surprises.

“From our point of view, cooperation

with eSett has been really good. Even though we are owners of the company, their customer service feels like they are vying for our custom, in other words, their customer service is great,” Feddersen says.

Sustainability at eSett

How eSett contributes to a sustainable future

> Our sustainability work continues in 2021

SUSTAINABILITY AT eSett

Corporate responsibility is embedded in our business practices and daily decisions. It is based on our values, mission, and vision: being a forerunner in providing advanced services to Nordic energy markets across borders.

The energy sector is in the forefront of climate change mitigation, and energy transition is already in progress. The share of electricity generated from

carbon neutral sources is increasing due to improved competitiveness of wind and solar power. Electrification is a strong trend in traffic and heating; to make it possible, more electricity and flexibility will be needed within the power system. ICT is a major enabler of less carbon intensive energy production, so there is a huge potential in digitalization but also risks that need to be managed.

How eSett contributes to a sustainable future

In 2019, we took a step forward and reviewed the megatrends impacting our business and the UN Sustainable Development Goals (SDGs) to see where eSett can have the biggest impact.

We identified the following SDGs where we can contribute most towards achieving them:

- **Affordable and clean energy (SDG 7)** – The reliable and cost-effective settlement services provided by eSett in the Nordic electricity market, with harmonized rules for all participants, increase competition and so help keep the price of energy affordable while providing possibilities to increase the amount of clean energy used.

- **Industry, innovation, and infrastructure (SDG 9)** – Digital settlement services provided by eSett underpin the electricity market infrastructure and make it functional.

- **Climate action (SDG 13)** – eSett services are developed to handle the increasing amount of renewable energy in the Nordic power system, helping reduce carbon emissions.

We also recognized we can contribute to the following goals:

- **Good Health and Well-being (SDG 3)** – It is crucial to support and improve employee health and well-being. In eSett, comprehensive healthcare services are available for all employees, and we support leisure time activities.



The energy sector is in the forefront of climate change mitigation.

Sustainability at eSett

> How eSett contributes to a sustainable future

Our sustainability work continues in 2021

- **Gender Equality (SDG 5)** – It is taken care of in all aspects of our operations. Competencies and potential are the key qualities of our employees.
- **Decent work and economic growth (SDG 8)** – Efficiency is the basis for the services eSett provides. In 2020, eSett introduced the first service to the Danish market and extended the cooperation with Energinet and Danish market participants in 2021.
- **Reduced inequalities (SDG 10)** – For eSett, all customers are equally important, and all employees are treated similarly whatever their status or tasks.
- **Responsible consumption and production (SDG 12)** – eSett uses a carbon neutral datacenter service provider.
- **Peace, justice, and strong institutions (SDG 16)** – eSett is a trustworthy partner and takes care of its customers' assets and complies with laws and regulations.

Our sustainability work continues in 2021

We want to maintain a close dialog with our key stakeholders, including our employees, customers, and partners to understand their evolving needs and expectations. We have identified our relevant stakeholders, as this forms the basis for understanding eSett's most significant impacts and the material aspects of corporate responsibility.

We have planned and set development projects and objectives to direct and develop our corporate responsibility in 2021. Materiality assessment will be made based on stakeholder dialog. Sustainability work and progress will be reported using GRI Standards (Global Reporting Initiative) but not in accordance with them. Our performance and progress made towards reaching our targets will be monitored during the year and assessed at the end of the year.



Employees

- New people and organization
- > Participation and well-being
- > Case: "We need to grow our muscles"

NEW PEOPLE AND ORGANIZATION

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. Our organization needs to support this by providing an inspiring and empowering work environment, offering development opportunities, and encouraging people to become experts in their fields.

In accordance with eSett's human resources policy, employees are treated with respect and fairness, based on the company's values and in compliance with the principles of equality and non-discrimination.

From the people perspective, year 2020 brought on new challenges. Many people were involved in development

projects in which they were able to push themselves and show their full potential. All of us needed to adapt to changes caused by COVID-19 pandemic. In Finland, we had 2.5 months of lockdown in the spring, and even for the rest of the year, our people worked mostly remotely. This contributed to our employees staying safe and healthy during the pandemic.

The changes did not disturb the plan to strengthen our ICT team. Two new roles – Head of ICT and Enterprise architect – were established and their recruitment processes were carried out successfully. Onboarding these new employees during the pandemic restrictions required some extra effort and planning. The whole organization and especially the ICT team did great work to make this happen.



We need to provide an inspiring and empowering work environment.

Employees

- > New people and organization
- Participation and well-being
- > Case: "We need to grow our muscles"

PARTICIPATION 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 we need to maintain high quality in our 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. This way they can support the efficient operation of the Nordic electricity market.

In 2020, 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 their work.

During the spring, a project was launched to create a new tool to support individual development plans. eSett's new development framework was ready and introduced to the employees in the fall. It will be used in development discussions and career discussions to provide inspiration in defining concrete development activities.

Due to the COVID-19 pandemic, many training programs and seminars were cancelled, but people were encouraged to attend webinars. A new e-learning platform was also in pilot use.

All eSettlers took part in the "How to become a top team" training program which was tailored to eSett's needs. Training included workshops,

supported by team discussions and individual tasks between the sessions. This program aimed to create a common mindset on the level of self-organization at eSett and to define the needed actions to achieve it. The program continues in 2021.

Well-being of our employees has always been very important to eSett. In 2020, well-being was seen in a totally different light because of the pandemic. eSett had a good readiness for remote working, as many employees had been using this opportunity before. Even so, employees were supported in remote working by offering a webinar by an occupational psychologist as well as extra services to improve their work ergonomics at home.

eSett personnel have access to comprehensive occupational healthcare services, and employees are encouraged to take care of their well-being at their leisure. eSett supports this by subsidizing some of the activities taken.

In 2020, possibilities for doing physical well-being activities together were very limited, but employees were offered a possibility to have a new type of health check performed. This check

resulted in individual advice to our employees, helping them improve their well-being. All in all, eSettlers have been in good shape, as absences due to illness are well below industry average.

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 started working with a new HR service partner, and in 2020, we deepened and strengthened this relationship.

With the help of our HR service partner, we implemented a new tool for time tracking. With this new tool we were able to simplify the process of tracking project hours. It also gives us a better insight on hours used in different activities by the teams.



Employees

- > New people and organization
- > Participation and well-being
- Case: "We need to grow our muscles"

CASE: "WE NEED TO GROW OUR MUSCLES"

As the Head of ICT, it is my job to make sure that our ICT systems, the backbone of our business, are always up and running. The service we provide is critical to our clients.

We are now four in the team but will be hiring next year. We need to grow our muscles, as eSett is expanding its operations to Denmark in 2021. The single balance and BSP model changes will also keep us busy.

We have lots of development projects and continuous improvement of our cybersecurity posture going on. In 2020, eSett passed the Type I audit of ISAE 3402 control framework, giving assurance we have adequate internal controls. External audits and certifications increase the trust in eSett as a provider of critical services to the electricity market. The audits help us show our clients that our systems are safe.

I joined the company in April, so I am fairly new at eSett. Due to the COVID-19 pandemic, I have been working mostly remotely from day one. This has been pretty comfortable; when you have kids, working from home makes daily routines a bit easier.

I have got to know my new colleagues mainly virtually. They are an easy-going, but highly professional bunch of people. Every Friday we get together on Teams to play and spend time together in a relaxed atmosphere.

ANTTI NIEMI

Job: Head of ICT

Education: M.Sc. (Eng.)

Previous work experience: Cyber security manager at Nord Pool

Hobbies: Classical piano, disc golf



Governance

Governance

> Board of Directors 2020

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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 which shall consist of 2–5 members with personal deputies for each of them. The selection is made for a two-year term.

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 strives 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 2020–2022

On April 16, 2020, the Annual-General Meeting elected four (4) members to the Board of Directors for the term 2020–2022. Each Board Member was an appointed deputy member.

Composition of the Board of Directors is following:

Lowina Lundström (Deputy Member: Anna Jäderström),
 Ole Jacob Høyland (Deputy Member: Kristian Bernseter),
 Asta Sihvonen-Punkka (Deputy Member: Kari Suominen),
 Signe Horn Rosted (Deputy Member: Johannes Bruun).

Ole Jacob Høyland 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.

Duties of the Board

Under the Finnish Limited Liability Companies Act, it is the task of the Board to supervise the company's administration and organization of its operations. The Board must also ensure that there is due monitoring of the Company's accounting and financial administration.

It is the task of the Board to promote the interests of the Company and all its shareholders. To carry out its tasks the Board shall:

- convene the shareholder's meeting
- supervise and monitor the Company's active management

- appoint and dismiss the CEO, when necessary
- approve the CEO's contract and other benefits
- approve the Company's basic organization
- appoint the customer committee in accordance with the shareholders' agreement; the purpose of the customer committee is to provide dialog between the Company and its stakeholders
- decide upon the rules to be applied in relation to the customer committee
- hold a meeting with the Company's auditor at least once a year
- approve annually the strategy, the business plan, and the budget of the Company
- review regularly the risks relating to the Company's operations and the management of such risks
- review and approve annual financial statements and the annual report by the Board
- evaluate its performance once a year
- discuss properly all issues brought before the Board by the Chairman, any Member of the Board, or the CEO.

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BOARD OF DIRECTORS 2020



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

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Signe Horn Rosted

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

Primary working experience

Energinet, Vice President, 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, TSO Holding (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, Luxembourg (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 Distribution Ab, 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–)

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MANAGEMENT GROUP

The eSett Management Group assists the CEO in implementing the actions required to reach strategic targets within the framework approved by the Board of Directors. Each member of the Management Group is responsible for the day-to-day operations and the implementation of operational decisions in their respective areas.

Minnakaisa Ahonen

CEO
 At eSett since 2013
 M.Sc. (Tech.), MBA, born in 1970

Jonni Laine

Executive Vice President
 At eSett since 2013
 M.Sc. (Tech.), born in 1984

Tuomas Lahti

Operations Manager
 At eSett since 2014
 M.Sc. (Tech.), born in 1988

Antti Niemi

Head of ICT
 At eSett since 2020
 M.Sc. (Tech.), born in 1980



Report on operations 2020

Report on operations 2020

Capital expenditures

Financing

Risk management

Imbalance Settlement

Nordic Imbalance Settlement Handbook

ICT

REPORT ON OPERATIONS 2020

The year 2020 was eSett's seventh fiscal year. The profit for the year was EUR 410,576. The company's Board of Directors will propose to Annual General Meeting of Shareholders that the profit be carried over as unrestricted equity. No dividends will be paid. The income for the fiscal year, EUR 7,726,000, consisted of TSO service fees. The biggest expenses during the fiscal year comprised of depreciation, personnel, and ICT expenses.

Operating expenses	EUR million
Depreciation	2,457
Personnel	1,241
Imbalance settlement	0,835
ICT expenses	1,772
Communication	0,088
Finance and Administration	0,691
Other operating expenses	0,06
Finance expenses	0,078
Total expenses	7,222

Capital expenditures

In 2020, eSett continued to invest into the Imbalance Settlement Model. Total non-current assets were EUR 5,795,131 as per December 31, 2020. The breakdown of non-current assets is shown below.

Non-current assets	EUR million	Notes
Intangible assets, total	5,769	
Intangible rights	0,639	Licenses
Other intangible assets	5,130	Software
Tangible assets	0,026	ICT Infrastructure

Financing

Shareholder and capital loan

The shareholders have granted eSett two loans, a shareholder loan and a capital loan which is already repaid. The shareholder loan of EUR 7.5 million was utilized by the end of 2015 and will be paid back in March 2023.

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 2019; 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 to cover

our long-term operational costs and future investments, and to provide a fair profit. The service fee is approved yearly 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

In 2020, PwC performed an ISAE 3402 Type I audit of our operations. ISAE is an international assurance standard used in service organizations to give assurance to customers and service users that the organization has adequate internal controls.

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Type I audit includes a snapshot of controls covering Imbalance Settlement and related finance processes as well as ICT including systems/operations used to provide imbalance settlement services.

Next, we will go on to Type II phase where the audit covers a longer period to ensure that the controls have been managed over time, typically 6 months to one year.

Our whole personnel are obliged but also motivated to maintain a high level of risk and continuity management at all times. Internal policies guide the work with reporting and controlling principles.

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 always complete imbalance settlement in an orderly manner.

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 always keep their collateral on the demanded level.

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, SEK, or DKK). 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 has now been operational since the successful go-live on May 1, 2017 in Finland, Norway, and Sweden. Now in 2020, we reached an important milestone as the services were expanded to cover Denmark in the capacity reserve market.

Another great milestone is right round the corner: in early 2021 eSett will start taking care of the imbalance settlement in Denmark, completing the integration.

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 the BRP. In October 2020, eSett started to settle and invoice capacity reserves on behalf of Energinet in Denmark.

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.

During 2020, we have had many achievements to celebrate: The Denmark's integration started successfully. eSett has moved its digital services to a new datacenter as part of its preparations for future demands of the market, such as 15-minute imbalance settlement period. eSett

In 2020, services were expanded to cover Denmark in the capacity reserve market.

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We have had great feedback from our customers under these difficult times.

launched the new Public Data service on its website; this is an imbalance settlement related open data section where anyone can view and download public information related to imbalance settlement.

With Denmark's integration, the customer base of eSett is continuously evolving as there are more and more market participants across Europe interested in the opportunity to do business in the Nordics.

The core operations of eSett have been carried out very reliably and successfully: none of our weekly invoicing processes were delayed during the year. In addition to that, our services reached a very high availability rate,

matching the levels achieved during the previous years. Moreover, we have had great feedback from our customers under these difficult times.

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 at least twice a year or on a per need basis.

The official version of the Handbook is published in English and can be found on eSett's webpage.

Settlement Statistics

Key figures of the Nordic Imbalance Settlement at year end 2020:

- Balance Responsible Parties 162
- Distribution System Operators 482
- Retailers 810
- Service Providers 43
- Data hubs 1
- 450,000 market messages received on weekly basis

Total debited amount from BRPs (January 1–December 31, 2020)

- EUR 265 million
- NOK 329 million
- SEK 643 million

Total credited amount to BRPs (January 1–December 31, 2020)

- EUR 134 million
- NOK 147 million
- SEK 174 million
- DKK 26 million

ICT

eSett operates a critical service for the electricity market participants and is dependent on reliable and high-performance IT technology and infrastructure. We are proud of ensuring our services are safe and secure to use, available when needed, and able to give a smooth user experience.

In 2020, we made great improvements to our infrastructure and our cybersecurity defenses and controls. At the end of the year, our digital services were migrated to a modern and highly secure datacenter. We also improved our cybersecurity defenses with new technology and by outsourcing the monitoring of our systems to a 24/7/365 security operation center. We believe these improvements will carry eSett forward in a secure and robust way through the coming years.

In 2021, we face many challenges as we renew our financial solutions and take further steps towards utilizing cloud services. Maintaining and improving the security of our services will remain a focus area for us.

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INCOME STATEMENT

EUR	Notes	Jan. 1 – Dec. 31, 2020	Jan. 1 – Dec. 31, 2019
TURNOVER	12	7,726,000.27	6,321,000.25
Other operating income		20.00	2,729.54
Personnel costs	1	-1,241,375.42	-1,334,304.98
Depreciation and write-off	2	-2,457,357.43	-2,329,705.81
Other operating expenses	3, 12	-3,445,617.75	-2,606,177.84
OPERATING PROFIT		581,669.67	53,541.16
Finance income and costs	4, 12, 13	-77,997.74	-113,081.96
PROFIT BEFORE PROVISIONS AND TAXES		503,671.93	-59,540.80
Income taxes	5	-93,096.33	-19,892.01
PROFIT FOR THE FINANCIAL YEAR		410,575.60	-79,432.81

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BALANCE SHEET

ASSETS, EUR	Notes	Dec. 31, 2020	Dec. 31, 2019	EQUITY AND LIABILITIES, EUR	Notes	Dec. 31, 2020	Dec. 31, 2019
NON-CURRENT ASSETS				EQUITY			
Intangible assets				11			
Intangible rights	6	639,085.45	333,389.98	Share capital		3,750.00	3,750.00
Other intangible assets		3,733,100.84	4,679,743.40	Paid-up unrestricted equity reserve		5,998,950.00	5,998,950.00
Investments in process		1,396,664.69	514,021.86	Retained earnings		842,746.40	922,179.21
		5,768,850.98	5,527,155.24	Profit for the year		410,575.60	-79,432.81
Tangible assets				TOTAL EQUITY			
Machinery and equipment	7	26,280.27	222,523.46			7,256,022.00	6,845,446.40
		26,280.27	222,523.46	LIABILITIES			
TOTAL NON-CURRENT ASSETS				Non-current liabilities			
		5,795,131.25	5,749,678.70	Shareholder loans	12	2,250,000.00	3,750,000.00
CURRENT ASSETS						2,250,000.00	3,750,000.00
Short term				Current liabilities			
Other receivables	8	23,298,059.02	26,774,898.18	Trade payables		305,996.86	141,437.14
Deferred assets	9	254,727.51	138,978.18	Other liabilities	13	40,523,463.31	39,627,247.65
		23,552,786.53	26,913,876.36	Accrued liabilities	14	670,779.01	426,787.22
Cash and cash equivalents						41,500,239.18	40,195,472.01
	10	21,658,343.40	18,127,363.35	TOTAL LIABILITIES			
		45,211,129.93	45,041,239.71			43,750,239.18	43,945,472.01
TOTAL CURRENT ASSETS				TOTAL EQUITY AND LIABILITIES			
		51,006,261.18	50,790,918.41			51,006,261.18	50,790,918.41
TOTAL ASSETS							

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ACCOUNTING PRINCIPLES

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.

Denmark joined the Nordic Balance Settlement in two phases. In the first phase, starting September 1, 2020 eSett took over the capacity settlement and starting February 1, 2021 the

Imbalance settlement for Danish market will start.

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

Activating personnel expenses to balance sheet

Hours used to the investment projects are activated to balance sheet starting January 1, 2019.

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NOTES TO FINANCIAL STATEMENTS

1. PERSONNEL COSTS, EUR	2020	2019
Salaries and bonuses	-1,057,079	-1,094,069
Pension expenses	-156,983	-213,925
Other personnel expenses	-27,313	-26,312
Total	-1,241,375	-1,334,305
Personnel costs activated to Fixed Assets	108,591	65,881
Number of salaried employees in the company during the financial year		
Personnel, average	16	15
Personnel, Dec. 31	16	17

2. DEPRECIATION ACCORDING TO PLAN, EUR	2020	2019
Intangible rights	-180,206	-121,912
Other intangible assets	-2,080,908	-1,917,962
Tangible assets	-196,243	-289,831
Total	-2,457,357	-2,329,706

3. OTHER OPERATING EXPENSES, EUR	2020	2019
Other personnel related expenses	-55,041	-104,284
IT and telecommunications	-1,771,502	-886,719
Customer service	-88,252	-100,109
Imbalance settlement and administration	-1,470,633	-1,486,602
Other operating expenses	-60,192	-28,480
Exchange rate differences	1	16
Total	-3,445,618	-2,606,178

4. FINANCE INCOME AND EXPENSES, EUR	2020	2019
Interest and other financial income from others	1,792	3,968
Interest and other financial expenses to others	-79,790	-117,050
Total	-77,998	-113,082

5. INCOME TAXES, EUR	2020	2019
Income taxes for the financial year	-93,096	-19,892
Total	-93,096	-19,892

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NOTES TO FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS, EUR

	2020	2019
Intangible rights		
Cost at Jan. 1	674,162	588,762
Increases Jan. 1 – Dec. 31	485,902	85,400
Decreases Jan. 1 – Dec. 31		
Cost at Dec. 31	1,160,063	674,162
Accumulated depreciation according to plan at Jan. 1	-340,772	-218,860
Depreciation according to plan Jan. 1 – Dec. 31	-180,206	-121,912
Carrying amount Dec. 31	639,085	333,390

	2020	2019
Other intangible assets		
Cost at Jan. 1	9,724,018	9,256,438
Increases Jan. 1 – Dec. 31	1,134,266	467,579
Decreases Jan. 1 – Dec. 31		
Cost at Dec. 31	10,858,283	9,724,018
Accumulated depreciation according to plan at Jan. 1	-5,044,274	-3,126,312
Depreciation according to plan Jan. 1 – Dec. 31	-2,080,908	-1,917,962
Carrying amount Dec. 31	3,733,101	4,679,744

	2020	2019
Investments in process		
Cost at Jan. 1	514,022	0
Increases Jan. 1 – Dec. 31	2,502,810	514,022
Decreases Jan. 1 – Dec. 31	-1,620,167	0
Cost at Dec. 31	3,016,832	514,022
Carrying amount Dec. 31	1,396,665	514 022

7. TANGIBLE ASSETS, EUR

	2020	2019
Cost at Jan. 1	943,708	939,596
Increases Jan. 1 – Dec. 31	0	4,112
Decreases Jan. 1 – Dec. 31		
Cost at Dec. 31	943,708	943,708
Accumulated depreciation according to plan at Jan. 1	-721,185	-431,354
Depreciation according to plan Jan. 1 – Dec. 31	-196,243	-289,831
Carrying amount Dec. 31	26,280	222,523

8. OTHER RECEIVABLES, EUR

	2020	2019
Imbalance settlement receivables	23,298,058	26,503,212
Tax receivables	0	271,686
Total	23,298,058	26,774,898

9. DEFERRED ASSETS, EUR

	2020	2019
Accruals of purchases	254,728	138,978
Total	254,728	138,978

10. CASH AND CASH EQUIVALENTS, EUR

	2020	2019
Cash and bank receivables	21,658,343	18,127,363
Total	21,658,343	18,127,363

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11. EQUITY, EUR	2020	2019	12. RELATED PARTIES, EUR	2020	2019
Share capital at Jan. 1	3,750	3,750	Fingrid Oyj		
Share capital at Dec. 31	3,750	3,750	Affärsverket Svenska kraftnät		
			Statnett SF		
Paid-up unrestricted equity reserve at Jan. 1	5,998,950	5,998,950	Energinet AS		
Change			Loans from shareholders	3,750,000	5,250,000
Paid-up unrestricted equity reserve at Dec. 31	5,998,950	5,998,950	Total	3,750,000	5,250,000
Profit/loss from previous financial years	842,746	922,179	Service fees from shareholders (turnover)	7,726,000	6,321,000
Profit/loss for the financial year	410,576	-79,433	Total	7,726,000	6,321,000
Retained earnings Dec. 31	1,253,322	842,746	Service fees to shareholders (expenses)	107,486	114,586
Equity Dec. 31	7,256,022	6,845,446	Loan interest to shareholders	55,693	76,973
			Service fees to shareholders related to fixed assets	0	0
Number of shares Dec. 31	15,000	15,000	Total	163,179	191,559

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NOTES TO FINANCIAL STATEMENTS

13. OTHER LIABILITIES, EUR

	2020	2019
Short term		
Imbalance settlement liabilities	38,973,732	36,814,508
Loan installment paid back in year 2020	1,500,000	1,500,000
Other liabilities	49,731	1,312,739
Total	40,523,463	39,627,247

14. ACCRUED LIABILITIES, EUR

	2020	2019
Short term		
Accrued vendor invoices	281,103	145,947
Interest and financing accruals	12,316	17,422
Payroll accruals	288,485	263,418
Accrued income tax liabilities	88,876	0
Total	670,779	426,787

15. GUARANTEES AND LIABILITY COMMITMENTS, EUR

	2020	2019
Commitments according to service agreements		
Payments in the coming year (2021)	752,753	540,608
Payments later	555,287	199,913
Total	1,308,040	740,520

Derivative contracts		
Forward contracts		
Market value, positive		1,661
Market value, negative	-12,530	-17,457
Value of the asset	4,258,096	4,920,214

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 2021.

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NOTES TO FINANCIAL STATEMENTS

16. ANNUAL REPORT INFORMATION REQUIRED BY LIMITED LIABILITY COMPANIES ACT

eSett Oy is owned by Fingrid Oyj, Affärsverket Svenska kraftnät, Statnett SF, and Energinet AS (starting May 14, 2019). It was founded to manage national imbalance settlement. Each shareholder has 3750 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.

Energinet started as a shareholder May 14, 2019, and the loan agreements were renegotiated. Each owner granted a loan of 1,500,000 euros (6,000,000 euros in total). 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 September 16, 2019.

The Board of Directors will propose to the Annual General Meeting of Shareholders that no dividend is paid and that the profit 410,575.60 euros be carried over as unrestricted equity.

Company's distributable funds are

Invested unrestricted equity fund	5,998,950,00
Profit/loss from previous financial years	842,746
Profit/loss for the period	410,576
Total	7,252,272,00

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THE BOARD OF DIRECTORS' PROPOSAL FOR DISTRIBUTION OF PROFIT

The profit for the period is 410,575.60 euros

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

In Helsinki, March 18, 2021

Ole Jacob Høyland

Chairman

Asta Sihvonen-Punkka

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, March 18, 2021

PricewaterhouseCoopers Oy
Authorized Public Accountants

Heikki Lassila

Authorized Public Accountant, APA

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