

ELENIA LÄMPÖ OY

FINANCIAL STATEMENTS

31/12/2016

Unofficial translation from Finnish

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ANNUAL REPORT

General This annual report covers the financial year from January 1 to December 31, 2016. The head office of Elenia Lämpö is located in Hämeenlinna. The Company's products are district heating production and distribution, natural gas sales and distribution and electricity generation. The Company engages in business operations in the Häme, Central Finland and Northern Ostrobothnia regions.

Risks The risks associated with the Company's business operations are primarily related to heat demand, fuel prices and electricity prices. Changes in average yearly temperature influence the demand for the products sold by the Company and thereby affect its total revenue.

Ownership The Company is 100 % owned by Elenia Oy.

Result and key figures

Heating sales increased by 8.8%, electricity generation increased by 45.1% and gas sales increased by 7.8%. Total revenue increased by 7.0%, mainly due to higher district heating volumes. Operating profit was 29.5% higher compared to the previous year, as fuel mix concentrated on cost-effective domestic fuel qualities. The total efficiency of production and distribution increased. Operating profit percentage increased up to 22.6 %. The company's solvency improved further, as non-refundable part of connection fees (EUR 0.3 million) was transferred to retained earnings. The Company's financial position and result are illustrated by the following key figures:

	2016	2015	2014
Total revenue (EUR thousand)	75,805	70,826	73,970
EBITDA (EUR thousand)	24,934	22,671	19,824
Operating profit (EUR thousand)	17,128	13,225	10,553
Operating profit-%	22.6	18.7	14.3
Return on investment	23.5	16.8	13.1
Capital ratio	45.7	45.4	41.3
Investments (M€)	6.3	4.9	12.8

Share capital The Company's share capital in the financial year was EUR 55,000.00. The share capital is divided into 100 shares with a nominal value of EUR 550. All shares carry equal voting rights in the shareholders' meeting.

The average number of personnel during the financial year was 86. Salaries and other personnel costs amounted to EUR 6,772 thousand.

Environment Elenia Lämpö Oy has continued to reduce its CO2 emissions per unit of energy generated in its production operations. This has been achieved by increasing the share of renewable biofuels and reducing the share of fossil fuels, natural gas in particular. There was an oil leak in one of the Company's reserve heat plant. The financial consequences of the leak were minimal due to insurance refund.

Events after the reporting period

There have been no material events since the end of the reporting period.

Outlook Business operations are expected to continue in a similar manner as before.

Board of Directors

The Chairman of the Board of Directors was Matti Manninen and the other members were Matteo Botto Poala, Andrew Cox (1.1 – 15.6), Anna Dellis (21.6 onwards) and Mikko Räsänen. The company's auditor is Ernst & Young Oy.

The Board's proposal for the distribution of the profit

The Board of Directors proposes to the General Meeting of Shareholders that the profit for the period, EUR 3,829.09, will be transferred to retained earnings and that no dividend will be paid.

ELENIA LÄMPÖ OY

Business ID: 0991064-1

Profit and Loss Account		1.1. - 31.12.2016	1.1. - 31.12.2015
Net turnover	1.1	75,805,485.94	70,825,758.62
Other operating income	1.2.	1,446,137.65	1,221,750.01
Materials and services	1.3	-40,770,228.18	-38,051,811.97
Personnel expenses	1.4	-6,772,149.52	-6,414,549.85
Depreciations according to plan	1.5	-7,805,383.39	-9,446,202.95
Other operating expenses	1.6	-4,775,485.20	-4,910,015.75
Operating profit		17,128,377.30	13,224,928.11
Financial income and expenses	1.7	98,632.48	-174,472.46
Profit before appropriations and taxes		17,227,009.78	13,050,455.65
Change in accelerated depreciations	1.8	-191,149.83	315,570.87
Group contribution	1.8	-16,955,000.00	-13,325,000.00
Income taxes	1.9	-77,030.86	-36,582.60
Profit of the financial year		3,829.09	4,443.92

Balance Sheet

ASSETS		31.12.2016	31.12.2015
	Note		
Current assets			
Intangible assets	2.1		
Intangible rights		32,373.18	34,816.38
Goodwill		95,091.02	547,899.61
Other capitalized long term expenditures		1,157,293.43	1,284,757.63
			1,290,850.44
			1,873,566.43
Tangible Assets	2.2		
Land and water areas		625,126.31	621,823.59
Buildings and structure		8,540,043.12	8,859,194.48
Heat plants		28,898,395.73	28,185,306.82
Earthgas plants		1,287,720.18	1,421,415.58
Machinery and equipments		45,582,468.83	48,228,063.91
Other tangible assets		744,742.43	728,479.34
Construction in progress		1,699,352.17	217,586.17
		87,377,848.77	88,261,869.89
Investments	2.3		
Holdings in associated companies		51,280.00	51,280.00
Other shares and holdings		33.64	33.64
		51,313.64	51,313.64
Non current assets total		88,713,920.04	90,186,749.96
Current assets			
Inventories		7,514,567.00	10,044,314.25
Short term receivables	2.4		
Trade receivables		1,902,435.06	544,908.32
Receivables from Group companies		3,522,192.18	4,028,903.48
Other receivables		34,757.45	75,418.15
Prepayments and accrued income		12,685,715.29	9,618,800.31
		18,145,099.98	14,268,030.26
Cash in hand and at Banks		0.00	0.00
Current assets total		25,659,666.98	24,312,344.51
Total assets		114,373,587.02	114,499,094.47

EQUITY AND LIABILITIES		31.12.2016		31.12.2015	
	Note				
Capital and reserves	3.1				
Subscribed capital		55,000.00		55,000.00	
Share premium reserve		82,687.57		82,687.57	
Reserve fund		37,593.96		37,593.96	
Retained earnings		13,579,231.54		13,620,975.44	
Profit for the financial year		3,829.09	13,758,342.16	4,443.92	13,800,700.89
Accelerated depreciations	3.2				
Cumulative accelerated depreciation			48,176,297.01		47,671,498.68
Obligatory Provisions	3.3		0.00		0.00
Liabilities	3.4				
Long term					
Connection fees		31,459,742.09		31,157,552.82	
Accruals and deferred income		292,293.10	31,752,035.19	75,423.00	31,232,975.82
Short term					
Trade creditors		5,027,006.87		3,622,946.94	
Trade creditors, group companies		8,179,116.44		13,405,964.56	
Other short term liabilities		2,251,458.95		868,594.40	
Accruals and deferred income		5,229,330.40	20,686,912.66	3,896,413.18	21,793,919.08
Liabilities Total			52,438,947.85		53,026,894.90
Total Equity and Liabilities			114,373,587.02		114,499,094.47

ELENIA LÄMPÖ OY
Business ID: 0991064-1

Differentiated financial statements

Income statement, Gas business			Gas sales		Gas distribution	
	01.01. - 31.12.2016	01.01. - 31.12.2015	01.01. - 31.12.2016	01.01. - 31.12.2015	01.01. - 31.12.2016	01.01. - 31.12.2015
Total revenue	7,208,485.65	6,852,942.69	3,399,605.38	3,489,108.03	3,808,880.27	3,363,834.66
Other operating income	80.00	961.43	40.00	314.32	40.00	647.11
Materials and services	-4,918,510.66	-4,767,784.94	-2,073,386.58	-2,375,765.92	-2,845,124.08	-2,392,019.02
Personnel expenses	-36,892.13	-108,921.87	0.00	-22,613.97	-36,892.13	-86,307.90
Depreciation and amortisation	-293,675.78	-613,420.42	0.00	0.00	-293,675.78	-613,420.42
Other operating expenses	-30,983.02	-119,786.63	-4,873.86	-63,314.41	-26,109.16	-56,472.22
Operating profit	1,928,504.06	1,243,990.26	1,321,384.94	1,027,728.05	607,119.12	216,262.21
Finance income and expenses	9,370.09	-17,447.25	4,419.04	-8,883.09	4,951.04	-8,564.15
Profit before non-recurring items	1,937,874.15	1,226,543.01	1,325,803.98	1,018,844.96	612,070.16	207,698.06
Non-recurring items +/-	178,841.58	506,065.96	0.00	0.00	178,841.58	506,065.96
Group contribution	-1,610,725.00	-1,332,500.00	-1,610,725.00	-1,332,500.00	0.00	0.00
Income tax	-101,198.15	-80,021.79	-101,198.15	-80,021.79	0.00	0.00
Profit for the financial year	404,792.58	320,087.18	-386,119.16	-393,676.84	790,911.74	713,764.02

ELENIA LÄMPÖ OY

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Differentiated financial statements

Balance sheet, Gas business	31/12/2016	31/12/2015	Gas sales 31/12/2016	Gas sales 31/12/2015	Gas distribution 31/12/2016	Gas distribution 31/12/2015
ASSETS						
Non-current assets						
Intangible assets	47,279.08	87,372.00	0.00	0.00	47,279.08	87,372.00
Tangible assets	1,583,710.52	1,709,102.48	0.00	0.00	1,583,710.52	1,709,102.48
Total non-current assets	1,630,989.60	1,796,474.48	0.00	0.00	1,630,989.60	1,796,474.48
Current assets						
Short-term receivables						
Prepayments and accrued inc	940,186.83	606,803.85	454,494.06	300,273.33	485,692.77	306,530.52
Cash and cash equivalents	5,825,643.11	6,552,601.10	5,825,643.11	6,552,601.10	0.00	0.00
Total current assets	6,765,829.94	7,159,404.95	6,280,137.17	6,852,874.43	485,692.77	306,530.52
TOTAL ASSETS	8,396,819.54	8,955,879.43	6,280,137.17	6,852,874.43	2,116,682.37	2,103,005.00

Balance sheet, Gas business	31/12/2016	31/12/2015	Gas sales 31/12/2016	Gas sales 31/12/2015	Gas distribution 31/12/2016	Gas distribution 31/12/2015
EQUITY AND LIABILITIES						
Capital and reserves						
Subscribed capital						
Legal reserve						
Retained earnings	2,036,467.88	1,716,380.70	5,739,418.49	6,133,095.33	-3,702,950.61	-4,416,714.63
Profit (+) / loss (-) of the financial year	404,792.58	320,087.18	-386,119.16	-393,676.84	790,911.74	713,764.02
Total capital and reserves	2,441,260.46	2,036,467.88	5,353,299.33	5,739,418.50	-2,912,038.87	-3,702,950.61
Accumulated appropriations	1,218,046.24	1,396,887.82	0.00	0.00	1,218,046.24	1,396,887.82
Liabilities						
Non-current liabilities						
	1,059,688.82	1,038,488.82	0.00	0.00	1,059,688.82	1,038,488.82
	1,059,688.82	1,038,488.82	0.00	0.00	1,059,688.82	1,038,488.82
Current liabilities						
Trade payables	477,565.65	362,294.69	225,225.50	184,458.76	252,340.16	177,835.93
Liabilities to group companies	777,016.06	1,340,596.46	366,449.78	682,551.43	410,566.28	658,045.02
Other current liabilities	1,712,567.31	2,297,100.70			1,712,567.31	2,297,100.70
Accruals and deferred income	710,674.99	484,043.06	335,162.56	246,445.74	375,512.43	237,597.32
	3,677,824.01	4,484,034.91	926,837.84	1,113,455.93	2,750,986.18	3,370,578.98
Total liabilities	4,737,512.84	5,522,523.73	926,837.84	1,113,455.93	3,810,675.00	4,409,067.80
TOTAL EQUITY AND LIABILITIES	8,396,819.54	8,955,879.43	6,280,137.17	6,852,874.43	2,116,682.37	2,103,005.00

Differentiated calculations for gas

Items for which the allocation principle applied is the share of the gas business of total revenue, the allocation principle applied is 9.5 % (in 2015 10 %).

Income statement, Gas business

Revenue	Revenue differentiated by business segment
Other operating income	Other income differentiated by business segment
Materials and services	Materials and services differentiated by business segment
Personnel expenses	Personnel expenses differentiated by business segment
Depreciation and amortisation	Depreciation differentiated by business segment
Other operating expenses	Other expenses differentiated by business segment
Finance income and expenses	Share of gas business of total revenue
Non-recurring items	Share of gas business of total revenue
Income tax	Based on the business segment's differentiated income statement an

Balance sheet, Gas business

Intangible assets	Intangible assets are differentiated by business segment
Tangible assets	Tangible assets are differentiated by business segment
Short-term receivables	Receivables are differentiated by business segment
Cash and cash equivalents	Allocated in such a way as to balance the segment's differentiated ba
Subscribed capital	Subscribed capital, funds and reserves have not been allocated
Profit (+) / loss (-) for the financial year	Based on the business segment's differentiated result
Depreciation difference	Depreciation difference is differentiated by business segment
Connection fees	Connection fees are differentiated by business segment
Trade payables	Share of gas business of total revenue
Liabilities to group companies	Share of gas business of total revenue
Accruals and deferred income	Share of gas business of total revenue

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Cash flow statement	1.1. - 31.12.2016	1.1. - 31.12.2015
Cash flow from operating activities		
Operating profit	17,128,377.30	13,224,928.11
Reversal of amortisation	7,805,383.39	9,446,202.95
Change in working capital	2,711,097.51	2,538,068.34
Finance expenses	-7,427.49	-234,564.22
Dividend income	84,000.00	55,500.00
Finance income	22,059.97	4,591.76
Taxes paid	-51,055.03	-62,856.77
Cash flow from operating activities	27,692,435.65	24,971,870.17
Investments		
Capital expenditure on intangible and tangible assets	-6,343,029.23	-5,129,522.47
Investment subsidies received	0.00	277,826.58
Divestment of intangible and tangible assets	10,475.76	0.00
Cash flow from investing activities	-6,332,553.47	-4,851,695.89
Cash flow before financial items	21,359,882.18	20,120,174.28
Financial items		
Repayment of current liabilities	0.00	-13,000,000.00
Increase in connection fees	569,649.95	474,211.39
Group contribution (+/-)	-22,225,000.00	-9,110,000.00
Change in non-current liabilities	0.00	0.00
Cash flow from financing activities	-21,655,350.05	-21,635,788.61
Change in cash and cash equivalents	-295,467.87	-1,515,614.33
Cash and cash equivalents at the start of the period	3,698,306.10	5,213,920.43
Cash and cash equivalents at the end of the period	3,402,838.23	3,698,306.10

In the balance statement, the group bank account is presented as receivable from other companies of the group, and in the cash flow statement as cash and cash equivalents.

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Notes on the financial statements**1.1. - 31.12.2016****1.1. - 31.12.2015****NOTES ON THE PREPARATION OF THE FINANCIAL STATEMENTS**

The company is the subsidiary of the Finnish Elenia Group.

The consolidated financial statement can be acquired in Patamäenkatu 7, Tampere

The consolidated financial statement of Elenia Oy will be combined with the consolidated financial statement of the Lakeside Network Investments S.á.l.

It can be acquired in 2 rue du Fossé L - 1536 Luxembourg.

Measurement of non-current assets

Intangible and tangible assets are recorded in the balance sheet at acquisition cost reduced by planned depreciation.

Planned depreciation is calculated using straight-line depreciation over the economic life of the asset.

The values of buildings and land areas do not include revaluations.

The depreciation periods are:

	years
Intangible rights	3-5
Goodwill	10-15
Other capitalized long-term expenditures	5-10
Buildings and constructions	15-25
District heating network	30
Natural gas network	30
Machinery and equipment	5-30
Other tangible assets	20

Measurement of inventories

Inventories are recorded under the FIFO principle at the acquisition cost, lower repurchasing cost or likely selling price.

Comparability with the previous year's figures

The figures in these financial statements are comparable with the previous year's figures.

Amounts in foreign currencies

Receivables and payables in foreign currencies have been converted to Finnish currency at the average exchange rate on the balance sheet date.

The group bank account is presented as receivable from other companies of the group.

Investment subsidies

The company has not received investment subsidies in the financial year.

NOTES ON THE INCOME STATEMENT**1.1 Revenue by segment**

Heat	65,681,296.04	61,932,467.24
Natural gas	7,161,521.65	6,821,658.41
Electricity	1,971,468.33	1,543,970.00
Other sales	991,199.92	527,662.97
Total	75,805,485.94	70,825,758.62

1.2 Other operating income

Lease income	62,982.54	61,436.01
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ELENIA LÄMPÖ OY

Business ID: 0991064-1

Notes on the financial statements	1.1. - 31.12.2016	1.1. - 31.12.2015
Capital gains	0.00	20,366.94
Other operating income	1,383,155.11	1,139,947.06
Total	1,446,137.65	1,221,750.01
 Materials and services		
Fuels	39,113,013.70	36,292,490.10
Change in inventory (increase -) / (decrease +)	-164,201.52	348,036.29
External services	1,821,416.00	1,411,285.58
Total	40,770,228.18	38,051,811.97

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Business ID: 0991064-1

Notes on the financial statements	1.1. - 31.12.2016	1.1. - 31.12.2015
Personnel expenses		
Average number of personnel	86	88
Salaries	5,508,059.11	5,167,426.64
Pension expenses	962,505.00	924,873.01
Other employee expenses	301,585.41	322,250.20
Total	6,772,149.52	6,414,549.85
Depreciation and impairment		
Intangible rights	2,443.20	2,443.20
Goodwill	452,808.59	2,034,259.56
Other capitalised long-term expenditure	493,538.65	424,299.19
Buildings and constructions	555,689.46	598,911.23
District heating network	1,793,675.53	1,891,674.88
Natural gas network	220,984.28	220,096.46
Machinery and equipment	4,239,379.26	4,227,837.53
Other tangible assets	46,864.42	46,680.90
Total	7,805,383.39	9,446,202.95
Other operating expenses		
Rent and property expenses	986,632.42	922,693.70
Use and maintenance	443,987.12	650,288.80
External services	1,797,106.53	1,766,714.63
Other operating expenses	1,493,214.13	1,525,704.62
Total	4,720,940.20	4,865,401.75
Auditors' fees		
Audit	49,545.00	44,614.00
Other services	5,000.00	0.00
Total	54,545.00	44,614.00
Finance income and expenses		
Dividend income		
From associated companies	84,000.00	55,500.00
Total	84,000.00	55,500.00
Interest and other financial income		
Other interest income	22,059.97	4,591.76
Total	22,059.97	4,591.76
Interest and other financial expenses		
To group companies	0.00	225,914.25
Other interest expenses	7,427.49	8,649.97
Total	7,427.49	234,564.22
Total finance income and expenses	98,632.48	-174,472.46

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Business ID: 0991064-1

Notes on the financial statements	1.1. - 31.12.2016	1.1. - 31.12.2015
Appropriations		
Change in depreciation difference	191,149.83	-315,570.87
Total	191,149.83	-315,570.87
Group contributions paid	16,955,000.00	13,325,000.00
Total	16,955,000.00	13,325,000.00
Income tax		
Tax effect of group contribution	-3,391,000.00	-2,665,000.00
Income taxes on ordinary operations	3,468,030.86	2,701,582.60
Total	77,030.86	36,582.60
Notes on the balance sheet		
Non-current assets		
Intangible assets		
Intangible rights		
Acquisition cost, Jan 1	95,139.99	95,139.99
Acquisition cost, Dec 31	95,139.99	95,139.99
Accumulated depreciation, Jan 1	-60,323.61	-57,880.41
Depreciation	-2,443.20	-2,443.20
Book value, Dec 31	32,373.18	34,816.38
Goodwill		
Acquisition cost, Jan 1	30,363,890.51	30,363,890.51
Acquisition cost, Dec 31	30,363,890.51	30,363,890.51
Accumulated depreciation, Jan 1	-29,815,990.90	-27,781,731.34
Depreciation	-452,808.59	-2,034,259.56
Book value, Dec 31	95,091.02	547,899.61
Other capitalized long-term expenditure		
Acquisition cost, Jan 1	3,722,023.37	3,153,367.23
Additions	359,981.64	568,656.14
Acquisition cost, Dec 31	4,082,005.01	3,722,023.37
Accumulated depreciation, Jan 1	-2,431,172.93	-2,006,873.75
Depreciation	-493,538.65	-424,299.18
Book value, Dec 31	1,157,293.43	1,290,850.44
Tangible assets		
Land and water areas		
Acquisition cost, Jan 1	621,823.59	611,879.19
Additions	3,302.72	9,944.40
Acquisition cost, Dec 31	625,126.31	621,823.59
Book value, Dec 31	625,126.31	621,823.59

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Notes on the financial statements**1.1. - 31.12.2016****1.1. - 31.12.2015****Buildings and constructions**

Acquisition cost, Jan 1	14,342,929.09	13,968,664.19
Additions	236,538.10	374,264.90
Acquisition cost, Dec 31	14,579,467.19	14,342,929.09
Accumulated depreciation, Jan 1	-5,483,734.61	-4,884,823.38
Depreciation	-555,689.46	-598,911.23
Book value, Dec 31	8,540,043.12	8,859,194.48

District heating network

Acquisition cost, Jan 1	65,703,938.83	63,229,994.55
Additions	2,506,764.44	2,473,944.28
Acquisition cost, Dec 31	68,210,703.27	65,703,938.83
Accumulated depreciation, Jan 1	-37,518,632.01	-35,626,957.13
Depreciation	-1,793,675.53	-1,891,674.88
Book value, Dec 31	28,898,395.73	28,185,306.82

Natural gas network

Acquisition cost, Jan 1	6,098,678.03	6,060,461.41
Additions	87,288.88	38,216.62
Acquisition cost, Dec 31	6,185,966.91	6,098,678.03
Accumulated depreciation 1.1.	-4,677,262.45	-4,457,165.99
Depreciation	-220,984.28	-220,096.46
Book value, Dec 31	1,287,720.18	1,421,415.58

Machinery and equipment

Acquisition cost, Jan 1	79,775,879.05	78,031,132.86
Additions	1,604,259.94	1,794,049.47
Divestments	-14,965.32	-49,303.28
Acquisition cost, Dec 31	81,365,173.67	79,775,879.05
Accumulated depreciation, Jan 1	-31,543,325.58	-27,369,280.88
Depreciation divestments	-4,489.56	49,303.28
Depreciation	-4,234,889.70	-4,227,837.54
Book value, Dec 31	45,582,468.83	48,228,063.91

Other tangible assets

Acquisition cost, Jan 1	1,037,606.22	1,037,606.22
Additions	63,127.51	0.00
Acquisition cost 31. 12.	1,100,733.73	1,037,606.22
Accumulated depreciation, Jan 1	-309,126.88	-262,445.98
Depreciation	-46,864.42	-46,680.90
Book value, Dec 31	744,742.43	728,479.34

Advance payments and construction in progress

Acquisition cost 1.1.	217,586.17	624,966.09
Additions	6,343,029.23	4,851,695.89
Transferred to fixed assets	-4,861,263.23	-5,259,075.81
Book value, Dec 31	1,699,352.17	217,586.17

ELENIA LÄMPÖ OY

Business ID: 0991064-1

Notes on the financial statements**1.1. - 31.12.2016****1.1. - 31.12.2015****Investments****Shares in associated companies**

Acquisition cost, Jan 1	51,280.00	51,280.00
Acquisition cost, Dec 31	51,280.00	51,280.00
Book value, Dec 31	51,280.00	51,280.00

Other shares and participations

Acquisition cost, Jan 1	33.64	33.64
Acquisition cost, Dec 31	33.64	33.64
Book value, Dec 31	33.64	33.64

Receivables

Receivables from group companies

Short-term		
Group bank account	3,402,838.23	3,698,306.10
Prepayments and accrued income	119,353.95	330,597.38
Total	3,522,192.18	4,028,903.48

Receivables from external parties

Trade receivables	1,902,435.06	544,908.32
Other receivables	34,757.45	75,418.15

Prepayments and accrued income

Periodised sales income	11,747,049.35	8,642,719.39
Other prepayments and accrued income	938,665.94	976,080.92

Total receivables	18,145,099.98	14,268,030.26
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Capital and reserves**Restricted equity**

Subscribed capital, Jan 1	55,000.00	55,000.00
Subscribed capital, Dec 31	55,000.00	55,000.00
Total	55,000.00	55,000.00

Share premium fund, Jan 1

Share premium fund, Dec 31	82,687.57	82,687.57
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Legal reserve, Jan 1

Legal reserve, Dec 31	37,593.96	37,593.96
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Total restricted equity	175,281.53	175,281.53
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Unrestricted equity

Retained earnings	13,625,419.36	12,945,331.71
Reversal of depreciation difference	-313,648.50	0.00
Transfer of connection fees	267,460.68	675,643.73
Profit/loss for the financial year	3,829.09	4,443.92
Total unrestricted equity	13,583,060.63	13,625,419.36

ELENIA LÄMPÖ OY

Business ID: 0991064-1

Notes on the financial statements	1.1. - 31.12.2016	1.1. - 31.12.2015
Total capital and reserves	13,758,342.16	13,800,700.89
Distributable equity	13,583,060.63	13,625,419.36

ELENIA LÄMPÖ OY

Business ID: 0991064-1

Notes on the financial statements**1.1. - 31.12.2016****1.1. - 31.12.2015****Accumulated appropriations**

The accumulated appropriations are comprised of depreciation differences.

Depreciation difference

Intangible rights	2,443.20	2,443.20
Goodwill	452,808.59	2,004,259.56
Other capitalized long-term expenditure	88,742.47	-82,062.72
Buildings and constructions	-36,873.42	-12,801.02
District heating network	-903,136.60	-983,895.47
Natural gas network	93,814.41	154,800.16
Machinery and equipment	108,293.61	-772,714.41
Other tangible assets	2,757.91	5,541.57
Total depreciation difference	-191,149.83	315,570.87

Cumulative depreciation difference

Intangible rights	-32,373.18	-34,816.38
Goodwill	-95,091.02	-547,899.61
Other capitalized long-term expenditure	-248,819.34	-337,561.81
Buildings and constructions	-1,006,377.66	-969,504.24
District heating network	-12,417,934.13	-11,201,149.03
Natural gas network	-1,131,712.40	-1,225,526.81
Machinery and equipment	-33,179,220.96	-33,287,514.57
Other tangible assets	-64,768.32	-67,526.23
Total cumulative depreciation difference	-48,176,297.01	-47,671,498.68

Deferred tax liability on the cumulative depreciation dil **9,635,259.40****Mandatory provisions**

Other mandatory provisions		
Provisions	0.00	0.00

Liabilities**Non-current liabilities**

Refundable connection fees are presented as non-current liabilities in the balance.

Non-current liabilities

Connection fee debt, Jan 1	31,157,552.82	31,358,985.16
Connection fee debt, Dec 31	31,459,742.09	31,157,552.82
Other non-current liabilities	292,293.10	75,423.00

Total non-current liabilities **31,752,035.19** **31,232,975.82**

ELENIA LÄMPÖ OY

Business ID: 0991064-1

Notes on the financial statements**1.1. - 31.12.2016****1.1. - 31.12.2015****Current liabilities**

Current liabilities to external parties

Trade payables	5,027,006.87	3,622,946.94
Other current liabilities	2,251,458.95	868,594.40

Accruals and deferred income

Salaries and social security contributions	1,539,386.17	1,498,724.44
Other accrued expenses	3,689,944.23	2,397,688.74

Total	5,229,330.40	3,896,413.18
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Total current liabilities to external parties

12,507,796.22	8,387,954.52
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Current liabilities to Group companies

Trade payables	9,264.88	3,787.82
Other current liabilities	0.00	0.00

Accruals and deferred income	8,169,851.56	13,402,176.74
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Total	8,179,116.44	13,405,964.56
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Total current liabilities

20,686,912.66	21,793,919.08
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Total liabilities

52,438,947.85	53,026,894.90
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Commitments and contingencies

Provided on behalf of own and Group liabilities

Floating charges	4,500,000,000.00	4,500,000,000.00
Mortgages	27,000,000.00	27,000,000.00
Guarantees	1,315,000,000.00	1,058,000,000.00
Pledged shares	51,280.00	51,280.00
Bank account	3,402,838.23	3,698,306.10
	5,845,454,118.23	5,588,749,586.10

Operating leases

Within one year	128,620.83	115,139.72
After one year	231,555.25	235,558.78
	360,176.08	350,698.50

Lease agreements are primarily contracts for periods of 3-5 years with no redemption obligation.

Rental liabilities

Within one year	78,417.02	78,446.13
After one year	194,607.16	210,211.96
	273,024.18	288,658.09

ELENIA LÄMPÖ OY

Business ID: 0991064-1

FINANCIAL STATEMENTS

31/12/2016

Shares and participation

	Holding	Share of votes	Shares	Nominal value of shares (EUR)	Book value quantity (EUR)
Associated companies					
Oriveden Aluelämpö Oy	50.0 %	50.0 %	300	51,000.00	51,280.00
Other shares and participations					
Oulaisten Vesiosuuskunta					33.64
					51,313.64

ELENIA LÄMPÖ OY

Business ID: 0991064-1

Financial statements**31/12/2016****Signatures**

Matteo Botto Poala

Anna Dellis

Mikko Räsänen

Matti Manninen, Chairman of the Board of Directors

Matti Tynjälä, CEO**Auditor's note**

Auditor's report of the performed audit has been given today.

Helsinki, March 8, 2017

Ernst & Young Oy
Approved audit firm

Mikko Rytilahti, approved auditor

AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Elenia Lämpö Oy

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements Elenia Lämpö Oy (business identity code 0991064-1) for the year ended 31 December, 2016. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the 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 company 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.

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 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 company'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 company 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 company'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 company'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.

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.

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. 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 information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors 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 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.

Other opinions

The profit and loss accounts, the balance sheets and the notes for the separately presented natural gas operations are drawn up in accordance with the rules and provisions laid down in the Natural Gas Market Act.

Helsinki 8.3.2017

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Ryttilähti
Authorized Public Accountant