ELENIA

FINANCIAL STATEMENTS 2013

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1 REPORT OF THE BOARD OF DIRECTORS

ELENIA'S BUSINESS OPERATIONS

Elenia Group is the owner and operator of an electricity distribution network (Elenia Networks) and a district heating business (Elenia Heat).

ELECTRICITY DISTRIBUTION

Elenia Networks is Finland's second-largest electricity distribution system operator (DSO) with a 12% market share by number of customers. Elenia Networks is a regional monopoly serving all customers in the regions in which it operates under a licence granted by Energy Authority (EA). EA specifies the area of responsibility within which a DSO may operate. The relevant licence holder has the exclusive right to build and operate an electricity distribution network in its area of responsibility.

Elenia Networks supplies approximately 412,000 end-users, across residential, industrial, services, building and public sector customers. The business has operations in more than 100 cities and municipalities with approximately 65,600 km of distribution network, spanning an area of almost 600 km in length. During 2013, total electricity distribution volume was 6,228 GWh (6,391 GWh in 2012).

Elenia Networks aims to provide progressive electricity network services to its customers, thereby helping society to function without disruption to daily life. Elenia Networks aims to prioritise improvements in distribution reliability by increasing the use of underground power lines and improving customer service by implementing smart services which take advantage of automation such as the automatic meter-reading system (AMR). In the event of power outages, Elenia Networks' smart electricity network automatically isolates fault locations, directing power distribution to parts of the grid that are functioning normally. During power outages, customers receive real-time status updates via SMS, email, an online map service and a telephone helpdesk.

Since 2009, Elenia Networks has only built weatherproof underground distribution lines. As at the end of 2013, 27.6% of the network was underground. In 2013, Elenia Networks invested more than EUR 80 million in developing its electricity network, which is approximately EUR 20 million more than in 2012.

HEATING BUSINESS

District heating is a system for distributing heat generated in centralised locations for residential and commercial heating. In Finland, district heating is the leading heating solution with an approximate 47% market share of end-users. Compared to alternatives, it is reliable, cost efficient and expensive to replace. Elenia Heat is Finland's second largest private seller of district heating and the ninth largest district heating seller overall. In 2013, the company's sales volume of heat, gas and electricity totalled 1.1 terawatt hours (TWh). Elenia Heat primarily produces its own heat generated by wood, peat, natural gas and oil. Elenia Heat purchases approximately 30% of its total heat sales requirement from third party companies, including energy companies and local industry. The business is well established and an integral part of the Finnish utility market in the regions it serves. Elenia Heat owns and maintains 16 district heating networks across Finland, primarily in the Häme and Keski-Suomi regions.

BUSINESS REVIEW

The new Electricity Market Act (EMA) came into force on 1 September 2013. According to the EMA, a DSO is obliged to develop electricity distribution networks in order to enhance security of supply. The EMA also contains a requirement for each DSO to prepare a plan to systematically improve its network on a long-term basis to meet the requirements regarding security of supply. The targets of the new Electricity Market Act are in line with the long term strategy of Elenia Networks.

Since 2009, Elenia Networks has only built weatherproof underground distribution lines. Such underground distribution lines improve the security of supply of electricity to customers, contributing to increased customer satisfaction, lower operating costs and improved performance in relation to the quality and efficiency incentives due to lower regulatory outage costs. In April 2013, Elenia Networks launched "Elenia Weatherproof" on its website (www.elenia.fi) which provides customers with a map explaining planned and on-going underground cabling projects.

DSOs are facing challenges as interest rates (a major determinant of the reasonable return) continue to remain low. This has resulted in the reasonable return being at its lowest level historically in 2013. At the same time, DSOs are required to increase investment in their networks to enhance security of supply. However, the capabilities of DSOs to invest in the network are affected by the low reasonable return. This causes challenges for DSOs in complying with the requirements of the EMA. The storms in 2013 evidenced the need to continue to carry out measures to increase security of supply.

Operationally and financially, 2013 was affected by five strong storms, one in June and four in November and in December. The impact of these strong storms on EBITDA was approximately EUR 13.5 million of which EUR 11.2 million is classified as exceptional due to the unsual strength of two of the storms. In addition, the temperature was slighly warmer than in an average year, which had an impact on distributed volumes and thus revenue.

One of the highlights of the year was the award of a PAS 55 certificate by British Lloyd's Register for high-quality electricity network management. Elenia is the first Nordic DSO to receive this certificate.

Elenia Heat successfully met all of its targets and managed to add new heat customers during 2013 although construction activity continued to be low. Heat sales volume was lower than 2012 due to the warm weather, but the temperature-corrected total district heating volume was normal. Elenia Heat increased the price of district heat by 3% in autumn, which was less than the average price increase in the Finnish heat sector.

FINANCING

Elenia Oy established a wholly owned public subsidiary, Elenia Finance Oyj, on 21 November 2013 for the purpose of facilitating financing and providing cash management and financial services for Elenia Group entities and parent companies. In December 2013, Elenia Finance Oyj issued EUR 500 million of 2.875% Fixed Rate Bonds due December 2020 and EUR 150 million of 4.102% Fixed Rate Bonds due December 2030. The bonds were issued under a multicurrency bond programme and are listed on the London Stock Exchange. The proceeds were used to reduce bank debt at Elenia Oy.

NUMBER OF EMPLOYEES

Throughout the year 2013, on average the Group employed 380 people (350 in 2012). Close cooperation with local partner companies is an integral part of the Group's operations. Including the personnel of partner companies, Elenia's business operations utilise approximately 1,000 people.

FINANCIAL RESULT

Elenia Group's total revenue in 2013 was EUR 293.7 million (EUR 299.6 million in 2012). EBITDA in 2013 was EUR 140.8 million (EUR 127.8 million in 2012) and EBITDA excluding non-recurring costs and exceptional items was EUR 152.4 million (EUR 157.4 million in 2012). Operating profit was EUR 69.8 million (EUR 53.5 million in 2012) and the loss for the year was EUR 8.4 million (EUR 44.2 million loss in 2012).

ACQUISITIONS AND DIVESTMENTS

There were no material acquisitions or divestments during the period.

BUSINESS UNITS: KEY FIGURES AND BRIEF DESCRIPTIONS OF THE FINANCIAL DEVELOPMENT OF OPERATIONS

Elenia Network's revenue was EUR 215.9 million (EUR 221.7 million in 2012) and EBITDA was EUR 121.6 million (EUR 133.6 million in 2012). Elenia Heat's revenue was EUR 74.7 million (EUR 78.8 million in 2012) and EBITDA was EUR 18.8 million (EUR 20.9 million in 2012).

CORPORATE GOVERNANCE

Elenia Oy's Board of Directors convened 21 times in 2013. Members of the Board of Directors during the period were Timo Rajala (Chairman), Heidi Koskinen, Kunal Koya (as of 9 September 2013), Tapani Liuhala, Peter Lyneham, Scott Moseley (until 27 June 2013), Aapo Nikunen, Anirudha Satchcroft (until 6 September 2013), Timothy Short (as of 23 August 2013) and Philip White.

SHARES

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

REMOVAL OF REGISTRATION OF NEGATIVE EQUITY

The entry for negative equity at the Finnish Trade Register has been removed on 27 May 2013. The removal of the register entry was based on the compound difference between the actual and planned depreciation of the assets of Elenia Oy (depreciation difference), which for the purposes of the negative equity register entry are taken into account as an addition to equity.

CORPORATE RESPONSIBILITY

Elenia Group's health and safety policy stipulates that its employees and business partners must be provided the opportunity to work in a safe, healthy and motivating work environment. In addition to complying with applicable laws, regulations, codes of practice and industry standards, the Elenia Group promotes a culture of occupational health, wellbeing and safety in all of its activities by setting goals, targets and action programmes in accordance with the spirit of continuous improvement. Both Elenia Networks (initially in 2009) and Elenia Heat (initially in 2010) continue to be certified according to OHSAS18001.

The Elenia Group monitors the fulfilment of its own and its partners' safety objectives – monitoring accidents, close call incidents and safety risks with the aim to learn from those within the partner network and to take steps to mitigate future incidents. All employees receive regular safety training and attendance is recorded. In the past three years, the Elenia Group's personnel sustained two recorded accidents in 2013, one recorded accident in 2012 and one recorded accident in 2011.

ENVIRONMENTAL MATTERS

The most significant environmental aspects of Elenia Group's operations are land-use, the protection of soil and water areas, waste handling, protection of bio-diversity, the control of greenhouse emissions and material and energy efficiency. In line with its strategy, the Elenia Group takes safety and the environment into consideration in all decision-making, including through the development and use of its Environmental Policy for sustainable development. Since 2005, Elenia Networks has been certified as having an ISO 14001 Environmental Management System. In addition, Elenia Heat's operations in Finland have been certified to the ISO 14001 Environmental Management System, with the exception of its associate, Oriveden Aluelämpö Oy.

Investments in production capacity have reduced Elenia Heat's carbon dioxide emissions per unit of own production. The average carbon dioxide emissions per unit of energy generated by Elenia Heat were 121 grams per kilowatt-hour (g/kWh), which was 7% lower than in 2012.

Elenia Heat has continued to invest in its heating production to reduce the use of fossil fuels, further increase the share of renewable fuels and to improve operational efficiency. No environmental damage occurred in 2013 and Elenia Heat was in full compliance with the environmental permit requirements for its heating generation operations. External and internal audits and inspections have been carried out on the HSE system.

RISKS AND RISK MANAGEMENT

During 2013, the risk management organisation at Elenia Group has been further developed. Within the Elenia Group, the Procurement Coordination and Risk Management team is responsible for coordinating risk management. This includes the identification, prioritisation and mitigation of risks in cooperation with business units and other corporate functions of both Elenia Networks and Elenia Heat. The Procurement Coordination and Risk Management team is also responsible for the insurance policies of the Elenia Group and for handling claims made under such insurance policies through the services of an insurance broker.

EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

The uninterrupted availability of electricity is expected to be an absolute requirement of customers in the future. Elenia's investment plan, which extends to 2027, emphasises the importance of building underground electricity networks that meet this requirement. The target is to increase the underground cabling rate of the electricity distribution network to 70% by 2027. In addition to the construction of a weather-tolerant electricity network, future investments will also be focused on business growth in line with the company's strategic objectives. The number of customers is expected to increase during 2014 at the same rate as in 2013, provided construction activity in Finland stays at the same level as in 2013.

Construction activity has been lower due to economic uncertainty, which limits possibilities to connect new customers to district heating. Elenia Heat has still managed to add new customers and retains a high market share in its network areas. On-going investments to further increase the use of biofuels and reduce the need for fossil fuels enhance district heating's ability to remain a competitive heating solution.

THE BOARD OF DIRECTORS DIVIDEND PROPOSAL

The Board of Directors does not propose to declare a dividend.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	1.1.–31.12.2013	1.1.–31.12.2012
Revenue		**293,693**	**299,559**
Other operating income	3	3,119	7,912
Materials and services		-110,975	-106,598
Employee benefit expenses	4	-20,253	-19,554
Depreciation and amortisation	5	-71,055	-74,250
Other operating expenses	3	-24,814	-53,805
Share of profit of an associate	6	45	266
Operating profit		**69,759**	**53,530**
Finance income		349	832
Finance costs		-129,267	-105,256
Finance income and costs	7	**-128,918**	**-104,424**
Loss before tax		**-59,158**	**-50,894**
Income tax	8	50,759	6,697
Loss for the period		**-8,399**	**-44,196**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Loss for the period	**-8,399**	**-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	-143	-534
Income tax effect	-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	-6,587	8,275
Other comprehensive income for the period after tax	**18,601**	**-25,902**
Total comprehensive income for the period	**10,202**	**-70,099**

Swap breakage costs of EUR 13.6 million have been reclassified from other comprehensive income to profit and loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Note	31.12.2013	31.12.2012
Assets			
Non-current assets			
Property, plant and equipment	9	1,166,060	1,147,754
Intangible assets	10	95,356	95,208
Goodwill	10	515,606	515,606
Investments in associates	6	407	407
Other non-current financial assets		249	246
Other interest bearing receivables	19	0	16,298
Other non-current receivables		694	0
Deferred tax assets	8	1,081	5,792
Total non-current assets		**1,779,453**	**1,781,311**
Current assets			
Inventories	11	16,518	14,954
Trade receivables	12	23,086	23,962
Other current receivables	12	51,081	56,902
Cash and cash equivalents		63,077	26,564
Total current assets		**153,761**	**122,381**
Total assets		**1,933,213**	**1,903,692**
Equity and liabilities			
Equity			
Share capital		3	3
Unrestricted equity		2,000	2,000
Hedge fund		-7,639	-26,386
Fair value fund		888	887
Retained earnings		-55,443	-46,896
Total equity		**-60,190**	**-70,393**
Non-current liabilities			
Loans from financial institutions	13, 23	389,098	947,701
Bonds	13, 23	645,278	0
Other long-term loans	13, 23	638,728	590,775
Finance lease liabilities	19	26,919	30,888
Employee benefit liability	17	818	734
Derivatives	13, 23	10,152	34,949
Provisions	14	12,354	11,681
Deferred tax liabilities	8	161,233	210,277
Total non-current liabilities		**1,884,581**	**1,827,006**
Current liabilities			
Finance lease liabilities	19	4,208	4,150
Trade payables	15	14,727	16,223
Other current liabilities	15	89,889	126,707
Total current liabilities		**108,823**	**147,079**
Total equity and liabilities		**1,933,213**	**1,903,692**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Reserve for invested non-restricted equity	Available for sale reserve (Fair value fund)	Cash-Flow hedge fund (Fair value reserve)	Retained earnings	Total equity
Equity at 1 January 2012	**3**	**37**	**0**	**0**	**-2,297**	**-2,258**
Comprehensive income						
Profit 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					-403	-403
Total comprehensive income for the period	**0**	**0**	**887**	**-26,386**	**-44,599**	**-70,099**
Transactions with shareholders						
Increase	-	1,964	-	-	-	1,964
Total transactions with shareholders	**0**	**1,964**	**0**	**0**	**0**	**1,964**
Equity at 31 December 2012	**3**	**2,000**	**887**	**-26,386**	**-46,896**	**-70,393**
Equity at 1 January 2013	**3**	**2,000**	**887**	**-26,386**	**-46,896**	**-70,393**
Comprehensive income						
Profit for the year	-	-	-	-	-8,399	-8,399
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging	-	-	-	18,748	-	18,748
Available-for-sale financial assets	-	-	1	-	-	1
Change in defined benefit plans	-	-	-	-	-147	-147
Total comprehensive income for the period	**0**	**0**	**1**	**18,748**	**-8,546**	**10,202**
Transactions with shareholders						
Increase	-	0	-	-	-	0
Total transactions with shareholders	**0**	**0**	**0**	**0**	**0**	**0**
Equity at 31 December 2013	**3**	**2,000**	**888**	**-7,639**	**-55,443**	**-60,190**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Cash flow from operating activities		
Loss for the period	-8,399	-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	673	0
Dividends received	45	0
Interests received	349	872
Interest and financial expenses paid	-36,738	-33,657
Interest paid on other long-term loans	-69,668	0
Swap breakage costs paid	-13,560	0
Taxes paid	-2,775	-19,211
Cash flow from operating activities	**32,384**	**-82,295**
Cash flow from investing activities		
Acquired subsidiaries	0	-1,335,008
Capital expenditure	-88,209	-64,421
Changes in investments	-2	3,829
Cash flow from investing activities	**-88,210**	**-1,395,599**
Cash flow from financing activities		
Capital increase	0	1,963
Proceeds from long-term borrowings	1,045,000	1,561,692
Debt arrangement costs	-5,301	-24,261
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	**92,339**	**1,504,162**
TOTAL	**36,513**	**26,267**
Cash and cash equivalents 1.1.	26,564	297
Cash and cash equivalents 31.12.	63,077	26,564
Change in cash and cash equivalents	**36,513**	**26,267**

Cash and cash equivalents comprises of cash balance at bank accounts

ACCOUNTING POLICIES APPLIED TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 DESCRIPTION OF BUSINESS OPERATIONS

Elenia Oy is a Finnish limited liability company domiciled in Tampere (address: Patamäenkatu 7). Elenia Oy's parent company is Elenia Holdings S.à.r.l., a company duly incorporated under the laws of Luxembourg and having its registered office at 2 rue du Fossé, L-1536 Luxembourg. The parent of the Elenia Holdings S.à.r.l. is Lakeside Network Investments Holding B.V., domiciled in the Netherlands. The consolidated financial statements are consolidated in the financial statements of Lakeside Network Investments S.à.r.l., available at the following address: 2, rue du Fossé L - 1536 Luxembourg.

Elenia's business operations comprise electricity distribution and district heating solutions as well as customer service functions.

Elenia Group was formed on 10 January 2012 as a result of Vattenfall AB selling its Finnish electricity distribution and district heating operations.

The Board of Directors approved the financial statements on the 26 March 2014. The shareholders have the right either to approve, reject or change the financial statements in the Annual General Meeting.

2.1 ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) approved for application within the EU. The financial statements are compliant with the provisions of the Finnish Accounting Act and other regulations governing the preparation of financial statements in Finland.

The consolidated financial statements have been prepared based on original cost, except for available-for-sale financial assets, financial assets and liabilities recorded at fair value through profit or loss and derivative contracts used for hedging purposes.

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

2.2 COMPARABILITY WITH PREVIOUS YEAR FIGURES

Non-recurring items which fluctuate between the years will affect comparability with previous year figures. Non-recurring items have been specified in the notes of the consolidated financial statements.

2.3 NEW STANDARDS AND AMENDMENTS TO AND INTERPRETATIONS OF EXISTING STANDARDS

New accounting standards and amendments to and interpretations of existing 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.

2.4 CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the parent company Elenia Oy and, as subsidiaries, all companies in which Elenia Oy directly or indirectly holds a share in excess of 50% of voting rights or otherwise has the power to govern the financial and operating policies of the corporation or business entity in question. The consolidated financial statements also include, as associated companies, any companies in which the Group holds 20–50% of the votes or otherwise has significant influence without having control.

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

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

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

The subsidiaries do not have non-controlling interests.

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.

The carrying value of the investment is adjusted by post-acquisition changes in equity. Investments in associated companies include the goodwill recorded for the acquisition. Goodwill is not amortised or individually tested for impairment. If the Group's share of losses in an associated company exceeds the carrying value of the investment, the investment is recorded on the balance sheet 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 consolidation, 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 between the working value and book value on the income statement as a loss.

Unrealised gains 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.

2.5 CALCULATION PRINCIPLES

2.5.1 TRANSLATION DIFFERENCES

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

2.5.2 RESEARCH AND DEVELOPMENT COSTS

Research and development costs are recognised as an expense in the year in which they are incurred. Research and development costs are included in the consolidated income statement under personnel costs and other business expenses. As research expenses, these costs do not meet the criteria for capitalisation.

2.5.3 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 capitalised in the form of lower depreciation 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.

2.5.4 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 for the period in which the service is produced.

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

2.5.5 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.

2.5.6 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 balance sheet. 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 the date of closing the accounts. The cost of the provision is recognised in the income statement within materials and services. Gains from the sales of emission rights are reported in other income.

2.5.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise mainly electricity 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 as applicable on the consolidated balance sheet. 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 on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings and structures	15–50 years
Electricity transmission 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 closing date. 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.

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.

2.5.7.1 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. Currently,

Elenia has not capitalized any borrowing costs since there has not been any qualifying assets.

2.5.8 INTANGIBLE ASSETS

Intangible assets, except goodwill and paid connection fees, are stated at original acquisition cost less accumulated amortisation and impairment losses if applicable and amortised on a straight-line method over their expected useful lives.

2.5.8.1 Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred from the acquisition and implementation of the software. These costs are amortised over their estimated useful lives (three to five years). Costs associated with developing or maintaining computer software are recognised as an expense as incurred.

2.5.8.2 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 equipment are capitalised.

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

2.5.8.3 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. Amortisation is calculated using the straight-line method over the expected life of the customer relationship.

2.5.8.4 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. Separately recognised goodwill is tested annually for impairment and carried at acquisition cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

2.5.8.5 Amortisation periods for intangible assets

Computer software and licences	3–5 years
Customer relationships	20 years
Compensation paid to landowners	10–30 years

2.5.8.6 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 balance sheet value of an asset or cash-generating unit exceeds its recoverable amount.

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. 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.

2.5.9 TRADE RECEIVABLES

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

2.5.10 CASH AND CASH EQUIVALENTS

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

2.5.11 LEASES

2.5.11.1 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.

2.5.11.2 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.

2.5.12 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 under standard operations, less variable selling expenses and other production costs.

2.5.13 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.

2.5.13.1 Refundable connection fees

Electricity network connection fees, which have been paid by the 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 has been made for future refunds by calculating a net present value of estimated future refunds.

2.5.14 INCOME TAXES

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

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

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

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

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

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

2.5.15 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 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 balance sheet. 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 profit or loss. Items arising from the remeasurement of the net defined benefit liability are recognised in other comprehensive income.

2.5.16 FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

CLASSIFICATION OF CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

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

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

2.5.16.1 Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

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

2.5.16.1.1 Financial assets at fair value through profit or loss

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

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

2.5.16.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables also include trade receivables and other receivables. Loans are carried at amortised cost using the effective interest rate method less accumulated impairment. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

2.5.16.1.3 Available-for-sale financial investments

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

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

2.5.16.1.4 Derecognition of financial assets

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

2.5.16.2 Impairment of financial assets

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

2.5.16.2.1 Financial assets carried at amortised cost

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

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. (Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as finance income in the 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.

2.5.16.2.2 Available for sale financial investments

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the 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.

2.5.16.3 Financial liabilities

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.

Subsequent measurement

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

2.5.16.3.1 Financial liabilities at fair value through profit or loss

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

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

2.5.16.3.2 Loans and borrowings

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

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

2.5.16.3.3 Derecognition

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

2.5.16.4 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

The transfers between levels of the fair value hierarchy shall be disclosed at the date of the event or change in circumstances that caused the transfer.

2.5.16.5 Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment. Currently, Elenia 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.

2.5.16.5.1 Cash flow hedges

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

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

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the 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.

2.5.17 SEGMENT REPORTING

Segment information has not been presented since IFRS 8 allows non-disclosure of them.

2.5.18 NEW STANDARDS AND CHANGES TO AND INTERPRETATIONS OF EXISTING STANDARDS

AMENDMENTS TO IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES AND IAS 32 FINANCIAL INSTRUMENTS: PRESENTATION – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013. The amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014. These amendments have been endorsed by the EU in December 2012.

The amendments to IAS 32 clarify when an entity "currently has a legally enforceable right to set off the recognised amounts" and when offsetting is sufficiently simultaneous for the asset and liability to be netted. According to the estimate of the company's management, the amendment will not have a material effect on the consolidated financial statements.

IFRS 9 FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT

The effective date of IFRS 9 has been removed from the standard and a new date will be decided when the entire IFRS 9 project is closer to completion. IFRS 9 will completely replace the existing IAS 39 Financial Instruments: Recognition and Measurement.

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

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

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

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 27 SEPARATE FINANCIAL STATEMENTS (REVISED)

The new standard and the amendments to IAS 27 are effective for annual periods beginning on or after 1 January 2013. The EU has endorsed the standard but its implementation will not become mandatory until 1 January 2014.

The new IFRS 10 standard on consolidated financial statements replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 does not have an effect on how an entity is consolidated in a Group, but instead on whether an entity is to be consolidated in a Group according to a new definition of which entities are controlled. According to the estimate of the company's management, the new standard will not have an effect on the consolidated financial statements.

IFRS 11 JOINT ARRANGEMENTS AND IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (REVISED)

The new standard IFRS 11 and the amendments to IAS 28 are effective for annual periods beginning on or after 1 January 2013. The EU has endorsed the standard but its implementation will not become mandatory until 1 January 2014.

The new standard replaces the IAS 31 Interests in Joint Ventures standard and the SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Ventures interpretation.

According to the new standard, more attention must be paid to the actual nature than the legal form of the arrangement in identifying joint ventures. A significant amendment to the previous treatment of joint ventures is that joint ventures in which the parties have the right to the net assets related to the venture (joint venture) can no longer be consolidated proportionately but only with the equity method. According to the estimate of the company's management, the new standard will not have an effect on the consolidated financial statements.

IFRS 12 DISCLOSURES OF INTERESTS IN OTHER ENTITIES

The new standard is effective for annual periods beginning on or after 1 January 2013. The EU has endorsed the standard but its implementation will not become mandatory until 1 January 2014.

The new standard compiles all of the requirements for notes to consolidated financial statements in a single standard and includes the requirements for notes concerning subsidiaries, joint ventures, associates and structured entities.

The standard must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

According to the estimate of the company's management, the new standard will result in more extensive information being provided on Group companies in the notes to the financial statements.

IFRS 13 FAIR VALUE MEASUREMENT

The new standard is effective for annual periods beginning on or after 1 January 2013. The EU has endorsed the standard in December 2012.

The standard sets out a single definition of fair value applicable to all IFRS standards and a single approach to measuring fair value. It does not amend the regulations regarding when the reporting entity should measure an asset or liability at fair value. Furthermore, the standard significantly increases the notes to be disclosed on the use of fair values.

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

AMENDMENT: IAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amended standard is effective for annual periods beginning on or after 1 July 2012.

Items of other comprehensive income will be classified with those that will be subsequently reclassified through profit or loss and those that will never be reclassified through profit or loss. The amendment has no impact on which items are recognised in comprehensive income or when the items are reclassified through profit or loss and when they are not. The EU has endorsed the amendment.

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

AMENDMENT: IAS 36 RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS

The amended standard is effective for annual periods beginning on or after 1 January 2014.

The amendment clarifies the disclosure requirements in respect of assets for which the impairment has been recognised and for which the recoverable amount is determined using fair value less costs of disposal. The standard is still subject to endorsement by the EU.

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

AMENDMENT: IAS 39 NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

The amended standard is effective for annual periods beginning on or after 1 January 2014.

The amendment allows the continuation of hedge accounting when a hedging instrument is novated to a central counterparty and certain conditions are met. The standard is still subject to endorsement by the EU.

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

IFRIC 21 LEVIES

The interpretation is effective for annual periods beginning on or after 1 January 2014.

The interpretation clarifies that an entity recognises a liability for a levy (other than income taxes) when the activity that triggers the payments, as identified by the relevant legislation, occurs. The interpretation is still subject to endorsement by the EU.

ANNUAL IMPROVEMENTS TO IFRSS (2009–2011 CYCLE)

The following annual improvements to IFRSs are effective for annual periods beginning on or after 1 January 2013. The EU has endorsed the amendments.

IFRS 1 First-time Adoption of IFRSs:

The amendment specifies how IFRS 1 is applied in a situation where the entity has previously applied IFRSs, then discontinued the application of IFRSs, and begins to apply IFRSs again.

In addition, the amendment specifies the treatment of borrowing costs capitalised based on the previous financial statements standards when adopting IFRSs.

IAS 1 Presentation of Financial Statements:

The amendment clarifies certain requirements for the presentation of comparison data.

IAS 16 Property, Plant and Equipment:

The amendment clarifies that significant spare parts and maintenance tools that meet the definition of property, plant and equipment, i.e. the entity expects to use them during more than one financial periods, are not inventory.

IAS 32 Financial Instruments: Presentation:

The amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 Interim Financial Reporting:

The amendment clarifies the requirements for information on assets and liabilities to be presented for operating segments in connection with interim reports so that the requirements are consistent with IFRS 8 Operating Segments.

The following amendments and interpretations will not have an effect on the consolidated financial statements:

Amendment: IFRS 1 Government Loans

Amendment: IFRS 1 First-time Adoption of IFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

Amendments: IFRS 10, IFRS 12, IAS 27 and IAS 28 concerning the consolidation of Investment entities in the consolidated financial statements

Amendment: IAS 12 Income Taxes – Deferred Taxes: Recovery of Underlying Assets

New Interpretation: IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

3 CRITICAL ACCOUNTING ESTIMATES AND DISCRETIONARY ITEMS

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are based on the management's best judgement on the reporting date. Estimates are made on the basis of historical experience and expectations of future events that are considered probable on the reporting date. However, actual results and timing may differ from these estimates. The Group's critical accounting estimates and discretionary items are described below.

3.1 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 cash flows 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 10)

3.2 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 8)

3.3 PROVISIONS

Electricity network connection fees, which have been paid by the 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 14)

3.4 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. (Note 2)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

ACCOUNTING POLICIES

The Elenia Group's consolidated financial statements for the year ended 31 December 2013 have been prepared in accordance with IFRS. The Group was established and the business operations were included in the Group through an enterprise sale that took place on 10 January 2012. The Group adopted IFRS-compliant reporting from the start of 2012. The IFRS opening balance sheet was prepared for the date of establishment of the company, 2 December 2011, and this is also the Group's IFRS transition date. None of the exemptions granted in IFRS 1 First-Time Adoption of International Financial Reporting Standards have been used in the transition.

NOTE 2

BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

During 2013 there were no business acquisitions in Elenia Group. Business acquisitions carried out in 2012 are specified below.

PURCHASE OF FINNISH ELECTRICITY DISTRIBUTION AND DISTRICT HEAT BUSINESS OPERATIONS FROM VATTENFALL AB

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 (Elenia Lämpö Oy), Vattenfall Verkko Oy engaging in electricity distribution business (Elenia Verkko Oy) and the associates, Asikkalan Voima Oy, Oriveden Aluelämpö Oy and Saarijärven Kaukolämpö Oy.

Elenia Oy acquired the companies in order to begin business operations in Finland, so the entire business operations, revenue and results of business operations of Elenia Group were formed as a result of this transaction.

EUR 1,000	**2012**
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	
Inventory	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**
Goodwill	514,157
Total assets (excl Goodwill)	1,449,746
Total assets (incl Goodwill)	**1,963,902**
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	**985,374**
Goodwill	514,157
Purchase consideration	**1,499,530**

Total acquisiton 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 directed at customer relationships, property, plant and equipment, intangible rights and the depreciation difference.

Goodwill arises 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 is not tax deductible

The fair value of current receivables on the balance sheet was EUR 135.2 million. Current receivables included EUR 18.8 million in trade receivables. The fair value of other current receivables corresponded to the gross value.

The Group's entire revenue and profit before tax arised from the 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

EUR million	2012
– 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.

ACQUISITION OF ASIKKALAN VOIMA OY

Elenia Verkko Oy acquired a holding of 50% in Asikkalan Voima Oy from Lahti Energia. Asikkalan Voima was 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 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 was integrated overall as part of Elenia's electricity distribution operations.

The Group previously owned 50% of the company, so this was a phased business combination. In the business combination, the previously owned equity-based share in the object of the acquisition was valued at a fair value of EUR 7,792 thousand. This was taken into account as part of the acquisition cost in the calculation.

The entire balance sheet of the company (100%) is presented below at the time of acquisition on 28 August 2012 when Elenia Verkko Oy aquired 50%. The purchase price paid was EUR 7,600 thousand, in addition to which the fair value of the previous holding, EUR 7,792 thousand, is taken into account in the calculation below.

EUR 1,000	2012
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	**17,103**
Inventory	9
Trade receivables	312
Other receivables	391
Other assets	**712**
Cash and cash equivalents	**306**
Goodwill	1,449
Total assets (excl Goodwill)	19,676
Total assets (incl Goodwill)	**21,125**
Trade payables	317
Deferred tax liabilities	2,909
Other liabilities	187
Non interest bearing liabilities	**3,413**
Short term liabilities	
Long term liabilities	2,320
Interest bearing liabilities	**2,320**
Total liabilities	**5,733**
Net assets	**13,943**
Goodwill	1,449
Purchase consideration	**15,392**

The deferred tax liability was directed at property, plant and equipment, intangible rights and the depreciation difference. Goodwill arised 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 on the balance sheet was EUR 704 thousand. Current receivables included trade receivables whose gross value is EUR 312 thousand. The fair value of the current receivables also corresponded to the gross value.

The company's revenue for the entire reporting period amounted to EUR 3,948 thousand and profit to EUR 786 thousand. After the acquisition, EUR 1,452 thousand of this was included in revenue in the consolidated financial statements and EUR 439 thousand was included in profit.

ASIKKALAN VOIMA OY

EUR 1,000	2012
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.

NOTE 3

OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

EUR 1,000	2013	2012
Gains from the sales of emission allowances	0	1,390
Rental income	535	493
Insurance indemnities	0	3,142
Subsidy for bio-based electricity production	487	800
Capital gains on tangible and intangible assets	115	168
Other operating income	1,982	1,919
Total	**3,119**	**7,912**

OTHER OPERATING EXPENSES

EUR 1,000	2013	2012
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	0	27,247
Other non-recurring costs	372	2,410
Other expenses	11,025	6,679
Total	**24,814**	**53,805**

Other operating expenses include other non-recurring costs in the amount of EUR 372 thousand (2012: 27,247 thousand of non-recurring costs related to acquisitions and 2,410 thousand 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.

AUDIT FEES

EUR 1,000	2013	2012
Auditing fees	403	88
Fees for tax services	26	17
Fees for other services	882	2
Total	**1310**	**106**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2014 reporting period.

Auditing fees include fees for auditing the consolidated financial statements and for auditing the parent company and subsidiaries. Fees for tax services include fees charged for tax advice. Fees for other services consist of assignments concerning the establishment of the Group, Group refinancing and other assignments.

NOTE 4

EMPLOYEE BENEFITS EXPENSE

EUR 1,000	2013	2012
Salaries and remuneration	-16,451	-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 Elenia Group to its employees consists of salaries, fringe benefits and short-term performance bonus schemes. All employees of Elenia Group are included within the scope of the performance bonus scheme.

EUR 1,000	2013	2012
Salaries and remuneration paid to CEOs	419	504
Pension expenses related to salaries	99	116

NOTE 5

DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR 1,000	2013	2012
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**

NOTE 6

INVESTMENT IN AN ASSOCIATE

EUR 1,000	2013	2012
Acquisition cost at 1 January	407	0
Business combination	0	7,972
Share of profit for the year	45	266
Decrease	0	-7,791
Dividends received	-45	-41
Acquisition cost at 31 December	**407**	**407**

Elenia's share of the profit of associates for 2013 was EUR 45 thousand.

INFORMATION CONCERNING THE ASSOCIATES

31 December 2013

EUR 1,000	Segment	Holding, %	Assets	Liabilities	Revenue	Profit/loss
Oriveden Aluelämpö Oy	Heat	50	4,066	3,757	1,824	90

31 December 2012

EUR 1,000	Segment	Holding, %	Assets	Liabilities	Revenue	Profit/loss
Oriveden Aluelämpö Oy	Heat	50	4,212	3,903	1,677	91

NOTE 7

FINANCE INCOME AND COSTS

EUR 1,000	2013	2012
Interest expenses		
Loans from financial institutions	-31,902	-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	-	-1,059
Ineffective portion of cash flow hedging	-604	-
Exchange rate differences		
Loans and receivables	-13	-10
Total finance costs	**-129,267**	**-105,256**
Interest income		
Other interest income	349	831
Dividend income	-	1
Total finance income	**349**	**832**
Finance costs (net)	**-128,918**	**-104,424**

FINANCE INCOME AND COSTS

Interest expenses 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: 1.4 million). Interest income does not include interest on mutual funds in limited partnerships (2012: 250 thousand). Other finance costs include EUR 13.6 million of swap breakage costs and EUR 16.6 million transaction and financing costs related to refinancing of loans.

NOTE 8

INCOME TAX

EUR 1,000	2013	2012
Profit before tax	**-59,158**	**-50,894**
Tax paid on the basis of the profit for the year	-165	-20,741
Adjustments to taxes for previous periods	0	-657
Deferred taxes	50,925	28,095
Loss for the period	**-8,399**	**-44,196**

INCOME TAX RATE

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

EUR 1,000	2013	2012
Profit before tax	**-59,158**	**-50,894**
Tax calculated using the nominal tax rate	14,494	12,469
– tax-free income items	0	1,125
– expenses that are non-deductible in taxation	290	-6,306
– share of the profits of associates	11	65
– adjustment of taxes based on previous periods	0	-657
– unrecognized deferred tax assets from taxation losses	-3	0
– change in deferred tax rate	35,968	0
Income tax in the income statement	**50,759**	**6,697**

The tax rate according to the income statement was 86% (2012: 13%)

CHANGE IN DEFERRED TAX RECEIVABLES AND LIABILITIES IN 2013

DEFERRED TAX RECEIVABLES EUR 1,000	Balance sheet 31.12.2012	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	**Balance sheet 31.12.2013**
Interest-bearing liabilities	8,562	-	-	-6,653	1,910
Deferred tax receivable for the loss for the period	30,377	-	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
Deferred tax receivables total	**5,792**	-	-	-	**1,081**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 31.12.2012	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	**Balance sheet 31.12.2013**
Interest-bearing liabilities	4,004	-	-1,006	-	2,998
Depreciation differences	96,086	-	-12,728	-	83,357
Measurement of assets at fair value in acquisition	144,280	-	-31,233	-	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
Deferred tax liabilities total	**210,277**	-	-	-	**161,233**

CHANGE IN DEFERRED TAX RECEIVABLES AND LIABILITIES IN 2012

DEFERRED TAX RECEIVABLES EUR 1,000	Balance sheet 31.12.2011	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	**Balance sheet 31.12.2012**
Interest-bearing liabilities	0	-	-	8,562	8,562
Deferred tax receivable for the loss for the period	0	-	30,377	-	30,377
Defined benefit plans	0	66	-17	131	180
Finance leases	0	958	97	-	1,054
Total	**0**	**1,024**	**30,456**	**8,693**	**40,173**
Offset by deferred tax liabilities	-	-	-	-	-34,381
Deferred tax receivables total	-	-	-	-	**5,792**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 31.12.2011	Business combinations and acquisition of non-controlling interests	Recognised in the income statement	Recognised in other components of comprehensive income	**Balance sheet 31.12.2012**
Interest-bearing liabilities	0	-	4,004	-	4,004
Depreciation differences	0	91,538	4,547	-	96,086
Measurement of assets at fair value in acquisition	0	150,501	-6,221	-	144,280
Available-for-sale financial assets	0	-	-	288	288
Total	**0**	**242,040**	**2,330**	**288**	**244,658**
Offset by deferred tax receivables	-	-	-	-	-34,381
Deferred tax liabilities total	-	-	-	-	**210,277**

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

NOTE 9

PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	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	0	0	0	0	0	0	0
Additions	67	102	71,603	3,778	43	14,244	89,837
Disposals	0	0	0	-341	0	0	-341
Transfers between balance sheet items	0	-418	51,252	-51,193	192	-5,430	-5,596
Acquisition 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	0	-9,354	-514,525	-144,815	-524	0	-669,219
Business combinations and acquisition of non-controlling interests	0	0	0	0	0	0	0
Depreciation and amortisation for the period	0	-571	-54,701	-10,704	-39	0	-66,015
Transfers between balance sheet items	0	-186	-35,162	35,145	294	0	91
Accumulated depreciation and amortisation on disposals	0	0	0	330	0	0	330
Accumulated depreciation, amortisation and impairment at 31 December 2013	**0**	**-10,112**	**-604,388**	**-120,044**	**-270**	**0**	**-734,813**
Book value at 31 December 2012	**2,189**	**9,352**	**990,398**	**126,529**	**191**	**19,095**	**1,147,754**
Book value at 31 December 2013	**2,256**	**8,279**	**1,023,390**	**103,544**	**681**	**27,910**	**1,166,060**

PROPERTY, PLANT AND EQUIPMENT

EUR 1,000	Land and water areas	Buildings	Networks	Machinery and equipment	Other tangible assets	Prepayments	**Total**
Cost at 1 January 2012	0	0	0	0	0	0	0
Business combinations and acquisition of non-controlling interests	2,112	19,224	1,437,461	267,411	715	20,291	1,747,214
Additions	78	0	67,462	727	0	66,086	134,352
Disposals	0	-517	0	-986	0	-62,636	-64,140
Transfers between balance sheet items	0	0	0	4,193	0	-4,645	-452
Acquisition 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	0	0	0	0	0	0	0
Business combinations and acquisition of non-controlling interests	0	-8,944	-462,703	-133,782	-488	0	-605,917
Depreciation and amortisation for the period	0	-642	-51,822	-11,354	-37	0	-63,855
Transfers between balance sheet items	0	0	0	321	0	0	321
Accumulated depreciation and amortisation on disposals	0	232	0	0	0	0	232
Accumulated depreciation, amortisation and impairment at 31 December 2012	**0**	**-9,354**	**-514,525**	**-144,815**	**-524**	**0**	**-669,219**
Book value at 31 December 2011	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Book value at 31 December 2012	**2,189**	**9,352**	**990,398**	**126,529**	**191**	**19,095**	**1,147,754**

The property, plant and equipment item machinery and equipment includes EUR 30,093 thousand (2012: 34,036 thousand) of assets acquired through finance leases. In 2013 Group companies did not receive any investment grants. In 2012 Elenia Lämpö Oy received an investments grant of EUR 415 thousand. The grant was recorded as deduction of costs in buildings and machinery and equipments.

NOTE 10

INTANGIBLE ASSETS

EUR 1,000	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	671,197
Business combinations and acquisition of non-controlling interests	0	0	0	0	0
Additions	0	873	4,526	0	5,399
Disposals	0	0	0	0	0
Transfer between balance sheet items	0	-181	60	0	-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	0	-42,928	-13,927	-3,528	-60,384
Business combinations and acquisition of non-controlling interests	0	0	0	0	0
Depreciation and amortisation for the period	0	-489	-1,023	-3,528	-5,040
Accumulated depreciation and amortisation on decrease	0	0	0	0	0
Accumulated depreciation and amortisation on transfers	0	-16	-74	0	-91
Accumulated depreciation, amortisation and impairment at 31 December 2013	**0**	**-43,434**	**-15,025**	**-7,056**	**-65,514**
Book value at 31 December 2012	**515,606**	**9,177**	**1,360**	**84,672**	**610,814**
Book value at 31 December 2013	**515,606**	**9,363**	**4,848**	**81,144**	**610,961**

INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	Other intangible assets	**Total**
Acquisition cost at 1 January 2012	0	0	0	0	0
Business combinations and acquisition of non-controlling interests	515,606	51,528	14,776	88,200	670,110
Additions	0	577	332	0	909
Disposals	0	0	-102	0	-102
Transfer between balance sheet items	0	0	281	0	281
Acquisition cost at 31 December 2012	**515,606**	**52,105**	**15,287**	**88,200**	**671,197**
Accumulated depreciation, amortisation and impairment at 1 January 2012	0	0	0	0	0
Business combinations and acquisition of non-controlling interests	0	-38,200	-11,808	0	-50,009
Depreciation and amortisation for the period	0	-4,728	-2,139	-3,528	-10,395
Accumulated depreciation and amortisation on decrease	0	0	20	0	20
Accumulated depreciation, amortisation and impairment at 31 December 2012	**0**	**-42,928**	**-13,927**	**-3,528**	**-60,384**
Book value at 31 December 2011	**0**	**0**	**0**	**0**	**0**
Book value at 31 December 2012	**515,606**	**9,177**	**1,360**	**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 515.6 million was created. Goodwill is based on the assesment of organisational competence and knowhow which is expected to benefit business operations in coming years.

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 the senior management and the Board of Directors. Cash flows have been discounted in order to determine the value in use. The discount rate applied (after-tax) 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 reguirements 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 years are based on the 5 year business plan which has been approved by the the Board of Directors. 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 2 to 3% annually for the next 25 years and thereafter 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.

NOTE 11

INVENTORIES

EUR 1,000	2013	2012
Oil	3,856	3,159
Bio fuels	12,089	11,202
Other inventories	573	593
Total	**16,518**	**14,954**

During 2013, EUR 16.2 million (2012: 13.4 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

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

NOTE 12

TRADE AND OTHER CURRENT RECEIVABLES

EUR 1,000	2013	2012
Trade receivables	23,086	23,962
Accrued income and prepaid expenses	43,538	54,378
Other current interest-bearing receivables	0	13
Other current receivables	7,543	2,511
Total trade and other receivables	**74,167**	**80,864**

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

BREAKDOWN OF TRADE RECEIVABLES BY AGE

EUR 1,000	2013	2012
Not fallen due	15,462	12,881
Due for 1–90 days	5,372	8,369
Due for 91–180 days	726	489
Due for more than 180 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.

BREAK-DOWN OF ACCRUED INCOME AND PREPAID EXPENSES

EUR 1,000	2013	2012
Sales accruals	36,770	47,341
Accrued financial expenses	4,969	5,865
Other accrued income	1,798	1,172
	43,538	**54,378**

NOTE 13

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

VALUES AT 31 DECEMBER 2013

Balance sheet item, EUR 1,000	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying amounts by balance sheet items	Fair value
Non-current financial assets							
Non-current interest-bearing receivables		-	-	-	-	-	-
Total non-current interest-bearing receivables		**-**	**-**	**-**	**-**	**-**	**-**
Current financial assets							
Trade receivables and other non-interest-bearing receivables	12	23,086	-	-	-	23,086	-
Interest-bearing receivables		-	-	-	-	-	-
Available-for-sale financial assets	16	-	1,502	-	-	1,502	1,502
Cash and cash equivalents		63,077	-	-	-	63,077	-
Total Current assets		**86,163**	**1,502**	**-**	**-**	**87,664**	**1,502**
Carrying amount by category		**86,163**	**1,502**	**-**	**-**	**87,664**	**1,502**
Non-current financial liabilities							
Bonds	23	-	-	645,278	-	645,278	645,278
Loans from financial institutions	23	-	-	389,098	-	389,098	389,098
Other long-term loans	23	-	-	638,728	-	638,728	638,728
Non-current interest-bearing liabilities							
- Derivatives		-	-	-	10,152	10,152	10,152
- Finance leases	19	-	-	26,919	-	26,919	-
Total non-current interest-bearing liabilities		**-**	**-**	**1,700,024**	**10,152**	**1,710,176**	**1,683,257**
Current financial liabilities							
Other current interest-bearing liabilities	15	-	-	4,208	-	4,208	-
Trade payables	15	-	-	14,727	-	14,727	-
Total current financial liabilities		**-**	**-**	**18,934**	**-**	**18,934**	**-**
Carrying amount by category		**-**	**-**	**1,718,958**	**10,152**	**1,729,110**	**1,683,257**

VALUES AT 31 DECEMBER 2012

Balance sheet item, EUR 1,000	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying amounts by balance sheet items	Fair value
Non-current financial assets							
Non-current interest-bearing receivables	19	16,298	-	-	-	16,298	-
Total non-current interest-bearing receivables		16,298	-	-	-	16,298	-
Current financial assets							
Trade receivables and other non-interest-bearing receivables	12	23,962	-	-	-	23,962	-
Interest-bearing receivables	12	13	-	-	-	13	-
Available-for-sale financial assets	16	-	1,566	-	-	1,566	1,566
Cash and cash equivalents		26,564	-	-	-	26,564	-
Total current financial assets		**50,539**	**1,566**	**-**	**-**	**52,105**	**1,566**
Carrying amount by category		**66,837**	**1,566**	**-**	**-**	**68,403**	**1,566**
Non-current financial liabilities							
Bonds		-	-	-	-	-	-
Loans from financial institutions	23	-	-	590,775	-	590,775	590,775
Other long-term loans	23	-	-	947,701	-	947,701	947,701
Non-current interest-bearing liabilities							
- Derivatives		-	-	-	34,949	34,949	34,949
- Finance leases	19	-	-	30,888	-	30,888	-
Total non-current interest-bearing liabilities		**-**	**-**	**1,569,365**	**34,949**	**1,604,314**	**1,573,425**
Current financial liabilities							
Other current interest-bearing liabilities	15	-	-	4,150	-	4,150	-
Trade payables	15	-	-	16,223	-	16,223	-
Total current financial liabilities		**-**	**-**	**20,373**	**-**	**20,373**	**-**
Carrying amount by category		**-**	**-**	**1,589,738**	**34,949**	**1,624,687**	**1,573,425**

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: 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

Elenia had short-term bank deposits amounting to EUR 63.1 million (2012: 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 balance sheet date totalled EUR 1,700.0 million (2012: 1,569.4 million). The fair value of short-term trade receivables and payables, other current interest-bearing liabilities, finance leases and cash and cash equivalents is not presented as the carrying amount is a reasonable approximation of fair value.

NOTE 14

PROVISIONS

PROVISIONS
2013

EUR 1,000	Provisions due to disputes	Environmental provisions	Provision for refunds of connection fees	Total
Provisions at 1 January 2013	50	0	11,631	11,681
Business combinations and acquisition of non-controlling interests	0	0	0	0
Increase	0	0	1,250	1,250
Cancellations of provisions	0	0	0	0
Use of provisions	-50	0	-527	-577
Provisions at 31 December 2013	**0**	**0**	**12,354**	**12,354**

PROVISIONS
2012

EUR 1,000	Provisions due to disputes	Environmental provisions	Provision for refunds of connection fees	Total
Provisions at 1 January 2012	0	0	0	0
Business combinations and acquisition of non-controlling interests	0	110	11,683	11,793
Increase	50	0	238	288
Cancellations of provisions	0	-110	0	-110
Use of provisions	0	0	-290	-290
Provisions at 31 December 2012	**50**	**0**	**11,631**	**11,681**

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

NOTE 15

TRADE AND OTHER CURRENT PAYABLES

EUR 1,000	2013	2012
Short-term financial lease liabilities	4,208	4,150
Trade payables	14,727	16,223
Accrued expenses		
Employee benefits expenses	5,287	3,925
Interest expenses	7,532	63,667
Other accrued expenses	42,993	41,892
Other liabilities		
VAT liability	9,645	9,764
Energy taxes	5,119	5,418
Tax liability for the period	112	1,204
Prepayments received	0	7
Other liabilities	19,201	829
Total	**108,823**	**147,079**

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

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

NOTE 16

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

FAIR VALUE HIERARCHY

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

As at 31 December 2013, the Group held the following financial instruments carried at fair value in the statement of financial position:

FINANCIAL ASSETS

	Level 1		Level 2		Level 3		Total	
EUR 1,000	**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	
EUR 1,000	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Financial instruments, non-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	-	-	-10,152	-34,949	-	-	-10,152	-34,949
Total	**-645,278**	**-**	**-1,037,979**	**-1,573,425**	**-**	**-**	**-1,683,257**	**-1,573,425**

During the reporting period 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:

EUR 1,000	Midinvest	Jokilaaksojen rahasto	Total
1 January 2013	1,379	187	1,566
Investment	-	-	-
Sales / Return of equity	-	-	-
Total gains and losses recognised in OCI	-78	14	-65
31 December 2013	**1,301**	**201**	**1,502**

EUR 1,000	Midinvest	Jokilaaksojen rahasto	Virtaa Hämeeseen	Total
1 January 2012	0	0	0	0
Investment	838	446	48	1,332
Sales / Return of equity	-625	-268	-48	-941
Total gains and losses recognised in OCI	1,166	9	0	1,175
31 December 2012	**1,379**	**187**	**0**	**1,566**

NOTE 17

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. The figures presented below include only the DB part of the plan.

ITEMS RECOGNISED ON THE BALANCE SHEET AT 31 DECEMBER

EUR 1,000	2013	2012
Current value of funded obligations	4,950	4,606
Fair value of assets	-4,132	-3,873
Deficit	818	733
Value of the obligation on the balance sheet	**818**	**733**

The obligations of defined benefit pension plans have changed as follows:

EUR 1,000	2013	2012
Obligation at the beginning of the period	4,606	3,451
Current service costs	48	30
Interest expenses	136	174
Actuarial losses	319	1,094
Benefits paid	-160	-143
Obligation at the end of the period	**4,950**	**4,606**

The fair value of the assets of defined benefit pension plans has developed as follows:

EUR 1,000	2013	2012
Fair value of plan assets at the beginning of the period	3,873	3,181
Expected income from assets	116	159
Actuarial gains	176	560
Payments by the employer	127	116
Benefits paid	-160	-143
Fair value of plan assets at the end of the period	**4,132**	**3,873**

The obligation on the balance sheet consists of the following items:

EUR 1,000	2013	2012
Obligation at the beginning of the period	733	0
Acquisitions	0	270
Net cost recognised in the income statement	68	45
Payments by the employer	-127	-116
Profits and losses recognised in comprehensive income	144	534
Value of the obligation on the balance sheet at period end	**818**	**733**

Items recognised in the income statement

EUR 1,000	2013	2012
Expenses based on service in the reporting period	48	-30
Interest income	-116	-174
Interest expenses	136	159
Total	**68**	**-45**

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2013	2012
Actuarial gains on assets	-176	-560
Actuarial losses on obligations	319	1,094
Total	**144**	**534**

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

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.

2013

Assumption EUR 1,000	Change in assumption	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
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

2012

Assumption EUR 1,000	Change in assumption	Defined benefit obligations	Fair value of Plan assets	Net Liability	Service costs for the next reporting year	Net interest
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 of the fair values of the plan assets.

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

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	**7,757**

ACTUARIAL ASSUMPTIONS USED IN CALCULATIONS

EUR 1,000	**2013**	**2012**
Discount rate	3%	3%
Estimate of salary increases	3%	2%
Inflation	2%	2%

NOTE 18

OBJECTS ON LEASE AND RENTAL RECEIVABLES

The Group has leased out real estates, which are classified as other leases. Real estates are included in the balance sheet item "Property, plant and equipment".

Rental income was invoiced to a total value of EUR 517 thousand (2012: 493 thousand) during the period.

All leases are open-ended.

NOTE 19

COMMITMENTS AND CONTINGENCIES

MATURITIES OF FINANCIAL LEASE LIABILITIES

EUR 1,000	2013	2012
Minimum lease payments		
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	**34,663**	**38,570**
Future financial expenses	3,536	
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	
Total	**31,127**	

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

OTHER COMMITMENTS

EUR 1,000	2013	2012
Registered floating charges:		
Provided on behalf of own and Group liabilities	13,500,000	7,500,000
Mortgages	27,000	26,000
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.

	2013	2012
Other rental liabilities		
Within one year	919	901
After one year but not more than five years	2,280	1,826
More than five years	0	875
	3,198	**3,602**
Pledged bank account	**-**	**16,298**
Refundable connection fees	**314,765**	**312,504**

Group bank accounts have been pledged as security for loans from financial institutions and bonds.

NOTE 20

EQUITY

SHARE CAPITAL

Note 3.1 in Parent financial statements. The shares are issued and fully paid.

RESERVE FOR INVESTED NON-RESTRICTED EQUITY

The reserve for invested non-restricted equity comprises of all other equity investments and paid share subscription price, that has not been specifically booked as share capital.

AVAILABLE FOR SALE RESERVE

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

CASH FLOW HEDGE FUND

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

EARNINGS PER SHARE

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

€	2013	2012
Profit attributable to equity holders of the parent, EUR	-8,399,054	-44,196,402
Average number of shares, pcs	100	100
Earnings/share, EUR – basic= diluted	**-83,991**	**-441,964**

NOTE 21

RELATED PARTY DISCLOSURES

SHAREHOLDERS

All of the shares in Elenia Oy are owned by a Luxembourg company, Elenia Holdings S.à.r.l.

SUBSIDIARIES AND ASSOCIATES

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

SENIOR MANAGEMENT

Elenia Oy is managed by its Board of Directors. Elenia's senior management includes the Board of Directors and the CEO. Elenia has not had any business transactions with persons included in its senior management and Elenia has not granted loans to these persons.

BUSINESS TRANSACTIONS

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

Group companies have intercompany transactions which are related to administrative services. These are eliminated upon consolidation.

Transactions and outsanding items with associated company Oriveden Lämpö Oy are not material.

NOTE 22

EVENTS AFTER THE REPORTING PERIOD

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

NOTE 23

FINANCIAL RISK MANAGEMENT

The management of financial risks is based on the following principles. Elenia's Treasury unit is responsible for financial risk management. The Group's existing loan arrangements include guidelines and restrictions pertaining to financial risk management.

CURRENCY RISK

Elenia operates in Finland and uses the euro as its primary operating currency. Elenia'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 Elenia'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 low.

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 profit or loss are hedged either operationally through contractual currency rate clauses or, if that is not possible, through forward contracts concluded by the Treasury unit.

Operating profit does not include exchange rate differences 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			63,077	
Total	**355,000**	**-**	**418,077**	

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.à.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 Elenia Holdings S.à.r.l. and lended the remaining amount of the proceeds to Elenia Holdings through a subordinated profit-participating security (the SPPS). Elenia Holdings used the amounts under the SPPS to subscribe for additional equity in Elenia Oy. 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.

LOANS BY MATURITY

31 December 2013

EUR 1,000	Effective interest rate %	Maturity Within 1 year	1–5 years	Over 5 years	Total
Loans from financial institutions	2.31%	-	395,000	-	395,000
Bond	2.88%	-	-	500,000	500,000
Bond	4.10%	-	-	150,000	150,000
Other long-term loans	10.5%	-	-	638,728	638,728
Fair value of swaps		-	10,152	-	10,152
Finance lease liabilities		-	14,957	11,962	26,919
Total non-current interest-bearing liabilities					**1,720,800**
Finance lease liabilities		4,208	-	-	4,208
Total current interest-bearing liabilities					**4,208**
Total		**4,208**	**420,109**	**1,300,691**	**1,725,008**

LOANS BY MATURITY

31 December 2012

EUR 1,000	Effective interest rate %	Maturity Within 1 year	1–5 years	Over 5 years	Total
Loans from financial institutions	3.14%	-	900,000	-	900,000
Loans from financial institutions	1kk Euribor + 2%	-	59,747	-	59,747
Other long-term loans	10.5%	-	-	590,775	590,775
Fair value of swaps		-	34,949	-	34,949
Finance lease liabilities		-	15,369	15,519	30,888
Total non-current interest-bearing liabilities					**1,616,359**
Finance lease liabilities		4,150	-	-	4,150
Total current interest-bearing liabilities					**4,150**
Total		**4,150**	**1,010,065**	**606,294**	**1,620,509**

INTEREST RATE RISK

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

The interest rate risk is managed by 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 electricity distribution companies having regional monopolies based on electricity distribution system licenses, 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 or two 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 financing agreements and other counterparties separately approved by the Board of Directors.

TRADE RECEIVABLES

The Group's trade receivables at the end of 2013 were EUR 23.1 million. No collateral security was received for trade receivables.

BREAKDOWN OF TRADE RECEIVABLES BY AGE

EUR 1,000	2013
Not fallen due	15,462
Due for 1–90 days	5,372
Due for 91–180 days	726
Due for more than 180 days	2,900
Total	**24,461**
Uncertain receivables	-1,375
Total	**23,086**

VOLUME AND PRICE RISKS

Electricity distribution operations do not involve particular volume or price risks due to being subject to a license.

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 company'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

As the electricity distribution and heating businesses are capital-intensive, the company 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.

NOTE 24

CONSOLIDATED INCOME STATEMENT (ADJUSTED)

EUR 1,000	Note	1.1–31.12.2013	1.1–31.12.2012
Revenue		293,693	299,559
Exceptional items included in revenue		-6,180	0
Other operating income	3	3,119	7,912
Materials and services		-110,975	-106,598
Employee benefit expenses	4	-20,253	-19,554
Other operating expenses	3	-24,814	-53,805
Operating expenses Total		-152,924	-172,045
Exceptional items included in operating expenses		-5,040	0
Non-recurring items included in other operating expenses	3	-372	-29,657
Share of profit of an associate	6	45	266
EBITDA		**140,815**	**127,780**
EBITDA before exceptional and non-recurring items		**152,407**	**157,437**
Depreciation and amortisation	5	-71,055	-74,250
Operating profit		**69,759**	**53,530**
Operating profit before exceptional and non-recurring items		**81,351**	**83,187**

In 2013 EUR 11,220 thousand in total has been classified as an exceptional item as it relates to unusually strong storms. This total compromises EUR 6,180 thousand of outage compensation paid to customers which was accounted for as a reduction of revenue, and EUR 5,040 thousand of exceptional operating expenses. Non-recurring items in 2013 are other non-recurring costs. Non-recurring items in 2012 include EUR 27,247 thousand of non-recurring costs related to acquisitions and EUR 2,410 thousand of other non-recurring costs.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	Note	1.1.–31.12.2013	1.1.–31.12.2012
Revenue	1.1	**221,856,207.26**	**2,005,340.05**
Other operating income	1.2	2,020,628.12	0.00
Materials and services	1.3	-67,678,515.56	-437.63
Personnel expenses	1.4	-14,094,465.51	-733,453.16
Depreciation, amortisation and reduction in value	1.5	-91,017,987.67	0.00
Other operating expenses	1.6	-24,369,019.46	-6,572,757.76
Operating profit		**26,716,847.18**	**-5,301,308.50**
Financial income and expenses	1.7	-120,255,476.40	-118,774,460.97
Loss before extraordinary items		**-93,538,629.22**	**-124,075,769.47**
Extraordinary expenses	1.8	-647,000,000.00	0.00
Loss before appropriations and taxes		**-740,538,629.22**	**-124,075,769.47**
Change in accelerated depreciations	1.9	-24,237,594.78	0.00
Income taxes	1.10	6,105,335.16	30,376,644.30
Loss for the year		**-758,670,888.84**	**-93,699,125.17**

PARENT COMPANY BALANCE SHEET

EUR	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
2.1 Intangible assets		
Intangible rights	9,323,464.67	0.00
Other capitalized long term expenditure	657,331,531.51	0.00
	666,654,996.18	0.00
2.2 Tangible assets		
Land and water areas	1,931,736.21	0.00
Buildings and constructions	1,771,513.05	1,834,390.33
Electricity network	1,020,536,755.78	0.00
Machinery and equipments	14,429,706.84	844,779.85
Other tangible assets	8,289.37	0.00
Advance payments and construction in progress	26,525,685.55	0.00
	1,065,203,686.80	2,679,170.18
2.3 Investments		
Holdings in group companies	239,738,883.92	1,518,021,144.47
Other financial assets	391,323.96	391,323.96
Other shares and holdings	247,877.02	0.00
	240,378,084.90	1,518,412,468.43
2.4 Other interest bearing receivables		
Debt service reserve account	0.00	16,298,250.00
Total non current assets	**1,972,236,767.88**	**1,537,389,888.61**
Current assets		
Long-term receivables		
2.5 Loans receivable	8,409.40	0.00
Loans receivable from group companies	15,000,000.00	0.00
	15,008,409.40	0.00
Short-term receivables		
2.5 Trade receivables	22,218,210.06	0.00
Receivables from group companies	8,462,158.30	5,443,334.43
Other receivables	378,727.48	2,431,865.08
Deferred tax assets	36,482,160.00	30,376,644.30
Prepayments and accrued income	29,509,981.66	0.00
	97,051,237.50	38,251,843.81
Cash and cash equivalents	58,727,524.13	25,643,886.49
Total current assets	**170,787,171.03**	**63,895,730.30**
TOTAL ASSETS	**2,143,023,938.91**	**1,601,285,618.91**

PARENT COMPANY BALANCE SHEET

EUR	Note	31.12.2013	31.12.2012
EQUITY AND LIABILITIES			
3.1 Capital and reserves			
Subscribed capital		2,500.00	2,500.00
Non restricted equity		649,328,000.00	2,000,000.00
Retained earnings		-95,995,947.05	-2,296,821.88
Loss for the financial year		-758,670,888.84	-93,699,125.17
		-205,336,335.89	-93,993,447.05
3.2 Cumulative accelerated depreciations		**369,887,379.75**	**370,784.03**
3.3 Other provisions		**650,000,000.00**	**0.00**
3.4 Liabilities			
Non-current liabilitites			
Connection fees		205,152,553.93	0.00
Loans from financial institutions		395,000,000.00	959,746,711.00
Other long-term loans		638,728,109.91	590,775,000.00
		1,238,880,663.84	1,550,521,711.00
Current liabilities			
Trade payables		11,465,228.16	1,688,079.43
Liabilities to group companies		19,058,721.50	7,658,000.00
Accrued interest		0.00	117,752,888.79
Other short-term liabilities		16,552,543.46	0.00
Accruals and deferred income		42,515,738.09	17,287,602.71
		89,592,231.21	144,386,570.93
Total liabilities		**1,328,472,895.05**	**1,694,908,281.93**
TOTAL EQUITY AND LIABILITIES		**2,143,023,938.91**	**1,601,285,618.91**

PARENT COMPANY CASH FLOW STATEMENT

EUR	1.1.2013–31.12.2013	1.1.2012–31.12.2012
Cash flow fron operating activities		
Loss for the period	-93,538,629.22	-124,075,769.47
Adjustments		
Depreciation, amortisation and reduction in value	91,017,987.67	0.00
Financial income and expenses	120,255,476.40	118,774,460.97
Other adjustments	-102,753.66	0.00
Cash flow before change in working capital	**117,632,081.19**	**-5,301,308.50**
Change in working capital		
Change in non-interest bearing receivables	22,199,143.26	1,008,813.57
Change in non-interest bearing liabilities	7,244,149.77	9,102,517.02
Operating cash flow before financial items and taxes	**147,075,374.22**	**4,810,022.09**
Interests and financial expenses paid	-121,540,079.37	-56,287,388.14
Interests received	1,105,666.41	1,194,344.33
Taxes paid	-1,456,617.28	0.00
Cash flow from operating activities	**25,184,343.98**	**-50,283,021.72**
Cash flow from investing activities		
Capital expenditures	-81,389,201.32	-1,481,459,433.46
Cash flow from investing activities	**-81,389,201.32**	**-1,481,459,433.46**
Cash flow from financing activities		
Proceeds from long-term borrowings	53,000,000.00	1,546,908,211.00
Re-payment of long-term borrowings	-617,746,711.00	0.00
Change in loans receivable	10,005,627.75	-16,298,250.00
Connection fee refunds	-399,817.91	0.00
Increase in non restricted equity	647,328,000.00	1,963,500.00
Cash flow from financing activities	**92,187,098.84**	**1,532,573,461.00**
Change in cash and cash equivalents	**35,982,241.50**	**831,005.82**
Cash and cash equivalents 1.1	25,643,886.49	296,888.12
Cash and cash equivalents 1.1+ change	61,626,127.99	1,127,893.94
Merger 1.1.2013 liquid funds	-2,898,627.23	24,515,992.55
Cash and cash equivalents 31.12	**58,727,500.76**	**25,643,886.49**

Cash and cash equivalents consist of bank deposits.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

For tangible and intangible assets have been used direct acquisition prices which have been deducted with planned depreciations. Depreciations according to the plan are linear and are based on the following assets economical lifetimes:

Intangible fixed assets	3–30 years
Goodwill	5–15 years
Other capitalized long term expenditures	5–25 years
Buildings and constructions	15–50 years
Transmission network	25–40 years
Distribution network	10–30 years
Machinery and equipments	3–30 years

From the 1st of January 2008 connection fees have been non-refundable and therefore they have been booked as revenue in the profit and loss account after that. Before 2008 connection fees were included in long term liabilities.

Elenia Verkko Oy (Business ID 1842077–5) and Asikkalan Voima Oy (Business ID 1031853–0) were merged into Elenia Oy on the 1st of January 2013. Therefore years 2013 and 2012 are not comparable.

THE TRANSACTIONS DENOMINATED IN OTHER CURRENCIES THAN EURO AND DERIVATIVE AGREEMENTS

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

Elenia Oy has entered into interest rate swaps to manage the interest rate risk. The derivatives have been valued at acquisition price or at probable lower sales price.

DEFERRED TAXES

Elenia Oy has booked deferred tax assets related to 2011–2013 losses. Deferred tax can be used during the next 10 years against taxable profit. Deferred tax assets has been included in the balance sheet.

1.1 REVENUE

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Distribution income	206,495	0
Contracting income	3,128	0
Connection fee income	10,387	0
Other sales income	1,846	2,005
Total	**221,856**	**2,005**

1.2 OTHER OPERATING INCOME

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Lease income	460	0
Capital gains	112	0
Other operating income	1,449	0
Total	**2,021**	**0**

1.3 MATERIALS AND SERVICES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Grid costs	-28,065	0
Network losses	-11,857	0
External services	-26,346	0
Materials	-1,410	0
Total	**-67,679**	**0**

1.4 PERSONNEL EXPENSES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Average number of personnel during the financial year	287	6
Salaries	-9,630	-601
Pension expenses	-2,235	-87
Other employee expenses	-2,230	-46
Total	**-14,094**	**-733**

1.5 DEPRECIATIONS ACCORDING TO THE PLAN

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Intangible fixed assets	-1,256	0
Other capitalized long term expenditure	-34,443	0
Buildings and constructions	-89	0
Electricity network	-52,719	0
Machinery and equipments	-2,512	0
Total	**-91,018**	**0**

1.6 OTHER OPERATING EXPENSES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Lease expenses	-7,608	0
Other external services	-8,745	0
Other operating expenses	-8,016	-6,573
Total	**-24,369**	**-6,573**
Audit charges	**338**	**23**

1.7 FINANCIAL INCOME AND EXPENSES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Interest and other financial income		
From group companies	486	1,194
Other financial income	314	1
Total	**800**	**1,194**
Interest and other financial expenses		
To group companies	0	-61,417
Other financial expenses	-121,055	-58,552
Total	**-121,055**	**-119,969**
Total financial income and expenses	**-120,255**	**-118,774**

1.8 EXTRAORDINARY ITEMS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Extraordinary income		
Received group contribution	3,000	0
Extraordinary expenses		
Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds	-650,000	0
Total	**-647,000**	**0**

1.9 APPROPRIATIONS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Change in accelerated depreciations	24,238	0
Total	**24,238**	**0**

1.10 INCOME TAXES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Deferred tax asset	6,106	30,377
Total	**6,106**	**30,377**

INTANGIBLE AND TANGIBLE FIXED ASSETS

2.1 INTANGIBLE FIXED ASSETS

INTANGIBLE RIGHTS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquisition price 1.1	0	0
Merger	18,459	0
Investments	873	0
Acquisiton price 31.12	19,332	0
Accumulated depreciation 1.1.	0	0
Merger	-9,522	0
Depreciation according to the plan	-487	0
Book value 31.12	**9,323**	**0**

GOODWILL

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquisition price 1.1	19,908	0
Investments	0	0
Acquisition price 31.12	19,908	0
Accumulated depreciation 1.1.	-19,908	0
Depreciation according to the plan	0	0
Book value 31.12	**0**	**0**

OTHER CAPITALIZED LONG-TERM EXPENDITURES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquistion price 1.1	0	0
Merger	733,114	0
Investments	3,814	0
Acquisition price 31.12	736,928	0
Accumulated depreciation 1.1.	0	0
Merger	-44,384	0
Depreciation according to the plan	-35,212	0
Book value 31.12	**657,332**	**0**

2.2 TANGIBLE FIXED ASSETS

LAND AND WATER AREAS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquistion price 1.1	0	0
Merger	1,865	0
Acquisition price 31.12	1,865	0
Investments	67	0
Book value 31.12	**1,932**	**0**

BUILDINGS AND CONSTRUCTIONS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquisition price 1.1	3,211	0
Merger	2,232	3,211
Acquistion price 31.12	5,443	3,211
Accumulated depreciation 1.1	-1,377	0
Merger	-2,207	-1,377
Depreciation according to the plan	-88	0
Book value 31.12	**1,772**	**1,834**

ELECTRICITY NETWORK

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquisition price 1.1	0	0
Merger	1,519,515	0
Investments	69,018	0
Acquistion price 31.12	1,588,533	0
Accumulated depreciation 1.1	0	0
Merger	-515,277	0
Depreciation according to the plan	-52,719	0
Book value 31.12	**1,020,537**	**0**

MACHINERY AND EQUIPMENTS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquistion price 1.1	3,577	0
Merger	44,068	3,577
Investments	2,191	0
Divestments	-329	0
Acquisition price 31.12	49,507	3,577
Accumulated depreciation 1.1	-2,732	0
Merger	-30,151	-2,732
Divestments	318	0
Depreciation according to the plan	-2,512	0
Book value 31.12	**14,430**	**845**

OTHER TANGIBLE ASSETS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquistion price 1.1	0	0
Merger	56	0
Acquisition price 31.12	56	0
Accumulated depreciation 1.1	0	0
Merger	-47	0
Depreciation according to the plan	-1	0
Book value 31.12	**8**	**0**

ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquistion price 1.1	0	0
Merger	18,686	0
Increase	7,840	0
Book value 31.12	**26,526**	**0**

2.3 INVESTMENTS

HOLDINGS IN GROUP COMPANIES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquistion price 1.1	1,518,021	0
Merger	-1,278,362	0
Investments	80	1,518,021
Acquisition price 31.12	239,739	1,518,021
Book value 31.12	**239,739**	**1,518,021**

OTHER SHARES AND HOLDINGS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Acquistion price 1.1	391	0
Merger	246	391
Investments	2	0
Acquistion price 31.12	639	391
Book value 31.12	**639**	**391**

2.4 OTHER INTEREST BEARING RECEIVABLES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Debt service reserve account	0	16,298

2.5 RECEIVABLES

LONG TERM RECEIVABLES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
External loans receivable	8	0
Loans receivable from group companies	15,000	0
Long term receivables total	**15,008**	**0**

SHORT TERM RECEIVABLES

Receivables from group companies

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Trade receivables	49	3,668
Accrued income	5,226	0
Other short-term receivables	3,188	1,775
Receivables from group companies total	8,462	5,443

External receivables

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Trade receivables	22,218	0
Other short-term receivables	379	2,432
Accrued income	29,510	0
Tax assets	36,482	30,377
External receivables total	88,589	32,809
Short term receivables total	**97,051**	**38,252**
Total receivables	**112,060**	**38,252**

3.1 CAPITAL AND RESERVES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Subscribed capital	3	3
Non restricted equity 1.1	2,000	37
Change (+/-)	647,328	1,964
Non restricted equity 31.12	649,328	2,000
Retained earnings (loss) 1.1	-95,996	-2,297
Loss for the the financial year	-758,671	-93,699
Total capital and reserves	**-205,336**	**-93,993**

Company's equity is negative and the company does not have any distributable funds. However the equity is positive (90,573 thousand euros) when taking into account the increase in equity due to compound difference between the actual and planned depreciations.

3.2 CUMULATIVE ACCELERATED DEPRECIATIONS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Cumulative accelerated depreciations	369,887	371

Accelerated depreciations include deferred tax liability 73,977,475 euros

3.3 MANDATORY PROVISION

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds	650,000	0

3.4 LIABILITIES

NON-CURRENT LIABILITIES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Non-current liabilities		
Connection fee liability 1.1	205,552	0
Connection fee refunds	-400	0
Connection fee liability 31.12	205,153	0
Loans from financial institutions	395,000	959,747
Other long-term loans	638,728	590,775
Total non-current liabilities	**1,238,881**	**1,550,522**

CURRENT LIABILITIES

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Current liabilities		
Trade payables	11,465	1,688
Other short-term liabilities	16,553	117,753
Accrued expenses:		
Salaries and social expenses	3,049	0
Other accrued expenses	39,467	17,288
Total	42,516	17,288
Liabilities to group companies		
Trade payables	46	4
Other short-term liabilities	19,013	0
Accrued expenses	0	7,654
Total	19,059	7,658
Total current liabilities	**89,593**	**144,387**
Total liabilities	**1,328,473**	**1,694,908**

3.5 LIABILITIES AND QUARANTEES FOR DEBTS

EUR 1,000	1.1.–31.12.2013	1.1.–31.12.2012
Floating charges:		
Provided on behalf of own and group liabilities	4,500,000	3,000,000
Leasing agreements		
Within one year	4,254	2
After one year but not more than five years	16,334	0
More than five years	14,517	0
Total	**35,105**	**2**
Other lease liabilitites		
Within one year	919	901
After one year but not more than five years	2,280	2,701
Total	**3,198**	**3,602**
Other own liabilities		
Connection fees not included in the balance sheet values	85,114	0

Group bank accounts have been pledged as security for loans from financial institutions and bonds.

SHARES AND HOLDINGS

EUR 1,000	Share	Vote share	Share of ownership	Nominal value EUR 1,000	Book value EUR 1,000
Subsidiary					
Elenia Lämpö Oy	100%	100%	100%	239,659	239,659
Elenia Finance Oyj	100%	100%	100%	80	80
Other shares and holdings				248	248

DIFFERENTIATED PROFIT AND LOSS ACCOUNT

EUR 1,000	1.1.–31.12.2013
Revenue	**214,517**
Other operating income	**2,021**
Materials and services	
Materials and goods	
Purchace during the financial period	
Network losses	-11,825
Other materials	-1,410
Services	
Grid costs	-28,032
Other external services	-26,279
Personnel expenses	**-8,691**
Depreciation, amortisation and reduction in value	
Depreciation according to plan	
Items related to mergers	-56,939
Network assets	-32,514
Other assets	-1,125
Other operating expenses	
Lease expenses	-1,095
Network rents and network leasing expenses	-5,474
Other operating expenses	-16,398
Operating profit	**26,754**
Financial income and expenses	
Income from other fixed asset investment	
Other interest and financial income	
From group companies	486
From other companies	314
Financial expenses	
From other companies	-105,935
Loss before extraordinary items	**-78,381**
Extraordinary items	
Extraordinary income	
Group contribution	3,000
Loss before appropriations and taxes	**-75,381**
Appropriations	
Change in accelerated depreciations	
Network assets	-24,536
Other assets	-222
Income taxes	**3,178**
Loss for the year	**-96,960**

DIFFERENTIATED BALANCE SHEET

EUR 1,000	31.12.2013
ASSETS	
Non-current assets	
Intangible assets	
Intangilble rights	9,323
Other capitalized long term expenditure	657,332
	666,655
Tangible assets	
Land and water areas	190
Buildings and constructions	1,765
Electricity network	550,664
Items related to mergers	484,280
Machinery and equipments	690
Other tangible assets	8
Advance payments and construction in progress	26,521
	1,064,117
Investments	
Holdings in group companies	239,739
Other financial assets	391
Other shares and holdings	248
	240,378
Total non current assets	**1,971,150**
Current assets	
Long-term receivables	
Loans receivable	8
Loans receivable from group companies	15,000
	15,008
Short-term receivables	
Trade receivables	22,218
Receivables from group companies	8,462
Other receivables	379
Deferred tax assets	33,554
Prepayments and accrued income	28,681
	93,294
Cash and cash equivalents	**57,285**
Total current assets	**165,587**
TOTAL ASSETS	**2,136,738**

DIFFERENTIATED BALANCE SHEET

EUR 1,000	31.12.2013
EQUITY AND LIABILITIES	
Capital and reserves	
Subscribed capital	3
Non restricted equity	648,241
Retained earnings	-95,996
Loss for the financial year	-96,960
	455,288
Cumulative accelerated depreciations	**368,565**
Other provisions	**0**
Liabilities	
Non-current liabilitites	
Connection fees	205,153
Other long-term loans	638,728
Liabilities to group companies	395,000
	1,238,881
Current liabilities	
Trade payables	11,274
Liabilities to group companies	19,059
Other short term liabilities	16,277
Accruals and deferred income	27,395
	74,005
Total liabilities	**1,312,885**
TOTAL EQUITY AND LIABILITIES	**2,136,738**

NOTES FOR DIFFERENTIATED FINANCIAL STATEMENTS

The financial period 1.1–31.12.2013 is the first that Elenia Oy has had network operations in its business. Therefore no comparison to previous years is presented.

DIFFERENTIATION PRINCIPLES

Income statement items have been allocated into the differentiated business either directly or using a distribution method. From the equity the amount that represents the value of the assets 31 December 2013 has been allocated to the other business. Other balance sheet items have been allocated into the differentiated business either directly or using a distribution method.

Depreciation principles for intangible and tangible assets have been presented in the beginning of parent company notes.

NETWORK BUSINESS' KEY FIGURES

INVESTMENTS

EUR 1,000	**31.12.2013**
Intangble rights	873
Other capitalized long term expenditures	
Connection fees	860
Tangible assets	
Land and water areas	67
Electricity network	69,018
Meters	1,716
Other tangible assets	3,429
Prepayments and construction in progress	7,835
Shares and holdings	82
Return on investment	1.34%
Average number of personnel in the network business	190
R&D expenses in the profit and loss account 1.1.–31.12.2013 (EUR)	713,674
Expenses incurred from hourly metering 1.1.–31.12.2013 (EUR)	2,697,568

AUDITOR'S REPORT (TRANSLATION)

TO THE ANNUAL GENERAL MEETING OF ELENIA OY

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Elenia Oy for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, April 2, 2014
Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant