Elenia Finance Oyj

Financial Statements

1 January 2016 - 31 December 2016

Business ID 2584057-5

Unofficial translation from Finnish to English

Table of Content

1 Elenia Finance Group, Report of the Board of Directors 2016

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 January 2016 Elenia Finance Oyj issued EUR 50 million bonds which are due in 2031. In May 2016 Elenia Finance Oyj issued EUR 27 million bonds which are due in 2029 and in June 2016 Elenia Finance Oyj issued EUR 25 million notes which are due in 2031. In August 2016 Elenia Finance Oyj issued EUR 30 million bonds which are due in 2034. In December 2016 Elenia Finance Oyj issued in total EUR 125 million notes which are due in 2029-2033. Standard & Poor's published its most recent credit rating for Elenia Finance Oyj in December 2016 and kept Elenia's rating unchanged (BBB, outlook stable).

Number of employees

Elenia Finance Group employed two persons during 2016. 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 2016 was EUR 376.5 thousand (280.0 thousand in 2015). EBITDA in 2016 was EUR -17.0 thousand (EUR -32.3 thousand). Operating loss was EUR -257.2 million (EUR -75.0 million) and the loss for the year was EUR -297.0 million (EUR -110.2 million).

Acquisitions and divestments

There were no material acquisitions or divestments during the period.

Corporate governance

Elenia Finance Oyj's Board of Directors convened 3 times in 2016. Members of the Board of Directors during the period were Tapani Liuhala (Chairman), Tommi Valento and Timo Talvitie.

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

EUR 1,000	Note	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Revenue		376	280
Employee benefit expenses	2	-234	-192
Depreciation, amortisation and impairment	3	-257 223	-75 000
Other operating expenses	1	-160	-121
Operating profit		**-257 240**	**-75 032**
Finance income		0	0
Finance costs		-39 558	-34 963
Finance income and costs	4	**-39 558**	**-34 963**
Loss before tax		**-296 798**	**-109 995**
Income tax	5	-189	-241
Loss for the year		**-296 987**	**-110 236**

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

Consolidated statement of other comprehensive income

EUR 1,000	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Loss for the year	**-296 987**	**-110 236**
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 for the year after tax	-	-
Total comprehensive income for the year	**-296 987**	**-110 236**

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

Consolidated statement of financial position

	Note	31 Dec 2016	31 Dec 2015
EUR 1,000			
Assets			
Non-current assets			
Investments	7	0	0
Total non-current assets		**0**	**0**
Current assets			
Trade receivables	6	3	-
Other current receivables	6	8 009	7 353
Cash and cash equivalents		175	773
Total current assets		**8 187**	**8 126**
Total assets		**8 187**	**8 126**
Equity and liabilities			
Equity			
Share capital		80	80
Retained earnings		-1 309 931	-1 052 205
Total equity		**-1 309 851**	**-1 052 125**
Non-current liabilities			
Bonds and notes	7	1 307 838	1 051 626
Deferred tax liabilities	5	1 340	1 159
Total non-current liabilities		**1 309 178**	**1 052 785**
Current liabilities			
Trade payables	8	90	58
Accrued expenses	8	8 744	7 395
Other current liabilities	8	26	14
Total current liabilities		**8 860**	**7 466**
Total equity and liabilities		**8 187**	**8 126**

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

Consolidated statement of Cash Flows

EUR 1,000	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Operating activities		
Loss for the year	-296 987	-110 236
Adjustments to reconcile loss to net cash flows		
Depreciation, amortisation and impairment	257 223	75 000
Finance income	0	0
Finance costs	39 558	34 963
Taxes	189	241
Working capital adjustments		
Increase (+) / decrease (-) in trade and other current liabilities	196	263
Increase (-) / decrease (+) in trade and other current receivables	-85	-15
Interests received	0	0
Interests and financial expenses paid	-36 978	-33 821
Taxes paid	-14	-289
Net cash flows from operating activities	**-36 899**	**-33 895**
Investing activities		
Changes in investments	-257 223	-75 000
Net cash flows from investing activities	**-257 223**	**-75 000**
Financing activities		
Proceeds from long-term borrowings	257 000	75 000
Payment of debt arrangement costs	-2 168	-844
Group contributions received and paid	38 692	33 988
Net cash flows from financing activities	**293 524**	**108 144**
Net increase in cash and cash equivalents	**-598**	**-751**
Cash and cash equivalents 1.1.	773	1 524
Change in cash and cash equivalents	-598	-751
Cash and cash equivalents 31.12.	**175**	**773**

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

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 2015	80	-	-	-	-975 561	-975 481
Comprehensive income						
Profit for the year	-	-	-	-	-110 236	-110 236
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	-	-	-	-	-110 236	-110 236
Transactions with shareholders						
Increase	-	-	-	-	33 592	33 592
Total transactions with shareholders	-	-	-	-	33 592	33 592
Equity at 31 December 2015	**80**	**-**	**-**	**-**	**-1 052 205**	**-1 052 125**
Equity at 1 January 2016	80	-	-	-	-1 052 205	-1 052 125
Comprehensive income						
Profit for the year	-	-	-	-	-296 987	-296 987
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	-	-	-	-	-296 987	-296 987
Transactions with shareholders						
Increase	-	-	-	-	39 262	39 262
Total transactions with shareholders	-	-	-	-	39 262	39 262
Equity at 31 December 2016	**80**	**-**	**-**	**-**	**-1 309 931**	**-1 309 851**

Increase of EUR 39,262 thousand (2015: EUR 33,592 thousand) in retained earnings comprises of group contribution received from Elenia Oy and Elenia Heat Oy.

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

ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Description of business operations

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 March 2017. The shareholders have the right either to approve, reject or change the consolidated financial statements in the Annual General Meeting.

2.1 Significant accounting policies

The Elenia Finance Group's consolidated financial statements for the year ended 31 December 2016 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.

The Elenia Finance Group was established on 21 November 2013 and this is also the Group's IFRS transition date. The IFRS opening balance sheet was prepared for the date of establishment of the company 21 November 2013. The consolidated financial statements have been prepared based on historical cost, except for available-for-sale financial assets, financial assets and liabilities recorded at fair value through profit or loss and derivative contracts used for hedging purposes.

All Group companies use the euro 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 2016. According to the Group's management, the amendments are not expected to have a material effect on the consolidated financial statements. The nature of each new standard and amendment is described below:

Amendments to IAS 1: Disclosure Initiative

The amended standard is effective for annual periods beginning on or after 1 January 2016. The EU has endorsed the amendments.

The amendment clarifies the effect of materiality in the presentation of information, subtotals, classification and the order of notes.

Annual improvements to IFRSs (2012 – 2014 Cycle)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 January 2016. The EU has endorsed the amendments.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
The amendment clarifies that the changes in methods of disposal do not affect the classification.

IFRS 7 Financial Instruments: Disclosure: Servicing Contracts
The amendment clarifies that a company can continue its involvement in the transferred financial asset if the company still provides services related to the transferred financial assets.

IFRS 7 Financial Instruments: Disclosure: Applicability of the offsetting disclosures to condensed interim financial statements
The amendment abolishes the requirement for the disclosure of notes on offsetting in condensed interim financial statements. However the notes should be presented in case any essential changes have occurred compared to the previous financial statements.

IAS 19 Employee Benefits

According to the amendment, the assessment of the market depth of corporate bonds should be based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

IAS 34 Interim Financial Reporting

The amendment specifies the meaning of disclosure of information “elsewhere in the interim financial report”.

IFRS 14 Regulatory Deferral Accounts

The new standard is effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The EU has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

The new standard allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS.

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amended standard is effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The EU has endorsed the amendments.

The amendments require that an entity accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amended standards are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The EU has endorsed the amendments.

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. A corresponding exception was extended to the application of the equity method to associates and joint ventures.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amended standards are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The EU has endorsed the amendments.

The amendments forbid the use of revenue based depreciation method for property, plant and equipment and allow the use of that method only in very limited circumstances to amortise intangible assets.

Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants

The amended standards are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The EU has endorsed the amendments.

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants; they will no longer be in the scope of IAS 41, instead IAS 16 will apply.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amended standards are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The EU has endorsed the amendments.

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate 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.

The subsidiaries do not have non-controlling interests.

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 recognition

Sales revenue from services is recognised for the period in which the service is produced.

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 nominal 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.

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

The income tax payable for the period is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss due to items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Tax expense comprises the tax based on the company's taxable income for the period and the change in deferred taxes. Taxes are recognised through profit or loss, except where they are related to the consolidated statement of other comprehensive income or items entered directly through equity. In such cases, the tax effect is also recognised in the corresponding items. The tax based on taxable income for the period is calculated on the taxable income according to the applicable tax rate. The tax is adjusted for any tax related to previous periods.

2.4.7.2 Deferred tax

Deferred tax is calculated on the basis of temporary differences between carrying value and taxable value. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

The most significant temporary differences result from adjustments based on fair value recorded in conjunction with business combinations, losses for the financial period and the differences in timing between taxation and amortisation as well as financial assets. Deferred tax assets are recognised to the extent that it is probable that they can be utilised against future taxable income.

Deferred tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets against current tax liabilities and it intends to realise the asset and settle the liability simultaneously.

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 IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, 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 at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are categorised as held for trading unless they are designated as hedging instruments.

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.

2.4.8.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables also include trade receivables and other receivables. Loans are carried at amortised cost using the effective interest rate method less accumulated impairment. 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.

2.4.8.1.3 Available-for-sale financial investments

Available-for-sale financial investments include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the consolidated statement of profit or loss in finance costs.

2.4.8.1.4 Derecognition of financial assets

Financial assets are derecognised when the rights to the related cash flows have expired or have been transferred and the Group has transferred all substantial risks and rewards of ownership.

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.

2.4.8.2.1 Financial assets carried at amortised cost

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 through the use of an allowance account and the loss is recognised in 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 the purpose of 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.

2.4.8.2.2 Available for sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss – is removed from the consolidated statement of other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4.8.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 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 at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. 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 IAS 39.

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

2.4.8.3.2 Loans and borrowings

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 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

2.4.8.3.3 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 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.

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

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 Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 — Valuation techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

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 the purpose of 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.

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 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment. Currently, Elenia Finance does not have open dedivative agreements.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4.8.5.1 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss as financial income or costs.

Amounts recognised in the consolidated statement of other comprehensive income are transferred to the consolidated statement of profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income remains in the consolidated statement of other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.4.9 Segment reporting

The Group consists only one segment.

2.4.10 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 9 Financial Instruments

The new standard IFRS 9 will be effective for annual periods beginning on or after 1 January 2018, early application is permitted. The EU has endorsed the standard. IFRS 9 will completely replace the existing 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.

Company's management is currently evaluating the effects of the standard on the consolidated financial statements. According to the preliminary assessment, no significant impact on the consolidated financial statements is expected when the new IFRS 9 standard becomes effective.

IFRS 15 Revenue from Contracts with Customers

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

The new 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 are affective as of 1 January 2018 which is the effective date of IFRS 15. The amendments are still subject to endorsement by the EU.

During 2016, company's management made a high-level impact assessment of the effects of the new standard and its clarifications on the consolidated financial statements. According to the current view of the management, no significant impact on the consolidated financial statements is expected when the new IFRS 15 standard becomes 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 new standard is still subject to endorsement by the EU.

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.

During 2016, company's management performed a preliminary assessment of the effects of the new standard on the consolidated financial statements. According to the current estimate the new IFRS 16 standard will result in more extensive disclosure information in the consolidated financial statements but no material changes are expected in the consolidated statement of profit or loss and consolidated statement of financial position.

Amendments to IAS 7: Disclosure Initiative: Statement of Cash Flows

The amended standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The EU has not endorsed the amendments.

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, such as foreign exchange gains or losses.

According to the estimate of the company's management, the amendments will not have a material effect on the consolidated financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amended standard is effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The EU has not endorsed the amendments.

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. An entity needs to consider whether tax law restricts the sources of future taxable profits against which it may make deductions on the reversal of that deductible temporary difference.

According to the estimate of the company's management, the amendments will not have a material 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 not 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.

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

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amended standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The EU has not endorsed the amendments.

The amendments give guidance to entities which are implementing the new Financial Instruments -standard IFRS 9 before implementing the new insurance contracts standard that will replace IFRS 4.

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

Amendments to IAS 40: Transfers of Investment Property

The amended standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The EU has not endorsed the amendments.

The amendments clarify that an entity can transfer a property to, or from, investment property only when there is evidence of a change in use. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

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 (2014 – 2016 Cycle)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 January 2017 (concerning IFRS 12) or on or after 1 January 2018 (concerning IFRS 1 and IAS 28). The EU has not yet 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.

IFRS 12 Disclosure of Interests in Other Entities
The amendment specifies that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale, as held for distribution or as discontinued operations.

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

3 Significant accounting estimates, assumptions and judgements

3.1 Accounting estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Estimates and assumptions 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 critical accounting estimates and assumptions are described below.

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.

3.1.1 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 9)

3.1.2 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 5)

3.2 Accounting judgements

The preparation of consolidated financial statements requires management to make judgements in applying the accounting principles. The Group management has not made significant judgements related to applying of accounting principles.

Note 1

Other operating income and expenses

Other operating expenses **EUR 1,000**	**2016**	**2015**
External services	-53	-20
IT and communication expenses	-13	-16
Other expenses	-94	-84
Total	**-160**	**-121**

Audit fees **EUR 1,000**	**2016**	**2015**
Auditing fees	-27	-29
Fees for tax services	-25	-15
Fees for other services	-4	-
Total	**-56**	**-44**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2017 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.

Note 2

Employee benefits expenses

EUR 1,000	**2016**	**2015**
Salaries and remuneration	-200	-158
Pensions		
Defined contribution plans	-28	-29
Social security costs	-6	-5
Total	**-234**	**-192**

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

Note 3

Depreciation, amortisation and impairment

EUR 1,000	**2016**	**2015**
Impairment of investments in Elenia Holdings S.à r.l.	-257 223	-75 000
Total	**-257 223**	**-75 000**

Note 4

Finance income and costs

EUR 1,000	**2016**	**2015**
Interest expenses		
Loans	-35 246	-31 737
Other interest expenses	-51	-2
Total interest	**-35 297**	**-31 739**
Other finance costs	-4 259	-3 223
Exchange rate differences	-3	-1
Total finance costs	**-39 558**	**-34 963**
Interest income		
Other interest income	0	0
Other finance income	0	-
Total finance income	**0**	**0**
Finance costs (net)	**-39 558**	**-34 963**

Finance income and costs

Interest expenses include interest expenses on interest-bearing loans.

Note 5

Income tax

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

Consolidated statement of profit or loss

EUR 1,000	**2016**	**2015**
Current income tax charge	-3	-3
Adjustments to taxes for previous periods	-5	-283
Deferred taxes	-181	45
Income tax expense reported in the statement of profit or loss	**-189**	**-241**

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

	2016	**2015**
Profit before tax	**-296 798**	**-109 995**
Tax calculated using the nominal tax rate of 20.0% (2015: 20.0%)	59 360	21 999
- tax-free income items	0	0
- expenses that are non-deductible in taxation	-51 681	-15 226
- taxable income recognized directly in equity	-7 852	-6 718
- adjustment of taxes based on previous periods	-5	-283
- unrecognized deferred tax assets from taxation losses	-10	-12
Income tax in the income statement	**-189**	**-241**

The tax rate according to the income statement was 0.1% (2015: 0.2%)

Change in deferred tax liabilities in 2016

Deferred tax liabilities **EUR 1,000**	Balance sheet 31 Dec 2015	Recognised in the statement of profit or loss	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2016
Interest-bearing liabilities	1 159	181	-	1 340
Depreciation differences	-	-	-	-
Measurement of assets at fair value in acquisition	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	**1 159**	**181**	**-**	**1 340**
Offset by deferred tax receivables				-
Deferred tax liabilities total				**1 340**

Change in deferred tax liabilities in 2015

Deferred tax liabilities **EUR 1,000**	Balance sheet 31 Dec 2014	Recognised in the statement of profit or loss	Recognised in other components of comprehensive income	Balance sheet 31 Dec 2015
Interest-bearing liabilities	1 205	-45	-	1 159
Depreciation differences	-	-	-	-
Measurement of assets at fair value in acquisition	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Total	**1 205**	**-45**	**-**	**1 159**
Offset by deferred tax receivables				-
Deferred tax liabilities total				**1 159**

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 recognizes 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.

Note 6

Other current receivables

EUR 1,000	**2016**	**2015**
Trade receivables	3	-
Accrued income and prepaid expenses	7 999	7 346
Other receivables	10	6
Total other current receivables	**8 012**	**7 353**

The fair value of trade and other receivables does not materially differ from the values on the balance sheet.

Breakdown of trade receivables by age	**2016**	**2015**
EUR 1,000		
Not fallen due	3	-
Due for 1–90 days	-	-
Due for 91-180 days	-	-
Due for more than 181 days	-	-
Total	**3**	**0**
Uncertain receivables	-	-
	3	**0**

All trade receivables are denominated in euro.

Credit losses are booked based on the recommendations by credit agencies or based on the official documents in case of debt restructuring of bankruptcies of the debtor.
The Group records uncertain receivables on a specific account.

Break-down of accrued income and prepaid expenses

EUR 1,000	**2016**	**2015**
Group contribution receivable from Elenia Lämpö Oy	7 862	7 292
Other accrued income	137	55
	7 999	**7 346**

Carrying amounts of financial assets and liabilities by category

Values at 31 December 2016							
Balance sheet item, EUR 1,000	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying value of balance sheet items	Fair value
Current financial assets							
Trade receivables and other non-interest-bearing receivables	6	3	-	-	-	3	3
Available-for-sale financial assets	9	-	0	-	-	0	0
Cash and cash equivalents		175	-	-	-	175	175
Total Current assets		**178**	**0**	**-**	**-**	**178**	**178**
Carrying amount by category		**178**	**0**	**-**	**-**	**178**	**178**
Non-current financial liabilities							
Bonds and notes	9, 14	-	-	-1 307 838	-	-1 307 838	-1 406 480
Total interest-bearing non-current liabilities		**-**	**-**	**-1 307 838**	**-**	**-1 307 838**	**-1 406 480**
Current financial liabilities							
Trade payables	8	-	-	-90	-	-90	-90
Total current financial liabilities		**-**	**-**	**-90**	**-**	**-90**	**-90**
Carrying amount by category		**-**	**-**	**-1 307 928**	**-**	**-1 307 928**	**-1 406 570**

Values at 31 December 2015							
Balance sheet item, EUR 1,000	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying value of balance sheet items	Fair value
Current financial assets							
Trade receivables and other non-interest-bearing receivables	6	-	-	-	-	-	-
Available-for-sale financial assets	9	-	0	-	-	0	0
Cash and cash equivalents		773	-	-	-	773	773
Total Current assets		**773**	**0**	**-**	**-**	**773**	**773**
Carrying amount by category		**773**	**0**	**-**	**-**	**773**	**773**
Non-current financial liabilities							
Bonds and notes	9, 14	-	-	-1 051 626	-	-1 051 626	-1 097 509
Total interest-bearing non-current liabilities		**-**	**-**	**-1 051 626**	**-**	**-1 051 626**	**-1 097 509**
Current financial liabilities							
Trade payables	8	-	-	-58	-	-58	-58
Total current financial liabilities		**-**	**-**	**-58**	**-**	**-58**	**-58**
Carrying amount by category		**-**	**-**	**-1 051 684**	**-**	**-1 051 684**	**-1 097 567**

Cash at banks and on hand Elenia Finance had short-term bank deposits amounting to EUR 0.2 million (2015: 0.8 million).
All bank deposits were denominated in Euro.
Financial liabilities Interest-bearing liabilities grew by EUR 256.2 million (2015: 75.3 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,307.8 million (2015: 1,051.6 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.

Note 8

Trade and other current payables

EUR 1,000	**2016**	**2015**
Trade payables	90	58
Accrued expenses		
Employee benefits expense	89	42
Interest expenses	8 049	6 073
Other accrued expenses	605	1 280
Other liabilities		
VAT liability	15	-
Other liabilities	11	14
Total	**8 860**	**7 466**

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

Other accrued expenses comprise mainly of deferred financing items.

Note 9

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: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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.

The fair value of bonds and notes has been transferred from level 1 to level 2 as the instuments are not liquid enough for an effective price formation. Market quotes are available for only some of the instruments, despite their similar terms and risk and return characteristics. Therefore, all instruments are transferred to level 2.

As at 31 December 2016, 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	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
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	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Financial instruments, non-current liabilities								
Bonds and notes	-	-1 097 509	-1 406 480	-	-	-	-1 406 480	-1 097 509
Total	**-**	**-1 097 509**	**-1 406 480**	**-**	**-**	**-**	**-1 406 480**	**-1 097 509**

Note 10

Commitments and contingencies

<u>Other commitments</u>

EUR 1,000	2016	2015
Registered floating charges:		
Provided on behalf of own and Group liabilities	**4 500 000**	**4 500 000**

Note 11

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 :

	2016	**2015**
Profit attributable to equity holders of the parent, EUR	-296 987 403	-110 236 020
Average number of shares, pcs	100	100
Earnings/share, EUR - basic= diluted	**-2 969 874**	**-1 102 360**

Note 12

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 related to administrative services. These are eliminated upon consolidation.

Note 13

Events after the reporting period

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

Financial risk management

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 2.8 thousand exchange rate losses (2015: EUR 1.0 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 0.2 million euros.

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 January 2016 Elenia Oy's subsidiary Elenia Finance Oyj issued EUR 50 million bonds which mature in 2031. In May Elenia Finance Oyj issued EUR 27 million bonds, which mature in 2029. In August Elenia Finance Oyj issued EUR 30 million bonds, which mature in 2034. In addition Elenia Finance Oyj issued in June 2016 EUR 25 million notes, which mature in 2031. In December Elenia Finance Oyj issued in aggregate amount of EUR 125 million notes. From these EUR 29 million mature in 2029, EUR 54 million mature in 2031 and EUR 42 million mature in 2033. 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 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 bonds are listed on London Stock Exchange. Elenia Oy, Elenia Heat Oy and Elenia Palvelut Oy have given EUR 1,315 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 2016.

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

LOANS BY MATURITY
31 Dec 2016

EUR 1,000	Effective interest rate %	Maturity: Within 1 year	Maturity: 1-5 years	Maturity: Over 5 years	Total
Bonds	3.12%	-	500,000	435,000	935,000
Notes	2.24%	-	-	380,000	380,000
Total long-term interest-bearing liabilities					**1 315,000**
Total		**-**	**500,000**	**815,000**	**1 315,000**

LOANS BY MATURITY
31 Dec 2015

EUR 1,000	Effective interest rate %	Maturity: Within 1 year	Maturity: 1-5 years	Maturity: Over 5 years	Total
Bonds	3.32%	-	500,000	328,000	828,000
Notes	2.14%	-	-	230,000	230,000
Total long-term interest-bearing liabilities					**1 058,000**
Total		**-**	**500,000**	**558,000**	**1 058,000**

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 98% (2015: 98%) of the loans were fixed rate loans.

A parallel shift of +/-0.5% in the interest rate curve would have EUR +/-0.0 million effect to finance costs in the income statement (2015: 0.0).

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 trade receivables at the end of 2016 were EUR 3.0 thousand (2015: 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 2016

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2016

Income statement (EUR)	**Note**	**1 Jan - 31 Dec 2016**	**1 Jan - 31 Dec 2015**
Revenue		**378 858,87**	**280 012,86**
Personnel expenses		-233 564,62	-191 706,36
Depreciations and impairments		-257 274 000,00	-75 050 000,00
Other operating expenses		-126 807,97	-78 363,50
Operating profit		**-257 255 513,72**	**-75 040 057,00**
Finance income and expenses	1	-40 462 517,73	-34 735 668,30
Profit / loss before appropriations and taxes		**-297 718 031,45**	**-109 775 725,30**
Appropriations			
Group contribution received		39 262 000	33 591 650,00
Income tax		-8 032,42	-282 993,19
Profit / loss for the year		**-258 464 063,87**	**-76 467 068,49**

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2016

Balance sheet (EUR)	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Shares in group companies		0,00	0,00
Investments total	2	0,00	0,00
Other non-interest bearing receivables		344 819,99	461 248,53
Total non current assets		**344 819,99**	**461 248,53**
Current assets			
Receivables			
Short-term receivables	3		
Trade receivables		2 976,00	-
Other receivables		116 428,57	116 428,64
Prepayments and accrued income		7 996 061,35	7 346 401,47
Short-term receivables total		8 115 465,92	7 462 830,11
Cash and cash equivalents		126 103,69	718 960,20
Total current assets		**8 241 569,61**	**8 181 790,31**
TOTAL ASSETS		**8 586 389,60**	**8 643 038,84**

Elenia Finance Oyj

Business ID: 2584057-5

Financial statements

31 December 2016

Balance sheet (EUR)	**Note**	**31 Dec 2016**	**31 Dec 2015**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	80 000,00	80 000,00
Retained earnings (profit / loss)		-1 056 860 444,79	-980 393 376,30
Profit (loss) for the year	4	-258 464 063,87	-76 467 068,49
Total capital and reserves		**-1 315 244 508,66**	**-1 056 780 444,79**
Liabilities			
Long-term liabilities			
Bonds and notes	5	1 315 000 000,00	1 058 000 000,00
Total long-term liabilities		1 315 000 000,00	1 058 000 000,00
Short term liabilities			
Trade liabilities		68 585,13	24 635,96
Other short-term liabilities		18 569,91	3 937,80
Interest liabilities		8 049 275,02	6 072 734,79
Accruals and deferred income		694 468,20	1 322 175,08
Total short term liabilities		8 830 898,26	7 423 483,63
Total liabilities		**1 323 830 898,26**	**1 065 423 483,63**
TOTAL EQUITY AND LIABILITIES		**8 586 389,60**	**8 643 038,84**

Elenia Finance Oyj
Business ID: 2584057-5

Financial statements
31 December 2016

Cash flow statement (EUR)	1 Jan - 31 Dec 2016	1 Jan - 31 Dec 2015
Cash flow from operating activities		
Loss before extraordinary items	-297 718 031,45	-109 775 725,30
Adjustments		
Finance income and expense	40 462 517,73	34 735 668,30
Other adjustments	257 274 000,00	75 050 000,00
Cash flow before change in net working capital	**18 486,28**	**9 943,00**
Change in net working capital		
Change in non-interest bearing receivables (increase(-) / decrease (+))	-82 285,88	-17 950,71
Change in non-interest bearing liabilities (increase(+) / decrease (-))	207 124,63	233 581,66
Cash flow from operating activities before financial items and taxes	**143 325,03**	**225 573,95**
Interest payments and payments for other finance costs	-36 978 003,34	-33 821 422,24
Interests received	8,81	9,29
Taxes paid	-7 980,00	-282 993,19
Cash flow from operating activities	**-36 842 649,50**	**-33 878 832,19**
Cash flow from investing activities		
Investments in group companies' shares and other investments	-257 274 000,00	-75 050 000,00
Cash flow from investing activities	**-257 274 000,00**	**-75 050 000,00**
Cash flow from financing activities		
Increase in long-term loans	257 000 000,00	75 000 000,00
Group contributions received and paid	38 691 650,00	33 988 000,00
Payment of debt arrangement costs	-2 167 857,01	-843 710,41
Cash flow from financing activities	**293 523 792,99**	**108 144 289,59**
Change in cash and cash equivalents	**-592 856,51**	**-784 542,60**
Cash and cash equivalents in the start of the accounting periond	718 960,20	1 503 502,80
Cash and cash equivalents in the start of the accounting periond + change	126 103,69	718 960,20
Cash and cash equivalents at the end of the accounting periond	**126 103,69**	**718 960,20**

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	2016	2015
Interest and other finance income	0	0
Exchange rate differences	-3	-1
Interest and other finance expenses, group companies	-2 309	-2 021
Other interest expenses	-35 297	-31 739
Other finance expenses	-2 854	-974
Total	**-40 463**	**-34 736**

2 Investments

EUR 1,000	2016	2015
Shares in group companies		
Acquisition cost 1.1.	0	0
Additions	257 274	75 050
Impairment	-257 274	-75 050
Acquisition cost 31.12.	**0**	**0**

Notes to the financial statements

3 Receivables

EUR 1,000	**2016**	**2015**
Short-term receivables		
Trade receivables	3	-
Other receivables	116	116
Prepayments and accrued income	134	55
Group contribution receivables from Elenia Lämpö Oy	7 862	7 292
Total	**8 115**	**7 463**

4 Notes concerning equity on the balance sheet

EUR 1,000

Itemisation of equity	**2016**	**2015**
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	-1 056 860	-980 393
Profit/loss for previous periods at the end of the period	-1 056 860	-980 393
Profit/loss for the year	-258 464	-76 467
Total equity	**-1 315 245**	**-1 056 780**

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 2016

		Maturity			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds	3.12%	-	500 000	435 000	935 000
Notes	2.24%	-	-	380 000	380 000
Total long-term interest-bearing liabilities					**1 315 000**
Interest-bearing liabilities total					**1 315 000**

LOANS BY MATURITY
31 December 2015

		Maturity			
EUR 1,000	**Effective interest rate %**	**Within 1 year**	**1-5 years**	**Over 5 years**	**Total**
Bonds	3.32%	-	500 000	328 000	828 000
Notes	2.14%	-	-	230 000	230 000
Total long-term interest-bearing liabilities					**1 058 000**
Interest-bearing liabilities total					**1 058 000**

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 258.5 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. regeistered in Luxembourg.

List of existing accounting material

General ledger and general journal	Datafile
Accounts payable register	Datafile and in paperform
Accounts receivable register	Datafile and in paperform
Journal vouchers	Datafile and in paperform
Accounts payable vouchers	Datafile
Accounts receivable vouchers	Datafile
Cash vouchers	Datafile

Elenia Finance Oyj

Signatures to the financial statements

Dates and signatures

Helsinki, ____ /____ 2017

Tapani Liuhala
Chairman of the Board of Directors

Tommi Valento

Timo Talvitie

AUDITOR'S NOTE

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

Helsinki, ____ / ____ 2017

Ernst & Young Oy
Authorised Public Accountants

Mikko Rytilahti
Authorised Public Accountant

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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, 2016. 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.

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.

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.

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.

Financial liabilities

Refer to Chapter 2.4.8.3. (Accounting principles) and Notes 7, 9 and 14 (Group disclosures).

Elenia Finance Oyj has bond and notes liabilities amounting to EUR 1.308 Million in the balance sheet per 31.12.2016. 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 2016. 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 and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are 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 and the Managing Director are 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 and the Managing Director are 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 company 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.

Other Reporting Requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report.

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 identified above 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. With respect to report of the Board of Directors, 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 in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki 28.3.2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant