FINANCIAL STATEMENTS 2015

ELENIA

TABLE OF CONTENT

Unofficial translation from Finnish to English

CONSOLIDATED FINANCIAL STATEMENTS

ELENIA GROUP, REPORT OF THE BOARD OF DIRECTORS 2015

1 REPORT OF THE BOARD OF DIRECTORS 2015

ELENIA GROUP'S BUSINESS OPERATIONS

Elenia Group is the owner and operator of an electricity distribution network (Elenia Oy, 'Elenia Networks') and a district heating business (Elenia Lämpö Oy, 'Elenia Heat'). Elenia Group also has a customer service business (Elenia Palvelut Oy, 'Elenia Services'). These business functions are supported by our financing company (Elenia Finance Oyj, 'Elenia Finance').

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 as defined by the licence granted by the Energy Authority (EA). The relevant licence holder has the exclusive right to build and operate an electricity distribution network in its area of responsibility.

With an electricity network of 67,600 km, Elenia Networks supplies electricity to approximately 417,200 end-users. In addition to residential customers, key customer segments include industrial, services, construction and public sectors. The company has operations in more than 100 cities and municipalities spanning a geographical area of nearly 600 km in length across central Finland, from Southern Häme to Northern Ostrobothnia. In 2015, Elenia Networks distributed 5,994 GWh of electricity (6,112 GWh in 2014).

In order to improve the security of electricity supply, Elenia Networks has only built weatherproof underground cables since 2009. At the end of 2015, 34% of the network was underground. As in the previous year, Elenia Networks invested more than EUR 100 million in developing its electricity network in 2015.

HEAT BUSINESS

District heating is the leading heating solution in Finland. It involves the distribution of heat generated in centralised locations for residential and commercial heating through a distribution network. In Finland, the market share of district heating is approximately 46%. Compared to alternatives, district heating is reliable, easy to use, cost efficient and expensive to replace. Elenia Heat is Finland's eighth-largest seller of district heat and the second-largest private seller of district heating. In 2015, Elenia Heat's sales volume of heat, gas and electricity totalled 1.0 terawatt hours (TWh). Elenia Heat primarily produces its heat via wood, peat, natural gas and oil. In 2015, biofuels accounted for more than 65% of Elenia Heat's production volume, and over 90% of the fuel used was of domestic origin. Elenia Heat purchases approximately 30% of its total heat volumes 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.

CUSTOMER SERVICE BUSINESS

Elenia Services provides customer service and related services to the Elenia Group, including invoicing, collection, connection sales, outage management and electricity market information exchange services. It also provides invoicing and collection services to Vattenfall under a Transitional Service Agreement (TSA). The TSA covers the provision of customer service and certain ancillary services to Vattenfall over a transitionary period. The TSA terminated in January 2016.

BUSINESS REVIEW

Elenia's performance during 2015 was in line with expectations, excluding the impact of warm weather and exceptional weather events. The network operations and investments progressed according to plan. The generally warm weather during the year resulted in the demand for electricity being lower than expected. This in turn resulted in lower revenue, although this volume related revenue shortfall can be recovered under the regulatory guidelines. The year was also characterised by storms (Suoma and Yrjänä in April, Lyyli in May and Valio in October) and snow loads (in January and November). The Valio storm and snow loads in November were exceptionally severe and affected more than 50,000 customers simultaneously. Consequently, the resulting fault repair costs and compensations to customers had a negative impact on the financial performance. Costs related to these outages are treated as exceptional, resulting in exceptional costs of EUR 16.6 million in 2015.

During the year, Elenia Networks continued to invest in the electricity network in accordance with its development plan. Elenia Networks' investment plan has been designed to improve the security of supply via underground cabling. The underground cabling rate increased to 34% by the end of 2015. The Electricity Market Act (EMA) states that 100% of customers must be within the scope of the quality requirements by the end of 2028. This will be achieved by increasing the cabling rate to approximately 76% by the end of 2031. While the main focus in the development of the security of supply is on underground cabling, Elenia also seeks to improve the security of supply by other means. For example, in recent years Elenia Networks has developed an efficient model for tree clearance outside the line corridors.

In 2015, Elenia Networks also had several on-going IT development projects including the launch of the digital Elenia Aina service for customers, more effective real-time monitoring of network assets and the implementation of mobile solutions. Mobile solutions are aimed at improving reporting as well as the monitoring of safety and quality at work sites.

Elenia Networks continued to develop its asset management system. Following the PAS 55 certificate granted in 2013, the company was awarded a certificate by Lloyd's Register based on the new international ISO 55001 standard as evidence of its high-quality electricity network management in 2014. These two certificates illustrate the international recognition of the quality of Elenia's electricity network development, construction, maintenance and use.

The requirements of both PAS 55 and ISO 55001 guide the construction, operation, maintenance and repair of Elenia's electricity network. This ensures that Elenia Networks will improve the way it operates, maintains and upgrades its electricity network in order to respond to its customers' needs. The certificates also require that the suppliers and service providers commit to responsible, high-quality operations. In 2015, Lloyd's Register successfully audited Elenia's asset management system with a particular focus on Elenia Weatherproof underground cabling and substation projects.

In November 2015, the Energy Authority confirmed the regulatory methods to be applied in the fourth and fifth regulatory periods (2016–2019 and 2020–2023). The basic structure of the regulatory framework will remain largely unchanged from the third regulatory period (2012–2015) and it will be based on a combination of a reasonable rate of return and various incentives. The parameters for the weighted average cost of capital (WACC) model used to determine the reasonable rate of return will change. As a result, the reasonable rate of return will increase from the 2015 level of 3.1% to approximately 5.9% (on a post-tax nominal basis) in 2016. Incentives related to investments, quality, efficiency, innovation and the security of supply will remain in place, with minor changes. The regulatory guidelines provide stability for the industry and enable the continuation of the security of supply driven investment programme as planned.

Excellent customer service is a key strategic goal for Elenia Networks. Efforts to improve customer service and process quality continued in 2015. In an industry-wide customer satisfaction survey commissioned by Finnish Energy Industries, Elenia's customer service results improved for the fifth consecutive year. Elenia's scores were above the industry average in comparison to other electricity network operators, and the company rose to second place in the survey. We will look to improve our scores further, and our goal is to achieve an excellent level of customer service.

Elenia Heat's heating volumes were also lower due to the warm weather during the year. Combined with low electricity prices, this led to a decrease in Elenia Heat's revenue. However, improvements in operational efficiency (particularly a more cost-efficient fuel mix) resulted in Elenia Heat's EBITDA improving from 2014. Elenia Heat will continue its efforts to improve operational efficiency and the development of the fuel portfolio and the efficient utilisation of existing equipment and systems will be prioritised.

For Elenia Services, 2015 was a year of significant change. The decision was taken to centralise operations in Tampere and adjust to the lower customer service volume anticipated following the expiry of the TSA with Vattenfall in January 2016. In 2015, Elenia Services launched the new digital Elenia Aina service and in January 2016 migrated to a new customer information system.

FINANCING

In 2015, Elenia Finance Oyj issued private placements for an aggregate amount of EUR 75 million. The proceeds were used to fully repay Elenia Oy's bank term debt and to finance investments. The weighted average maturity of Elenia's debt is 9.2 years and the weighted average interest rate of its financing is 2.8% (excluding other long-term loans). As at 31 December 2015, Elenia had EUR 195 million in undrawn committed credit facilities.

Standard & Poor's published its most recent credit rating for Elenia Finance Oyj in December 2015 and kept Elenia's rating unchanged (BBB, outlook stable). Elenia continues to be in compliance with all financial covenants.

EMPLOYEES

In 2015, the Group employed 383 people on average (389 in 2014). Close cooperation with local partner companies is an integral part of the Group's operations. Including the personnel of external sub-contractors, Elenia's business operations employ approximately 1,000 people.

FINANCIAL PERFORMANCE

Elenia Group's revenue in 2015 was EUR 282.3 million (EUR 299.7 million in 2014). The factors contributing to the decrease in revenue included lower volumes due to the generally warm weather as well as statutory and voluntary compensation for weather-related outages paid to customers, totalling EUR 11.2 million. In 2015, the Group's EBITDA was EUR 135.6 million (EUR 153.9 million in 2014). The decrease in EBITDA was attributable to lower volumes as well as significant fault repair costs and customer compensations caused by storms and snow loads. EBITDA excluding non-recurring and exceptional items was EUR 152.2 million in 2015 (EUR 156.2 million in 2014). Operating profit was EUR 56.4 million (EUR 77.8 million in 2014) and the loss for the financial year was EUR 43.9 million (EUR 31.1 million loss in 2014).

ACQUISITIONS AND DIVESTMENTS

There were no material acquisitions or divestments during the period.

BUSINESS UNITS

Elenia Networks' total revenue (including intra-group items) was EUR 208.3 million (EUR 222.5 million in 2014) and EBITDA was EUR 111.9 million (EUR 134.1 million in 2014). The decrease in revenues was attributable to the aforementioned lower volumes and weather-related customer compensation payments. The decrease in EBITDA was attributable to lower distribution volumes as well as significant exceptional repair costs and customer compensation payments relating to the storms.

Elenia Heat's total revenue was EUR 72.5 million (EUR 76.6 million in 2014) and EBITDA was EUR 23.2 million (EUR 20.4 million in 2014). The decrease in Elenia Heat's revenue was primarily due to the generally warm weather, which led to lower heating volume. Despite lower heating volumes Elenia Heat's EBITDA increased by EUR 2.3 million due to improvements in production efficiency.

Elenia Services' total revenue in 2015 was EUR 14.0 million, with services provided to external customers accounting for EUR 6.4 million and the balance being internal sales to other companies within Elenia Group. Elenia Services' EBITDA was EUR 0.5 million.

CORPORATE GOVERNANCE

Aapo Nikunen left the company on 1 July 2015. Tommi Valento was appointed Chief Financial Officer on 1 August 2015. There were no other changes to the the company's management team in 2015.

Elenia Oy's Board of Directors convened 11 times in 2015. The members of the Board of Directors during the financial year were Timo Rajala (Chairman), Heidi Koskinen, Kunal Koya, Tapani Liuhala, Peter Lyneham, Timothy Short and Philip White. Aapo Nikunen served as a member of the Board of Directors until 30 June 2015. Chief Operating Officer Jorma Myllymäki was appointed to the Board of Directors starting from 1 July 2015.

SHARES

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

CORPORATE RESPONSIBILITY

Elenia Group aims to ensure that its employees and partners work in a safe and motivating environment. In addition to highly competent and professional employees, the safety work is based on safe equipment, processes and operating models as well as visible safety management.

In addition, Elenia Group provides its employees with general information on topical occupational safety and environmental issues and an opportunity to participate in training that facilitates the improvement of their professional skills and competences. Supervisors and employees working on site are required to successfully complete Occupational Safety Card training and ensure that their statutory qualifications are up to date. Compliance with regulations is monitored regularly. Elenia Group has an OHSAS 18001 occupational health and safety management system in place. Elenia Group operates in accordance with the principle of continuous improvement with the aim of being a leading company in occupational safety. Elenia and its extensive partner network have a target of zero occupational accidents and zero defects in all stages of construction.

ENVIRONMENTAL MATTERS

Elenia Networks and Elenia Heat have systematic environmental management systems. Since 2005, Elenia Networks has been certified as having an ISO 14001 Environmental Management System. Elenia Heat's operations in Finland have been certified in accordance with the ISO 14001 Environmental Management System. In addition, the external sub-contractors are required to have environmental management systems that support the environmental work and are in line with the ISO 14001 standard.

The most significant environmental aspects of Elenia Group's operations are related to land use, the protection of soil and water areas, waste handling, the preservation of biodiversity, the control of greenhouse gas emissions and material and energy efficiency. In line with its strategy, 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. Environmental matters are integral to Elenia's corporate culture, and its operations are based on continuous improvement. The goal is to reduce the environmental effects of all operations and lead the way in environmental management in the industry.

Elenia Heat continues its efforts to improve operational efficiency and maintain a high rate of efficiency at production plants. The development of the fuel portfolio and the efficient utilisation of existing equipment and systems will continue to be a priority. In 2015, Elenia Heat continued to reduce the use of fossil fuels in its heat and electricity production, while increasing the use of domestic fuels. Both of these will continue to be important goals going forward. The share of biofuels in Elenia Heat's own production operations exceeded 65% in 2015, while the share of domestic fuels exceeded 90%.

RISK MANAGEMENT

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

EVENTS AFTER THE BALANCE SHEET DATE

Following the distribution price increases announced by certain Finnish DSOs, the EA issued a memorandum on 3 February 2016 (at the request of the Finnish Ministry of Employment and the Economy) proposing that the Ministry consider legislative steps to (i) define a limit on one-off increases in the electricity distribution tariff and minimum intervals between such increases and (ii) ensure that a sufficient share of the income deriving from the electricity distribution tariffs is directed to investments and other development of the distribution network. The Ministry has confirmed that the memorandum serves as the basis for the Government's further assessment of the potential legislative changes and indicated that it anticipates that such potential changes could enter into force by the beginning of 2017.

Elenia Finance Oyj issued bonds in the amount of EUR 50 million in January 2016. The funds were used to repay bank debt and finance investments.

OUTLOOK

The new regulatory period began on 1 January 2016. The regulation provides a solid foundation for our operations, investments and strategy. Our customers, as well as the surrounding society, require secure supply of electricity now and in the future. In order to meet these expectations, Elenia has prepared an investment plan which emphasises the significance of underground cabling to ensure the security of supply. Our target is to increase the underground cabling rate of the electricity distribution network to 76% by 2031.

The economic recession has impacted construction activity in recent years. Nevertheless, Elenia Heat has managed to add new customers and retains a high market share in its network areas. Investments made in recent years have increased the use of biofuels. reduced the need for fossil fuels and increased production efficiency.

THE BOARD OF DIRECTORS' DIVIDEND PROPOSAL

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EUR 1,000	Note	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Revenue		**282,347**	**299,749**
Other operating income	1	4,505	4,662
Materials and services		-107,932	-106,657
Employee benefit expenses	2	-23,465	-21,644
Depreciation, amortisation and impairment	3	-79,229	-76,044
Other operating expenses	1	-19,986	-22,382
Share of profit of an associate	4	132	151
Operating profit		**56,372**	**77,835**
Finance income		1,296	365
Finance costs		-111,377	-116,552
Finance income and costs	5	**-110,081**	**-116,187**
Loss before tax		**-53,709**	**-38,351**
Income tax	6	9,830	7,246
Loss for the period		**-43,879**	**-31,105**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR 1,000	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Loss for the period	**-43,879**	**-31,105**
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	316	-485
Income tax effect	-63	97
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Net movement of cash flow hedges	1,610	7,938
Net (loss)/gain on available-for-sale financial assets	-1,027	-85
Income tax effect	-117	-1,571
Other comprehensive income for the period after tax	**719**	**5,894**
Total comprehensive income for the period	**-43,160**	**-25,211**

Swap breakage costs of EUR 2.0 million (2014: EUR 8.2 million) have been reclassified from other comprehensive income to profit and loss.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Note	31 Dec 2015	31 Dec 2014
Assets			
Non-current assets			
Property, plant and equipment	7	1,245,044	1,208,991
Intangible assets	8	91,144	94,075
Goodwill	8	515,606	515,606
Investments in associates	4	590	513
Other non-current financial assets		249	258
Deferred tax assets	6	1,126	1,641
Total non-current assets		**1,853,758**	**1,821,085**
Current assets			
Inventories	9	10,044	11,934
Trade receivables	10	19,804	20,290
Other current receivables	10	43,312	43,556
Cash and cash equivalents		19,115	17,468
Total current assets		**92,276**	**93,248**
Total assets		**1,946,034**	**1,914,333**
Equity and liabilities			
Equity			
Share capital		3	3
Unrestricted equity		2,000	2,000
Hedge fund		-	-1,288
Fair value fund		-1	820
Retained earnings		-130,562	-86,936
Total equity		**-128,561**	**-85,401**
Non-current liabilities			
Loans from financial institutions	11, 21	130,000	100,223
Bonds and notes	11, 21	1,051,626	976,282
Other long-term loans	11, 21	599,458	650,630
Finance lease liabilities	17	19,831	23,428
Employee benefit liability	15	1,005	1,335
Derivatives	11, 21	-	2,802
Provisions	12	11,588	12,383
Other long-term liabilities		840	-
Deferred tax liabilities	6	145,413	155,909
Total non-current liabilities		**1,959,761**	**1,922,992**
Current liabilities			
Loans from financial institutions	11, 21	30,000	-
Finance lease liabilities	17	3,727	3,868
Trade payables	13	17,657	15,457
Other current liabilities	13	63,451	57,417
Total current liabilities		**114,835**	**76,742**
Total equity and liabilities		**1,946,034**	**1,914,333**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Operating activities		
Loss for the period	-43,879	-31,105
Adjustments to reconcile loss to net cash flows		
Depreciation, amortisation and impairment	79,229	76,044
Finance income	-1,296	-365
Finance costs	111,377	116,552
Share of profit of an associate	-132	-151
Taxes	-9,830	-7,246
Other adjustments	-35	949
Working capital adjustments		
Increase (-) / decrease (+) in inventories	1,890	3,181
Increase (+) / decrease (-) in trade and other current liabilities	7,901	-20,343
Increase (-) / decrease (+) in trade and other current receivables	-536	10,443
Increase (+) / decrease (-) in provisions	-795	29
Dividends received	56	45
Interests received	102	357
Interest and financial expenses paid	-35,997	-30,062
Interest paid on other long-term loans	-68,652	-34,854
Swap breakage costs paid	-1,994	-8,158
Taxes paid	-370	-235
Net cash flows from operating activities	**37,039**	**75,079**
Investing activities		
Capital expenditure	-113,444	-117,518
Changes in investments	8	14
Net cash flows from investing activities	**-113,436**	**-117,504**
Financing activities		
Proceeds from long-term borrowings	196,000	372,000
Payment of debt arrangement costs	-870	-12,847
Repayment of long-term borrowings	-113,348	-358,505
Repayment of finance lease liabilities	-3,738	-3,831
Net cash flows from financing activities	**78,044**	**-3,183**
Net increase in cash and cash equivalents	**1,647**	**-45,608**
Cash and cash equivalents 1.1.	17,468	63,077
Change in cash and cash equivalents	1,647	-45,608
Cash and cash equivalents 31.12.	**19,115**	**17,468**

Cash and cash equivalents comprises of cash balance at bank accounts

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Available for sale reserve (Fair value fund)	Cash-Flow hedge fund	Retained earnings	Total equity
Equity at 1 January 2014	**3**	**2,000**	**888**	**-7,639**	**-55,443**	**-60,190**
Comprehensive income						
Profit for the year	-	-	-	-	-31,105	-31,105
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging	-	-	-	6,350	-	6,350
Available-for-sale financial assets	-	-	-68	-	-	-68
Change in defined benefit plans	-	-	-	-	-388	-388
Total comprehensive income for the period	**-**	**-**	**-68**	**6,350**	**-31,493**	**-25,211**
Equity at 31 December 2014	**3**	**2,000**	**820**	**-1,288**	**-86,936**	**-85,401**
Equity at 1 January 2015	**3**	**2,000**	**820**	**-1,288**	**-86,936**	**-85,401**
Comprehensive income						
Profit for the year	-	-	-	-	-43,879	-43,879
Other components of comprehensive income (adjusted by tax effect)						
Cash flow hedging	-	-	-	1,288	-	1,288
Available-for-sale financial assets	-	-	-822	-	-	-822
Change in defined benefit plans	-	-	-	-	252	252
Total comprehensive income for the period	**-**	**-**	**-822**	**1,288**	**-43,626**	**-43,160**
Equity at 31 December 2015	**3**	**2,000**	**-1**	**0**	**-130,562**	**-128,561**

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.

These consolidated financial statements are included in the consolidated financial statements of Lakeside Network Investments S.à r.l., available at the following address: 2, rue du Fossé L - 1536 Luxembourg.

Elenia Group is the owner and operator of an electricity distribution network (Elenia Oy, 'Elenia Networks') and a district heating business (Elenia Lämpö Oy, 'Elenia Heat'). Elenia Group also has a customer service business (Elenia Palvelut Oy, 'Elenia Services'). These business functions are supported by the financing company (Elenia Finance Oyj, 'Elenia Finance').

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 consolidated financial statements on the 29 March 2016. The shareholders have the right either to approve, reject or change the consolidated financial statements in the Annual General Meeting.

2.1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) approved for application within the EU. The consolidated financial statements are compliant with the provisions of the Finnish Accounting Act and other regulations governing the preparation of financial statements in Finland.

The 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 also the Group's IFRS transition date. The consolidated financial statements have been prepared based on historical cost, except for available-for-sale financial assets, financial assets and liabilities recorded at fair value through profit or loss and derivative contracts used for hedging purposes.

All Group companies use 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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied for the first time certain standards and amendments which are effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and amendment are described below:

AMENDMENTS: IAS 19 DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS

The amended standard is effective for annual periods beginning on or after 1 July 2014. The EU has endorsed the standard amendments.

The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the accounting treatment of such contributions.

According to the Group's management, the amendments are not expected to have a material effect on the consolidated financial statements.

ANNUAL IMPROVEMENTS TO IFRSS (2010 – 2012 CYCLE)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 July 2014. The EU has endorsed the amendments. The improvements will not have a significant effect on the consolidated financial statements.

IFRS 2 Share-based Payment

The amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. The amendment is applicable for share-based payments for which the grant date is on or after 1 July 2014.

IFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities or assets arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 or IFRS 9.

IFRS 8 Operating Segments

The amendment clarifies the aggregation criteria of operating segments and specifies the reconciliation of the total of the reportable segments' assets to the entity's assets.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment clarifies the revaluation method and the definition of accumulated depreciations.

IAS 24 Related Party Disclosures

The amendment clarifies the definition of key management personnel.

ANNUAL IMPROVEMENTS TO IFRSS (2011 – 2013 CYCLE)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 July 2014. The EU has endorsed the amendments. The improvements will not have a significant effect on the consolidated financial statements.

IFRS 3 Business Combinations

The amendment specifies that joint arrangements are outside the scope of IFRS 3 and this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment clarifies the scope of paragraph 52 by defining that the portfolio exception in IFRS 13 is applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39 or IFRS 9.

IAS 40 Investment Property

The amendment clarifies the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company Elenia Oy and its subsidiaries which the Group controls. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee. The consolidated financial statements also include, as associated companies, any companies over which the Group has significant influence. Significant influence generally involves a shareholding of over 20% of the voting rights or when the Group has the power to participate in the financial and operating policy decisions of the investee but has not control or joint control over those policies.

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

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

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

The subsidiaries do not have non-controlling interests.

The Group's investments in its associated companies are accounted for using the equity method. Under the equity method the investments in associated companies are initially recognised at acquisition cost on the date of the acquisition and adjusted thereafter to recognise the Group's share of the post-acquisition profits os losses and movements in other comprehensive income.

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 undertaken 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 consolidated statement of profit or loss 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 before 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 statement of profit or loss 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 reflected in the form of lower depreciation over the useful life of the asset.

Other government grants are recognised as other income in the consolidated statement of profit or loss 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 distribution of electricity and heat is recognised at the time of delivery. Revenue from customer service operations is recognised for the period in which the service is provided.

Connection fees paid by customers for joining an electricity or heating network are recognised as revenue in the consolidated statement of profit or loss. 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 free of charge, 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 consolidated statement of profit or loss 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 no longer has any expected revenue streams, the asset is dismantled and the remaining carrying value is recognised as an expense under depreciation, amortisation and impairment.

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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 have 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 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 TAXES

2.5.14.1 Current income tax

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

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

2.5.14.2 Deferred tax

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

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

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

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

2.5.15 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 Group 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 consolidated statement of 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 consolidated statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the consolidated statement of profit or loss.

2.5.16.1.2 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss 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 consolidated statement of profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

2.5.16.2.2 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 consolidated statement of profit or loss – is removed from the consolidated statement of other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

2.5.16.3 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 consolidated statement of profit or loss.

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 consolidated statement of profit or loss.

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 consolidated statement of profit or loss.

2.5.16.4 Fair value measurement of financial instruments

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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

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

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

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

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

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

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

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

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

2.5.16.5 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 consolidated statement of profit or loss as financial income or costs.

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

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

2.5.17 SEGMENT REPORTING

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

2.5.18 NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9 Financial Instruments

The new standard IFRS 9 will be effective for annual periods beginning on or after 1 January 2018, early application is permitted. The new standard is still subject to endorsement by the EU. IFRS 9 will completely replace the existing standard IAS 39 Financial Instruments: Recognition and Measurement.

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

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

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

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

Company's management is currently evaluating the effects of the standard on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

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

The new standard establishes a five-step model on how to account for revenue from contracts with customers. It replaces IAS 11, IAS 18 and related interpretations. Transfer of control is a central criterion for revenue recognition. The disclosure requirements in new IFRS 15 are more extensive.

Company's management is currently evaluating the effects of the standard on the consolidated financial statements.

IFRS 16 Leases

The International Accounting Standards Board (IASB) issued the new standard IFRS 16 Leases in January 2016. In case endorsed by the EU the new standard is effective for annual periods beginning on or after 1 January 2019 with limited early adoption permitted.

The new standard requires a lessee to recognise most leases on the balance sheet: a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset.

Company's management is currently evaluating the effects of the standard on the consolidated financial statements.

Amendments: IAS 1 Disclosure Initiative

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

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

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

Annual improvements to IFRSs (2012 – 2014 Cycle)

The following annual improvements to IFRSs are effective for annual reporting periods beginning on or after 1 January 2016. The EU has endorsed the amendments. The improvements will not have a significant effect on the consolidated financial statements.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that the changes in methods of disposal do not affect the classification.

IFRS 7 Financial Instruments: Disclosure: Servicing Contracts

The amendment clarifies that a company can continue its involvement in the transferred financial asset if the company still provides services related to the transferred financial assets.

IFRS 7 Financial Instruments: Disclosure: Applicability of the offsetting disclosures to condensed interim financial statements

The amendment abolishes the requirement for the disclosure of notes on offsetting in condensed interim financial statements. However the notes should be presented in case any essential changes have occurred compared to the previous financial statements.

IAS 19 Employee Benefits

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

IAS 34 Interim Financial Reporting

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

New standard: IFRS 14 Regulatory Deferral Accounts

The new standard is effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The standard is still subject to endorsement by the EU.

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

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

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

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

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

The amended standards are effective for annual periods beginning on or after 1 January 2016 with early adoption permitted. The standard amendments are still subject to endorsement by the EU.

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

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

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

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

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

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

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

Amendments: IAS 16 and IAS 41 Agriculture: Bearer Plants

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

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

Amendments: IAS 27 Equity Method in Separate Financial Statements

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

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

3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

3.1 ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

3.1.1 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 8)

3.1.2 DEFERRED TAXES

The Group has deferred tax assets and liabilities which are expected to be realised through the consolidated statement of profit or loss over certain periods of time in the future. The calculation of deferred tax assets and liabilities involves making certain assumptions and estimates regarding the future tax consequences attributable to differences between the carrying amounts of assets and liabilities as recorded in the financial statements and their tax basis. (Note 6)

3.1.3 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 12)

3.2 ACCOUNTING JUDGEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

EUR 1,000	2015	2014
Gains from the sales of emission allowances	42	562
Rental income	371	510
Insurance indemnities	-	163
Subsidy for bio-based electricity production	428	415
Capital gains on tangible and intangible assets	961	63
Income from the wood fuel trading	643	788
Income from the trade receivables collection	669	714
Other operating income	1,390	1,447
Total	**4,505**	**4,662**

OTHER OPERATING EXPENSES

EUR 1,000	2015	2014
Lease expenses	-2,313	-2,810
External services	-3,723	-4,671
IT and communication expenses	-5,249	-4,948
Research and development costs	-1,071	-1,446
Other non-recurring costs	-	-1,332
Other expenses	-7,630	-7,176
Total	**-19,986**	**-22,382**

In 2014 other operating expenses include other non-recurring costs in the amount of EUR 1,332 thousand. 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	2015	2014
Auditing fees	249	217
Fees for tax services	37	249
Fees for other services	2	287
Total	**288**	**753**

Ernst & Young was appointed as the auditor until the Annual General Meeting held in the 2016 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 other assignments.

NOTE 2

EMPLOYEE BENEFITS EXPENSE

EUR 1,000	2015	2014
Salaries and remuneration	-19,159	-17,778
Pensions		
Defined contribution plans	-3,357	-2,995
Defined benefit plans	-65	-52
Social security costs	-884	-819
Total	**-23,465**	**-21,644**

EUR 1,000	2015	2014
CEOs		
Salaries and other short-term employee benefits	433	403
Other long-term employee benefits	65	-
Pension expenses related to salaries and employee benefits	119	94
Other key members of the management		
Salaries and other short-term employee benefits	1,561	1,442
Other long-term employee benefits	121	-
Pension expenses related to salaries and employee benefits	368	307

Elenia Group applies two incentive plans. All employees of the Elenia Group are included within the scope of the short-term annual performance bonus plan; in addition the key members of the management are included by a long-term incentive plan. Both of the plans are company-specific but the principles and criteria are mainly uniform. Companies' Boards of Directors approve both the criteria as well as payment under the plans.

The annual performance bonuses are based for example on the company's profitability, work safety and customer or personnel satisfaction. Also the achievement of the individual key objectives in employee's own responsibility area is taken into consideration.

The key members of the management personnel are included within the scope of the long-term incentive plan. The purpose of the plan is to align the interests of the management with those of the shareholders in order to improve the competitiveness of the business and promote long-term financial success. The long-term incentive plan is measured over a three year period and potential remunerations are paid during the following three years after the earnings period. The payment is made only if the goals have been achieved also during the year preceding the payment. In 2015 the remunerations related to the 2012–2014 programme were paid. During 2015 there were three programmes on-going: 2013–2015, 2014–2016 and 2015–2017.

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

During 2015 EUR 810 thousand were recognized as an expense and EUR 186 thousand were paid out related to the long-term incentive plan.

During 2015 EUR 1.2 million were booked as a liability related to the long-term incentive plan.

Key management includes management teams and Board members of Elenia Oy and Elenia Lämpö Oy.

The key members of the management have no share or option based incentive schemes.

NOTE 3

DEPRECIATION, AMORTISATION AND IMPAIRMENT

EUR 1,000	2015	2014
Depreciation, amortisation and impairment on property, plant and equipment	-72,881	-70,362
Depreciation and amortisation on intangible assets	-6,348	-5,682
Total	**-79,229**	**-76,044**

NOTE 4

INVESTMENT IN AN ASSOCIATE

EUR 1,000	2015	2014
Acquisition cost at 1 January	513	407
Share of profit for the year	132	151
Dividends received	-56	-45
Acquisition cost at 31 December	**590**	**513**

Elenia's share of the profit of associates for 2015 was EUR 132 thousand.

INFORMATION CONCERNING THE ASSOCIATES

31 December 2015

EUR 1,000	Segment	Holding %	Assets	Liabilities	Revenue	Profit/loss
Oriveden Aluelämpö Oy	Heat	50	3,952	3,580	1,787	169

31 December 2014

EUR 1,000	Segment	Holding %	Assets	Liabilities	Revenue	Profit/loss
Oriveden Aluelämpö Oy	Heat	50	4,054	3,739	1,862	95

NOTE 5

FINANCE INCOME AND COSTS

EUR 1,000	2015	2014
Interest expenses		
Loans from financial institutions	-2,771	-11,501
Bonds and notes	-31,737	-25,103
Other long-term loans	-68,828	-65,991
Other interest expenses	-1,024	-1,157
Total interest	**-104,360**	**-103,752**
Other finance costs	-7,016	-12,211
Ineffective portion of cash flow hedging	-	-587
Exchange rate differences		
Loans and receivables	-1	-2
Total finance costs	**-111,377**	**-116,552**
Interest income		
Other interest income	102	357
Other finance income	1,193	8
Total finance income	**1,296**	**365**
Finance costs (net)	**-110,081**	**-116,187**

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 1.0 million (2014: 1.1 million). Other finance costs include EUR 2.0 million (2014: 8.2 million) of swap breakage costs.

NOTE 6

INCOME TAX

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EUR 1,000	2015	2014
Current income tax charge	-53	-66
Adjustments in respect of current income tax of previous periods	-278	-46
Deferred taxes	10,161	7,358
Income tax expense reported in the statement of profit or loss	**9,830**	**7,246**

CONSOLIDATED STATEMENT OF OCI

EUR 1,000	2015	2014
Deferred tax related to items recognised in OCI during the year:		
Remeasurement gains (losses) on defined benefit plans	-63	97
Net movement of cash flow hedges	-322	-1,588
Net (loss) gain on available-for-sale financial assets	205	17
Deferred tax charged to OCI	**-180**	**-1,474**

INCOME TAX RATE

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

EUR 1,000	2015	2014
Profit before tax	**-53,709**	**-38,351**
Tax calculated using the nominal tax rate of 20.0% (2014: 20.0%)	10,742	7,670
– tax-free income items	40	69
– expenses that are non-deductible in taxation	-544	-464
– share of the profits of associates	15	21
– adjustment of taxes based on previous periods	-411	-46
– unrecognized deferred tax assets from taxation losses	-12	-4
Income tax in the income statement	**9,830**	**7,246**

The tax rate according to the income statement was 18% (2014: 19%)

CHANGE IN DEFERRED TAX RECEIVABLES AND LIABILITIES IN 2015

DEFERRED TAX RECEIVABLES EUR 1,000	Balance sheet 31 Dec 2014	Recognised in the income statement	Recognised in other comprehensive income	**Balance sheet 31 Dec 2015**
Hedging reserve	440	-118	-322	0
Deferred tax receivable for the confirmed losses	31,257	-2,577	-	28,680
Defined benefit plans	267	-3	-63	201
Finance leases	934	-9	-	925
Total	**32,897**	**-2,706**	**-385**	**29,806**
Offset	-31,257			-28,680
Deferred tax receivables	**1,641**			**1,126**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 31 Dec 2014	Recognised in the income statement	Recognised in other comprehensive income	**Balance sheet 31 Dec 2015**
Interest-bearing liabilities	1,877	-642	-	1,234
Depreciation differences	76,823	-7,438	-	69,385
Measurement of assets at fair value in acquisition	108,260	-4,787	-	103,473
Available-for-sale financial assets	205	-	-205	0
Total	**187,165**	**-12,867**	**-205**	**174,093**
Offset	-31,257			-28,680
Deferred tax liabilities	**155,909**			**145,413**

CHANGE IN DEFERRED TAX RECEIVABLES AND LIABILITIES IN 2014

DEFERRED TAX RECEIVABLES EUR 1,000	Balance sheet 31 Dec 2013	Recognised in the income statement	Recognised in other comprehensive income	**Balance sheet 31 Dec 2014**
Hedging reserve	1,910	117	-1,588	440
Deferred tax receivable for the confirmed losses	36,482	-5,226	-	31,257
Defined benefit plans	164	6	97	267
Finance leases	917	17	-	934
Total	**39,473**	**-5,084**	**-1,491**	**32,898**
Offset	-38,392			-31,257
Deferred tax receivables total	**1,081**			**1,641**

DEFERRED TAX LIABILITIES EUR 1,000	Balance sheet 31 Dec 2013	Recognised in the income statement	Recognised in other comprehensive income	**Balance sheet 31 Dec 2014**
Interest-bearing liabilities	2,998	-1,121	-	1,877
Depreciation differences	83,357	-6,535	-	76,823
Measurement of assets at fair value in acquisition	113,047	-4,787	-	108,260
Available-for-sale financial assets	222	-	-17	205
Total	**199,624**	**-12,442**	**-17**	**187,165**
Offset	-38,392			-31,257
Deferred tax liabilities total	**161,233**			**155,909**

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 7

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 2015	2,583	21,465	1,739,391	232,588	1,094	12,080	2,009,200
Additions	38	374	93,957	3,654	-	17,401	115,424
Disposals	-	-2,324	-6,527	-292	-	-	-9,143
Transfers between balance sheet items	-	-	-	-	-	-5,275	-5,275
Acquisition cost at 31 December 2015	**2,621**	**19,516**	**1,826,821**	**235,950**	**1,094**	**24,206**	**2,110,207**
Accumulated depreciation, amortisation and impairment at 1 January 2015	-	-10,695	-658,722	-130,481	-311	-	-800,209
Depreciation and amortisation for the period	-	-672	-58,375	-11,118	-48	-	-70,212
Accumulated depreciation and amortisation on disposals	-	1,109	6,526	292	-	-	7,927
Impairment	-	-	-2,543	-126	-	-	-2,669
Accumulated depreciation, amortisation and impairment at 31 December 2015	**-**	**-10,258**	**-713,113**	**-141,433**	**-359**	**-**	**-865,163**
Book value at 31 December 2015	**2,621**	**9,258**	**1,113,707**	**94,517**	**735**	**24,206**	**1,245,044**
Book value at 31 December 2014	**2,583**	**10,771**	**1,080,669**	**102,107**	**782**	**12,080**	**1,208,991**

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 2014	2,256	18,391	1,627,777	223,588	951	27,910	1,900,873
Additions	326	3,075	100,746	9,208	143	13,476	126,974
Disposals	-	-	-4,717	-285	-	-	-5,002
Transfers between balance sheet items	-	-	15,584	77	-	-29,306	-13,645
Acquisition cost at 31 December 2014	**2,583**	**21,465**	**1,739,391**	**232,588**	**1,094**	**12,080**	**2,009,200**
Accumulated depreciation, amortisation and impairment at 1 January 2014	-	-10,112	-604,388	-120,044	-270	-	-734,813
Depreciation and amortisation for the period	-	-583	-56,302	-10,707	-42	-	-67,633
Accumulated depreciation and amortisation on disposals	-	-	4,697	270	-	-	4,966
Impairment	-	-	-2,729	-	-	-	-2,729
Accumulated depreciation, amortisation and impairment at 31 December 2014	**-**	**-10,695**	**-658,722**	**-130,481**	**-311**	**-**	**-800,209**
Book value at 31 December 2014	**2,583**	**10,771**	**1,080,669**	**102,107**	**782**	**12,080**	**1,208,991**
Book value at 31 December 2013	**2,256**	**8,279**	**1,023,390**	**103,544**	**681**	**27,910**	**1,166,060**

The property, plant and equipment item machinery and equipment includes EUR 22,481 thousand (2014: 26,231 thousand) of assets acquired through finance leases. In 2015 Elenia Lämpö Oy received an investments grant of EUR 278 thousand (2014: 126 thousand). The grant was recorded as deduction of costs in machinery and equipments.

NOTE 8

INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	Other intangible assets	**Total**
Acquisition cost at 1 January 2015	515,606	53,873	23,199	88,200	680,877
Additions	-	1,111	2,290	-	3,401
Transfer between balance sheet items	-	-	16	-	16
Acquisition cost at 31 December 2015	**515,606**	**54,984**	**25,504**	**88,200**	**684,293**
Accumulated depreciation, amortisation and impairment at 1 January 2015	-	-43,952	-16,660	-10,584	-71,196
Depreciation and amortisation for the period	-	-550	-2,270	-3,528	-6,348
Accumulated depreciation, amortisation and impairment at 31 December 2015	**-**	**-44,503**	**-18,929**	**-14,112**	**-77,544**
Book value at 31 December 2015	**515,606**	**10,481**	**6,575**	**74,088**	**606,749**
Book value at 31 December 2014	**515,606**	**9,920**	**6,539**	**77,616**	**609,681**

INTANGIBLE ASSETS

EUR 1,000	Goodwill	Intangible rights	Other long-term expenditure	Other intangible assets	**Total**
Acquisition cost at 1 January 2014	515,606	52,797	19,873	88,200	676,476
Additions	-	1,076	3,218	-	4,294
Transfer between balance sheet items	-	-	107	-	107
Acquisition cost at 31 December 2014	**515,606**	**53,873**	**23,199**	**88,200**	**680,877**
Accumulated depreciation, amortisation and impairment at 1 January 2014	-	-43,434	-15,025	-7,056	-65,514
Depreciation and amortisation for the period	-	-519	-1,635	-3,528	-5,682
Accumulated depreciation, amortisation and impairment at 31 December 2014	**-**	**-43,952**	**-16,660**	**-10,584**	**-71,196**
Book value at 31 December 2014	**515,606**	**9,920**	**6,539**	**77,616**	**609,681**
Book value at 31 December 2013	**515,606**	**9,363**	**4,848**	**81,144**	**610,961**

Other intangible assets mainly consist of customer relationships capitalised in connection with the business combination and acquisition.

As a result of acquisitions in 2012 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 2016–2031 which has been approved by the Board of Directors. Long term capital expenditure plans have been prepared in order to meet the security of supply reguirements by the end of 2028 in line with Electricity Market Act (588/2013). A volume growth of approximately 1% has been incorporated for the forecast period. The discount rate applied for Network segment is 4.1% based on the prevailing return and risk assumptions in the business.

HEAT SEGMENT

Cash flow projections for 16 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 4.4% which is based on the prevailing return and risk assumptions in the business. District heating volumes are expected to modestly increase during the forecast period.

Revenue of the business is expected to grow by 2 to 5% annually during the forecast period. A growth of 0.5% p.a. has been applied in the terminal value.

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.

The sensitivity analysis was performed for discount rate and the results are presented in the chart below.

CHANGE IN KEY ASSUMPTIONS

	2015	2014
Network segment		
Change in discount rate, % -points	4.2	0.8
Heat segment		
Change in discount rate, % -points	1.0	0.3

The chart indicates, which amount of change in the discount rate (per percentage point) would incur the recoverable amount of the assets to be equal to its carrying amount.

NOTE 9

INVENTORIES

EUR 1,000	2015	2014
Oil	2,522	2,870
Bio fuels	6,936	8,510
Other inventories	586	554
Total	**10,044**	**11,934**

During 2015, EUR 6.6 million (2014: 8.2 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

In 2015 there was a write-off of EUR 152 thousand (2014: 117 thousand) in fuel inventory value. After stock-taking in 2014 there was an additional write-off of EUR 1,003 thousand in bio fuel inventory value.

NOTE 10

TRADE AND OTHER CURRENT RECEIVABLES

EUR 1,000	2015	2014
Trade receivables	19,804	20,290
Accrued income and prepaid expenses	40,293	37,003
Other current receivables	2,807	6,554
Total trade and other receivables	**62,904**	**63,846**

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	2015	2014
Not fallen due	13,030	15,216
Due for 1–90 days	4,727	4,387
Due for 91–180 days	450	260
Due for more than 180 days	2,115	1,533
Total	**20,323**	**21,396**
Uncertain receivables	-519	-1,106
	19,804	**20,290**

All trade receivables are denominated in euros.

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	2015	2014
Sales accruals	34,510	29,700
Accrued financial expenses	980	3,188
Other accrued income	4,803	4,115
	40,293	**37,003**

NOTE 11

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

VALUES AT 31 DECEMBER 2015

Balance sheet item, EUR 1,000	Note	Loans and other receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Derivatives qualified for hedge accounting	Carrying amounts by balance sheet items	Fair value
Current financial assets							
Trade receivables and other non-interest-bearing receivables	10	19,804	-	-	-	19,804	19,804
Available-for-sale financial assets	14	-	155	-	-	155	155
Cash and cash equivalents		19,115	-	-	-	19,115	19,115
Total Current assets		**38,919**	**155**	**-**	**-**	**39,074**	**39,074**
Carrying amount by category		**38,919**	**155**	**-**	**-**	**39,074**	**39,074**
Non-current financial liabilities							
Bonds and notes	21	-	-	-1,051,626	-	-1,051,626	-1,097,509
Loans from financial institutions	21	-	-	-130,000	-	-130,000	-130,000
Other long-term loans	21	-	-	-599,458	-	-599,458	-645,273
Interest-bearing non-current liabilities							
- Derivatives		-	-	-	-	-	-
- Finance leases	17	-	-	-19,831	-	-19,831	-19,831
Total interest-bearing non-current liabilities		**-**	**-**	**-1,800,915**	**-**	**-1,800,915**	**-1,892,614**
Current financial liabilities							
Loans from financial institutions	21	-	-	-30,000	-	-30,000	-30,000
Other current interest-bearing liabilities	13	-	-	-3,727	-	-3,727	-3,727
Trade payables	13	-	-	-17,657	-	-17,657	-17,657
Total current financial liabilities		**-**	**-**	**-51,384**	**-**	**-51,384**	**-51,384**
Carrying amount by category		**-**	**-**	**-1,852,299**	**-**	**-1,852,299**	**-1,943,998**

VALUES AT 31 DECEMBER 2014

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
Current financial assets							
Trade receivables and other non-interest-bearing receivables	10	20,290	-	-	-	20,290	20,290
Available-for-sale financial assets	14	-	1,403	-	-	1,403	1,403
Cash and cash equivalents		17,468	-	-	-	17,468	17,468
Total current financial assets		**37,758**	**1,403**	**-**	**-**	**39,161**	**39,161**
Carrying amount by category		**37,758**	**1,403**	**-**	**-**	**39,161**	**39,161**
Non-current financial liabilities							
Bonds and notes	21	-	-	-976,282	-	-976,282	-1,077,793
Loans from financial institutions	21	-	-	-100,223	-	-100,223	-100,223
Other long-term loans	21	-	-	-650,630	-	-650,630	-751,785
Interest-bearing non-current liabilities							
- Derivatives		-	-	-	-2,802	-2,802	-2,802
- Finance leases	17	-	-	-23,428	-	-23,428	-23,428
Total interest-bearing non-current liabilities		**-**	**-**	**-1,750,563**	**-2,802**	**-1,753,365**	**-1,956,031**
Current financial liabilities							
Loans from financial institutions	21	-	-	-	-	-	-
Other current interest-bearing liabilities	13	-	-	-3,868	-	-3,868	-3,868
Trade payables	13	-	-	-15,457	-	-15,457	-15,457
Total current financial liabilities		**-**	**-**	**-19,325**	**-**	**-19,325**	**-19,325**
Carrying amount by category		**-**	**-**	**-1,769,888**	**-2,802**	**-1,772,690**	**-1,975,356**

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 0.2 million (2014: 1.4 million). These investments are measured at fair value based on assessment reports received from external fund managers on 31 December 2015.

CASH AT BANKS AND ON HAND

Elenia had short-term bank deposits amounting to EUR 19.1 million (2014: 17.5 million). All bank deposits were denominated in euros.

BONDS AND NOTES

The fair value of the bonds have been calculated using the market quotes at the balance sheet date. For calculating the fair value of the bonds without market quote, the market quotes of the corresponding bonds have been used.

FINANCIAL LIABILITIES

Interest-bearing liabilities grew by EUR 80.2 million (2014: 54.4 million) during the year, and interest-bearing liabilities at the balance sheet date totalled EUR 1,834.6 million (2014: 1,754.4 million).

The fair value of Other long-term loans has been calculated by using the market value of Finnish benchmark government 10 year bonds at the balance sheet date.

The fair value of short-term trade receivables and payables, other non-interest-bearing receivables, finance leases and cash and cash equivalents corresponds essentially the carrying amount.

NOTE 12

PROVISIONS

PROVISIONS
2015

EUR 1,000	Provision for refunds of connection fees	Total
Provisions at 1 January 2015	12,383	12,383
Increase	69	69
Cancellations of provisions	-457	-457
Use of provisions	-407	-407
Provisions at 31 December 2015	**11,588**	**11,588**

PROVISIONS
2014

EUR 1,000	Provision for refunds of connection fees	Total
Provisions at 1 January 2014	12,354	12,354
Increase	404	404
Cancellations of provisions	-	-
Use of provisions	-375	-375
Provisions at 31 December 2014	**12,383**	**12,383**

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 13

TRADE AND OTHER CURRENT PAYABLES

EUR 1,000	2015	2014
Short-term financial lease liabilities	3,727	3,868
Trade payables	17,657	15,457
Accrued expenses		
Employee benefits expenses	5,866	5,725
Interest expenses	9,631	9,072
Other accrued expenses	23,596	14,166
Other liabilities		
VAT liability	8,675	8,502
Energy taxes	7,223	6,468
Tax liability for the period	10	13
Prepayments received	4	9
Other liabilities	8,446	13,463
Total	**84,835**	**76,742**

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 14

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 2015, 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	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial instruments, current assets								
Available-for-sale financial investments	-	-	-	-	155	1,403	155	1,403
Total financial assets	**-**	**-**	**-**	**-**	**155**	**1,403**	**155**	**1,403**

FINANCIAL LIABILITIES

	Level 1		Level 2		Level 3		Total	
EUR 1,000	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Financial instruments, current liabilities								
Loans from financial institutions	-	-	-30,000	-	-	-	-30,000	-
Total current financial liabilities	**-**	**-**	**-30,000**	**-**	**-**	**-**	**-30,000**	**-**
Financial instruments, non-current liabilities								
Bonds and notes	-1,097,509	-1,077,793	-	-	-	-	-1,097,509	-1,077,793
Loans from financial institutions	-	-	-130,000	-100,223	-	-	-130,000	-100,223
Other long-term loans	-	-	-645,273	-751,785	-	-	-645,273	-751,785
Derivative instruments								
Interest rate swaps								
Hedge accounting is applied	-	-	-	-2,802	-	-	-	-2,802
Total non-current financial liabilities	**-1,097,509**	**-1,077,793**	**-775,273**	**-854,810**	**-**	**-**	**-1,872,783**	**-1,932,603**
Total financial liabilities	**-1,097,509**	**-1,077,793**	**-805,273**	**-854,810**	**-**	**-**	**-1,902,783**	**-1,932,603**

During the reporting period ended 31 December 2015 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 two 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**
Acquisition cost at 1 January 2015	1,241	161	1,403
Investment	-	-	-
Sales / Return of equity	-213	-8	-221
Total gains and losses recognised in OCI	-1,028	1	-1,027
Acquisition cost at 31 December 2015	**0**	**155**	**155**

EUR 1,000	Midinvest	Jokilaaksojen rahasto	**Total**
Acquisition cost at 1 January 2014	1,301	201	1,502
Investment	-	-	-
Sales / Return of equity	-	-14	-14
Total gains and losses recognised in OCI	-60	-25	-85
Acquisition cost at 31 December 2014	**1,241**	**161**	**1,403**

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 0.2 million (2014: 1.4 million). These investments are measured at fair value based on assessment reports at the balance sheet date received from external fund managers.

NOTE 15

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	2015	2014
Current value of funded obligations	5,551	5,966
Fair value of assets	-4,546	-4,632
Deficit	1,005	1,335
Value of the obligation on the balance sheet	**1,005**	**1,335**

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

EUR 1,000	2015	2014
Obligation at the beginning of the period	5,966	4,950
Current service costs	65	52
Interest expenses	103	146
Actuarial losses	-360	1,017
Benefits paid	-223	-199
Obligation at the end of the period	**5,551**	**5,966**

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

EUR 1,000	2015	2014
Fair value of plan assets at the beginning of the period	4,632	4,132
Expected income from assets	80	124
Actuarial gains	-45	532
Payments by the employer	102	42
Benefits paid	-223	-199
Fair value of plan assets at the end of the period	**4,546**	**4,632**

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

EUR 1,000	2015	2014
Obligation at the beginning of the period	1,335	818
Net cost recognised in the income statement	87	74
Payments by the employer	-102	-42
Profits and losses recognised in comprehensive income	-316	485
Value of the obligation on the balance sheet at period end	**1,005**	**1,335**

Items recognised in the income statement

EUR 1,000	2015	2014
Expenses based on service in the reporting period	65	52
Interest income	-80	-124
Interest expenses	103	146
Total	**87**	**74**

Items recognised in the statement of comprehensive income for the period

EUR 1,000	2015	2014
Actuarial gains on assets	45	-532
Actuarial losses on obligations	-360	1,017
Total	**-316**	**485**

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.

2015

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 1.9%		5,551	4,546	1,005	68	18
Discount rate 2.4%	+0.50%	5,167	4,279	888	62	20
Discount rate 1.4%	-0.50%	5,982	4,843	1,139	75	15

2014

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 1.75%		5,966	4,632	1,335	65	23
Discount rate 2.25%	+0.50%	5,535	4,348	1,187	59	26
Discount rate 1.25%	-0.50%	6,452	4,947	1,505	72	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 2016 are estimated to be EUR 100 thousand.

The weighted average duration of defined benefit obligation is 13–18 years.

The following table shows the maturity profile of the future benefit payments.

EUR 1,000	2015	2014
Under 1 year	236	171
1–10 years	2,224	2,036
10–20 years	2,289	2,503
20–30 years	1,619	1,893
Over 30 years	1,132	1,168
Total	**7,500**	**7,772**

ACTUARIAL ASSUMPTIONS USED IN CALCULATIONS

%	2015	2014
Discount rate	1.9%	1.75%
Estimate of salary increases	2.5–2.6%	3%
Inflation	1.5–1.6%	2%

NOTE 16

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 364 thousand (2014: 500 thousand) during the period.

Lease agreements comprise fixed-term agreements and agreements which are valid until further notice.

Length of fixed-term agreements varies from 1 to 4 years.

NOTE 17

COMMITMENTS AND CONTINGENCIES

MATURITIES OF FINANCIAL LEASE LIABILITIES

EUR 1,000	2015	2014
Minimum lease payments		
Within one year	3,918	3,927
After one year but not more than five years	17,190	16,507
More than five years	5,576	10,176
Total	**26,684**	**30,611**
Future financial expenses	3,126	3,315
Present value of minimum lease payments	**23,558**	**27,296**
Present value of minimum lease payments matures:		
Within one year	3,727	3,868
After one year but not more than five years	14,908	14,908
More than five years	4,923	8,520
Total	**23,558**	**27,296**

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

OTHER COMMITMENTS

EUR 1,000	2015	2014
Registered floating charges		
Provided on behalf of own and Group liabilities	18,000,000	18,000,000
Mortgages	243,432	245,155
Rental liabilities		
Operating leases		
Within one year	232	237
After one year but not more than five years	379	446
	611	**683**

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

	2015	2014
Other rental liabilities		
Within one year	942	1,035
After one year but not more than five years	891	1,184
	1,832	**2,219**
Refundable connection fees	**309,153**	**308,908**

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

NOTE 18

EQUITY

SHARE CAPITAL

Please see 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:

	2015	2014
Profit attributable to equity holders of the parent, EUR	-43,878,860	-31,105,162
Average number of shares, pcs	100	100
Earnings/share, EUR - basic= diluted	**-438,789**	**-311,052**

NOTE 19

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, Elenia Palvelut 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.

MANAGEMENT TEAM

Management teams of Elenia Oy and Elenia Lämpö Oy are included within the scope of the long-term incentive plan. Description of the long-term incentive plan has been disclosed in note 2.

BUSINESS TRANSACTIONS

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

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

As at 31 December 2015, other long-term loans with an aggregate carrying value of EUR 599.5 million are due to the company's ultimate owners through intermediary holding entities.

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

NOTE 20

EVENTS AFTER THE REPORTING PERIOD

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

NOTE 21

FINANCIAL RISK MANAGEMENT

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

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 includes EUR -45.5 thousand exchange rate differences (2014: 13.4). Finance costs include EUR 1.0 thousand exchange rate differences (2014: 2.4). At the end of 2015 the currency risk comprises of trade payables which amounted to GBP 11.6 thousand and whose counter value was EUR 15.8 thousand.

LIQUIDITY RISK

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

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

CASH AND CASH EQUIVALENTS AND COMMITTED UNUTILIZED CREDIT FACILITIES

31 Dec 2015

EUR 1,000	Facility amount	In use	Available amount	Maturity
Capex facility	250,000	130,000	120,000	1–5 years
Working Capital facility	55,000	30,000	25,000	1–5 years
Liquidity facility	50,000	-	50,000	1–5 years
Cash and cash equivalents			19,115	
Total	**355,000**	**160,000**	**214,115**	

REFINANCING RISK

In August 2015 the Group repaid total amount of EUR 62 million of its EUR 395 million loan, which the Group borrowed from international banks in December 2013. At the balance sheet date no loan was remaining. In 2015 the Group has also borrowed from the same international banks EUR 130 million using the Capex Facility and EUR 30 million using Working Capital facility. The Group also has other long-term loans totaling EUR 599.4 million, which are subordinated to the aforementioned bank loan, bonds and notes. In August 2015 Elenia Oy's subsidiary Elenia Finance Oyj issued a EUR 75 million notes which mature in 2030. Elenia Finance Oyj used the proceeds of the notes to make an equity investment in Elenia Finance (SPPS) S.à r.l., its wholly owned subsidiary. Elenia Finance (SPPS) S.à r.l. then lent the amount of the proceeds to Elenia Holdings through a subordinated profit-participating security (the SPPS). Elenia Holdings S.à r.l. used the amounts under the SPPS to subscribe for additional equity in Elenia Oy. Elenia Oy used the proceeds to repay the loan from financial institutions. The bonds are listed on London Stock Exchange. Elenia Oy, Elenia Heat Oy and Elenia Services Oy have given EUR 1,058 million joint guarantees relating to the loans from financial institutions, bonds and notes. The Group's financial structure has financial covenants relating to interest cover and leverage. The covenants are typical in such arrangements. There were no covenant breaches in 2015. Elenia Finance Oyj monitors the financial markets in order to carry out loan refinancing at an appropriate time, ahead of the due date of the current loans.

LOANS BY MATURITY

31 Dec 2015

EUR 1,000	Effective interest rate %	Maturity Within 1 year	1–5 years	Over 5 years	Total
Loans from financial institutions	1.05%	30,000	130,000	-	160,000
Bond	3.26%	-	500,000	558,000	1,058,000
Other long-term loans	10.75%	-	-	599,354	599,354
Fair value of swaps		-	-	-	-
Finance lease liabilities		-	14,908	4,923	19,831
Total long-term interest-bearing liabilities					**1,837,185**
Finance lease liabilities		3,727	-	-	3,727
Total short-term interest-bearing liabilities					**3,727**
Total		**33,727**	**644,908**	**1,162,277**	**1,840,913**

LOANS BY MATURITY

31 Dec 2014

EUR 1,000	Effective interest rate %	Maturity Within 1 year	1–5 years	Over 5 years	Total
Loans from financial institutions	1.91%	-	101,000	-	101,000
Bond	3.37%	-	-	983,000	983,000
Other long-term loans	10.61%	-	-	650,630	650,630
Fair value of swaps		-	2,802	-	2,802
Finance lease liabilities		-	14,908	8,520	23,428
Total long-term interest-bearing liabilities					**1,760,859**
Finance lease liabilities		3,868	-	-	3,868
Total short-term interest-bearing liabilities					**3,868**
Total		**3,868**	**118,710**	**1,642,150**	**1,764,727**

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 drawdown of loans with fixed interest. At the balance sheet date 90% (2014: 96%) of the loans were fixed rate loans.

At the balance sheet date the Group had no open interest rate swaps. All interest rate swaps were closed in August 2015. In 2014 the Group had interest rate swaps with notional amount of EUR 108 million and fair value of EUR -2.8 million. All interest rate swaps were designated as cash flow hedges, hedging the interest rate risk of floating rate loans. The effective portion of the changes in the fair value of the derivative financial instruments that were designated as and qualify for cash flow hedges were recognized in equity / other comprehensive income. Gains or losses relating to the ineffective portion were recognized under finance income or costs in income statement. When the interest rate swaps were closed also hedge accounting related to them was ended and all the costs recognized in equity / other comprehensive income were then transferred to finance income or costs in income statement. In 2014 a parallel shift of +/- 0.5 percentage points in the interest rate curve at the balance sheet date would have had EUR +/- 1.0 million effect on equity and EUR +/- 0.4 million effect to finance costs in the Income statement.

A parallel shift of +/- 0.5 percentage points in the interest rate curve at the balance sheet date would have EUR +/- 0.1 million (2014: +-0.1) effect on floating rate loans.

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 2015 were EUR 19.8 million. EUR 0.3 million collateral securities were received for trade receivables.

BREAKDOWN OF TRADE RECEIVABLES BY AGE

EUR 1,000	2015
Not fallen due	13,030
Due for 1 – 90 days	4,727
Due for 91 – 180 days	450
Due for more than 180 days	2,115
Total	**20,323**
Uncertain receivables	-519
Total	**19,804**

VOLUME AND PRICE RISKS

Electricity distribution operations do not involve particular volume or price risks due to being subject to reasonable return under electricity distribution 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 22

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (ADJUSTED)

EUR 1,000	Note	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Revenue		282,347	299,749
Exceptional items included in revenue		-9,840	-
Other operating income	1	4,505	4,662
Materials and services		-107,932	-106,657
Employee benefit expenses	2	-23,465	-21,644
Other operating expenses	1	-19,986	-22,382
Operating expenses Total		-151,383	-150,683
Exceptional items included in operating expenses		-6,800	-1,003
Non-recurring items included in other operating expenses	1	-	-1,332
Share of profit of an associate	4	132	151
EBITDA		**135,601**	**153,879**
EBITDA before exceptional and non-recurring items		**152,241**	**156,214**
Depreciation and amortisation	3	-79,229	-76,044
Operating profit		**56,372**	**77,835**
Operating profit before exceptional and non-recurring items		**73,012**	**80,170**

In 2015 EUR 16,640 thousand in total has been classified as an exceptional item as it relates to unusually strong storms. This total compromises EUR 9,840 thousand of outage compensation paid to customers which was accounted for as a reduction of revenue, and EUR 6,800 thousand of exceptional operating expenses related to fault repair costs. Exceptional items in 2014 consist of write-off in bio fuel inventory value.

PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

EUR	Note	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Revenue	1.1	**208,655,114.63**	**227,249,668.71**
Other operating income	1.2	3,283,235.54	2,623,088.66
Materials and services	1.3	-70,268,821.78	-62,460,025.79
Personnel expenses	1.4	-10,493,090.67	-15,230,541.61
Depreciation, amortisation and impairment	1.5	-98,115,959.94	-95,514,791.66
Other operating expenses	1.6	-24,600,417.80	-23,368,993.07
Operating profit		**8,460,059.98**	**33,298,405.24**
Finance income and expenses	1.7	-72,067,473.30	-79,805,514.58
Loss before extraordinary items		**-63,607,413.32**	**-46,507,109.34**
Extraordinary items +/-	1.8	-95,294,650.00	-352,578,000.00
Loss before appropriations and taxes		**-158,902,063.32**	**-399,085,109.34**
Change in accelerated depreciations	1.9	36,920,179.09	33,760,026.99
Income taxes	1.10	-2,584,250.92	-5,311,153.19
Loss for the year		**-124,566,135.15**	**-370,636,235.54**

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	2.1		
Intangible rights		10,446,201.42	9,883,174.60
Other capitalized long term expenditure		590,010,733.03	624,823,626.22
		600,456,934.45	634,706,800.82
Tangible assets	2.2		
Land and water areas		1,998,953.49	1,970,873.49
Buildings and constructions		398,647.05	1,686,687.93
Electricity network		1,110,026,638.18	1,077,587,451.95
Machinery and equipments		12,896,136.62	13,861,733.45
Other tangible assets		6,062.41	7,175.89
Advance payments and construction in progress		21,466,715.02	11,454,796.92
		1,146,793,152.77	1,106,568,719.63
Investments	2.3		
Holdings in group companies		240,310,968.62	239,741,383.92
Other financial assets		156,620.19	377,445.81
Other shares and holdings		247,473.37	247,877.02
		240,715,062.18	240,366,706.75
Total non current assets		**1,987,965,149.40**	**1,981,642,227.20**
Current assets			
Long-term receivables	2.4		
Loan receivables		-	8,409.40
Loan receivables from group companies		2,145,000.00	13,000,000.00
		2,145,000.00	13,008,409.40
Short-term receivables	2.4		
Trade receivables		19,243,284.31	19,140,543.89
Receivables from group companies		9,936,686.77	15,516,307.11
Other receivables		258,623.83	332,608.97
Deferred tax assets		28,680,135.02	31,256,653.91
Prepayments and accrued income		28,690,632.84	22,777,421.21
		86,809,362.77	89,023,535.09
Cash and cash equivalents	2.4	14,414,669.80	10,727,652.21
Total current assets		**103,369,032.57**	**112,759,596.70**
TOTAL ASSETS		**2,091,334,181.97**	**2,094,401,823.90**

PARENT COMPANY BALANCE SHEET

EUR	Note	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
Capital and reserves	3.1		
Subscribed capital		2,500.00	2,500.00
Non restricted equity		1,057,328,000.00	982,328,000.00
Retained earnings		-1,225,303,071.43	-854,666,835.89
Loss for the financial year		-124,566,135.15	-370,636,235.54
		-292,538,706.58	-242,972,571.43
Cumulative accelerated depreciations	3.2	**299,154,303.48**	**336,127,352.76**
Other provisions	3.3	**1,058,000,000.00**	**983,000,000.00**
Liabilities	3.4		
Non-current liabilitites			
Connection fees		204,470,478.48	204,818,878.33
Loans from financial institutions		130,000,000.00	101,000,000.00
Other long-term loans		600,222,647.37	650,629,627.06
		934,693,125.85	956,448,505.39
Current liabilities			
Loans from financial institutions		30,000,000.00	-
Trade payables		13,600,548.95	10,935,616.28
Liabilities to group companies		5,303,026.79	15,161,142.03
Other short-term liabilities		20,962,345.93	22,820,794.08
Accruals and deferred income		22,159,537.55	12,880,984.79
		92,025,459.22	61,798,537.18
Total liabilities		**1,026,718,585.07**	**1,018,247,042.57**
TOTAL EQUITY AND LIABILITIES		**2,091,334,181.97**	**2,094,401,823.90**

PARENT COMPANY CASH FLOW STATEMENT

EUR	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Cash flow fron operating activities		
Loss before extraordinary items	-63,607,413.32	-46,507,109.34
Adjustments		
Depreciation, amortisation and impairment	98,115,959.94	95,514,791.66
Finance income and expenses	72,067,473.30	79,805,514.58
Other adjustments	-52,653.62	-35,435.48
Cash flow before change in working capital	**106,523,366.30**	**128,777,761.42**
Change in working capital		
Increase (-) / decrease (+) in non-interest bearing receivables	-1,832,418.10	10,501,940.24
Increase (+) / decrease (-) in non-interest bearing liabilities	8,936,611.66	-20,574,341.38
Operating cash flow before financial items and taxes	**113,627,559.86**	**118,705,360.28**
Interest payments and payments for other finance costs	-74,339,968.95	-59,752,130.28
Interests received	2,915,835.26	736,126.41
Taxes paid	-38,601.45	-79,533.51
Cash flow from operating activities	**42,164,824.72**	**59,609,822.90**
Cash flow from investing activities		
Capital expenditures	-106,962,426.23	-104,771,020.68
Cash flow from investing activities	**-106,962,426.23**	**-104,771,020.68**
Cash flow from financing activities		
Proceeds from short-term borrowings	30,000,000.00	-
Proceeds from long-term borrowings	91,000,000.00	39,000,000.00
Re-payment of long-term borrowings	-113,348,139.82	-358,504,975.17
Change in loans receivable	12,000,000.00	2,000,000.00
Connection fee refunds	-348,399.85	-333,675.60
Group contributions received and paid	-24,878,000.00	-18,000,000.00
Increase in non restricted equity	75,000,000.00	333,000,000.00
Cash flow from financing activities	**69,425,460.33**	**-2,838,650.77**
Change in cash and cash equivalents	**4,627,858.82**	**-47,999,848.55**
Cash and cash equivalents 1.1.	10,727,652.21	58,727,500.76
Business transfer	-940,841.23	-
Cash and cash equivalents 1.1. + change	14,414,669.80	10,727,652.21
Cash and cash equivalents 31.12.	**14,414,669.80**	**10,727,652.21**

Cash and cash equivalents comprise of bank deposits.

NOTES TO THE FINANCIAL STATEMENTS 1 JAN–31 DEC 2015

ACCOUNTING PRINCIPLES

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

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 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. As at December 2015 Elenia Oy had no open interest rate swaps.

TRANSACTIONS DENOMINATED IN FOREIGN CURRENCIES AND DERIVATIVE AGREEMENTS

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

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	2015	2014
Distribution income	204,517	200,193
Contracting income	2,622	2,652
Connection fee income	8,514	15,503
Other sales income	4,248	8,426
Outage compensation	-11,245	476
Total	**208,655**	**227,250**

1.2 OTHER OPERATING INCOME

EUR 1,000	2015	2014
Lease income	309	450
Capital gains	941	35
Other operating income	2,033	2,138
Total	**3,283**	**2,623**

1.3 MATERIALS AND SERVICES

EUR 1,000	2015	2014
Grid costs	-27,225	-27,748
Network losses	-9,810	-11,245
External services	-32,005	-22,222
Materials	-1,229	-1,246
Total	**-70,269**	**-62,460**

1.4 PERSONNEL EXPENSES

EUR 1,000	2015	2014
Average number of personnel during the financial year	184	294
Salaries	-7,515	-10,735
Pension expenses	-1,532	-2,096
Other employee expenses	-1,446	-2,399
Total	**-10,493**	**-15,231**

SALARIES AND REMUNERATION PAID TO CEO

EUR 1,000	2015	2014
Salaries and other short-term employee benefits	-267	-247
Other long-term employee benefits	-59	-
Pension expenses related to salaries and employee benefits	-87	-65
Total	**-414**	**-312**

1.5 DEPRECIATIONS ACCORDING TO THE PLAN

EUR 1,000	2015	2014
Impairment	-2,669	-2,729
Intangible fixed assets	-1,688	-1,596
Other capitalized long term expenditure	-34,619	-34,536
Buildings and constructions	-74	-86
Electricity network	-56,461	-54,027
Machinery and equipments	-2,605	-2,541
Total	**-98,116**	**-95,515**

1.6 OTHER OPERATING EXPENSES

EUR 1,000	2015	2014
Lease expenses	-6,755	-7,050
Loss on sale of fixed assets	-115	-
Other external services	-13,056	-9,327
Other operating expenses	-4,675	-6,991
Total	**-24,600**	**-23,369**
Audit charges EUR 1,000	**-175**	**-149**

1.7 FINANCIAL INCOME AND EXPENSES

EUR 1,000	2015	2014
Interest and other financial income		
From group companies	2,273	1,973
Other financial income	99	353
Total	**2,372**	**2,326**
Interest and other financial expenses		
Other financial expenses	-74,440	-82,131
Total	**-74,440**	**-82,131**
Total financial income and expenses	**-72,067**	**-79,806**

1.8 EXTRAORDINARY ITEMS

EUR 1,000	2015	2014
Extraordinary income		
Group contribution received	6,005	9,110
Total	**6,005**	**9,110**
Extraordinary expenses		
Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds	-75,000	-333,000
Group contribution paid	-26,300	-28,688
Total	**-101,300**	**-361,688**
Total extraordinary items	**-95,295**	**-352,578**

1.9 APPROPRIATIONS

EUR 1,000	2015	2014
Change in accelerated depreciations	36,920	33,760
Total	**36,920**	**33,760**

1.10 INCOME TAXES

EUR 1,000	2015	2014
Income taxes for the financial period	-8	-42
Adjustment in income taxes for the previous periods	0	-44
Change in deferred taxes	-2,577	-5,226
Total	**-2,584**	**-5,311**

2.1 INTANGIBLE FIXED ASSETS

INTANGIBLE RIGHTS

EUR 1,000	2015	2014
Acquisition cost 1.1.	20,408	19,332
Investments	1,111	1,076
Acquisiton cost 31.12.	21,519	20,408
Accumulated depreciation 1.1.	-10,525	-10,009
Depreciation according to the plan	-548	-516
Book value 31.12.	**10,446**	**9,883**

OTHER CAPITALIZED LONG-TERM EXPENDITURE

EUR 1,000	2015	2014
Acquistion cost 1.1.	741,710	738,602
Investments	1,383	3,108
Disposals / Business transfer Elenia Palvelut Oy	-1,311	-
Acquisition cost 31.12.	741,781	741,710
Accumulated depreciation 1.1.	-116,886	-81,270
Disposals / Business transfer Elenia Palvelut Oy	874	-
Depreciation according to the plan	-35,759	-35,616
Book value 31.12.	**590,011**	**624,824**

2.2 TANGIBLE FIXED ASSETS

LAND AND WATER AREAS

EUR 1,000	2015	2014
Acquistion cost 1.1.	1,971	1,932
Investments	28	39
Acquisition cost 31.12.	1,999	1,971
Book value 31.12.	**1,999**	**1,971**

BUILDINGS AND CONSTRUCTIONS

EUR 1,000	2015	2014
Acquistion cost 1.1.	5,443	5,443
Disposals	-2,324	-
Acquistion cost 31.12.	3,119	5,443
Accumulated depreciation 1.1.	-3,757	-3,672
Disposals	1,109	-
Depreciation according to the plan	-73	-85
Book value 31.12.	**399**	**1,687**

ELECTRICITY NETWORK

EUR 1,000	2015	2014
Acquistion cost 1.1.	1,694,914	1,588,533
Investments	91,445	113,826
Disposals	-6,527	-7,445
Acquistion cost 31.12.	1,779,832	1,694,914
Accumulated depreciation 1.1.	-617,326	-567,996
Disposals	3,983	4,697
Depreciation according to the plan	-56,461	-54,027
Book value 31.12.	**1,110,027**	**1,077,587**

MACHINERY AND EQUIPMENTS

EUR 1,000	2015	2014
Acquistion cost 1.1.	51,305	49,507
Investments	1,851	1,973
Business transfer / Elenia Palvelut Oy	-171	-
Disposals	-242	-174
Acquistion cost 31.12.	52,742	51,305
Accumulated depreciation 1.1.	-37,444	-35,077
Business transfer / Elenia Palvelut Oy	85	-
Disposals	117	174
Depreciation according to the plan	-2,605	-2,541
Book value 31.12.	**12,896**	**13,862**

OTHER TANGIBLE ASSETS

EUR 1,000	2015	2014
Acquistion cost 1.1.	56	56
Acquisition cost 31.12.	56	56
Accumulated depreciation 1.1.	-49	-48
Depreciation according to the plan	-1	-1
Book value 31.12.	**6**	**7**

ADVANCE PAYMENTS AND CONSTRUCTION IN PROGRESS

EUR 1,000	2015	2014
Acquistion cost 1.1.	11,455	26,526
Increase	11,270	697
Business transfer / Elenia Palvelut Oy	-1,242	-
Decrease	-16	-15,768
Book value 31.12.	**21,467**	**11,455**

2.3 INVESTMENTS

HOLDINGS IN GROUP COMPANIES

EUR 1,000	2015	2014
Acquistion cost 1.1.	239,741	239,739
Investments	570	3
Acquisition cost 31.12.	240,311	239,741
Book value 31.12.	**240,311**	**239,741**

OTHER SHARES AND HOLDINGS

EUR 1,000	2015	2014
Acquistion cost 1.1.	248	248
Disposals	0	-
Acquisition cost 31.12.	247	248
Book value 31.12.	**247**	**248**

INVESTMENTS

EUR 1,000	2015	2014
Acquistion cost 1.1.	377	391
Disposals	-221	-14
Acquisition cost 31.12.	157	377
Book value 31.12.	**157**	**377**

2.4 RECEIVABLES

LONG TERM RECEIVABLES

EUR 1,000	2015	2014
External loan receivables	-	8
Loan receivables from group companies	2,145	13,000
Long term receivables total	**2,145**	**13,008**

SHORT TERM RECEIVABLES

Receivables from group companies

EUR 1,000	2015	2014
Trade receivables	19	18
Accrued income	2,335	4,567
Other short-term receivables	1,578	1,822
Group contribution receivables	6,005	9,110
Receivables from group companies total	9,937	15,516

External receivables

EUR 1,000	2015	2014
Trade receivables	19,243	19,141
Other short-term receivables	259	333
Accrued income	28,691	22,777
Deferred tax assets	28,680	31,257
External receivables total	76,873	73,507
Short term receivables total	**86,809**	**89,024**
Total receivables	**88,954**	**102,032**
Cash and cash equivalents	**14,415**	**10,728**

3.1 CAPITAL AND RESERVES

EUR 1,000	2015	2014
Subscribed capital	3	3
Non restricted equity 1.1.	982,328	649,328
Change (+/-)	75,000	333,000
Non restricted equity 31.12.	1,057,328	982,328
Retained earnings (loss) 1.1.	-1,225,303	-854,667
Loss for the the financial year	-124,566	-370,636
Total capital and reserves	**-292,539**	**-242,973**

Company's equity is negative and the company does not have any distributable funds. The negative equity has been registered at the Trade Register on September 16, 2015.

3.2 CUMULATIVE ACCELERATED DEPRECIATIONS

EUR 1,000	2015	2014
Cumulative accelerated depreciations	299,154	336,127

Accelerated depreciations include deferred tax liability 59,830,861 euros.

3.3 MANDATORY PROVISION

EUR 1,000	2015	2014
Mandatory provision for the guarantee obligation of Elenia Finance Oyj's bonds	1,058,000	983,000

3.4 LIABILITIES

NON-CURRENT LIABILITIES

EUR 1,000	2015	2014
Connection fee liability 1.1.	204,819	205,153
Connection fee refunds	-348	-334
Connection fee liability 31.12.	204,470	204,819
Loans from financial institutions	-	62,000
Capex facility	130,000	39,000
Other long-term liabilities	765	-
Other long-term loans	599,458	650,630
Total non-current liabilities	**934,693**	**956,449**

CURRENT LIABILITIES

EUR 1,000	2015	2014
Loans from financial institutions	30,000	-
Trade payables	13,601	10,936
Other short term liabilities	20,962	22,821
Accrued expenses		
Salaries and social expenses	3,107	4,155
Other accrued expenses	19,053	8,726
Total	22,160	12,881
Liabilities to group companies		
Trade payables	-	64
Other short term liabilities	5,303	7,409
Group contribution payables	-	7,688
Total	5,303	15,161
Total current liabilities	**92,025**	**61,799**
Total liabilities	**1,026,719**	**1,018,247**

3.5 LIABILITIES AND QUARANTEES FOR DEBTS

EUR 1,000	2015	2014
Floating charges		
Provided on behalf of own and group liabilities	4,500,000	4,500,000
Mortgages	216,432	218,155
Leasing agreements		
Within one year	4,035	4,051
After one year but not more than five years	17,333	16,750
More than five years	5,576	10,176
Total	**26,944**	**30,977**
Other lease liabilitites		
Within one year	942	1,035
After one year but not more than five years	891	1,184
Total	**1,832**	**2,219**
Other own liabilities		
Connection fees not included in the balance sheet values	85,114	85,114

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

SHARES AND HOLDINGS

	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
Elenia Palvelut Oy	100%	100%	100%	572	572
Other shares and holdings				247	247
				240,558	240,558

DIFFERENTIATED PROFIT AND LOSS ACCOUNT

EUR 1,000	1 Jan - 31 Dec 2015	1 Jan - 31 Dec 2014
Revenue	**205,316**	**220,434**
Other operating income	**3,283**	**2,423**
Materials and services		
Materials and goods		
Purchace during the financial period		
Network losses	-9,785	-11,218
Other materials	-1,222	-1,244
Services		
Grid costs	-27,190	-27,714
Other external services	-31,982	-22,164
Personnel expenses	**-9,340**	**-9,033**
Depreciation, amortisation and impairment		
Merger loss	-56,939	-56,939
Network assets	-39,091	-36,724
Other assets	-2,036	-1,347
Other operating expenses		
Lease expenses	-871	-959
Network rents and network leasing expenses	-5,148	-5,310
Other operating expenses	-16,453	-15,606
Operating profit	**8,540**	**34,598**
Financial income and expenses		
Income from other fixed investment		
Other interest and financial income		
From group companies	2,273	1,973
From other companies	99	353
Financial expenses		
From other companies	-74,440	-82,131
Profit / loss before extraordinary items	**-63,527**	**-45,207**
Entraordinary items		
Extraordinary income		
Group contribution received	6,005	9,110
Extraordinary expenses		
Group contribution paid	-26,300	-28,688
Profit / loss before appropriations and taxes	**-83,822**	**-64,785**
Appropriations		
Change in accelerated depreciations		
Network assets	36,213	33,963
Other assets	658	-260
Income taxes	**-2,590**	**-5,560**
Loss for the year	**-49,542**	**-36,642**

DIFFERENTIATED BALANCE SHEET

EUR 1,000	31 Dec 2015	31 Dec 2014
ASSETS		
Non-current assets		
Intangible assets		
Intangilble rights	10,999	9,890
Other capitalized long term expenditure	589,457	624,380
	600,457	634,270
Tangible assets		
Land and water areas	190	190
Buildings and constructions	396	1,682
Electricity network	684,028	629,570
Merger losses	439,230	461,755
Machinery and equipments	962	1,260
Other tangible assets	6	7
Advance payments and construction in progress	21,467	10,212
	1,146,279	1,104,677
Investments		
Holdings in group companies	240,311	239,741
Other financial assets	157	377
Other shares and holdings	247	248
	240,715	240,367
Total non current assets	**1,987,451**	**1,979,313**
Current assets		
Long-term receivables		
Loan receivables	-	8
Loan receivables from group companies	2,145	13,000
	2,145	13,008
Short-term receivables		
Trade receivables	19,243	18,958
Receivables from group companies	9,594	15,312
Other receivables	259	333
Deferred tax assets	28,674	31,008
Prepayments and accrued income	28,691	22,258
	86,460	87,869
Cash and cash equivalents	11,874	18,969
Total current assets	**100,479**	**119,846**
TOTAL ASSETS	**2,087,930**	**2,099,159**

DIFFERENTIATED BALANCE SHEET

EUR 1,000	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES		
Capital and reserves		
Subscribed capital	3	3
Non restricted equity	1,045,667	981,241
Retained earnings	-229,598	-192,956
Loss for the financial year	-49,542	-36,642
	766,530	751,646
Cumulative accelerated depreciations	**297,565**	**334,436**
Liabilities		
Non-current liabilitites		
Connection fees	204,470	204,819
Other long-term loans	765	-
Liabilities to group companies	729,458	751,630
	934,693	956,449
Current liabilities		
Trade payables	13,257	10,420
Liabilities to group companies	2,763	15,097
Other short term liabilities	50,819	19,610
Accruals and deferred income	22,303	11,502
	89,142	56,629
Total liabilities	**1,023,835**	**1,013,078**
TOTAL EQUITY AND LIABILITIES	**2,087,930**	**2,099,159**

NOTES FOR DIFFERENTIATED FINANCIAL STATEMENTS

DIFFERENTIATION PRINCIPLES

IIncome statement items and 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 Dec 2015	31 Dec 2014
Intangble assets		
Intangble rights	1,669	1,083
Other capitalized long term expenditures		
Connection fees	600	1,100
Other capitalized long term expenditures	225	901
Tangible assets		
Land and water areas	28	-
Electricity network	91,445	113,826
Meters	1,518	1,278
Other tangible assets	333	695
Shares and holdings	570	3

	31 Dec 2015	31 Dec 2014
Average number of personnel in the network business	184	177
R&D expenses in the profit and loss account 1.1–31.12. (EUR)	762,911	988,718
Expenses incurred from hourly metering 1.1–31.12. (EUR)	2,707,275	2,840,587
Operative expenses included in security of supply incentive 1.1–31.12. (EUR)	1,440,727	64,419

SIGNATURES TO THE FINANCIAL STATEMENTS

Helsinki, 29 March 2016

Timo Rajala
Chairman of the Board of Directors

Heidi Koskinen

Kunal Koya

Tapani Liuhala

Peter Lyneham

Jorma Myllymäki

Timothy Short

Philip White

AUDITOR'S NOTE
A report on the audit carried out has been issued today.

Helsinki, 29 March 2016

Ernst & Young Oy
Authorised Public Accountants

Mikko Rytilahti
Authorised Public Accountant

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, 2015. 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 or 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 March 29, 2016

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant