Elenia Finance Oyj

Financial Statements

1 January 2018 - 31 December 2018

Business ID 2584057-5

Unofficial translation from Finnish to English

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Elenia Finance Group, Report of the Board of Directors 2018

Elenia Finance Group's business operations

Elenia Finance Oyj is the parent company of Elenia Finance Group. Elenia Finance Group's purpose is facilitating financing and providing cash management and financial services for Elenia Group entities and parent companies.

Financing

In June 2018 Elenia Finance Oyj issued EUR 161.0 million bonds, which are due in 2035.

Standard & Poor's published its most recent credit rating for Elenia Finance Oyj in December 2018 and kept Elenia's rating unchanged (BBB, outlook stable).

Number of employees

Elenia Finance Group employed two persons during 2018. Close cooperation with other Elenia Group companies is an integral part of the Elenia Finance Group's operations.

Financial result

Elenia Finance Group's total revenue in 2018 was EUR 391.0 thousand (308.6 thousand in 2017). EBITDA in 2018 was EUR -29.0 thousand (EUR -13.9 thousand). Operating loss was EUR -161.1 million (EUR -213.6 million) and the loss for the year was EUR -211.4 million (EUR -259.6 million).

Acquisitions and divestments

There were no material acquisitions or divestments during the period.

Corporate governance

Elenia Finance Oyj's Board of Directors convened four times in 2018. Members of the Board of Directors during the period were Tapani Liuhala (Chairman), Tommi Valento and Alli Seppänen.

Shares

The company has 100 outstanding shares. Each share entitles the holder to one vote at the Annual General Meeting and carries equal rights to dividends.

Corporate responsibility

Elenia Finance Oyj as a member of Elenia Group is subject to its health and safety policy. The policy stipulates that its employees and business partners must be provided the opportunity to work in a safe, healthy and motivating work environment. In addition to complying with applicable laws, regulations, codes of practice and industry standards, the Elenia Group promotes a culture of occupational health, wellbeing and safety in all of its activities by setting goals, targets and action programmes in accordance with the spirit of continuous improvement.

Environmental matters

In line with its strategy, the Elenia Finance Group takes safety and the environment into consideration in all decision-making, including through the development and use of Elenia Group's Environmental Policy for sustainable development.

Risks and risk management

The Legal Affairs and Risk Management unit is responsible for coordinating risk management. Comprehensive risk management is undertaken covering risk identification, assessment, reporting and measures to manage risks in cooperation with business units and Group functions. The Finance Unit is responsible for the Elenia Group's insurance programme and for handling insurance claims in cooperation with an insurance broker.

Elenia Group's Treasury policy, approved by the Board of Directors, defines financial risk management governance, responsibilities and processes for reporting risks and risk management. Treasury Policy defines principles covering risks related currencies, liquidity, interest rates and counterparties. Also the Group's existing financing arrangements include guidelines and restrictions pertaining to financial risk management. Elenia Finance Oyj is responsible for the Group's financial risk management.

Events after the balance sheet date

There have been no material events since the balance sheet date.

Outlook

Elenia Group’s business performance has an effect on company’s business and financial status. The company expects that obligations relating to outstanding bonds and notes will be met by group contributions, subscription of additional equity and/or loans from the other group companies. The principal business of Elenia Group is electricity distribution, which is based on a license awarded by the Energy Authority. In accordance with the terms of the license, the holder of the license is awarded exclusive right in its geographical area to carry out electricity distribution business. In addition to electricity distribution, Elenia Group is engaged in heating (Elenia Lämpö Oy) and service businesses (Elenia Palvelut Oy).

The Board of Directors dividend proposal

The Board of Directors proposes not to declare a dividend.

Consolidated Statement of Profit or Loss

for the year ended 31 December 2018

EUR 1,000	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Revenue	5	**391**	**309**
Employee benefit expenses	6	-219	-147
Depreciation, amortisation and impairment	7	-161 050	-213 566
Other operating expenses	5	-201	-176
Operating profit / loss		**-161 079**	**-213 580**
Finance income		75	1
Finance costs		-50 407	-45 930
Finance income and costs	8	**-50 332**	**-45 929**
Loss before tax		**-211 411**	**-259 509**
Income tax	9	18	-70
Loss for the year		**-211 393**	**-259 578**

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

EUR 1,000	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Loss for the year	**-211 393**	**-259 578**
Other comprehensive income		
Other comprehensive income not to be reclassified to profit or loss in subsequent years:		
Re-measurement gains/(losses) on defined benefit plans	-	-
Income tax effect	-	-
Other comprehensive income to be reclassified to profit or loss in subsequent years:		
Net movement of cash flow hedges	-	-
Net gain/(loss) on available-for-sale financial assets	-	-
Income tax effect	-	-
Other comprehensive income / (loss) for the year after tax	-	-
Total comprehensive loss for the year	**-211 393**	**-259 578**

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

Consolidated Statement of Financial Position

as at 31 December 2018

	Note	31 Dec 2018	31 Dec 2017
EUR 1,000			
Assets			
Non-current assets			
Investments	11	0	0
Total non-current assets		**0**	**0**
Current assets			
Other current receivables	10	10 242	7 916
Cash and cash equivalents		253	1 097
Total current assets		**10 496**	**9 013**
Total assets		**10 496**	**9 013**
Equity and liabilities			
Equity			
Share capital		80	80
Retained earnings		-1 686 782	-1 524 512
Total equity		**-1 686 702**	**-1 524 432**
Non-current liabilities			
Bonds and notes	11	1 682 305	1 521 082
Deferred tax liabilities	9	1 393	1 415
Total non-current liabilities		**1 683 698**	**1 522 496**
Current liabilities			
Trade payables	12	56	54
Accrued expenses	12	13 437	10 880
Other current liabilities	12	6	15
Total current liabilities		**13 499**	**10 948**
Total equity and liabilities		**10 496**	**9 013**

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

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

EUR 1,000	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Operating activities		
Loss for the year	-211 393	-259 578
Adjustments to reconcile loss to net cash flows		
Depreciation, amortisation and impairment	161 050	213 566
Finance income	-75	-1
Finance costs	50 407	45 930
Taxes	-18	70
Working capital adjustments		
Increase (+) / decrease (-) in trade and other current liabilities	-54	-73
Increase (-) / decrease (+) in trade and other current receivables	-12	136
Interests received	70	0
Interests and financial expenses paid	-47 598	-42 133
Taxes paid	5	-5
Net cash flows from operating activities	**-47 618**	**-42 088**
Investing activities		
Changes in investments	-161 050	-213 566
Net cash flows used in investing activities	**-161 050**	**-213 566**
Financing activities		
Proceeds from long-term borrowings	161 000	213 500
Payment of debt arrangement costs	26	-1 886
Group contributions received and paid	46 798	44 962
Net cash flows from financing activities	**207 824**	**256 576**
Net increase in cash and cash equivalents	**-844**	**922**
Cash and cash equivalents 1.1.	1 097	175
Change in cash and cash equivalents	-844	922
Cash and cash equivalents 31.12.	**253**	**1097**

Cash and cash equivalents comprises of cash balance at bank accounts

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Available for sale reserve (Fair value fund)	Cash-Flow hedge fund	Retained earnings	Total equity
Equity at 1 January 2017	80	-	-	-	-1 309 931	-1 309 851
Profit for the year	-	-	-	-	-259 578	-259 578
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Change in defined benefit plans	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-259 578	-259 578
Transactions with shareholders						
Increase	-	-	-	-	44 998	44 998
Total transactions with shareholders	-	-	-	-	44 998	44 998
Equity at 31 December 2017	**80**	**-**	**-**	**-**	**-1 524 512**	**-1 524 432**

for the year ended 31 December 2018

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Available for sale reserve (Fair value fund)	Cash-Flow hedge fund	Retained earnings	Total equity
Equity at 1 January 2018	80	-	-	-	-1 524 512	-1 524 432
Profit for the year	-	-	-	-	-211 393	-211 393
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	-	-
Change in defined benefit plans	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-211 393	-211 393
Transactions with shareholders						
Increase	-	-	-	-	49 122	49 122
Total transactions with shareholders	-	-	-	-	49 122	49 122
Equity at 31 December 2018	**80**	**-**	**-**	**-**	**-1 686 782**	**-1 686 702**

Increase of EUR 49,122 thousand (2017: EUR 44,998 thousand) in retained earnings comprises of group contribution received from Elenia Oy, Elenia Palvelut Oy and Elenia Lämpö Oy.

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

Notes to the consolidated financial statements

1 General information

Elenia Finance Oyj is a Finnish limited liability company domiciled in Helsinki (address: Töölönkatu 4). Elenia Finance Oyj's parent company is Elenia Oy, a company duly incorporated under the laws of Finland and having its registered office at Patamäenkatu 7, 33900 Tampere.

The consolidated financial statements are consolidated in the financial statements of Elenia Oy, available at the following address: Patamäenkatu 7, 33900 Tampere.

Elenia Finance Group's purpose is to carry on financing activities and provide cash management and financing services to Elenia Group and parent companies.

The Board of Directors approved the consolidated financial statements on 28 February 2019. The shareholders have the right either to approve, reject or change the consolidated financial statements in the Annual General Meeting.

2 Significant accounting policies

2.1 Basis of preparation

The Elenia Finance Group's consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) approved for application within the European Union (EU). The consolidated financial statements are compliant with the provisions of the Finnish Accounting Act and other regulations governing the preparation of financial statements in Finland.

All Group companies use the euro ("EUR") as their operating currency and all figures are reported in euros. The consolidated financial statements are presented in thousands of euros. There may be rounding discrepancies in the sum totals due to the presentation method used.

2.2 Changes in accounting policies and disclosures

The Group applied for the first-time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature of each new standard and amendment is described below.

IFRS 9 Financial Instruments

IFRS 9 standard is effective for annual periods beginning on or after 1 January 2018, early application has been permitted. The EU has endorsed the standard. IFRS 9 has completely replaced the standard *IAS 39 Financial Instruments: Recognition and Measurement*.

The initial measurement of financial instruments is made at fair value for all financial assets. Financial assets that are debt instruments and to which the fair value option is not applied are measured following initial recognition either at amortised cost or fair value, depending on the company's business model for the management of financial assets and contractual cash flows of the financial assets.

As a rule, all equity instruments are measured at fair value following the initial measurement, either through consolidated statement of profit or loss or through consolidated statement of other comprehensive income. All equity instruments held for trading are to be measured at fair value through profit or loss. Items that are recognised through other comprehensive income will no longer be recognised in the consolidated statement of profit or loss if the entity has elected to measure it at fair value through consolidated statement of other comprehensive income.

With regard to financial liabilities, the main amendment is that when applying the fair value option, the effect of changes in the entity's own credit risk on the fair value of the financial liability will be recognised through other comprehensive income. These changes in value recognised through other comprehensive income will no longer be recognised in the consolidated statement of profit or loss. The other current IAS 39 provisions pertaining to financial liabilities will remain largely unchanged.

The impairment requirements introduced in IFRS 9 are based on an expected credit loss model. In addition, IFRS 9 standard comprises a new hegde accounting model in which the criteria for applying the hedge accounting are relieved and more designations of groups of items as the hedged items are possible. The new hedge accounting model aims to enable companies to better reflect their risk management strategy and objectives in the financial statements.

The Group has adapted the new standard on the required effective date but comparative information has not been restated. Overall, the effect of the IFRS 9 standard on the consolidated financial statements has not been very significant. However, applying the impairment requirements of IFRS 9 has had an impact on the method used in calculation of the credit loss allowance for trade receivables, but the amount of credit loss allowances has not changed. Due to the nature of business and customers no credit losses are expected in Elenia Finance Oyj. Therefore no credit loss allowance is booked .

IFRS 15 Revenue from Contracts with Customers

IFRS 15 standard is effective for annual periods beginning on or after 1 January 2018 with limited early adoption permitted. The EU has endorsed the standard.

IFRS 15 standard replaces IAS 11, IAS 18 and related interpretations. IFRS 15 standard establishes a five-step model on how to account for revenue from contracts with customers. The core principle in the new standard is that an entity will recognise revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The disclosure requirements in new IFRS 15 are more extensive.

The five-step model includes the following phases: i) Identifying the contracts with a customer, ii) Identifying the performance obligations in the contract, iii) Determining the transaction price, iv) Allocating the transaction price to the performance obligations and v) Recognising revenue when the entity satisfies a performance obligation. Entities are expected to exercise judgement when applying each step of the model to the contracts with the customers.

In April 2016, the International Accounting Standards Board (IASB) issued clarifications to IFRS 15. These amendments are intended to clarify the certain requirements of IFRS 15, not to change the standard. The amendments have been affective as of 1 January 2018 which was the effective date of IFRS 15. The EU has endorsed the amendments.

The Group has adopted the new standard on the required effective date using the modified retrospective method. IFRS 15 standard has not had a significant effect on the consolidated financial statements.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amended standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The EU has endorsed the amendments.

The amendments concern three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

These amendments are not applicable to the Group.

Annual improvements to IFRSs (2014 – 2016 Cycle)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 January 2018. The EU has endorsed the improvements.

IFRS 1 First-time Adoption of International Financial Reporting Standards
The amendment deleted the outdated exemptions for first-time adopters of IFRS.

IAS 28 Investments in Associates and Joint Ventures
The amendment clarifies that the election to measure investments on associates and joint ventures at fair value through profit or loss is available separately for each associate or joint venture, and that the election can be made at initial recognition.

The improvements do not have an effect on the consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The IFRIC interpretation is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The EU has endorsed the amendments.

The interpretation clarifies that the date of the transaction, for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income, is the date of the advance consideration – i.e. the date when non-monetary asset or liability is recognised.

The interpretation does not have a significant effect on the consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements comprise the parent company Elenia Finance Oyj and its subsidiaries which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee.

Subsidiaries are included in the consolidated financial statements using the acquisition cost method. The acquisition cost is measured as the aggregate of the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Costs related to acquisitions are recorded on the consolidated statement of profit or loss as other operating expenses. The excess of the cost of acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Intercompany transactions, receivables and debts are eliminated in the consolidated financial statements.

Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the accounting policies adopted by the Group.

As at 31 December 2018, the subsidiaries do not have non-controlling interests.

2.3.1 Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of profit or loss. It is then considered in the determination of goodwill. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments is measured at fair value with changes in fair value recognised either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.4 Summary of significant accounting policies

2.4.1 Translation differences

Transactions denominated in foreign currencies are translated using the exchange rate at the date of the transaction. Receivables and liabilities denominated in foreign currencies outstanding on the date of closing the accounts are translated using the exchange rate quoted on the closing date. Exchange rate differences are recorded in financial income and expenses, or other business expenses, depending on the nature of the item in question.

2.4.2 Revenue

Group revenue consists of sales of treasury services for Elenia Group entities and parent companies. Sales revenue from services is recognised for the period in which the service is produced. Payments from contracts with customers are generally due within 14 days and consideration for services are paid in cash. Contracts do not have any significant financing components. The implementation of IFRS 15 has not affected revenue recognition regarding the income on sales of treasury services.

2.4.3 Other operating income

Other operating income includes ordinary income from non-operating activities.

2.4.4 Borrowing costs

Currently Elenia Finance has not recognised the borrowing costs in balance sheet, as there are no qualifying assets.

2.4.5 Trade receivables

Trade receivables are recorded on the balance sheet at their fair value. Impairment is recorded on trade receivables when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the agreements. Such evidence of impairment may include significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments. The impairment amount is measured as the difference between the asset's original balance sheet value and the estimated future cash flows. Trade receivables also include invoiced sales revenue based on estimates.

Due to the nature of business and customers, no credit losses are expected in Elenia Finance Oyj. Therefore, no credit loss allowance is booked in this company.

The group had no open trade receivables at the balance sheet date.

2.4.6 Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks.

2.4.7 Taxes

2.4.7.1 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.4.7.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4.8 Financial instruments – initial recognition and subsequent measurement

Classification of current and non-current assets and liabilities

An asset or a liability is classified as current when it is expected to be realised within twelve months after the balance sheet date or it is classified as financial assets or liabilities held at fair value through profit or loss. Liquid funds are classified as current assets.

All other assets and liabilities are classified as non-current assets and liabilities.

2.4.8.1 Financial assets

Initial recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets carried at amortised cost, financial assets at fair value through profit or loss or financial asset at fair value through other comprehensive income (OCI), as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. Purchases or sales of financial assets are recognised on the trade date.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

2.4.8.1.1 Financial assets carried at amortised cost

Financial assets carried at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets carried at amortised cost also include trade receivables and other receivables. Loans are carried at amortised cost using the effective interest rate method less accumulated impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced using an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for measuring the impairment loss. The interest income is recorded as finance income in the consolidated statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

2.4.8.1.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as financial assets carried at amortised cost unless they are designated as effective hedging instruments as defined by IFRS 9.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IFRS 9 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

2.4.8.1.3 Financial assets at fair value through other comprehensive income (OCI)

Derivatives are measured at fair value and gains and losses from fair value measurement are treated as determined by the purpose of the derivatives. The effects on results of changes in the value of derivatives that are eligible for hedge accounting and that are effective hedging instruments are presented consistent with the hedged item. The group had no Financial assets at fair value through other comprehensive income (OCI) at the balance sheet date.

Derivatives eligible for hedge accounting are classified as financial assets at fair value through other comprehensive income. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income. Any ineffective portion is recognised immediately in the consolidated statement of profit or loss as financial income or costs. The group had no derivatives at the balance sheet date.

2.4.8.1.4 Derecognition of financial assets

Financial assets are derecognised when:

- The rights to receive cash flows have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4.8.2 Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4.8.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables and also loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

2.4.8.3.1 Financial liabilities carried at amortised cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the consolidated statement of profit or loss.

2.4.8.3.2 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

2.4.8.3.3 Financial liabilities at fair value through other comprehensive income (OCI)

Derivatives are measured at fair value and gains and losses from fair value measurement are treated as determined by the purpose of the derivatives. The effects on results of changes in the value of derivatives that are eligible for hedge accounting and that are effective hedging instruments are presented consistent with the hedged item.

Derivatives eligible for hedge accounting are classified as financial liabilities at fair value through other comprehensive income. The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income. Any ineffective portion is recognised immediately in the consolidated statement of profit or loss as financial income or costs. The group had no derivatives at the balance sheet date.

2.4.8.3.4 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

2.4.8.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.4.8.5 Fair value measurement of financial instruments

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions Notes 4, 11 and 13
- Quantitative disclosures of fair value measurement hierarchy Note 13
- Financial instruments (including those carried at amortised cost) Note 13

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The transfers between levels of the fair value hierarchy shall be disclosed at the date of the event or change in circumstances that caused the transfer.

For fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Notes 11 and 13.

2.4.9 Segment reporting

The Group consists only one segment.

3 New and amended standards and interpretations issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are described below. The Group intends to adopt these standards, amendments and interpretations, if applicable, when they become effective.

IFRS 16 Leases

The new standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted but not before the entity applies IFRS 15. The EU has endorsed the standard.

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The new standard includes two recognition exemptions for lessee: leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events and the amount of the remeasurement of the lease liability will generally be recognized as an adjustment to the right-of-use asset.

Lessor accounting is substantially unchanged from today's accounting under IAS 17. The new IFRS 16 standard also requires lessees and lessors to make more extensive disclosures than under IAS 17.

According to the current estimate of company's management the new IFRS 16 standard will not have an essential effect on the consolidated financial statements of Elenia Finance Oyj.

IFRS 17 Insurance Contracts

The new standard is effective for annual periods beginning on or after 1 January 2021, early application is permitted. The EU has not endorsed the standard.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. The new standard applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features.

The new standard is not applicable to the Group.

Amendments to IAS 1 and IAS 8: Definition of Material

The amended standards will be effective for annual periods beginning on or after 1 January 2020 with early adoption permitted. The EU has not endorsed the amendments.

The purpose of the amendments is to align the definition of "material" across the standards and to clarify certain aspects of the definition.

The amendments will not have an essential effect on the consolidated financial statements.

Amendment to IFRS 3: Business Combinations

The amended standard will be effective for annual periods beginning on or after 1 January 2020 with early adoption permitted. The EU has not endorsed the amendments.

The amendments help entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendment will not have a material effect on the consolidated financial statements.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

The amended standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has endorsed the amendments.

The amendments clarify that in the early termination of the contract a debt instrument can be measured at amortised cost or at fair value through other comprehensive income regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments will not have an effect on the consolidated financial statements.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amended standard will be effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has not endorsed the amendments.

The amendments specify how an entity is required to determine current service cost and net interest when a plan amendment, curtailment or settlement occurs
during the annual reporting period.

The amendments will not have a material effect on the consolidated financial statements.

Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures

The amended standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has not endorsed the amendments.

The amendments clarify that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9.

The amendments will not have an effect on the consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The effective date of the amendments has been postponed and hence the EU has not yet endorsed the standard amendments.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

Annual improvements to IFRSs (2015 – 2017 Cycle)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 January 2019. The EU has not yet endorsed the improvements.

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 Income Taxes

The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The improvements will not have a significant effect on the consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The IFRIC interpretation is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The EU has endorsed the amendments.

The interpretation clarifies application of the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

The interpretation will not have a significant effect on the consolidated financial statements.

4 Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the accompanying disclosures and the disclosure of contingent liabilities.

Estimates and assumptions are based on the management's best judgement on the reporting date. Estimates are made based on historical experience and expectations of future events that are considered probable on the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of assets and liabilities affected in future periods. The Group's significant accounting judgements, estimates and assumptions are described below.

4.1 Judgements

The preparation of consolidated financial statements requires management to make judgements in applying the accounting principles. The Group management has made the following significant judgements related to applying of accounting principles.

4.1.1 Going concern

The financial statements are based on going concern principle. Despite the negative equity of Elenia Finance Oyj, Elenia Group's financial and liquidity position are strong. The Elenia Group's financing is based on Elenia Finance Oyj's strong investment grade rating from S&P and EUR 3 billion EMTN program, which enable effective sourcing of long-term financing from the international capital markets. The Elenia Group has strong liquidity based on cash and cash equivalents and fully committed undrawn credit facilities from a syndicate of international banks.

4.1.2 Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to the tax estimation.

The Group companies establish provisions based on reasonable estimates. In the case that the final taxes are different than the amounts initially recognized, these differences will affect income tax and provisions for deferred tax during the year when the determination of tax differences took place. Management estimates that the estimated tax shown in the consolidated financial statement represent a reasonable estimate of the Group's tax position.

The Group may recognize deferred tax assets by taking into account their recoverability, based on the existence of deferred tax liabilities with similar maturities for netting and the possibility of generation of sufficient future taxable profits. The management assessed the deferred tax booked in the financial statements to be recoverable.

The estimations and the actual flows of taxes paid or received could differ from the estimates made by the Group as a result of unforeseen future legal changes in estimates.

4.2 Estimates

Estimates are based on the management’s best judgement on the reporting date. Estimates are made on the basis of historical experience and expectations of future events that are considered probable on the reporting date. However, actual results and timing may differ from these estimates. The Group’s significant accounting estimates are described below.

4.2.1 Fair value of investments

Due to the nature of the Elenia Finance Oyj EMTN Programme no profits are expected to be accumulated from the investment in Elenia Holdings S.à r.l. through a subordinated profit-participating security (the SPPS). Based on the expected cash flows the investment has no value and therefore the book value and the fair value have been determined to be zero. (Note 13)

4.2.2 Deferred taxes

The Group has deferred tax assets and liabilities which are expected to be realised through the consolidated statement of profit or loss over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. (Note 9)

5 Revenue and Other operating expenses

5.1 Revenue

Disaggregation of revenue

EUR 1,000	2018	2017
Sales of treasury services	391	309
Total	**391**	**309**

Revenue from the sales of treasury services is recognised in the period in which the services are rendered. The implementation of IFRS 15 has not affected revenue recognition regarding the income on sales of treasury services.

Timing of revenue recognition

EUR 1,000	2018
Transferred at a point in time	391
Total	**391**

5.2 Other operating expenses

Other operating expenses EUR 1,000	2018	2017
External services	-129	-123
IT and communication expenses	-13	-13
Other expenses	-59	-40
Total	**-201**	**-176**

Audit fees

EUR 1,000	2018	2017
Auditing fees	-35	-23
Fees for tax services	-3	-9
Fees for other services	-6	-3
Total	**-44**	**-35**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2019 reporting period.

Auditing fees include fees for auditing the consolidated financial statements and for auditing the parent company and subsidiaries.
Fees for other services consist of assignments concerning VAT related issues.

6 Employee benefits expenses

EUR 1,000	2018	2017
Salaries and remuneration	-183	-111
Pensions		
Defined contribution plans	-32	-31
Social security costs	-3	-4
Total	**-219**	**-147**

All employees of Elenia Finance Group are included within the scope of the performance bonus scheme.

7 Depreciation, amortisation and impairment

EUR 1,000	2018	2017
Impairment of investments in Elenia Holdings S.à r.l.	-161 050	-213 566
Total	**-161 050**	**-213 566**

8 Finance income and costs

EUR 1,000	2018	2017
Interest expenses		
Loans	-46 449	-41 882
Other interest expenses	23	-5
Total interest	**-46 426**	**-41 888**
Other finance costs	-3 970	-4 038
Exchange rate differences	-11	-4
Total finance costs	**-50 407**	**-45 930**
Interest income		
Other interest income	70	0
Other finance income	5	1
Total finance income	**75**	**1**
Finance costs (net)	**-50 332**	**-45 929**

Finance income and costs
Interest expenses include interest expenses on interest-bearing loans.

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

Consolidated statement of profit or loss

EUR 1,000	**2018**	**2017**
Current income tax charge	-1	2
Adjustments to taxes for previous periods	-3	3
Deferred taxes	21	-74
Income tax expense reported in the consolidated statement of profit or loss	**18**	**-70**

Income tax rate
Tax on profit before tax deviates from the nominal tax calculated according to the tax rate as follows:

	2018	**2017**
Profit before tax	**-211 411**	**-259 509**
Theoretical income tax using the nominal tax rate of 20.0% (2017: 20.0%)	42 282	51 902
- tax-free income items	14	0
- expenses that are non-deductible in taxation	-32 438	-42 965
- taxable income recognized directly in equity	-9 824	-9 000
- adjustment of taxes based on previous periods	-3	3
- unrecognized deferred tax assets from taxation losses	-13	-9
Income tax in the income statement	**18**	**-70**
Effective tax rate was 0.0% (2017: 0.0%)		

Change in deferred tax liabilities in 2018

Deferred tax liabilities **EUR 1,000**	Balance sheet 31 Dec 2017	Recognised in the statement of profit or loss	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2018
Interest-bearing liabilities	1 415	-21	-	1 393
Depreciation differences	-	-	-	-
Measurement of assets at fair value in acquisition	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	**1 415**	**-21**	**-**	**1 393**
Offset by deferred tax assets				-
Deferred tax liabilities total				**1 393**

Change in deferred tax liabilities in 2017

Deferred tax liabilities **EUR 1,000**	Balance sheet 31 Dec 2016	Recognised in the statement of profit or loss	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2017
Interest-bearing liabilities	1 340	74	-	1 415
Depreciation differences	-	-	-	-
Measurement of assets at fair value in acquisition	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	**1 340**	**74**	**-**	**1 415**
Offset by deferred tax assets				-
Deferred tax liabilities total				**1 415**

10 Trade and other current receivables

EUR 1,000	**2018**	**2017**
Accrued income and prepaid expenses	10 238	7 901
Other current receivables	4	14
Total other current receivables	**10 242**	**7 916**

The fair value of trade and other receivables does not materially differ from the values on the consolidated statement of financial position.

Break-down of accrued income and prepaid expenses

EUR 1,000	**2018**	**2017**
Group contribution receivable from Elenia Palvelut Oy	841	245
Group contribution receivable from Elenia Lämpö Oy	9 381	7 653
Other accrued income	16	4
	10 238	**7 901**

11 Financial assets and liabilities

Carrying amounts of financial assets and liabilities by category

Values at 31 December 2018						
Balance sheet item, EUR 1,000	Note	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Carrying value of balance sheet items	Fair value
Current financial assets						
Available-for-sale financial assets	13	-	0	-	0	0
Cash and cash equivalents		253	-	-	253	253
Total Current assets		**253**	**0**	**-**	**253**	**253**
Carrying amount by category		**253**	**0**	**-**	**253**	**253**
Non-current financial liabilities						
Bonds and notes	13, 18	-1 682 305	-	-	-1 682 305	-1 176 388
Total interest-bearing non-current liabilities		**-1 682 305**	**-**	**-**	**-1 682 305**	**-1 176 388**
Current financial liabilities						
Trade payables	12	-56	-	-	-56	-56
Total current financial liabilities		**-56**	**-**	**-**	**-56**	**-56**
Carrying amount by category		**-1 682 361**	**-**	**-**	**-1 682 361**	**-1 176 444**

Values at 31 December 2017						
Balance sheet item, EUR 1,000	Note	Amortised cost	Fair value through profit and loss	Fair value through other comprehensive income	Carrying value of balance sheet items	Fair value
Current financial assets						
Available-for-sale financial assets	13	-	0	-	0	0
Cash and cash equivalents		1 097	-	-	1 097	1 097
Total Current assets		**1 097**	**0**	**-**	**1 097**	**1 097**
Carrying amount by category		**1 097**	**0**	**-**	**1 097**	**1 097**
Non-current financial liabilities						
Bonds and notes	13, 18	-1 521 082	-	-	-1 521 082	-1 606 246
Total interest-bearing non-current liabilities		**-1 521 082**	**-**	**0**	**-1 521 082**	**-1 606 246**
Current financial liabilities						
Trade payables	12	-54	-	-	-54	-54
Total current financial liabilities		**-54**	**-**	**-**	**-54**	**-54**
Carrying amount by category		**-1 521 136**	**-**	**-**	**-1 521 136**	**-1 606 300**

Cash at banks and on hand Elenia Finance had short-term bank deposits amounting to EUR 0.3 million (2017: 1.1 million). All bank deposits were denominated in Euro.
Financial liabilities Interest-bearing liabilities grew by EUR 161.2 million (2017: 213.2 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,682.3 million (2017: 1.521.1 million).
Bonds and notes The fair value of the bonds have been calculated using the market values at the balance sheet date. While calculating the fair value of the bonds without market value the market values of the corresponding bonds have been used. The fair value of short-term trade receivables and payables and cash and cash equivalents corresponds essentially the carrying amount.

At the time of initial application 1 January 2018 the financial instruments of the group were as follows, with any reclassifications noted.

Reclassifications of financial instruments on adoption of IFRS 9

1 January 2018	Measurement category IAS 39	Measurement category IFRS 9	Carrying amount, 1 000 EUR IAS 39	Carrying amount, 1 000 EUR IFRS 9
Current financial assets				
Trade receivables and other non-interest-bearing receivables	Loans and other receivables	Amortised cost	-	-
Available-for-sale financial assets	Availabe-for-sale financial assets	Fair value through profit or loss	0	0
Cash and cash equivalents	Loans and other receivables	Amortised cost	1 097	1 097
Non-current financial assets				
Bonds and notes	Financial liabilities measured at amortised cost	Amortised cost	-1 521 082	-1 521 082
Current financial liabilities				
Trade payables	Financial liabilities measured at amortised cost	Amortised cost	-54	-54

Changes in liabilities arising from financing activities

EUR 1,000	1 January 2018	Cash flows	New leases	Other changes	31 December 2018
Non-current interest-bearing loans and borrowings	1 521 082	161 000	-	223	1 682 305

EUR 1,000	1 January 2017	Cash flows	New leases	Other changes	31 December 2017
Non-current interest-bearing loans and borrowings	1 307 838	213 500	-	-256	1 521 082

The "Other changes" column includes the effect amortisation of transaction costs of bonds and notes using the effective interest rate method.
The Group classifies interest paid as cash flows from operating activities.

12 Trade and other current payables

EUR 1,000	2018	2017
Trade payables	56	54
Accrued expenses		
Employee benefits expense	44	39
Interest expenses	11 677	9 311
Other accrued expenses	1 717	1 529
Other liabilities		
VAT liability	2	9
Other liabilities	4	6
Total	**13 499**	**10 948**

According to the management’s estimate, the fair value of trade and other payables does not materially deviate from the balance sheet value.

Trade payables are non-interest bearing and are normally settled on 14-days terms.

Other accrued expenses comprise mainly of deferred financing items.

13 Fair value of financial assets and liabilities

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Due to the nature of terms of Elenia Finance Oyj's EMTN Programme no profits are expected to be accumulated from the investment in Elenia Holdings S.à r.l. through a subordinated profit-participating security (the SPPS). Based on the expected cash flows the investment has no value and therefore the book value and the fair value of the investment have been determined to be zero.

As at 31 December 2018, the Group held the following financial instruments carried at fair value in the statement of financial position:

Financial assets	**Level 1**		**Level 2**		**Level 3**		**Total**	
EUR 1,000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Financial instruments, current assets								
Available-for-sale financial investments	-	-	-	-	0	0	0	0
Total	**-**	**-**	**-**	**-**	**0**	**0**	**0**	**0**

Financial liabilities	**Level 1**		**Level 2**		**Level 3**		**Total**	
EUR 1,000	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Financial instruments, non-current liabilities								
Bonds and notes	-	-	-1 776 388	-1 606 246	-	-	-1 776 388	-1 606 246
Total	**-**	**-**	**-1 776 388**	**-1 606 246**	**-**	**-**	**-1 776 388**	**-1 606 246**

14 Commitments and contingencies

Other commitments **EUR 1,000**	**2018**	**2017**
Registered floating charges:		
Provided on behalf of own and Group liabilities	**4 500 000**	**4 500 000**

15 Equity

Share capital Note 4 in Parent company financial statements
The shares are issued and fully paid

Earnings per share

Earnings per share are calculated by dividing the profit or loss attributable to equity holders of the parent by the average number of shares during the reporting period :

	2018	2017
Profit attributable to equity holders of the parent, EUR	-211 392 520	-259 578 382
Average number of shares, pcs	100	100
Earnings/share, EUR - basic= diluted	**-2 113 925**	**-2 595 784**

16 Related Party Disclosures

Shareholders
All shares in Elenia Finance Oyj are owned by Elenia Oy.

Subsidiaries and associates
Elenia Finance Oyj owns all shares in Elenia Finance (SPPS) S.à r.l. in Luxembourg.

Senior Management
Elenia Finance Oyj's senior management includes the Board of Directors which manages Elenia Finance. Elenia Finance has not had any business transactions with persons included in its senior management and Elenia Finance has not granted loans to these persons.

Business transactions
All transactions with related parties take place in an arm's length manner.

Group companies have intercompany transactions which are mainly related to administrative services. Besides Elenia Finance Oyj provides treasury services to the Group companies. These are eliminated upon consolidation.

17 Events after the reporting period

There have been no material events since the balance sheet date.

18 Financial risk management

The management of financial risks is based on the following principles.

The Group's Treasury policy, approved by the Board of Directors, defines financial risk management governance, responsibilities and processes for reporting risks and risk management. Treasury Policy defines principles covering currency, liquidity, interest rate and counterparty risks. Also the Group's existing loan arrangements include guidelines and restrictions pertaining to financial risk management. Elenia Finance Oyj is responsible for financial risk management.

Currency risk

Elenia Finance operates in Finland and uses the euro as its primary operating currency. Elenia Finance's currency risk is based on purchases of services denominated in currencies other than the euro. The purchases of services denominated in currencies other than the euro have a negative effect on Elenia Finance's result and cash flow in the event that the currencies in question appreciate against the euro. As the Group's purchasing operations are currently primarily denominated in euro, the currency risk related to purchasing is limited.

Elenia Group has guidelines for the management of currency risk as part of the purchasing policy. According to the guidelines, currency risks that have an impact on profit or loss are hedged either operationally through contractual currency rate clauses or, if that is not possible, through forward contracts concluded by the Treasury unit.

Operating profit does not include exchange rate differences. Finance income and costs include EUR -6.3 thousand exchange rate losses (2017: EUR -3.2 thousand).

Liquidity risk

Liquidity risk refers to the risk of the Group not having adequate liquid assets to finance its operations, pay interest and repay its loans.

The management of liquidity risk is divided into short-term and long-term liquidity management. Short-term liquidity risk is managed by cash flow planning that takes into account the expected trade receivables, trade payables and other known expenses for a period of two weeks. The adequacy of long-term liquidity is assessed by 12-month forecasts conducted monthly.

At the balance sheet date the Group had no unused credit facilities. Elenia Finance has a possibility to issue further bonds under its EUR 3,000 million Multicurrency Programme for the Issuance of Bonds. The Cash and cash equivalents amounted to EUR 0.3 million.

Refinancing risk

Elenia Finance Oyj issues bonds and notes. Bonds are issued under the EUR 3 billion EMTN programme and listed at the London Stock Exchange. Notes are unlisted private placements targeted mostly to the US investors.

In June 2018 Elenia Oy's subsidiary Elenia Finance Oyj issued EUR 161.0 million bonds, which mature in 2035. Elenia Finance Oyj used the proceeds of the notes and bonds to make an equity investment in Elenia Finance (SPPS) S.à r.l., its wholly owned subsidiary. Elenia Finance (SPPS) then lent the amount of the proceeds to Elenia Holdings S.à r.l. through a subordinated profit-participating security (the SPPS). Elenia Holdings used the amounts under the SPPS to subscribe for additional equity in Elenia Oy. The proceeds were used for general corporate purposes, to repay Elenia Oy's drawn bank debt and to finance investments.

The bonds are listed on London Stock Exchange. Elenia Oy, Elenia Heat Oy and Elenia Palvelut Oy have given EUR 1,689.5 million joint guarantees relating to the loans from financial institutions, bonds and notes. The Group's financial structure has financial covenants relating to interest cover and leverage. The covenants are typical in corresponding arrangements. There were no covenant breaches in 2018. Elenia Finance Oyj monitors the financial markets in order to carry out loan refinancing at an appropriate time, ahead of the due date of the current loans.

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

31 December 2018		**Maturity**			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds	2.94%	-	500 000	671 000	1 171 000
Notes	2.71%	-	-	518 500	518 500
Total interest-bearing non-current liabilities					**1 689 500**
Trade payables		56	**-**	**-**	56
Total current financial liabilities					**56**
Total		**56**	**500 000**	**1 189 500**	**1 689 556**

31 December 2017		**Maturity**			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds	2.97%	-	500 000	510 000	1 010 000
Notes	2.71%	-	-	518 500	518 500
Total interest-bearing non-current liabilities					**1 528 500**
Trade payables		54	**-**	**-**	54
Total current financial liabilities					**54**
Total		**54**	**500 000**	**1 028 500**	**1 528 554**

Interest rate risk

Elenia Finance is exposed to interest rate risk mainly through its interest-bearing net debt. The objective of the Group's interest rate risk management is to limit volatility of interest expenses in the income statement. The Group's interest rate risk management is handled by Group Treasury.

The interest rate risk is managed by drawdown of loans with fixed interest. At the balance sheet date 99% (2017: 98%) of the loans were fixed rate loans.

A parallel shift of +/-1.0% in the interest rate curve would have EUR +/-0.2 million effect to finance costs in the income statement (2017: 0.2).

Credit and counterparty risk

Accepted financial counterparties are counterparties approved in existing loan agreements and other counterparties separately approved by the Board of Directors.

Trade receivables

The Group's had no trade receivables at the end of 2018 (2017: no trade receivables). No collateral security was received for trade receivables.

Capital management

Business planning includes assessing the adequacy of available capital in relation to the risks arising from business operations and the operating environment.

Elenia Finance Oyj

PARENT COMPANY FINANCIAL STATEMENTS

31 December 2018

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2018

Income statement (EUR)	Note	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Revenue		**393 397,43**	**311 031,32**
Personnel expenses		-219 171	-146 569,29
Depreciations and impairments		-161 080 000,00	-213 597 000,00
Other operating expenses		-154 102,10	-146 320,31
Operating profit		**-161 059 875,78**	**-213 578 858,28**
Finance income and expenses	1	-50 224 717,80	-46 300 947,26
Profit / loss before appropriations and taxes		**-211 284 593,58**	**-259 879 805,54**
Appropriations			
Group contribution received		49 122 000,00	44 997 500,00
Income tax		-54,19	-99,80
Profit / loss for the year		**-162 162 647,77**	**-214 882 405,34**

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2018

Balance sheet (EUR)	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Shares in group companies		0,00	0,00
Investments total	2	0,00	0,00
Other non-interest bearing receivables		112 053,94	228 391,45
Total non current assets		**112 053,94**	**228 391,45**
Current assets			
Receivables			
Short-term receivables	3		
Other receivables		116 428,57	116 428,57
Prepayments and accrued income		10 237 781,73	7 898 480,00
Short-term receivables total		10 354 210,30	8 014 908,57
Cash and cash equivalents		211 957,07	1 063 775,95
Total current assets		**10 566 167,37**	**9 078 684,52**
TOTAL ASSETS		**10 678 221,31**	**9 307 075,97**

Elenia Finance Oyj | **Financial statements**

Business ID: 2584057-5 | **31 December 2018**

Balance sheet (EUR)	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	80 000,00	80 000,00
Retained earnings (profit / loss)		-1 530 206 914,00	-1 315 324 508,66
Profit (loss) for the year	4	-162 162 647,77	-214 882 405,34
Total capital and reserves		**-1 692 289 561,77**	**-1 530 126 914,00**
Liabilities			
Long-term liabilities			
Bonds and notes	5	1 689 500 000,00	1 528 500 000,00
Total long-term liabilities		1 689 500 000,00	1 528 500 000,00
Short term liabilities			
Trade liabilities		24 309,24	42 089,38
Other short-term liabilities		6 014,28	12 296,20
Interest liabilities		11 676 913,97	9 311 496,69
Accruals and deferred income		1 760 545,59	1 568 107,70
Total short term liabilities		13 467 783,08	10 933 989,97
Total liabilities		**1 702 967 783,08**	**1 539 433 989,97**
TOTAL EQUITY AND LIABILITIES		**10 678 221,31**	**9 307 075,97**

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2018

Cash flow statement (EUR)

	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Cash flow from operating activities		
Loss before extraordinary items	-211 284 593,58	-259 879 805,54
Adjustments		
Finance income and expense	50 224 717,80	46 300 947,26
Other adjustments	161 080 000,00	213 597 000,00
Cash flow before change in net working capital	**20 124,22**	**18 141,72**
Change in net working capital		
Change in non-interest bearing receivables (increase(-) / decrease (+))	-14 801,73	136 057,35
Change in non-interest bearing liabilities (increase(+) / decrease (-))	-73 437,46	-62 824,31
Cash flow from operating activities before financial items and taxes	**-68 114,97**	**91 374,76**
Interest payments and payments for other finance costs	-47 597 560,40	-42 133 040,50
Interests received	69 963,97	1,00
Taxes paid	-82,48	-69,74
Cash flow from operating activities	**-47 595 793,88**	**-42 041 734,48**
Cash flow from investing activities		
Investments in group companies' shares and other investments	-161 080 000,00	-213 597 000,00
Cash flow from investing activities	**-161 080 000,00**	**-213 597 000,00**
Cash flow from financing activities		
Increase in long-term loans	161 000 000,00	213 500 000,00
Group contributions received and paid	46 797 500,00	44 962 000,00
Payment of debt arrangement costs	26 475,00	-1 885 593,26
Cash flow from financing activities	**207 823 975,00**	**256 576 406,74**
Change in cash and cash equivalents	**-851 818,88**	**937 672,26**
Cash and cash equivalents in the start of the accounting period	1 063 775,95	126 103,69
Cash and cash equivalents in the start of the accounting periond + change	211 957,07	1 063 775,95
Cash and cash equivalents at the end of the accounting periond	**211 957,07**	**1 063 775,95**

Cash and cash equivalents comprise of cash balance at bank accounts

Notes to the financial statements

Accounting principles

The financial statements of Elenia Finance Oyj have been prepared in accordance with the Finnish Accounting Standards (FAS).

Valuation principles and techniques and accrual principles and methods applied when preparing the financial statements

Transactions denominated in foreign currencies
Transactions denominated in foreign currencies are recognised at the rate prevailing at the time of the transaction. At the balance sheet date the receivables and liabilities in balance sheet denominated in foreign currencies are converted to Euro using the exchange rate prevailing at the balance sheet date. The possible currency exchange rate differences are recognised in finance income or costs or other operating costs in accordance with the underlying item.

1 Finance income and costs

EUR 1,000	2018	2017
Interest and other finance income	70	0
Exchange rate differences	-6	-3
Interest and other finance expenses, group companies	-3 233	-2 877
Other interest expenses	-46 451	-41 888
Other finance expenses	-604	-1 533
Total	**-50 225**	**-46 301**

2 Investments

EUR 1,000	2018	2017
Shares in group companies		
Cost 1.1.	0	0
Additions	161 080	213 597
Impairment	-161 080	-213 597
Cost 31.12.	**0**	**0**

Notes to the financial statements

3 Receivables

EUR 1,000	2018	2017
Short-term receivables		
Other receivables	116	116
Prepayments and accrued income	16	1
Group contribution receivables from Elenia Lämpö Oy	9 381	7 653
Group contribution receivables from Elenia Palvelut Oy	841	245
Total	**10 354**	**8 015**

4 Notes concerning equity on the balance sheet

EUR 1,000 **Itemisation of equity**	2018	2017
Share capital at the beginning and end of the period	80	80
Change during the period	-	-
Share capital at the end of the period	80	80
Profit/loss for previous periods at the beginning of the period	-1 530 207	-1 315 325
Profit/loss for previous periods at the end of the period	-1 530 207	-1 315 325
Profit/loss for the year	-162 163	-214 882
Total equity	**-1 692 290**	**-1 530 127**

The company has no distributable funds.
The negative equity has been registered at the Trade Register on January 9th, 2014.

5 Bonds and notes

LOANS BY MATURITY
31 December 2018

		Maturity			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds	2.94%	-	500 000	671 000	1 171 000
Notes	2.71%	-	-	518 500	518 500
Total long-term interest-bearing liabilities					**1 689 500**
Interest-bearing liabilities total		-	**500 000,00**	**1 189 500**	**1 689 500**

LOANS BY MATURITY
31 December 2017

		Maturity			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds	2.97%	-	500 000	510 000	1 010 000
Notes	2.71%	-	-	518 500	518 500
Total long-term interest-bearing liabilities					**1 528 500**
Interest-bearing liabilities total		**-**	**500 000**	**1 028 500**	**1 528 500**

Notes to the financial statements

6 Notes concerning personnel and members of corporate bodies
The company employed two people during the reporting period.

7 Salaries and remuneration of the Board of Directors
No salaries or remuneration were paid to the Board of Directors.

8 Board of Directors' proposal for the handling of profit
The loss for the period is EUR 162.2 million.
The Board of Directors proposes that no dividend be distributed and the loss be transferred to the retained loss account.

9 Shares in the company
The company has one hundred shares, the nominal value of which is EUR 80 000,00.
Each share entitles to one vote at a General Meeting, and they confer equal rights to dividends and the company's assets.

10 Collateral provided and liabilities
Floating charges provided on behalf of own and Group liabilities amount to EUR 4 500 million.

11 Subsidiaries and associates
Elenia Finance Oyj has fully owned subsidiary Elenia Finance (SPPS) S.à r.l. registered in Luxembourg.

Elenia Finance Oyj

Signatures to the financial statements

Dates and signatures

Helsinki, ____ /____ 2019

Tapani Liuhala Chairman of the Board of Directors	Tommi Valento
Alli Seppänen	

AUDITOR'S NOTE

A report on the audit carried out has been issued today.

Helsinki, ____ / ____ 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

EY
Building a better working world

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AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Elenia Finance Oyj:

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Elenia Finance Oyj (business identity code 2584057-5) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Building a better working world

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

There are no significant risks of material misstatement referred to in EU regulation No 537/2014, point (c) of Article 10(2) relating to the consolidated financial statements or the parent company's financial statements.

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Financial liabilities *Refer to Chapter 2.4.8.3. (Accounting principles) and Notes 7, 11 and 13 (Group disclosures).* Elenia Finance Oyj has bond and notes liabilities amounting to EUR 1.682 Million in the balance sheet per 31.12.2018. We focused on bond and notes liabilities and related interest expenses as a key audit matter because it is a material balance for the group and the parent company.	Our audit procedures included amongst other review of interest and principal cash flows of the bonds during the financial year 2018. We assessed the valuation of financial liabilities in balance sheet at amortized cost using the effective interest method and the methods for used measurement of fair value. We also reviewed the recognition of interest expenses in consolidated statement of profit and loss. We assessed the adequacy of the Group's disclosures in notes and the accounting principles in the financial statements regarding of the financial liabilities and the related balances.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 13.11.2013, and our appointment represents a total period of uninterrupted engagement of 6 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 28.8.2019

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant