Elenia Holdings S.à r.l.

Consolidated Financial Statements

1 January 2013 - 31 December 2013

Address of the registered office :

2, rue du Fossé
L-1536 Luxembourg

R.C.S. Luxembourg : B 181.773

Share capital: EUR 14.000

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Ernst & Young
Société anonyme

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Independent auditor's report

To the Shareholders of
Elenia Holdings S.à r.l.
Société à responsabilité limitée
2, rue du Fossé
L-1536 Luxembourg

We have audited the accompanying consolidated financial statements of Elenia Holdings S.à r.l., which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Managers determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these consolidated financial statements annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Elenia Holdings S.à r.l. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Coekelbergs

Luxembourg, 19 May 2014

Elenia Holdings S.à r.l.
Société à responsabilité limitée

Consolidated income statement

for the year ended 31 December 2013

All amounts in EUR 000

	Note	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
Revenue		**293.693**	**299.559**
Other operating income	7	3.119	7.912
Materials and services		(110.975)	(106.597)
Employee benefit expenses	8	(20.253)	(19.554)
Depreciation and amortisation	9	(71.055)	(74.250)
Other operating expenses	7	(24.820)	(53.805)
Operating profit		**69.709**	**53.265**
Share of profit of an associate	10	45	266
Finance income	11	349	832
Finance costs	11	(129.267)	(105.256)
Profit before tax from continuing operations		**(59.164)**	**(50.893)**
Income tax	12	50.756	6.697
Loss for the year		**(8.408)**	**(44.196)**

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

Elenia Holdings S.à r.l.
Société à responsabilité limitée

Consolidated statement of comprehensive income

for the year ended 31 December 2013

All amounts in EUR 000

	Note	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
Loss for the year		**(8.408)**	**(44.196)**
Other comprehensive income			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Re-measurement gains (losses) on defined benefit plans	22	(143)	(534)
Income tax effect	12	(4)	131
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net movement of cash flow hedges		25.400	(34.949)
Net (loss)/gain on available-for-sale financial assets		(65)	1.175
Income tax effect	12	(6.587)	8.275
Other comprehensive income for the period after tax		18.601	(25.902)
Total comprehensive income for the year		**10.193**	**(70.098)**

Elenia Holdings S.à r.l.
Société à responsabilité limitée

Consolidated statement of financial position

as at 31 December 2013

All amounts in EUR 000

	Note	31 December 2013	31 December 2012
Assets			
Non-current assets			
Property, plant and equipment	13	1.166.060	1.147.754
Intangible assets	14	610.961	610.814
Investments in associates	10	407	407
Other interest bearing receivables		-	16.298
Other non-current financial assets		941	246
Deferred tax assets	12	1.081	5.792
Total non-current assets		**1.779.450**	**1.781.311**
Current assets			
Inventories	15	16.518	14.954
Trade receivables	16	23.086	23.962
Other current receivables	16	51.081	56.902
Cash and cash equivalents		63.088	26.564
Total current assets		**153.773**	**122.382**
Total assets		**1.933.223**	**1.903.693**
Equity and liabilities			
Equity			
Share capital	25	14	3
Share premium		2.002	2.000
Cash flow hedge reserve	25	(7.639)	(26.386)
Available for sale reserve	25	888	887
Retained earnings		(55.451)	(46.896)
Treasury shares	25	(2)	-
Total equity		**(60.188)**	**(70.392)**
Non-current liabilities			
Loans from financial institutions	17	389.098	947.701
Bonds	17	645.278	-
Other long-term loans	17	638.728	590.775
Finance lease liabilities	17, 24	26.919	30.888
Employee benefit liability	22	818	734
Derivatives	17	10.153	34.949
Provisions	18	12.357	11.681
Deferred tax liabilities	12	161.233	210.277
Total non-current liabilities		**1.884.584**	**1.827.005**
Current liabilities			
Finance lease liabilities	19, 24	4.208	4.150
Trade payables	19	14.730	16.223
Other current liabilities	19	89.889	126.707
Total current liabilities		**108.827**	**147.080**
Total equity and liabilities		**1.933.223**	**1.903.693**

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

Elenia Holdings S.à r.l.
Société à responsabilité limitée

Consolidated Statement of changes in equity

for the year ended 31 December 2013

All amounts in EUR 000	Note	Share capital	Share premium	Available for sale reserve	Cash flow hedge reserve	Retained earnings	Treasury shares	Total equity
Equity at 1 January 2012		3	37	-	-	(2.297)	-	(2.257)
Comprehensive income								
Loss for the year		-	-	-	-	(44.196)	-	(44.196)
Other components of comprehensive income (adjusted by tax effect)								
Cash flow hedging		-	-	-	(26.386)	-	-	(26.386)
Available-for-sale financial assets		-	-	887	-	-	-	887
Change in defined benefit plans	22	-	-	-	-	(403)	-	(403)
Total comprehensive income for the year		-	-	887	(26.386)	(44.599)	-	(70.098)
Transactions with shareholders								
Increase		-	1.963	-	-	-	-	1.963
Total transactions with shareholders		-	1.963	-	-	-	-	1.963
Equity at 31 December 2012		**3**	**2.000**	**887**	**(26.386)**	**(46.896)**	**-**	**(70.392)**
Equity at 1 January 2013		3	2.000	887	(26.386)	(46.896)	-	(70.392)
Comprehensive income								
Loss for the year		-	-	-	-	(8.408)	-	(8.408)
Other components of comprehensive income (adjusted by tax effect)								
Cash flow hedging		-	-	-	18.747	-	-	18.747
Available-for-sale financial assets		-	-	1	-	-	-	1
Change in defined benefit plans	22	-	-	-	-	(147)	-	(147)
Total comprehensive income for the year		-	-	1	18.747	(8.555)	-	10.193
Transactions with shareholders								
Common control adjustments		(3)	(2.000)	-	-	-	-	(2.003)
Increase	25	14	2.002	-	-	-	-	2.016
Purchase of shares by a subsidiary	25	-	-	-	-	-	(2)	(2)
Total transactions with shareholders		11	2	-	-	-	(2)	11
Equity at 31 December 2013		**14**	**2.002**	**888**	**(7.639)**	**(55.451)**	**(2)**	**(60.188)**

Elenia Holdings S.à r.l.
Société à responsabilité limitée

Consolidated statement of Cash Flows

for the year ended 31 December 2013

All amounts in EUR 000

	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
Cash flow from operating activities		
Loss for the period	(8.408)	(44.196)
Adjustments		
Depreciation, amortisation and impairment	71.055	74.250
Other adjustments	78.061	105.013
Change in net working capital		
Change in inventories	(1.573)	(1.395)
Change in trade and other current liabilities	8.152	(277.593)
Change in trade and other current receivables	6.761	113.621
Change in provisions	677	-
Dividends received	45	-
Interests received	349	872
Interest and financial expenses paid	(36.737)	(33.657)
Interest paid on other long-term loans	(69.668)	-
Swap breakage costs paid	(13.560)	-
Taxes paid	(2.772)	(19.211)
Cash flow from operating activities	**32.382**	**(82.296)**
Cash flow from investing activities		
Acquired subsidiaries	-	(1.335.008)
Capital expenditure, net	(88.209)	(64.421)
Changes in investments	(2)	3.830
Cash flow from investing activities	**(88.211)**	**(1.395.599)**
Cash flow from financing activities		
Capital increase	14	1.963
Proceeds from long-term borrowings	1.045.000	1.561.692
Debt arrangement costs	(5.301)	(24.260)
Repayment of long-term borrowings	(959.747)	(15.253)
Repayment of finance lease liabilities	(3.911)	(3.682)
Change in long-term receivables	16.298	(16.298)
Cash flow from financing activities	**92.353**	**1.504.162**
TOTAL	**36.524**	**26.267**
Cash and cash equivalents at 1 January.	26.564	297
Cash and cash equivalents 31 December	63.088	26.564
Change in cash and cash equivalents	**36.524**	**26.267**

Notes to the consolidated financial statements

1. General information

Elenia Holdings S.à r.l. (hereafter the "Company") was incorporated on 13 November 2013 and organised under the laws of Luxembourg as a société à responsabilité limitée for an unlimited period. The registered office of the Company is established at 2, rue du Fossé, L-1536 Luxembourg.

The main activity of the Company is to hold participations in any form whatsoever, in Luxembourg and foreign companies, the acquisition by purchase, subscription, or in any other manner as well as the transfer by sale, exchange or otherwise of stock, bonds, debentures, notes and other securities or any kind, the possession, the administration, the development and the management of its portfolio. The Company may participate in the establishment and development of any financial, industrial or commercial enterprises and may render any assistance by way of loan, guarantees or otherwise to subsidiaries or affiliated companies. The Company may borrow in any form. In general, the Company may take any controlling and supervisory measures and carry out any financial, movable or immovable, commercial and industrial operation, which it may deem useful in the accomplishment and development of its purpose.

The Company holds all the shares in Elenia Oy, a Finnish limited liability company and having its registered office at Televisiokatu 4, Helsinki. The Company together with Elenia Oy are hereafter referred to as the "Group".

The Company was incorporated in the frame of a restructuring of the Group, in order to restructure/refinance Elenia Oy's debts.

The Group's financial year begins on 1 January and closes on 31 December.

The Group's business operations comprise electricity distribution and district heating solutions as well as customer service functions. Information on the Groups ultimate parent is presented in Note 25.

These consolidated financial statements were authorised for issue by the Board of Managers of the Company on 15 May 2014. The shareholders have the right either to approve or reject the consolidated financial statements during the Annual General Meeting.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements have been prepared based on a 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 functioning currency. The consolidated financial statements are presented in thousands of Euros ("EUR").

2.2 New standards and amendments to and interpretations of existing standards

New accounting standards are adopted by the Group on the date when their implementation becomes mandatory, with the exception of IAS 19 Employee Benefits, which was already implemented in the financial year 2012. The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS, effective from 1 January 2013 adopted by the Group:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The adoption of this standard did not have any significant impact on the financial position or performance of the Group.

IFRS 13 Fair value measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

The adoption of this standard did not have any significant impact on the financial position or performance of the Group.

2.3 Consolidation principles and business combinations

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as of 31 December 2013. Subsidiaries are companies in which the Company directly or indirectly holds share in excess of 50% of voting rights or otherwise has the power to govern the financial and operating policies of those companies or entities. The consolidated financial statements also include associated companies, i.e. any companies in which the Group holds 20-50% of the votes or otherwise has significant influence without having control.

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

Notes to the consolidated financial statements (continued)

2.3 Consolidation principles and business combinations (continued)

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

As of 31 December 2013, the subsidiaries do not have non-controlling interests.

Business combinations and goodwill

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

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either the income statement or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in the income statement.

2.3 Consolidation principles and business combinations (continued)

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

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

Investment in an associate

Investments in associated companies are valued at acquisition cost on the date of the acquisition. Interests in associated companies are accounted for using the equity method. The Group's share of its associated companies' post-acquisition profits or losses after tax is recognised in the income statement.

If the Group's share of losses in an associated company exceeds the carrying value of the investment, the investment is recorded on the statement of financial position as having zero value and losses in excess of the carrying value are not recognised in the consolidated financial statements unless the Group has incurred obligations on behalf of the associated company.

After application of equity method, the Group assesses whether there is a need to record impairment for an associated company. If there are indications that the value of the investment has declined, the Group calculates the loss on impairment and records the difference in the income statement.

Unrealised gains or losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associated company. The Group's share of the results of associated companies for the financial period is presented as a separate item after operating profit.

The accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations under common control

Subsidiaries acquired from entities under common control, such that the ultimate controlling parties have not changed as a result of the acquisition, are accounted for as combination of businesses under common control. Currently, there is no specific guidance on accounting for common control transactions under IFRSs. In December 2007, the IASB added a project on this topic to its agenda with a view to examining the definition of common control and the methods of accounting for business combinations under common control in the acquirer's consolidated and separate financial statements. At the time of preparation of these consolidated financial statements, this project is still under study by the IASB.

Notes to the consolidated financial statements (continued)

2.3 Consolidation principles and business combinations (continued)

Business combinations under common control (continued)

The Group accounts for business combinations under common control using polling of interest method. Under this method, the assets and liabilities of the acquired subsidiaries are recognised at their previous carrying amounts. No adjustments are made to reflect fair values and no new assets and liabilities of the acquired subsidiaries are recognised at the date of business combination under common control. As a result no new goodwill is recognised in these consolidated financial statements. Any difference between the consideration paid / transferred and the shares acquired is reflected within the equity.

These consolidated financial statements include the financial information for the periods prior to the combination under common control to reflect the combination as if it had occurred from the beginning of the earliest period presented in these consolidated financial statements, regardless of the actual date of the combination. Financial information for periods prior to the combination is presented only for the period that the entities were under common control.

2.4 Summary of significant accounting policies

a) Translation differences

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or income statement are also recognised in other comprehensive income or income statement, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

The assets and liabilities of foreign operations are translated into EUR at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.4 Summary of significant accounting policies (continued)

b) Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

c) Government grants

Government grants relating to the purchase of property, plant and equipment are recognised by reducing the book value of the asset they relate to when the decision on the grant has been received. The grants are thus recognized as income by way of a lower depreciation charge over the useful life of the asset.

Other government grants are recognised as other income in the income statement for the period in which the expenses relating to the grant are incurred and in which the decision on the grant is received.

d) Revenue recognition

Revenue from the sale of electricity and heat is recognised at the time of delivery. Sales revenue from customer service operations is recognised in the period in which such services are rendered.

Connection fees paid by customers for joining an electricity or heating network are recognised as revenue in the income statement.

Electricity network connection fees paid by customers prior to 2008 must be refunded, less termination fees, to customers that terminate the service contract. District heating network connection fees are also refundable for customers who want to terminate the heating service contract. A provision has been recorded for future refunds.

2.4 Summary of significant accounting policies (continued)

e) Other operating income

Other operating income includes ordinary income from non-operating activities, such as insurance compensation and rental income. Rental income is recognised as other operating income over the course of the rental period.

f) Emission allowances

Purchased emission allowances are accounted for as intangible assets at acquisition cost plus transaction costs. Unused emission allowances received free of charge are not recognised on the statement of financial position. In the event that the amount of emission allowances returned exceeds the amount of emission allowances received, a provision is recognised at the market value of the emission allowances at financial year end. The cost of the provision is recognised in the income statement within materials and services. Gains from the sales of emission rights are included in other income.

g) Property, plant and equipment

Property, plant and equipment comprise mainly power and heat distribution networks, machinery, equipment and buildings.

Property, plant and equipment are stated at original acquisition cost less accumulated depreciation and accumulated impairment losses, if any. The original acquisition cost includes expenditure that is directly attributable to the acquisition of an item. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the acquisition cost of the item can be reliably measured.

When a property, plant and equipment asset no longer has any expected revenue streams, the asset is dismantled and the remaining carrying value is recognised as an expense under other operating expenses.

Acquired assets on the acquisition of a new subsidiary are stated at their fair values at the date of acquisition.

All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Land and water areas are not depreciated since they have indefinite useful lives. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and structures	15-50 years
Electricity transport network	25-40 years
Electricity distribution network	10-30 years
District heating and natural gas network	30 years
Machinery and equipment	3-30 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each financial year end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4 Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

Gains and losses on the sales of property, plant and equipment are recorded as the difference between the selling price and carrying value and recognised in the income statement under other operating income or expenses.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

h) Intangible assets

Intangible assets, except goodwill and intangible assets with infinite useful life, are stated at original acquisition cost less accumulated amortisation and impairment losses.

Computer software and licenses

Acquired computer software licences are capitalised on the basis of the costs incurred from the acquisition and implementation of the software. Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

Compensation paid to landowners

One-time compensation payments paid to landowners for inconvenience and damage caused by the network company's overhead lines, cables and equipments are capitalised.

Recurring annual compensation payments are recognised as an expense on the income statement under other operating expenses.

Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognised at fair value on the acquisition date. The contractual customer relations have a finite useful life and are carried at acquisition cost less accumulated amortisation and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation is calculated using the straight-line method over the useful economic life of the customer relationship.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of net assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at acquisition cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2.4 Summary of significant accounting policies (continued)

h) Intangible assets (continued)

Amortisation periods for intangible assets

Computer software and licences	3-5 years
Contractual customer relationships	20 years
Compensation paid to landowners	10-30 years

The assets' useful lives are reviewed and adjusted, if appropriate, at each financial year end.

i) Impairment of non-financial assets

The carrying values for individual assets are assessed at each reporting date to determine whether there is any indication of impairment. When considering the need for impairment, the Group assesses whether events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

An impairment loss relating to property, plant and equipment and intangible assets other than goodwill is reversed in the event of a change in circumstances that results in the asset's recoverable amount changing from the time the impairment loss was recorded. An impairment loss recorded on goodwill is not reversed under any circumstances.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

In assessing value in use, the estimated future cash flows expected to be derived from a cash-generating unit are discounted to their present value. The financial projections used in the calculations are based on business plans approved by management.

j) Trade receivables

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

k) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

2.4 Summary of significant accounting policies (continued)

l) Leases

The Group as the lessee

Leases of property, plant and equipment, where the Group has a substantial share of the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the commencement of the lease term at the lower of the fair value of the leased property and the present value of the minimum lease payments determined at the inception of the lease. Each lease payment is allocated between the finance charges and the reduction of the outstanding liability. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. The corresponding rental obligations, net of finance charges, are included in the long-term or short-term interest-bearing liabilities according to their maturities.

Leases of property, plant and equipment, where the risks and rewards of ownership remain with the lessor, are classified as operating leases. Lease payments for operating leases are recognised on the income statement under other operating expenses over the lease term.

The Group as the lessor

Leases in which the Group is the lessor are all categorised as operating leases and the assets concerned are included in the Group's property, plant and equipment. Lease payments received for operating leases are recognised on the income statement under other operating income over the lease term.

m) Inventories

Inventories mainly consist of fuels and spare parts used in the production process. Inventories are stated at the lower of acquisition cost and net realisable value. Acquisition cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events to a third party, provided that it is probable that the obligation will be realised and the amount can be reliably estimated.

Electricity network connection fees, which have been paid by the customers before 2008, must be refunded net of demolition costs, if the customer wants to terminate the electricity connection. Similar refunding obligation applies to all district heating connection fees. A provision has been made for future refunds by calculating a net present value of estimated future refunds.

2.4 Summary of significant accounting policies (continued)

o) Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

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

2.4 Summary of significant accounting policies (continued)

o) Taxes (continued)

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in the income statement.

p) Pension obligations

Pension arrangements are categorised as defined benefit or defined contribution plans.

Under defined contribution plans, the Group pays fixed pension contributions and has no legal or constructive obligation to make additional payments. This category includes the Finnish Statutory Employment Pension Scheme (TyEL). Payments relating to defined contribution pension plans are recognised in the income statement under personnel expenses for the period in which they are due.

For defined benefit plans, pension costs are assessed using the projected unit credit method. The cost of providing pensions is recorded on the income statement as to spread the service cost over the service lives of employees. The defined benefit obligation is calculated annually on the reporting date and is measured as the present value of the estimated future cash flows.

The company applies the new IAS 19 standard to calculations on defined benefit pension plans. Under the new standard, all actuarial gains and losses are recognised in the period in which they occur in total in other comprehensive income and the net defined benefit liability or asset is presented in full on the statement of financial position. The expected return on plan assets is calculated using the same discount rate as applied for the purpose of discounting the benefit obligation to its present value. Current and past service costs as well as net interest on net defined benefit liability is recorded in the income statement. Items arising from the remeasurement of the net defined benefit liability are recognised in other comprehensive income.

q) 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 financial year end 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.

i. 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:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the 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 income statement.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

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 method ("EIR") less accumulated impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in other operating expenses for receivables.

2.4 Summary of significant accounting policies (continued)

q) Financial instruments – initial recognition and subsequent measurement (continued)

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 derecognition 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 income statement in finance costs.

Derecognition of financial assets

Financial assets are derecognised when:

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

ii. 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 Summary of significant accounting policies (continued)

q) Financial instruments – initial recognition and subsequent measurement (continued)

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 EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. 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 income statement. 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 income statement.

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 income statement – is removed from other comprehensive income and recognised in the income statement. 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.

iii. 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, loans and borrowings, and derivative financial instruments.

2.4 Summary of significant accounting policies (continued)

q) Financial instruments – initial recognition and subsequent measurement (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the income statement.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR 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 EIR. The EIR amortisation is included as finance costs in the income statement

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 income statement.

iv. Fair value of financial instruments

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 17 and 21.

2.4 Summary of significant accounting policies (continued)

r) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. 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, the Group uses only cash flow hedges to hedge against interest rate risk.

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.

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 income statement.
Amounts recognised as other comprehensive income are transferred to the income statement 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 income statement. 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 other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.4 Summary of significant accounting policies (continued)

s) Treasury shares

Own equity instruments that are reacquired (treasury shares) by a subsidiary are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

3. Standards issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued but are not yet effective for the financial year beginning 1 January 2013:

IFRS 10 Consolidated financial statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This standard becomes effective for annual periods beginning on or after 1 January 2014.

The adoption of this standard is not expected to have an impact on the financial position or performance of the Group.

IFRS 11 Joint arrangements

IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. This standard becomes effective for annual periods beginning on or after 1 January 2014.

The adoption of this standard is not expected to have an impact on the financial position or performance of the Group.

IFRS 12 Disclosures of interests in other entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. This standard becomes effective for annual periods beginning on or after 1 January 2014.

The adoption of this standard is not expected to have an impact on the financial position or performance of the Group.

3. Standards issued but not yet effective (continued)

IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities:

The amendment is effective for annual periods beginning on or after 1 January 2014.These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This amendment has no impact on Group's financial position and performance.

IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39:

IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. These standard and subsequent amendments have not yet been endorsed by the EU. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27):

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. This amendment has no impact on Group's financial position and performance.

3. Standards issued but not yet effective (continued)

IFRS 14 Regulatory Deferral Accounts:

The standard is effective for annual periods beginning on or after 1 January 2016.The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. This new standard has no impact on Group's financial position and performance.

IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets:

This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. This amendment has no impact on Group's financial position and performance.

IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting:

This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. This amendment has no impact on Group's financial position and performance.

IFRIC Interpretation 21: Levies:

The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments other than income taxes, in its financial financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event(known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation has not yet been endorsed by the EU. This new interpretation has no impact on Group's financial position and performance.

3. Standards issued but not yet effective (continued)

Annual improvements:

The IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 Fair Value Measurement**: This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 Investment Properties**: This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

The Group is in the process of assessing the impact of the new Standards on its financial position and performance.

4. Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates are based on the management's best judgment 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, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

4.1 Testing goodwill for impairment

The Group tests goodwill annually for impairment.

The recoverable amounts of cash-generating units are based on estimated future cash flows. Preparation of these estimates requires management to make assumptions relating to future cash flows. The main variables in determining recoverable amounts are the discount rate and the assumptions and estimates used.

The Group has conducted a sensitivity analysis of the effects of the key assumptions underlying the impairment testing on the test results. (Note 14)

4.2 Deferred taxes

The Group has deferred tax assets and liabilities which are expected to be realised through the income statement 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 12)

4.3 Provisions

Electricity network connection fees, paid by customers prior to 2008, must be refunded, net of demolition costs, if the customer wants to terminate the electricity connection. Similar refunding obligation applies to all district heating connection fees. A provision for refundable connection fees for electricity and heating networks has been calculated by discounting estimated future annual connection fee refunds to their present value. The calculation is based on the management's estimate of the volume and timing of refundable connection fees. (Note 18).

4.4 Fair values of intangible assets and property, plant and equipment acquired in a business combination

In a business combination, the acquired intangible and tangible assets are measured at fair value and their remaining useful lives are determined. The determination of fair values is based on calculation models that, according to the view of the management, accurately represent the value of the assets. The actual values and useful lives differing from the estimates used may have an impact on the reported amounts. (Notes 5/6)

5. Business combinations under common control

As part of restructuring of Lakeside Network Investments S.à r.l. (the ultimate parent or "LNI"), on November 2013 the Company was established as an intermediary holding company. On 22 November 2013, Lakeside Network Investment Holding BV ("Lakeside BV") (a wholly owned subsidiary of LNI) has transferred all shares of Elenia Oy to the Company in consideration for the issuance of the Company's shares.

The objective of this restructuring was to facilitate the restructuring /refinancing of the Elenia Oy's existing debts and to bring efficiency in the whole structure. Thus, the establishment of the Company and transfer of Elenia Oy's share are considered as an extension of the existing LNI group. As this transaction involved the combination of businesses under common control, the pooling of interests method of accounting has been applied in the presentation of these consolidated financial statements for the year ended 31 December 2013 and 31 December 2012, which present the results of the Group as if Elenia Holdings S.à r.l. had always been the parent company of the Group.

6. Business combinations and acquisition of non-controlling interests

Acquisitions in 2012:

i) Purchase of Finnish electricity distribution and district heat business operations from Vattenfall AB

In 2012, LNI established a wholly owned subsidiary, Lakeside BV, which in turn acquired all the shares in Elenia Oy. Elenia Oy (formerly LNI Acquisition Oy) purchased the Finnish electricity distribution and district heating business operations from the Swedish Vattenfall Ab through a share transaction on 10 January 2012.

The transaction transferred all shares in Vattenfall Oy engaging in service business (Elenia Asiakaspalvelu Oy) and in the distric heating business holding company,Vattenfall Lämpö Holding Oy.

The transaction included the subsidiary engaging in district heating business, Vattenfall Lämpö Oy (the current Elenia Lämpö Oy), Vattenfall Verkko Oy engaging in electricity distribution business (the current Elenia Verkko Oy) and the associates, Asikkalan Voima Oy, Oriveden Aluelämpö Oy and Saarijärven Kaukolämpö Oy.

Elenia Oy acquired these companies in order to begin business operation in Finland. The total revenue of the Group in 2013 was generated by the business operations in Finland like in 2012. There were no material acquisitions or divestments during the year except the incorporation of the Company as sole shareholder of Elenia Oy.

Notes to the consolidated financial statements (continued)

6. Business combinations and acquisition of non-controlling interests (continued)

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

All amounts in EUR 000	
Intangible assets	
Other intangibles	14.498
Customer related intangibles	88.200
Intangible assets	**102.698**
Net fixed assets	
Land and buildings	12.181
Network	1.000.628
Plant, machinery and equipment	95.995
Other fixed assets	21.302
Net fixed assets	**1.130.106**
Other assets	
Inventories	13.559
Trade receivables	18.813
Other receivables	116.412
Shareholdings and financial assets	8.381
Other assets	**157.165**
Cash and cash equivalents	59.776
Total assets	**1.449.745**
Non interest bearing liabilities	
Trade payables	17.148
Provisions	11.954
Deferred tax liabilities	236.226
Other liabilities	86.685
Non interest bearing liabilities	**352.013**
Interest bearing liabilities	
Short term liabilities	112.359
Interest bearing liabilities	**112.359**
Total liabilities	**464.372**
Net assets	**985.373**
Purchase consideration	**1.499.530**
Goodwill	**514.157**

Total acquisition price was EUR 1.500 million of which EUR 1.159 million was paid and net debt amounting EUR 340 million was acquired.

The deferred tax liability was on customer relationships, property, plant and equipment, intangible rights and the depreciation difference.

6. Business combinations and acquisition of non-controlling interests (continued)

Goodwill arose as the difference between the purchase price and identifiable assets acquired and liabilities undertaken at the time of acquisition. Goodwill was allocated to the Network and Heat segments. Goodwill was not tax deductible.

The fair value of current receivables in the statement of financial position was EUR 135,2 million. Current receivables include EUR 18,8 million in trade receivables. The fair value of other current receivables corresponds to the gross value.

The Group's entire revenue and profit before tax arose from this business combination and acquisitions. After the business combination and acquisitions took place on the 10 January 2012, the Group's revenue and profit before tax did not materially differ from the revenue and profit before tax presented in the financial statements.

Analysis of the cash flows from the business combination and acquisition MEUR

- Transaction costs from the business combination and acquisition	(22)
- Cash at banks and on hand in the companies	60
Total consideration paid	(1.500)
Cash flow from the business combination and acquisition	**(1.462)**

Transaction costs were included in other operating expenses in the income statement

ii) Acquisition of Asikkalan Voima Oy

Elenia Verkko Oy acquired a holding of 50% in Asikkalan Voima Oy from Lahti Energia. Asikkalan Voima Oy is an electricity distribution company in which Elenia Verkko and Lahti Energia each held 50% stakes.

After the acquisition, Asikkalan Voima Oy became a wholly-owned subsidiary of Elenia Verkko Oy. Elenia Oy already previously had the responsibility for the management of Asikkalan Voima's electricity network, the enterprise sale meant that the electricity distribution business of Asikkalan Voima Oy was overall integrated as part of the Group's electricity distribution operations.

The Group previously owned 50% of Asikkalan Voima Oy, thus, this transaction was a phased business combination. In the business combination, the previously owned equity share in Asikkalan Voima Oy was valued at a fair value of EUR 7.792 thousands.

This was taken into account as part of the acquisition cost in the calculation.

Notes to the consolidated financial statements (continued)

6. Business combinations and acquisition of non-controlling interests (continued)

The entire statement of financial position of the company (100%) is presented below at the time of this acquisition on 28 August 2012 when Elenia Verkko Oy aquired 50%. The purchase price paid was EUR 7.600 thousands, in addition to which the fair value of the previous holding, EUR 7.793 thousands, was taken into account in the calculation below.

All amounts in EUR 000	
Intangible assets	
Other intangibles	1.555
Intangible assets	**1.555**
Land and buildings	8
Network assets	16.559
Machinery and equipments	1
Other fixed assets (construction in progress)	536
Net fixed assets	**17.104**
Inventories	9
Trade receivables	312
Other receivables	391
Other assets	**712**
Cash and cash equivalents	**306**
Total assets	**19.677**
Trade payables	317
Deferred tax liabilities	2.909
Other liabilities	187
Non interest bearing liabilities	**3.413**
Long term liabilities	2.320
Interest bearing liabilities	**2.320**
Total liabilities	**5.733**
Net assets	**13.944**
Purchase consideration	**15.393**
Goodwill	**1.449**

6. Business combinations and acquisition of non-controlling interests (continued)

The deferred tax liability was on property, plant and equipment, intangible rights and the depreciation difference.

Goodwill arose as the difference between the purchase price and identifiable assets acquired and liabilities undertaken at the time of acquisition.

The fair value of current receivables in the statement of financial position was EUR 703 thousands. Current receivables include trade receivables whose gross value was EUR 312 thousands. The fair value of the current receivables also corresponds to the gross value.

The company's revenue for the entire reporting period amounted to EUR 3.948 thousands and profit to EUR 786 thousands. After the acquisition, EUR 1.452 thousands of this was included in revenue in the consolidated financial statements and EUR 439 thousands was included in profit.

Asikkalan Voima Oy:

Analysis of the cash flows from the business combination	
Transaction costs from the business combination	(122)
Cash at banks and on hand in the companies	306
Total consideration paid	(7.600)
Cash flow from the business combination	**(7.416)**

Transaction costs were included in other operating expenses in the income statement.

Notes to the consolidated financial statements (continued)

7. Other operating income and expenses

Other operating income	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
All amounts in EUR 000		
Gains from the sales of emission allowances	-	1.390
Rental income	535	493
Insurance indemnities	-	3.142
Capital gains on property, plant and equipment and intangible assets	115	168
Subsidy for bio-based electricity production	487	800
Others	1.982	1.919
Total	**3.119**	**7.912**

Other operating expenses	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
All amounts in EUR 000		
Lease expenses	3.113	3.627
External services	3.553	6.646
IT and communication expenses	5.542	6.623
Research and development costs	1.210	573
Non-recurring costs related to business combinations and acquisitions	-	27.247
Other non-recurring costs	377	2.410
Other expenses	11.025	6.679
Total	**24.820**	**53.805**

7. Other operating income and expenses (continued)

Other operating expenses include non-recurring costs in the amount of EUR 377 thousands (2012: EUR 27.247 thousands of non-recurring costs related to the acquisitions and EUR 2.410 thousands of other non-recurring costs). In addition to non-recurring costs, other expenses include lease and other real estate related costs and purchase of services.

IT and communication costs comprise of both internal operating IT costs and purchased IT services from Vattenfall.

Research and development costs mainly include costs of research projects that do not meet the criteria for capitalisation.

8. Employee benefits expense

All amounts in EUR 000	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
Salaries and remuneration	16.452	15.126
Pensions		
Defined contribution plans	3.134	3.213
Defined benefit plans	(32)	30
Social security costs	699	1.185
Total	**20.253**	**19.554**

The total remuneration paid by the Group to its employees consists of salaries, fringe benefits and short-term performance bonus schemes.

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

In EUR 000	2013	2012
Salaries and remuneration paid to CEOs	419	504
Pension expenses related to salaries	99	116

Notes to the consolidated financial statements (continued)

9. Depreciation, amortisation and impairment

	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
All amounts in EUR 000		
Depreciation and amortisation on property, plant and equipment	66.015	63.855
Depreciation and amortisation on intangible assets	5.040	10.395
Total	**71.055**	**74.250**

10. Investment in an associate

	31 December 2013	31 December 2012
All amounts in EUR 000		
Acquisition cost at 1 January	407	-
Business combination	-	7.972
Share of profit for the year	45	266
Decrease	-	(7.791)
Dividends received	(45)	(40)
At 31 December	**407**	**407**

The Group's share of the profit of associates and joint ventures for 2013 was EUR 45 thousands (2012: EUR 266 thousand).

<u>Associates</u>

31 December 2013

All amounts in EUR 000	Segment	Holding %	Assets	Liabilities	Revenue	Profit/(Loss)
Oriveden Aluelämpö Oy	Heat	**50**	**4.066**	**3.757**	**1.824**	**90**

Notes to the consolidated financial statements (continued)

10. Investment in an associate (continued)

31 December 2012

All amounts in EUR 000	Segment	Holding %	Assets	Liabilities	Revenue	Profit/(Loss)
Oriveden Aluelämpö Oy	Heat	**50**	**4.212**	**3.903**	**1.677**	**91**

11. Finance income and costs

All amounts in EUR 000	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
Interest expenses		
Loans	(31.903)	(37.943)
Bonds	(798)	-
Other long-term loans	(62.523)	(61.368)
Other interest expenses	(1.359)	(1.594)
Total interest	**(96.583)**	**(100.905)**
Other finance costs	(32.067)	(3.282)
Interest rate hedges not qualified for hedge accounting, changes in fair value (Note 20)	-	(1.059)
Ineffective portion of cash flow hedging	(604)	-
Exchange rate differences		
Loans and receivables	(13)	(10)
Total	**(129.267)**	**(105.256)**
Interest income		
Other interest income	349	831
Dividend income	-	1
Total	**349**	**832**
Finance costs (net)	**(128.918)**	**(104.424)**

Finance income and costs

Interest expenses mainly include interest expenses on interest-bearing loans and interest rate swaps. Other interest expenses mainly consist of interest on finance leases of EUR 1,3 million (2012: EUR 1,4 million).

Other finance costs include EUR 13.6 million of swap breakage costs and EUR 16.6 million of transaction and financing costs related to refinancing of loans.

Notes to the consolidated financial statements (continued)

12. Income tax

All amounts in EUR 000	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
Tax for the year	(169)	(20.741)
Adjustments to taxes for previous periods	-	(657)
Deferred taxes	50.925	28.095
Income tax in the income statement	**50.756**	**6.697**

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

	From 1 January 2013 to 31 December 2013	From 1 January 2012 to 31 December 2012
Accounting loss before tax	**(59.164)**	**(50.894)**
Theoretical income tax using the average applicable tax rate	14.487	12.469
- tax-free income items	-	1.125
- expenses that are non-deductible in taxation	293	(6.306)
- share of the profits of associates	11	65
- adjustment of taxes based on previous periods	-	(655)
- unrecognized deferred tax assets from taxation losses	(3)	-
- effect of change in potential tax rate	35.968	-
Loss for the year	**(8.408)**	**(44.196)**

Accounting loss before tax is mainly derived from Elenia Oy, therefore, domestic rate of 24,5% has been used for determining theoretical income tax.

Notes to the consolidated financial statements (continued)

12. Income tax (continued)

Change in deferred tax receivables and liabilities in 2013

All amounts in EUR 000	As at 31 December 2012	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	As at 31 December 2013
Deferred tax receivables					
Interest-bearing liabilities	8.563	-	-	(6.653)	1.910
Deferred tax receivable for the loss for the period	30.376	-	6.106	-	36.482
Defined benefit plans	180	-	(12)	(4)	164
Finance leases	1.054	-	(137)	-	917
Total	**40.173**	**-**	**5.957**	**(6.657)**	**39.473**
Offset by deferred tax liabilities	(34.381)				(38.392)
	5.792	-	-	-	**1.081**

	As at 31 December 2012	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	As at 31 December 2013
Deferred tax liabilities					
Interest-bearing liabilities	4.004	-	(1.006)	-	2.998
Depreciation differences	96.085	-	(12.728)	-	83.357
Measurement of assets at fair value in acquisition	144.281	-	(31.234)	-	113.047
Available-for-sale financial assets	288	-	-	(66)	222
Total	**244.658**	**-**	**(44.968)**	**(66)**	**199.624**
Offset by deferred tax receivables	(34.381)	-	-	-	(38.392)
	210.277	-	-	-	**161.233**

Notes to the consolidated financial statements (continued)

12. Income tax (continued)

Change in deferred tax receivables and liabilities in 2012

All amounts in EUR 000	As at 31 December 2011	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	As at 31 December 2012
Deferred tax receivables					
Interest-bearing liabilities	-	-	-	8.563	8.563
Deferred tax receivable for the loss for the period	-	-	30.377	-	30.376
Defined benefit plans	-	66	(17)	131	180
Finance leases	-	957	97	-	1.054
Total	**-**	**1.023**	**30.456**	**8.694**	**40.173**
Offset by deferred tax liabilities					(34.381)
	-	-	-	-	**5.792**

	As at 31 December 2011	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	As at 31 December 2012
Deferred tax liabilities					
Interest-bearing liabilities	-	-	4.004	-	4.004
Depreciation differences	-	91.538	4.547	-	96.085
Measurement of assets at fair value in acquisition	-	150.502	(6.221)	-	144.281
Available-for-sale financial assets	-	-	-	288	288
Total	**-**	**242.040**	**2.330**	**288**	**244.658**
Offset by deferred tax receivables		-	-	-	(34.381)
	-	-	-	-	**210.277**

The Group has recorded a deferred tax asset on the confirmed losses for 2011-2013 for Elenia Oy.
The losses carried forward are available for ten years. The losses will be offset against future profits.

Notes to the consolidated financial statements (continued)

13. Property, plant and equipment

Tangible assets (All amounts in EUR 000)

	Land and water areas	Buildings	Networks	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost at 1 January 2013	2.189	18.707	1.504.923	271.344	715	19.095	1.816.973
Business combinations and acquisition of non-controlling interests	-	-	-	-	-	-	-
Additions	67	102	71.603	3.778	43	14.244	89.837
Transfers	-	-	-	(341)	-	-	(341)
Disposals	-	(418)	51.251	(51.193)	193	(5.429)	(5.596)
Cost at 31 December 2013	2.256	18.391	1.627.777	223.588	951	27.910	1.900.873
Accumulated depreciation, amortisation and impairment at 1 January 2013	-	(9.354)	(514.525)	(144.815)	(525)	-	(669.219)
Business combinations and acquisition of non-controlling interests	-	-	-	-	-	-	-
Depreciation and amortisation for the year	-	(571)	(54.701)	(10.704)	(39)	-	(66.015)
Transfers	-	(186)	(35.162)	35.145	294	-	91
Accumulated depreciation and amortisation on disposals	-	-	-	330	-	-	330
Accumulated depreciation, amortisation and impairment at 31 December 2013	-	(10.111)	(604.388)	(120.044)	(270)	-	(734.813)
Book value at 31 December 2012	**2.189**	**9.352**	**990.398**	**126.529**	**190**	**19.095**	**1.147.754**
Book value at 31 December 2013	**2.256**	**8.280**	**1.023.389**	**103.544**	**681**	**27.910**	**1.166.060**

Notes to the consolidated financial statements (continued)

13. Property, plant and equipment (continued)

Tangible assets (All amounts in EUR 000)

	Land and water areas	Buildings	Networks	Machinery and equipment	Other tangible assets	Prepayments	Total
Cost at 1 January 2012	-	-	-	-	-	-	-
Business combinations and acquisition of non-controlling interests	2.112	19.224	1.437.461	267.411	715	20.291	1.747.214
Additions	77	-	67.462	727	-	66.086	134.352
Transfers	-	-	-	4.193	-	(4.646)	(453)
Disposals	-	(517)	-	(987)	-	(62.636)	(64.140)
Cost at 31 December 2012	2.189	18.707	1.504.923	271.344	715	19.095	1.816.973
Accumulated depreciation, amortisation and impairment at 1 January 2012	-	-	-	-	-	-	-
Business combinations and acquisition of non-controlling interests	-	(8.944)	(462.703)	(133.782)	(488)	-	(605.917)
Depreciation and amortisation for the year	-	(642)	(51.822)	(11.354)	(37)		(63.855)
Transfers		-	-	321	-	-	321
Accumulated depreciation and amortisation on disposals		232	-	-	-	-	232
Accumulated depreciation, amortisation and impairment at 31 December 2012	-	(9.354)	(514.525)	(144.815)	(525)	-	(669.219)
Book value at 31 December 2012	**2.189**	**9.353**	**990.398**	**126.529**	**190**	**19.095**	**1.147.754**

The property, plant and equipment item machinery and equipment includes EUR 30.093 thousands (2012: 34.036 thousands) of assets acquired through finance leases.

In 2013 Group companies did not receive any investments grants.

In 2012 Elenia Lämpö Oy has received an investments grant of EUR 415 thousands.

The grant has been recorded as deduction of costs in machinery and equipment.

Notes to the consolidated financial statements (continued)

14. Intangible assets

(All amounts in EUR 000)

	Goodwill	Intangible rights	Other long-term expenditure	Other intangible assets	Total
Acquisition cost at 1 January 2013	515.606	52.105	15.287	88.200	671.198
Business combinations and acquisition of non-controlling interests	-	-	-	-	-
Increase	-	873	4.526	-	5.399
Decrease	-	-	-	-	-
Transfers		(181)	60	-	(121)
Acquisition cost at 31 December 2013	515.606	52.797	19.873	88.200	676.476
Accumulated depreciation, amortisation and impairment at 1 January 2013	-	(42.928)	(13.928)	(3.528)	(60.384)
Business combinations and acquisition of non-controlling interests	-	-	-	-	-
Depreciation and amortisation for the year	-	(489)	(1.023)	(3.528)	(5.040)
Accumulated depreciation and amortisation on transfers	-	(17)	(74)	-	(91)
Accumulated depreciation, amortisation and impairment at 31 December 2013	-	(43.434)	(15.025)	(7.056)	(65.515)
Book value at 31 December 2012	**515.606**	**9.177**	**1.359**	**84.672**	**610.814**
Book value at 31 December 2013	**515.606**	**9.363**	**4.848**	**81.144**	**610.961**

Notes to the consolidated financial statements (continued)

14. Intangible assets

(All amounts in EUR 000)

	Goodwill	Intangible rights	Other long-term expenditure	Other intangible assets	Total
Acquisition cost at 1 January 2012	-	-	-	-	-
Business combinations and acquisition of non-controlling interests	515.606	51.528	14.776	88.200	670.110
Increase	-	577	613	-	1.190
Decrease	-	-	(102)	-	(102)
Acquisition cost at 31 December 2012	515.606	52.105	15.287	88.200	671.198
Accumulated depreciation, amortisation and impairment at 1 January 2012	-	-	-	-	-
Business combinations and acquisition of non-controlling interests	-	(38.200)	(11.808)	-	(50.008)
Depreciation and amortisation for the year	-	(4.728)	(2.139)	(3.528)	(10.395)
Accumulated depreciation and amortisation on decrease	-	-	19	-	19
Accumulated depreciation, amortisation and impairment at 31 December 2012	-	(42.928)	(13.928)	(3.528)	(60.384)
Book value at 31 December 2012	**515.606**	**9.177**	**1.359**	**84.672**	**610.814**

Other intangible assets mainly consist of customer relationships capitalised in connection with the business combination and acquisition.
As a result of acquisitions in 2012 a goodwill of EUR 515.606 thousands was created. Goodwill is based on the assessment of organizational competence and knowhow which is expected to benefit business operations in coming years.

14. Intangible assets (continued)

Impairment testing of goodwill

Goodwill has been allocated to cash generating units which are Network and Heat business segments.
The goodwill allocated to Network is EUR 418 million and Heat EUR 98 million.
Projected cash flows have been assessed based on long-term operational plans which have been approved by the senior management and the Board of Directors of the Group entities.
Cash flows have been discounted in order to determine the value in use.
The discount factor applied reflects the different risk profiles of the businesses

Network segment

Due to the regulated and stable nature of the electricity distribution business, the basis for cash flow projections has been long-term business plan for the period 2014-2027.
Long term capital expenditure plans have been prepared in order to meet the security of supply requirements by 2028 as published by the Ministry of Employment and Economy.
A growth rate of 1 % has been incorporated in the cash flow projections for the whole period and beyond.
The discount rate applied for Network segment is 4.12% which is derived from the regulatory WACC calculation.

Heat segment

Cash flow projections for 25 year are based on the 5 year business plan which has been approved by the Board of Directors of the Group entities. Due to the stable nature of the district heating business, long term projections are appropriate.
Applied discount rate is 4.3% which is based on the prevailing return and risk assumptions in the business.
Growth rate for district heating is expected to modestly increase until 2020, and thereafter the volumes are gradually expected to decrease.
Revenue of the business is expected to grow by 2 to 3 % annually for the next 25 years and thereafter a growth of 0.5% p.a. has been applied.
The fluctuation of fuel prices is estimated to be modest as the business has several optional fuels available.
Capital expenditure plans are based on maintaining the existing power plants and district heating network.

Sensitivity analysis

With regard to the assessment of the value in use in both segments, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

15. Inventories

	31 December 2013	31 December 2012
All amounts in EUR 000		
Oil	3.856	3.159
Bio fuels	12.089	11.202
Other inventories	573	593
Total	**16.518**	**14.954**

During 2013, EUR 16.200 thousands (2012: EUR 13.420 thousands) was recognized as an expense for inventories carried at net realizable value. This is recognized in operating expenses.

In 2013 there was a write-off of 60 thousands (2012: 0) in fuel inventory values.

16. Trade and other receivables

	31 December 2013	31 December 2012
All amounts in EUR 000		
Trade receivables	23.086	23.962
Other current receivables	51.081	56.889
Other current interest-bearing receivables	-	13
Total trade and other receivables	**74.167**	**80.864**

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

Breakdown of trade receivables by age	31 December 2013	31 December 2012
Not fallen due	15.462	12.881
Due for 1–90 days	5.372	8.369
Due for 91-180 days	727	489
Due for more than 181 days	2.900	3.491
Total	**24.461**	**25.230**
Uncertain receivables	(1.375)	(1.268)
	23.086	**23.962**

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.

Breakdown of other current receivables	31 December 2013	31 December 2012
Sales accruals	36.770	47.341
Accrued financial expenses (Prepayments)	4.969	5.865
Other accrued income and receivables	9.342	3.696
	51.081	**56.902**

17. Carrying amounts of financial assets and liabilities by category

Values at 31 December 2013

Balance sheet item, All amounts in EUR 000	Notes	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Book value of balance sheet items	Fair value
Non-current financial assets							
Non-current non-interest-bearing receivables		-	-	-	-	-	-
Non-current interest-bearing receivables		-	-	-	-	-	-
Current financial assets							
Trade receivables & other non-in-bearing receivables	16	23.086	-	-	-	23.086	23.086
- Derivatives		-	-	-	-	-	-
Interest-bearing receivables		-	-	-	-	-	-
Available-for-sale financial investments	21	-	1.502	-	-	1.502	1.502
Financial assets at fair value through profit or loss		-	-	-	-	-	-
Cash and cash equivalents		63.088	-	-	-	63.088	63.088
Book value by measurement category		**86.174**	**1.502**	**-**	**-**	**87.676**	**87.676**
Non-current financial liabilities							
Bonds	27	-	-	645.278	-	645.278	645.278
Loans from financial institutions	27	-	-	389.098	-	389.098	389.098
Other long-term loans	27	-	-	638.728	-	638.728	638.728
Interest-bearing non-current liabilities							
- Derivative liabilities		-	-	-	10.153	10.153	10.153
- Finance leases	24	-	-	26.919	-	26.919	26.919
Total interest-bearing non-current liabilities		**-**	**-**	**1.700.023**	**10.153**	**1.710.176**	**1.710.176**
Non-interest-bearing non-current liabilities		-	-	-	-	-	-
Total non-interest-bearing non-current liabilities		**-**	**-**	**-**	**-**	**-**	**-**
Current financial liabilities							
Other current interest-bearing liabilities	19	-	-	4.208	-	4.208	4.208
Trade payables	19	-	-	14.730	-	14.730	14.730
Book value by measurement category		**-**	**-**	**1.718.961**	**10.153**	**1.729.114**	**1.729.114**

Notes to the consolidated financial statements (continued)

17. Carrying amounts of financial assets and liabilities by category (continued)

Values at 31 December 2012

Balance sheet item, All amounts in EUR 000	Notes	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Book value of balance sheet items	Fair value
Non-current financial assets							
Non-current non-interest-bearing receivables		-	-	-	-	-	-
Non-current interest-bearing receivables	24	16.298	-	-	-	16.298	16.298
Current financial assets							
Trade receivables and other non-interest-bearing receivables	16	23.962	-	-	-	23.962	23.962
- Derivatives		-	-	-	-	-	-
Interest-bearing receivables	16	13	-	-	-	13	13
Available-for-sale financial investments	21	-	1.566	-	-	1.566	1.566
Cash and cash equivalents		26.564	-	-	-	26.564	26.564
Book value by measurement category		**66.837**	**1.566**	**-**	**-**	**68.403**	**68.403**
Non-current financial liabilities							
Loans from financial institutions	27	-	-	590.775	-	590.775	590.775
Other long-term loans	27	-	-	947.701	-	947.701	947.701
Interest-bearing non-current liabilities		-	-	-	-	-	-
- Derivatives		-	-	-	34.949	34.949	34.949
- Finance leases	24	-	-	30.888	-	30.888	30.888
Total interest-bearing non-current liabilities		**-**	**-**	**1.569.364**	**34.949**	**1.604.313**	**1.604.313**
Non-interest-bearing non-current liabilities		-	-	-	-	-	-
Total non-interest-bearing non-current liabilities		**-**	**-**	**-**	**-**	**-**	**-**
Current financial liabilities							
Other current interest-bearing liabilities	19	-	-	4.150	-	4.150	4.150
Trade payables	19	-	-	16.223	-	16.223	16.223
Total other non-interest-bearing liabilities		**-**	**-**	**20.373**	**-**	**20.373**	**20.373**
Book value by measurement category		**-**	**-**	**1.589.737**	**34.949**	**1.624.686**	**1.624.686**

17. Carrying amounts of financial assets and liabilities by category (continued)

Financial assets

Available-for-sale financial assets are investments in the shares of joint ventures in limited partnerships. The companies own unlisted funds at EUR 1,5 million (2012: EUR 1,6 million). These investments are measured at fair value based on assessments received from external fund managers on 31 December 2013.

Cash at banks and on hand

The Group had short-term bank deposits amounting to EUR 63.1 million (2012: EUR 26,6 million). All bank deposits were denominated in Euro.

Financial liabilities

Interest-bearing liabilities grew by EUR 130,7 million (2012: 1.569,4 million) during the year, and interest-bearing liabilities at the end of the year totaled EUR 1.7 billion (2012: 1.6 billion).

18. Provisions

All amounts in EUR 000

	Provisions due to Disputes	Environmental provisions	Provision for refunds of connection fees	Total
Provisions at 1 January 2013	50	-	11.631	11.681
Business combinations and acquisition of non-controlling interests	-	-	-	-
Increase	-	-	1.253	1.253
Cancellations of provisions	-	-	-	-
Use of provisions	(50)	-	(527)	(577)
Provisions at 31 December 2013	**-**	**-**	**12.357**	**12.357**

The provision made for the refunds of electricity and heat connection fees is calculated by discounting the cash flows from estimated refunds to their current value.

Notes to the consolidated financial statements (continued)

19. Trade and other payables

All amounts in EUR 000	31 December 2013	31 December 2012
Short term financial lease liability	4.208	4.150
Trade payables	14.730	16.223
Other current liabilities		
Employee benefits expense	5.287	3.925
Interest expenses	7.532	63.667
Other accrued expenses	42.993	41.892
VAT liability	9.645	9.764
Energy taxes	5.119	5.418
Tax liability for the year	112	1.204
Prepayments received	-	8
Other liabilities	19.201	829
Total	**108.827**	**147.080**

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

Other accrued expenses comprise of deferred material and service purchases as well as deferred financing items.

20. Changes in the fair value of derivatives in the income statement

All amounts in EUR 000	2013	2012
Included in finance costs		
Changes in the fair value of derivatives not designated as hedges		
Interest rate swaps	-	(1.059)
Overall effect on finance costs	**-**	**(1.059)**
Overall effect on profit before tax	**-**	**(1.059)**

Changes in the fair value of interest rate swaps not designated as hedges are included in financial items. The change in fair values in 2013 was nil (2012: (1.059)).

21. Fair value of financial assets and liabilities

Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of financial instruments:
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

As at 31 December 2013, the Group held the following financial instruments:

FINANCIAL ASSETS	**Level 1**		**Level 2**		**Level 3**		**Total**	
All amounts in EUR 000	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Financial instruments, current assets								
Available-for-sale financial investments	-	-	-	-	1.502	1.566	1.502	1.566
Total	**-**	**-**	**-**	**-**	**1.502**	**1.566**	**1.502**	**1.566**

FINANCIAL LIABILITIES	**Level 1**		**Level 2**		**Level 3**		**Total**	
All amounts in EUR 000	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Financial instruments, current liabilities								
Bonds	(645.278)	-	-	-	-	-	(645.278)	-
Loans from financial institutions	-	-	(389.098)	(947.701)	-	-	(389.098)	(947.701)
Other long-term loans	-	-	(638.728)	(590.775)	-	-	(638.728)	(590.775)
Derivative instruments								
Interest rate swaps								
Hedge accounting is applied	-	-	(10.153)	(34.949)	-	-	(10.153)	(34.949)
Hedge accounting is not applied	-	-	-	-	-	-	-	-
Total	**(645.278)**	**-**	**(1.037.979)**	**(1.573.425)**	**-**	**-**	**(1.683.257)**	**(1.573.425)**

Notes to the consolidated financial statements (continued)

21. Fair value of financial assets and liabilities (continued)

During the reporting year ended 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

Reconciliation of fair value measurements of Level 3 financial instruments
The Group carries unquoted equity shares as available-for-sale financial instruments classified as Level 3 within the fair value hierarchy. The Group has had equity interests in three unlisted entities which it originally acquired when it purchased municipal electricity companies. As part of the purchase agreement, the Group invested in equity instruments of those entities whose aim is to develop local business activity. A reconciliation of the beginning and closing balances including movements is summarised below:

All amounts in EUR 000	Midinvest	Jokilaaksojen rahasto	Virtaa Hämeesen	Total
1 January 2013	1.379	187	-	1.566
Investment	-	-	-	-
Sales / Return of equity	-	-	-	-
Total gains and losses recognised in OCI	(78)	14	-	(64)
31 December 2013	**1.301**	**201**	**-**	**1.502**
1 January 2012	-	-	-	-
Investment	838	446	48	1.332
Sales / Return of equity	(625)	(268)	(48)	(941)
Total gains and losses recognised in OCI	1.166	9	-	1.175
31 December 2012	**1.379**	**187**	**-**	**1.566**

22. Pensions and other post-employment benefits

The plan is a final average pay pension plan concerning additional pensions.
The benefits are insured with an insurance company.
The benefits include both defined benefit (DB) and defined contribution (DC) parts as defined in IAS 19. In the below table, figures are presented for DB part of the plan:

Notes to the consolidated financial statements (continued)

22. Pensions and other post-employment benefits (continued)

Items recognized on the statement of financial position at 31 December	2013	2012
All amounts in EUR 000		
Current value of funded obligations	4.950	4.606
Fair value of assets	(4.132)	(3.872)
Deficit	818	734
Value of the obligation	**818**	**734**
The obligations of defined benefit pension plans have changed as follows:		
Obligation at the beginning of the year	4.606	3.451
Current service costs	48	30
Interest expenses	137	174
Actuarial losses	319	1.094
Benefits paid	(160)	(143)
Obligation at the end of the year	**4.950**	**4.606**
The fair value of the assets of defined benefit pension plans has changed as follows:		
Fair value of plan assets at the beginning of the year	3.872	3.181
Expected income from assets	116	159
Actuarial gains	176	560
Payments by the employer	128	115
Benefits paid	(160)	(143)
Fair value	**4.132**	**3.872**
Net obligation consists of the following items:		
Obligation at the beginning of the period	734	-
Acquisitions	-	270
Net cost recognized in the income statement	69	45
Payments by the employer	(128)	(115)
Gains and losses recognized in OCI	143	534
Obligation at year end	**818**	**734**

22. Pensions and other post-employment benefits (continued)

Items recognized in the income statement	**2013**	**2012**
Expenses based on service in the reporting year	48	30
Interest income	(116)	(159)
Interest expenses	137	174
Total	**69**	**45**

Items recognised in the statement of comprehensive income for the year.		
Actuarial gains on assets	(176)	(560)
Actuarial losses on obligations	319	1.094
	143	**534**

Sensitivity analysis of defined benefit pension plans

The following table shows how the discount rate affects to projected benefit obligation, related service cost and interest cost.

Values as at 31 December 2013

Assumptions	Change in assumption	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
All amounts in EUR 000						
Discount rate 3%	-	4.950	4.132	818	52	22
Discount rate 3.5%	+0,50%	4.620	3.888	731	47	22
Discount rate 2.5%	-0,50%	5.285	4.384	901	57	20

Expected contributions for 2014 are estimated to be EUR 185 thousands.

22. Pensions and other post-employment benefits (continued)

Values as at 31 December 2012

Rate of benefit increase	Change in assumption	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
All amounts in EUR 000						
Discount rate 3%	-	4.606	3.873	733	48	20
Discount rate 3.5%	+0,50%	4.285	3.677	608	50	19
Discount rate 2.5%	-0,50%	4.967	4.176	791	53	18

As the defined benefit plans are managed by an external insurance company, it is not possible to present a division on the fair values of the plan assets.
The weighted average duration of defined benefit obligation is 14-18 years.
The following table shows the maturity profile of the future benefit payments:

2013 EUR 1,000	
Under 1 year	177
1-10 years	2.208
10-20 years	2.365
20-30 years	1.791
Over 30 years	1.217
Total	7.758

Actuarial assumptions used in calculations:

	2013	2012
Discount rate	3%	3%
Estimate of salary increase	3%	2%
Inflation	2%	2%

22. Lease and rental receivables

The Group has leased out real estate, whose leases are classified as other leases. Real estates are included in "Property, plant and equipment".
Rental income was invoiced to a total value of EUR 517 thousands (2012: 493 thousand) during the year. All leases are open-ended.

23. Commitments and contingencies

Present value of financial lease payments	2013	2012
All amounts in EUR 000		
Financial lease liabilities		
Within one year	4.144	3.976
After one year but not more than five years	16.003	15.883
More than five years	14.517	18.711
Total	**34.664**	**38.570**
Future financial expenses	3.537	
Present value of minimum lease payments	**31.127**	
Present value of minimum lease payments matures:		
Within one year	4.208	
After one year but not more than five years	14.957	
More than five years	11.962	
	31.127	

Other commitments		
All amounts in EUR 000		
Registered floating charges:		
Provided on behalf of own and Group liabilities	13.500.000	7.500.000
Mortgages	27.000	26.000
	13.527.000	**7.526.000**
Rental liabilities:		
Operating leases:		
Within one year	207	117
After one year but not more than five years	468	163
	675	**280**

Operating lease agreements do not include any special renewal or purchase options.

Rental liabilities		
Within one year	919	901
After one year but not more than five years	2.280	1.826
More than five years	-	875
	3.199	**3.602**
Pledged bank account	-	**16.298**
Refundable connection fees	**314.765**	**312.504**

24. Equity

Share capital
The Company was incorporated on 13 November 2013 with a subscribed and fully paid-up capital of EUR 12.500, divided into 1.250.000 shares with a nominal value of EUR 0,01 each.

On 13 December 2013, the subscribed capital has been increased by an amount of EUR 1.500 by issuance of 150.000 shares with a nominal value of EUR 0.01 each to a new shareholder called Elenia Finance (SPPS) Sàrl, a Group entity. In the consolidation under IFRS of the Group these shares have been treated as treasury shares.

On 31 December 2013, the subscribed capital is divided into 1.400.000 shares fully paid-up with a nominal value of EUR 0,01 each. Each of these shares has the same voting rights and each shareholder has voting rights commensurate with his shareholding. Each share entitles to a fraction of the corporate assets and profits of the Company in direct proportion to the number of shares in existence.

On 17 December 2013, the Company issued subordinated profit participating securities (SPPS) to its shareholder Elenia Finance (SPPS) S.à r.l., which is also part of the Group.

These SPPSs have been used by the Company to increase its equity in Elenia Oy, which are eliminated as part of the consolidation.

As at 31 December 2013, the Group's share capital is amounting to EUR 14 thousands.

Available for sale reserve
The reserve include the gain and losses on available for sale instruments.

Cash flow hedge reserve
The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve.

Legal reserve
In accordance with Luxembourg law, the Company is required to allocate to a legal reserve a minimum of 5% of the annual net income, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

Notes to the consolidated financial statements (continued)

25. Related party disclosures

Shareholders
The Company's parent company is Lakeside Network Investment Holding BV, a limited liability company incorporated under the law of the Netherlands, with statutory seat in Amsterdam.

The Company's ultimate parents are 3i Networks Finland L.P. a limited partnership company duly incorporated under the law of the United Kingdom (16 palace Street, gb – SW1E 5JD London), GS International Infrastructure Partners II, L.P. and GS Global Infrastructure Partners II, L.P.two limited partnership companies duly incorporated under the law of the state of Delaware (USA) (1209, Orange street, Wilmington) and Ilmarien Mutual Pension Insurance Company a mutual insurance company duly incorporated under the law of Finland (1, Porkkalankatu, FIN – 00180 Helsinki).

Subsidiaries and associates
The Company owns all shares in Elenia Oy. Elenia Oy owns shares in Elenia Finance Oyi and Elenia Lämpö Oy. Elenia Finance Oyi owns all of the shares in Elenia Finance (SPPS) S.à r.l. in Luxembourg. Elenia Lämpö Oy has an associate, Oriveden Aluelämpö; it holds 50% of its shares.

Top Management
The Group is managed by its Board of Managers. The Group's top management includes the Board of Managers and the Board of Directors of Elenia Oy. The Group has not had any business transactions with persons included in its top management and the Group has not granted loans to these persons. Please also refer to Note 8 for the compensation to the CEOs of the Group.

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.

As at 31 December 2013, other long-term loans with an aggregate carrying value of EUR 638.7 million are due to the Company's ultimate parents through intermediary holding entities.

Transaction and outstanding items with associated company Oriveden Lämpö Oy are not material.

26. Events after the reporting period

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

Notes to the consolidated financial statements (continued)

27. Financial risk management

The management of financial risks is based on the following principles.
The Group's treasury unit under the finance department is responsible for financial risk management.

The Group's existing loan arrangements include:

Currency risk
The Group operates in Finland and uses Euro as its primary operating currency. The Group's currency risk is based on purchases of raw materials and services denominated in currencies other than the Euro. The purchases of raw materials and services denominated in currencies other than the Euro have a negative effect on the Group'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 focused on Finland, the currency risk related to purchasing is limited.

As the Group expands its operations, it is probable that currency risk management related to purchasing will become more extensive. The Group has guidelines for the management of currency risk as part of the purchasing policy for network operations approved by the Executive Board. According to the guidelines, currency risks that have an impact on the income statement 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 and finance costs include EUR 13 thousand exchange rate differences. At the end of 2013 the currency risk comprises of trade payables which amounted to SEK 2,5 million and whose counter value was EUR 0,3 million.

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.

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES

31 December 2013

EUR 1 000	Facility amount	In use	Available amount	Maturity
Capex facility	250.000	-	250.000	1-5 years
Working Capital facility	55.000	-	55.000	1-5 years
Liquidity facility	50.000	-	50.000	1-5 years
Cash and cash equivalents			63.078	
Total	**355.000**	-	**418.078**	

27. Financial risk management (continued)

Refinancing risk

In December 2013 the Group refinanced its loans. The Group repaid the old bank loan amounting to EUR 959.7 million and borrowed a new EUR 395 million loan from international banks. The Group also has other long-term loans totaling EUR 638.7 million, which are subordinated to the aforementioned bank loan. In December 2013 Elenia Oy's subsidiary Elenia Finance Oyj issued a EUR 500 million bond, which matures in 2020, and EUR 150 million bond, which matures in 2030. Elenia Finance Oyj used the proceeds of the Bonds to make an equity investment in Elenia Finance (SPPS) S.a.r.l., its wholly owned subsidiary. Elenia Finance (SPPS) then used part of those proceeds to acquire, for nominal value, 10% of the equity in the Company and lended the remaining amount of the proceeds to the Company through a subordinated profit-participating security (the SPPS). The Company used the amounts under the SPPS to subscribe for additional equity in Elenia Oy. Both bonds are listed on London Stock Exchange. Elenia Oy and Elenia Heat Oy have given EUR 650 million joint guarantees related to the loans from financial institutions and the Bond issues. The Group's financial structure has financial covenants relating to interest cover and leverage. The covenants are typical in such arrangements. The Group's Treasury unit monitors the financial markets in order to carry out loan refinancing at an appropriate time, ahead of the due date of the current loans.

27. Financial risk management (continued)

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

31 December 2013

All amounts in EUR 000	Effective interest rate %	31 December 2013	Maturity Under 1 year	1-5 years	Over 5 years
Loans from financial institutions	2.31%	395	-	395	-
Bonds	2.88%	500	-	-	500
Bonds	4.10%	150	-	-	150
Other long-term loans	10.50%	638.728	-	-	638.728
Fair value of swaps		10.152	-	10.152	-
Financial lease liabilities		34.664	4.144	16.003	14.517
Trade payables		14.731	14.731	-	-
Total		**1.743.275**	**18.875**	**421.155**	**1.303.245**

31 December 2012

All amounts in EUR 000	Effective interest rate %	31 December 2012	Maturity Under 1 year	1-5 years	Over 5 years
Loans from financial institutions	3,14%	900.000	-	900.000	-
Loans from financial institutions	1-mo Euribor + 2 %	59.747	-	59.747	-
Other long term loans	10.50%	590.775	-	-	590.775
Fair value of swaps		34.949	-	34.949	-
Financial lease liabilities		38.570	3.976	15.883	18.711
Trade payables		16.223	16.223	-	-
Total		**1.640.264**	**20.199**	**1.010.579**	**609.486**

27. Financial risk management (continued)

Interest rate risk

Elenia Oy is exposed to interet 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 entering into interest rate swaps and by withdrawing loans with fixed interest. Under its financing agreement, the minimum of 85% of the debt must be fixed rate or converted into fixed rate loans by using interest rate swaps until the end of current regulatory period. At the balance sheet date all loans were either fixed rate loans or converted into fixed rate loans by using interest rate swaps.

At the balance sheet date the Group had interest rate swaps with notional amount of EUR 420,0 million and fair value of EUR -10,2 million. All interest rate swaps were designated as cash flow hedges, hedging the interest rate risk of floating rate loans. All derivative instruments mature on 10 January 2017. The effective portion of the changes in the fair value of the derivative financial instruments that are designated as and qualify for cash flow hedges are recognized in equity/other comprehensive income. Gains or losses relating to the ineffective portion are recognized under finance income or costs in income statement.

A parallel shift of +/- 0,5 percentage points in the interest rate curve at the balance sheet date would have EUR +/- 5,8 million effect on equity and EUR +/- 0,3 million effect to finance costs in the Income statement.

A parallel shift in the interest rate curve would not have an effect on fixed interest rate loans or on floating rate bank loans as the loans have been converted to fixed interest rate loans by using interest rate swaps.

Credit and counterparty risk

Due to the electricity distribution companies having regional monopolies based on electricity system licences, customers do not have the option of choosing which distribution company's network they connect to. As a result, the local distribution company always provides electricity distribution services, with the exception of electricity generation customers who, pursuant to the Finnish Electricity Market Act, have the right to choose which electricity distribution company's network to connect to. Invoicing for electricity distribution services is based on measured consumption and the distribution tariffs specified in the public electricity network price list.

The invoicing period may be one month, two months or four months. In the event that a customer fails to pay the invoice, the electricity distribution company has the right to discontinue the supply of electricity after sending the required collection letters. In district heating business operations, the credit risk is based on the difference between the invoicing period and the heating supplied. Credit risk is mitigated by monthly invoicing. Accepted financial counterparties are counterparties approved in existing loan agreements and other counterparties separately approved by the Board of Directors of the Group entities.

27. Financial risk management (continued)

Trade receivables

The Group's trade receivables at the end of 2012 were EUR 23,1 million. No collateral security was received for trade receivables.

Breakdown of trade receivable by age	31 December 2013
Not fallen due	15.462
Due for 1-90 days	5.372
Due for 91-180 days	726
Due for more than 181 days	2.900
Total	**24.461**
Uncertain receivables	(1.375)
	23.086

Volume and price risks

Electricity distribution operations do not involve particular volume or price risks due to being subject to a licence. In district heating operations, fluctuations in average and monthly temperatures give rise to volume risks. However, the maximum annual range is only approximately 10%. During periods of low volume the Group's heating generation costs per unit are also lower, which mitigates the volume risk. The company has the right to adjust its district heating prices by giving one month's notice. This mitigates the price risk of production costs.

Capital management

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

As the electricity distribution and heating businesses are capital-intensive, the Group must ensure it has adequate capital to meet its operating requirements. Business planning includes assessing the adequacy of available capital in relation to the risks arising from business operations and the operating environment.

As part of restructuring, on 17 December 2013 the Company has pledged the shares it holds in Elenia Oy to the secured parties represented by Citicorp Trustee Company Limited. On the same date the shares of Elenia Holdings S.à r.l. have been pledged Elenia Finance (SPPS) S.à r.l. and Lakeside Network Investment Holdings B.V. in favor of Citicorp Trustee Company Limited.